

14th District Agricultural Association

SANTA CRUZ COUNTY FAIR

Established 1885



BOARD MEETING MINUTES

Board of Directors' Meeting

2601 East Lake Avenue, Watsonville, CA

Tuesday, November 22, 2011

The Board Room

CALL TO ORDER: 1:50 PM

DIRECTORS PRESENT: Stuart Yamamoto, Director and Acting Chair as Past President; Bruce Oneto, Director; Loretta Estrada, Director; Patrice Edwards, Director; Jody Belgard Akimoto, Director; Christopher Smith, Director; Bob Thomas, Director.

DIRECTORS ABSENT/EXCUSED: Rob Marani, excused.

Director Oneto reminded Staff that the Board is given the responsibility of approving the excusing of other Board members.

OTHERS PRESENT: Michael Bethke, Fair Manager; Emily Grunewald, Office Manager; Richard Travis, Heritage Foundation; Blanca Boyd, Horseshow and Office Staff; Lynne Grossi, AHP, Livestock; Steve Stagnaro, Publicity

Max Kelley, neighbor and Community Alliance for Fairgrounds Accountability (CAFA) member; Eric Zamost, Stop the Rodeo & CAFA; Sergeant Mike McDonald, Stars of Justice

PLEDGE OF ALLEGIANCE

AGENDA APPROVAL: Given our current financial situation, Director Oneto requested that the subject "Where do we go from here?" be added as a discussion item as the first order of business on today's agenda. Director Smith noted that he would object to such an addition if it is only going to be a "hot air session" but that placing it on a future agenda with time to prepare for it might be appropriate. Director Edwards noted that she has repeatedly apprised the Board of the spending pattern over the last four months, that a spending freeze has been approved but not respected, and that the Fairgrounds is currently in crisis mode, to the point that we can almost no longer afford to operate. Director Smith countered that such a discussion would be an ad hoc and philosophical way to approach a financial issue, that Mr. Ridgeway should prepare a financial report as suggested by the Finance Committee, and that without this professional data, any discussion along these lines would likely be polarizing and not productive. Director Edwards suggested setting a time limit on this discussion which would focus on how to stop the current bleeding and how to move forward. Director Smith clarified that he is quite aware of the grave financial situation but that he is concerned about this kind of approach to solving it. Director Oneto suggested that the 8 to 10-page document prepared by Staff called "Observations and Suggestions for Improved Financial Operations of the 14th DAA" be used as an outline for discussion. Director Smith noted that a special

meeting could be called by the President to discuss this issue. An unnamed male member of the public also suggested that a 10-minute discussion of positive suggestions regarding the Staff document might be productive. Director Thomas concurred with Director Smith regarding placing this item for discussion at a special meeting or on next month's agenda. Manager Bethke clarified that this item is already technically on the agenda under item XI-2. Director Oneto noted that that is likely too late in the meeting to result in a meaningful discussion but that moving it forward on the agenda would be agreeable.

Director Estrada moved and Director Edwards seconded the motion to approve the Agenda as presented with moving Item XI-2 forward in the meeting

PUBLIC COMMENT:

Eric Zamost: Mr. Zamost claimed that some Board members are not aware of the status of the Stop the Rodeo lawsuit and clarified that the judge has taken the matter under advisement and has not yet rendered a decision. Mr. Zamost stated that as to whether the press release was deliberately false and meets the definition of fraud, he noted that Mr. Marani was present at the hearing and apparently understood the outcome and that at the time of the press release's publication, the Fairgrounds apparently knew it was false.

FINANCIALS: Director Edwards reported that the Finance Committee met last week to review the July, August and September Financials, and expenditures and income were reviewed in detail. At that meeting, the Committee recommended approving the revised July Financials as well as the August and September Financials. July's Financials were revised based on Lewis Ridgeway's recommendation to move approximately \$100,000 into capital expenditures which had been classified previously in maintenance. A motion was also made to continue the spending freeze and that all future expenses be reviewed and approved by Director Estrada through Buildings and Grounds. The Committee met again today to review the finances, and Director Edwards noted that she has requested an itemization of Accounts Payable which amounts to approximately \$94,000. She has further requested copies of the September and October invoices in order to compare these with the check registers and track when debt was incurred versus when it was paid. The Committee recommended approval of the October Financials at their meeting today.

Director Belgard-Akimoto moved and Director Smith seconded the motion to approve the revised July as well as August, September and October 2011 Financials as presented and recommended by the Finance Committee. The motion was carried.

MINUTES: Director Oneto noted that the first Closed Session item on page 15 should not read "None" since the item was indeed discussed, and that, in accordance with Bagley-Keene, the times of the Closed Session re-adjournment as well as the results of this discussion should have been properly reported out including Director Smith's improper suggestion to fire Manager Bethke when the direction was clearly to discuss only performance. He also noted that the authorization of a CFO discussed during that session should have been an Open Session discussion item. Director Smith noted that any objections to what happened in Closed Session should be addressed in Closed Session and not in Open Session. Ms. Grunewald clarified that the details of the Closed Session were not reported out on the recording of the meeting and therefore the transcriptionist did not have those details available to her for inclusion in the Minutes, including the times of adjournment; also, if provided, these details can be included for approval with the next set of Minutes. Director Oneto recalls that when the Closed Session ended, President Marani reported that no action had been taken; however, Director Oneto's recollection was that the addition of a CFO had been authorized during Closed Session. Director Smith's recollection is that the Board directed President Marani and Manager Bethke to inquire at last month's budget conference whether there would be

anyone there who could help us. Director Oneto suggested that the next Closed Session be recorded and that the Attorney General and possibly a sheriff be present. Director Smith speculated that Directors Oneto and Edwards are trying to get Manager Bethke fired and have a replacement in mind, and Director Edwards countered that Director Smith is sorely mistaken. Mr. Kelley also clarified that on page 2, the second to last sentence of the Public Comment section should read "...CAFA ~~is now~~ remains ready to sit down with Board leadership..." Mr. Zamost noted that the second to last line on page 1 should read, "...packets are available 10 days prior to the ~~notice~~ meeting..."

Manager Bethke proposed that the Attorney General's office be consulted about Closed Session content and that the approval of these Minutes be deferred until next month's meeting.

CONSENT AGENDA: Director Smith moved and Director Thomas seconded the motion to approve the Consent Agenda as presented. The motion was carried.

FAIR MANAGER'S REPORT: Michael Bethke

- **"Observations and Suggestions" Memo. Note: The 2nd New Business item was moved forward as part of this discussion.**
 - ❖ **Financial Consultant.** Manager Bethke reported that he and President Marani were successful in consulting with Ms. Susan Clark, who was recommended by the Western Fairs Association at the budget conference, and her resume can be found on the back of the Observations and Suggestions memo. She agreed to spend a day with us here pro bono and reviewed the financials from July to the present; she also met with our planning consultant, Bob Johnson of RCH. After this brief meeting, she prepared the attached memo based on these initial observations, and Manager Bethke highlighted some of her suggestions as reported on below.
 - ❖ **Office Closure.** Staff is on board to close the office the last two weeks of the year, as suggested, as a cost saving measure for energy costs as well as leave liability.
 - ❖ **Cash Reserve.** After paying off existing bills and with projected year-end income, cash reserve should be in approximately the \$170,000 range which is just shy of the \$200,000 previously suggested by Lewis Ridgeway.
 - ❖ **Accounts Receivable & Payable.** CFSA will be coming down to train Staff and help with the transition of moving these accounting operations in-house so that invoices are paid in a more timely manner and resulting in a cost savings as well since we would not be paying CFSA to do them.
 - ❖ **Financial Comptroller.** Ms. Clark also offered to help with the recruitment of a very part-time comptroller who would oversee our finances as a third-party financial expert. Director Edwards suggested that Manager Bethke contact HR about the CFO position since it is her understanding that we do not have such a position and cannot create one with a Fair our size. Manager Bethke noted that this would be a 119-day employee and would likely only be working one to two hours weekly. Director Edwards highlighted Ms. Clark's proposed scope of work and payment compensation proposal which, Director Edwards noted, does not appear to be pro bono; however, Manager Bethke clarified that her statement about scope of work and payment was made before she arrived, and during her visit, she offered to work pro bono for three months. Director Oneto also noted that Ms. Clark comes highly recommended by Mr. Ridgeway. Director Edwards noted that she would like to meet with Ms. Clark and hear what her proposal is and determine chain of command. Director Smith inquired why we need to wait until a special meeting is called regarding Ms. Clark since she has come so highly recommended and Staff and President Marani have

already met her. Ms. Grunewald clarified that Ms. Clark realizes that we clearly cannot afford to have her working for us but is interested in helping us out, particularly with the budget, and is willing to give us advice when needed. Director Smith also inquired about the difference in scope of work for our bookkeeper, Lewis Ridgeway, Susan Clark and a proposed comptroller but noted that the Board did, in fact, agree that we need someone to oversee our finances.

- ❖ **Cost Recovery for Event Use.** Ms. Clark suggested that the office be aggressive in recouping staff and utility expenses for event usage which would be above and beyond basic rental fees.
- ❖ **Parking.** Manager Bethke is hopeful that once the Farmer's Market is reinstated that we will once again be realizing \$8-10,000 per month in parking revenue. It was also suggested that parking fees be charged during the races as well. Parking fees may also be collected for a select other interim events such as the Computer Expo that will potentially be held in mid-December. Director Edwards noted that, with a few exceptions, we should be looking to collect 100% of the parking fees; however, per Mr. Prentice's contract, she does not believe that he can charge for parking. Ms. Grunewald stated that in her conversation with Ms. Clark, she noted that a clause does exist in the Speedway's contract to allow for parking and that the compensation we receive from the Speedway, particularly regarding utilities, should be revisited at some point. She also noted that the state realizes \$30 billion per year in parking revenue, since people are willing to pay for parking, and that we need to leverage this more for other events. Director Smith proposed that we establish a parking kiosk and anyone coming onto the grounds, with certain exemptions, needs to pay to park, with all of the money coming to the Fairgrounds. Director Yamamoto noted that any parking arrangement will have to be something discussed as part of a general policy, and Directors Edwards and Smith offered to sit on a sub-committee to develop such a policy. Director Estrada noted that other Fairgrounds, such as San Benito, have been charging \$5 for parking every time anybody enters the grounds for years if not decades, so there is some precedent for this kind of policy. Director Oneto also noted that a proposed policy needs to address both gates, and Director Estrada noted that the secondary gate should be closed at all times except when a function is being held at the Horse Show Arena, at which time someone could be hired to man that gate for parking. Director Edwards also offered to inquire with other Fairgrounds about their policies before the sub-committee meets.
- ❖ **Sponsorships.** Ms. Clark suggested that an aggressive sponsorship program be ramped up, both for corporate sponsors and in-kind services by our contractors in exchange for a sponsorship designation. Ms. Clark also suggested that the Board designate a sub-committee to develop and propose a formal sponsorship program and that, in her experience, corporations are typically more willing to donate if approached by a volunteer Board member. Director Oneto noted that the gentleman who works with sponsorships at the Alameda Fairgrounds and the State Fair would be a good person to contact and invite to a Board meeting in this regard. Director Estrada proposed that Director Smith take on a sub-committee aimed at developing an aggressive sponsorship campaign, as suggested, but Director Smith questioned whether he is the best public relations point person on the Board. Director Edwards noted that current sponsors need to be contacted immediately since many companies are establishing their budgets for 2012 at this time.
- ❖ **Contract Controls.** It has been suggested that a purchase order program be enacted, similar to and in conjunction with the work order program already instituted this year, in order to track expenditures as well as volunteer contributions of contractors. These would be signed off by both the Fair Manager and the Finance Comptroller before work is authorized. This would also provide a formal way to obtain contractor licensure and the validity of their Worker's Comp insurance.

- ❖ **Master Plan & CIP.** Ms. Clark agreed that our strongest emphasis should be identifying capital improvement projects that can also tap into federal and state money targeted towards emergency preparation.

- ❖ **Other Board/Public Comments.**

Director Oneto noted that the Board also needs to be thinking about the transition from a state DAA to something more local, with Board members nominated in possibly another fashion besides as a state political appointment. He further noted that this will be a topic at the January convention. He suggested that the Board be pared down to seven with one member from AHP, one from the Heritage Foundation and one appointed by each of our five local supervisors so that accountability is local. He also noted that a legal case may be made for the property to be considered locally owned since local money and sweat equity has been invested in it for so many years. He further noted that since the office will be closed the last two weeks of December he suggested that the December meeting be cancelled and a special meeting be held during the first two weeks of December where Ms. Clark, the sponsorship gentleman from Alameda and perhaps a parking expert be invited to discuss these issues.

Unnamed Male: This gentleman suggested that the Fair seek out a qualified volunteer CFO in exchange for a company sponsorship since quite a number of very qualified people are already more than willing to volunteer their time on the Fairgrounds. The Board expressed support for this idea.

Unnamed Female: This woman noted that given the half a billion dollars in agriculture done in this county that some of those businesses would likely be amenable to responding with some sponsorship money and that a sponsorship program should be started immediately pending Board approval.

Unnamed Male: This gentleman suggested that local non-profits be asked to man the parking kiosk so that money not only comes onto the Fairgrounds but is also infused into the local community.

- **Status Update on Heritage Hall and AHP Barn** – Manager Bethke reported that the slab has been poured for Heritage Hall which will be allowed to cure before the siding work commences. The AHP Barn is completed.
- **Status Update on the 2012 Stars of Justice Rodeo** – Manager Bethke reported and Sgt. McDonald confirmed that the Stars of Justice is petitioning to have a second annual rodeo in 2012. Sgt. McDonald thanked those in the room who helped with the previous, very successful event and that there were approximately 1200 in attendance with a lot of positive feedback, even with the minimal amount of promoting they were able to do. With what they learned this year, the Stars of Justice is already looking to make improvements for next year's event. Manager Bethke noted that when a new contract proposal is developed, the Stars of Justice will return to the Board for consideration. He also noted that January 25, 2012 is the deadline for the judge to rule on the lawsuit and that the Attorney General's office is optimistic that the judge will rule in our favor, with no guarantees. Directors Oneto and Estrada expressed concern about the deep pockets of the animal rights activists who are willing to fight legal battles on these issues, and we have already spent upwards of \$100,000 in legal fees already.

Eric Zamost: Mr. Zamost noted that the Fairgrounds paid \$6000 on an environmental consultant for this event but only realized \$2500 in revenue from it. He noted that the Attorney General also warned that

the Fairgrounds could potentially face an expensive lawsuit if the event were held and yet the Board is now considering holding the event again, a strategy that seems to not lend itself to making the Fairgrounds financially successful.

- **Status Update of 2011 Special Allocation from F&E.** Manager Bethke reported that F&E sent a note regarding the mistaken allocation following last month's meeting.
- **2011 Final Fair Report. ???**

COMMITTEE REPORTS:

- **Buildings and Grounds – Loretta Estrada.** No meeting was held this month, although she conducted a walk-around last week, noting things that need to be addressed
- **Rodgers House – Loretta Estrada.** Director Estrada reported that the House has been decorated for all of the upcoming Christmas Parties.
- **Ocean Speedway – John Prentice.** No report.
- **Education Committee – No report.**
- **Heritage Foundation – Richard Travis.** Mr. Travis reported that the Craft Faire is coming up on December 2 and 3, 2011 and that the Board's support would be appreciated.
- **Junior Fair Board – No report.**
- **Agricultural History Project – Lynne Grossi.** Ms. Grossi noted that their Membership Potluck is coming up on December 6, 2011 which the Board is invited to. AHP will also be participating in the Hollister parade on Saturday and the Salinas parade on Sunday.

Max Kelley: Mr. Kelly complimented AHP on the fantastic Harvest Dinner and Auction that they hosted.

- **Fair Committee – No report.**
- **Horse Show Committee – Blanca Boyd.** Ms. Boyd reported that the last horse show was rained out, and the horse shows are completed for the year.
- **Livestock Committee – No report.**
- **Ad Hoc Community Relations Committee – Jody Belgard-Akimoto.** Director Belgard-Akimoto noted that the Committee has had three meetings on successive Tuesdays with representatives from CAFA which have been going quite well.

Max Kelley: Mr. Kelley agreed that progress is being made at these meetings, and he thanked the three Board members and Mr. Prentice for participating. A list of items has been generated that CAFA would like included in the new noise policy drafted for the Fairgrounds and includes revisions from the previously proposed policy which CAFA feels are reasonable and attainable. This list will be made available to the full Board. CAFA would like to have the Board continue to encourage the Committee to proceed in a thoughtful and speedy manner, and they are hopeful that a policy proposal can be presented for approval in the next few months.

John Prentice: Mr. Prentice noted that the recent sound proposal is mostly Speedway-related.

Director Oneto encouraged the Committee and CAFA to keep the Board apprised of their ongoing proceedings so that intelligent decisions can be made when the proposal is eventually presented to the Board for a vote. Minutes of their meetings would be helpful in this regard.

- **Ad Hoc Alcohol Policy Committee – Jody Belgard-Akimoto.** Director Belgard-Akimoto reported that the proposed policy for the first reading will be sent out in the next Board packet. This policy was based on a compilation of other Fairgrounds' policies and was reviewed by an attorney.

OLD BUSINESS:

1. **Review and consider adoption of the Watsonville Certified Farmers Market Initial Study/Negative Declaration – Manager Bethke.** Manager Bethke reported that Staff was prepared to bring a negative declaration to today's meeting for adoption with resolutions and findings and would have it in the Board packets, but CAFA requested another 30-day extension for comments which has been granted. He further noted that the details of the memo presented by CAFA at the last meeting have indeed already been incorporated into the negative declaration including the use of established restrooms accessible from the outside at the Crosetti Building and no provision for amplified music. If the negative declaration is adopted by the Board in December, Staff is then recommending that the RFP be circulated ASAP so that by January a potential candidate can be selected. Director Edwards requested that the Board be allowed to review the RFP before it is circulated and that the window for response be at least 30 days. Director Estrada countered that this should be acted on quickly given how long we have drawn this process out already. Ms. Grunewald clarified that the RFP could be prepared and approved by Sacramento in a few short days, and Director Edwards noted that she could review this within one day as well.

Max Kelley. Mr. Kelly noted that if the amplified music provision has indeed been included in the negative declaration that CAFA would be prepared to not challenge it legally provided they could have the opportunity to review the revised negative declaration.

Directors Smith and Yamamoto inquired whether the RFP process is necessarily tied to the negative declaration and whether the RFP could be circulated prior to approval of the negative declaration, and Manager Bethke clarified that they are indeed separate entities.

Ms. Grunewald also reminded the Board that for every week this process is prolonged \$1250 in rent is lost along with an average of \$5000 in parking fees.

Director Oneto inquired whether we can contest the Salsipuedes stipulation of no portable toilets on site either by virtue of this being state property or by installing them on a trailer that is removed weekly so that they are not permanent structures. In this way the Crosetti Building can be a separate entity for rent and not have to share the restrooms. He noted that he will investigate the language in this ordinance.

2. **Background information update and suggestions for the Master Plan process.** Manager Bethke again reported that he met with Bob Johnson last week, and he has redrafted a proposed contract with us instead of CCA for a scope of services that should still be a good product and will cost us \$40,000. This should be ready for review at next month's meeting.

3. **Department Fundraising Ideas.** No report.

NEW BUSINESS:

1. **Discussion about the Fair's and CDFA's nepotism policy.** Manager Bethke noted we may need to get clarification from the Personnel Director with CDFA regarding maintenance staff next spring.
2. **Discussion and recommendations to recruit a part-time CFO and/or Finance Manager –** See page 3 under Fair Manager's Report.
3. **Publicity report/2012 Fair theme – Steve Stagnaro.** The Board's sentiment was that they did not really like any of the proposed themes. Director Estrada noted that the last two posters were too much alike and that something different should be tried. Mr. Stagnaro proposed that the Fairgrounds take a one-year break from farm animals, and the Board concurred. He further noted that "Colors of the Fair" allows for some creativity since it is so broad. Given the importance of the berry industry in the area, Director Edwards liked "Come See the Berry Best," and the pleasure of the Board was that this theme be chosen.
4. **2012 Delegation of Authority – Emily Grunewald.** Ms. Grunewald reported that this process needs to be done every year in order to sign contracts. In the past this has been done by the Business Assistant and the Fair Manager, but we do not have presently have a Business Assistant, so this authority can be delegated to the Fair Manager and the Board President, with two people designated being preferable in case one or the other is not available but only one is necessary. The limit amount is also stipulated, with the limit in the past being \$5000. This typically includes rental contracts, standard agreements and judging contracts. Any contracts over \$5000 already require Board approval.

Director Belgard-Akimoto moved and Director Smith seconded the motion to designate the Fair Manager, the Board President and the Vice President with delegation of authority to sign contracts for amounts not exceeding \$5000 with two signatures required for service contracts. The motion was carried.

5. **Nomination of 2012 Board of Directors' Officers – Michael Bethke.** Director Estrada nominated Jody Belgard-Akimoto as Board President. Director Yamamoto nominated Patrice Edwards as Board President. Director Smith nominated Bob Thomas as Vice President. Director Oneto nominated Patrice Edwards as Vice President. Director Oneto reminded the Board that the vote cannot be done by secret ballot.
6. **Approval of 2012 proposed budget – Michael Bethke.** Manager Bethke reported that some discrepancies are being ironed out, and the budget will be sent out next week for the Board's review. It will also be posted on the website for public review and comment.

Unnamed Male: This gentleman noted that the pending litigation likely will have an effect on the budget and that CAFA has agreed to a stay of the litigation for a period of three to four months with the stipulation that a noise ordinance for the Speedway as well as for the rest of the Fairgrounds be crafted within that time frame.

Director Oneto noted that once the Master Planning process begins that CAFA needs to have removed its stay and be considered as any other stakeholder without the threat of litigation.

Unnamed Male: This gentleman noted that he would like to see this process end as well, as they are indeed supporters of the Fair, and would like to not have the noise policy be part of the Master Plan discussion.

Director Oneto noted that his vision is that neighboring property will increase in value in 10 years because of all the wonderful things going on at the Fairgrounds.

CORRESPONDENCE:

1. Stars of Justice.
2. Santa Cruz County Probation Department.

Max Kelley: Mr. Kelley inquired about how Staff decides what to include in the list of correspondence for the Agenda since some of his items have correspondence have not been listed.

Manager Bethke clarified that last month's list, for example, did not include all of the comments about the negative declaration since it was all included with comments in the report. He also noted that copies of everything that comes in are displayed on the counter in the office.

CLOSED SESSION: Manager Bethke noted that there is nothing more to report in Closed Session than what has already been discussed above, including that the ruling deadline is January 25, 2012.

Director Belgard-Akimoto noted that she will send an invitation out to the Board members about a holiday party following the next month's Board meeting.

ADJOURNMENT: The meeting was adjourned at 3:55 PM.

Next Finance Committee Meeting: Tuesday, December 13, 2011 @ 12:45 PM in Board Room.

Next Board Meeting: Tuesday, December 13, 2011 @ 1:30 PM in Board Room.

The meeting date was moved up by a week due to the proximity to the holidays.