

NAPA COUNTY
RESPONSE TO THE GRAND JURY FINAL REPORT ON
THE NAPA COUNTY FAIRGROUNDS: THE COUNTY'S ORPHAN ASSET

August 15, 2017

Finding 1: The Napa County Fairgrounds is a substantial asset, both to Napa County, and especially to the City of Calistoga and the surrounding northern Napa Valley community.

Response, Board of Supervisors: The Board of Supervisors agrees with this finding.

Finding 2: At the outset, the Board of Supervisors delegated the operation and maintenance of the Fairgrounds to a private, not-for-profit organization to which it provided little or no oversight and that this arrangement has never been seriously reviewed.

Response, Board of Supervisors: The Board of Supervisors (BOS) disagrees in part with this finding. Napa County began its contractual arrangement with the private, not-for-profit organization known as the Napa County Fair Association (NCFA) in 1994; however, it has been in a longstanding relationship for many years prior to that date. Pursuant to State law the BOS has always reviewed and approved the annual budget for the NCFA. Beginning in 2013 with the loss of State funding, the obligation to formally approve and then submit the annual budget to the State was removed. As evidenced in the revised Agreement between the County and NCFA, the annual budget is submitted to the County but does not require Board approval.

In 2008, the BOS requested that the NCFA adopt the Ralph M. Brown Act for greater transparency in its meetings. Also in 2008 the Board requested that the NCFA broaden its outreach to encompass the entire Napa Valley. The NCFA expanded its Board to include a broader representation from throughout the county and beginning in 2013 the BOS appoints three members to the NCFA Board. A partial list of accomplishments in the past decade include: revised employee benefit package; established written Procedure Manual; creating Board development through training in such areas as ethics and Brown Act; converted to a 501(c)(3); completed a rewrite of the Bylaws and restated Articles of Incorporation; participated in the Valley Fire; created a volunteer program; and successfully negotiated cell tower rentals.

Through its County Executive Officer and Auditor-Controller, Napa County has provided oversight to the Executive Director of the Fair Association. The County's leadership team meets with the Executive Director (since 2010 when the current Executive Director was hired) regarding ongoing issues dealing with the facilities and general operations, and provides guidance on long-term sustainability of the Fairgrounds. The BOS recently appointed two members to work two-by-two with City Council of Calistoga members to review the

governance structure of the Napa County Fairgrounds; those four members will be providing recommendations to the Board of Supervisors and the City Council, respectively, by the end of 2017.

Finding 3: Failure to exercise proper stewardship of the Napa County Fairgrounds has been institutionalized in the behavior of all responsible for several generations.

Response, Board of Supervisors: The Board of Supervisors disagrees with this finding. As mentioned above, the Board has increased its oversight of the NCFA in the last 15 years. However, with dwindling resources and other higher countywide priorities the Board acknowledges that the Fairgrounds have suffered.

What has occurred at the Napa County Fairgrounds is not unique to it. The problem of insufficient revenues and declining infrastructure exists throughout the fair industry. Many fairgrounds, including the State facilities, were built with the belief that local funding and governance would carry the industry, i.e. local fair boards would be more responsive to community needs with members of the fair boards coming from within each unique community rather than oversight from the State or even county level. However, that system did not provide or require training for the proper stewardship of public facilities or a financial reporting system that encouraged building contingency funds for major maintenance facility projects when state funding was abundant. When state funding ended, most fairgrounds were left to survive as best they could.

Finding 4: The current Fairgrounds operations consist of the County Fair and four separate enterprises, the management and maintenance of which exceeds the expertise and resources of the Napa County Fairgrounds Association.

Response, Board of Supervisors: The Board of Supervisors agrees with this finding. The Executive Director of the NCFA is extremely knowledgeable about fair operations. However, there is not the financial resource available to fully staff and administer ongoing programs, particularly within the limitations of a five year contract term required by the Government Code. Maintaining the approximately 70 acre facility exceeds the financial resources of the NCFA. Restricted by the five year term, the NCFA is unable to leverage assets for long-term debt financing. As such, whenever major facility projects are identified, the NCFA's only option for funding is to reallocate its very limited cash flow.

Finding 5: The Napa County Fairgrounds and its buildings are in a state of chronic decay, the result of systematic lack of necessary maintenance and by at times overt neglect that has extended over most of the Fairground's existence.

Response, Board of Supervisors: The Board of Supervisors disagrees with this finding. The buildings are not in decay; they are safe, but considering that the most recent building was constructed in 1988 and the first in 1948, they could use a facelift and are in need of long-term investment to extend their useful service.

Since 2010, the NCFA has invested over \$300,000 in infrastructure improvements including replacing the Tubbs Building sewer line, new swamp coolers on the Tubbs Building and Butler Pavilion, renovating the RV Park restrooms (new fixtures and motion-activated lighting), replacing the reclaimed water pond pump, and the addition of permanent ADA parking stalls. During that same time period, nearly \$70,000 in new equipment purchases or leases were made for new tables, chairs, and an indoor stage for special events; lawn mowers and rental carts for the golf course; ADA workstations, countertops, doors, and hardware; and picnic tables.

There has also been significant investment from volunteers both in time and resources to improve the racetrack and other facilities.

Finding 6: The State's severe reduction of financial support for the Napa County Fair in 2011 may have abrogated its Land Tenure Agreement with Napa County. Regardless, the Land Tenure Agreement expires in 2024.

Response, Board of Supervisors: The Board of Supervisors agrees with this finding. With approval of the Agreement between NCFA and the County in 2013, it was agreed to continue fairgrounds operations so long as could be done without financial support from the County, providing the NCFA with the opportunity to find long-term sustainability solutions. It is important to note that funding was reduced from approximately \$200,000 to the almost \$35,000 NCFA received in 2016.

Finding 7: The Napa County Fair itself is in serious decline, with its continued operation in doubt.

Response, Board of Supervisors: The Board of Supervisors agrees in part with this finding. Over the past 25 years, as each individual community within Napa County has developed its own 4th of July celebration, participation in the County Fair has declined. The celebration of community life through the County Fair is not in jeopardy, only the time of year it currently takes place. The NCFA continues to look at dates, duration and type of activities that encourage attendance.

Finding 8: The ancillary function of the Fairgrounds as an emergency refuge for victims of flooding, wildfires, or earthquake is important, even vital, to any future development of the Fairgrounds themselves.

Response, Board of Supervisors: The Board of Supervisors agrees with this finding. The NCFA's mission is to serve the citizens of Napa County with cultural, social, and economic benefits in times of celebration as well as need. This mission has existed for the NCFA since 2013, underscored by its significant role in the Valley Fire shelter operations. The Fairgrounds is identified as a primary evacuation center site in the County's Emergency Operations Plan (EOP). While the sheer size of the Fairgrounds was a huge bonus for the 2015 Valley Fire response, the site is a primary location due to its location rather than its size. The Valley Fire Shelter was an atypical response. The County plans for shelter operations on a much smaller scale. During previous evacuation events for Floods and Fires evacuee populations totaled less than 100 at County evacuation centers. The benefits of the Fairground location is: 1) the County owns the property so approvals to use the site are not complicated; 2) large numbers of evacuees can be accommodated with support facilities; 3) animals can be accommodated at the Fairgrounds locations, unlike other County locations; and 4) Fairgrounds staff are trained in Emergency Response and their assistance and coordination proved invaluable during the Valley Fire Shelter response. If governance changes, it is currently anticipated that the Fairgrounds will continue to play an important part in the countywide emergency services plans.

Finding 9: The conduct of the Napa County Fairgrounds Association Board has been at times dysfunctional, with some Board members publicly complaining about lack of transparency in the Board's financial reporting.

Response, Board of Supervisors: The Board of Supervisors disagrees with this finding in part. While some NCFA members have complained, the NCFA has had its most transparent financial operation since it established a finance committee in 2012. All financial records are made available to the public. Monthly financial statements are provided to the full Association board and the agenda packets made available at each board meeting and online. The finance committee reviews the detailed financial reports quarterly and presents them for final acceptance to the full NCFA board. Financial reports are presented to the NCFA membership at its annual meeting by the finance committee chairperson. The finance committee also completes the annual Statement of Operations (annual report) for submittal to the California Department of Food and Agriculture and presents the report to the NCFA. Recently, with the rebranding of the NCFA website, it has included the NCFA audits from 2010. An independent Auditor is employed annually by the Association to perform a full audit of the Associations financial records, reporting and financial management every other year, with a complete financial review in the alternating years. The Auditors' report and management letter are placed on the Board's agenda at a regular Board meeting for review, public input, and approval by the Board.

Finding 10: Some of the complaints expressed by the former dissenting members of the Napa County Fairgrounds Association Board have merit: in particular, complaints about golf course maintenance, managerial decision making, and a general lack of transparency.

Response, Board of Supervisors: The Board of Supervisors disagrees with this finding.

The golf course maintenance issue is a recent one. Public comments received from golfers from 2012-2015 praised the golf course maintenance operation. In 2016 the course experienced problems due to the drought and a damaged irrigation system; the conditions were corrected prior to the end of the year due to a concerted effort of personnel time, financial resources, and reengagement of professional consultants. The Board of Supervisors and management of the NCFA acknowledge the need for professional golf course management but lack the funds necessary to contract with such an individual or firm.

Regarding transparency, current Association management brought the Board into compliance with the Brown Act beginning in 2010, including annual training of board members. Since then, the NCFA has developed a comprehensive written policy manual. All board meeting and standing committee meeting agendas are publicly noticed. Minutes and supporting documentation are made available online and at the meetings. Recently, the NCFA added additional financial reports to its website. The NCFA has never been more transparent to the public in its history than in the last 7 years.

Finding 11: A Joint Powers Authority (or Agreement), currently being discussed by the Board of Supervisors and the Calistoga City Council, could allow for long term contracts with concessionaires to incentivize investment in and development of Fairgrounds facilities.

Response, Board of Supervisors: The Board of Supervisors agrees with this finding. Since October 2016, designated members of the Board of Supervisors and Calistoga City Council have been meeting to develop a mutually agreed upon governance model. It is anticipated that a recommendation will be discussed with the full Board of Supervisors and City Council by the end of the calendar year.

Recommendations

Recommendation 1: Any actions taken on renovation, development, or repurposing of the Napa County Fairgrounds involve explicit agreement between the Napa County Board of Supervisors and the City of Calistoga.

Response, Board of Supervisors: The Board of Supervisors agrees with this recommendation. The approximately 70 acres which comprise the Napa County Fairgrounds represent a significant asset for the County of Napa. The Board of Supervisors is committed to working with the City of Calistoga and has appointed two representatives to work with representatives

from the City to examine the governance of the Napa County Fairgrounds and jointly plan for its future, although the County will continue to own the land.

Recommendation 2: By December 31, 2017, the Napa County Board of Supervisors direct the County Executive to investigate whether any California counties with similar land tenure agreements concerning their county fairs have terminated those agreements and, if so, what consequences they experienced.

Response, Board of Supervisors: The Board of Supervisors disagrees with this recommendation because it is not necessary. Statewide, no other such land tenure agreement exists.

Recommendation 3: By 2020, the Napa County Board of Supervisors fully determine the implications of the Agreement's 2024 termination and set in place plans for the Fairgrounds future development and operation.

Response, Board of Supervisors: The Board of Supervisors agrees with the recommendation and is working with the City of Calistoga to create a governance structure which will provide for the future development and operation of the Fairgrounds. As reported during its discussion at its September 20, 2016 meeting, the BOS acknowledges the funding difficulties facing the NCFA, which is why the effort is being made to work with the City of Calistoga to change the governance structure.

Recommendation 4: The Napa County Board of Supervisors' plans for the Fairgrounds' future include provisions for the Fairgrounds' use as an emergency refuge for the victims of natural disasters in the region.

Response, Board of Supervisors: The Board of Supervisors agrees with the recommendation. The County continues to include the Fairgrounds in all its emergency preparedness planning as a primary location for providing services during an emergency response. The last time the facilities were used for that purpose by Napa County was in 2015 during the Valley Fire. In addition, the NCFA supports this, as evidenced by its recommendation to the County and City concerning the proposed JPA: the Fairgrounds should continue "as a place supports emergency preparedness, response, and disaster relief" needs of the community.

Recommendation 5: As soon as practicable, the Napa County Board of Supervisors contract the operation of the Calistoga Raceway, the Mount St. Helena Golf Course, and the Calistoga RV Park to concessionaires knowledgeable and competent to operate those enterprises efficiently and profitably.

Response, Board of Supervisors: The Board of Supervisors agrees with this recommendation. The two by two consisting of two members from the Board of Supervisors and two members from the City of Calistoga City Council together with the City Manager, the Interim County Executive Officer and staff will be making recommendations to the full City Council and Board of Supervisors by the end of 2017 regarding the governance and ongoing operations of the Fairgrounds. Once the governance is resolved the next step is to identify long term partnerships but between jurisdictions and possibly private industry that would result in the best utilization of the Fairgrounds with the greatest community impact and benefit.

Recommendation 6: As soon as practicable, the Napa County Board of Supervisors revise its contract with the Napa County Fair Association to focus that organization's efforts exclusively on the funding and operation of the Napa County Fair and related community activities.

Response, Board of Supervisors: The Board of Supervisors partially agrees with this recommendation. The two by two consisting of two members from the Board of Supervisors and two members from the City of Calistoga City Council together with the City Manager, the Interim County Executive Officer and staff will be making recommendations to the full City Council and Board of Supervisors by the end of 2017 regarding ongoing operations of the Fairgrounds. This will include recommendations regarding the relationship with the NCFA but may not include the ongoing operation of the Napa County Fair.