

Governor's State Fair Task Force

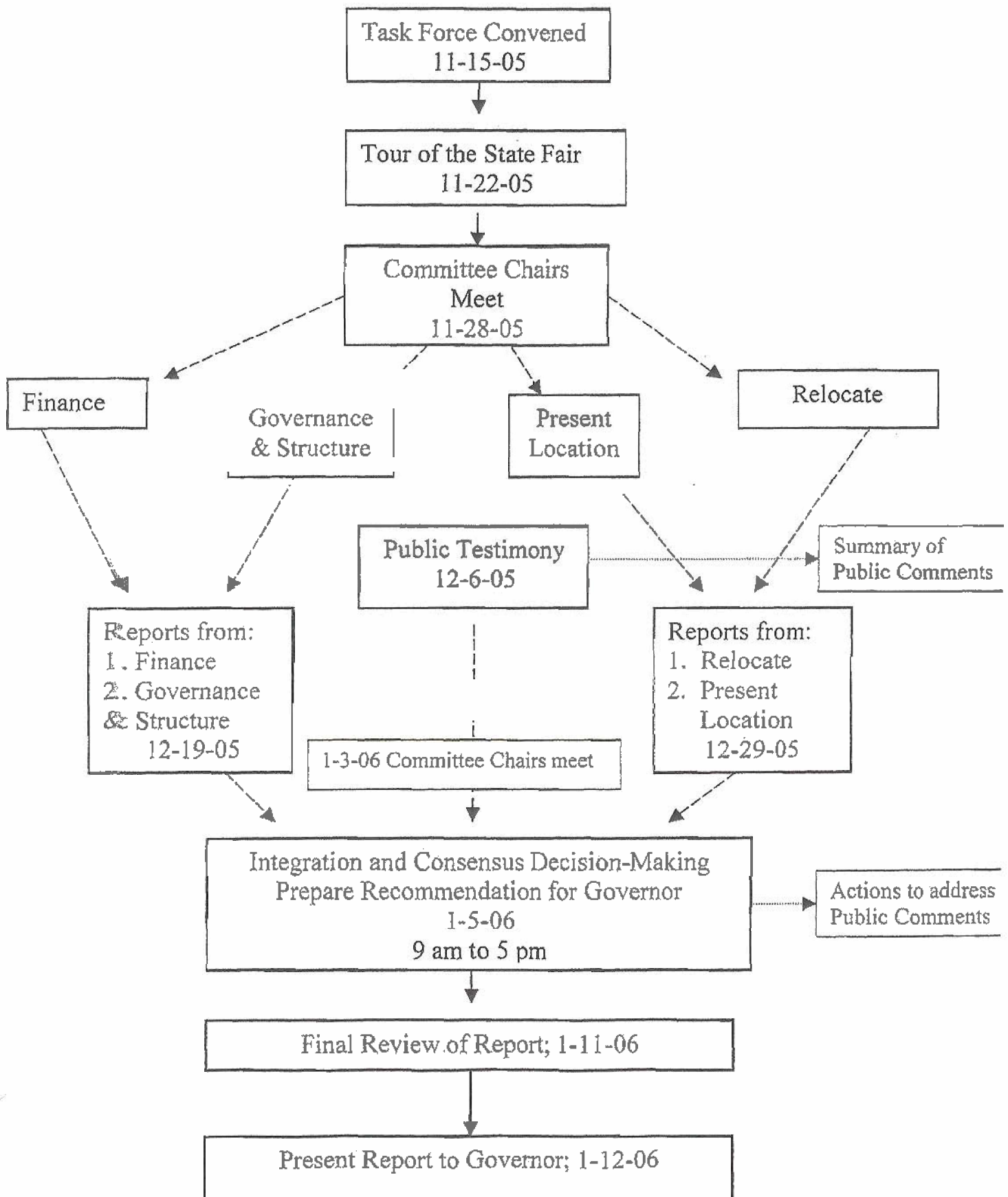
Recommendations and Final Report

January 12, 2006

Terri Cole, Chair

Del Archuleta, Vice Chair

Governor's State Fair Task Force



The Charge: Governor Richardson created the State Fair Task Force to do a fresh analysis of the State Fair and to determine the core mission of the Fair and Fairgrounds. Seeing the Fair as one of New Mexico's cultural treasures, the Governor asked the Task Force to bring him a plan that will be true to all of New Mexico's proud traditions, while positioning it to be strong and relevant in the 21st century.

The Process: The Task Force, chaired by Terri Cole with Vice Chair, Del Archuleta, worked through four committees: Finance, Structure and Governance, Current Location, and Relocation. Within the time and resources available, the State Fair Task Force committees drew on the expertise of its members, the public (a state-wide survey and 8 hours of public testimony), of state fair and state officials, and on outside experts who volunteered time and knowledge to enable the Task Force to understand in depth the finances, structure and governance and location considerations that led to the conclusions reached. Details on these efforts and exercises can be found in Tabs 2-5 of this report.

Task Force Members:

Terri Cole, Chair
Del Archuleta, Vice Chair

Committee Chairs:

Bill Garcia
Bob Goodman
Nick Kapnison
David Smoak

Ed Adams
Maria Elena Alvarez
Anthony Herrera
Caren Cowan
Larry Garcia
Roland Johnson
Sandy Jones
Mick McMahan
David Norvell
Fred Peralta
Ned Shepherd
Ron Solimon
Sheila Thomas
Bill Whittington

Bill Hume, Senior Policy Advisor for Governor Richardson
Kathy Domenici, Domenici Littlejohn, Inc., Communications and Facilitation

Task Force Recommendations

1. Mission

The mission of the State Fair has been updated to more accurately reflect its activities and to bring it into the 21st century. The Task Force has added "science and technology" and "arts" to the mission. This addition reflects New Mexico's advancement with two national labs, universities, high technology industries, as well as a vibrant international arts community.

2. Location

Keep the Fair in its current location. Preliminary estimates show that it would cost about \$330 million to move the State Fair and create the new one to 21st century standards. It is unlikely that the current operator of the racino would move to the new site. Based on these realities, as well as the strong public support for keeping the current location, the Task Force sees that the current site will keep the State Fair true to the traditions and culture of New Mexico.

Historically there has been no ongoing long-term funding source for capital and infrastructure improvements. As a result, the facilities at the Fair have deteriorated and a major infusion of capital is needed to protect and preserve the existing improvements and make upgrades. Further recommendations for the Fair at the current site include:

- Redevelop the racino on the interior of the fairgrounds. New Mexicans who were surveyed did not prefer the Louisiana and Central location. They asked that any decisions about the racino be made cautiously. The State Fair Commission resolution that recommends consulting with the neighborhoods, as the development plans unfold, should be followed.
- The State Fair management should establish a formal and continuing method of communication and interchange with the City of Albuquerque and the County of Bernalillo, with the goal of cross promoting and coordinating of events and programs in city-operated and fair-operated facilities.
- Encourage the City of Albuquerque to include a stop at the fairgrounds in its light rail transit planning.

3. Structure

- *Hire professional management.* The structure needs to change to one that allows Expo New Mexico to hire a professional fair manager (Certified Fair Executive) at competitive wages with multi-year contracts immune to changes in political administrations.

- **Create the Expo New Mexico Authority.** Professional managers need the support of an up-to-date structure that has appropriate checks, balances, controls and authority. New structures on the model of New Mexico's State Lottery Authority have been adopted by the more progressive State Fairs such as Iowa's and are working well. The Authority would have powers similar to the lottery authority and would be governed by a six-year, staggered-term Board of Directors composed of seven members. No more than four members would be from the same political party and we would recommend Board members be named within specific guidelines. Board members would be named by the Governor and confirmed by the Senate.
 - At least two would have agriculture backgrounds.
 - One member must be an attorney licensed to practice in New Mexico
 - One member must be a Certified Public Accountant or similarly qualified financial expert
 - Other members shall be prominent persons in their business or professions.

Allow the Fair to remain an Enterprise Fund, relying on increased efficiencies to manage operating expenses.

4. Finance

The Task Force preliminarily identified about \$150 million in renovations and additions necessary to bring the existing State Fairgrounds up to 21st Century standards, including solving the current parking and access problems. We recommend that the Legislature initiate this effort with a \$50-million capital outlay appropriation this year. The balance would be funded over subsequent years with bond proceeds amortized by dedicating an anticipated \$10.2-million per year in additional casino revenue to that purpose. The increase in revenue is explained below.

Under existing law the revenue from the casino/slot machines flows to the State General Fund. The amount is calculated by taking 26% of the daily net win on 330 slot machines. This revenue stream is currently about \$3.8 million a year, given the existing configuration and physical limitations of the casino. The casino is authorized to operate up to 750 slot machines at the present location. The Downs is unable to operate the additional 420 slot machines due to facility limitations.

There is a dramatic improvement in revenue to the State if the full 750 slot machines are in use. Estimates by the current casino ownership indicate the revenue to the State is likely to increase up to \$14 million a year. This increase results from more slot machines in addition to a new larger casino. The new larger casino in turn generates more traffic in the casino and higher net win revenue per machine.

With a new, larger casino at the present location, the State has the potential to increase revenue by \$10.2 million a year. In looking for long-term capital

improvement funding sources for the Fair, the entire \$10.2 million could be diverted to the fair capital projects bond fund for a typical 20-year bond cycle.

With a new Racino and a reconfigured Fair ground, it is anticipated ground leases for commercial development of vacant land around the perimeter may generate as much as \$2 million a year. This income could be used to augment operating income or bond amortization funds. The fair already receives about \$1,195,000 recurring income as a percentage of the pari mutuel tax collected at tracks statewide. A portion of that is currently pledged to amortize a recent \$5.5 million, 10-year bond issue.

The Fair presently receives \$2 million a year in rent for the grandstand/racetrack facility. A new ground lease fee would be negotiated as part of initiating a new casino development.

Public Opinion Study

The Governor's State Fair Task Force used the results of a public opinion study, as well as public testimony and committee research to base its unanimous recommendation to Governor Richardson.

The New Mexico State Fair is a state cultural institution much loved by the people of New Mexico. Its mission and identity are inextricably tied up with its down-at-the-heels mid-Heights campus in Albuquerque in the minds of the people, according to a Research and Polling, Inc. poll this month commissioned by the State Fair Task Force. 71% of New Mexicans surveyed said to keep the Fair at its current location. When asked about Fair relocation, based upon an estimated \$120 million for upgrades, the percentage supporting staying at the fairgrounds was 65%.

Perhaps the most surprising finding was the breadth of citizen use of the fairgrounds year round. Some 41 % of respondents said they had attended the Fairgrounds flea market within the past year, 35 % arts and crafts shows, 32 % musical concerts, 25 % car, truck or motor home shows, and 16% reported they attended horseracing when the fair is not open. Fifteen percent said they had played slot machines or video machines at the casino attached to the Fairgrounds racetrack. Given those numbers, it was less surprising that 84 % of respondents deemed the State Fair an important annual event and 91 % said it was important to have a strong and thriving New Mexico State Fair annually. Seventy-nine percent said the State Fairgrounds should be upgraded and provide more year-round events

According to the poll, citizens are by a 3-1 margin in favor of the Legislature providing major capital project financial support for the fairgrounds. They favor a voluntary program to divert \$1 per return of state income tax to a State Fair building renovation fund (67%-25%) but by a margin of 39% for and 53 % against, they declined to support a one-eighth cent gross receipts tax for renovation and new construction.

Seventy-Four percent said they were likely to attend the fair in future years. Of recent fairgoers, 44 % said the fair had improved over the last five years, 36 % said it had stayed about the same, and 15 % said it had declined.

Public testimony:

Public testimony was received at our December 6, 2005 meeting, offered by:

Senator Shannon Robinson

Tom Tinnin

John Garcia

New Mexico State Fair Commission

Jim Tucker, International Association of State Fairs and Expositions

Mike Daley, Forest City

Mike Cerletti

APD Chief Ray Schultz

Mayor Chavez

Mary Ann Weems, Weems Arts Fest

John Johnston, Garduno's

Craig Chapman, Ski Swap

Councilor Sally Mayer

Javier Benevidez (Martin Heinrich)

Representative Sheryl Stapleton

Representative Al Park

Joanne Landry, Neighborhood Association President

Roger Flegel, Neighborhood Association President

Paul Blanchard, The Down's at Albuquerque

Numerous community members, including: Ike Eastvold (Fair Heights Neighborhood Association), Reggie Tibbits, Valerie Cole, Pat Kaufman, Elsie Sholenbarger, Blair Darnell, Cheja Johnson, Karen Shuler, Julie Kirkpatrick, Judy Cooper, Joe Bob Nunez, Pat Bailey, Vernon Doherty, Lilly Pritchard, Sue Peterson, Beth Tietjen, Patsy Southern, Marty Fastanadt.