

COLORADO OFFICE OF THE STATE AUDITOR



SA

We Set the Standard for Good Government

DEPARTMENT OF AGRICULTURE

COLORADO STATE FAIR AUTHORITY



OCTOBER 2019

PERFORMANCE AUDIT

THE MISSION OF THE OFFICE OF THE STATE AUDITOR
IS TO IMPROVE GOVERNMENT
FOR THE PEOPLE OF COLORADO

LEGISLATIVE AUDIT COMMITTEE

Senator Nancy Todd – Chair

Representative Lori Saine – Vice-Chair

Representative Rod Bockenfeld

Senator Paul Lundeen

Senator Rhonda Fields

Representative Dafna Michaelson Jenet

Representative Tracy Kraft-Tharp

Senator Jim Smallwood

OFFICE OF THE STATE AUDITOR

Dianne E. Ray

State Auditor

Monica Bowers

Deputy State Auditor

Jenny Page

Audit Manager

Christopher Harless

Team Leader

Dana Berry

Auditors

Stefanie Winzeler

Kate Kornacki

John Kelly

Amber Spencer

Other Contributors

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.COLORADO.GOV/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 1818P WHEN REQUESTING THIS REPORT



OFFICE OF THE STATE AUDITOR



October 18, 2019

DIANNE E. RAY, CPA
—
STATE AUDITOR

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Colorado State Fair Authority within the Department of Agriculture. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government, and Section 2-7-204(5), C.R.S., which requires the State Auditor to annually conduct performance audits of one or more specific programs or services in at least two departments for purposes of the SMART Government Act. The report presents our findings, conclusions, and recommendations, and the responses of the Colorado State Fair Authority and its Board of Commissioners.

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, COLORADO
80203

303.869.2800



CONTENTS



Report Highlights	1
CHAPTER 1 OVERVIEW	3
Administration	4
Fairground Facilities	5
Year-Round Non-Fair Activities	6
Revenues and Expenses	7
Audit Purpose, Scope, and Methodology	9
CHAPTER 2 GOVERNANCE AND STRATEGIC MANAGEMENT	13
Governance	14
RECOMMENDATION 1	26
Policy Considerations	29
Strategic Planning and Management	30
RECOMMENDATION 2	46
RECOMMENDATION 3	49
CHAPTER 3 OPERATIONS	51
Facilities Maintenance	52
RECOMMENDATION 4	69
Management of Non-Fair Facility Rentals	72
RECOMMENDATION 5	85
Marketing	88
RECOMMENDATION 6	99



REPORT HIGHLIGHTS



COLORADO STATE FAIR AUTHORITY
PERFORMANCE AUDIT, OCTOBER 2019

DEPARTMENT OF AGRICULTURE

CONCERN

The Colorado State Fair Authority (Authority) is not sufficiently governed by its Board of Commissioners (Board), nor is it managed strategically. Its operations related to the Colorado State Fair and Industrial Exposition (Fair) and non-Fair activities, such as facility maintenance and rentals, need to be improved to address ongoing financial difficulties and help ensure a future for the Fair.

KEY FINDINGS

- The Authority has had operating losses for the past 21 years, averaging about \$4 million in losses for Fiscal Years 2014 through 2018, and its high reliance on funding from state and local governments disqualifies it from operating as an enterprise, as statute intended.
- The Authority's Board does not fully exercise its statutory powers and responsibilities in setting a budget, hiring and evaluating the general manager, and ensuring that the Fair showcases the Colorado industries required by statute, such as tourism and recreation. The composition of the Board may predispose it to focus on agricultural interests.
- The Authority is not managed strategically. The Board has not been involved in strategic planning and does not hold the general manager accountable for executing and updating strategic plans. The Authority's risks are not regularly assessed, and it lacks a defined vision for the Fair's future, despite a consultant being paid \$166,000 in 2017 to develop potential visions.
- None of the 57 buildings on the fairgrounds meet the State Architect's standards for building condition, and 14 are in "less-than-poor" to "poor" condition, because the Authority does not effectively identify, prioritize, and fund maintenance and repair.
- The Authority provides inconsistent discounts to renters of fairground facilities and executed rental contracts that are not in the best interest of the State, resulting in \$920,675 less revenue in Fiscal Year 2018 than should have been collected based on set rental rates.
- The about \$1.1 million spent annually to market the Fair does not appear to be cost-effective. There is no comprehensive marketing plan, goals, target audience, statewide focus for advertising, or process to evaluate marketing effectiveness, which could have contributed to declines in Fair attendance from 2014 to 2018.

BACKGROUND

- The Fair was established to showcase Colorado's major industries, and has been at its current location in Pueblo since 1901.
- The Authority is governed by an 11-member Board, while a general manager oversees day-to-day operations. As a Type 1 agency, the Authority is responsible for exercising its statutory duties independently of the Department of Agriculture where it is located.
- In addition to operating the 11-day annual Fair, the Authority owns and manages the 102-acre fairgrounds, and rents out fairground facilities for public and private events.

KEY RECOMMENDATIONS

- Improve governance to help ensure that the Fair fulfills its statutory purpose, and implement strategic planning and management practices to address financial and operational challenges and risks.
 - Address facility maintenance needs by identifying, prioritizing, and completing maintenance projects, and by using facility maintenance funds for that purpose.
 - Increase facility rental revenue by implementing policies and consistent procedures for discounts and revising contracts so that they are in the best interest of the State and help generate revenue.
 - Market the Fair strategically and cost-effectively through planning and processes to improve marketing effectiveness.
- The Authority and its Board agreed with most of these recommendations.



CHAPTER 1

OVERVIEW

The Colorado State Fair Authority (Authority) was created to produce the Colorado State Fair and Industrial Exposition (Fair), an 11-day annual event that is located at the State's fairgrounds in Pueblo, Colorado. The Fair's roots date back to 1863 when the Colorado Agricultural Society held its First Territorial Fair in Denver. The connection with Pueblo began in 1869 when a horse exhibition attracted about 2,000 people, and in 1872, the City of Pueblo began hosting the Southern Colorado Agricultural and Industrial Association Fair. In 1888, the General Assembly officially designated Pueblo as the Fair's permanent location [Section 35-65-105(1), C.R.S.], and in 1901 the Fair settled at the current fairgrounds site near downtown Pueblo.

According to statute, the Fair is intended to showcase Colorado’s major industries, including livestock, agriculture, horticulture, mining, water conservation, tourism, recreation, and the State’s contributions to science and education [Section 35-65-105(1), C.R.S.]. The 2019 Fair offered activities and programs that included a 5-day rodeo, concerts, livestock judging and auctions, horse shows, a carnival with games and rides, commercial exhibits, and food vendors. The Fair also includes activities for youth involved in Future Farmers of America (FFA) and 4-H, an organization overseen by the U.S. Department of Agriculture in cooperation with land grant universities, such as Colorado State University. Such youth activities include competitions for livestock, model rockets, robotics, cooking, and dog shows. The Fair also hosts competitive exhibitions open to the public for homemade goods and collectibles, such as clothing, quilts, miniatures, pies, and jams. Certain days of the Fair have special emphasis for visitors, such as Fiesta Day, which is a celebration of Hispanic culture that includes a parade, music, dancing, and art.

Since 2005, when the Fair’s duration was shortened from 16 to 11 days, the Fair has attracted an average of about 482,000 visitors each year. The 2019 Fair, which ran from August 23 to September 2, attracted 466,380 visitors.

ADMINISTRATION

The entities in charge of the Fair and their organizational structures have changed over time. From 1900 to 1917, the Fair was organized by a private corporation that received state funding. In 1917, the State created the State Fair Commission, and it took legal possession of the fairgrounds in 1919. The State Fair Commission alternated between being a separate state agency and being within the Colorado Department of Agriculture (Department) until 1983, when it was abolished and the State Fair Authority was created as a political subdivision of the State. In 1997, the State reassumed ownership of the Fair when the General Assembly transferred the State Fair Authority into the Department, its current home. Since 1997, the Authority has been designated in statute [Section 35-65-401, C.R.S.] as a Type 1 agency, which gives it a significant level

of independence from the Department and rule-making authority pursuant to Section 24-1-105, C.R.S.

The Authority is governed by an 11-member Board of Commissioners (Board), 10 of whom are appointed by the Governor with Senate confirmation and one of whom is the commissioner of agriculture (i.e., the executive director of the Department) [Section 35-65-401, C.R.S.]. The 10 appointed Board members serve staggered 4-year terms, with no statutory limit on the number of terms. By statute, one member must be a certified public accountant, one member must have current management-level banking and finance experience, one member must have substantial agriculture or 4-H experience, and two members must be residents of Pueblo County [Section 35-65-401, C.R.S.].

A general manager oversees the day-to-day operations of the Authority [Section 35-65-403, C.R.S.] and supervises a staff of about 23 full-time equivalent (FTE) employees. Five staff members are assigned as full-time coordinators for specific aspects of the Fair, namely, general entry competitions, livestock competitions, horse shows, concessions, and sponsorships. The remaining staff are divided among accounting, personnel, and facilities maintenance functions. In the summer, the Authority adds about 500 temporary staff to run the Fair.

The Colorado State Fair Foundation was established in 2010 and received tax-exempt status in 2011 as a 501(c)(3) to raise funds for the Authority's 4-H and FFA programs. In the last 3 fiscal years, this foundation has contributed a total of \$115,000 to renovate parts of the fairgrounds used for 4-H and FFA and has provided 4-H and FFA awards and prizes.

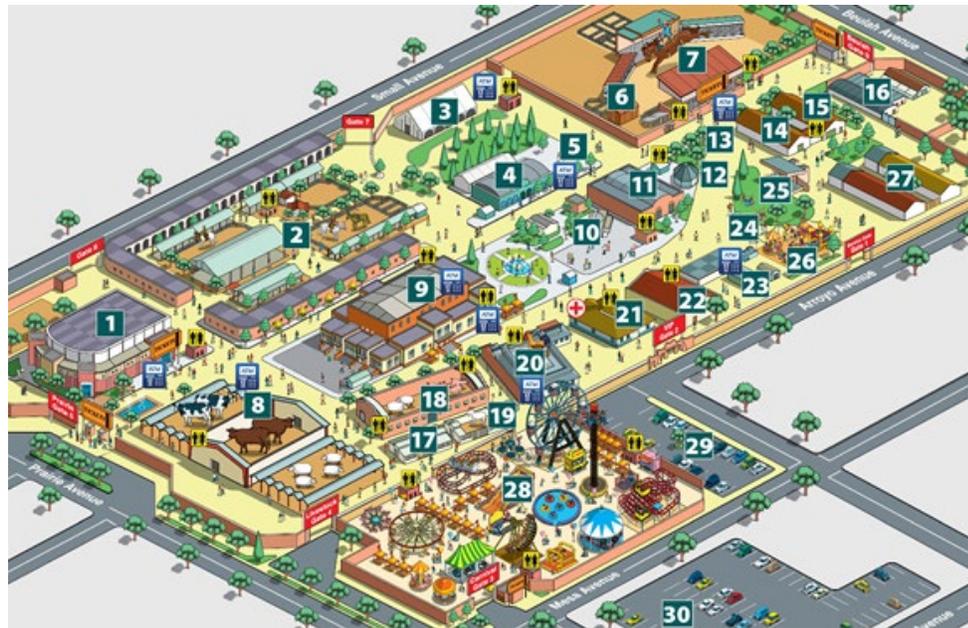
FAIRGROUND FACILITIES

The Authority owns and manages the State's 102-acre fairgrounds that feature 57 buildings and structures, including an indoor arena, exhibition halls, an amphitheater, pavilions, restaurants, permanent livestock stalls, and a covered grandstand. The majority of the buildings and structures are over 50 years old, and 31 of them were constructed

between 1921 and 1964 and are on the State Historic Registry, along with about one-half of the total acreage of the fairgrounds. There are also some newer buildings on the fairgrounds, one of the most notable being the 62,000-square-foot Events Center arena that opened in 1995.

EXHIBIT 1.1 shows a current map of the fairgrounds and major structures.

EXHIBIT 1.1. COLORADO STATE FAIRGROUNDS MAP



1 Events Center	11 Creative Arts Building	21 Gallery of Fine Arts
2 Horse Show Arena	12 Cultural Heritage Center	22 Colorado Building
3 Weatherport Tent	13 Triangle Park	23 Butler Building
4 Colorado Pavilion	14 4-H Auditorium	24 Lottery Building
5 Fountain Park	15 4-H Dining Hall	25 Amphitheater
6 Rodeo Chute 9	16 4-H Exhibit Hall	26 Family Carnival
7 Rodeo Arena	17 Security	27 4-H Dormitories
8 Livestock Pavilion	18 Sheep and Swine Barn	28 Carnival/Midway
9 Palace of Agriculture	19 Goat Barn	29 VIP Parking
10 Coca-Cola Stage	20 Small Animal Barn	30 South Parking Lot

SOURCE: Colorado State Fair Authority webpage (2019).

YEAR-ROUND NON-FAIR ACTIVITIES

In addition to the activities provided during the Fair, the Authority hosts public events at the fairgrounds throughout the year, such as rodeos, horse shows, gun shows, RV rallies, and concerts, which generate revenue through rental fees and ticket sales. The Authority also rents

out fairground facilities for private events, such as banquets, parties, receptions, and meetings. The Authority charges between \$200 and \$3,500 per building for daily rental fees and \$200 to \$5,000 for event packages, depending on the building.

REVENUES AND EXPENSES

Pursuant to Section 35-65-405(1), C.R.S., the Authority and the Board “shall constitute an enterprise,” which is a government-owned business that is excluded from certain revenue and spending limits under the Taxpayer Bill of Rights, Article X, Section 20 of the Colorado Constitution, if less than 10 percent of its revenue is from state and local governments. Fiscal Year 2006 is the most recent year in which the Authority qualified as an enterprise.

The Authority is largely reliant on the revenue generated during the 11-day annual Fair, which accounted for an average of 86 percent of total operating revenue in Fiscal Years 2016 through 2018. The Authority’s revenues from the Fair are from sales related to admissions, parking, concessions, commercial space rental, sponsorships, and carnival tickets. Non-Fair revenue is from the rental of fairground facilities for public and private events. Revenue is deposited into the Colorado State Fair Authority Cash Fund. The Authority’s expenses are primarily for personal services and benefits, Fair entertainment and attractions, advertising and promotions, and utilities.

The Authority’s operating expenses have exceeded operating revenues for at least the last 21 years, and the average annual operating deficit for the last 5 fiscal years, 2014 through 2018, was about \$4 million. To help offset its operating deficit, the Authority receives funding from state and local government sources. Specifically, the Authority receives an annual transfer of 25 percent of the interest earned on the Unclaimed Property Tourism Promotion Trust Fund, capital project funding from the Capital Development Committee, periodic funding for operations and capital projects from the Department, an annual appropriation

from the Marijuana Tax Cash Fund, and grants from the City of Pueblo and the Pueblo County.

EXHIBIT 1.2 shows the Authority's revenues, expenses, and change in net position for Fiscal Years 2016 through 2018.

EXHIBIT 1.2. REVENUES, EXPENSES, AND CHANGE IN NET POSITION FISCAL YEARS 2016 THROUGH 2018				
	2016	2017	2018	PERCENTAGE CHANGE
OPERATING REVENUES & (EXPENSES)				
Fair-Time Revenue	\$6,242,904	\$6,315,672	\$6,483,720	4%
Non-Fair-Time Revenue	\$1,044,265	\$984,803	\$1,017,829	-3%
Total Operating Expenses	(\$10,825,199)	(\$11,897,585)	(\$12,330,559)	14%
Operating Loss	(\$3,538,030)	(\$4,597,110)	(\$4,829,010)	36%
NON-OPERATING REVENUES, (EXPENSES), & CAPITAL CONTRIBUTIONS				
Unclaimed Property Tourism Promotion Trust Fund	\$1,128,648	\$1,713,681	\$1,847,873	64%
State Controlled Maintenance from Capital Development Committee	\$827,475	\$902,402	\$203,438	-75%
Department of Agriculture Contributions	\$761,112	-	-	N/A
General Fund	\$300,000	\$1,000,000	\$1,000,000	233%
Marijuana Tax Cash Fund ¹	\$300,000	\$300,000	\$300,000	N/A
Local Government Grants	\$300,000	\$300,000	\$400,000	33%
Interest Expenses & Unrealized Loss	(\$44,179)	(\$45,816)	(\$59,798)	35%
CHANGE IN NET POSITION	\$35,026	(\$426,843)	(\$1,137,497)	-3,348%

SOURCE: Office of the State Auditor analysis of Colorado State Fair Authority Financial and Compliance Audits, Fiscal Years 2016 through 2018, and relevant legislation.

¹ Enabled by the passage of House Bill 15-1367, which directed the use of revenue from excise and special sales taxes on recreational marijuana and also referred Proposition BB to voters in 2015 that allowed the State to retain and spend such revenue above prior limits.

AUDIT PURPOSE, SCOPE, AND METHODOLOGY

We conducted this performance audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government, and Section 2-7-204(5), C.R.S., the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act. The audit was conducted in response to a legislative request originating from discussions by the

Legislative Audit Committee's State Fair Subcommittee, which expressed concerns regarding the Colorado State Fair Authority's governance structure, capital needs, and operating deficits. Audit work was performed from October 2018 through September 2019. We appreciate the assistance provided by the management and staff of the Authority, Board, and Department during this audit.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The key objectives of the audit were to evaluate the Authority's (1) governance structure, (2) management, (3) maintenance of facilities, (4) non-Fair facility rentals, and (5) marketing.

The scope of the audit did not include testing the effectiveness of internal control activities, such as controls over Fair ticket sales, procurement, cash handling, or the financial reporting controls that are reviewed by the annual financial audit.

To accomplish our audit objectives, we performed the following audit work:

- Reviewed relevant state statutes and rules, Board bylaws, the Authority's Strategic Plan, the Department's SMART performance plan, a financial stability study conducted by an external consultant, and a report on opportunities to improve the Fair published by the Office of the State Architect (State Architect).
- Attended the 2018 Fair and conducted site visits of the fairgrounds.

- Interviewed the 11 current Board members, one former Board member, the current general manager, two former general managers, Authority staff, and Department staff.
- Reviewed Board meeting minutes from January 2015 to April 2019 and observed two Board meetings in 2019.
- Analyzed the Authority’s financial statements and audits covering Fiscal Years 1998 to 2018; budget documents from Fiscal Years 2004 to 2019; funding requests; and documentation related to maintenance and capital construction projects for Fiscal Years 2017 through 2019.
- Analyzed the Authority’s contracts with its marketing agencies as well as marketing-related reports and invoices for the 2018 Fair.
- Reviewed information on annual Fair attendance for Fiscal Years 1999 through 2019.
- Analyzed documentation and data on rental of fairground buildings, building utilization rates, and rental fees collected.
- Interviewed staff from the State Architect, History Colorado, and the International Association of Fairs and Expositions, and reviewed information from eight other state fairs and other state agencies to identify best practices such as for strategic planning, marketing, facility maintenance, and funding operations.

We planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Our conclusions on the effectiveness of those controls, as well as specific details about the audit work supporting our findings, conclusions, and recommendations, are described in the remainder of this report.

A draft of this report was reviewed by the Colorado State Fair Authority, including the Board, the commissioner of agriculture, and the general manager. We have incorporated the Authority’s comments

into the report where relevant. The written responses to the recommendations and the related implementation dates are the sole responsibility of the Authority. However, in accordance with auditing standards, we have included an Auditor's Addendum to responses that are inconsistent with the findings or conclusions or that do not adequately address the recommendation.



CHAPTER 2

GOVERNANCE AND STRATEGIC MANAGEMENT

The Colorado State Fair Authority (Authority) plans and produces the annual Colorado State Fair and Industrial Exposition (Fair) and manages other year-round operations at the fairgrounds in Pueblo. To successfully anticipate and respond to the challenges of running these operations, the Authority needs to have an effective governance structure and processes for strategic management that keep it on course toward a specific vision of the future. This chapter discusses the results of our evaluation of the Authority's governance structure and whether its management is strategic.

GOVERNANCE

The purpose of the Authority is to direct and supervise the annual Fair event [Sections 35-65-105 and 401, C.R.S.]. The Authority consists of a Board of Commissioners (Board), a general manager, and staff. The Board has 11 members: one of whom is the commissioner of agriculture and head of the Department of Agriculture (Department), and 10 who are appointed to staggered 4-year terms by the Governor and approved by the Colorado Senate.

WHAT WAS THE PURPOSE OF THE AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to determine whether the Authority's governance structure aligns with the needs of the agency and whether the Board and general manager fulfill their respective roles and responsibilities.

We reviewed meeting minutes for all 72 Board meetings from January 2015 to April 2019 and observed two Board meetings in January and March 2019. We interviewed the 11 current Board members and one former member, and reviewed the Board's bylaws created in 2019. We also reviewed position descriptions for the general manager position, as well as forms used in evaluating the general manager's performance. We reviewed budget documents and funding requests for the Authority and the financial audits and audit recommendations made to the Authority from Fiscal Year 1998 to Fiscal Year 2018. We researched 24 of the approximately 80 other Type 1 boards or commissions to determine how they train their members.

HOW WERE THE RESULTS OF THE AUDIT WORK MEASURED?

We evaluated the practices of the Board and general manager in light of

the roles and responsibilities assigned to each in statute, as well as some of the key functions that are expected of oversight bodies and management according to the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, also known as the Green Book (Green Book). The State Controller requires all state agencies to follow the Green Book.

ROLE OF THE BOARD. The Authority is established as a Type 1 entity in statute [Section 35-65-401, C.R.S.]. A Type 1 entity's authority is defined in the Administrative Organization Act of 1968 [Section 24-1-105(1), C.R.S.], which indicates that each Type 1 entity is responsible for exercising "its prescribed statutory powers, duties, and functions...independently" of the department where it is located, while the department is responsible for functions not statutorily assigned to the Type 1 entity. Thus, as a Type 1 entity, the Board and general manager of the Authority are empowered to carry out their statutory powers, duties, and functions independently of the Department of Agriculture. According to statute, the Board's primary duty is to, "Provide for the Colorado state fair and industrial exposition, subject to available appropriations by the general assembly" [Section 35-65-401(9), C.R.S.]. To effectively fulfill its charge, the Board needs to perform the following statutory and oversight duties:

- **AUTHORIZE THE FAIR BUDGET AND MONITOR SPENDING.** The Board is accountable for the Authority's finances, as indicated in various statutory references. First, Section 35-65-107, C.R.S., authorizes the Board to use revenue in the Colorado State Fair Authority Cash Fund for "operation, maintenance, and support of the Colorado state fair and industrial exposition" and "other obligations of the Board." Second, Sections 35-65-105, 401, and 406, C.R.S., charge the Board with providing for, directing, and supervising the Fair, and with providing an annual financial report to the General Assembly, which the Board can only do if it participates in the Authority's financial operations. Third, according to best practices in the government, for-profit, and nonprofit sectors, the governing board of an organization is responsible for oversight of the organization's financial activities,

including approving budgets and monitoring spending (U.S. Department of Education, Deloitte, National Council of Nonprofits, University of Kansas, and Community Economic Development Project of the D.C. Bar). Finally, according to Section 35-65-405(1), C.R.S., the Authority is expected to operate as an enterprise, which is a government-owned business governed by Article X, Section 20, Colorado Constitution. To qualify as an enterprise, the Board must ensure that less than 10 percent of the Authority’s revenues are from state and local government sources.

- **OVERSEE FAIR PROGRAMMING.** The Fair is statutorily required to include displays of a variety of specified Colorado industries and products. As part of its duty to direct and supervise the Fair [Section 35-65-401(1)(b), C.R.S.], the Board is responsible for ensuring that the Fair includes the industry categories specified, which include the major industries driving the State’s economy, according to the Colorado Office of Economic Development and International Trade.
- **HIRE AND SUPERVISE THE GENERAL MANAGER.** Section 35-65-401(9), C.R.S., requires the Board to appoint a general manager of the Authority, who manages staff and day-to-day operations. According to the State Personnel Director’s guidelines, as the hiring authority, the Board should conduct annual performance reviews of the general manager.
- **DIRECT STRATEGIC PLANNING.** As the oversight entity charged with providing for the Fair, the Board is empowered to be the driving force for long-range, strategic planning and visioning for the Fair and the use of fairground facilities. According to the Green Book, oversight bodies (such as the Board) “are responsible for overseeing the *strategic direction* of the entity and obligations related to the accountability of the entity” emphasis added, [Green Book, OV2.14].

ROLE OF THE GENERAL MANAGER. Statute [Section 35-65-403(2), C.R.S.] establishes the general manager as the chief administrative head of the Authority, functioning “under the direction and supervision of the board.” As an employee of the Board, the general manager is responsible

for “supervision and control of all activities, functions, and employees of the Colorado state fair authority and shall exercise all necessary powers incident thereto” [Section 35-65-403(2), C.R.S.]. Hence, the general manager has authority to create, with Board supervision, the necessary organizational structure to support the Authority’s operations, which includes employing and supervising Authority staff.

WHAT PROBLEMS DID THE AUDIT WORK IDENTIFY?

We found that the Board and general manager are not exercising some of their powers or discharging some of the responsibilities appropriate for their respective roles. Specifically, we found:

THE BOARD EXERCISES LITTLE CONTROL OVER THE AUTHORITY’S BUDGET. Based on our review of Board meeting minutes from January 2015 through April 2019, observation of a Board meeting in March 2019, and interviews with the Board members regarding their roles and responsibilities, the Board approves the Authority’s budget but does not take an active role in the budget process, such as providing input into its development, scrutinizing or discussing the draft budget, or conferring and providing direction on how actual spending aligns with the budget and the Authority’s priorities. Some of the Board members we interviewed generally characterized the Board’s role as advisory or ceremonial. Instead, the Department of Agriculture appears to oversee the Authority’s budget. For example, for the Fiscal Year 2019 budget, the Authority’s general manager and staff drafted the budget, and the Department’s chief financial officer then reviewed, revised, and approved it. Subsequently, the budget was provided to the Board, which voted to adopt it.

Furthermore, when Authority staff provide the Board budgetary updates at monthly meetings, Board meeting minutes indicate no discussion of budget items, even when the budget is not being met. For example, at the March 2019 Board meeting, Authority staff informed the Board that rental revenue was short \$364,000, or 56 percent, of the

Fiscal Year 2019 budgeted amount of \$650,000 and that, despite events planned for coming months, there would likely be a shortfall at the end of the fiscal year. At this meeting, the Board members did not ask the reasons for this shortfall or discuss ideas to increase revenues. At the end of the fiscal year, rental revenue was short by \$100,000, or 15 percent, of the budgeted amount. Additionally, the Board does not require Authority staff to consult with it for significant purchases. Later in this section, we note an example of such a situation.

THE BOARD HAS NOT ENSURED THAT THE FAIR DISPLAYS SEVEN OF THE 10 INDUSTRY CATEGORIES REQUIRED BY STATUTE. We talked to all 11 Board members and the general manager and none could recall any non-agricultural exhibits during the 2016 through 2018 Fairs. We also visited the 2018 Fair and found that many of the industry categories cited in statute were represented minimally or not at all, as follows:

- **INDUSTRIAL.** The only manufacturing or production industries represented at the Fair were one energy supplier and vendors of solar panels, although Colorado is home to nearly 6,000 manufacturers in sectors ranging from electronics to biomedical and aerospace technologies.
- **MINING.** There were no exhibits on metal or mineral mining, which provides 57,000 jobs in Colorado, and only one display for an oil and gas extraction company.
- **WATER CONSERVATION.** There was only one display board at the Fair for this industry, which described the water conservation efforts of the Pueblo Board of Water Works.
- **TOURISM.** The only tourism-related display was from the Pueblo Chamber of Commerce highlighting Pueblo as a tourist destination; no other Colorado tourism industry representation was on offer, including from the Colorado Tourism Office, although this industry provides 171,000 jobs in Colorado.
- **RECREATIONAL.** The only displays related to recreation were vendor booths for a Pueblo-based yoga studio and a Breckenridge vacation

resort; there were no exhibits or booths highlighting Colorado's extensive outdoor recreation opportunities, such as skiing, hiking, biking, or camping. Outdoor recreation is a key industry in Colorado, providing 229,000 jobs statewide.

- **EDUCATIONAL.** Only two out of the 134 public and private higher-education institutions in Colorado had booths at the Fair, and, with the exception of agricultural education for 4-H and FFA members, there was no other information on educational facilities, processes, or products.
- **SCIENTIFIC.** The only display highlighting scientific concepts was an interactive STEM booth for children. There were no displays of scientific facilities, although Colorado is home to 33 federal government scientific laboratories as well as over 30,000 companies in scientific industries, including bioscience, technology, infrastructure engineering, aerospace, and planetary science.

At the 2018 Fair we saw primarily displays, exhibits, and events related to livestock, agriculture, and horticulture, such as a horse show, large and small animal exhibits, pig races, a petting zoo, a poster display on Colorado agriculture, and competitions related to growing flowers.

THE BOARD DOES NOT HIRE OR EVALUATE THE GENERAL MANAGER. Contrary to statute, the commissioner of agriculture, not the Board, hired the Authority's last three general managers in 2004, 2016, and 2018. Similar to the budget process, the Department has handled the hiring and evaluation of the general manager, with the Board having limited input. For example, during the 2018 hiring process, the Board as a whole did not interview candidates, discuss candidate qualifications, or make the hiring decision. Furthermore, the commissioner of agriculture, not the Board, evaluates the general manager's performance based on expectations in a written performance agreement between the commissioner and the general manager. This evaluation structure removes one of the most important governing tools the Board should be using to ensure that the Authority's plans and goals are accomplished and that the Fair is successful. For example, the Board

cannot use performance evaluations to hold the general manager accountable for proficiency in meeting strategic objectives or implementing the Board's plans.

THE GENERAL MANAGER DOES NOT CONTROL PERSONNEL DECISIONS UNDER BOARD SUPERVISION. Instead, the Department directs the general manager's oversight of Authority staff and the personnel structure without Board input. For example, in 2015 and 2017, the previous two general managers attempted to hire a marketing professional within available appropriations but Department management denied the hires. In 2017, the general manager also planned to reorganize Authority staff, but only did so after receiving Department approval. In both instances, the Department restricted the general manager's statutory power to make the staffing decisions at the Authority.

THE BOARD HAS NOT OVERSEEN THE STRATEGIC DIRECTION OF THE AUTHORITY. As we explain in later findings in this report, the Board has been remiss in (a) engaging in strategic planning, (b) developing a vision for the Fair and fairground use, (c) planning how to address the fairgrounds' immense deferred-maintenance needs, and (d) planning and overseeing marketing to ensure that it provides the Authority a good return on investment.

WHY DID THESE PROBLEMS OCCUR?

NO BYLAWS BEFORE 2019, AND NEW BYLAWS ARE INCOMPLETE AND REDUCE THE BOARD'S AUTHORITY. The Board did not operate under any bylaws or written policies and procedures until April 2019. The new bylaws only cover the Board's own administrative processes, such as electing officers and announcing and adjourning meetings. The bylaws do not address any of the Board's duties for directing and supervising the Fair, such as planning for or approving fair exhibits, establishing spending priorities or monitoring spending, or hiring and supervising the general manager. Furthermore, because the bylaws are so narrowly constructed, they do not:

- Set parameters regarding staff's duties relative to the Board's role.

- Address how the Board will secure sufficient data to make informed decisions.
- Ensure the appropriate involvement of Board members in policy-making activities, such as decisions about the budget.

All of these elements are statutorily required to be included in the bylaws of any state created board or commission [Section 24-3.7-102(1), C.R.S.].

Furthermore, according to interviews with Authority management and staff, the Board had limited involvement in developing the bylaws; they were primarily developed by the general manager and Department staff and do not accurately describe the Board's role and authority as a Type 1 agency relative to the Department. Instead, the bylaws include language that appears to cede authority in all matters to the commissioner of agriculture, stating that the Board's actions and control over "the business and affairs of the Authority" are "subject to...the approval of the Commissioner of Agriculture as required by law." This language incorrectly implies that statute grants the commissioner of agriculture authority over the Board. The bylaws also state that while the Board can alter, amend, or repeal its bylaws, it must obtain approval from the commissioner for these changes to take effect, which similarly gives the commissioner of agriculture control over Board actions.

THE BOARD HAS RECEIVED NO TRAINING. Although the Board has staggered 4-year terms resulting in members changing every year, and therefore, experiences recurring loss of institutional knowledge, the members told us that they had not received training on their statutory purpose, role, or responsibilities and neither the members nor the Authority management and staff could provide us with any training materials. Two Board members told us that they had requested training materials from the general manager and the Department in 2018 but nothing had been provided as of June 2019. The lack of training on the Board's overall function is evident from our interviews; seven of the 11 Board members said that they saw the Board's role as primarily advisory, as opposed to exercising the governing role and duties

specified in statute. Some Board members also described feeling as though they have a limited role, such as functioning as figureheads with the Department making major decisions.

House Bill 18-1198 requires all departments to work with their boards and commissions to ensure that members receive annual training regarding their roles, powers, duties, and responsibilities with respect to the programs they oversee. Our research of 24 other Type 1 boards and commissions in state government found that training on the boards' or commissions' roles and statutory responsibilities was common for all of them. For example, the Division of Professions and Occupations, within the Department of Regulatory Agencies, provides new-member orientation and annual training to the 22 Type 1 boards and commissions that it oversees. This training includes a board-member orientation manual and videos with an explanation of Type 1 entity independence, a Board member handbook, a code of ethics that members must sign, a confidentiality agreement to sign, and a copy of *Robert's Rules of Order* to guide meetings.

THE BOARD AND THE DEPARTMENT HAVE NOT SOUGHT FORMAL LEGAL CLARIFICATION ON OVERSIGHT OF THE GENERAL MANAGER. According to the Department, it has been operating under informal legal guidance that it has authority to hire and supervise the Authority's general manager and to direct personnel decisions within the Authority. The Department told us that this guidance is based on an interpretation of Section 24-50-104(5), C.R.S., which establishes requirements related to pay plans for *all* state employees, including those, like the general manager, who are in the senior executive service. This statute states, "The head of the department or agency...shall make appointments to the senior executive service...and is responsible for the management of the employees in such plan." The Department told us that its legal counsel believes this provision of statute, which was last updated in 1998, supersedes the provisions in statute that specifically authorize the Board to hire the general manager, which were enacted in 1997 and updated in 1998 [Sections 35-65-401(9) and 403(1), C.R.S.]. The Department's legal counsel has also recognized the conflict within statute.

Based on our interviews with all of the current Board members, none knew that statute requires the Board to appoint the general manager and that such appointment creates a responsibility for the Board to supervise the appointee. Neither the Board nor the Department have sought a formal legal opinion to clarify the matter. The position description written by the Department for the general manager describes the position as the Department's "liaison" to the Board, not the employee of the Board. However, under statute, the general manager is an employee of the Board and works on the Board's behalf. Colorado Attorney General Opinion 07-02 supports that employees hired by a Type 1 board with statutory authority to hire employees are employees of that board and not of the board's principal department.

WHY DO THESE PROBLEMS MATTER?

The Authority's history of financial problems make it critical for it to have a strong governance structure that ensures that it operates efficiently and effectively in carrying out its mission. In 1997, the Authority was brought into the Department with the intent to resolve the Authority's financial decline. From Fiscal Year 1998, the first year the Authority was operating in its current role within state government, through Fiscal Year 2018, the Authority had annual operating losses ranging from \$900,000 in 1998 to \$4.8 million in 2018. Over the past 20 years, the financial audits contracted by the Office of the State Auditor have also identified material weaknesses and significant deficiencies related to the Authority's accounting and strategic planning.

The General Assembly has expressed concern with the governance of the Authority in the form of the Joint Budget Committee requiring the Authority to submit information on its spending, the General Assembly allocating \$50,000 for a financial stability study of the Authority, and the Legislative Audit Committee creating a Joint Subcommittee, composed of members of the Joint Budget Committee, Legislative Audit Committee, and Capital Development Committee, to look at what is ailing the Authority, which resulted in the request for this performance audit.

Some factors that can affect the historical success of the Fair include the

economy, population shifts, and competing entertainment options, which are beyond the control of the Board. Through this audit, we found that factors within the Board's control appear to have contributed to failures in the Authority's operations including an ineffective governance structure and lack of Board oversight; a lack of strategic planning and marketing; and inadequate measures to address maintenance needs and generate revenue. We identified problems with oversight of, and accountability for, a range of the Authority's functions that raise questions about the adequacy of its governance and accountability to the State. Specifically, in subsequent findings in this report we found:

- Fair attendance has declined, the Authority's reliance on state funding has increased, and operating losses have increased.
- The Authority faces millions of dollars in maintenance needs for the fairgrounds and lacks a plan to address them.
- The Authority's facility rentals are not managed like a business to provide sufficient revenue.
- The Authority has not ensured that its marketing expenditures are effective and cost-efficient.

Without adequate governance, it is difficult for the Authority to achieve efficiencies in financial operations and management, succeed in implementing its strategic plan, and ensure that past problems do not resurface. When the Board is not involved in establishing the budget or overseeing Authority spending, it cannot weigh the relative merits of different purchases and ensure that funds are used to support the Authority's goals and priorities. The following are examples of the Board not being involved in deciding the use of significant amounts of available funding:

- The Authority's requests for controlled maintenance funding from the General Assembly's Capital Development Committee are initiated by Authority management and the Department without Board involvement. For example, for Fiscal Years 2018 to 2020, the Authority requested and received approval to spend \$4.6 million in

controlled maintenance funding to replace the roof and HVAC system on the Events Center and improve storm water infrastructure, without Board approval.

- At a 2019 Board meeting, the general manager said he was looking into purchasing electric trains and charging stations to replace golf carts that were used to transport fairgoers around the fairgrounds, but did not provide cost estimates or indicate to the Board how the purchases would be funded. The general manager then requested \$298,000 in discretionary funds from the Department for the purchases, which is equivalent to 30 percent of the Authority's entire General Fund appropriation, without Board input. The Department initially approved \$111,000 for this purpose, and as of September 2019, a total of \$35,000 has been spent.

In both of the above examples, the projects that were funded may ultimately be good for the Fair; however, without Board involvement, the Authority cannot ensure that its funding requests and spending align with strategic priorities.

Lastly, with the Fair primarily promoting agriculture, the other Colorado industries lost years of exposure that could have been provided with a statewide platform at the Fair. The Authority has also missed opportunities to draw new crowds to the Fair with displays of the advances made in new and expanding non-agricultural industries in Colorado, such as aerospace and outdoor recreation. Reaching additional audiences during the Fair by showcasing a wider variety of industries from across the state, as required by statute, may draw more people to the Fair, which in turn could bring more public interest in offseason events and/or facility rentals at the fairgrounds, thereby easing the Fair's financial difficulties.

RECOMMENDATION 1

The Board of Commissioners (Board) of the Colorado State Fair Authority (Authority) should improve its governance to ensure that the Colorado State Fair and Industrial Exposition (Fair) fulfills its statutory purpose by:

- A Expanding the bylaws, or working with Authority staff to implement written policies and procedures for the Authority and Board, that (1) include the processes and policies the Board will use to direct and supervise the Fair, such as setting goals, conducting planning, and overseeing the Authority's budget; and (2) address all applicable requirements of Section 24-3.7-102(1), C.R.S., such as setting parameters regarding staff's duties relative to the Board's.
- B Revising the bylaws to accurately portray the Board's responsibilities as a Type 1 entity and its statutory authority.
- C Developing processes for existing Board members to gain a full understanding of their role and responsibilities and working with the general manager to develop and provide new members training on the Board's statutory purpose and breadth of their authority and responsibilities.
- D Seeking a legal interpretation of statutes from the Attorney General's Office to clarify the Board's and the Department's responsibilities for hiring and supervising the Authority's general manager.
- E If the legal guidance provided in response to PART D results in a determination that the Board is responsible for hiring and supervising the general manager, revising the general manager's position description to clarify that the position is an employee of the Board, implementing bylaws and/or written policies and processes for the Board to hire the general manager and evaluate their performance, and eliminating the performance agreement between the general manager and the commissioner of agriculture.

RESPONSE

BOARD OF COMMISSIONERS OF THE COLORADO STATE FAIR AUTHORITY

A AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

The Board will address the initial bylaw revisions by December 2019. The Board will complete governance and strategic planning using inputs that may include consultants, Johnson Consulting Management Study, market demand & financial feasibility study, facilities master plan, and performance audit. The Board, with advice from counsel, will review and further revise the bylaws to include creating and implementing processes and policies on directing and supervising the fair. This will include setting goals, conducting planning, overseeing the Authority's budget, and addressing other requirements in Section 24-3.7-102(1), C.R.S.

B AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will revise bylaws to accurately portray the Board's responsibilities as a Type 1 entity and its statutory authority.

C AGREE. IMPLEMENTATION DATE: NOVEMBER 2019.

The Authority management will work with the Colorado Department of Agriculture, the Office of the Attorney General, and the Board to develop training on the Board's statutory roles and responsibilities and create new Board orientation binders. The binders will be distributed to all existing Board members as soon as complete, with an annual training for all Board members. New Board members will receive binders upon appointment and will participate in orientation with the Board chair, General Manager, and the Department of Agriculture. The current Board's annual training will be completed by November 19, 2019.

D AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Office of the Attorney General is evaluating statutes similar to those of the State Fair Authority and will provide direction consistent with its advice to other agencies and departments. The Board will seek legal interpretation of statutes from the Office of the Attorney General to clarify the Board's and the Department's responsibilities for hiring and supervising the Authority's General Manager.

E AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

If the legal guidance provided in response to Recommendation 1D results in a determination that the Board is responsible for hiring and supervising the General Manager, the Board will consult with the Office of the Attorney General and the Department of Agriculture to determine a path forward. This will include revising the General Manager's position description, updating the Board's bylaws and processes, and eliminating or revising the current performance agreement.

POLICY CONSIDERATIONS

Prior to 1997 when the Authority was transferred to the Department, statute required that the Board members “represent various segments of the economy of the state, including, but not limited to, light and heavy manufacturing, mining, science, education, tourism, labor, recreation, entertainment, and agriculture.” These segments align with the 10 industry categories the Fair is supposed to exhibit [Section 35-65-401(1)(b), C.R.S.]. In 1997, the Board’s composition was changed such that only one of the 10 industries required to be part of the Fair is purposely represented on the Board: agriculture. Currently, per statute, two Board members have experience and interest in agriculture; specifically, one Board member must have “substantial experience in agriculture or...4-H clubs” and one member is the commissioner of agriculture. The other Board members are selected to represent the geographic areas of the state and do not represent any of the other industries that should be included in the Fair, although two members are required to have financial experience (i.e., accounting and banking) [Section 35-65-401(5), C.R.S.].

We found that the composition of the Board may predispose it to focus on agricultural interests at the Fair and not the other statutorily required industries. The general manager and most of the 11 Board members, including the Commissioner of Agriculture, told us that they believe the purpose of the Fair is to promote agriculture and/or to help 4-H and FFA youth. Only one Board member stated that the Fair should promote more industries than just agriculture. The agriculture-centric view of the Fair may be due, in part, to the make-up of the Board.

The General Assembly may want to evaluate the composition of the Board and determine whether it should change to reflect the range of industries that the Fair is statutorily intended to promote. This is a policy matter for the General Assembly to consider, and therefore we make no recommendation in this section.

STRATEGIC PLANNING AND MANAGEMENT

According to the U.S. Government Accountability Office and the Association for Strategic Planning, establishing an organizational culture of striving for performance improvement is fundamental for effective operations and a frequent failure point in many management processes. To achieve performance improvements, organizations use strategic planning as a management activity to focus priorities, energy, and resources; strengthen operations; ensure employees are working toward common goals; establish intended outcomes/results; and assess and fine-tune the organization's course in a changing environment. A strategic plan provides direction by way of a written document that addresses three questions:

- What is our purpose? (Mission)
- What do we want to achieve? (Vision)
- How are we going to get there? (Goals, objectives, strategies, and measurable outcomes)

In 2016, a consulting firm hired by the Authority to conduct a financial stability and management study found that the Authority lacked a clear mission and goals, and had no real framework to determine strategies for the organization. Based on the assessment and a request from the Joint Budget Committee (JBC), the Authority created a Strategic Business Plan (2016 Strategic Plan or the Plan) that extends from 2016 through 2022. The Authority's mission statement is to "direct, supervise, and operate in a fiscally effective and efficient manner the State of Colorado-owned asset in Pueblo Colorado to (a) host the Colorado State Fair and Industrial Exposition; and (b) to manage the fairgrounds to provide a year-round, multi-use facility to serve, local, regional and state needs." The Strategic Plan established four goals to achieve the mission: (1) create fiscal stability by reducing reliance on loans, reducing costs, increasing rental revenues, and leveraging current

funds; (2) improve facilities to attract more rentals for non-Fair events; (3) rebrand the fairgrounds as a year-round event venue; and (4) improve employee satisfaction.

WHAT WAS THE PURPOSE OF THE AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to determine whether the Authority's Board and general manager manage the Authority strategically to achieve its goals and successfully respond to operational challenges and risks.

Our audit work included analyzing the Authority's financial statements for Fiscal Years 1998 through 2018, as well as budget documents and responses to requests for information that the Authority provided the JBC in Fiscal Years 2004 through 2019. We reviewed the Authority's Strategic Plan and the Department's SMART performance plans and internal operation plans related to the Authority from Fiscal Years 2015 through 2019, as well as Board meeting minutes from January 2015 through April 2019. We also reviewed the financial stability and management study that was prepared by an external consultant in 2016. Furthermore, we reviewed Phase 1 of the *Colorado State Fairgrounds Master Vision Plan* (Master Vision Plan), a June 2018 report prepared by a consultant that was commissioned by the State Architect and paid by the Authority, which identified opportunities for improving the Fair and fairgrounds.

HOW DID WE MEASURE THE RESULTS OF OUR WORK?

We evaluated the Authority's planning and management processes against best practices identified by several sources: (1) the standards set forth by the Green Book, which all state agencies are required to follow; (2) the Association for Strategic Planning's *Guide to the Strategic Planning and Strategic Management Body of Knowledge* (Strategic

Planning Guide or Guide); and (3) the requirements of Colorado’s State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act [Section 2-7-200.1, et seq., C.R.S.]. Using these sources, we assessed the Authority’s planning and management in the following areas.

PREPARATION FOR STRATEGIC PLANNING. According to the Green Book and the Strategic Planning Guide, several steps must be taken before the governing body and management of an organization can effectively carry out strategic planning, as follows:

- **DEFINE ROLES.** According to the Strategic Planning Guide, being clear on the roles of an entity’s oversight body and its management in relation to strategic planning is crucial to success. The Green Book states, “The oversight body is responsible for overseeing the strategic direction of the entity” [Green Book, OV2.14], and the Strategic Planning Guide similarly states “the board of directors must approve the strategy and help to shape the environment within which a strategic management system can flourish.” The Strategic Planning Guide further states that “the management team must take responsibility for development and...execution of the strategy.”
- **ESTABLISH THE ENTITY’S VISION.** Both the Strategic Planning Guide and the Smart Government Act note the importance of a vision as an anchor for an organization’s strategic planning. For example, the SMART Government Act requires each department’s performance plan to include the department’s vision [Section 2-7-204, C.R.S.]. The Strategic Planning Guide defines a vision as “a concise, thoughtful, and inclusive statement describing where the organization is going and what it looks like when it reaches the desired destination.” The Strategic Planning Guide explains that an effective vision statement is central to an organization’s strategy, as it presents a compelling image of the future that inspires stakeholders and gives focus and purpose to all of the organization’s actions and operations.
- **ASSESS THE FACTORS AND RISKS THAT MAY AFFECT THE ORGANIZATION.** The Green Book, 7.04 and 7.01, and the Strategic Planning Guide

discuss the importance of governing bodies and management fact-collecting and analyzing to understand the factors, both internal and external, that can influence the organization, such as government regulations, economics, technology, the organization's core operating processes, governance, and infrastructure. Such analysis should identify the organization's strengths and weaknesses, core competencies, and the value that it provides customers. Governing bodies and management should also assess the risks that such factors may pose to the organization's success, and use the assessment to inform the strategic planning process.

CONTENT OF STRATEGIC PLANS. The Green Book, the Strategic Planning Guide, and the SMART Government Act all identify similar key elements that should be included in an organization's strategic plan, as follows:

- **COMPREHENSIVE GOALS.** The SMART Government Act requires state government agencies to establish performance management systems that include "strategic goals and priorities that are consistent with the charge of [the agency]" and written performance plans that include performance goals to serve as a guide to [the agency's]...major functions" [Section 2-7-204, C.R.S.]. The Strategic Planning Guide notes that goals should align with and support the organization's vision and mission and that their purpose is to energize and motivate the Board, management team, and staff by describing the future end state that is imagined in the vision in actionable terms.
- **MEASURABLE OBJECTIVES AND STRATEGIES.** The Strategic Planning Guide emphasizes that strategic goals should have associated milestones that can be translated into assignable objectives. Furthermore, objectives should be stated as outcomes that demonstrate the achievement of goals, and they should be "specific, measurable, attainable, relevant, and time-bound." Similarly, the Green Book states that strategic plans set "objectives for an entity along with the effective and efficient [strategies] necessary to fulfill those objectives.... By linking [objectives] to the mission, management improves the effectiveness and efficiency of program operations in achieving the mission" [Green Book, OV2.19 and OV2.20].

IMPLEMENTATION AND MONITORING. The Strategic Planning Guide emphasizes the importance of the organization’s leadership team having a process to implement the strategic plan and monitor implementation. This process should include following through with planned objectives and strategies, tracking metrics related to the strategic plan, reporting on implementation to those charged with governance, gaining feedback about assumptions, and evaluating and if necessary revising the strategies in light of changing circumstances. For the Authority, additional external reporting about the Fair to stakeholders, such as the General Assembly, the Governor, and Colorado residents, could be beneficial for transparency because stakeholders expect the Authority to produce the Fair according to statute and operate it in a fiscally responsible manner, such as by maintaining the state fairground assets.

WHAT PROBLEMS DID THE AUDIT IDENTIFY AND WHY DID THEY OCCUR?

We found that the Board and the general manager do not strategically manage the Authority in ways that are responsive to the challenges and risks the Authority faces. We identified problems with their processes to conduct strategic planning as well as with the contents, implementation, and monitoring of the 2016 Strategic Plan.

LACK OF PREPARATION FOR STRATEGIC PLANNING

- **LACK OF ROLE CLARITY REGARDING STRATEGIC PLANNING.** We found that the Board and the general manager have not taken on clear roles for strategic planning and management. First, the Board has not established an environment that supports strategic management, as recommended by the Strategic Planning Guide. Specifically, it has never directed Authority management to engage in strategic planning nor has it overseen the implementation of any strategic initiatives (as discussed further below). The 2016 Strategic Plan was prepared in response to a request from the JBC, not at the behest of the Board. In fact, only one of the 11 Board members told us that they were familiar with the Plan and its goals, and three said that the Board’s

role is not to approve or otherwise drive the strategic direction of the Authority; rather they said that their role is simply to advise.

Second, the Authority has not defined the role that the general manager is expected to play in strategic planning. For example, the 2016 Strategic Plan was developed by the Authority's then-general manager, which the Strategic Planning Guide considers a management role, but that general manager also appeared to take responsibility for approving the Plan she wrote by sending it to the JBC as a final, public, document without first getting the Board's approval. Furthermore, the current general manager does not appear to have embraced his role in ensuring the Plan's objectives and strategies are achievable and relevant. For example, the general manager told us that the strategy in the Plan of consolidating workspaces into a single office building to improve employee satisfaction may be unrealistic, but he has not proposed eliminating the goal or modifying it to be more practical.

- **THE BOARD DOES NOT HAVE A VISION STATEMENT TO ANCHOR STRATEGIC PLANNING.** The Board does not have a process to develop a vision for the Authority's future on its own, nor has it adopted any of the vision ideas recently proposed by a consultant. In 2017, the Authority hired a consultant for \$166,000 to develop potential visions to better use the fairgrounds and provide a basis to guide decisions affecting long-term use and maintenance of the facilities. The consultant's research included evaluating the fairground facilities; analyzing national trends in fairground design, such as adding year-round amusement park type elements and activities; gathering public opinion about the Fair and fairgrounds; and interviewing Authority staff and Pueblo stakeholders. The consultant offered five possible visions: (1) making the fairgrounds a center of agribusiness research and production; (2) making the fairground a year-round RV resort; (3) using the fairgrounds to host Colorado-specific trade shows and offer low-cost spaces for Colorado businesses; (4) making the fairgrounds a one-stop shop for outdoor recreation with space for industries to design and the public to test

recreation products; and (5) reducing the size of the fairgrounds and leasing some of the land for development of hotels, a recreation center, or open space.

The former general manager did not share the proposed vision ideas with the entire Board but rather only with one member, so the Board did not have an opportunity to discuss them. The current general manager does not believe the consultant's proposed visions are viable, but he has not communicated this belief to the Board and, as of September 2019, has not worked with the Board to develop a vision. The general manager reported to us that he made plans to start involving the Board in the second phase of the Master Vision Plan for fairground facilities, which is currently underway by the State Architect. However, it is unclear whether this process will include developing a vision for the Authority as a whole or only for the facilities.

- **THE AUTHORITY HAS NOT CONDUCTED A FACTOR OR RISK ASSESSMENT TO INFORM STRATEGIC PLANNING.** Eight of 11 Board members told us that they were not aware of the Board ever having conducted an assessment to identify key risks to the success of the Fair or the Authority. The remaining three thought such an assessment had been done, but could not tell us when or the results. According to staff, the Authority has never undertaken an analysis of the factors affecting it internally or externally, or conducted a risk assessment. Given the Authority's long history of financial difficulties, including operating losses for the past decade, and its strategic focus on fiscal stability, conducting such an assessment is particularly important to help it identify and address the following through strategic planning:
 - ▶ The ability to operate as an enterprise, as intended by Section 35-65-405(1), C.R.S. To be qualified as an enterprise under the Colorado Constitution and statute [Article X, Section 20, Colorado Constitution], the Authority must be essentially self-sustaining, receiving less than 10 percent of its revenues each year from state and local government sources. Since 2006, the

Authority has not generated sufficient revenues to qualify as an enterprise, relying on between 15 and 37 percent in state and local government funding each year to keep the Fair going.

- ▶ The growth of the population in northern and central Colorado relative to Pueblo County, which should be considered when determining ways to draw more Coloradans to the Fair. Specifically, of the seven metropolitan areas in Colorado, the five with the highest population growth from 2010 to 2018 are in northern and central Colorado; these areas' populations grew between 10 and 24 percent during these years, while the Pueblo metropolitan area's population grew by 5 percent.
- ▶ Increasing maintenance costs to repair and preserve the fairgrounds' historic but deteriorating facilities, as discussed in the section titled "Facilities Maintenance" in CHAPTER 3.
- ▶ Practices that reduce revenue from facility rentals, as discussed in the section titled "Management of Non-Fair Facility Rentals" in CHAPTER 3.
- ▶ Weaknesses in existing operations, such as the lack of marketing resources as discussed in the section titled "Marketing" in CHAPTER 3.

LACK OF KEY STRATEGIC PLAN ELEMENTS

The 2016 Strategic Plan does not include fundamental components suggested by our sources, as follows:

- **COMPREHENSIVE GOALS.** The Plan does not include goals derived from the Authority's core statutory directives or its complete mission statement. First, none of the Authority's goals focus on its statutory charge of providing for the Fair or the statutory expectation that it operate as an enterprise. For example, the Plan does not include goals related to the Fair's programming, competitions, or exhibits, or for improving the experience of fair-goers, which would support its core charge. Furthermore, the Plan does not have an explicit goal to

operate as an enterprise, although achieving the fiscal stability goal could help the Authority come closer to self-sustainability. Second, the Plan has no goals related to the part of its mission statement that expresses the intent “to manage the fairgrounds to...serve...state needs.” Currently, goals focus only on the parts of the Authority’s mission statement that discuss (1) operating in a fiscally effective manner; and (2) using the fairgrounds to serve regional needs, namely its goals on financial stability and rentals for non-Fair events.

- **MEASURABLE OBJECTIVES AND STRATEGIES FOR ACCOMPLISHING GOALS.** Specifically:
 - ▶ The Plan does not identify measurable and time-bound objectives for the goal of rebranding the fairgrounds as a year-round event venue, such as target dates for the creation of new logos or slogans or implementing a specified number of marketing campaigns or community-outreach efforts to reinforce the new brand. The Plan also does not include any strategies to achieve the goal beyond rewriting the Authority’s mission.
 - ▶ The Plan’s fiscal stability goal focuses on eliminating the Authority’s debt by 2022, but it appears the Authority was not fully prepared to identify operational changes that would be needed for achieving this goal at the time the Plan was written. For example, the Plan includes the strategy of increasing rental rates for fairground facilities, but it also indicates that further, unspecified, revenue increases and spending reductions would be needed. Aside from the rental rate increases, the only activities the Plan specifies are analyses of operations, budgets, spending, and revenues, but without specific targets for boosting revenue or cutting spending or deadlines for completing such analyses.

The Indiana state fair has emphasized the importance of strategic planning, along with the clear identification of goals, objectives, and strategies, for justifying the use of resources and improving the likelihood of achieving its mission. We reviewed the Indiana State Fair strategic plan for 2011 to 2013 and found that its governing body at the time

established clear objectives and strategies for accomplishing its goals. For example, to achieve the goal of improving safety, Indiana developed new safety policies and an emergency management plan, and reported that it carried out the plan during the fair in response to a variety of situations. Indiana reported that the strategic plan was instrumental in helping it achieve its goals.

PROBLEMS WITH PLAN IMPLEMENTATION AND MONITORING

- **THE BOARD HAS TAKEN NO ACTION TO OVERSEE THE IMPLEMENTATION OF THE PLAN.** Management does not provide and the Board has not sought any updates on the implementation of the Strategic Plan, as of May 2019, according to meeting minutes and agendas. At the May 2019 Board meeting, the general manager informed the Board about upcoming changes to the Authority's staffing and organizational chart, which the general manager told us were intended to fulfill elements in the Strategic Plan. However, there was no mention of the Strategic Plan in the presentation to the Board. Furthermore, the Authority has not created processes to enable ongoing strategic management, such as by organizing meetings for the Board and staff to discuss strategic planning. If the Board were familiar with the Strategic Plan and its goals, it could then hold the general manager accountable for implementing the Plan, as discussed in the section titled "Governance" at the beginning of this chapter.

- **THE AUTHORITY HAS NOT UPDATED ANY OF THE STRATEGIC PLAN'S OBJECTIVES OR STRATEGIES TO REFLECT CHANGING CIRCUMSTANCES.** The general manager told us that, based on his prior experience with 1- to 3-year strategic plans, he does not think strategic plans should be updated until their intended duration is ended, even if deadlines are missed or circumstances change. This perspective is problematic, regardless of the timeframe for the strategic plan, because changing circumstances can impact strategic priorities and/or objectives for addressing them. For example, the Authority did not achieve its objective to assess the condition of every building on the fairgrounds by February 2017 and now expects this task will not be completed

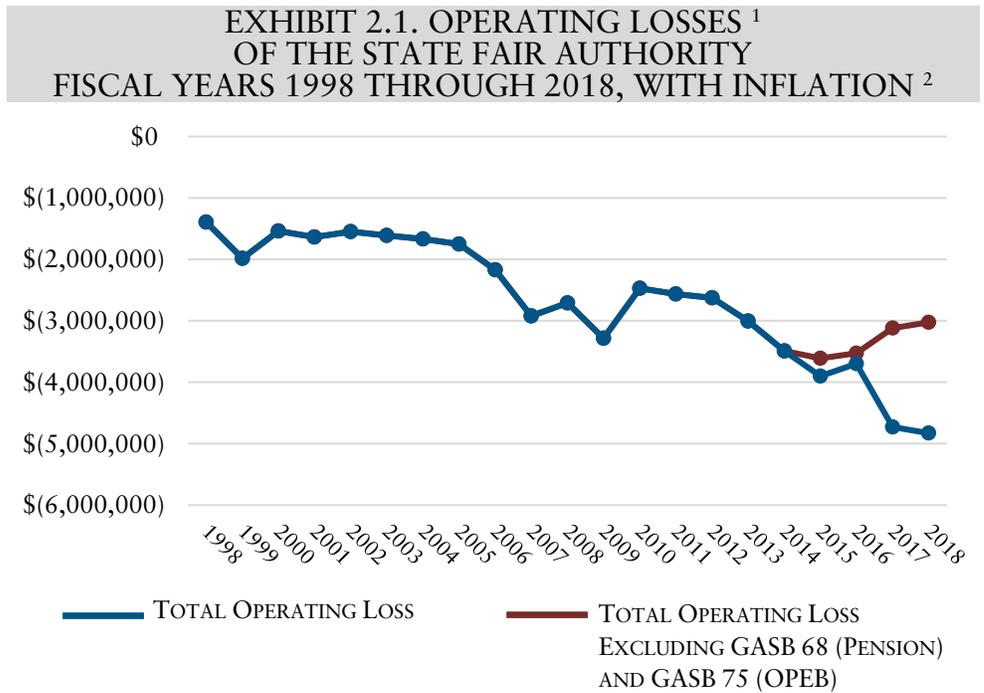
until June 2020. Despite missing this target date by over 2 1/2 years, the Board and general manager have not discussed whether the stated objective should be updated to reflect current conditions.

- **THE BOARD AND AUTHORITY MANAGEMENT DO NOT COLLECT PERFORMANCE DATA OR MONITOR ACHIEVEMENT OF STRATEGIC PLAN GOALS.** The general manager told us that the only performance metric the Authority tracks is how closely actual revenues and expenditures reflect the Authority’s annual budget. Department-level managers have tracked some performance measures over the years in a document they call the “operation plan” which could provide the Board and Authority management some measure of the Authority’s overall performance. However, both the Board and Authority staff told us that they have never seen the operation plan, and the general manager told us that the metrics tracked, such as gross revenues from Fair sponsorships and competition entries, may not be the right measures to monitor the Authority’s performance. The Authority has not identified other performance metrics as a replacement.

- **THE BOARD DOES NOT PROVIDE INFORMATION TO KEY STAKEHOLDERS.** The Authority’s only documented, public information provided on an annual basis is its financial audit, which is conducted by a contractor hired by the Office of the State Auditor. The Authority’s financial audit contains information that Section 35-65-406, C.R.S., requires to be included in an annual report, such as financial data and Fair attendance. However, the Authority does not author its own annual report to describe to the General Assembly, Governor, and general public, the successes and challenges from the prior year, the types of events that took place at the fairgrounds during the year, or how events promote and support Colorado industries and appeal to residents. A descriptive annual report from the Authority, in addition to its annual financial audit, would give stakeholders an opportunity to understand the actions taken to produce the Fair and maintain fairground facilities, and could raise awareness and possibly support for the Fair and fairgrounds.

WHY DO THESE PROBLEMS MATTER?

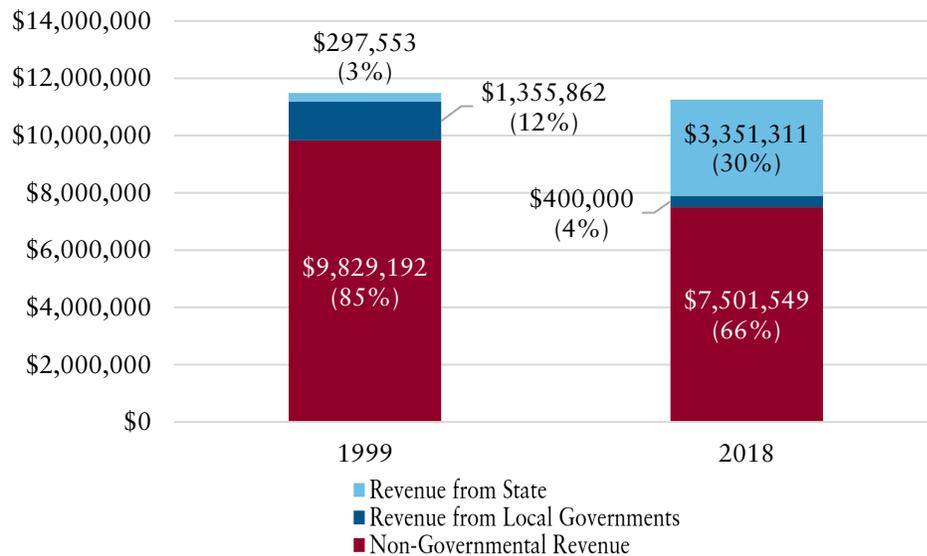
ONGOING FINANCIAL DIFFICULTIES. The lack of strategic planning and management by the Authority has likely contributed to its fiscal challenges. The Authority has run an operating deficit every year for the past 21 years, as shown in EXHIBIT 2.1. Further, as discussed in the section titled “Facilities Maintenance” in CHAPTER 3, the Authority has facility maintenance needs which have grown over time to an estimated \$25 million (more than three times the Authority’s operating revenue in Fiscal Year 2018) as a result of the Authority not having goals or strategies to address its maintenance needs.



SOURCE: Office of the State Auditor financial audits of the Colorado State Fair Authority, Fiscal Years 1998 to 2018.
¹ In Fiscal Year 2015, The Governmental Accounting Standards Board (GASB) Statement 68 went into effect requiring financial statements to include pension expenses within total operating expenses. In Fiscal Year 2018, GASB Statement 75 went into effect requiring financial statements to include other postemployment benefits within total operating expenses.
² Dollars are adjusted for inflation based on the June 2018 Consumer Price Index established by the Bureau of Labor Statistics at the U.S. Department of Labor.

Without strategic management, the Authority has not reversed the trend of losses, and, in fact, has increased its reliance on state funding tenfold, as shown in EXHIBIT 2.2.

EXHIBIT 2.2. REVENUE FROM STATE AND LOCAL GOVERNMENTS AS A PROPORTION OF TOTAL REVENUE FISCAL YEARS 1999¹ AND 2018, WITH INFLATION²



SOURCE: Office of the State Auditor analysis of authority documentation.

¹ Fiscal Year 1999 is the first year that the State provided dedicated annual state funding to the Authority as an agency in state government.

² Dollars are adjusted for inflation based on the June 2018 Consumer Price Index established by the Bureau of Labor Statistics at the U.S. Department of Labor.

When the State diverts an increased amount of funding to the Authority to maintain its operations, it decreases the funding available for other state priorities.

RISKS TO THE AUTHORITY PERPETUATE. Because the Board and management do not assess risk in conjunction with strategic planning, there are numerous risks to the success of the Fair and fairgrounds which remain unmitigated. During our interviews, the Board and Authority management and staff told us about commonly known “risks” to the success of the Fair and non-Fair operations, most of which we found are not documented, and none have been discussed or addressed by the Authority through strategic management. The risks that Board members, management, and staff reported to us include the following:

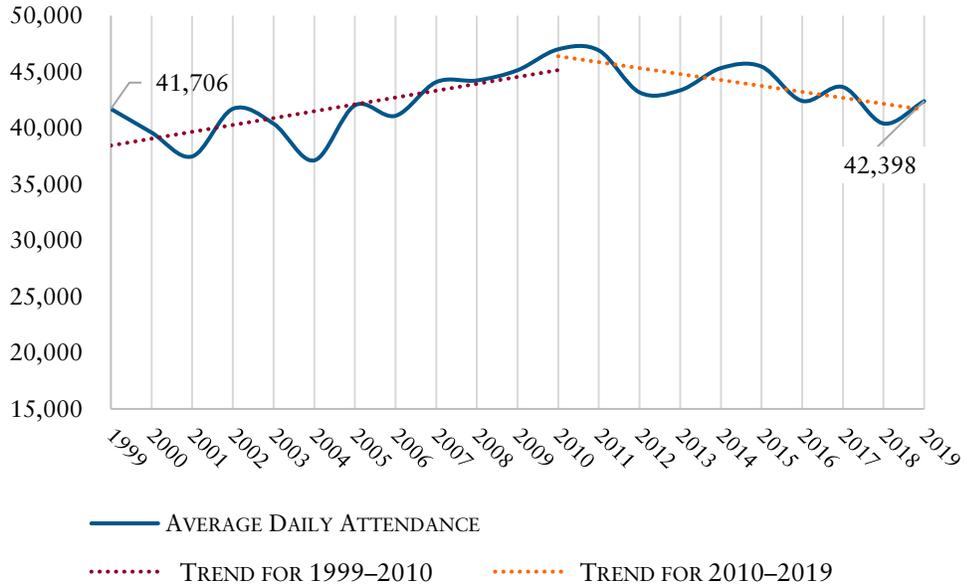
- Fair attendance has generally trended downward over the last 9 years, although there was a 5 percent increase in attendance between 2018 and 2019.

- Fairground buildings require costly maintenance that the Authority cannot afford.
- The Fair occurs after children go back to school in the fall and at the same time as nearby competing agriculture events.
- They believe Denver-metro area residents are unwilling to travel to Pueblo to attend Fair and non-Fair events.
- Non-Fair renters of fairground facilities have been difficult to attract when facilities are not maintained and there is no marketing.
- Understaffing stretches Authority staff too thin, leaving key roles necessary to generate revenue unfilled, such as in maintaining facilities and marketing rentals.

These risks could be managed and mitigated through a strategic planning process that includes the Board, general manager, and staff documenting risks and the opportunities and strategies to address them.

THE AUTHORITY'S METRICS FOR SUCCESS ARE ON A CONTINUOUS DECLINE. The Department's operation plan for the Authority includes two key metrics—Fair attendance and year-round rental revenue. Both the average daily Fair attendance and rental revenue have declined over time. As shown in EXHIBIT 2.3, since reaching a 12-year high at the 2010 State Fair, average daily attendance has generally decreased over the last 9 years to the 2019 Fair, despite intermittent gains in average daily attendance in some years.

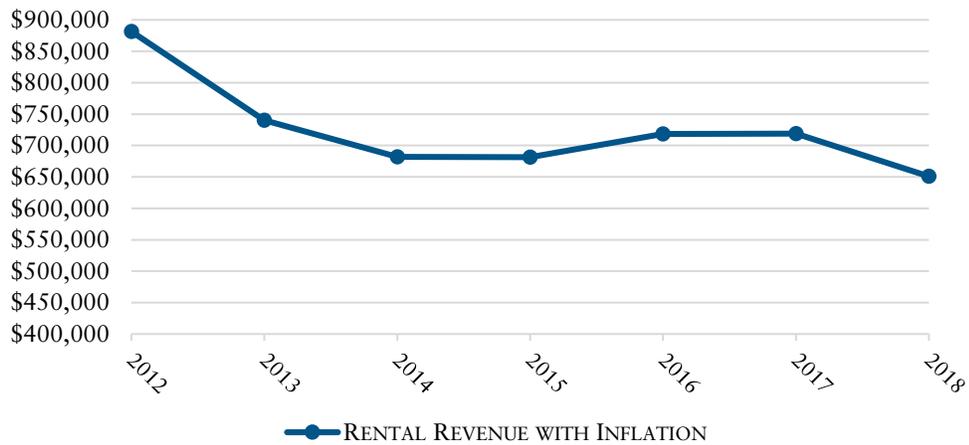
EXHIBIT 2.3. STATE FAIR AVERAGE DAILY ATTENDANCE WITH TREND ANALYSIS, FAIR YEARS 1999 TO 2019



SOURCE: Office of the State Auditor analysis of Authority documentation.

As shown in EXHIBIT 2.4, the Authority’s non-Fair facility rental revenue decreased by 26 percent from Fiscal Year 2012 through Fiscal Year 2018.

EXHIBIT 2.4. NON-FAIR RENTAL REVENUE WITH INFLATION¹ FISCAL YEARS 2012 THROUGH 2018



SOURCE: Office of the State Auditor analysis of Authority documentation.

¹ Dollars are adjusted for inflation based on the June 2018 Consumer Price Index established by the Bureau of Labor Statistics at the U.S. Department of Labor.

RECOMMENDATIONS FROM STUDIES TO IMPROVE THE AUTHORITY RISK NOT BEING IMPLEMENTED. The State of Colorado has spent a total of nearly half a million dollars on studies in the past 3 years to identify solutions to the Authority's fiscal and operational problems. This includes \$50,000 for a financial stability and management study conducted by a consulting firm in 2016 and \$445,000 for the two phases of the Master Vision Plan, which began in 2017 and is still in process. However, the Authority has not used the results of the first phase of the Master Vision Plan, nor has it implemented 13 of the 17 recommendations from the financial stability and management study. The problems we found with a lack of strategic planning and management means that the Authority risks not capitalizing on the results of the studies and recommendations expected from the second phase of the Master Vision Plan to strengthen its operations.

RECOMMENDATION 2

The Board of Commissioners (Board) of the Colorado State Fair Authority (Authority) should implement written policies and procedures for strategic planning that include:

- A Clear definitions of the roles of the Board and management in the process, such as the Board’s role in setting a tone to foster strategic planning and the general manager’s role in developing and implementing strategic plans.
- B Procedures for assessing risk and the internal and external factors affecting the Authority to inform strategic planning.
- C Procedures for developing and implementing the components that should be included in a strategic plan for the Authority, such as goals that reflect the vision, mission, and statutory purpose; objectives that are specific and measurable; and strategies to achieve the goals and objectives.
- D Procedures for the Board to oversee execution of a strategic plan, be informed on the plan’s progress on a routine basis, and work with management to update it as needed to keep it relevant.
- E Procedures for collecting and analyzing data to monitor the implementation of the strategic plan.

RESPONSE

BOARD OF COMMISSIONERS OF THE COLORADO STATE FAIR AUTHORITY

A AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will develop and implement written policies and procedures for strategic planning. Policies and procedures will include clear definitions of the roles of the Board and management, including the Board's role in setting a tone to foster strategic planning and the General Manager's role in developing and implementing strategic plans.

B AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will develop and implement written policies and procedures for strategic planning. Policies and procedures will include procedures for assessing risk and the internal and external factors affecting the Authority to develop strategic planning.

C AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will develop and implement written policies and procedures for strategic planning. This will include policies and procedures for developing and implementing the components that should be included in a strategic plan for the Authority, such as goals that reflect the vision, mission, and statutory purpose; objectives that are specific and measurable; and strategies to achieve the goals and objectives.

D AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will develop and implement written policies and procedures for strategic planning which will include Board's oversight of strategic plan execution. The policy will identify the frequency of the review process and ensure the strategic plan is updated to stay relevant.

E AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will develop and implement written policies and procedures for strategic planning. This will include policies and procedures for collecting and analyzing data to monitor the implementation of the strategic plan.

RECOMMENDATION 3

The Board of Commissioners (Board) of the Colorado State Fair Authority (Authority) should manage the Authority in a strategic manner that is responsive to the challenges and risks the Authority faces by:

- A Adopting a written vision for the Authority based on assessments of risk and the internal and external factors affecting the Authority. This should include assessing the viability, strengths, and weaknesses of each vision or a combination of visions proposed in the Master Vision Plan.
- B Adopting a written strategic plan in accordance with the policies and procedures developed for RECOMMENDATION 2.
- C Including in its strategic plan a goal to operate as an enterprise, as directed in statute, and identifying and implementing strategies to reach the goal.
- D Improving public reporting, such as by using the strategic plan and related monitoring data to produce a descriptive annual report for the Authority that is submitted to the General Assembly, Governor, and other stakeholders.

RESPONSE

BOARD OF COMMISSIONERS OF THE COLORADO STATE FAIR AUTHORITY

- A AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will adopt a written vision for the Authority based on assessments of risk and the internal and external factors affecting the Authority. This will include assessing the viability, strengths, and weaknesses of each vision or a combination of visions proposed in the Master Vision Plan. The Board will continue to work with the Office of the State Architect, Stantec, Crossroad Consulting, and

K/O Fairgrounds Architects to complete the Master Vision Plan. This process will include Board participation and ultimate adoption of plans with inputs from Phase 1 of the Master Vision Plan. Deliverables will include a market demand & financial feasibility study as well as a facilities marketing plan.

B AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Board will adopt a written strategic plan in accordance with the newly developed policies and procedures.

C AGREE. IMPLEMENTATION DATE: JUNE 2020.

The adopted strategic plan will include many goals, one of which will be achieving enterprise status again. This will be a lengthy process that will be achieved by identifying and implementing strategies to reach the goal of operating as an enterprise. The new strategic plan will outline the process for setting near, mid, and long-term goals and objectives.

D AGREE. IMPLEMENTATION DATE: NOVEMBER 2020.

Through the governance and strategic planning process, the Board and staff will develop an annual report that monitors the achievement of goals and metrics to submit to the General Assembly, Governor, and other stakeholders. This report will be reviewed and approved at the annual Fair Board retreat in November and then made available to the public.

CHAPTER 3

OPERATIONS

As administrator of the annual Colorado State Fair and Industrial Exposition (Fair) and steward of the fairgrounds, the Colorado State Fair Authority (Authority) manages year-round operations, which include maintaining the fairgrounds' facilities, renting the facilities to public and private parties as a means of generating revenue, and marketing the Fair to boost interest among the public. This chapter discusses our assessments of whether the Authority (1) maintains its facilities in good, usable condition, (2) applies best practices in managing facility rentals as a business enterprise, and (3) uses effective marketing strategies.

FACILITIES MAINTENANCE

The Colorado State Fairgrounds are home to 57 buildings and structures on over 100 acres of land. In 2006, History Colorado placed 31 of the buildings and structures constructed between 1921 and 1964 on the Colorado State Register of Historic Properties in recognition of their historic importance.

The Authority has 10 full-time employees who oversee the buildings and grounds, and perform general maintenance, repairs, janitorial services, and grounds-keeping duties. The Authority hires outside contractors for projects and repairs that surpass the skill set of in-house staff, such as roofing and repair of electrical and heating, ventilation, and air conditioning (HVAC) systems.

EXHIBIT 3.1 shows the Authority’s expenditures for building, grounds, and other maintenance for Fiscal Years 2017 through 2019.

EXHIBIT 3.1. THE AUTHORITY’S MAINTENANCE EXPENDITURES FISCAL YEARS 2017 THROUGH 2019				
	2017	2018	2019	TOTAL
BUILDING MAINTENANCE				
Building Maintenance	\$82,678	\$205,335	\$381,757	\$669,770
Events Center Roof Replacement ^{1,2}	\$0	\$0	\$20,340	\$20,340
Subtotal Building Maintenance	\$82,678	\$205,335	\$402,097	\$690,110
GROUNDS MAINTENANCE				
Grounds, Sewers, Roads, Carnival Lot	\$158,856	\$143,833	\$168,300	\$470,989
Storm Water Drain Replacement ^{1,3}	\$666,284	\$203,438	\$38,104	\$907,826
Secondary Electrical Replacement ¹	\$237,372	\$0	\$20,340	\$257,712
Subtotal Grounds Maintenance	\$1,062,512	\$347,271	\$226,744	\$1,636,527
OTHER MAINTENANCE				
Equipment and Furniture Purchases	\$73,856	\$30,202	\$57,624	\$161,682
Equipment Maintenance	\$26,601	\$35,567	\$29,689	\$91,857
Information Technology Maintenance	\$5,265	\$5,141	\$7,755	\$18,161
Motor Vehicle Maintenance	\$14	\$2,673	\$274	\$2,961
Subtotal Other Maintenance	\$105,736	\$73,583	\$95,342	\$274,661
TOTAL MAINTENANCE	\$1,250,926	\$626,189	\$724,183	\$2,601,298

SOURCE: Office of the State Auditor analysis of Authority expenditures recorded in the Colorado Operations Resource Engine (CORE).

¹ Funded by appropriations from the Capital Development Committee.

² The Events Center roof replacement project started in June 2019 and continued into Fiscal Year 2020. The Capital Development Committee approved a total of \$888,932 for this multi-year project.

³ The Capital Development Committee approved a total of \$2.2 million for this multi-year project.

The Office of the State Architect (State Architect) has requirements for maintenance planning that state agencies must follow and related documentation that they must submit to the Capital Development Committee to request state funding for maintenance and capital improvement projects. One such requirement is to prepare a Building Inventory Report, which includes a rating of the condition of each state-owned building using a facility condition index based on a scale from 1 to 100 percent, with a higher percentage representing a building in better condition. The facility condition index is based on an inspector's audit of each building's individual systems and components, such as the plumbing, heating, electrical, foundation, roof, floors, and ceilings. During a facility condition audit, an inspector assigns a percentage to each system and component indicating its condition. These percentages are then weighted according to the estimated replacement value of the system or component to calculate the facility condition index for the whole building, which may be used to estimate the total cost of capital improvements needed to restore the facility to excellent condition. The most recent Building Inventory Report for the fairgrounds, completed by the Department in July 2019, reports the indexes for 55 of the 57 fairground buildings and their significant structures, such as stages, restrooms, and bleachers.

Authority staff use spreadsheets to track maintenance and construction projects that have been completed within the last fiscal year or that are in progress or planned for the current fiscal year, and they have a 5-year plan (2020 through 2024) for Capital Development Committee funding requests, which covers large projects such as upgrading the HVAC systems at the Events Center.

WHAT WAS THE PURPOSE OF THE AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to determine whether the Authority maintains its facilities in good, usable condition, both for the Fair and for non-Fair rentals. We analyzed the most recent Building Inventory

Report that the Department submitted to the State Architect in July 2019; the two facility condition audits that were completed in April 2018 for the Events Center and the Palace of Agriculture; the funding request and supporting documentation that the Authority submitted to the State Architect for funding from the Capital Development Committee for Fiscal Year 2020; the Authority's maintenance expenditures recorded in the Colorado Operations Resource Engine (CORE) for Fiscal Years 2017 through 2019; the spreadsheets used to track maintenance and capital construction projects from Fiscal Year 2017 through 2019; and the Authority's 5-year plan for project funding. We also interviewed State Architect staff and History Colorado staff, and reviewed History Colorado's list of Historical Fund grant applications showing the grants for which the Authority has applied.

HOW WERE THE RESULTS OF THE AUDIT WORK MEASURED?

THE AUTHORITY'S BUILDINGS SHOULD BE IN TOP CONDITION. All of the land and facilities that comprise the fairgrounds are property of the Authority [Section 35-65-404(1), C.R.S.]. As the property owner, the Authority has an obligation to be good stewards of state assets, which entails investing in the upkeep and renovation of buildings, as needed, to keep them in the best condition possible to provide optimal benefit to the State Fair and for non-Fair events.

As shown in Exhibit 3.2, the State Architect has established 85 percent as the target facility condition index for all facilities in the state. An 85 percent index reflects that buildings may have normal wear and tear but are otherwise in good to excellent condition and require minimal funds to maintain them. An index of 100 percent represents a building in new condition. According to the facility condition index scale, once a facility falls below 35 percent, the agency should consider replacing, moving, selling, closing, or demolishing the asset since portions of the building or the entire building is no longer meeting its intended purpose. The Condition Level Explanation shown in Exhibit 3.2 provides examples

of the types of maintenance and remedies that may be required for buildings within each facility condition index range.

EXHIBIT 3.2. FACILITY CONDITION INDEX SCALE		
INDEX PERCENTAGE RANGE	BUILDING CONDITION	CONDITION LEVEL EXPLANATION
85% to 100%	Excellent Condition	State Architect target. Building is fully utilized for its intended purpose and has little or no deficiencies. Only minor, routine maintenance needed.
61% to 84%	Fair to Good Condition	A small portion of the building may not meet its purpose. Minor to moderate maintenance needed.
35% to 60%	Poor to Fair Condition	Portions of the building may be unusable or do not meet their purpose. Remodeling, refurbishment, or moderate to extensive repair needed. A moderate to considerable amount of time and funds are needed to maintain building.
20% to 34%	Poor Condition	Portions of the building are unusable or not meeting their purpose, and entire systems need replacement. Users actively complain about building conditions. Agency should consider replacing, moving, selling, closing, or demolishing the building as a significant amount of time and funds are needed to maintain it.
Below 20%	Less than Poor Condition	Lowest rating allowed before the State Architect considers the building a loss of its intended purpose. Often a vacant building or one that the agency should replace, move, sell, close, or demolish due to the significant funding needed to restore it.

SOURCE: Colorado Office of the State Architect, Facility Condition Index Rating Key and correspondence.

Buildings should obtain facility condition audits to evaluate their overall condition and resulting recommendations should be addressed. According to the State Architect, state agencies should conduct facility condition audits of all buildings—except for those that are small and non-critical—every 3 to 5 years, with the frequency depending on the importance of the building, usage, and perceived maintenance requirements. In addition to determining an overall facility condition index for the building, the audits are used to estimate the costs to renovate, retrofit, or restore the building to bring it to a “like new” condition. Regular facility condition audits can identify potentially dangerous or weak elements of buildings before they become a danger to the public and a liability to the State. The Authority is responsible for ensuring that facility condition audits are conducted per the State Architect’s guidance and addressing the recommendations made as a result.

WHAT PROBLEMS DID THE AUDIT WORK IDENTIFY?

MOST BUILDINGS ON THE FAIRGROUNDS ARE REPORTED TO BE IN POOR TO FAIR CONDITION. EXHIBIT 3.3 shows the facility condition indexes reported for all 57 facilities on the Authority’s Building Inventory Report with color-coding that coincides with the Facility Condition Index Scale in EXHIBIT 3.2. When the Department last submitted a Building Inventory Report to the State Architect in July 2019, none of the fairground buildings were given a facility condition index that met the State Architect’s target of 85 percent, and 14 buildings or structures had indexes below 35 percent, which means that they are in poor or less than poor condition. Overall, most of the buildings and structures (87 percent) have indexes of 60 percent or lower, meaning that their condition is no better than “fair.”

EXHIBIT 3.3. FACILITY CONDITION INDEXES FOR FAIRGROUND FACILITIES, AS REPORTED BY THE DEPARTMENT IN JULY 2019

BUILDING/STRUCTURE NAME	FACILITY CONDITION INDEX	BUILDING CONDITION ACCORDING TO THE INDEX
Restroom Building–Events Center	74%	Fair to Good
Restroom Building–Horse Show	74%	Fair to Good
Restroom Building–Vendor Loop	74%	Fair to Good
West Horse Arena Cover	74%	Fair to Good
Horse Show Concession	65%	Fair to Good
Butler Building	61%	Fair to Good
Information Booth ¹	61%	Fair to Good
Giodone’s Tent Concession	60%	Poor to Fair
Triangle Park Restroom ¹	60%	Poor to Fair
Cultural Heritage Building ¹	56%	Poor to Fair
Bandshell Park Restrooms	55%	Poor to Fair
Dairy Bar Concession ¹	55%	Poor to Fair
East Carnival Restroom	55%	Poor to Fair
Events Center	55%	Poor to Fair
Gate 9 Ticket Office	55%	Poor to Fair
Grandstand Stage	54%	Poor to Fair
Maintenance Office	53%	Poor to Fair
Amphitheatre Building	52%	Poor to Fair
Gate 2 Ticket Office ¹	51%	Poor to Fair
Rodeo Office	50%	Poor to Fair
Gate 5 Ticket Office	49%	Poor to Fair
Stone Stalls	49%	Poor to Fair
Horse Stalls ¹	48%	Poor to Fair
Agriculture Pavilion Restroom ¹	47%	Poor to Fair

EXHIBIT 3.3. FACILITY CONDITION INDEXES FOR FAIRGROUND FACILITIES, AS REPORTED BY THE DEPARTMENT IN JULY 2019		
BUILDING/STRUCTURE NAME	FACILITY CONDITION INDEX	BUILDING CONDITION ACCORDING TO THE INDEX
Goat Barn ¹	47%	Poor to Fair
Livestock Pavilion ¹	45%	Poor to Fair
Northwest Carnival Restroom	45%	Poor to Fair
Sheep and Swine Barn #14 ¹	45%	Poor to Fair
Vineland Concession ¹	45%	Poor to Fair
Agriculture Pavilion ¹	44%	Poor to Fair
Colorado Building ¹	44%	Poor to Fair
4-H Dining Hall Building ¹	43%	Poor to Fair
Coca Cola Stage ¹	40%	Poor to Fair
Gate 4 Ticket Office	40%	Poor to Fair
Subway Building	40%	Poor to Fair
Boy's Dorm Building ¹	39%	Poor to Fair
Fine Arts Building ¹	39%	Poor to Fair
Girl's Dorm Building ¹	39%	Poor to Fair
Grandstand ¹	37%	Poor to Fair
Creative Arts ¹	36%	Poor to Fair
East Grandstand Restrooms	35%	Poor to Fair
Gate 6 Ticket Office ¹	34%	Poor
Manhattan's Concession	34%	Poor
Palace of Agriculture ¹	32%	Poor
Small Animal Barn ¹	31%	Poor
VIP Colorado Clubhouse ¹	31%	Poor
4-H Auditorium Building ¹	30%	Poor
4-H Exposition Building ¹	26%	Poor
State Fair Café ¹	24%	Poor
Feed Barn ¹	16%	Less than Poor
Gate 3 Carnival Showers/Restroom	15%	Less than Poor
Maintenance Garage	6%	Less than Poor
Security Office ¹	3%	Less than Poor
East Grandstand Bleachers ¹	-3%	Significantly Less than Poor
West Grandstand Bleachers ¹	-9%	Significantly Less than Poor
Lottery Building		No index assigned
Horse Show Feed Barn		No index assigned

SOURCE: Office of the State Auditor analysis of the Colorado State Fair Authority Building Inventory Report prepared by the Department in July 2019.

¹ These buildings or structures are on Colorado's State Register of Historic Properties.

Department staff were unable to explain the negative facility condition indexes for the East and West Grandstand Bleachers, other than that the structures are in very poor condition. However, State Architect staff stated that the negative values were calculation errors made by the Department. Also, the Lottery Building and Horse Show Feed Barn were not assigned facility condition indexes; State Architect staff stated that this is likely because they have not been audited, having been acquired

after the 1998 facility condition audit. Department staff reported another reason is that the Colorado Lottery, rather than the Authority, is responsible for maintaining the Lottery Building.

Furthermore, the majority of the facility condition indexes reported for fairground facilities in 2019 (53 of 55) were based not on a recent facility condition audit, but rather on adjustments of indexes established 21 years prior, as described below.

THE AUTHORITY HAS NOT CONDUCTED FACILITY CONDITION AUDITS FOR MOST OF ITS BUILDINGS SINCE 1998. Although the State Architect recommends state agencies conduct facility condition audits every 3 to 5 years, the Authority has not conducted such audits for 52 of the 57 buildings since 1998, or since they were built for newer structures. The Events Center and the Palace of Agriculture were audited in April 2018, and, as of July 2019, three buildings were in the process of being audited by the State Architect—the 4-H Auditorium Building, 4-H Dining Hall Building, and 4-H Exposition Building. Thus, aside from the Palace of Agriculture and the Events Center, the facility condition indexes reported in July 2019 and shown in EXHIBIT 3.3 are based on 21-year-old information. According to interviews with the Department and State Architect staff, in 2018, the State Architect directed Department staff to reduce the index for each building by 1 percent per year since the 1998 facility condition audit, which would be a 20 percent reduction in the indexes.

NUMEROUS MAINTENANCE PROBLEMS HAVE BEEN IDENTIFIED IN THE FEW FACILITY CONDITION AUDITS THAT HAVE BEEN CONDUCTED. The State Architect facility condition audits of the Palace of Agriculture and the Events Center made 296 recommendations to address deteriorating building conditions and safety hazards, as described below.

- **THE PALACE OF AGRICULTURE**, shown in EXHIBIT 3.4, was built from 1940 to 1949 and occupies 55,000 square feet with offices and a large open space that can accommodate up to 5,000 people. The Palace of Agriculture is used for Fair exhibitions, car shows, gun shows, and other large events. The State Architect assigned the Palace

of Agriculture a facility condition index of 32 percent in 2018, meaning an overall condition of poor, and recommended 169 repair and maintenance items carrying an estimated cost of \$5.6 million. Based on the Authority's lists of projects planned in Fiscal Years 2019 and 2020 and its 5-year plan for requesting funding from the Capital Development Committee for 2020 through 2024, the Authority has addressed or plans to address 28 recommendations, that include fixing the roof, repairing deteriorated exterior walls, painting, and repairing or replacing HVAC equipment. The Authority currently has no plans for implementing the remaining 141 recommendations that relate to problems with the building's floors, ceiling, interior walls, windows, plumbing, or a significant portion of its electrical systems.

EXHIBIT 3.4. PALACE OF AGRICULTURE



SOURCE: Stock photo taken by the State Architect.

- **THE EVENTS CENTER**, shown in EXHIBIT 3.5, was built between 1994 and 1996 and is a 62,000-square-foot arena that can accommodate up to 7,800 people. The Events Center is used for large events such as concerts, monster truck shows, and school sporting events. The State Architect assigned the Events Center a facility condition index of 55 percent in 2018, meaning a poor to fair condition, and recommended 127 repair and maintenance items carrying an estimated cost of \$5.9 million. Based on the Authority's lists of projects planned in Fiscal Years 2019 and 2020 and in the 5-year plan, it has addressed or has plans to address 27 recommendations that include replacing the roof, and repairing or replacing HVAC equipment, plumbing, and electrical components. The Authority currently has no plans for implementing the remaining 100

recommendations such as fixing the building’s deteriorating masonry and stucco on columns and exterior walls, damage to the doors and floors, interior walls, or significant portions of its electrical systems.

EXHIBIT 3.5. EVENTS CENTER



SOURCE: Stock photo taken by the State Architect.

MANY BUILDINGS IN FAIR TO POOR, POOR, OR LESS THAN POOR CONDITION DID NOT UNDERGO ANY MAJOR REPAIRS OVER THE PAST 3 YEARS. Based on the Authority’s documentation, spending, and our interviews, from Fiscal Years 2017 through 2019, the Authority did not conduct major maintenance or repair work for 21 buildings that had indexes below 60 in July 2019. These buildings should have received maintenance during the prior 3 fiscal years beyond the standard routine maintenance that was conducted, which was janitorial cleaning services, minor repairs to doors, and replacement of lights and other hardware and fixtures. The Authority did not conduct any major maintenance, such as painting; replacement of windows, doors, roofs, siding, or flooring; or HVAC and electrical system repairs. The Authority also does not have plans to request funding for any of these 21 facilities in its 5-year plan that is used for Capital Development Committee funding requests.

WHY DID THESE PROBLEMS OCCUR?

The Authority lacks plans and controls for maintaining fairground facilities. In particular, the Authority has no systematic means to (1) identify maintenance or repair needs, (2) prioritize maintenance and repair projects, or (3) pursue steps that would help maximize funding for facility maintenance.

NO SYSTEMATIC METHOD TO IDENTIFY MAINTENANCE NEEDS. According to staff, the Authority's approach to facility maintenance is reactive—it relies on staff knowledge to identify and address emergent needs, particularly those that could cause further damage or that endanger the safety of occupants, such as leaking roofs. The Authority also does not maintain a comprehensive schedule of needed maintenance projects; it only has a list of current projects (i.e., those completed in the past fiscal year and in progress or planned for the current fiscal year). As a result, the Authority has no documented plan or schedule for addressing the needs of 51 of the 57 facilities on the fairgrounds even though all were below the targeted 85 percent index and 48 were in fair or worse condition.

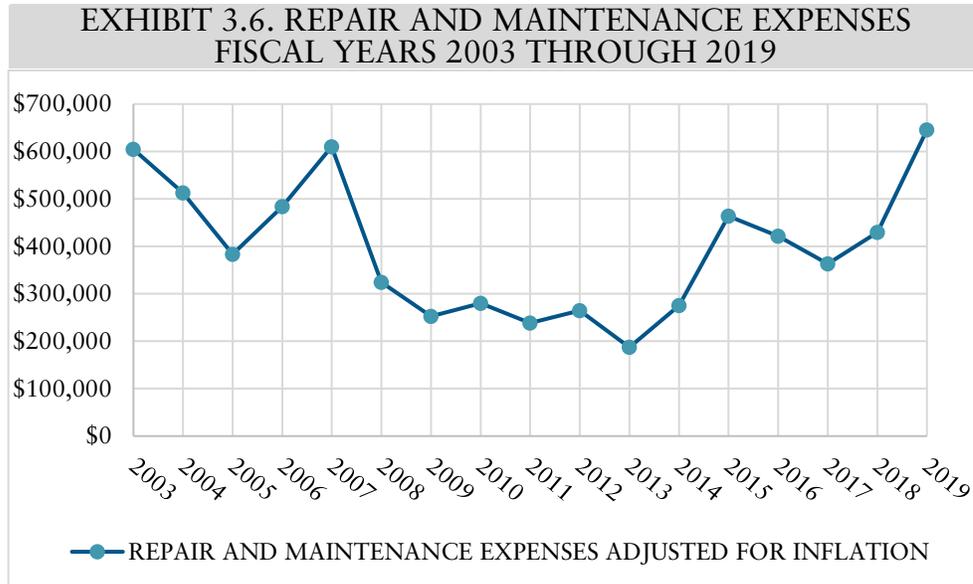
Furthermore, according to Authority management, it has no plans to conduct facility condition audits of any buildings other than three that are currently in progress with the State Architect—the 4-H Auditorium Building, 4-H Dining Hall Building, and 4-H Exposition Building. The State Architect is paying for these three audits and paid for the audits of the Palace of Agriculture and the Events Center that were completed in 2018. State Architect staff told us that they covered the costs of these audits using state funds received to help agencies with limited resources complete audits to gain a better understanding of the condition of all state-owned buildings. Typically, state agencies are expected to fund facility condition audits through their budget requests to the Joint Budget Committee, and State Architect staff said that the Authority will need to fund and perform the audits on its buildings on a regular basis in the future. According to the State Architect, the average cost of a facility condition audit is about \$20,000, with costs ranging from 20 cents per square foot for facilities over 50,000 square feet to 50 cents per square foot for smaller facilities. Authority management said that it has not planned additional facility condition audits because the cost is prohibitive for the remaining 52 buildings that have not been audited since 1998 or at all, and said that it is not realistic to audit some of the buildings, such as cinder-block sheds. However, the Authority has not identified the buildings for which facility condition audits would be useful and budgeted accordingly or begun requesting funding to conduct more of the audits.

NO SYSTEMATIC PRIORITIZATION OF MAINTENANCE OR REPAIR PROJECTS. The Authority has not implemented a process to determine the order or timeframe in which maintenance and repair projects should be carried out, or goals to assist in prioritizing projects. For example, the Authority has not set a goal to improve the condition of all fairground buildings to an index of at least 85 percent by a certain date. Furthermore, the Authority does not have plans for prioritizing implementation of the recommendations from the recent facility condition audits. As of July 2019, the Authority had addressed or planned to address only 55 of the 296 recommendations for the two facilities that were recently audited (the Palace of Agriculture and Events Center) by Fiscal Year 2024. In total, the Authority expects to spend about \$5.3 million by Fiscal Year 2024, compared with the \$11.5 million total cost that the State Architect estimated for addressing all of the recommendations from the two recent facility audits.

MAINTENANCE PLANNING ON HOLD. In addition to the issues described above, towards the end of our audit, Authority management said that maintenance planning is on hold and they are reticent to seek money for restoring buildings until the second phase of the Master Vision Plan is completed in approximately June 2020. Management said that this is because the Master Vision Plan is expected to include (1) information on how facilities could be used; (2) information on possible facility improvements that could help prioritize maintenance projects; and (3) possible recommendations for demolishing, rehabilitating, or replacing buildings. However, based on the proposed scope of work, the Master Vision Plan is not expected to include a strategy for ongoing facility maintenance and assessment, which the Authority will need to develop. Further, the Authority has no rotating schedule to ensure that its buildings are evaluated, through audits or otherwise, every 5 years.

LACK OF PROCESS TO MAXIMIZE FUNDING FOR MAINTENANCE. While we recognize there are limits on the availability of funding for maintenance projects, the Authority has not always made a priority of seeking funding to address facility maintenance and repairs, despite the overall poor condition of the fairground buildings. First, according to the Authority, it sometimes delays maintenance or repair projects as a

means of controlling costs. For example, EXHIBIT 3.6 shows that the Authority's annual spending on fairground maintenance and repairs over the last 17 years has fluctuated significantly, with relatively minimal amounts spent over 7 years (2008 through 2014). According to the Authority, one of the cost savings measures it has used is leaving maintenance staff positions vacant and reducing the number of full-time equivalent (FTE) employees allocated to maintenance.



SOURCE: Office of the State Auditor, Colorado State Fair Authority Financial and Compliance Audits, Fiscal Years 2003 through 2018, and CORE. Dollars are adjusted for inflation based on the June 2019 Consumer Price Index established by the Bureau of Labor and Statistics at the U.S. Department of Labor.

Second, although the reduced spending for maintenance has resulted in a significant buildup of maintenance needs, also known as deferred maintenance, the Authority diverted a relatively large portion of the \$300,000 it receives each fiscal year earmarked for State Fair Facilities Maintenance to another use in Fiscal Year 2017. The Authority used about \$117,000 to pay for the first part of the Master Vision Plan, which was intended to help the Authority identify new ways to use the fairgrounds. This operational planning purpose does not appear to fit with the General Assembly's intent of the appropriation, which was for carrying out facilities maintenance projects.

Third, the Authority has not recently sought funding from the following sources that may be able to provide facility maintenance resources:

- **STATE HISTORICAL FUND GRANTS.** Fairground facilities on the Colorado State Register of Historic Places may be eligible for competitive historic-preservation grants of up to \$200,000 annually from the State Historical Fund. The Authority used such grants to fund about \$700,000 worth of projects from 2006 to 2013. However, the Authority has not applied for State Historical Fund grants since 2016 and reported at the beginning of our audit that it had no plans to do so. Following our inquiries, the Authority reported to us that it identified a project in May 2019, which it plans to submit to History Colorado for a grant request.
- **ENTERPRISE ZONE CONTRIBUTION PROJECTS.** The Colorado Enterprise Zone Program is an initiative that promotes economic activity in economically distressed areas by offering state income tax credits. Because the fairgrounds are located within the Pueblo Enterprise Zone, projects within the fairgrounds qualify for tax credits if they align with Pueblo’s economic development plan. One of the ways in which the Authority could use the Enterprise Zone Program is through Enterprise Zone Contribution Projects, which encourage public-private partnerships and community involvement in a project that would improve the economy in a way that benefits the Enterprise Zone. As of August 2019, examples of active Enterprise Zone Projects within the Pueblo Enterprise Zone include maintenance, improvement, and expansion of the Pueblo Weisbrod Aircraft Museum; renovation, a new entry atrium, and other improvements at the Sangre de Cristo Arts & Conference Center; and maintenance and improvements to exhibits at the Pueblo Zoo.

Donors contributing to an eligible Enterprise Zone Project can claim 25 percent of a cash donation and 12.5 percent of an in-kind donation as an income tax credit—up to a maximum credit of \$100,000 per year for all such donations with the balance able to be carried forward up to 5 years. According to the Colorado State Fair Foundation’s board meeting minutes, the Authority and the Foundation considered using Pueblo’s Enterprise Zone designation for Enterprise Zone Contribution Projects for the fairgrounds in

January 2018 and April 2019 but were not able to identify any capital projects that would qualify.

WHY DO THESE PROBLEMS MATTER?

When fairground facilities are not maintained, the overall quality of the Fair suffers. We toured the fairgrounds during the 2018 Fair and observed a variety of maintenance issues needing attention that may have had a negative impact on fairgoers' overall experience. EXHIBITS 3.7 through 3.10 show some of the issues we observed while the 2018 Fair was taking place.

EXHIBIT 3.7. THE 4-H AUDITORIUM CEILING



SOURCE: Office of the State Auditor.

EXHIBIT 3.8. WINDOW OF THE AGRICULTURE PAVILION



SOURCE: Office of the State Auditor.

EXHIBIT 3.9. THE AGRICULTURE PAVILION



SOURCE: Office of the State Auditor.

EXHIBIT 3.10. THE PALACE OF AGRICULTURE RESTROOM



SOURCE: Office of the State Auditor.

Furthermore, it is more cost-effective to be proactive with routine maintenance to prevent deterioration. Delaying maintenance and repairs can both increase costs to improve a building and reduce its value in the meantime, especially for the historic buildings. In its 2019 Building Inventory Report, the Department of Agriculture (Department) estimated the total cost to restore all of the fairground facilities to a like-new condition is \$24.9 million, although the actual cost could be higher since this figure is based on very general cost assumptions. As noted in EXHIBIT 3.3, most of the historical buildings on the fairgrounds are in poor to fair condition. Delays in maintenance and repairs could also result in the Authority having to demolish some buildings, such as the Security Office and showers and restrooms at the Carnival Lot, all of which are below the 20 percent facility condition index.

Lack of maintenance to keep buildings in good working order also leads to less efficient building performance and higher energy costs. For example, if the external fabric of a building is in disrepair, water or air is more likely to permeate, which increases heating and cooling requirements. Buildings in disrepair can also be a safety risk to the

public. Specifically, facility condition audits of the Palace of Agriculture and Events Center have identified failing electrical systems, exposed wiring, tripping hazards, potential foundation issues, insufficient fire sprinkler systems, and stairways in poor condition.

Finally, the lack of maintenance of fairground buildings and structures can affect the Authority's ability to rent the buildings, which is discussed further in the finding "Management of Non-Fair Facility Rentals." The 12 buildings the Authority has identified as having the highest utilization for rentals and other events during non-Fair time, including the Palace of Agriculture and the Events Center, have facility condition indexes ranging from 30 to 56 percent, which places them in fair or worse condition, requiring moderate to extensive renovation.

RECOMMENDATION 4

The Colorado State Fair Authority (Authority) should address its facility maintenance and capital construction needs by:

- A Implementing a strategy and process for identifying, prioritizing, and completing maintenance and repair projects, including developing a comprehensive list of projects needed to restore all buildings on the fairgrounds to a facility condition index of at least 85 percent; implementing a method to identify, track, and address the maintenance needs that would improve the customer experience; and setting goals and target dates for project completion.
- B Working with the Office of the State Architect to implement a schedule to conduct facility condition audits or other appropriate assessments for utilized buildings on a rotating basis, such as every 5 years, and use the results of the audits to help prioritize maintenance and repair projects.
- C Implementing written policies and procedures to ensure that funds appropriated to the Authority for facilities maintenance are used directly for maintaining and improving the fairground facilities.
- D Identifying projects that may qualify for grants and other sources, and seeking funding from all available channels to achieve the strategy established in PART A.

RESPONSE

COLORADO STATE FAIR AUTHORITY

A AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

The Authority will develop a work plan to include the task of developing a facility maintenance plan. The Authority hired a Property and Facilities Manager in July 2019, this is a new position that will work with the Board, staff, Department of Agriculture, and the Office of the State Architect to develop a comprehensive list of projects and priorities. This will include identifying potential funding sources and strategies in regards to fairgrounds maintenance, as well as implementing methods to identify, track, and address maintenance needs; setting goals and target dates for project completion. Planning will include a goal to achieve at least an 85% condition index for restoring buildings, as recommended. This facility maintenance plan will be developed with the facilities master plan as a major input, therefore, development of these plans must occur in order and not concurrently.

B AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

The Authority will coordinate with the Office of the State Architect to develop an appropriate facility condition plan for each structure on the State Fairgrounds. This plan will likely include a mix of facility condition audits for primary structures and other facility evaluation methods for non-primary structures. The plan will set priorities and timelines for which fairground buildings are audited/reviewed in a defined order.

C AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

The Board will develop written policies and procedures to ensure that funds appropriated for maintenance are used directly for maintaining and improving the fairground facilities.

D AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

The Authority will use the market demand & financial feasibility study, facilities master plan, and facility condition audit reports to select priority projects that would qualify for grants and other sources, such as tax incentive based programs for the purposes of maintaining and improving the fairgrounds. Ideal partners for these programs may include the City of Pueblo, Pueblo County, History Colorado, the State Fair Foundation, and other state agencies with tax based incentive fundraising programs; i.e. Enterprise Zones. This will be completed in concurrence with the maintenance plan, which will require the facilities master plan to be completed prior to beginning.

MANAGEMENT OF NON-FAIR FACILITY RENTALS

When not in use for the 11-day Fair, the Authority makes fairground facilities available for private and public events. Examples of events held in the facilities include concerts, weddings, craft shows, a monster truck rally, car shows, and private family events. The Authority has 14 main facilities that it offers for rent, as well as a variety of small buildings or parking lots, such as concession stands, livestock barns, and the Carnival Lot, that are not rented often or at all. The Authority's standard rental rates for the facilities it rents are shown in EXHIBIT 3.11.

**EXHIBIT 3.11. RENTAL RATES FOR FAIRGROUND BUILDINGS
FISCAL YEARS 2018 AND 2019**

BUILDING	2018 RENTAL RATE PER EVENT DAY	2019 RENTAL RATE PER EVENT DAY
Events Center	\$3,500	\$3,500
Palace of Agriculture	\$2,300	\$2,300
Grandstand	\$1,800	\$2,000
Amphitheater	\$0 ¹	\$1,000
Creative Arts	\$1,000	\$1,000
Horseshow Arena	\$1,000	\$1,000
Livestock Pavilion	\$750 / \$1,000 ²	\$1,000
Weatherport Tent	\$775 / \$1,000 ²	\$1,000
Colorado Building	\$800	\$800
Fine Arts Building	\$650	\$650
4-H Dining Hall Building	\$650	\$650
4-H Auditorium	\$550	\$550
Cultural Heritage	\$275	\$275
Colorado Room	\$150	\$200

SOURCE: Office of the State Auditor analysis of the Authority's rental fees.

¹ The Amphitheater was not available for rent in 2018.

² The rate for this building increased in January 2018, resulting in one rate effective from July to December 2017, and a second rate effective from January to June 2018.

During Fiscal Year 2018, the Authority rented out facilities for 437 events covering 1,102 Event Days and collected \$272,521 in revenue from rentals. In Fiscal Year 2019, through May, there were 329 events covering 1,003 Event Days, and a total of \$249,813 in revenue.

The Authority's director of operations schedules building rentals, collects payments, and tracks the utilization of each building through a calendar and spreadsheet.

WHAT WAS THE PURPOSE OF THE AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to determine whether the Authority applies best practices in managing its facility rentals as a business to ensure that it generates as much revenue as possible. We analyzed the Authority's documentation and data on building rentals, utilization rates, and rental fees collected by the Authority, including its calendar and tracking spreadsheet for Fiscal Year 2018 and corresponding CORE revenue entries.

HOW WERE THE RESULTS OF THE AUDIT WORK MEASURED?

According to Section 35-65-405, C.R.S., the Authority shall constitute an enterprise, meaning that the General Assembly expects it to operate in a business-like manner. Section 35-65-107(1), C.R.S., authorizes the Board of Commissioners of the Colorado State Fair Authority (Board) to lease fairground facilities. As an entity that is expected by statute to operate as an enterprise—meaning that it must generate at least 90 percent of its revenue from non-government sources—we expect the Authority to maximize its revenue by collecting the fees it is due from renters and booking its facilities for as many days as possible. Further, Section 35-65-107, C.R.S., authorizes the Authority to use the resulting revenue from facility rentals for the operation, maintenance, and support of the Fair.

WHAT PROBLEMS DID THE AUDIT WORK IDENTIFY?

THE AUTHORITY RECEIVED LESS RENTAL REVENUE THAN EXPECTED BASED ON ITS STANDARD RENTAL RATES. In Fiscal Year 2018, the Authority received \$920,675 less for facility rentals than the amount we expected based on the number of days rented and the applicable rental rates.

EXHIBIT 3.12 shows the discrepancy for each building that was rented in Fiscal Year 2018. Our methodology takes into account the Authority’s policy of charging reduced rates—usually half price—for move-in and move-out days when renters need extra time before and after an event for handling their equipment and decorations; such days are included in the “Paid Event Days” column in EXHIBIT 3.12. We also allocated the contracted annual fee that 4-H paid for buildings based on the number of days they were used by 4-H in determining the actual revenue received.

EXHIBIT 3.12. EXPECTED REVENUE BASED ON SET RENTAL RATES COMPARED WITH ACTUAL REVENUE FOR FACILITY RENTALS FISCAL YEAR 2018

BUILDING	SET RATES	PAID EVENT DAYS	EXPECTED REVENUE	ACTUAL REVENUE RECEIVED	DIFFERENCE
Events Center	\$3,500	115	\$376,496	\$70,226	\$(306,270)
Palace of Agriculture	\$2,300	79	\$163,150	\$60,395	\$(102,755)
Grandstand	\$1,800	13	\$22,600	\$2,181	\$(20,419)
Creative Arts	\$1,000	57	\$64,379	\$23,747	\$(40,632)
Horseshow Arena	\$1,000	53	\$48,500	\$19,034	\$(29,466)
Livestock Pavilion	\$750 / 1,000 ¹	131	\$117,750	\$13,159	\$(104,591)
Weatherport Tent	\$775 / 1,000 ¹	28	\$21,325	\$2,831	\$(18,494)
Colorado Building	\$800	108	\$81,225	\$12,312	\$(68,913)
Fine Arts Building	\$650	191	\$124,150	\$2,866	\$(121,284)
4-H Dining Hall	\$650	67	\$43,697	\$10,791	\$(32,906)
4-H Auditorium	\$550	84	\$49,364	\$14,909	\$(34,455)
Cultural Heritage	\$275	84	\$23,200	\$6,460	\$(16,740)
Others ²	Varies by building	92	\$57,360	\$33,610	\$(23,750)
TOTAL		1,102	\$1,193,196	\$272,521	\$(920,675)

SOURCE: Office of the State Auditor analysis of the Authority’s rental records and revenue in CORE.

¹ The rate for this building increased on January 1, 2018.

² These were the Sheep and Swine Barns, Sunshine Park, 4-H Dormitories, Carnival and South parking lots, and other outdoor spaces.

RENTAL FACILITIES APPEAR TO BE UNDER-UTILIZED. We calculated the utilization rate of the seven facilities that have the most rental activity and found the Authority rented them for only about one-quarter to a little more than half of the available rental days, as shown in EXHIBIT 3.13. The Authority rented the other seven facilities for less than 20 percent of the available days. We estimate the facilities should each be available to rent for up to 344 days each year (365 days minus 11 days for the State Fair and minus 10 major holidays when the facilities are not available).

**EXHIBIT 3.13. FAIRGROUND BUILDING UTILIZATION RATES
FISCAL YEAR 2018**

BUILDING	DAYS UTILIZED INCLUDING MOVE-IN & MOVE-OUT ¹	UTILIZATION RATE ²
Events Center	155	45%
Palace of Agriculture	83	24%
Livestock Pavilion	144	42%
Fine Arts Building	192	56%
Colorado Building	185	54%
4-H Auditorium	112	33%
Cultural Heritage	139	40%

SOURCE: Office of the State Auditor analysis of the Authority's records of building rentals.

¹ Adjusted by auditors to include half days for each unpaid move-in and move-out.

² Utilization Rate calculated based on 344 available days (365 days per year minus 11 days for Colorado State Fair and minus 10 state holidays).

WHY DID THESE PROBLEMS OCCUR?

LACK OF POLICIES AND PROCEDURES FOR DISCOUNTED RENTAL FEES. The Authority routinely departs from its set rental rates by giving discounts, but it does not have written policies and procedures defining how and when such discounts may be given. Discounts provided during Fiscal Year 2018 resulted in the Authority collecting \$386,792 less revenue than if it had charged its full, standard, rental rates. Specifically, during Fiscal Year 2018, the Authority gave discounted rental rates for about one-half of the days it rented facilities (504 of the 1,102 total rented Event Days) as follows:

- **REPEAT CUSTOMERS.** In total, we identified 454 Event Days for which the Authority offered discounts to repeat customers, resulting in \$337,397 in lost revenue when compared with charging the full rates for these customers. For example, the Authority rented the Palace of Agriculture for three 3-day gun shows in Fiscal Year 2018 for \$1,750 to \$1,850 per day, even though the established rate was \$2,300 per day. These rentals represent discounts of 20 to 24 percent and a loss of \$4,300 in revenue for Fiscal Year 2018. The Authority did not explain why it did not charge the newer rate.

As another example, the Authority rented the Fine Arts Building to the Pueblo Horse Shoe Pitchers at a substantially discounted *monthly*

rate of \$100 for 6 months in Fiscal Year 2018, rather than the *daily* rate of \$650, resulting in a total of \$95,050 less rental revenue than it would have collected if it had charged the set price. According to the Authority, it provides this discount because the organization has been using the Fine Arts Building for over 20 years at the same rate.

- **NON-PROFIT ORGANIZATIONS.** The Authority gave three of the four non-profits that rented facilities a 69 percent, 83 percent, and 100 percent discount (i.e., no rent was paid), respectively. According to the Authority, it has historically provided a 20 percent discount to non-profits. The actual discounts offered in Fiscal Year 2018 represent a total of \$19,480 less revenue than if the Authority had charged a 20 percent discount and \$24,700 less than if it had charged the full, established rates.
- **SPONSORS AND IN-KIND DONORS.** The Authority provided discounted rates to five sponsors and in-kind donors for a total of 18 Event Days, for various reasons, resulting in it collecting \$23,920 less revenue than if it had charged the set rates. The 18 Event Days for which the Authority gave discounts included:
 - ▶ Four Event Days for the Boy Scouts of America (86 and 93 percent discounts) which were discounted in exchange for community service that the Boy Scouts agreed to perform on the fairgrounds.
 - ▶ Three Event Days for Comcast (67 percent discount) which were discounted because Comcast is a sponsor of the Fair through in-kind media donations.
 - ▶ Five Event Days for the Colorado Department of Transportation (100 percent discount—free use of facilities) which were discounted because the Authority provides use of the facilities to Colorado state government agencies for free and because the Department of Transportation fixes potholes and performs street sweeping services on the fairgrounds at no charge.
 - ▶ Five Event Days for the Pueblo Chieftain (two 100 percent discounts and one 21 percent discount) which were discounted in

exchange for newspaper advertising. The total value of the discounts given to the Pueblo Chieftain for these rentals is \$5,800. The contract with the Pueblo Chieftain states that the Authority agrees to provide one free event in the Events Center, along with free advertisement for the newspaper as a sponsor of the Fair, in return for up to \$20,000 in advertising for the Fair. The Authority recorded \$20,000 from the Pueblo Chieftain as in-kind revenue from sponsorships in CORE. However, we reviewed all invoices provided to the Authority by the Pueblo Chieftain for Fiscal Year 2018 and found no documentation to support any of the free advertising the Authority claimed it received. Thus, there is no evidence that the Authority received consideration for the discounts it gave as required by its contract with the Pueblo Chieftain.

- ▶ One Event Day for a local donor (33 percent discount) which the Authority discounted because the person was a year-round vendor on the fairgrounds at the time of the event.
- **AUTHORITY STAFF.** We found two instances during Fiscal Year 2018 when the Authority rented facilities to previous staff members at a discount or for free. The Authority rented the Dining Hall to a former staff member for a day at a 77 percent discount, for \$150 instead of the \$650 rental rate, and it allowed another former staff member to use the Cultural Heritage Building free of charge instead of charging the \$275 standard rate for the day. The Authority lost a total of \$775 in rental revenue from these two events. According to the Authority, previous Fair management often followed this practice.

We recognize that the Authority may be able to make a business case for giving discounts to certain groups. Offering discounts can be an effective means for promoting the Authority's mission and ensuring that the facilities are used. However, the Authority needs clear, comprehensive, written policies to prevent the arbitrary awarding of discounts, potential for abuse, and undue revenue loss.

LACK OF CONTRACTUAL PROVISIONS FOR SPECIAL DEALS. The Authority has extended special facility-usage deals to Pueblo School District 60

(District), the City of Pueblo, and the County of Pueblo (County), in recognition of cash contributions each has made to the Authority. However, the Authority has not determined whether the value of the rentals is roughly equivalent to the donations, nor has it established limits on usage in the state contracts that it has executed with these entities. Specifically:

- **4-H ORGANIZATIONS.** The Authority has an annual contract with 4-H which allows 4-H organizations unlimited use of all fairground facilities for an annual payment of \$25,167 to the Authority, because the Fair’s mission includes providing opportunities for agricultural education. In Fiscal Year 2018, the Authority allowed 4-H to hold functions spanning 263 Event Days on the fairgrounds, resulting in the Authority collecting roughly \$100 for each Event Day or \$159,633 less in revenue than if it had charged the set rates.
- **PUEBLO SCHOOL DISTRICT 60.** The Authority has a contract with the District that runs through August 2025 and allows the District to rent the Events Center for \$75 for each athletic practice and \$150 for all other events, rather than the set rate of \$3,500 per Event Day. In Fiscal Year 2018, the District used the Events Center for 60 days and paid \$4,950, resulting in the Authority collecting \$205,050 less in revenue than if it had charged the set rate. The Authority established these discounted rates in 2009 when it updated a 1993 contract that gave the District special access to the Events Center in recognition of the \$500,000 the District had donated to help build the Events Center. The Authority told us that the contract causes the Events Center to be unavailable for rentals to full-price customers on weekends, which are prime rental days for large events, resulting in potentially substantial loss of revenue (the District used the Events Center for 11 days that were on weekends in Fiscal Year 2018). However, the Authority has not renegotiated the contract since 2009 and the existing contract does not specify or limit the number of days the District is allowed to use the Events Center for practices and games.
- **THE CITY OF PUEBLO.** The Authority allows the City of Pueblo to use the fairgrounds for an unspecified number of days throughout the

year free of charge. Authority Management told us that it exchanges the use of facilities for donations, which totaled \$175,000 in Fiscal Year 2018. The city used the fairgrounds for 13 Event Days totaling \$6,100 in potential rental fees. The Authority has no written agreement with the city regarding its free use of the fairgrounds.

- **PUEBLO COUNTY.** The Authority allows the county to use the entire fairgrounds for its annual county fair, which is typically a 10-day event, and individual buildings for an unspecified number of days, because the county donates funds. During Fiscal Year 2018, the county used individual buildings on the fairgrounds for a total of 28 Event Days, in addition to the 10 days for which it used the entire fairgrounds for the county fair. Based on established rental rates, the value of the 28 days of individual building use is \$12,600. The Authority does not have an established rental rate for use of the entire fairgrounds, so we calculated a rough estimate for 2018. We summed the daily rental rates for the 13 buildings typically available for rent (as shown in EXHIBIT 3.11, not including the Amphitheater since that building was not available for rent in Fiscal Year 2018) and multiplied the total by the 10 days of the county fair for an estimate of \$150,500. Therefore, in total the county received rentals worth about \$163,100 (\$12,600 plus \$150,500) in 2018, and it made a donation in 2018 of \$225,000. The Authority has no written agreement with the county regarding its free use of the fairgrounds.

The donations from the City and the County of Pueblo are meant to support the Fair and improve the fairgrounds and do not constitute payments for use of facilities. Providing the City and the County of Pueblo with special rental deals appears unnecessary given that the Fair and other events on the fairgrounds provide both entities with significant economic benefit. The most recent fiscal impact study of the Fair, which was in 2011, estimated that fairground events create about \$25 million in economic activity for the Pueblo County region annually, which benefits the City of Pueblo and Pueblo County, such as through collection of sales and lodging taxes.

NO MARKETING OF FACILITY RENTALS. The Authority does not do any

marketing to increase awareness of its rental offerings; it relies solely on potential renters initiating contact. By not marketing the facility rentals, the Authority reduces its opportunities to generate rental revenue. The Facility Management Consulting Study (Facility Study), commissioned by the Authority in 2016 to evaluate the Fairground management and operations, emphasized that the lack of marketing and sales staff has “essentially taken the [fairgrounds] facility off the market for use by new and unique users” because there is no one proactively seeking renters. The Facility Study recommended that the Authority hire two additional staff in marketing and direct sales. Toward the end of our audit, in August 2019, the Authority took a step toward implementing that recommendation by hiring an employee for a newly created position to coordinate sales and facility rentals.

LACK OF PERFORMANCE MONITORING. The Authority has not established key controls to monitor the performance of its rental business. According to the U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, also known as the Green Book, monitoring is an essential component of internal control that helps ensure the achievement of the entity’s objectives. Specifically:

- **THE AUTHORITY HAS NOT SET TARGETS FOR FACILITY UTILIZATION.** Without target utilization rates that can serve as goals for performance, the Authority is inhibited in its ability to gauge success or determine whether the business model needs adjusting to encourage more rentals.
- **THE AUTHORITY DOES NOT ACCURATELY TRACK UTILIZATION.** The Authority tracks its facility utilization by counting the number of days it rents a facility, including days booked for setting up and tearing down equipment and decorations, compared with the estimated number of days the facility is available in a year. However, for the seven most rented facilities, we found that the Authority underestimated the number of days that the facilities are available each year, resulting in incorrect utilization rates, as shown in EXHIBIT 3.14.

**EXHIBIT 3.14. UTILIZATION RATES
FOR SEVEN MOST RENTED FAIRGROUND FACILITIES
FISCAL YEAR 2018**

BUILDING	PAID EVENT DAYS	DAYS UTILIZED INCLUDING MOVE-IN & MOVE-OUT ¹	AUTHORITY'S CALCULATION OF DAYS BUILDING IS AVAILABLE	AUDITOR-CALCULATED DAYS BUILDING IS AVAILABLE ²	AUTHORITY'S CALCULATED UTILIZATION RATE	AUDITOR-CALCULATED UTILIZATION RATE ¹
Events Center	115	155	102	344	113%	45%
Palace of Agriculture	79	83	120	344	66%	24%
Livestock Pavilion	131	144	123	344	107%	42%
Fine Arts Building	191	192	120	344	159%	56%
Colorado Building	108	185	120	344	90%	54%
4-H Auditorium	84	112	120	344	70%	33%
Cultural Heritage	84	139	120	344	70%	40%

SOURCE: Office of the State Auditor analysis of records of building rentals.

¹ Adjusted by auditor to include the half days for each move in and move out that the Authority did not include in its utilization rates.

² Days Building is Available is calculated as follows: 344 = 365 days per year minus 11 days for State Fair and minus 10 state holidays.

The Authority calculated the available days for the seven buildings shown in EXHIBIT 3.14 based on the assumption that each building could be rented for only 3 Event Days in a week, which—after accounting for usage for the State Fair and holidays—results in an average availability of about 120 days per year for each building. The Authority assumes availability for only 3 days a week to account for extra days between events for setting up and tearing down equipment and decorations. However, this methodology is problematic for three reasons, as follows:

- ▶ It assumes the Authority does not count move-in and move-out days as rental days, but it often does. Specifically, Authority staff reported to us that if a renter needs more than 4 hours for setting up or tearing down before or after an event, the Authority charges a half-day rate for each extra day and includes the extra days in the tracking spreadsheet. Thus, since the numerator in the utilization rate includes move-in and move-out days for such events, so should the denominator.
- ▶ It assumes each event rental is for a single day and that events need one or more non-rental days between each event. However, the

Authority rents buildings for multiple consecutive days in a week. Indeed, the Authority rented buildings for 50 events that lasted three or more consecutive days in Fiscal Year 2018.

- ▶ It assumes that a building will not be available for rental on the days immediately before and after an event, due to the time needed for move-in and move-out. However, the Authority often rents buildings to different parties with only one day in between for the first party to move out and the second party to move in. Thus, only half a day is typically required for either setting up or tearing down an event. Based on this, a better approach to tracking would be to count the total number of days a building is occupied, including either a half day or a full day for move-in and move-out time, as appropriate, and dividing by the total number of days the building is available in the year. According to the Authority, it has not updated the calculation of the available days that each building is available in over 10 years.

Our methodology to calculate utilization rates in EXHIBIT 3.14 assumed that the buildings are available for 344 days per year. The Authority may need to factor in more time that buildings are unavailable due to setting up and taking down the 11-day Fair and other major events. There may be other methods that the Authority could use to track usage, such as measuring the number of high-revenue-generating events per month.

- **THE AUTHORITY DOES NOT ANALYZE UTILIZATION.** Authority staff reported to us that, although staff track the utilization of buildings, no one analyzes the numbers to identify trends or areas for potential improvement.

WHY DO THESE PROBLEMS MATTER?

CONTRIBUTION TO FINANCIAL INSTABILITY. When the Authority does not operate like a business by treating its facilities as revenue-generating assets and implementing controls to ensure that it obtains as much rental revenue as possible, it jeopardizes the financial stability of the

Fair, which is its reason for existence. The majority of the financial losses the Authority has incurred in recent years occurred because of the inability to produce sufficient revenue during non-Fair times. For example, according to unaudited background information included in the Authority's Fiscal Year 2018 financial statements, it had an operating loss before depreciation of \$4,029,372, of which \$3,322,435 was incurred outside of the 11-day State Fair. By improving the revenue-generating capabilities of its rental business, the Authority will be in a better position to achieve financial stability.

By not establishing policies and procedures for discounts or limitations for special deals in state contracts, the Authority potentially lost opportunities for earning up to \$920,675 in Fiscal Year 2018, as shown in EXHIBIT 3.15.

EXHIBIT 3.15. POTENTIAL LOST REVENUE DUE TO THE AUTHORITY PROVIDING DISCOUNTED RENTAL RATES AND SPECIAL DEALS FISCAL YEAR 2018				
CUSTOMER CATEGORY	PAID EVENT DAYS	EXPECTED REVENUE BASED ON SET RATES	ACTUAL REVENUE	POTENTIAL LOST REVENUE
Repeat Customers	454	\$480,575	\$143,178	\$(337,397)
Non-profits	30	\$26,350	\$1,650	\$(24,700)
Sponsors/In-kind Donors	18	\$26,200	\$2,280	\$(23,920)
Staff Use	2	\$925	\$150	\$(775)
4-H	263	\$184,800	\$25,167	\$(159,633)
School District 60	60	\$210,000	\$4,950	\$(205,050)
City of Pueblo	13	\$6,100	\$0	\$(6,100)
Pueblo County	158	\$163,100	\$0	\$(163,100)
Customers with No Issues	104	\$95,146	\$95,146	\$0
TOTAL	1,102	\$1,193,196	\$272,521	\$(920,675)

SOURCE: Office of State Auditor analysis of the Authority's rental revenues in CORE and potential revenue based on Fiscal Year 2018 rental rates.

INCREASED RISK FOR FRAUD AND ABUSE. Furthermore, when Authority staff do not charge renters the standard rates and, instead, provide special discounts, there is a risk of fraud that could go undetected. According to the Department's Chief Administration Officer and former management, there have been some instances of fraud related to financial transactions and misappropriation of assets at the Authority

in 2007 and 2008. When there are no established policies and procedures for providing discounts, there is a risk that staff could charge renters the standard rates but record that special discounted rates were given and skim the additional money.

POTENTIAL LOST REVENUE. By not implementing a marketing strategy for facility rentals and by under-estimating the available rentable days, the Authority has lost opportunities to increase its annual rental revenue. We estimate that the Authority could increase its annual revenue by \$232,563 if it were to increase the number of Event Days for its seven most rented buildings by 25 percent above the utilization for Fiscal Year 2018, as shown in EXHIBIT 3.16.

EXHIBIT 3.16. POTENTIAL INCREASED REVENUE IF EVENT DAYS ARE INCREASED 25 PERCENT FISCAL YEAR 2018				
BUILDING	PAID EVENT DAYS	PAID EVENT DAYS AFTER 25 PERCENT INCREASE	RENTAL RATE	POTENTIAL INCREASED REVENUE
Events Center	115	144	\$3,500	\$100,625
Palace of Agriculture	79	99	\$2,300	\$45,425
Livestock Pavilion	131	164	\$1,000	\$32,750
Fine Arts Building	191	239	\$650	\$31,038
Colorado Building	108	135	\$200	\$5,400
4-H Auditorium	84	105	\$550	\$11,550
Cultural Heritage	84	105	\$275	\$5,775
TOTAL				\$232,563

SOURCE: Office of State Auditor analysis of a theoretical 25 percent increase in total Event Days and potential increased revenue based on the Authority's Fiscal Year 2018 rental records and rates.

RECOMMENDATION 5

The Colorado State Fair Authority (Authority) should take steps to increase production of revenue through facility rentals when they are not in use by the Colorado State Fair and Industrial Exposition by:

- A Implementing written policies and procedures that define how and when discounted rates may be given to specific types of customers and how the discounts should be calculated. The policy should require Authority staff to document the amount of discount applied to each rental and the rationale for doing so.
- B Seeking a renegotiation of the contract with 4-H to establish reasonable limitations on the use of fairground facilities, and revising the contract rate with the goal of increasing the Authority's ability to generate revenue.
- C Seeking a renegotiation of the contract with Pueblo School District 60 (District) to establish limitations on the District's use of the Events Center and update the rental rates with the goal of increasing the Authority's ability to generate revenue that is commensurate with market conditions.
- D Creating written contracts with the City of Pueblo and Pueblo County that define the arrangements, including the number of days each entity may use fairground facilities, the specific facilities they may use, and the rates to be charged based on the market value of the rentals and in consideration of donations.
- E Implementing a marketing strategy for facility rentals.
- F Implementing a performance monitoring program that includes setting targets for facility utilization, accurately tracking utilization, and monitoring trends in rentals to identify areas of potential improvement.

RESPONSE

COLORADO STATE FAIR AUTHORITY

A AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Authority will work to develop policies and procedures for facility rentals. These will include comprehensive rental rate policies for discounts, rate changes, and rationale for these cost reductions. All discounts offered by staff will comply with the processes defined in policies and reference to policy will be made in rental contracts.

B AGREE. IMPLEMENTATION DATE: SEPTEMBER 2020.

The current Board-approved contract is in effect through August of 2020 and will be renegotiated accordingly at its expiration with the goal of establishing reasonable limitations on the use of fairground facilities, and revisiting the contract rate.

C DISAGREE.

The Board will review the contract to fit with policies described in RECOMMENDATION 5A; however, the Board has no authority to unilaterally modify the terms of this long-term contract. The Board will review this contract when it expires and consider all options. The event center would likely have never been built without this partnership, and part of the arrangement was this contract.

AUDITOR'S ADDENDUM

The Authority's contract with the Pueblo School District is not in the best interest of the State of Colorado because it allows the school district to use the Events Center, a state building, on dates of the district's choice at no cost or substantially lower rates than the Authority's standard rental rates. As a result of this contract, the rental revenue the Authority can generate with the Events Center has been severely limited for 24 years and will continue to be limited

until the contract ends in August 2025. As noted in the report, the basic terms of this contract were initially established in 1993 to recognize the school district's donation of \$500,000 to help build the Events Center. In addition to the estimated \$205,050 in lost revenue in Fiscal Year 2018 we note earlier in the chapter, we estimate the Authority could lose another \$1,230,300 in potential rental revenue over the remaining 6 years of the contract. Thus, the Authority should take steps to renegotiate the terms of the contract to increase the State's ability to generate revenue through renting out the Events Center.

D AGREE. IMPLEMENTATION DATE: DECEMBER 2019.

The Authority will develop a written contract to address facility use by the City of Pueblo and Pueblo County that would define usage arrangements as recommended.

E AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Authority hired a Sales & Rental Coordinator in August 2019, this is a new position. The Sales & Rental Coordinator is working with Authority management and the Board to develop a year-round facilities marketing plan. The market demand & financial feasibility study and the strategic plan will be resources in refining this plan. Implementation will begin in June 2020.

F AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Authority will implement a performance monitoring program that includes setting targets for facility utilization, accurately tracking utilization, and monitoring trends in rentals to identify areas of potential improvement, as in accordance with the marketing plan and RECOMMENDATION 5A.

MARKETING

An important aspect of the Authority’s responsibility for producing the annual Fair is to inform the public of the Fair and generate interest among potential attendees through marketing. The Authority’s marketing includes radio and television commercials, newspaper and online advertisements, as well as social media. The Authority contracts with two marketing agencies: (1) a primary contractor that coordinates traditional advertising through television, radio, and newspaper; and (2) a secondary contractor that manages all aspects of digital marketing (e.g., online advertising and social media posts). Both contracts require reporting to the Authority. Specifically, the primary contractor is required to submit “Annual and Final report(s)” to the Authority and the Board, which generally include the number of television, radio, and print ads purchased, the geographic areas covered, the percentage of advertising dollars spent on each media type, how many times users visited the Fair’s website, and how users accessed the website (e.g., via a social media link or a search). The secondary contractor is required to monitor the success of its ads and posts and to report to the Authority when requested. Finally, the Department’s public information officer supports marketing by providing public relations during the Fair, including promoting the event to news media outlets.

Marketing makes up about 9.2 percent of the Authority’s annual expenditures, or approximately \$1.1 million per year. The Authority’s media expenditures include both advertisements that are purchased and those that are funded through in-kind donations from television, radio, and newspaper media outlets, which are given in exchange for recognizing the media outlets as sponsors on the Authority’s website, banners, and the printed Fair map and daily schedule. The Authority valued the in-kind media donations it received at approximately \$665,000 in Fiscal Year 2019. EXHIBIT 3.17 shows the Authority’s total marketing expenditures for the Fair in Fiscal Year 2019.

**EXHIBIT 3.17. THE AUTHORITY'S MARKETING
EXPENDITURES FOR THE FAIR
FISCAL YEAR 2019**

Traditional marketing contract fee	\$60,000
Digital marketing contract fees	\$28,800 ¹
Advertising purchases	
Television	\$140,045
Radio	\$95,698
Newspapers and magazines	\$57,324
Digital and social media	\$18,933
Subtotal of advertising purchases	\$312,000
Advertisements funded through in-kind donations	\$664,700
Other marketing ²	\$36,385
TOTAL	\$1,101,885

SOURCE: Office of the State Auditor analysis of CORE data.

¹ Includes \$11,520 to advertise the Fair and additional fees for managing the Authority's digital media during the year.

² Other marketing expenditures are for website management, graphic design, photography, directory listings, and the email marketing platform.

WHAT WAS THE PURPOSE OF THE AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to evaluate the Authority's marketing efforts and their effectiveness in enhancing Fair attendance and revenue. We researched marketing best practices by reviewing the U.S. Small Business Administration's *Marketing 101: A Guide to Winning Customers* as well as information from (1) Entrepreneur.com, a business-focused website and magazine; (2) the *Harvard Business Review* website, which is owned by Harvard University; (3) MarketingProfs.com, a website that provides training and other resources for marketing professionals; (4) eight other state fairs; and (5) two state agencies that, like the Authority, engage in marketing and selling products to people across the state—the Colorado Lottery and Colorado Division of Parks and Wildlife. We also researched television advertising and newspaper circulation trends and interviewed a representative from the International Association of Fairs and Expositions (a nonprofit, membership-based organization of agricultural fairs, of which the Authority is a member). We compiled

and reviewed information on Fair revenue, expenditures, and attendance for the Colorado State Fairs held in Fiscal Years 2015 through 2019. Finally, we reviewed the Authority’s primary marketing agency’s report for the 2018 Fair, the contracts with the two marketing agencies, and minutes from meetings of the Board held from 2015 through 2019.

HOW WERE THE RESULTS OF THE AUDIT WORK MEASURED?

According to the U.S. Small Business Administration, marketing plans are “the heart of [a] business” and a “blueprint of strategies to help...win and retain customers.” They help communicate a consistent message to the ideal customer, focus the organization’s resources, and lay out the thinking behind the organization’s marketing efforts. Based on the sources we consulted, a marketing plan should include:

- **STATEMENT OF THE ORGANIZATION’S VISION, MISSION, AND OBJECTIVES**, which provide a common understanding of what the organization is intended to achieve. The marketing plan is considered one strategy to achieve the organization’s objectives.
- **ANALYSIS OF THE ORGANIZATION’S CURRENT STATUS**, with descriptions of the services or products offered, a historic analysis of sales such as event tickets purchased by attendees, past marketing successes and challenges, opportunities for change, and planned initiatives.
- **DESCRIPTION OF THE TARGET AUDIENCE THAT MARKETING IS INTENDED TO REACH**, which is based on analysis of the demographic and lifestyle profile of the typical customer as well as the prospective customer. Since the Fair represents the entire state of Colorado [Section 35-65-401, C.R.S.], we would expect the Authority to target and reach all regions of the State with its marketing for the Fair.
- **MARKETING GOALS AND TACTICS**, which tie to the organization’s strategic plan and specify what the marketing is intended to accomplish, the quantitative and qualitative benchmark measures

that will be used to quantify what success looks like, and the steps that will be taken to achieve the goals.

Our sources also indicate that organizations should track the results of their marketing efforts on a recurring basis to assess the value of the spending and inform changes in strategy to improve results, as needed. Other state fairs cited a number of means of collecting and analyzing information to measure marketing impact, such as conducting annual surveys of fairgoers and calculating the return on investment to show the relationship between spending on marketing and changes in revenue.

WHAT PROBLEMS DID THE AUDIT WORK IDENTIFY AND WHY DID THEY OCCUR?

The Authority lacks a systematic approach to marketing the Fair, as described below.

LACK OF PLANNING. The Authority does not have a marketing plan. Instead, the general manager told us that the planning for the Fair marketing consists of him and the primary marketing contractor reviewing the 2-page summary of the prior year's advertising the contractor provides and adjusting media ads as needed. The Authority's contract with the primary marketing agency does not require the contractor to develop a marketing plan or assist in the development of one.

Furthermore, the Board is not involved in overseeing management's marketing plans or assessing the effectiveness of marketing. Board members are only provided the primary marketing agency's 2-page summary of the prior year's advertising, which does not include how the budget was spent or measures of the effectiveness of the marketing. Through a review of Board meeting minutes and interviews with Board members, we found that individual members expressed concerns about the Fair's marketing, including the inefficiency of marketing efforts; the lack of data to support the efforts; and content and strategy that was described to us as "stagnant," "old fashion[ed]," "short term," and focused on southern Colorado.

LACK OF EVALUATION. The Authority does not evaluate its marketing efforts, as follows:

- **THE AUTHORITY HAS NOT ESTABLISHED GOALS OR METRICS TO EVALUATE MARKETING EFFECTIVENESS.** The Authority does not use goals or metrics when planning its marketing to establish what it wants to achieve or how it will know if the marketing is successful. Establishing measurable goals and metrics is a common practice that is not only key to evaluating marketing, but also needed for planning marketing for future Fairs. For example, the Colorado Lottery’s marketing plan includes the organization’s measurable sales goals for its most profitable games and an analysis of whether and how the prior year’s sales goals were met. The Colorado Lottery then aligns marketing efforts with the most profitable games to reinvigorate its customers’ interests in those games.
- **THE AUTHORITY DOES NOT USE DATA IT ALREADY COLLECTS.** For example, by analyzing admission and concert ticket sales and information from advertising purchases, the Authority could evaluate its geographic reach (i.e., where Fair attendees and those exposed to advertising live based on their billing addresses and the location where ads were aired); its return on investment on advertisements for concerts and promotions; the frequency of different types of advertising; and the dates, times, and length of television and radio ads. However, the Authority does not analyze these data to understand how much is spent on different types of advertising in different areas or to gain some understanding of whether its marketing corresponds with an increase in Fair attendance and associated revenue. Similarly, Authority management told us that it did not know if information from a 2015 survey of fairgoers was ever used. The survey cost \$22,000 and gathered extensive data on demographics and lifestyle of attendees and their impressions of the Fair. The Colorado Lottery collects data on who plays different games by conducting customer surveys, interviewing players following their purchase of a game, and gathering information from Lottery retailers and other state lotteries, and uses that information to improve its advertising to different audiences.

- **THE AUTHORITY DOES NOT GATHER INFORMATION FOR EVALUATION.** The Authority does not routinely seek information to help it assess the results of its marketing. For example, prior to the 2019 Fair, the last survey of Fair attendees conducted by the Authority was 4 years ago, in 2015. Surveys can provide valuable information about which activities or events drew attendees to the Fair, which advertisements were most influential in customers' decisions to attend the Fair, and how many attendees return each year. The Authority's contract with the primary marketing agency does not require the collection of any data or evaluation of the success of its marketing. According to the International Association of Fairs and Expositions, fairs typically conduct surveys to determine customer satisfaction and why people do or do not attend the fair, which is information that can be used to inform marketing.

Other states, such as Missouri, Indiana, and Wisconsin, annually survey customers on their experiences and reasons for coming to the fair. The Missouri State Fair uses the results of its annual customer survey, in part, to determine the impact of regional advertisements on attendance from different regions (e.g., Kansas City metropolitan area, central Missouri, etc.) and which advertising media attendees recalled seeing, which can inform the following year's marketing plan. Indiana has gauged attendee satisfaction using a net promoter score—a one-question online survey done after the fair visit that measures customer satisfaction based on the customer's willingness to recommend the fair to others. The Wisconsin State Fair conducts annual surveys to gauge attendee satisfaction on specific topics such as improvements to the rides and games, and periodically conducts comprehensive surveys to help identify where attendees live, their overall enjoyment attending the fair, their impressions of the overall quality of the fair and appearance of the fairgrounds, and the most popular aspect of the fair.

- **LACK OF RESOURCES FOCUSED ON KEY ELEMENTS OF MARKETING.** We found two underlying resource problems that contribute to the Authority's marketing shortcomings. First, the current contract with the primary marketing agency does not appear adequate to serve the Authority's needs. Specifically, it does not require the agency to: (1) seek

out and implement new marketing ideas or expand the reach of the Fair marketing, (2) evaluate and report on the effectiveness of its marketing services, or (3) provide specified information in the reports it does require. Furthermore, the contract does not include any measures for the Authority to assess the agency's performance in fulfilling the provisions of the contract. The Authority has been using the same primary marketing agency for at least 10 years and has renewed the contract for each of the last 6 years without soliciting other bids.

Second, the Authority does not have staff who are specifically assigned responsibility to manage the Authority's marketing efforts. Currently, the general manager oversees the two marketing agency contracts, works with the primary marketing agency to negotiate advertisement purchases, and works with the Department's public information officer to increase media coverage during the Fair. Additionally, although the invoices for Fair advertising are reviewed by accounting staff before being paid, these staff do not have either responsibility or sufficient knowledge to assess the contractor's performance or progress in fulfilling its contractual duties based on the information in the invoices, which generally includes the number of advertisements aired, at which times of day, and the cost per ad. According to the Authority, it has not assessed the need to focus more staff resources in this area and has not sought or offered training to expand marketing expertise among existing staff. The Authority has not been fully staffed since at least 2005, operating with an average of about four fewer FTE employees than the General Assembly appropriated annually, although in the summer of 2019, the Authority hired two new staff members.

WHY DO THESE PROBLEMS MATTER?

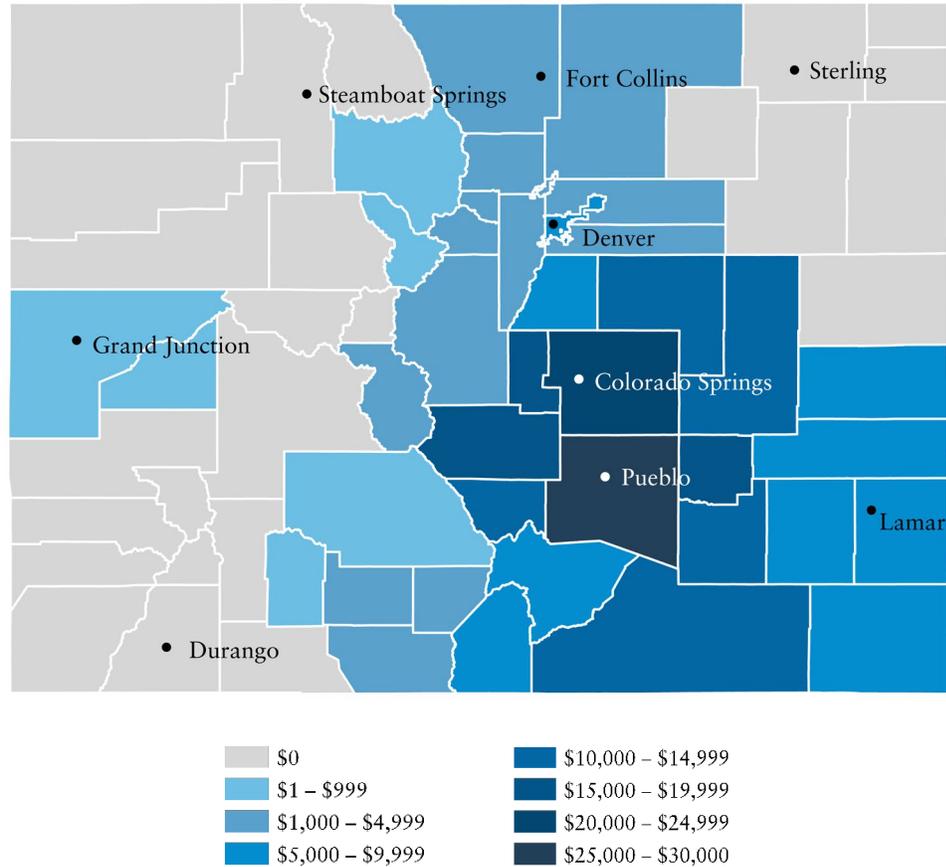
Per our sources, the purpose of marketing a product or service is to communicate a consistent message to customers, achieve organizational and sales goals, drive revenue, and expand the customer base. When the Authority does not give sufficient attention to its marketing, it cannot ensure that it is accomplishing these purposes.

Without a planning process that results in a written plan, the Authority

has no central document to guide its marketing strategies and spending, limiting its ability to use its funds to strategically maximize their benefit. The Authority's lack of a marketing plan, absent of goals, strategies, and measures, appears to result in marketing efforts that are not designed to improve the Authority's financial condition. For example:

- **MARKETING DOES NOT HAVE A STATEWIDE FOCUS.** Advertising for the Fair is targeted mainly on southern Colorado, including El Paso, Teller, Fremont, Pueblo, Lincoln, Crowley, Otero, and Huerfano counties, with limited outreach to encourage attendance from the rest of the state. For example, out of the \$312,000 the Authority spent on advertising for the 2018 Fair, it spent about \$249,400, or 80 percent, to reach southern Colorado audiences, including \$120,000 on television advertisements. In contrast, the Authority spent about \$33,200, or 11 percent, to reach the Denver metro area and about \$29,400, or 9 percent, to reach the remainder of the state and national audiences. Furthermore, the Authority's media report to the Board for the 2018 Fair showed that there were no television, radio, or newspaper advertisements targeting the eastern, northwestern, and southwestern regions of the state, with the exception of advertisements in three agricultural periodicals, a rodeo event program, and on an agriculture radio station with statewide reach. Since the Fair represents the entire State of Colorado [Section 35-65-401, C.R.S.], no regions of the state should be omitted from the marketing of the Fair. EXHIBIT 3.18 shows how much the Authority spent on advertising in Fiscal Year 2019 to target each region of the state.

EXHIBIT 3.18. COLORADO STATE FAIR ADVERTISING COVERAGE BY COUNTY FOR FISCAL YEAR 2019¹



SOURCE: Office of the State Auditor analysis of Colorado State Fair Authority Fiscal Year 2019 marketing expenditures recorded in CORE and the related supporting documentation.

¹ Most advertisements reached multiple counties. In these cases, the cost of the advertisement was split evenly among those counties.

- **MARKETING OVERLOOKS SOME AGRICULTURE-DENSE COUNTIES.** Although the Fair primarily showcases the agriculture industry, the Authority’s 2018 advertising did not target six of the state’s top 10 highest grossing agricultural counties—Kit Carson, Logan, Morgan, Phillips, Washington, and Yuma—located on the northeastern plains. As EXHIBIT 3.18 shows, the other four counties—Weld, Prowers, Crowley, and Otero—are targeted by television, radio, magazine, and newspaper advertisements.
- **LIMITED USE OF COST-EFFECTIVE DIGITAL MARKETING.** The Authority may not be using the most cost-effective media for the major demographic groups of the Fair, which are 18- to 44-year olds, according to a 2015 survey of Fair attendees. The Authority focused

most of its advertising in waning and traditional media in Fiscal Year 2019. For example, according to a Nielsen report, in 2018 adults aged 18 to 34 reported spending more time browsing content on smartphones and computers than they did watching live and streaming television; however, the Authority spent \$140,045, or 45 percent of its advertising purchases, on television ads. Additionally, according to the Pew Research Center, newspaper circulations have been on a decline since about 1990 and are at a historic low with daily circulations having declined by 8 percent from 2017 to 2018; however, the Authority spent \$45,847, or 15 percent of its advertising purchases, on newspaper ads. In contrast, the Authority spent \$18,933, or 6 percent of its advertising purchases, on digital advertising including online ads and content posted on social media, which, according to the Pew Research Center, are used by 90 percent of 18- to 29-year-olds and 82 percent of 30- to 49-year-olds.

Although state fairs differ, such as in attendance levels, geographic reach, and entertainment offerings, we looked at the marketing methods for other state fairs and found that some have begun using newer, less expensive, marketing methods and report success in terms of increased revenue and attendance. For example, the Arizona State Fair eliminated newspaper ads several years ago and television advertising in 2018 due to the cost and limited reach and began focusing on digital advertising, including entertainment streaming services and social media. The Arizona State Fair credits these changes with increasing daily attendance for the 2018 fair and thereby helping the organization mitigate the financial impact of an unexpected full-day closure of the fair due to adverse weather. As another example, in 2015 the State Fair of Texas implemented an email marketing campaign that promoted the fair, provided information fitting the mission of the fair, “celebrate all things Texan,” such as promoting special events in Texas and highlighting historic locations associated with Texas Independence Day, and offered contests to win fair tickets. The State Fair of Texas determined that this campaign contributed to the 2016 fair’s 30-percent increase in overall revenue.

Finally, the lack of a written marketing plan means that the Board and management lack a record of the history of the Authority’s marketing decisions, which could be useful information for decisions about current and future marketing budgets and efforts.

Without evaluating the marketing efforts against a goal or benchmark, the Authority cannot ensure that marketing is cost-effective and producing desired results, and it lacks important information to inform future marketing efforts. Because the Authority has not set marketing goals or adopted metrics to measure the results of marketing, neither it nor we can report on the cost-effectiveness of its marketing. However, we did compare some of the data points shown in EXHIBIT 3.19, to determine how the Fair’s revenues, net losses, and attendance compare to the amount spent on marketing over the last 5 years.

EXHIBIT 3.19. COMPARISON OF MARKETING EXPENDITURES TO FAIR ATTENDANCE AND REVENUE FISCAL YEARS 2015 THROUGH 2019

	2015	2016	2017	2018	2019	PERCENTAGE CHANGE 2015 TO 2019
Total Fair marketing expenditures (millions) ¹	\$1.085	\$1.136	\$1.117	\$1.057	\$1.102	2%
Fair attendance	498,700	500,200	466,600	480,200	444,500	-11%
Fair revenue (millions) ²	\$6.202	\$6.243	\$6.316	\$6.484	\$6.284	1%
Number of Fair attendees for each marketing dollar	0.46	0.44	0.42	0.45	0.40	-12%
Revenue collected for each marketing dollar	\$5.72	\$5.50	\$5.65	\$6.13	\$5.70	0%

SOURCE: Office of the State Auditor analysis of Colorado State Fair Authority Financial and Compliance Audits, November 2018 Board packet, and CORE.

¹ Includes in-kind media donations.

² Includes all revenue generated during the Fair, such as admissions, parking, concessions, commercial vendor space rental, sponsorships, concert ticket sales, and carnival ticket sales.

As EXHIBIT 3.19 shows, the Authority’s marketing efforts do not appear to be having a significant impact on attendance or revenue. There was a slight revenue increase in Fiscal Year 2018, which the Authority attributes to that year’s popular concert line up. The lack of a marketing plan that defines the targeted audience, together with an absence of measurable goals and a process for collecting and using data to evaluate the performance of marketing efforts, likely contribute to the sluggish results.

RECOMMENDATION 6

The Colorado State Fair Authority (Authority) should ensure that its marketing for the Colorado State Fair and Industrial Exposition (Fair) is strategic and cost-effective by:

- A Developing a comprehensive marketing plan for the Fair that reflects the Authority's strategic plan and includes strategies for targeting both traditional and digital advertising; a status analysis; defined target audiences; and objective, specific, measurable, and realistic marketing goals and tactics.
- B Regularly updating members of the Board of Commissioners on marketing, seeking their input in planning and implementing the marketing strategy, and providing the members with a comprehensive evaluation of marketing effectiveness.
- C Implementing a process for evaluating the impact and effectiveness of marketing in drawing people to the Fair by identifying potential data sources, collecting and analyzing the data, and using it to inform advertising purchases. As part of this, the Authority should identify cost-effective means of surveying Fair attendees and use survey data to inform its marketing.
- D Renegotiating the current primary marketing contract or issuing a Request for Proposal for this contract, which requires the successful bidder to provide new ideas to improve marketing outreach and Fair attendance and track and report on the impact of its services; specifies the additional types of information the contractor should report to the Authority; and includes measures to assess contractor performance in fulfilling the terms of the contract.
- E Increasing staff resources devoted to marketing by using existing vacancies to hire staff with marketing experience or assigning responsibility for marketing oversight to existing staff and training them in the marketing skills they need.

RESPONSE

COLORADO STATE FAIR AUTHORITY

A AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Authority staff will develop a comprehensive Fair business and marketing plan with specific and measurable goals. The business and marketing plan will include strategies for targeting both traditional and digital advertising, defined target audiences, and objectives. The Board will review and approve this plan prior to implementation and will analyze marketing reports after events.

B AGREE. IMPLEMENTATION DATE: FEBRUARY 2021.

The Authority will develop a business and marketing plan for the annual Fair. The plan will outline the process for staff updates to the Board, seeking Board input in planning and implementing a marketing strategy, and providing the Board with a comprehensive evaluation of marketing effectiveness. Full implementation of the plan will be in effect by the 2021 Fair marketing campaign. In the meantime, the Board will receive regular updates on the implementation of the marketing plan.

C AGREE. IMPLEMENTATION DATE: FEBRUARY 2020.

In November 2018, a process was set in motion to select a survey company to collect data from attendees of the 2019 Colorado State Fair. The survey results were presented to the Authority on September 18, 2019. The Authority will use this data to evaluate the effectiveness of the 2019 State Fair marketing campaign and this information will guide decisions for the 2020 State Fair marketing campaign. Additionally, the Authority will use results from the survey and ticket sales zip code data in developing the annual Fair business and marketing plan.

D AGREE. IMPLEMENTATION DATE: DECEMBER 2020.

The Authority will develop an annual Fair business and marketing plan which will guide marketing decisions. The plan will ensure the authority is provided with new ideas to improve marketing outreach and Fair attendance and track and report on the impact of the ideas and of the plan. The plan will outline the need to specify additional types of information for the Authority, and it will include measures to assess the effectiveness of the marketing campaigns' performance annually. This will be achieved through approaches such as: (1) staff oversight of a full-service marketing firm, (2) full-time Authority staff member devoted to managing marketing campaigns with ad hoc outside contract partners, or (3) other approaches as deemed necessary. In any approach, staff who are assigned marketing responsibilities will have marketing experience or will receive marketing training. Concurrently, the Authority will fulfill and extend the existing marketing contract which expires June 30, 2020. For the purposes of continuity for the 2020 State Fair, the contract will be extended through November 2020.

E AGREE. IMPLEMENTATION DATE: JUNE 2020.

The Authority will develop an annual Fair business and marketing plan which will guide marketing decisions. The plan could include approaches such as: (1) assigning oversight of a full-service marketing firm to an existing Authority staff member, (2) hiring a new full-time Authority staff member devoted to managing marketing campaigns with ad hoc outside contract partners, or (3) other approaches as deemed necessary. In any approach, staff who are assigned marketing responsibilities will have marketing experience or will receive marketing training.

