

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
ARIZONA EXPOSITION AND STATE FAIR**

**ALL NON-GENERAL FUNDS**

**FY 2010 All Non-General Funds Budget (less Federal Funds) 11,538,600**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$1,730,790**

<b>Fund</b>	<b>Reductions Amount</b>	<b>Percent Reductions</b>
Coliseum and Expo Center Fund	<u>\$1,730,790</u>	100.0%
<b>Issue Total</b>	<b><u>\$1,730,790</u></b>	
All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target		100%

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**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES**  
**Arizona Exposition and State Fair**

**COLISEUM AND EXPO CENTER FUND**

**FY 2010 All Non-General Funds Budget (less Federal Funds)      11,538,600**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)      \$1,730,790**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
1	Arizona Exposition and State Fair	\$1,730,790
	<b>Issue Total</b>	<b>\$1,730,790</b>

Fund Total as a Percentage of Non-General Fund Reduction Target      100%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Arizona Exposition and State Fair**

**Issue Title:** Arizona Exposition and State Fair

**Issue Priority: 1**

**Reduction Amounts:**

Coliseum and Expo Center Fund: \$1,730,790 (negated by reduced revenues)

**Total:** \$1,730,790 (negated by reduced revenues)

**Issue Description and Statement of Effects**

**ARS 3-1003(A)(2) Arizona State Fair**

**ARS 5-113(C) Interim Events - National Livestock Show**

The State appropriated the Arizona Exposition and State Fair (AESF) \$14,647,500 for FY'10. In actuality, AESF receives no General Fund monies because it is an enterprise agency. It must earn sufficient revenues to offset expenses. For FY'09, earned revenues totaled \$11,326,600 or approximately \$3,300,000 less than its FY'10 appropriation.

The Arizona Exposition and State Fair (AESF) is responsible for producing the Arizona State Fair (State Fair). The State Fair is a 21-day event that attracts approximately 1,300,000 people while generating \$9,500,000 of the agency's total revenue.

The 2009 State Fair begins October 16<sup>th</sup> and ends November 8<sup>th</sup>. The nature of the event requires AESF to contract and procure all entertainment, attractions, supplies and services prior to the start of the fair and before revenue is recognized.

Of AESF's total expenses, seventy-five percent (75%) are fair specific and are recognized in the first quarter of the fiscal year. To minimize payroll expense, AESF utilizes a large staff of temporary, as needed employees. AESF cannot reduce its temporary staffing and meet its cost obligations with respect to fair entertainment, attractions, and promotions.

AESF's permanent staff is currently comprised of 26 employees. FY'09 budget reductions mandated the agency reduce its operating budget and thus its personnel creating staffing levels that are inadequate to meet the agency's obligations with respect to fair planning and execution. The net effect of further reductions is a loss of agency effectiveness.

AESF's Interim events generate approximately 20% of its annual revenue. Interim events are defined as those not occurring during the Arizona State Fair (Fair). In FY'09, interim events generated \$2,154,160 of the agency's total revenue.

October 9, 2009

Elimination of its Interim Event Program will reduce AESF's expenses by 12%. However, this reduction will decrease the agency's revenue by 17%. Not only does the interim event program pay for itself, it generates additional revenue for the agency. Elimination of this program generates no budget savings. In fact, it will cost the agency an additional \$608,000 in revenue. Should the Interim Event Program be eliminated, AESF would have to create a new program or look to the State to replace this lost revenue.

AESF's has fixed cost for maintaining the Fairgrounds. Regardless of the activity, the agency must pay utilities, maintenance contracts and continue required maintenance and repair.

Due to the age of the Coliseum and its internal systems (i.e. heating and air conditioning, plumbing, electrical, etc.), AESF financially cannot afford to cancel its maintenance contracts.

During the interim season, AESF rents the fairgrounds to events such as the Home and Garden Show, the Maricopa County Fair and the Arizona National Livestock Show.

Each interim event pays fees to rent space and to cover labor, electric and other costs associated with the activity. This revenue is used to offset AESF's monthly expenses including utilities and repairs. Many of these agency expenses must be paid whether the fairgrounds are in use or sitting dormant. In addition to space rental and labor fees, interim events pay to use AESF's equipment. If not for interim events, the equipment would only be used during the State Fair.

AESF's permanent staff has the primary function of preparing for the State Fair. For most, the fair responsibilities are a 12 month position. The assignments associated with the Interim Events program are secondary to the primary state fair tasks. Full time staff positions that could be reduced to a 6 month position are minimal and result in a small portion of the overall savings.

This exercise requested the agency to establish a 15% budget reduction from January to June. The request was received after all '09 fair expenses had been funded. AESF hopes to generate sufficient revenues to cover these fair costs, sustain the agency for the remainder of FY'10 and replenish the \$1,600,000 needed to start up the 2010 Arizona State Fair.

The Arizona Exposition and State Fair is unable to show a 15% budget reduction due to the following factors: 1) AESF cannot make budget reductions from the Arizona State Fair until FY'11, a timeframe that includes the 2010 Arizona State Fair; 2) Elimination of the Interim Events Program cost the agency an additional \$608,000 in revenues. 3) AESF must accumulate surplus revenues to provide sufficient monies to fund agency operations during the months when little or no revenue is received and to cover Arizona State Fair start up costs of \$1,600,000.

In addition to the above, the current FY'10 budget requires AESF to transfer \$2,055,200 from its operating reserve to the General Fund. After substantial staff reductions and the elimination of all non-emergency maintenance, the agency still cannot fund this transfer.