

In 2013 the 77<sup>th</sup> Legislature passed Senate Bill 7 (SB 7) which initiated a transformation process for the Oregon State Fair and Exposition Center (OSFEC). Since 2005 the Oregon Parks and Recreation Department (OPRD) has been running the fairgrounds. During this time OPRD has made progress in returning profitability to the State Fair event, however it is clear the long term sustainability of the OSFEC is not possible within the limitations of a state agency. Senate Bill 7 opened the door for the creation of a public corporation, the State Fair Council (SFC), which can take over operations of the OSFEC so that it can be tooled to run in a manner that can address the dynamic needs of the fair and expo business.

Senate Bill 7 contained several significant milestones to ensure that the transition between OPRD and the SFC was moving forward in an expedient manner and that the public interest in the State Fair and the public property of the fairgrounds was maintained. This report to the Oregon Legislature, through the Senate Rural Communities committee is the first of two required updates, and outlines the progress made to date.

### **Council Formation**

The first milestone in SB 7 was the formation of the Council. In December of 2013, Governor Kitzhaber appointed the Oregon State Fair Council. Council members, listed below, represent livestock, business, community leaders, economic development, and local government interests. The council also includes two non-voting legislative representatives, Senator Arnie Roblan and Representative Vicki Berger, and an advisory member, Linda Norris, Salem's City Manager.

- Loyal Burns, Board of Directors, Veterinary Services Inc. and Sheep Breeder
- Janet Carlson, Marion County Commissioner
- Jon Chandler, Chief Executive Officer, Oregon Homebuilders Association
- Gene Derfler, former Senate President, Oregon State Senate
- George Jennings, Retired Salem Resident
- Austin McGuigan, Community Development Director, Polk County, Dallas, Oregon
- Leah Perkins-Hagele, Fairgrounds Manager, Washington County Fair Complex
- Anna Peterson, Mayor, City of Salem
- Craig Smith, former Vice President and Chief Financial Officer, Chemeketa Community College
- Larry Tokarski, President, Mountain West Investment Corporation
- Kerry Tymchuk, Executive Director, Oregon Historical Society

The Council held an inaugural meeting on January 14, 2014. In February 2014 Gene Derfler and Craig Smith were voted Chair and Vice-Chair in accordance with Council By-laws. In June 2014 Marion County Commissioner Kevin Cameron replaced Commissioner Carlson.

## Department of Administrative Services Lease and Operating Agreements

Senate Bill 7 did not transfer ownership of the grounds and buildings of the fairgrounds to the SFC. The SFC is empowered to make business decisions for the future of the fair and expo business, but will lease the approximately 170 acre fair grounds from the Department of Administrative Services (DAS). The lease agreement is intended to allow the SFC to operate a Fair and Expo Center and ensure that the State's property interests are protected. Negotiations between the SFC and DAS proceeded very quickly after the first meeting of the SFC. The lease terms provide for very low cost rates, \$100 per year plus any expenses incurred by DAS. The lease further outlines the necessary insurance requirements to protect the council and State. Finally the lease outlines terms for renewal, termination, and procedures for sale or transfer of property if certain conditions are met. On April 3, 2014 a lease between DAS and the SFC was successfully executed. The lease is a second milestone of progress identified by SB 7.

The lease agreement negotiations highlighted several areas between the SFC and DAS and the SFC and OPRD where additional agreements were needed to help ensure an orderly transition. While not required by SB 7, the agreements spell out areas where DAS and/or OPRD can provide support for the council as it moves forward. The council has successfully completed both sets of agreements. Key elements of these agreements include:

- Interim facility management prior to hiring council CEO
- Documentation of inventory and current financial statements
- Interim accounts payable and receivable services
- Support for future legislative requests
- Property insurance through June 2015
- Services that may be purchased or provided from DAS and/or OPRD after the transition
- Logistic and administrative support for Council Meetings through December 2014

Outside of this agreement is the commitment by OPRD to pay the remaining debt service on capital improvement bonds issued by DAS prior to transfer of the business to OPRD. The remaining \$2.3 million in debt service will be fully retired in 2018.

## Final Transition Items

The State Fair Council is preparing to take full control over the business operation for the OSFEC. The council has nearly completed a nationwide search for a CEO. This position will help finalize the business processes of the SFC and prepare for the 2015 Oregon State Fair. It is anticipated that the full transition of funding and business processes will be completed on or before 12/31/14. OPRD will be working with the Council to provide an inventory of equipment and facilities prior to the transition. This will allow the SFC to align accounting and operations practices with a calendar fiscal year. The agreement between SFC and DAS outlines how the any future legislative requests for funding will be addressed. Current staff at the OSFEC has a Letter of Agreement between SEIU/DAS/OPRD that outlines how they may transfer positions within the state employment system or seek employment outside of the state system with the SFC.

The final milestone outlined in SB 7 is notification to the Department of Treasury to transfer funds from OPRD to SFC. It is anticipated that this milestone will be met on or prior to 12/31/14.