



CITY OF PETALUMA

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June 12, 2023

Michael Parks, Board President
Tawny Tesconi, CEO, Sonoma-Marín Fair
c/o 4th District Agricultural Association
175 Fairgrounds Drive
Petaluma, CA 94952

Dear President Parks and CEO Tesconi:

Thank you for sharing your proposal with us on May 30, 2023, and for a corrected financial forecast on operations scenarios as provided on June 5.

The City is negotiating with the 4th District Association (DAA) in good faith and remains committed to transforming the Fairgrounds for community use, and further integrating the Fairgrounds into community life, while ensuring that the Sonoma-Marín County Fair can continue.

However, your recommendations for additional City subsidies (referenced in your proposal as "potential funding opportunities") to backfill the DAA's operating deficit, including utilizing the voter-approved, locally-controlled Measure U funds, is not realistic. The City, cannot in good conscience, reduce the local funding that Petalumans voted to provide for rapid 911 emergency response; fire protection services and firefighting equipment; attracting and retaining well-trained community police officers; accelerating street and pothole repair; keeping our local public areas; safe and clean, providing support for local businesses; and other public services essential to our community's needs and quality of life.

As a show of our continued good faith, the City proposes a revenue-sharing agreement that will completely address the DAA's deficit and provide a dedicated stream of funds to make the improvements to the fairground property that our residents expect and deserve.

We appreciate the ongoing conversations between the DAA and the City. Our goal continues to be to transition our community's fairgrounds property into a locally-controlled, City-managed community asset that serves the DAA's agricultural mission, provides year-round public access to the property, and that is available to the City to make improvements and provide events and amenities that align with our community's vision for the City-owned fairgrounds.

As you are aware, all three scenarios in your proposal—including the status-quo/no change to the existing agreement—show a significant financial shortfall for the DAA. This despite the City reducing the expenses currently borne by the DAA by assuming the property maintenance at no cost to the DAA, providing the use of the land, buildings, and other property resources by the DAA for facility and event management, and assuming that your proposal to receive all revenues from the facility and event management activity was accepted by the City.

Michael Parks & Tawny Tesconi

Given your forecast indicating a \$395,360 deficit, including the City subsidies described above, we have developed a proposal under the events and facilities management scenario that can address that anticipated shortfall so that the DAA is sustainable while we provide a highly- utilized and well-maintained public property.

As a recap of our previous communications, the proposed terms that the City has initially offered included:

- Providing a license agreement for 3 years + 2 one-year renewals for the interim period while the City, DAA, and our community masterplan the property.
- Non-exclusive use of the entire property—with some minor adjustments to protect the uses by the current tenants and avoid disruption to their operations—prior to the annual fair, during the annual fair, and immediately after the fair. This offer constitutes approximately 2 months of unlimited use of the property for set-up, take down, and operating the annual fair event.
- To ensure the viability of the annual fair, City subsidies include: no rent for use of the property; for the City to assume property management and maintenance costs currently borne by the DAA, as well as and sharing of City staff and resources where possible and appropriate to meet the needs of putting on the annual fair.

Additionally, the City has offered the DAA the ability to manage events and facility rentals and retain a portion of the revenues to close the DAA's operating deficit. Below is a business model that the City is proposing a tiered, revenue-sharing agreement that will 1) address the DAA's projected deficit, while 2) providing for robust public access that Petalumans have told us they prioritize, and 3) providing a dedicated source of funds to reinvest in the capital and operating needs of the property for better and higher community utilization.

DAA Events & Facilities Rental Management Scenario (also referred to as 'manage interim' in the 6/5 DAA proposal):

In a given calendar year, event/rental revenues will be split according to the following tiered schedule:

- \$0 - \$500,000 - DAA to keep 90% of revenue; City to deposit 10% into a capital and operations investment fund.
- \$500,001 - \$700,000 - DAA to keep 65% of revenue; City to deposit 35% into a capital and operations investment fund.
- \$700,001 and over - DAA to keep 35% of revenue; City to deposit 65% of revenue into capital and operations investment fund.

A Capital and Operations Investment Fund will be dedicated solely for reinvestment in the fairgrounds property to begin rehabilitating the property including but not limited to maintenance, replacing failed and failing infrastructure, construction of new facilities, and other improvements to ensure the property is providing a safe and positive experience for our community.

Michael Parks & Tawny Tesconi

June 12, 2023

Prioritization of capital improvements will be done annually with input from the DAA on issues of highest need and ultimately decided by the City/Public Works Engineering Team.

Prior to confirmation of any final event and facility rental activity, the City and DAA will commence a facilities and events plan for 2024, ultimately approved by the City, which will include specific areas of the property for specific events and uses, frequency and length of use, and type of use. This plan will be revisited on a quarterly and annual basis, and as needed for any new activity proposed by the DAA for the City's consideration.

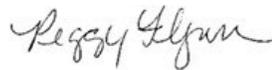
Related to alcohol sales, the DAA has indicated in its proposal that The Friends of the Sonoma-Marin Fair would provide the service for facility rentals and receive the revenues from those sales. The City requests more information about the recipient organization, and sharing concession revenues—alcohol, parking, and otherwise—according to the above scenario to close the DAA's stated deficit, with excess proceeds placed into the capital and operations investment fund.

We believe this proposal creates a realistic opportunity for the DAA to generate revenue, continue operating an annual fair, and attain financial viability and stability, which it currently lacks. This proposal also provides for reinvestment of funds generated from the City-owned property back into the property, to improve the community's access, and enjoyment of this public space, while ultimately establishing the City-owned fairgrounds as the destination and community resource it has always promised to be.

As you are aware, time is of the essence. We welcome further discussions on the proposed revenue-sharing agreement and look forward to discussing this proposal. While the City cannot approve the DAA's suggestion that it takes voter-approved, locally-controlled funds used for core city services such as 911 emergency, fire, and police response, and street and road repair, to address the agencies' ongoing deficit, we remain committed to providing a fiscal plan that works for everyone.

Together, we can realize the full potential of this collaboration and create a thriving community asset.

Sincerely,

A handwritten signature in cursive script that reads "Peggy Flynn".

Peggy Flynn
City Manager

cc: Petaluma City Council