



July 3, 2023

Mayor Kevin McDonnell  
City of Petaluma  
11 English Street  
Petaluma, CA 94952

Dear Mayor McDonnell and Council Members,

Before discussing the financial terms proposed in City Manager Flynn's letter dated June 12, 2023, I must share my disappointment at the tone of this correspondence. In early May, the negotiating parties had agreed to "bury the hatchet" and focus on building a workable solution for managing the fairground's property. Instead, this letter begins and ends with a plethora of jabs that denigrate the integrity and intent of our organization. This rant was in response to one bulleted comment on a three-page response. CEO Tesconi and I recall a conversation with City staffers regarding Measure U funds being a potential funding source for improved resiliency on the fairgrounds. Not only did Measure U funds become the central topic of the City's letter, but it also was a primary topic in Manager Flynn's interview with an Argus-Courier reporter. City Manager Flynn's recent letter makes me wary about how a partnership between our two organizations will work if City decision-makers continually discredit the 4<sup>th</sup> DAA board and staff. This offer letter flies in the face of "good faith" negotiating efforts and the "truce" we agreed to.

Although disheartened by the City's response, our Board has directed me to continue negotiations with the City toward a long-term agreement on managing the fairground's property. Both organizations have significant decisions to make for the good of Petaluma residents, and time is of the essence.

After reviewing Manager Flynn's letter dated June 12, 2023, the following points and assumptions are shared:

- Foremost, we are only interested in pursuing this short-term, maximum 5-year agreement if its purpose is to provide time to develop a long-term (minimum of 40 years) agreement that ensures the future of the Fair with the 4<sup>th</sup> DAA as the management entity that produces the Fair. Manager Flynn sent an email on June 13<sup>th</sup> that partially addresses this required term. Still, the final acceptance of an agreement hinges on this requirement being acknowledged in writing and approved by the City Council.
- On page 2, the third bullet discusses the costs the City will absorb. It is silent on utility costs. The financial proforma developed by the 4<sup>th</sup> DAA assumes that the City will assume these expenses, and we would like this confirmed.
- We understand that additional terms are forthcoming once both parties agree to the overriding terms of the agreement. Still, the sentence that discusses "minor adjustments to protect the use by the current tenants and avoid disruption to their operations – prior to the annual fair, during the annual fair, and immediately after the annual fair" is a concern. Based on conversations with the staff negotiating team, the City representatives do not fully understand the operational needs of the fair. All current, long-term fairgrounds tenants approached the 4<sup>th</sup> DAA for rental space and agreed to cease or minimize operations for the annual fair. We would not have entered into a rental agreement if they had not agreed to this term.



- To be clear, we assume that the revenues associated with the annual fair and any other events produced by the 4<sup>th</sup> DAA will not be included in the revenue-sharing arrangement agreed to by the two parties.
- The 4<sup>th</sup> DAA accepts a 3-year license agreement with two (2) one-year renewal periods. Again, we take this term because of our interest in a long-term property use arrangement and will only execute the license agreement if the City agrees in good faith to work toward a long-term contract.
- In the letter, you request additional information about the Friends of Sonoma-Marin Fairgrounds and Event Center providing alcohol service at non-fair events. We discussed this program with your staff, and they can inform you of the merits of having a year-round alcohol service provider for the facility.

#### **Counteroffer to Revenue-Sharing Scenario:**

It is noted that within the information submitted to the City, the “Facility Management Scenario” includes anticipated revenues of \$479,000 from non-fair income. With this estimated revenue, a \$395,360 shortfall remains, equating to around \$875,000 needed in non-fair revenue to maintain the annual fair and cover operational costs connected to the facility’s interim rentals program.

Therefore, we counter your financial revenue-sharing proposal with the following:

- \$0-\$850,000 – DAA to keep 100% of revenue, excluding revenue from the annual Fair and 4<sup>th</sup> DAA events.
- \$850,001 and over – DAA to keep 50% of revenue; City to deposit 50% of revenues into capital and operations investment fund as described in the City’s letter dated June 12, 2023. Annual Fair and other 4<sup>th</sup> DAA events are excluded from this shared revenue term.

Should the City accept this revenue-sharing term, it will provide the time and resources needed for the 4<sup>th</sup> DAA to develop a more robust event rental program and to establish revenue-related procedures that guarantee the longevity of the annual Sonoma-Marin Fair.

On behalf of the Board, I reiterate our interest in finding a workable solution to fairgrounds property management that avoids additional controversy and strife.

Don't hesitate to contact our CEO, Tawny Tesconi, if you need additional information or clarification.

Sincerely,

Michael Parks, President

4<sup>th</sup> DAA and Sonoma-Marin Fair Board

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