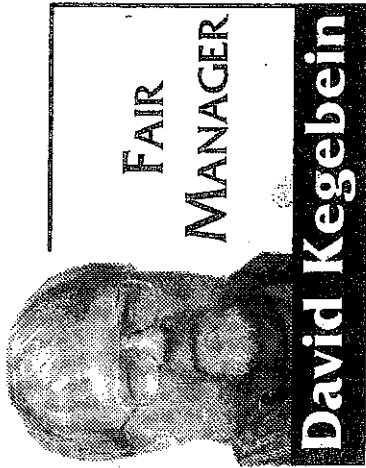


Fairgrounds

Finance 101

Recent editorials about the Santa Cruz County Fair written by Todd Guild provide for a great opportunity to educate the community about fairground economics. While pointing out many of the educational and entertaining opportunities the fair provides to the community's families and commending the many dedicated volunteers of the "fair family," Mr. Guild expresses frustration with the cost to participate in one area of the fair which is the activities of the carnival. While I can understand and empathize with his concerns I would like to expand the conversation a bit to include some economic analysis and observations.

To produce an annual fair the board of directors budget includes revenues from five primary income sources including admissions, food concessions, carnival, parking, and exhibit space rentals (in the order of dollars generated) as well as smaller cost recovery categories such as horse show entries. If all goes according to plan and the weather is perfect this fair time total income will be just over \$700,000. On the other side of



FAIR
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the budget are the expenses to produce the event. Once again if all goes according to plan we will spend approximately \$600,000 and make a "profit" of about \$100,000 which is used to maintain our 103-acre property that has over 60 buildings and structures as well as a complete set of utilities including water wells, water distribution pipelines, sewer systems including pump stations and pipelines, electrical distribution systems and an extensive separate fire protection system.

Midway of Fun is our partner who provides the carnival games and rides. The fairgrounds share of the income is 40 percent of the revenues generated. Hopefully Mr. Guild will appreciate that this revenue allows the fairgrounds to acquire supplies and services within our local community's

economy. Each year I study the carnival's operations pretty carefully and frankly I have yet to figure out how they move 30 rides almost every week. Each move includes about 50 semi trailers of equipment and 120 employees including their housing. Consider cost of tires, fuel, licensing, permits, equipment repairs and maintenance, parts, food for 120 people, and insurance. Mr. Guild pointed out the new ride called the Drop Zone which is a \$450,000 piece of equipment. Each of the past two years Midway of Fun has acquired a new ride costing approximately \$450,000 as well as other updated equipment such as generators (carnivals have to supply their own power) that cost \$500,000 and burn lots of expensive diesel. I have watched them spend hundreds of thousands of dollars on ride remodels and new computerized LED lighting packages.

So here is the deal, an unlimited all day wristband was sold onsite for \$30. You can ride from fair opening to fair closing on any of the five days of the fair. Even better these wristbands could be purchased in

advance at the fair office for \$20 and for those who like Groupon we sold 1,500 all day ride wristbands for \$15 each. With 30 different rides on site if a customer chooses to ride each one once by purchasing a \$30 wristband, a person would enjoy the entire ride offering for \$1 per ride.

Taking it to the next step by purchasing a \$20 wristband in advance would allow a person to enjoy the entire carnival ride offering for 66.6 cents per ride.

There are many different potential approaches to serving the community here at the fairgrounds. The one we have chosen is to invest in putting on the best possible fair with our resources. This approach means we have to generate the revenues necessary to make it work. There are literally hundreds of things to do during the fair that are provided for the "price of admission." If you want the full fair experience some things will cost extra. I sincerely believe fairs and fairgrounds provide amazing value to the communities we serve.

David Kegebein is manager of the Santa Cruz County Fair.