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Agriculture Committee
November 15, 2007

[LB435]

SENATOR ERDMAN: I will introduce the members of the committee and remind you that this is not a public hearing, this is a public meeting. The distinction is that we, as a committee, will be meeting to receive this report and at the conclusion of that we will not, and I repeat we will not be taking public comment on this report. And I will explain to you later when you'll have that opportunity to do that. First, let me introduce the committee members who are here. And for those of you that are coming in, they are...the copies of the report are going faster than X Boxes at Christmastime, so we are having more made. And when those are available we will put them at the corners of the room, near the door, so that way you can have those. And for those of you that may be in the State Capitol, briefly here we will go ahead and switch over and actually display the presentation on the closed circuit television system as well. I'll start to my right, Senator Don Preister from Omaha, member of the Ag Committee; next to him is Senator Cap Dierks; next to Senator Dierks is, excuse me, Cap, you're from Ewing; next to Senator Dierks, Rick Leonard the research analyst for the committee; I'm Philip Erdman, Chair of the committee from Bayard; to my left is Senator Dubas, Annette Dubas from Fullerton, she's the Vice Chair of the committee; next to her Senator Russ Karpisek from Wilber; and next to Senator Karpisek is Senator Norm Wallman from Cortland; and Senator Chambers is here, I'm not sure if he'll be joining us or not, but he is also from Omaha and is probably the most senior member of this committee. And so we hope that he's either able to follow along or will be joining us later. The process again today this is a public meeting. Those of you that were here on October 1 recall the process that we went through. We will ask Dave and Bill to come forward and present their findings for Phase II. That will be the totality of this process. There may be questions from the committee, but again there will not be questions from the audience nor will there be an opportunity for public comment at the end of this public meeting. I will briefly outline how we've gotten here. As I mentioned earlier, October 1 we had the public meeting on Phase I in which we received the hypothetical model of a Nebraska State Fair. Phase II of the model, which you'll hear today, is the comparison of the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

existing State Fair Park against that Phase I model. We have just officially announced today and will be announced on the roster from the Clerk's Office on interim hearings that December 14 at 9:30 a.m. will be the public hearing on LB435 which is this study. So it's December 14, which is a Friday morning, at 9:30 a.m. the Ag Committee will hold a public hearing and invite all members of Nebraska, all residents, all interested parties to come forward at that time with their comments on either this portion of the study or other comments that they may have regarding the future of the Nebraska State Fair. That will be the public opportunity that we are both obligated to and feel responsible to allow in this important discussion. I will also remind you that this committee will not and has not had any conversations regarding this topic as far as the future decisions we may or may not make and we will not until after that public hearing on December 14. So for those of you that find it hard to believe that we're actually doing this as an independent entity, I would encourage you to believe it sooner rather than later because it will make the next month of your life a lot more meaningful, that you'll be able to focus on the topic at hand and that we'll have the opportunity as a committee then to hear your comments on December 14. And then at the conclusion of that hearing, on December 14, the committee will meet in Executive Session to discuss all of the finds, to discuss all of the products that we have commissioned, to discuss all of the comments that we have received and also to discuss any proposals that may be presented to the committee between now and that hearing date. So I want to make it abundantly clear that this committee is not having discussion. We have not had discussions and we will not have any discussions regarding the outcome of this study until after the public hearing on December 14. If you would like to ask me that question afterwards, I will answer it the exact same way. Again, for those of you that are just joining us we have copies being made of the report. If you did not receive one, we will do our best to make sure we get one. We saw about 8 hands that went up when I asked the first time, so we had 20 made in case people came in after that so there should be enough copies. And I will also tell you that we will have both this report, which is the Phase II report, as well as the Phase I report available to you on the Nebraska Legislature's web site via the committee page of the Ag Committee and you'll be able to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

go download the entire report in a PDF format. For those of you that received the black and white copies, it's a value at least I think to be able to see the color copies because there are visuals and things in there that makes it a little clearer for you to be able to see the work that's been done by our consultant. So that information is being released or should be released here shortly. We're working with the Technology folks of the Legislature to make sure that that's available not only to you but to all Nebraskans. Now that we've taken care of that item of business, I need to introduce our committee clerk who is Linda Dicken and she has the responsibility of keeping track of all that we have done here and will keep track of all the records that have been distributed to us and made available. So I apologize, Linda, I didn't introduce you with the rest of the group. Dave and Bill, we'll now turn it over to you. We welcome you back to Nebraska. We thank you for the work that you have done. We look forward to your presentation. And again on behalf of the committee, we appreciate the diligence with which you've completed this project and thank you for your effort. [LB435]

DAVE FORKNER: (Exhibit 1) Thank you, thank you Senators. What we'd like to present today is Phase II of a study. And Phase II of the study basically compares the existing State Fair grounds against the model which we developed in Phase I. Specifically, the request for a proposal in Phase II was to identify the capital facilities and infrastructure that the Nebraska State Fair grounds would require at its present location to serve a 15-year program needs of the state of Nebraska as a state fair site and as a year round multipurpose facility sufficient to attract a local, state and regional audience. Specifically the model from Phase I would be compared to the existing State Fair grounds and its operations. And then the second item that we were to address is to identify the projected 15-year revenue and cash flow analysis, including capital cost, operation, maintenance, repair and code compliance necessary to meet the program that was established in the first item above. So that's what we're going to do today. And I'll start out by talking a little, just as a background of the State Fair, which you know, is 251 acres just located within 3 miles of where we are now. It is well accessed from a transportation standpoint in that the Interstate system that it connects to runs east-west

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

through the state, which connects to highways running north-south. So from that standpoint, it's well serviced from a locational standpoint. Other factors are the 151 acres of land, about 160 is either in the 100- or 500-year flood plain, which brings certain restrictions with it. There are currently 17 buildings or excuse me, 72 buildings on the grounds, which represent about 1.2 million square feet. From a lot "curbage" standpoint about 25 percent of the ground outside parking and the race track is covered with buildings. It's a very traditional fair in terms of its layout. It is set up on a grid, which is historic in terms of other great Midwestern fairgrounds. The major features are the Devaney Center and the racetrack being the largest buildings. And of the 72 buildings there is a mixture of building types, conditions and degrees of functionality. One thing that is impacting the fair grounds is the Antelope Valley Project and is I'm sure everyone here is aware the purpose of that project is for flood control along Antelope Creek to make certain road and street improvements for transportation throughout the city and then as a neighborhood and urban revitalization tool. In terms of its impact to State Fair, and get your end of course, this is the Devaney Center here, of course, the racetrack being located here. The major impacts will be that as the creek if channelized through here, the creek will be landscaped, it will have some bike paths on it, some trails which will connect the State Fair to other trail systems in the city. It will improve access while making improvements at this interchange to the Devaney Center. There will be an internal road that runs from the center down and ends up at the Industrial Arts Building located there. The impact there will be that it will be a cul-de-sac and it may make service to that building a little more difficult than it is now. Seventeenth street will be cul-de-sac so the gate there will be lost. The estimate is that with the widening of State Fair Park Drive that up to 400 spaces, parking spaces may be lost and, of course, that's in grass parking and it's possible that part of the Youth Complex may be lost as well. It realigns Baker Avenue and it makes 27th Street, the 27th Street gate I should say as the main entrance into the fair grounds, main vehicle entrance into the fair grounds. In terms of building a site assessment and the process we went through was to go over the other studies that had been done and then walk through the buildings ourselves to get a sense of them. And what we found through those studies and our observations is

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

that the buildings are in varying degrees of states of repair and degrees of functional obsolescence, which is not uncommon on fair grounds because a lot of the buildings were built before the fair. And we start looking at those for non-fair uses then they are certainly functionally obsolete. A number of the buildings are in need of ADA and life/safety compliance, general renovation and then there are number of buildings that need electrical, mechanical upgrades. The two major renovations needed on the grounds are the 4H Building, 4H Youth Building and the Industrial Arts Building which are the two older buildings on the grounds and the site infrastructure tends to be adequate in terms of the types of uses that are being proposed. This is a comparison between taking the model and seeing how the program items that were being proposed could be fitted into the fair grounds and what the comparables are. On the right-hand side you see the idealized plan, on the left-hand side is the State Fair plan as it exists now and the areas that are yellow or brown are the areas that we're going to be talking about. The model suggests that we have a multipurpose...and let me backup and say how we got to the model was by looking at peer fairs, looking at market conditions and a number of other things. So the peer model would suggest that we would have an arena building with 6,000 seats. Typically, on fair grounds those are used for entertainment. With the Devaney Center that facility in the basketball format, which could be probably the same you'd want to use for a concert, the seating capacity is 13,600. We feel like there's certainly not a demand to build a 6,000 seat facility and that if the State Fair were to choose to get into the major concert business during the fair then they could use that facility. Now it's being rented and used for commercial space, which could be moved over and put into some of the other commercial buildings that I'll speak about. So the difference in cost there would be renting the facility as opposed to building a 6,000 seat arena at a cost of a little over \$35 million. One of the other items that the model suggested we do was to build a 3,800 seat facility for nonpeak entertainment and these would be some of the lesser known groups or actually we were showing it as a dirt event. That facility on the plan was shown here. What we are suggesting we do if we renovate the Coliseum/Ice Box which has about 4,000 seats and we do some renovation to the Open Air Amphitheater then...or excuse me, Open Air Auditorium we

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

would be able to produce in two facilities 6,500 seats, which is more than what the model called for. And the cost difference there for the renovation of those two buildings would be about \$1.2 million as opposed to \$3.7 million to build a similar facility. In the model we were suggesting that the Grandstand be used for dirt events. Well, during the fair we have horse events in the Coliseum/Ice Box and we could put certain dirt events in there as well, since you already have dirt in place. The next comparison was in the renovation of exhibition buildings. The model was suggesting that we would have 150,000 net square feet of exhibition space. The difference between net and gross, by the way, is net is the actual amount of exhibition space you have, gross takes in rest rooms and concessions and all the other things that you don't actually have exhibits set in. So the model is recommending 150,000 square feet. We feel that if we were to renovate the five principle buildings, with the exception of the Industrial Arts Building and the reason for that is because it has a certain volume of space in it, that we would still need to build for market conditions a 80,000 square foot modern exhibition building. So if we built the 80,000 square foot net new exhibition building and renovated the other buildings we have shown there, we would end up with 176,000 square feet of space as opposed to the 150,000 that the model is suggesting. Now that's not to say that the Industrial Arts Building shouldn't be renovated, it's simply to say that in terms of comparing existing buildings against the model then we made a decision that we would not include the Industrial Arts Building. The difference in cost there would be for renovating the five buildings and it would be \$18.7 million, whereas the model it would be in the neighborhood of \$25 million. Livestock barns: In the model we have a livestock complex here. Those buildings were felt to be multipurpose, that we could use them for things other than livestock during the fair. We're suggesting that we renovate the existing livestock buildings which would give us almost 200,000 square feet which is the same amount the model is suggesting. The difference there would be a little less than \$1 million as opposed to almost \$20 million, so there's a big difference in the cost there. One reason that we're thinking about renovating existing buildings is that the existing livestock buildings by and large work well for the fair and there isn't really a demand for non-fair use of those buildings. So you wouldn't want to build multipurpose livestock

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

buildings if you didn't have a demand for them. In terms of the renovation of horse barns the model called for 500 stalls. We currently have 220 stalls. If we take the 220 stalls and we renovate those and we do some improvements to the Open Youth Arena that we would be able to have horse shows during the fair as well as non-fair, the cost of the renovations would be \$865,000 as opposed to building a new equine complex at that \$13.2 million. In terms of the need for outdoor arenas, those would be built on a temporary basis outside the fair. One of the major issues with the fair grounds, of course, is the race complex because of the amount of revenue that it generates that goes into the operation. The model was suggesting that we have a track that's a one mile track with 1,500 stalls. Our current track is five-eighths of a mile and we have about 1,100 stalls and it doesn't appear to be at all feasible to extent that track...to take the existing track and to make it a mile track because the finish line needs to be where the Grandstand is and you've had to relocate the Grandstand, which obviously is not feasible. So what we're suggesting there is that we renovate the barns or rebuild some of the barns and that we make certain improvements to the Grandstand, the race Grandstand, primarily having to do with ADA and issues of that type for \$2.7 million as opposed to relocating a new facility for \$30 million. Midway: The model suggests that we have a midway of 13 acres. We currently have a midway somewhere in the neighborhood of about 10 acres and if we worked to move into the race area, in this area we could pick up the 13 acres total. The cost of doing that, we're putting in paving and water and sewer and some of the utilities, would be about \$1.1 million as opposed to \$1.6 million to build a new one. Site features: Site features are things like in the model we had some gates and gateways and entrances and towers. In the existing site we have a historic village, we have the depot building and we have some great opportunities to put some tower structures in. So we're suggesting there that to be comparable with what we have in place it would cost \$1.6 million as opposed to starting anew \$3.6 million. The Administration Building, the model called for 10,000 square feet, we have about 14,000 square feet. You can see the little arrows pointing where it is on the map. The cost of renovating the existing building which again is primarily ADA issues and life/safety is \$350,000 as opposed to \$2.8 million to build a new building and

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

we have more square footage. There's a need for a new maintenance facility. The existing maintenance facility is about 6,000 square feet. We're proposing that it be replaced and the difference there would be about \$1 million as opposed to \$3.7 million. I'll point out here, too, that in the model that we had about 12,000 square feet of storage space built into that and the fair typically uses their buildings for storage outside the fair when they're not being used for other things. So there would be no need to build additional storage. Camp grounds: We have a little less than 200 RV spaces and 100-plus tent pads. The model was calling for 1,000 RV spaces. The difference there, as you can see, is going in and making some minor improvements to the existing RV park camp grounds as opposed to building a new one, \$165,000 as opposed to \$7.5 million. The Events Lawn: The Events Lawn is somewhat of a misnomer but it's basically in the area where you have outdoor concessions and demonstrations and exhibits. The model was calling for us to have seven acres of contiguous space, shown here. We have seven acres on the existing grounds, but they tend to be dispersed at the gate and the lawn area along Play Is Good Street, in here and in the front yards of some of the buildings we were able to get the same amount of outdoor space that the model is suggesting. The difference there is about a \$250,000 versus \$8.6 million and that's because we already have a lot of utilities in place and paving. In terms of the fair zone, the fair zone is the area where basically people and most of the service is located. It's the public zone excluding, in this case, racing and parking. The existing grounds is, without the Devaney Center, is 65 acres; the model is suggesting 68 acres, so we're very comparable there in terms of the area. In terms of dollarwise, to go in and make improvements to our existing grounds, which would be water and sewer, power, doing some landscaping, doing some paving and so forth, is about \$2 million because we already have a lot of infrastructure in place as opposed to almost \$11 billion for the model. In terms of parking the model is suggesting that we have 15,000 spaces, on-sight spaces; we have somewhere in the neighborhood of 7,500 and Bill will address that. So what's the numbers here? Well, rounded off the model would suggest that the items we have shown here would be \$167 million, making improvements to the State Fair that we have suggested would be \$30 million. The difference there is because...the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

difference...the \$8 million difference between the \$175 million that was contained in Phase I and \$167 million is due to rounding off, not building the storage buildings. This fair already has fixtures, furnishings and equipment that would not need to be purchased. They already have some grass parking that wouldn't need to be purchased or wouldn't need to be developed. So that's where the difference between the \$167 million and \$175 million that was originally developed. If you go down here you can see the comparison of all those numbers. Difference between the Arena and the Grandstand almost \$40 million versus \$1.2 million; the Exhibition Buildings \$25.5 million versus \$18.6 million; Equine \$13 million versus less than \$1 million; Administration \$2.7 million as opposed to \$350,000; Maintenance which that including storage, \$3.7 million as opposed to \$1 million; Site Fixtures about half the amount; the Events Lawn, again just putting in some concession hookups, I think we had a deficit of about 25; the Midway is fairly close, although in the total scope of things; RV Grounds, Camp Grounds about \$7.5 million as opposed to \$200,000; and the Race Track being \$30 million versus \$2.6 million. So again, in round numbers the model was \$167,000 and the State Fair was about \$30 million, excuse me \$167 million as opposed to about \$30 million. We looked at other things, too, in comparing the sites and how the...what layout would work. And you can see in...there are a great deal of similarities. When we got involved in the process I made it point of not going to the fair, except to the fair grounds because I wanted to be able to develop a hypothetical model without being influenced. But you can see here this is the events lawn located here, sort of as a centerpiece where everything revolves around it, whereas on the State Fair we have it in two or three different locations. Our exhibition buildings are...the major exhibition buildings are located in a core here and we have some outbuildings being the Lancaster Building and the Expo Hall being sort of located outside the core. In the model we were showing a core of buildings being located close together so they could be used in conjunction with one another. The livestock, in the core model again we were concentrating the buildings. Here we have two sets of buildings for small animals and basically large animals, so we get some division there. In our equine area again concentrated as opposed to being somewhat of a concentration down here in terms of the existing Horse

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

Barns. The track, except for the difference in size, are very similar. Of course, you have a...the Grandstand itself, the track and then the "out back" which would be where the stables are located. The entertainment works very much the same way. The entertainment we have combined to being the midway. In the midway we were showing an arena. Well, we have the Devaney as an arena and then we also have two other options which would be the outdoor auditorium and the Coliseum/Ice Box. Gates, the model had two gates and circulation, you can see, is pretty much of a loop circulation. The existing fair grounds, when 17th Street is closed we will have two gates, primary entrances on and we end up in somewhat of a loop situation, particularly if you think about coming through the midway, which is located in here. So there are some similarities there. Axis of Focal Points, again on the fair grounds we had some major focal points you can see here and that's where lines of sight intersect and we have the same thing and opportunities on the existing grounds. The massing and organization of the building are very similar. Again this is set up more on a north-south, east-west grid that rotates with the Grandstand presumably for sun angle. The model does the same thing, it's set up on a north-south, east-west grid which is typical of the Midwest. And, of course, its Grandstand is rotated as well. Landscaping, the gray areas there generally there is grass and you can see there's a great deal of similarity, except for the amount of parking that we're showing here and grass areas versus trees areas. So that's sort of an overview of comparing the physical attributes of the existing fair grounds with the model. And now I'd like Bill Owens, of Economics Research Associates, to discuss the financial and the economic implications. [LB435]

BILL OWENS: My presentation is going to be on the market and economic factors associated with first the State Fair Park and how it would perform in terms of attendance, in terms of financial performance and then I'll compare State Fair Park versus the model, same organization as David has used. In our first phase presentation we talked about the importance of the fair event in really deriving the planning for a fair grounds, because of the intensity of the fair use, many, many people in a short, compressed period of time. So the first thing we did was to develop a forecast of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

attendance for the State Fair with an enhanced fair product at State Fair Park. The technique we use is called a penetration analysis. When we did the hypothetical model, not knowing a location, we basically took a penetration rate 25 percent of the state population to come up with our 450,000 visitors that we used for the hypothetical fair grounds model. Here we have a site and we can look at people in a much more rigorous way. What we've done is take a look at attendance from the 2007 fair, based on zip code data we knew where those people were from in terms of driving distance from the fair site. We found out the population in each of these zones to determine what we call penetration rates. And what strikes me in looking at these rates are several things. First of all, the market penetration of the primary market is low compared to other state fairs that we've worked on that have a really good, excellent product. For example, in Albuquerque, New Mexico the state fair there, among its 30-mile radius, achieves a penetration rate of over 80 percent. So we're, at 47 percent, well, well, well below that. It also shows a very precipitous steep drop-off from 0 to 30 to the rest of the distance spans. There should be a much more gradual decay curve rather than this drop-off and angular situation like that. On the positive side though, this is, as I said in our initial presentation, a true state fair. The penetration rates for the areas outside of 60 miles, the remainder of the state of Nebraska, are very high compared to penetration rates we see in many other state fairs where we work. Once we took a look at the current performance, we developed penetration rates to reflect what we thought the performance could be at an enhanced state fair grounds and with an enhanced state fair product. And generally speaking, the penetration rates have increased by roughly 50 percent over the current level of performance, still very much oriented in the key population centers within 60 miles of the fair ground site. When you apply the penetration rates to the population we end up with attendance from each of these zones and a total attendance potential as we saw it was 488,500. Now I used the word potential because when David did his planning analysis we found that there is a deficiency in parking that we believe is going to impact the attendance at the State Fair event, even with availability of some off-site parking and with the provision of a shuttle transportation system. To account for that impact of the lack of parking or lack of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

enough parking, we took a look at the distribution, the visitation to the State Fair and roughly 60 percent takes place on weekends or on the holiday day. And what said is that 20 percent of those people coming on those peak days, when the visitor transportation system would be required, would decide not to attend the fair because they don't want to have to park and get on a tram. If they have young children, perhaps senior citizens, it would be more difficult for them. We took that 20 percent discount, subtracted it from our peak day number to give us an effective number, added it to the non-peak days that wouldn't be impacted to come up with what we've called a realizable level of attendance of 430,000 fair attendees and this is the number that we've used in the modeling. This shows the financial performance of the enhanced State Fair Park, enhanced State Fair product. With our 430,000 visitors we believe that a better product is going to support a higher level of per capita expenditure. I take that through the model and net out expenses and we have added a line for a visitor transportation system. We did a little model and determined we'll need roughly 3,000 hours of shuttle time at \$60 an hour is \$180,000 for the visitor transportation. But you do all that math and you end up with income from the fair event of about \$1.8 million. The enhancements to the Exhibition Buildings and other buildings that could be used during the balance of the year we believe will generate around \$2 million in revenues and generate out of that about \$1 million in income from non-fair activities. From those two levels of operating income we need to subtract G&A expenses, general and administrative expenses, and to that we have added an adjustment for additional buildings above what the model calls for, to come up with a bottom line profit of \$589,000 for the State Fair types of activities at the fair grounds, this would be the fair and non-fair events. This does not take into consideration racing or non-operating revenue, which I've done here. This looks at the entire State Fair Park complex. You can see the numbers that we just looked at for the fair, this is from operations, the \$589,000 in income, we've added the racing numbers and these reflect the numbers of 2006, I believe, very conservative because we have shown no up side in that activity at the fair grounds. We have also added in non-operating revenues, basically money from intergovernmental transfers, the lottery, to the tune of about \$3.2 million. When all that is added together you end up with

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

income before capital items of about \$3.8 million. As we did with the hypothetical fair grounds financial model, we netted out the capital charges. In this case there's a difference because we're using many existing facilities at the current fair site. So we've carried forward depreciation from the existing facilities and added a 1 percent replacement reserve based on a \$30 million capital investment for improvements and new facilities and that gives us, before debt service, an operating cash flow of about \$2.6 million. Over a 15-year time frame with some startup in the fair attendance and startup in use of some of the enhanced buildings and then growth in the market and growth in program activities, you see a growth in operating income based on fair and non-fair use, basically in the first year we end up essentially breaking even. Here is the \$589,000 in operating income from year five, which is the first year of stabilized operations, the pattern goes kind of like this. And then from year 5 to year 15 there is much more gradual growth, but that will take our fair operations income to just under \$900,000. When you add in the other complex financial numbers, the non-operating revenues, depreciation and replacement reserve, you see that the operating...net operating cash flow goes from just under \$2 million to \$2.6 million to just under \$2.9 million. The next couple of slides compare State Fair Park to the model. I talked about attendance. Attendance is actually pretty close. There's a less than 5 percent of difference in what we would expect to see in terms of fair event attendance. Revenues are lighter reflecting the smaller number of visitors. Expenses are a little bit higher because of the visitor transportation system. So when that's all factored in we end up with operating income from the fair of \$1.8 million versus \$2.1 million that we have for the model. For non-fair use the income is slightly less reflecting just a smaller level...slightly less level of non-fair activities and the G&A expenses are slightly higher, reflecting the costs of carrying some buildings that are really in excess of the program. When all that is factored in for the fair grounds types of activities you end up with a difference of about \$500,000, and \$589,000 for the State Fair Park performance and \$1,035,000 for the model. This takes the analysis to the next level and looks at the entire complex and adds in capital charges. You see the two income numbers. Here we've added the racing income to the fair grounds operations numbers. We've added in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

the non-operating revenues, so we end up with a higher level of income before capital charges for the model \$4.2 million versus \$3.8 million for State Fair Park. Offsetting differences there are the differences in the capital charges. We had...the replacement reserved for the model, 1 percent of 100, excuse me, \$175 million or \$1,750,000 versus \$1,229,000 for State Fair Park. So with those offsetting differences you end up with roughly \$2.6 million for State Fair Park and operating cash flow versus \$2.5 million for the model. Over a 15-year time frame the differences again relatively slight. You end up with \$38.6 million in net operating cash flow from State Fair Park versus \$37.5 million for the model. The primary differences being the offsetting capital charges, which are lower for State Fair Park, the higher income produced in the model. With that, I'm going to turn it over to David who's going to talk about the application of our site location criteria to State Fair Park. [LB435]

DAVE FORKNER: Thank you, Bill. I'd also like point out that the numbers exclude any debt service. So this assumes that the facilities show up and there's no debt services associated with it. This is the piece where we basically, in Phase I, we had developed some location criteria and they had to do with market conditions and then physical attributes. We rated those from 1 to 3, 1 being the lowest, 3 being the highest. So in terms of the one issues we looked at was population. We have a population...to be able to achieve a 2, which was in the center, you need to have a population of 300,000 within a 30-mile radius. We actually have over, we have 335,000 people within that radius, so it ranks a number 2. The model suggests that we would need at least 1,500 motel rooms within 5 miles; we have almost 3,800 motel rooms, so that ranks...the highest you could get would be a 3. Terms of competition, to get a 3 there you need little or no competition. We do have competition here with the center downtown and then with the exhibition space in the Lancaster Event Center. So the State Fair achieved a 1 on that, so the lowest rating. We looked at routes into the grounds. And with improvements that are being made through the Antelope Valley Project, access to the site will be very good, so it achieved a 3 there. The visibility had to do with being able to be seen from a major route. To get a 3 you'd need to be on the Interstate or a major four lane road. To

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

get a 1 you had little or no visibility and we do have visibility from Holdrege and State Fair Drive, so we would achieve a rating of 2 there. Topography, which is important from a cost standpoint, the topography that we have at State Fair is probably in the neighborhood of 3 to 5 percent, so the rating there became a 2. Also in construction, having good soils that you can build buildings on is important and we do have structural soils there and that's just from an observation that we've got some big buildings that have stood for a number of years, so we think that the structure of the soils are a certain structure, we get a rating of 3. Acreage, the model is calling for 450 acres. We actually have 251 acres and that was sort of the minimum threshold, so we achieved a 1 there. Regular boundaries are important because it makes layout easier. The boundaries of the State Fair are somewhat irregular, so we achieved a 2. Compatible land uses are important, that was the usage you'd like to have next door are open space, commercial and industrial. That's pretty much what we have around State Fair Park, except for a little bit of residential, which is on the other side of the creek, so it achieves a 3 rating there. Again with some of the improvements to the road system we'll have great access to four lane routes and so we achieved a 2 rating. Site amenities, water, the more trees the more water the better off. Well, we've got some trees and some water there. The model assumed that we could find a beautiful site with mature trees, which we obviously have some of those on State Fair Park, so that achieved a rating of 2. Having infrastructure--water, sewer and power is obviously important. All of those basic systems off-sight as well as on-sight are in place so we achieved a rating of 3. Being able to expand, there is only one area that could be expandable and that could be if the property adjacent to the sewer plant, which State Fair is now using for parking, could be obtained, so they achieved a 2 on that. And one of the issues was dedicated land, well the land is already owned, so it achieved a rating of 3. In terms of contributed investment and what this basically looks at is what is the complex worth? If the State Fair were to be located in another community then what assets are they bringing to the table that would allow the cost of the State Fair to be located at a lesser amount? We looked at that in terms of \$10 million, \$20 million and \$50 million worth of investment. We think that State Fair has over \$30 million worth of asset obviously, so it achieved a

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Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

rating of 5. And what we did there was take the average and doubled it. So if you take all those numbers and add them up the most you could achieve would be a rating of 50 points. State Fair when you add those numbers up gets 40 points or effectively achieving an 80 percent achievement rate of all the possible points. And as I said in Phase I, the important thing here is to keep in mind that, you know, this is a process that one can use in making decisions. You just don't add up the math and assume that's what the answer should be. Again you can see how these sort of lay out in terms of lower rankings, low, medium and high. And you can see how those added up to be 40 and then 80 percent of the 50 points available. That's our presentation, Senators. Be glad to entertain any questions you have. [LB435]

SENATOR ERDMAN: Thank you, David and Bill. Any questions from the committee? Senator Preister. [LB435]

SENATOR PREISTER: Perhaps more of a comment. I think in Phase I you did the ideal model and you did a good job. I think it was objective, which was one of the things that we really wanted. And in Phase II the comparison between the ideal model and what we currently have and I think that, too, was done well, done thoroughly and objectively. And all of it includes a lot of useful information, depending on how people may want to use that. So I think we got what we asked for. I think it was a good investment of the funds that we spent and I do appreciate that. I think what we're left with is probably two questions that we didn't ask you to answer and you didn't. (Laugh) Where does the money come from for either? And the other one, what's the highest and best use for the property? And those are things that will go into lots of discussions. But I would just reiterate what the Chairman said earlier, that none of those discussions have taken place within the committee at any time and that that will be all a part of the public process. And so the part we asked you to do you did and I think did very well. Thank you. [LB435]

SENATOR ERDMAN: Thank you, Senator Preister. Further questions from the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

committee? David, just so that we're clear and I think you made this point, but I want to make sure that I got it as well. When we're talking about the cash flows, we're not including debt service at all in either the hypothetical model or in this phase of the model? The cash flows, maybe Bill? [LB435]

BILL OWENS: That's correct, Senator. There is no bone, bond debt service considered in these numbers. [LB435]

SENATOR ERDMAN: Okay. And the cash flow that is there, the net operating cash flow possibly could be used for that purpose? But that was not within the scope of what we asked you to do. We simply asked you to analyze the facilities. And how they would be financed is not within that, but theoretically those funds could be used for that purpose? [LB435]

BILL OWENS: We would love to do that as another study (laughter), but that wasn't part of this assignment. [LB435]

SENATOR ERDMAN: Very good, okay. Other questions? I don't see any, gentlemen. On behalf of the committee and the Legislature we thank you for your work. Both of your firms have done a good job and we appreciate the quality of your product. We are thankful that you've come to Nebraska. We hope we see you again soon at a state fair or other events. We figured out how to play football again, so maybe one day Tennessee and Nebraska will play again soon. (Laughter) [LB435]

DAVE FORKNER: We're trying to figure out how to play football again as well, so... [LB435]

SENATOR ERDMAN: Let me also remind you, before you leave, I had been notified earlier this afternoon during the presentation that we have posted these documents on the Legislature's web site. Again, those of you that may have come in late, there should

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Agriculture Committee
November 15, 2007

be some copies of the report stationed near each door, if not they are available on the Legislature's web site at nebraskalegislature.gov. You search by committee, it will be on the Ag Committee's web site, there will be a link there. It will include not only the information that was presented today but any documents that have been released by the committee prior. And I would also remind you again that we will have a public hearing on December 14 at 9:30 a.m. here at the State Capitol regarding both this phase and the previous phase, as well as any other recommendations or comments the public may have for the committee. Upon the conclusion of that public hearing on December 14, the committee will meet in Executive Session to discuss any possible outcomes of this study. And we are obligated by statute to submit a plan to the Nebraska Legislature, to the Clerk's Office by December 15 and we will be fulfilling that requirement. So we will be here on December 14 in the afternoon to fulfill that requirement, as long as it takes. I have been very grateful and impressed by the commitment of this committee and the members to independence and objectivity in this process. I hope that over the next month that you'll engage your fellow Nebraskans in this discussion. I know a lot of you have been a part of this discussion for a number of years. We're willing and interested in gathering information from you. I might also remind you that if you have questions about what other elected officials in the state of Nebraska are doing, you can call their number (laughter) and if you don't have that I can give that to you. We as a committee, again, will not be a part of any negotiations or discussions about the future of the Nebraska State Fair Board, Fair Park or any alternative locations. Our process is to administer objectively information and to gather that information that we believe is important for us to make a decision. A lot of you have a lot of ideas. We want you to work on them, bring them back to us on December 14 and then we, as a committee, will take that information and have a discussion. But we appreciate greatly your interest. As I believe Bill said and said very clearly, this is not a regional fair, this is not a city's fair or a county fair, this is a state fair. And we have intentionally designed this process to make sure that all of the information is available to all Nebraskans before we as a committee make any decisions or have any discussions. And so we recognize that this has been a little prolonged for some and some of you

Transcript Prepared By the Clerk of the Legislature
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Rough Draft

Agriculture Committee
November 15, 2007

would like to armchair quarterback or, forgive the pun, handicap the race that you may see on State Fair Park, but that's not what this process is about. We're trying to make the best decision we can for the future of this state. We appreciate greatly your conversation in that. Senator Wallman. [LB435]

SENATOR WALLMAN: May I ask Dave a question? Across the country, are most state fairs in the capital's or not? [LB435]

DAVE FORKNER: Yeah, I never really thought about that before. I would suspect that the majority are not in capitals. There are exceptions, like the Oregon State Fair is in Salem, but Georgia National Fair is in (inaudible), which is not Atlanta. I suspect the majority are not located in the capital. [LB435]

SENATOR ERDMAN: Any further questions from the committee of the consultants? Thank you, Senator Wallman. Again, we thank you for your attendance. I recognize that there will be a lot of questions or possibly comments that some of you may want. The committee members will likely be around to be a part of that or other members of organizations that are here today. Again, we appreciate your attendance today. And if we don't see you before next Thursday, have a happy Thanksgiving. [LB435]