

REPORT HIGHLIGHTS



COLORADO STATE FAIR AUTHORITY
PERFORMANCE AUDIT, OCTOBER 2019

DEPARTMENT OF AGRICULTURE

CONCERN

The Colorado State Fair Authority (Authority) is not sufficiently governed by its Board of Commissioners (Board), nor is it managed strategically. Its operations related to the Colorado State Fair and Industrial Exposition (Fair) and non-Fair activities, such as facility maintenance and rentals, need to be improved to address ongoing financial difficulties and help ensure a future for the Fair.

KEY FINDINGS

- The Authority has had operating losses for the past 21 years, averaging about \$4 million in losses for Fiscal Years 2014 through 2018, and its high reliance on funding from state and local governments disqualifies it from operating as an enterprise, as statute intended.
- The Authority's Board does not fully exercise its statutory powers and responsibilities in setting a budget, hiring and evaluating the general manager, and ensuring that the Fair showcases the Colorado industries required by statute, such as tourism and recreation. The composition of the Board may predispose it to focus on agricultural interests.
- The Authority is not managed strategically. The Board has not been involved in strategic planning and does not hold the general manager accountable for executing and updating strategic plans. The Authority's risks are not regularly assessed, and it lacks a defined vision for the Fair's future, despite a consultant being paid \$166,000 in 2017 to develop potential visions.
- None of the 57 buildings on the fairgrounds meet the State Architect's standards for building condition, and 14 are in "less-than-poor" to "poor" condition, because the Authority does not effectively identify, prioritize, and fund maintenance and repair.
- The Authority provides inconsistent discounts to renters of fairground facilities and executed rental contracts that are not in the best interest of the State, resulting in \$920,675 less revenue in Fiscal Year 2018 than should have been collected based on set rental rates.
- The about \$1.1 million spent annually to market the Fair does not appear to be cost-effective. There is no comprehensive marketing plan, goals, target audience, statewide focus for advertising, or process to evaluate marketing effectiveness, which could have contributed to declines in Fair attendance from 2014 to 2018.

BACKGROUND

- The Fair was established to showcase Colorado's major industries, and has been at its current location in Pueblo since 1901.
- The Authority is governed by an 11-member Board, while a general manager oversees day-to-day operations. As a Type 1 agency, the Authority is responsible for exercising its statutory duties independently of the Department of Agriculture where it is located.
- In addition to operating the 11-day annual Fair, the Authority owns and manages the 102-acre fairgrounds, and rents out fairground facilities for public and private events.

KEY RECOMMENDATIONS

- Improve governance to help ensure that the Fair fulfills its statutory purpose, and implement strategic planning and management practices to address financial and operational challenges and risks.
 - Address facility maintenance needs by identifying, prioritizing, and completing maintenance projects, and by using facility maintenance funds for that purpose.
 - Increase facility rental revenue by implementing policies and consistent procedures for discounts and revising contracts so that they are in the best interest of the State and help generate revenue.
 - Market the Fair strategically and cost-effectively through planning and processes to improve marketing effectiveness.
- The Authority and its Board agreed with most of these recommendations.