

**DEPARTMENT OF AGRICULTURE
FY 2013-14 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Wednesday, November 28, 2012
9:00 pm – 10:30 pm**

9:00-9:15 INTRODUCTIONS AND OPENING COMMENTS

9:15-9:45 COLORADO STATE FAIR

1. Please provide an update on the following items and a timeline for implementation:
 - a. New ticket vendor contract
 - b. Implementation of a cashless vendor system
2. Please provide an overview of maintenance for the fair buildings including cost, long-term needs, an update on the status of the National Guard building on the fairgrounds, and any related information about efficiencies realized after building repairs or maintenance.
 - a. Does the State Fair Board have a role in building maintenance?
3. Please provide information on the marketing efforts for the Colorado State Fair and associated costs.

9:45-10:00 CONSERVATION DISTRICTS

4. Please provide information on which conservation districts collect a mill level, and the level of the mill levy in relationship to the maximum (one-half).

10:00-10:15 VACANCY SAVINGS

5. The JBC occasionally hears complaints that base personal services reductions to capture vacancy savings result in more vacancy savings as managers reduce staff to absorb the reduction and then still experience turnover. Some departments refer to this as the "death spiral." Has your department experienced this problem? How does your department attempt to minimize and avoid the "death spiral?"

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. The Joint Budget Committee has recently reviewed the State Auditor's Office *Annual Report of Audit Recommendations Not Fully Implemented* (October 2012). If this report identifies any recommendations for the Department that have not yet been fully implemented and that fall within the following categories, please provide an update on the implementation status and the reason for any delay.

- a. Financial audit recommendations classified as material weaknesses or significant deficiencies;
- b. Financial, information technology, and performance audit recommendations that have been outstanding for three or more years.

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1. Please provide an update on the following items and a timeline for implementation:
 - a. New ticket vendor contract
 - b. Implementation of a cashless vendor system

Response: a. *The Colorado State Fair is in the process of accepting RFP's for the ticketing system. Fair management's goal is to install a system that can provide options for up sales at the gates. Currently, gates only sell admission tickets while the event center box office sells event/rodeo tickets and the carnival sells carnival passes (bands). The new system will allow customers to purchase all these items at the gate while allowing the Fair to provide discounts and packages. The Fair anticipates an increase in revenue as a result of this efficiency. Austin's fair experienced a 21% increase in sales by providing this option to customers. The Fair will begin using the new ticketing system in CY 2013.*

b. *The Colorado State Fair is in the process of transitioning to a cashless payment system for on-grounds attractions and concessions. The Fair is developing an implementation plan for the 2013 fair. A token system is strongly being considered since the carnival grounds at the Fair have been using a token system for rides and concessions, which would make a transition somewhat easier as fair-goers would be familiar with this system. Tokens allow the Fair to collect the cash first and pay the vendors based on the number of tokens returned; whereas the current process has the vendors collect payment from the customer and then pay the Fair a percentage. Moving to a cashless fair allows for control over the percentage. The Amarillo fair experienced a 56% increase in sales in the first year alone and the Waco fair experienced a 33% increase.*

2. Please provide an overview of maintenance for the fair buildings including cost, long-term needs, an update on the status of the National Guard building on the fairgrounds, and any related information about efficiencies realized after building repairs or maintenance.
 - a. Does the State Fair Board have a role in building maintenance?

Response: *The following table illustrates maintenance expenses for the facilities located at the State Fair:*

State Fair Building Maintenance Expenses			
Description	FY 2009-10	FY 2010-11	FY 2011-12
MAINTENANCE & REPAIR SERVICES	\$66,551.12	\$71,653.46	\$50,437.50

The Department recently received a Brownfields Program Grant from CDPHE of \$350,000 to remediate and demolish the naval reserve facilities. Unfortunately, the Federal Government has maintained its stance that the obligation is no longer theirs. The project is being prepared for bidding with an expected completion date of late 2012-early 2013.

The Department also recently completed an energy performance project at the State Fair, in addition to the Inspection and Consumer Services facilities and the Insectary in Palisade. The Fair is experiencing a large reduction in water consumption in addition to smaller reductions in electricity usage. Cost savings are still being calculated since the projects were just recently completed. The Department will submit initial cost-savings information to JBC staff once available.

Fair staff recently completed a ten-year needs assessment of major projects to improve and sustain the fairgrounds. Please see appendix A.

- a. The State Fair Board is involved, to a certain extent, with project input and during development of the annual budget. The Board is briefed on facility needs and project status regularly. However, most issues are managed in concert with the Office of the State Architect.*

3. Please provide information on the marketing efforts for the Colorado State Fair and associated costs.

Response: *The Fair spent \$473,485 on advertising for the 2012 Fair. In addition, the Fair received an additional \$663,197 in advertising spots from Media sponsors. The Fair has media partners from across the State including the Denver Post, KUSA, and Clear Channel Radio to name a few. There were 1,445 television spots, and 3,312 radio spots in addition to the Newsprint spots placed in newspapers across the state. In addition to these efforts, a pre-fair insert was placed in newspapers across the Front Range. In 2012, 19% of the fair's total advertising budget was spent on newsprint, 37% was spent on radio, and 44% was spent on Television. Facebook and Twitter were also utilized to increase the Fair's reach.*

9:45-10:00 CONSERVATION DISTRICTS

4. Please provide information on which conservation districts collect a mill level, and the level of the mill levy in relationship to the maximum (one-half).

Response: Please see the following table:

Conservation Mill Levy Assessed by District	
District	Levy
1. Branson Trinchera	0.500
2. Douglas Creek	0.037
3. Fremont	0.0005
4. Haxtun	0.500
5. Spanish Peaks-Purgatoire River	0.500
6. Upper Huerfano	0.500
7. West Greeley	0.414
8. White River	0.275
9. Yuma	0.500
10. Yuma County	0.500

10:00-10:15 VACANCY SAVINGS

5. The JBC occasionally hears complaints that base personal services reductions to capture vacancy savings result in more vacancy savings as managers reduce staff to absorb the reduction and then still experience turnover. Some departments refer to this as the "death spiral." Has your department experienced this problem? How does your department attempt to minimize and avoid the "death spiral?"

Response: *Unfortunately, there is no simple solution to the “death spiral”. The Department does not have very large personal services lines, and most personal services lines are merged with operating and considered program lines. The Department has never been very large, with approximately 285 FTE appropriated in the Long Bill, the Divisions within the Department have taken a quality over quantity approach. Knowing that base personal services reductions are likely, the Department has intentionally left a very small number of FTE vacant in an effort to better use those funds to pay existing employees above the minimum of the range in an effort to gain loyal, efficient, effective, and, perhaps most important given the recent economic downturn, innovative employees. The Department is experiencing success with this approach as industry is consistently stating through annual surveys that the Department is meeting the needs of its constituents.*

One concern of the Department is the potential “take-back” of the vacant FTE by the Legislature. Should the JBC choose to recover the vacant FTE and associated funding, the Department would experience a significant decline in qualified personnel, adversely affecting programs aimed at protecting consumers, expanding markets, animal protection, and many other programs. To prevent this, the Department has built a very strong relationship with OSPB, JBC staff, JBC members, and members of the General Assembly by operating openly and cooperatively with the Governor’s Office and the General Assembly. Together, the Department has been able to minimize the effect of the “Death Spiral” and continue to provide services to our industry

partners and the people of Colorado.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

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Response: a. *N/A*

b. The department received two IT findings related to the anhydrous ammonia program in 2010. The Department has been working on an electronic license and permit system for over a year, with little success due to staff turnover in OIT. In late October 2012, the Department underwent a Lean event to review the most effective and efficient method for processing license and permit applications and renewals, of which the anhydrous ammonia program falls into. As a result of this event, the Department is working with DORA, OIT, and Colorado Interactive to include the Department's licenses and permits in the new license management system maintained by DORA. It is expected that the Department will fully implement this solution in summer of 2013, effectively closing these two findings.

The Department also received a financial finding related to the compliance with SB 98-194, uncommitted cash reserve requirements. Although not all funds are in compliance, the Department is actively reviewing expenditure and fee levels to best manage each fund to ensure fee levels are set correctly and desired services are reaching industry partners.

Appendix A

10-YEAR PLAN FOR STATE FAIR FACILITY NEEDS

AG PALACE PROJECTS

Convert second floor Colorado Room to office space. Remodel first floor and remove Accounting offices. Re-plumb, replace electrical supply system, communications systems on both floors. Include ADA compliant systems, including installing elevator to 2nd floor

Estimated Cost \$900,000

Partner with State Historical Fund (SHF) to improve appearance and energy efficiency of Ag Palace windows, replace brick stairs on north and south sides,

Estimated Cost \$475,000

Install ADA wheel chair lift next to north stairs on front of Ag Palace.

Estimated Cost \$80,000

CONSTRUCT NEW TICKET BOOTHS AT PRAIRIE AVENUE GATE

Replace existing ticket booths with new booths.

Estimated Cost \$ 600,000

RE-ROOF EVENT CENTER

Replace leaking roof on Event Center.

Estimated Cost \$750,000

REPLACE PULL-OUT BLEACHERS AT EVENT CENTER

Replace damaged pull-out bleachers at Event Center.

Estimated Cost \$864,000

REPLACE HVAC AT EVENT CENTER

Replace HVAC at Event Center.

Estimated Cost \$500,000

REPAIR/REPLACE SANITARY & STORM SEWER & WATER INFRASTRUCTURE

Complete replacement of sanitary sewer system, storm drainage system, and water supply system for the fair grounds.

Estimated Cost \$1,500,000

REPAIR/REPLACE ROOFING AND INSULATION AT LIVESTOCK PAVILION

Replace leaking steel roofing on Livestock Pavilion. Replace damaged roofing insulation on underside of steel roofing.

Estimated Cost \$1,500,000

REPLACE BARRIER FENCE AT GATE 9 BEULAH AVENUE

Move barrier fence to enclose area now outside Gate 9 on north side of ticket booth.

Estimated Cost \$25,000

PURCHASE 3 MOBILE BLEACHERS SETS

Purchase 3 mobile bleacher sets.

Estimated Cost \$240,000

INSTALL UNDERGROUND SANITARY SEWER SYSTEM IN CARNIVAL LOT

Install underground sanitary sewer system in Carnival Lot and re-pave and re-stripe Carnival Lot.

Estimated Cost \$1,000,000

REPLACE 150 METAL HALIDE BULBS WITH LED AT EVENT CENTER

Replace 150 metal halide bulbs at Event Center with LED bulbs.

Estimated Cost \$ 15,000