



KENTUCKY STATE FAIR BOARD

BUSINESS PLAN

BIENNIAL BUDGET 2014-2016

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EXECUTIVE SUMMARY



The mission of the Kentucky State Fair Board is to promote the progress of the Commonwealth of Kentucky and stimulate public interest in the advantages and development of the Commonwealth by providing the Kentucky Exposition Center and the Kentucky International Convention Center for exhibitions, conventions, trade shows, public gatherings, cultural activities and other functions. In managing these two facilities, the Kentucky State Fair Board resolves to advance Kentucky's agriculture and tourism industries and economy while serving the entertainment, cultural and educational interests of the public.

The Kentucky State Fair Board is an agency of the Tourism, Arts and Heritage Cabinet of the Commonwealth of Kentucky. The Fair Board manages the Kentucky Exposition Center, a 1.2 million square foot facility in Louisville and the Kentucky International Convention Center, a 300,000 square foot downtown convention center. The Kentucky Exposition Center is the sixth largest convention center of its kind in the country and held four of the Top 100 trade shows in 2012 as cited in the 2013 Gold 100 Edition of *Trade Show Executive*. In 2013, the Kentucky International Convention Center achieved its highest attendance in its 36-year history, more than doubling the second highest total. The proximity of the Kentucky State Fair Board-managed facilities to key assets around the city of Louisville cannot be duplicated, utilizing both the airport and downtown corridor as an advantage over competitors. In addition, the Fair Board owns the land

for more than a dozen properties, including hotels, restaurants and two downtown parking garages.

The Fair Board also produces three major expositions each year: the Kentucky State Fair in August, the National Farm Machinery Show in February and the North American International Livestock Exposition in November. Currently, more than 360 events occur within the walls of both properties annually. A 2005 economic impact study conducted by the University of Louisville's Economics Department notes that Fair Board activities results in approximately \$460 million in economic impact, supporting more than 7,100 jobs with a payroll of about \$146 million. Kentucky State Fair Board business generates about \$26 million in state sales and income taxes and \$6.9 million in local occupational and room taxes.

The Kentucky State Fair Board seeks to showcase and encourage business development and to develop strong ties with the Commonwealth's business and elected leaders and citizens through an engaging mix of programs and activities. Fair Board staff and leadership have been aggressive in searching for new sources of revenue and expenditure efficiencies that will allow the Board to operate at maximum efficiency while continuing to attract convention and exposition business that will grow the overall economic impact on the Commonwealth. The Fair Board's diversification of events has produced quality growth, pushing the agency to the national forefront in many industries.

EXECUTIVE SUMMARY

GOVERNANCE

The Kentucky State Fair Board is authorized in KRS 247 and is composed of fifteen members. According to statute, members shall be the Governor, the Commissioner of Agriculture, the Dean of the College of Agriculture at the University of Kentucky, and twelve members appointed by the Governor. Of the twelve, seven are at-large appointments, followed by appointees representing Kentucky State National Farmers Organization, Kentucky Livestock Improvement Association, the Kentucky Association of Fairs & Horse Shows, Kentucky Farm Bureau Federation and the American Saddle Horse Breeders Association. A president is appointed by the Board to manage the two centers and Fair Board properties.

The North American International Livestock Exposition Executive Committee is authorized in KRS 247.226

and is attached to the Division of Expositions with the Fair Board. The membership of the Committee shall consist of eleven members as follows: two members at-large appointed by the Governor; the chairman of the Fair Board; the Commissioner of the Department of Agriculture; the Dean of the University of Kentucky College of Agriculture, and the chairpersons of the six advisory subcommittees of the committee. The subcommittees shall be the Dairy, Beef, Sheep, Swine and Equine Advisory Subcommittees, and the Consultant Advisory Subcommittee. The Consultant Advisory Subcommittee membership shall be determined by invitation of the Fair Board and shall be no more than eight people who are experienced or knowledgeable in skills which would assist in the management of the exposition. The committee shall elect one of its members to serve as chairperson.

REVENUE SOURCES

The Kentucky State Fair Board is a proprietary fund agency, therefore our short-term operating, maintenance and administrative costs are paid from event revenues generated by the two facilities and several long-term land leases, including Kentucky Kingdom, Thornton Food Mart, Cracker Barrel, Hilton Garden Inn, Crowne Plaza and Z's Oyster Bar. Further revenue from parking is derived from two downtown parking garages, from the Kentucky Exposition Center and RV parking. The Fair Board receives rental income associated with conventions, expositions and ticketed events, as well as other services including electric and drayage, and freight loading allowances.

Revenue is derived from catering and concessions, and commissions on internet technology services. Advertising and facility sponsorship income is derived from gate signage and Freedom Hall scoreboard and LED displays. The Venue Services Department contracts with third parties for ushering and event security services. In addition to parking and admissions, revenue from Kentucky State Fair and North American International Livestock Exposition includes a variety of fees such as entry, stall and pen, purveyor, carnival commission, program advertising and novelty sales, and Freedom Hall suite income rental.

EXECUTIVE SUMMARY

AGENCY ORGANIZATION

As of October 2013, the Kentucky State Fair Board employs 233 full-time staff and more than 700 temporary staff, as well as outsourced labor in engineering, grounds and housekeeping, to manage and achieve the anticipated levels of production and service. Employees work in one of the eleven divisions or departments including:

ACCESS CONTROL

Responsible for parking and RV lot sales and general coordination of vehicular traffic on and around Kentucky State Fair Board-operated grounds. Access Control also promotes and sells monthly parking at the two garages located in downtown Louisville.

ADMINISTRATION

Provides support to the Fair Board, provides staff leadership to develop the programs of the Fair Board and manages the finances and capital projects, intergovernmental relationships, legal counsel and community relations of the Fair Board.

COMMUNICATIONS

Develops promotions and media strategy, acts as media liaison to all news outlets for both facilities and in-house shows, develops marketing tools and advertising campaigns, produces the annual report, maintains historical documents, manages the KSFB's in-house print shop and maintains the company brand in all materials including websites and printed pieces. Develops advertising and marketing campaigns and produces marketing materials for the Kentucky State Fair and National Farm Machinery Show.

EXPOSITIONS

Responsible for producing the three in-house events: the National Farm Machinery Show, the Kentucky State Fair/World's Championship Horse Show and the North American International Livestock Exposition. This division also secures sponsorships for the three events and processes entries for the Kentucky State Fair and North American International Livestock Exposition. The division is the custodian of the Saddle and Sirloin Portrait Collection, and maintains historical artifacts and documents for the in-house produced events.

EVENT COORDINATION

Acts as the liaison between the facility and the client. Responsibilities include preparing show plans and drawings, and providing customer service to clients and guests.

FINANCE & BUDGET

Responsible for procurement, accounting, accounts

payable, cash management, budget development, internal audit and financial reporting.

INFORMATION TECHNOLOGY

Manages all Fair Board hardware and software resources. The department also acts as the primary liaison with Smart City, KSFB's contracted technology provider for Audio/Visual, internet, and other technology related matters for our clients and guests.

OPERATIONS

One of the largest divisions in the agency, it is responsible for upkeep of outdoor areas, coordinating recycling program, small-scale repairs, equipment and materials maintenance, HVAC systems, monitoring utility cost, operations boilers, cooling towers/chillers, maintaining electrical systems, locksmith services, telephone services, housekeeping and the in-house sign shop and stockroom. This division is responsible for set-up and tear-down for all events, and maintains the electrical and freight revenue line of business.

PERSONNEL

Responsible for recruitment, hiring, benefits administration, time keeping, payroll, training, maintaining employee records, processing personnel actions, grievances, administering KSFB's workers compensation program and OSHA compliance.

SALES AND MARKETING

Responsible for selling both KSFB-managed facilities, maintaining routine contact with all existing accounts, working with various market segments to develop new business, reviews and responds to RFP's issued by clients, negotiating sales/rental contracts, attending industry events, presentations to prospective clients and event settlements.

VENUE SERVICES

Employs the largest number of part-time staff to provide client and guest services by coordinating the areas of safety and security, guest services, concierge, event ushers, premium suite, VIP sales and all ticketing services. Venue Services is contracted at the KFC Yum! Center to provide services for a variety of concerts, family-oriented entertainment and sporting events.

EXECUTIVE SUMMARY

IN-HOUSE EVENTS

KENTUCKY STATE FAIR

The unique, family-friendly 11-day festival celebrates local and statewide heritage as a showcase for Kentucky's finest products, companies, entertainment and citizenry. Through blue ribbon competitions, concerts, special exhibits and carnival rides, the Fair garners the financial strength and public support it needs to stand out as one of the most anticipated summer attractions in the Commonwealth. Together with the World's Championship Horse Show held during the State Fair, the event generates approximately \$16.5 million in economic impact, according to the economic impact study. In 2013, 615,648 visitors went through the gates, up slightly from the previous year. The Fair has welcomed more than 6,000,000 attendees over the past ten years. These assets make it possible for the Fair to feature new competitions and entertainment while nurturing its core concepts, including education, agriculture and musical talent. The 2013 Kentucky State Fair and the World's Championship Horse Show saw a net profit of \$582,000.

NATIONAL FARM MACHINERY SHOW

Utilizing internationally-recognized brands and establishing industry trends, the National Farm Machinery Show is a leader in the agriculture and farming industry. The largest indoor farm show in the country fills the entire 1.2 million square feet of the Kentucky Exposition Center with more than 800 exhibitors, offers attendees expansive product comparisons and brings an estimated economic impact of \$24 million to the Louisville area, according to the economic impact study. The show combines both educational seminars about existing and anticipated market trends with thousands of agriculture products and services on display to exemplify the prominence and innovation of the industry. The 2013 National Farm Machinery Show was one of the most successful ever, registering the second highest attendance of 307,906 visitors during its four-day run. The attendance boosted net revenue to \$7.2 million, the largest of all three in-house shows.

NORTH AMERICAN INTERNATIONAL LIVESTOCK EXPOSITION

Since the show's origin in Louisville in 1974, the North American International Livestock Exposition has grown into the world's largest purebred livestock show, integrating world-renowned sales, cattle auctions and numerous programs for youth and college-age students. More than 140 shows, sales and breed meetings solidify the show's prominence and its mark on Kentucky and surrounding areas with an economic impact of more than \$11 million. The November 2012 event hosted a reported 220,000 exhibitors and attendees. Although the expo had a total net loss of \$1.1 million, the strategy for this iconic event includes moving toward a self-sustaining model, and is addressed in this business plan.

North American International Livestock Exposition is governed by an executive committee whose members are appointed by the Governor, and also include the Fair Board chairman, Agriculture Commissioner, Dean of the UK College of Agriculture, and members of the breed advisory subcommittees. A Consultant Advisory Subcommittee of eight people are named by the Fair Board and assist in the management of the expo.

EXECUTIVE SUMMARY

EVENT BOOKINGS

The Kentucky State Fair Board facilities are filled year 'round with events. The chart below categorizes the types of events at both facilities during the 2011-2013 biennium.

| | July 1, 2011 – June 30, 2012 | July 1, 2012 – June 30, 2013 |
|---|---------------------------------|---------------------------------|
| KENTUCKY INTERNATIONAL CONVENTION CENTER | | |
| Event Days* | 395 | 301 |
| Utilization Days** | 572 | 466 |
| Number of Events | 189 | 166 |
| Concerts | 0 | 0 |
| Conventions | 26 | 22 |
| Family-Oriented Attractions | 3 | 1 |
| Meetings-Seminars | 103 | 83 |
| Miscellaneous Events | 2 | 1 |
| Public Expo | 3 | 6 |
| Public Sales | 2 | 3 |
| Sporting Events | 9 | 9 |
| Catering-Dances | 28 | 19 |
| Trade Shows | 13 | 22 |
| KENTUCKY EXPOSITION CENTER | | |
| Event Days* | 495 | 476 |
| Utilization Days** | 841 | 813 |
| Number of Events | 162 | 217 |
| Concerts | 3 | 17 |
| Conventions | 11 | 12 |
| Family-Oriented Attractions | 8 | 11 |
| Horse Shows | 3 | 4 |
| Livestock | 9 | 12 |
| Meetings | 26 | 38 |
| Miscellaneous Events | 18 | 15 |
| Public Expo | 23 | 22 |
| Public Sales | 11 | 10 |
| Sporting Events | 23 | 43 |
| Catering-Dances | 13 | 21 |
| Trade Shows | 11 | 8 |

* Event days do not include move-in and move-out days.

** Utilization days include move-in and move-out days.

FINANCIAL CHALLENGES

The business generated by the Kentucky State Fair Board is a proven economic driver for the Commonwealth. The Kentucky Exposition Center hosts some of the nation's largest high-profile tradeshows and conventions, and the Kentucky International Convention Center boasts a solid national client list which favor the connectivity of a downtown facility.

To fulfill the Fair Board's mission of advancing Kentucky's economy, it is not uncommon to host events which translate into little or no revenue to the Fair Board while bringing millions into the state's coffers. One example is the National FFA Convention which returned to the Commonwealth in 2013 since leaving for Indianapolis in 2005. Nearly 60,000 youth, teachers, advisors and corporate exhibitors attended the four-day convention which filled both the exposition center and the downtown convention center. Nearly 135 hotels within a 75-mile radius of Louisville accommodated attendees, and tourist attractions and destinations saw some of their highest attendance totals for the year. The National FFA Convention brings \$120 million in economic impact for Louisville and the Commonwealth during its three-year commitment. Yet the Fair Board incurred only the expenses associated with the event because facility rental income was waived as incentive to bring this high-profile convention back to the Commonwealth.

Since 2010, revenues for the Kentucky State Fair Board have declined due to the University of Louisville men's and women's basketball programs moving to the KFC Yum! Center. U of L revenue to the Fair Board was \$2.2 million annual revenue. Following its 2009 operating year, Six Flags Kentucky Kingdom declared bankruptcy, resulting in a loss of \$1.5 million annually in revenue to the Fair Board. Another lessee, Executive East Hotel, was demolished which resulted a loss of approximately \$500,000 in annual revenue.

Challenges to the Fair Board's in-house events include a decline in the Kentucky State Fair profit margins due, in part, to declining attendance at paid concerts. North American International Livestock Exposition continues to operate as a deficit due to the significant demands in overhead and labor costs associated with the event.

The Fair Board also faces increases in healthcare costs and pension reform. In FY 2014-2015, retirement will increase by \$1,038,000 and healthcare costs

increase by \$86,500. In FY 2015-2016, retirement costs increase by \$1,042,100 and healthcare costs by \$157,100. Additionally, the Fair Board is experiencing a measurable increase in fire and tornado insurance. Rates are going up by \$124,400 in FY 2015 and \$178,600 in 2016 as compared to 2014 rates.

The Fair Board maintains debt service for Project 104 for the construction of South Wing C and the North Wing of \$1,662,050 for FY 2014; \$2,955,875 for FY 2015; and \$4,420,600 for FY 2016.

In 2010, the Fair Board issued an RFP for an automated gate system to alleviate traffic congestion at the gates, provide customers with the option of using credit cards to pay for parking, and provide for greater accountability. However, the system has proven to be ineffective, especially during high traffic events, and no efficiencies in labor has been realized. The lease payments of over \$400,000 annually continue for a system that cannot be fully implemented.

In addition, Fair Board facilities are competing against new convention facilities in the region. Occupancy rates as a whole across exhibit and convention centers have declined since 2008. However, exhibit/convention space has increased 29 percent since 2004, so there are more centers vying for fewer meetings. Additionally, there are 15 new or expansion projects slated for opening beginning in 2014.

Fair Board-operated facilities are up against new facilities, including those in neighboring cities of Indianapolis and Nashville. The Indianapolis Convention Center and Lucas Oil Stadium saw a \$275 million expansion project. The center is now connected to more hotel rooms than any other property in the nation. The Music City Center in Nashville is a flexible, multi-use convention facility that is triple the size of the existing Nashville Convention Center. Average size of conventions currently meeting in the NCC is 2,300. The average size of groups being booked for the Music City Center is 6,300.

These are the financial challenges that keep the Fair Board from being self-sufficient by the end of the 2014-2016 biennium. However, the Fair Board has adopted a new business model to increase efficiencies and expand revenues to keep the agency moving toward operational self-sustainability in the coming decade.

FINANCIAL CHALLENGES

LOSS OF REVENUE/INCREASED EXPENDITURES

| AMOUNT OF LOSS | REASON |
|---|---|
| \$2.2 million annual loss, beginning in 2010 | University of Louisville men's and women's basketball programs relocating to KFC Yum! Center. |
| \$1.5 million annual loss, beginning in 2009 | Six Flags declared bankruptcy resulting in loss of lease income. |
| \$500,000 annual loss, beginning in 2008 | Executive East Hotel demolished. Fair Board is negotiating for a full-service, convention size hotel. |
| \$800,000 expense for FY 2014-2016 biennium | Automated gate system implemented in 2010 has not achieved efficiencies in labor nor improvements during high traffic events. Installation of this system was designed to defray labor costs in an amount that would pay the annual capital lease payments. Due to deficiencies in the automated system, there has been no reduction in labor and the \$400,000 annual lease payments continue. |
| \$100,000 net loss in FY 2014; \$200,000 net loss in FY 2015 | Kentucky Kingdom opens in May 2014. Lease income to Fair Board begins in FY 2016. |
| Kentucky State Fair revenue decline of \$900,000 in FY 2011-2013 | 2011 State Fair Revenue was \$10.9 million and declined to \$10.3 million in 2012, and to \$10 million in 2013. The annual direct and indirect production costs for the State Fair is \$10 million. Benefits of the reduced expenses are out-paced by the declining revenues over the past three years. |
| North American International Livestock Exposition annual deficit of \$1.1 million | Total revenue for the North American International Livestock Exposition is approximately \$2.4 million. The total production cost is approximately \$3.5 million. |
| Healthcare cost increase: FY 2015: \$86,500 FY 2016: \$157,100 Pension cost increase: FY 2015: \$1,038,000 FY 2016: \$1,042,000 Fire and Tornado Insurance increase: FY 2015: \$124,400 FY 2016: \$178,600 | All state government agencies are mandated to increase their contributions to meet rising administrative costs (i.e. healthcare, pension, and insurance). |
| Total Annual Loss of Revenue/Increase Expenses FY 2015 Total Annual Loss of Revenue/Increase Expenses FY 2016 | \$8,048,900 \$7,977,700 |
| Total Loss for Biennial | \$16,026,600 |

INITIATIVES FOR GROWTH

This business plan details new revenue and expenditure initiatives that are necessary in order for the Fair Board to operate within its requested 2014-2016 biennium budget.

The business plan identifies three primary initiatives for growth:

- Increase revenue through a concerted effort to identify a revenue-generating, Fair Board-produced annual event, develop new business, retain current clients, increase sponsorships for the three agency-produced events, negotiate better contracts with exclusive providers and sponsors, and implement cash control and audit procedures for exhibitor services.
- Implement efficiencies by instituting and applying sound financial procedures, eliminating duplication of services, and seamless coordination of technical services and outsourcing labor in selected work units.
- Improve existing infrastructure for both properties including a master plan for the Kentucky Exposition Center. Improve Kentucky International Convention Center meeting and public spaces to compete in the market. This includes developing and implementing an integrated operations plan for a repair and maintenance program.

The Fair Board emphasis has been in developing areas of growth which bring direct and indirect economic opportunities. Kentucky Kingdom theme park is now under new ownership to revitalize the once-flourishing park, scheduled to open in May 2014. The future of the park will be invaluable in terms of job creation and tourism opportunities. Beginning in 2015, the Fair Board will begin to realize lease rental income from the amusement park. Discussions to develop a flagship convention hotel at the main entrance to the Kentucky Exposition Center are progressing. This 500-room flagship hotel will help

secure future business and support growth in local, occupational and state sales taxes.

As defined in this plan, the Kentucky State Fair Board will focus on areas of increased sponsorships from private entities, increasing revenue opportunities for existing and new events, growing the trade show, convention and exposition business and instilling a new culture of utilizing technology to bring labor efficiencies to our operations.

ACCOMPLISHMENTS

Of major significance are the initiatives implemented by the new administration for the agency as of January 1, 2013. The new Kentucky State Fair Board President and CEO Clifford "Rip" Rippetoe hired a Chief Financial Officer and Executive Director of Budget and Analysis to insure accountability through a series of audits and enact effective cash management practices for the Fair Board. Since January 1, labor costs have been reduced by \$1 million through more effective use of temporary labor and reduction of overtime by full time employees. In addition, non-essential membership dues and fees were evaluated for a savings of \$130,000. Three separate divisions, Venue Services, Access Control and Security, were restructured under one operating division resulting in cost savings. Other efficiencies reflected in personnel costs include holding the number of positions to 252 in the coming biennium rather than the 282 authorized in the 2014-2016 biennium.

The Kentucky State Fair Board is in the experience business, and that experience begins when clients and guests drive onto the property and walk through

the door. The experience is judged on how well their needs are accommodated.

In his first sixty days on the job, Mr. Rippetoe held Town Hall discussions with Fair Board employees which are continuing quarterly. He instituted a parking task force to determine solutions for parking and traffic congestion at the Kentucky Exposition Center during the Kentucky State Fair and at peak event times throughout the year. Mr. Rippetoe implemented bi-monthly meetings between sales and event coordination teams to plan for upcoming events and review customer service issues. Further, he implemented a Vendor Council where staff meets monthly with vendors doing business at both facilities to discuss specific areas of concern.

He has strengthened the connection between the Fair Board, leadership in the Executive Branch and the Kentucky General Assembly, which has led to invaluable support for agency initiatives. Most recently, the agency has been assisted by leadership in Frankfort

INITIATIVES FOR GROWTH

THE ABILITY TO DELIVER QUALITY SERVICE RESTS ON THE AGENCY'S CORE VALUES

| | |
|----------------|--|
| INTEGRITY | To know and do the right thing |
| SERVICE | Customer service is key to attracting new and retaining current business |
| COURAGE | To make changes to improve our business and how we deliver service |
| ACCOUNTABILITY | We hold each other accountable for the promises we make |

Since January 1, the President and CEO realigned the focus by emphasizing the agency's **purpose** – to honor our agriculture heritage and advance the commonwealth's tourism industry and economy by providing entertainment, tradeshows, conventions and public gatherings – and aligning that purpose with the **promise** to deliver top quality customer and client service by a team of professionals to ensure growth in business and reputation. The ability to deliver quality service rests on the agency's core values of **integrity, service, courage** and **accountability**. **Service** to clients and customers is to be delivered with **urgency, responsiveness** and **empathy**. Training in the **S.U.R.E.** service program has been implemented at every employee level throughout the agency.

with efforts to open a flagship convention hotel at the main entrance to the Kentucky Exposition Center.

In May, Mr. Rippetoe launched a grassroots campaign with the Kentucky Fairs & Horse Shows Association and Kentucky Farm Bureau to visit county fairs and attend KFB monthly meetings throughout the summer months. The purpose of the visits is to strengthen the relationship between the Board, the Kentucky State Fair, and stakeholders throughout the commonwealth. This is an ongoing initiative.

He has held individual meetings with clients which include: Archery Tradeshow Association, National Quartet Convention, GIE Expo, Mid-America Trucking Show, Ron Dickson Gun Show, Kosair Shrine Circus, National FFA Convention, Stewart Promotions, Mid-America Equipment Dealers, Mason Dixon Games, Association of Equipment Manufacturers, Recreational Vehicle Association, Skills USA, Carl Casper Auto Show, Bluegrass Volleyball, National Street Rod Association, Kroger Inc., Quad Rugby, LEGO Fest, and International Boatbuilders Exposition.

The Fair Board endorses the definition of sustainability developed by the International Association of Venue Managers. That definition is: The ability for public assembly facilities to fulfill client needs while exercising environmental responsibility through use of GREEN standards, application of technologies, processes and practices and related business implications – balancing the fulfillment of human needs, now and for generations to come, while enhancing the health of ecosystems and the ability of other species to survive in their natural environments.

A sustainability program will be formalized during the next biennium. Specifically, the plan is to mitigate the impact of increased energy rates, increased refuse rates and increased commodity costs. The program will maintain current spending while absorbing the additional costs.

New and continuing initiatives are being developed in the following areas:

- Erosion and Sediment control
- Organic food and beverage programs with locally grown products
- Energy conservation
- Reduction of light pollution
- Recycling
- Repurposing or salvaging out of use materials

In FY 2011-2012, an RFP was issued to identify and implement an energy efficiency project at the Kentucky International Convention Center and the Kentucky Exposition Center. Categories that are involved in this Energy Savings and Conservation Project range from operations savings, retro fit of lighting, domestic hot water production (switching from electric to gas), power correction factor, building exhaust, retro fit of kitchen equipment from steam to gas, installation of building control systems, switching from electric to gas heating and new chiller installation. The resulting energy audit determined that the combined savings to the Fair Board is \$1 million annually.

1 INCREASE REVENUE

SALES AND MARKETING has identified several initiatives designed to generate new business and increase business retention. The following strategies are being implemented:

- Identify a high profile event which will attract new constituencies and generate new revenues as the fourth event to be owned and produced by the Kentucky State Fair Board.
- Increase membership and participation in convention- and meeting-related associations. Meeting planners and show organizers depend upon established relationships with each facility before considering relocation. Fair Board Sales Department has developed a new ROI model to track the number of business leads generated through travel and participation in these associations.
- Sustain published lease rental rates which will result in a \$200,000 increase in revenue in FY 2015
- Increase marketing opportunities for both facilities through meeting planner-specific websites.
- Increase number of ticketed events by 15% annually through a concentrated effort to promote the availability of Freedom Hall and Broadbent Arena to concert and show promoters
- Business growth and retention depend upon improvements in the infrastructure for both Kentucky Exposition Center and Kentucky International Convention Center.

EXPOSITIONS DIVISION will increase sponsorship opportunities for all three board-produced events. Additionally, the division will develop opportunities to increase attendance by attracting a broader audience.

NATIONAL FARM MACHINERY SHOW

- Increase exhibitor space revenue by five percent
- Increase sponsorship revenue by five percent
- Require companies that provide pressure washing services during the show to pay the \$500 purveyor fee
- Sponsorship Department will offer an on-site marketing program for exhibitors to increase advertising revenue

KENTUCKY STATE FAIR

- Increase sponsorship revenue by five percent
- Increase commercial exhibitor revenue by five percent, and add additional exhibit space in South Wing C
- Increase square footage fee for concession space
- Develop a priority parking pass for commercial exhibitors
- Increase World's Championship Horse Show stall fee*
- Increase cost of admission books for KSF exhibitors and media*
- Increase golf cart fee permits*
- Investigate handling fee for entries received by fax or mail
- Develop exhibits and opportunities with Kentucky's commercial wine growers, bourbon industry and farm-to-table initiatives to promote the diversity of the Commonwealth's agriculture products

NORTH AMERICAN INTERNATIONAL LIVESTOCK EXPOSITION

- Increase sponsorship revenue to reduce operating deficit by fifty percent

* Any fee increase must be approved by the KSFB annually.

STRATEGIES

FINANCE DIVISION AND OFFICE OF BUDGET is in the process of implementing a clearinghouse for all contracts and expenditures in order to contain costs. Additionally, several steps are being addressed to provide new sources of revenue including:

- Implement plan for on-site sponsorship opportunities for both Kentucky Exposition Center and Kentucky International Convention Center
- Implement relationship with provider for digital signage to create new revenue source with existing vendors as well as revenue sharing with clients
- Renegotiate contracts with exclusive providers which include catering and audio-visual services, to insure competitive pricing for clients as well as additional revenue to the Fair Board for an estimated 10 percent increase in revenue

VENUE SERVICES DIVISION (Access Control and Security)

- Five percent increase in revenue from providing services and increased fees
- Six percent increase in parking revenue in downtown parking garages due to increased marketing efforts
- Six percent increase in revenue through additional Freedom Hall Suite sales during in-house events and additional business outside of Fair Board properties

2 INCREASE EFFICIENCIES

The Fair Board is implementing a Yield Management approach to business by taking into account overhead costs associated with booking an event. This approach identifies the costs associated with any particular event and matches the needs of the client with most appropriate useable space and set of ancillary services. Yield Management practices help insure that contracts are fiscally sound and that labor and overhead costs can be attributed to specific events. This approach includes the following strategies:

OPERATIONS DEPARTMENT

- Decrease temporary labor by 10 percent
- Decrease overtime by 10 percent
- Audit exhibitor rates charged and true usage rate for drayage and electrical resulting in a five percent increase in revenue

IN-HOUSE EVENTS

KENTUCKY STATE FAIR

- Eliminate Young Adult Project tent unless a sponsorship can match the cost of the production
- Reduce labor costs by closing exhibit halls earlier on weekday evenings when indoor crowds are light
- Increase participation in the on-line entry system, thereby eliminating temporary labor
- Reduce number of printed Kentucky State Fair Premium & Entry catalogs and encourage use of catalog online

IN-HOUSE EVENTS (*continued*)

NORTH AMERICAN INTERNATIONAL LIVESTOCK EXPOSITION

- Research alternatives for tar paper used for animal footing to reduce costs
- Encourage participation in online entry system to reduce labor costs. Investigate handling charge for faxed or mailed entries

NATIONAL FARM MACHINERY SHOW

- Distribute contract and exhibitor manuals electronically for a savings on printing and postage

3 IMPROVE INFRASTRUCTURE

KENTUCKY INTERNATIONAL CONVENTION CENTER RENOVATION

- A market study conducted in 2012 indicates that the Kentucky International Convention Center ranks 15th out of 18 comparable convention centers in terms of sellable space. The study does not recommend a significant expansion of KICC space but rather a major reconfiguration of space. Expanding the current exhibit hall into a contiguous configuration to approximately 230,000 square feet will capture 90–95 percent of its target market. These types of improvements will be necessary to prevent market loss and erosion of room night-generating events. The study estimated the cost of renovation at \$180 million in 2014 dollars.

KENTUCKY EXPOSITION CENTER INFRASTRUCTURE

- When Cardinal Stadium was deemed beyond repair in the Spring of 2013, it was determined that the Fair Board should issue an RFP for a Master Plan Study. The Study will focus on the entire 536-acre campus and the 1.2 million square feet of the Kentucky Exposition Center rather than simply looking at next steps for replacing Cardinal Stadium. The Study will assist the Fair Board in determining how the facility can best be adapted to meet current and future market demands.

The Kentucky State Fair Board will implement a Redesign and Repair Program for both facilities to keep pace with the demands of infrastructures which are aging and heavily used. Insuring an increase in future business as well as retaining current clients depends upon infrastructure updates and improvements. Investing in these buildings will assure a measureable return on investment to the Commonwealth.

BIENNIAL BUDGET REQUEST

2014-2016 OPERATING BUDGET SUMMARY

| | FY 2012-13 ACTUAL | FY 2013-14 BUDGETED | FY 2014-15 REQUESTED | FY 2015-16 REQUESTED |
|--|------------------------|------------------------|-------------------------|-------------------------|
| SOURCES OF FUNDS | | | | |
| GENERAL FUND | | | | |
| Regular Appropriation | 88,000 | | 6,212,300 | 4,849,500 |
| State Salary and Compensation Allocation | | 89,900 | | |
| Current Year Appropriation | | *10,844,000 | | |
| RESTRICTED FUNDS | | | | |
| Balance Forward | 792,589.91 | 111,200 | 201,300 | |
| Current Receipts | 42,774,358.93 | 43,178,000 | 42,513,900 | 46,365,600 |
| Non-Revenue Receipts | 3,214,663.73 | (7,200,000) | | |
| TOTAL SOURCE OF FUNDS | \$46,869,612.57 | \$47,023,100 | \$48,927,500 | \$51,215,100 |
| EXPENDITURES BY CLASS | | | | |
| Personnel Costs | 24,680,429.35 | 24,891,700 | 23,995,000 | 24,757,200 |
| Operating Expenses | 16,018,239.02 | 17,340,900 | 17,913,600 | 18,666,100 |
| Grants, Loans and Benefits | 1,504,306.10 | 2,080,000 | 3,116,900 | 2,515,200 |
| Debt Service | 3,990,174.61 | 1,662,100 | 2,955,900 | 4,420,600 |
| Capital Outlay | 543,473.96 | 847,100 | 946,100 | 856,000 |
| Construction | 21,749.85 | | | |
| TOTAL | \$46,758,372.89 | \$46,821,800 | \$48,927,500 | \$51,215,100 |

NOTE: The \$10,844,000 appropriation request consists of the following components:

- 2012 – The fiscal year ended with a \$2.2 million deficit, although the year consisted of a cash inflow of \$8 million from the Sale of the Hyatt and a \$5.5 million general fund appropriation.
- 2013 – This fiscal year ended with a deficit of \$4.8 million. This year included an \$88,000 general fund appropriation.
- 2014 – The current year anticipates a year-end deficit of approximately \$3.8 million.

CONCLUSION



The Kentucky State Fair Board is one of the driving economic forces in Metro Louisville and the Commonwealth of Kentucky. Accounting for an economic impact of more than \$460 million annually, the Fair Board sends over \$26 million in state sales and income taxes, and over \$7 million in local occupational and room taxes (*2005 Economic Impact Study*). The Kentucky State Fair Board has worked tirelessly to position itself at the national forefront in the tradeshow and event business, including religious conventions, archery competitions, youth volleyball competitions, large-equipment tradeshows, agriculture expositions and more.

The Fair Board is committed to retaining current business and partnerships while working toward a full pipeline of new ideas to seek revenue growth and offset the impact of the changing business landscape. The Kentucky State Fair Board is implementing a more robust economic model for the Commonwealth of Kentucky that strikes a better balance of revenue and

utilization of resources, employee force and facilities. The Fair Board is working to exert equal passion in identifying efficiencies from within and delivering world-class client and customer service. The three Initiatives for Growth outlined in the business plan focus on moving forward to maintain its local, national and international reputation.

In the first year after the hiring of a new President and CEO, the Kentucky State Fair Board is focused on rebuilding the foundation that allows the agency to sustain its economic impact, grow incrementally for the future and be a benchmark for other facilities around the country. The Fair Board understands that the long-term collaborative relationship with local and state leaders and the Kentucky General Assembly is essential. It is committed to strengthening this partnership and recognizes it as critical to the continued success of the future of the Kentucky State Fair Board.

