

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

**A. GENERAL INFORMATION**

1. Date

01/25/2016

2. Department

22nd Agricultural Association (22nd DAA)

3. Organizational Placement (Division/Branch/Office Name)

Finance Department

4. CEA Position Title

Chief Financial Officer

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

The Chief Financial Officer is responsible for policy development and management of the 22nd DAA's financial affairs, including developing and administering budgets that ensure that the DAA is self supporting since it receives no General Fund money and must develop sufficient revenue to cover all expenses. The CFO is also responsible for developing and implementing investment and debt management strategies to achieve strategic goals, and for contract management, purchasing, merchandising, risk management, information technology and payroll. The CFO is a key member of the Executive Management team and is involved in all major decision making and planning.

6. Reports to: (Class Title/Level)

CEO/Secretary Manager

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

**B. SUMMARY OF REQUEST**

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The position reports directly to the first organizational level, the Chief Executive Officer (Secretary Manager). Under direction of the Chief Executive Officer, this position functions as the Chief Financial Officer/Treasurer of the 22nd District Agricultural Association (DAA). This position is responsible for the overall policy development and management of the DAA's financial, investment, debt management, risk management, contracts, purchasing, merchandising, information technology and payroll functions. This position has direct impact on the formulation of DAA policies, is a member of the Executive Management Team, and the Strategic Planning Team and works closely with the nine member Board and program managers in developing and implementing policies that affect the entire operations of the DAA.

Assists in formulating strategic business plans; monitors and directs implementation of business plans; develops financial, cash handling, investment and debt management strategies and policies; manages budget development for the district's operating budget of \$74 million, and capital improvements budget for the fairgrounds and racetrack of \$3 to \$11 million; participates in key operational decisions as a member of the Executive Management Team; attends monthly Board meetings and Budget, Finance and Audit committee meetings, reviews budget with Directors, explaining assumptions and addressing questions.

Manages and oversees the contracts with the Del Mar Thoroughbred Club which operates the races for the 22nd DAA and generates \$44 million in income annually, and with the exclusive Food and Beverage contractor for the fairgrounds and the race track, which generates \$25 Million in income annually.

Acts as Treasurer for the 22nd DAA; manages cash flows and investments, works with bond Trustee, and Fitch Rating Service to provide required continuing disclosure reports and information to maintain tax exempt bond status as well as their investment grade rating; works with Directors, underwriters, State Treasurer's Office, bond counsel and financial advisor on bond issuance and other matters related to \$48 million in bond indebtedness. Provides consultation and advice to management team on operational and capital budgets, cash handling, design and implementation of internal controls and Point of Sale systems, and information technology programs. Represents the District with attorneys and consultants on pending litigation and other legal issues, including a class action law suit. Works closely with law firm partners, Attorney General's Office, the Board and a forensic auditing firm preparing defense. Oversees annual financial audit by external audit firm, previously Deloitte, LLP; selects Audit Company and recommends to the Board; oversees and facilitates transition to new audit company, now McGladrey, LLP. Provides financial data, and information as requested to the audit firm. Works with Partners at audit firm to plan and facilitate audit. Prepares footnotes and Management Discussion and Analysis included in the final report issued to the Bond Trustee, Board of Directors, Fitch Rating Service, bondholders and the public as requested. Meets with audit firm partners and Board Audit Committee.

Oversees the Districts' Information Technology program, including setting policies for and ensuring security of data and Point of Sale applications, implements new technologies and provides IT support for internal programs and critical contractors, such as Premier Food Services and the Golf Center.

Procures and administers insurance programs for the District, works with brokers and attorneys on ongoing claims, evaluates proper level of coverage needed for assets worth over \$200 million, sets policies for risk tolerance and coverage requirements for the District and users of the facilities.

**B. SUMMARY OF REQUEST (continued)**

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The 22nd DAA is a self funded government entity receiving no General Fund or tax payer support. The financial wellbeing of the 22nd DAA and the Del Mar Fairgrounds depends on the financial policies, investment decisions and debt management practices of the CFO to cover operating capital needs, and future capital projects. The CFO is responsible for financial, cash management, risk management, investment and debt management strategies and policies, the annual budget and capital outlay budget to maintain 400 acres and over 2 million square feet of buildings. The CFO develops cash handling and Point of Sale policies and internal control programs that ensure that the DAA accounts for receipts, manages cash flow and receives the contracted percentage of concessionaire sales. For example, the annual San Diego County Fair, one of three events the DAA produces each year, has gross revenues of \$38 million. During the fair, the Finance Department handles and accounts for about \$1.5m a day.

**B. SUMMARY OF REQUEST (continued)**

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

Since 2011, the state's policy has been for the DAAs to be self sufficient. They no longer receive any state funding, but operate through Enterprise Funds. As a result, the DAA's budgets are no longer reviewed and approved by the California Department of Food and Agriculture (CDFA) and are not included in the Governor's Budget. To further this goal, the legislature passed AB 2490 which became effective January 2015 to address the new reality of DAAs not receiving any state funds, and move them away from the requirement to adhere to state accounting rules, reporting requirements, and state laws in operating their respective fairs. AB 2490 eliminated many of the preapproval requirements from CDFA and DGS for the DAAs to procure, purchase and operate. These changes have greatly increased the policy role and the complexity, independence of action, responsibilities and consequence of error of the Chief Financial Officer position.

The operating revenue for the 22nd DAA has increased from \$58.0 million in 2010 to \$74.0 million in 2015, a 27.5% increase. The capital outlay budget increased from \$3 to \$11 million over the same period. The 22nd DAA participated with the Del Mar Race Track Authority, a Joint Powers Authority made up of the 22nd DAA, The Department of Finance, CDFA and DGS, in a bond offering in 2015 that increased bond debt from \$23 million to \$48 million to refinance existing debt and fund new track, grandstand renovations and other capital improvements at the Del Mar Fairgrounds. The CFO, representing the DAA, was involved in all aspects of the bond offering, from working with the rating agency to obtain an investment grade rating for the bonds, and with the State Treasurer's Office, financial advisors, counsel and underwriters on preparing all Bond Documents, from pricing the bonds, through working with potential investors answering questions about the financial situation of the DAA, and its revenues from racing, working with the bond counsel to ensure that the DAA's contracts and agreements meet the requirements of the bond indenture, and with the Trustee on the final sale of the bonds. The CFO manages the financial aspects of a \$44 million contract with the Del Mar Thoroughbred Racing Club, a nonprofit organization that operates the live horse racing meets at the Del Mar racetrack and a \$29 million contract with the exclusive food and beverage vendor for the Fairgrounds. Effective January 1, 2016, the CFO is responsible for merchandising, which is the development and acquisition of theme and self branded merchandise for sale. The CFO is the corporate representative for a class action lawsuit with statewide implications and has worked closely with the law firm defending the DAA, the Deputy Attorney General, the Board and a forensic accounting firm in preparing the DAA's defense. The CFO also works closely with attorneys, the Deputy Attorney General, and Insurance Underwriters on pending litigation involving the DAA. It is the CFO's ongoing responsibility to ensure that the DAA has appropriate financial, budget, risk management, contract and information technology policies, practices, internal controls and record keeping to support the DAA's financial health.

### **C. ROLE IN POLICY INFLUENCE**

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The financial wellbeing of the 22nd DAA and the Del Mar Fairgrounds depends on the financial policies, investment decisions and debt management practices of the CFO. The CFO must make sound investment decisions to cover operating capital needs, and long-term investments to cover future capital projects. The CFO considers rate of return and risk, based on ratings of the investment firms. The CFO identifies potential risks, analyzes them, and takes precautionary steps to reduce risk. These decisions and the policies developed by the CFO impact the continued success of the Del Mar Fairgrounds, the San Diego County Fair, the Del Mar horse racing meets and the 350 annual events held at the Fairgrounds. In order to successfully determine appropriate financial policies and build sound budgets, the position requires the CFO to have a MBA in Finance and have passed the uniform CPA exam and have extensive knowledge of financial and bond markets. The position is responsible for ensuring compliance with Generally Accepted Accounting Procedures(GAAP), Governmental Accounting Standards, terms of the bond indenture, and federal and state tax requirements.

The CFO is responsible for maintaining appropriate financial policies and records that can support scrutiny by the financial markets to maintain investor confidence and meet IRS requirements to maintain the tax exempt status of the fairground's bonds. The CFO is responsible for developing and implementing financial and record keeping policies and practices that can undergo IRS scrutiny of the use of facilities built with tax free bonds and expenditures from the bonds during audits. Failure of the facility use and record keeping policies or procedures could result in a determination by the IRS or by the bond trustee that the bonds were not meeting bond covenant and indenture requirements to maintain their tax exempt status and investment grade rating.

Most State Departments are self-insured, that is they pay for losses out of their budgets, they do not purchase insurance policies. If they cannot fund the losses out of their budgets, they are ultimately covered by the State of California. Since the DAA is self-funded, it cannot rely on the State to cover any losses. The CFO is responsible for procuring and administering insurance programs for the District and for setting policies for risk tolerance and coverage requirements for various fairgrounds events, for determining the level of coverage for assets worth over \$200m and for other insurance policies needed to protect the financial security of the DAA and its Officers and Directors.

Other policies the CFO is responsible for that have high public sensitivity are those that protect customer financial information against unauthorized access. The CFO oversees Information Technology including setting policies for ensuring data security, and Point of Sale (POS) applications used by the District and concessionaires. The CFO is a member of the Audit Steering Committee for the Western Fairs Association which is responsible for determining standard auditing practices for the fairs to use to audit the sales of food concessionaires as well as the requirements of POS equipment and software technology that will provide the information needed to ensure that all sales are properly recorded. For example during the annual fair, there are 114 food stands with various POS options, such as different credit card processing companies, new technologies such as iPay and Square and many different POS software programs. There has been a proliferation of various POS systems in the last few years. As new technologies evolve, policies are needed not just for cash handling and traditional credit card processing systems but also for mobile credit card processing systems such as those for iPads, tablets and smart phones. Financial management policies must be constantly reviewed and modified to accommodate new technologies and software systems.

Any failure of financial and risk management policies and procedures would generate statewide and national media attention and scrutiny, as well as have an impact on the economy of the San Diego area and the State of California. The San Diego County Fair which is only one of the many events held at the fairgrounds each year, generated approximately \$260,959,000 in spending activity alone in 2012 – benefiting the local economy and creating a ripple effect of economic benefit for the state. In 2012, the equivalent of 1,843 jobs were created as a result of spending by the San Diego County Fair, its support businesses and its attendees. (from the 2012 Economic Impact of California Fairs Report). The CFO is responsible for setting policies for and for developing and maintaining an independent payroll system that meets all state and federal labor law requirements for a workforce that ranges from about 400 to over 2300 at its peak during the fair.

**C. ROLE IN POLICY INFLUENCE (continued)**

13. What is the CEA position's scope and nature of decision-making authority?

As a member of the Executive Management team, the CFO participates in most major decisions affecting the fairgrounds, including the budget, goal setting and strategic planning. The CFO is responsible for ensuring that the 22nd DAA has appropriate financial, budget, risk management, contract, information technology, internal controls and payroll policies, procedures and record keeping to support the 22nd DAA's financial health. The CFO prepares and monitors the budgets and takes appropriate measures to assure sufficient cash is available as needed. The consequence of error in policy setting, procedures and implementation in any of the areas managed by the CFO could have significant impact on the financial health, public image and continued operation of the Del Mar Fairgrounds, the San Diego County Fair, the live horse racing meets and the other events held at the fairgrounds.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The CFO develops new policies in the area of Point of Sale technologies and software used by the many concessionaires and vendors. As new technologies and mobile payment options and software evolve, there will be a need for new policies and for existing financial policies to be reviewed and modified. In the constantly changing and evolving area of data security, policies will have to be developed and modified to protect customers. As cybercriminals become more sophisticated in obtaining access to personal information, data breaches are more common and have significant negative consequences. Under AB 2490, the CFO will be developing new policies to implement changes to contracting, purchasing and other operating procedures.

The CFO will modify and interpret existing policies and procedures as financial standards change, new laws pass and risk management evolves to meet changing circumstances and threats.