



Board Report

File #: A 21-419, **Version:** 1

Consider:

- a. Approving and authorizing the County Administrative Officer or designee to execute an Amendment No. 1 to the Agreement for the Operation and Management of the Laguna Seca Recreation Area between the County and A&D Narigi Consulting LLC to provide additional advances for the allowed expense fund and management fee expense for the period August 1 - December 31, 2021, only;
- b. Authorize the Auditor-Controller to amend the FY 2021-22 Laguna Seca Recreation Area adopted budget, Fund 453, Appropriation Unit CAO046, to increase appropriations by \$1,160,000, financed by an operating transfer from an appropriate fund as determined by the Board or CAO (4/5ths vote required); and,
- c. Authorize the Auditor-Controller to transfer \$1,160,000 from an appropriate fund as determined by the Board or CAO to Laguna Seca Recreation Area adopted budget, Fund 453, Appropriation Unit CAO046 (4/5th vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors consider:

- a. Approving and authorizing the County Administrative Officer or designee to execute an Amendment No. 1 to the Agreement for the Operation and Management of the Laguna Seca Recreation Area between the County and A&D Narigi Consulting LLC to provide additional advances for the allowed expense fund and management fee expense for the period August 1 - December 31, 2021, only;
- b. Authorize the Auditor-Controller to amend the FY 2021-22 Laguna Seca Recreation Area adopted budget, Fund 453, Appropriation Unit CAO046, to increase appropriations by \$1,160,000, financed by an operating transfer from an appropriate fund as determined by the Board or CAO (4/5ths vote required); and,
- c. Authorize the Auditor-Controller to transfer \$1,160,000 from an appropriate fund as determined by the Board or CAO to Laguna Seca Recreation Area adopted budget, Fund 453, Appropriation Unit CAO046 (4/5th vote required).

SUMMARY/DISCUSSION:

In December of 2019, the County entered into an agreement ("Agreement") for the operation and management of the Laguna Seca Recreation Area ("LSRA") with A&D Narigi Consulting LLC ("Narigi"). The Agreement included some negotiated assumptions regarding the level of expenses for which the County would be responsible and provide Narigi appropriate cashflow. The Agreement also included negotiated assumptions regarding the number and type of employees Narigi would hire and retain, and the expenses for which he would receive compensation from the County.

Due to the COVID pandemic, race year 2020 occurred without spectators, and thus did not provide a true test as to the validity of the negotiated assumptions in the Agreement. The pandemic, of course, negatively impacted funds utilized for LSRA. With the apparent waning of the pandemic in early 2021, and the rescheduling of various events in order to allow spectators, the experience at the Raceway has returned somewhat to normal. Based on the experience of the first half of 2021, Narigi has requested additional advances during the second half of the racing season to provide needed cashflow for various expenses; an additional \$810,000 for company related expenses (salaries and benefits) and an additional \$350,000 for facility related expenses.

Enclosed is a proposed amendment to the Agreement that provides the requested advances for the period August 1 - December 31, 2021, only. These additional advances must be funded from a source other than the LSRA Fund, as that fund currently has insufficient resources to fund the advances. The amendment requires that the accounts be reconciled no later than January 31, 2022, to determine if revenues generated at Laguna Seca are sufficient to cover the additional advances. However, as a post-pandemic rebound in motorsports remains uncertain, we advise closely watching the impact of such changes on revenue and profits for LSRA since funding the current request comes from the General Fund.

OTHER AGENCY INVOLVEMENT:

The County Counsel's Office has been consulted on this matter.

FINANCING:

Expenses for LSRA are funded from revenues generated from activities at LSRA and is intended to be a financially self-sustaining enterprise. There are insufficient funds currently available from revenues generated at LSRA to provide the requested advances, therefore a transfer from an appropriate fund identified by the Board or CAO is necessary.

CEQA:

This action is not a "project" for purposes of CEQA.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This proposed program correlates to the Strategic Initiatives adopted by the Board of Supervisors by working towards the goals of improving health and quality of life outcomes to individuals and families, and to address the immediate threat to the public peace, health and safety.

X Economic Development
X Administration
__ Health & Human Services
__ Infrastructure
__ Public Safety

Prepared by: Leslie J. Girard, County Counsel

Approved by: Charles J. McKee, County Administrative Officer

Attachments: Draft Amendment No. 1 to Agreement for Operation & Management of LSRA