MAR 0 3 2000

Rasmussen, Pat

From: Rosenak, Mary Jan
Sent: Friday, March 03, 2000 9:21 AM
To: *Legislative All Assembly; *Legislative All Senate
Subject: Packer audit is available on-line

The audit of the Packers is now available .

Wisconsin Legislative Audit Bu...

http://www.legis.state.wi.us/lab/windex.htm

STATE OF WISCONSIN

To Sen Huelsman

Date 3/2/00 Time 3:56

WHILE YOU WERE OUT

M Jane Mueller

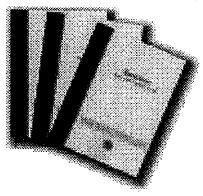
of Leg Ref. Bureau

Phone (LRB-#) -

Telephoned	X	Please Call	
Called to See You		Rush	
Returned Your Call		Will Call Again	

Message Audit of Greenbay Packers is coming out - if you have questions you can call LRB + ask for her

Party Receiving Call



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Wisconsin Legislative Audit Bureau

Reports

The Legislative Audit Bureau performs three basic types of audits:

Financial and compliance audits determine whether financial operations are properly conducted, whether the financial reports are presented fairly, and whether the agency has complied with applicable laws and regulations. For example, the Audit Bureau conducts an annual audit of the State's general purpose financial statements.

Management audits determine whether the agency is managing its resources in an economical and efficient manner. In a recent management audit, for example, Bureau staff reviewed a number of fiscal and management issues related to the Wisconsin Lottery.

Program evaluation audits determine whether the desired results or benefits of a state program are being achieved and whether the objectives established by the Legislature or other authorizing body for the program are being met. For example, the Audit Bureau has analyzed the effects of modifications to the State's juvenile justice statutes, which provided the means for local officials to take a more aggressive approach to juvenile offenders.

In addition, the Legislative Audit Bureau undertakes **best practices reviews** of county and municipal governments. Through these reviews, the Audit Bureau identifies efficient and effective methods of service delivery in Wisconsin and disseminates information about successful approaches to solving problems faced by local governments.

State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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March 3, 2000

Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator George and Representative Kelso:

We have completed a review of the financial condition of the Green Bay Packers, Inc., at the request of several legislators including Senator Robert Cowles, who first requested it. The review was conducted in the context of analyzing the Packers' $295.0 million proposal to renovate Lambeau Field using a combination of public and private funds.

We chose two methods to analyze the Packers' financial condition. First, we reviewed retained earnings reported in the Packers' financial statements, which are a measure of past profitability. The Packers' retained earnings increased from $40.5 million at the end of fiscal year (FY) 1994-95, to an estimated $83.9 million at the end of their current fiscal year, which is March 31, 2000. The Packers have benefited from a number of years of record earnings, and our analysis confirms a healthy financial condition through the current fiscal year.

We also reviewed the Packers' cash and investments, which represent resources available to pay current and future salaries and other operating costs. Except in one year, available cash and investments have increased at a considerably slower pace than retained earnings. In response to the increased use of player signing bonuses throughout the National Football League, the Packers have used their available cash largely for this purpose, rather to increase their cash and investment balances. As a result, the Packers estimate they will not have sufficient cash in the current year, and they will need to liquidate more than $3.7 million in investments to pay expenses. To the extent the current year's decline is the beginning of a trend, it will be necessary for the Packers to secure additional revenues or limit their future cost increases.

Packers officials believe that their proposal to renovate Lambeau Field will improve the financial condition of the franchise and position it competitively within the National Football League. We cannot determine whether the amount of additional net income that is estimated to be generated by the Packers' proposal—at least $20.2 million in FY 2004-05—will be more or less than what is needed to accomplish these goals. We note, however, that if the stadium is renovated, the Packers project that by FY 2004-05, they will rank near the top third of all League franchises in total revenues.

We appreciate the courtesy and cooperation extended to us by the Packers during the course of this review.

Sincerely,

Janice Mueller
State Auditor

JM/bm

cc: Members, Joint Legislative Audit Committee
Members, Senate Committee on Lambeau Field
Members, Assembly Special Committee on the Renovation of Lambeau Field

GREEN BAY PACKERS

We have completed a review of the financial condition of the Green Bay Packers as requested by several legislators, including Senator Robert Cowles, who first requested the review. Under the provisions of s. 13.94, Wis. Stats., the Legislative Audit Bureau does not have the authority to review the Packers' financial records: our authority is limited to reviewing records and other documents maintained by state agencies and certain authorities and districts created by the State relating to their expenditures, revenues, operations, and structure, as well as to reviewing state or federal funds provided to local and private entities. However, in the context of their proposal to renovate Lambeau Field using both public and private funds, the Packers agreed to let us examine:

- their audited financial statements and notes;
- information on the Lambeau Field redevelopment proposal prepared by the Hammes Company, a consultant under contract with the Packers;
- their investment policy; and
- projected income statements, balance sheets, and cash flows through March 31, 2005, which ends the Packers' fiscal year (FY) 2004-05.

We also reviewed published annual reports and other public documents. However, in part because of contractual and National Football League (NFL) restrictions, the Packers did not permit us to review other types of information we specifically requested, including their general and subsidiary ledgers, which summarize accounting transactions and provide detail supporting amounts included in their financial statements, and contracts for goods and services such as concessions, parking, and the use of outside consultants. In addition, in order to obtain access to the Packers' financial statements, we were required to enter into a confidentiality agreement that prohibits us from disclosing some of the information we were permitted to review. Consequently, our analysis of revenues, expenses, and future financial needs is limited by the information that has been made available to us and that we are permitted to share with the Legislature and the public.

To avoid duplication of work by the Legislative Fiscal Bureau, we focused our analysis on the Packers' current and projected revenues and expenses. The Legislative Fiscal Bureau is analyzing the total cost of the renovation proposal, including debt service costs and bonding issues.

The Packers Organization

Green Bay Packers, Inc., is a nonprofit corporation and the only publicly owned team among the 32 franchises (including the new Houston franchise) in the NFL. Approximately 109,700 individuals own shares of Packers common stock but do not receive dividends or profits as a result of stock ownership. The shareholders elect the Packers' 45-member board of directors, whose members serve staggered three-year terms. The board appoints seven of its members to an executive committee that is responsible for monitoring operations, which includes hiring and evaluating the performance of the president and chief executive officer. The Packers project revenues of $116.5 million and expenses of $108.8 million in their current fiscal year.

Since it was established in 1919, the Packers organization has periodically relied on community support for its operations. For example, the Packers' name is derived from an early corporate sponsor of the team, the Indian Packing Company, which provided funding for equipment and a field for practices. In 1925, the City of Green Bay built a stadium near East High School in which the Packers played. In 1957, when it was no longer possible to expand the seating capacity at the old City Stadium, Lambeau Field, a new $1.0 million stadium funded by the city and the Packers, was built. Since then, Lambeau Field has been expanded seven times. Most recently, in 1995, 90 suites that include a total of 1,347 seats were added to the facility.

In the past, expansion projects have been funded entirely by the Packers. In anticipation of future stadium renovation or construction, the Packers recently initiated their first stock sale since 1950. On November 14, 1997, the Packers offered 400,000 shares of common stock at a price of $200 per share. By the end of the offering, on March 16, 1998, approximately 111,000 shares had been sold, which generated $22.2 million. Proceeds from the sale of stock are restricted by the NFL to funding future stadium improvements.

Lease with the City of Green Bay

The City of Green Bay owns Lambeau Field. Responsibility for the stadium's operating, maintenance, and repair costs is addressed in a lease agreement between the city and the Packers, which was entered into in 1957 and most recently revised in January 1996. On days that games are played, the agreement requires the city to provide:

- a minimum of 80 police personnel;
- a minimum of 16 fire department/paramedic personnel;
- one staffed ambulance; and
- one fire truck.

In addition, the city is required to provide adequate insurance for the facility, excluding the field, and to make all necessary repairs to or replace, as necessary, the foundation, columns, walls, roofs, ramps, steps, and other portions of the stadium that are constructed of concrete, brick, or steel.

The lease allows the Packers to retain all revenue generated from use of the facility, including revenue generated through concessions, parking, advertising, and signs. The Packers are responsible for paying utility costs, such as electricity and water, and for making necessary repairs to the facility that are not the responsibility of the city, such as maintaining parking lots, fences, and gates. The Packers are also required to make payments to the city for stadium rent and maintenance. In 1999, these combined payments totaled $1.15 million.

Table 1 shows payments the Packers have made to the City of Green Bay since 1994.

Table 1

Rent and Maintenance Payments to the City of Green Bay

Year	Payment
1994	$ 703,500
1995	703,800
1996	1,198,000
1997	1,150,000
1998	1,150,000
1999	1,150,000

Proposed Lambeau Field Renovation

In 1998, the Packers hired a consultant to develop plans to renovate Lambeau Field. The proposed $75.0 million project was expected to widen the concourse, increase the number of restrooms and concession stands, and establish two retail stores. In addition, a new press box, additional seating, and a stadium club were expected to be built. However, in March 1999, the Packers chose not to proceed with these planned renovations. Packers officials indicated that their plans were no longer viable because changing economics within the NFL would not allow the Packers to generate sufficient new revenue to remain competitive in the league.

Packers officials also assert that the acceleration of annual spending on player salaries and other operating costs throughout the NFL has placed increasing demands on the Packers' available resources, thereby limiting the amount of funds the Packers have available for stadium renovation. Lambeau Field is one of the oldest stadiums in the NFL. At 43 years, the Packers have used it longer than any other NFL franchise has used its stadium. Most franchises have recently built new stadiums or are planning to build or to renovate. For example, in the division in which the Packers compete, the Tampa Bay Buccaneers moved to a new stadium in 1998; the Detroit Lions are expected to move to a new stadium in 2002; the Chicago Bears are in the process of developing plans for the renovation of Soldier Field; and the Minnesota Vikings have expressed a need for a new stadium.

In 1999, the Packers began pursuing options for a more substantial Lambeau Field renovation that is intended to generate a greater amount of revenue for the franchise. Typically, new and recently renovated stadiums have a greater capacity to generate revenue through sources such as naming rights, advertising, suites, concessions, and parking. Under NFL bylaws, revenue from these sources is not shared with other teams. In contrast, revenue generated through

sources such as ticket sales and national broadcasting rights is shared among the teams. Teams with stadiums that generate substantially more unshared revenue are likely to be in a better financial position to pay escalating player salaries and other operating costs.

On January 22, 2000, the Packers released details of their new plan for renovating Lambeau Field. Planned improvements include making repairs to the stadium bowl, widening the ground-level concourse and adding an upper-level concourse to provide adequate space for the safe passage of individuals, significantly increasing the number of restrooms, enhancing handicapped accessibility, improving the visiting team locker room, and reconstructing stadium parking lots.

In addition, as shown in Table 2, the proposed renovation would include:

- increasing the stadium's capacity to a total of 71,000 seats, including 5,888 additional general admission seats, 4,340 club seats, and 108 fewer seats in suites;

- increasing the number of concession stand locations by 147, or more than double the current number of concession sites;

- increasing the space devoted to selling Packers merchandise by expanding an existing pro shop and establishing a new pro shop;

- building an addition on the east side of the stadium that would include an atrium concourse, which would be open and expected to generate revenue for the Packers throughout the year. The atrium concourse would house a stadium club; the Packer Hall of Fame, which is a nonprofit corporation currently operating in a facility owned by Brown County and managed by Promotion Management, Inc.; administrative offices; additional space for lease; and football locker rooms and other facilities; and

- decreasing the number of parking stalls. As a result of stadium expansion, 625 parking stalls are expected to be eliminated, leaving a total of 4,900. Although an agreement has not been finalized, an official of the Village of Ashwaubenon has indicated that community's willingness to develop additional parking for the Packers.

Table 2

Selected Components of Lambeau Field Renovation

	Existing Stadium	Renovated Stadium
Total seating capacity	60,890	71,000
Concession locations*	135	282
Main pro shop	1,710 square feet	8,200 square feet
New pro shop	not applicable	4,000 square feet
Stadium club	not applicable	74,600 square feet
Administrative offices	not available	50,800 square feet
Hall of Fame	off-site	25,000 square feet
Parking stalls	5,525	4,900
Other**	not applicable	26,800 square feet

* Excludes portable concessions.

** Space available for lease by other businesses.

The Packers estimate the cost to redevelop Lambeau Field under their current proposal at $295.0 million and propose that public sources fund 57.3 percent of project costs. The Packers propose that $9.1 million be provided by the State Transportation Fund and, through a sales tax of 0.5 percent, that Brown County fund:

- the principal and interest costs associated with issuing $160.0 million in bonds;
- at least $4.0 million annually of stadium maintenance costs; and
- at least $500,000 annually of the football stadium district's operating costs.

The Packers would provide the remaining $125.9 million, or 42.7 percent of construction funding. Proposed Packers funding includes:

- $92.5 million of an estimated $116.0 million raised by assessing a one-time user fee of $2,000 for most general admission seats. The remaining $23.5 million would fund potential stadium construction cost overruns;
- $20.4 million raised primarily through the sale of Packers common stock in 1997 and 1998, which may be used only for stadium improvements; and
- a $13.0 million "loan" provided by the NFL, which will be repaid entirely from the NFL's share of club seat premiums.

Proposed Legislation

On February 8, 2000, the Joint Committee on Finance introduced legislation related to stadium renovation for the Packers in the Assembly (1999 Assembly Bill 730) and in a companion bill in the Senate (1999 SB 384). These bills would create a professional football stadium district in Brown County with the authority to:

- construct, maintain, and manage a professional football stadium and facilities;
- issue bonds and impose up to a 0.5 percent sales tax in Brown County to finance a football stadium;
- enter into partnerships and other arrangements in order to further its purposes; and
- assess fees for the use of a stadium or the right to purchase admission to stadium events.

Before a county sales tax can be implemented, the tax must be approved by Brown County voters in a referendum. The bills also permit Brown County and municipalities within the football stadium district to make grants or loans to the district, lease or transfer property to the district, expend public funds to subsidize the district, and borrow money to fund grants to the district. In addition, the bills provide for the State's "moral obligation" to appropriate state funds to the football stadium district in order to maintain the level of funding that bondholders require in a special debt service reserve account.

Furthermore, the bills:

- authorize the Department of Transportation to make aid payments to the football stadium district for parking lot and road improvements, although the bills do not specify the $9.1 million in funding the Packers included in their proposal;
- require sales tax revenue to be used only for purposes related to football stadium facilities, although facilities are not defined;
- require Brown County to determine when a referendum will be held, although it cannot be scheduled earlier than 45 days or later than one year after the football district passes a resolution to implement a sales tax;
- permit the Joint Legislative Audit Committee to review the football stadium district's performance; the Legislative Audit Bureau to audit district records; and the Department of Administration, the Legislative Audit Bureau, and the Legislative Fiscal Bureau to review all of the district's financial reports and all regular monthly statements of any trustee of the bonds; and
- exempt the income and interest on the football stadium district's bonds from state income tax.

The Packers will manage the construction process. The district will issue revenue bonds to fund construction, and it will be responsible for maintaining the stadium in the future. It is unclear how the lease between the Packers and the City of Green Bay will be affected if the proposed legislation is enacted.

The Packers' Current Financial Condition

There are several ways to measure a private organization's financial condition. We chose two of the most commonly used methods to analyze the financial condition of the Packers. First, we reviewed the retained earnings reported in financial statements, which measure past profitability. Second, we reviewed the amount of cash and investments available to pay current and future operating costs.

Retained Earnings

As shown in Table 3, the Packers' retained earnings increased from $40.5 million at the end of FY 1994-95 to an estimated $83.9 million at the end of their current fiscal year. The Packers have benefited from a number of years of record earnings, and our analysis confirms a healthy financial condition through the current fiscal year.

Table 3

Packers Income and Retained Earnings
(in millions)

	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	Estimated FY 1999-2000
Beginning retained earnings	$38.5	$40.5	$45.9	$51.8	$58.5	$76.2
Net income*	2.0	5.4	5.9	6.7	17.7	7.7
Ending retained earnings	$40.5	$45.9	$51.8	$58.5	$76.2	$83.9

* Includes net income from expansion fees. For example, in FY 1998-99, more than $10.6 million of the Packers' net income was generated by fees received from the new Cleveland Browns franchise.

To better understand the underlying reasons for the Packers' profitability during their past six fiscal years, we analyzed revenues and expenses and discussed trends with Packers officials.

Revenues - As shown in Table 4, the Packers estimate their revenues will be $116.5 million in the current fiscal year, representing an increase of 83.7 percent since FY 1994-95. National television and radio broadcasting rights represent the Packers' largest source of revenue and account for the largest increases over time. Since FY 1994-95, revenue from the sale of broadcasting rights increased by $23.7 million, or 63.5 percent. Television and radio revenues consist largely of revenue shared by all NFL teams based on negotiated NFL contracts, but they also include revenues from broadcast agreements between the Packers and local television and radio stations for games that are not broadcast nationally. National broadcasting revenue accounts for almost all of the Packers' television and radio revenues. Total national television broadcast revenue is known through 2005, when new contracts will be negotiated.

Table 4

Packers Revenues

	FY 1994-95	Estimated FY 1999-2000	Increase	Percentage Increase
Broadcasting rights	$37,258,000	$ 60,928,000	$23,670,000	63.5%
Home game ticket income	8,536,000	14,290,000	5,754,000	67.4
Road game ticket income	6,362,000	9,150,000	2,788,000	43.8
Marketing and pro shop sales	1,722,000	8,482,000	6,760,000	392.6
Suite and club seat premiums	1,650,000	5,794,000	4,144,000	251.2
NFL Properties income	2,586,000	3,936,000	1,350,000	52.2
Other operating revenues	2,285,000	4,710,000	2,425,000	106.1
Expansion fee income	1,800,000	5,000,000	3,200,000	177.8
Investments and other non-operating income	1,243,000	4,225,000	2,982,000	240.0
Total	$63,442,000	$116,515,000	$53,073,000	83.7%

Ticket revenue is also shared: the home team receives approximately 66.0 percent of ticket sales, and the visiting team receives 34.0 percent. The other significant source of shared revenue is NFL Properties, which raises revenue by issuing licenses to retailers for the sale of NFL merchandise and through commissions on these sales.

Revenue from local sources also increased significantly, including:

- $6.8 million in marketing and pro shop revenues, largely as a result of selling advertising space on two JumboTron scoreboards, corporate sponsorships, and selling Packers merchandise through catalogs and the Internet;

- $4.1 million in the premiums paid for suites and club seats, which is in addition to suite and club seat ticket revenue. On average, annual premiums are approximately $22,700 for suites and $550 for club seats;

- $3.0 million in investment income, primarily a result of investing the proceeds from the 1997 and 1998 stock sale; and

- $2.4 million in other revenues, which include revenue from concessions, parking, souvenir programs, and other sources. Concession revenue constitutes the largest source of revenue in this category. We attempted to report concession revenue separately but were prohibited from doing so by the Packers, based on restrictions in their contract with Promotion Management, Inc.

As shown in Table 5, other NFL franchises also receive a percentage of their revenues from local sources. However, while the proportion of revenue the Packers derived from local sources more than doubled between 1994 and 1999, it is still less than the NFL average. Furthermore, the difference between the NFL average and the Packers' revenue from local sources has increased from 4.7 percentage points in 1994 to 5.1 percentage points in 1999. As noted, because local revenue is not subject to NFL revenue sharing rules, franchises that generate relatively more income from local sources are likely to be at a competitive advantage compared to franchises that rely more heavily on shared income sources.

Table 5

Revenue Composition Comparison
(percentages of total revenue)

	National Revenue	Ticket Revenue	Local Revenue
1994:			
NFL average	60.0%	28.0%	12.0%
Green Bay Packers	70.0	22.7	7.3
1999:			
NFL average	58.0	22.0	20.0
Green Bay Packers	64.9	20.2	14.9

Expenses - As shown in Table 6, the Packers expect their expenses to increase $47.4 million, or 77.2 percent, from FY 1994-95 through FY 1999-2000. The largest category of expenses is player costs, which include player salaries and fringe benefits, as well as other costs related to players, such as preseason travel. Player costs increased by $29.8 million, or 71.1 percent, to a total of $71.8 million in the Packers' current fiscal year. This increase is partly a result of NFL salary cap requirements, which include both a minimum and a maximum amount that franchises may spend on team salaries. Since FY 1994-95, the maximum allowed for salaries under the cap has increased by 79.6 percent. For competitive reasons, many franchises spend near the maximum, which is based primarily on 63.5 percent of national revenues of the franchises. Consequently, most teams incur similar cost increases over time. The NFL Management Council and the NFL Players Association negotiate salary limits; the current contract runs through 2002.

Table 6

Packers Expenses

	FY 1994-95	Estimated FY 1999-2000	Increase	Percentage Increase
Player costs	$41,999,000	$ 71,842,000	$29,843,000	71.1%
Administrative expenses	16,048,000	29,784,000	13,736,000	85.6
Game expenses	1,579,000	2,347,000	768,000	48.6
Income taxes*	1,375,000	4,117,000	2,742,000	199.4
Interest expense	410,000	740,000	330,000	80.5
Total	$61,411,000	$108,830,000	$47,419,000	77.2%

* The Packers are subject to federal and other state income taxes, but not Wisconsin income taxes.

The second-largest increase is in the administrative expense category. The Packers estimate administrative expenses to have increased $13.7 million, or 85.6 percent, since FY 1994-95, to a total of $29.8 million in their current fiscal year. As shown in Table 7, administrative expenses include non-player salaries, facility costs, and other operating expenses.

Table 7

Packers Administrative Expenses

	FY 1994-95	Estimated FY 1999-2000	Increase	Percentage Increase
Non-player salaries	$ 5,439,000	$11,150,000	$ 5,711,000	105.0%
Facility costs	3,224,000	6,248,000	3,024,000	93.8
Other operating expenses	7,385,000	12,386,000	5,001,000	67.7
Total	$16,048,000	$29,784,000	$13,736,000	85.6%

Non-player salaries, which include the salaries of the coaching staff and administrative personnel, have more than doubled since FY 1994-95. As shown in Table 8, a portion of this increase is a result of the addition of 21 positions, from 72 in FY 1994-95 to 93 in the current fiscal year. The Packers have added a significant number of non-player staff since FY 1994-95, including five staff for expansion of their retail operations. Packers officials indicate their non-player staffing level is below the average among NFL franchises.

Table 8

Packers Staffing Increases*
FY 1994-95 through FY 1999-2000

Type of Staff	New Positions
Pro shop	5
Football operations	5
Facilities and maintenance	3
Player relations	3
Administration	2
Scouting	1
Public relations	1
Coaching staff	1
Total	21

* Excludes changes in the number of football players.

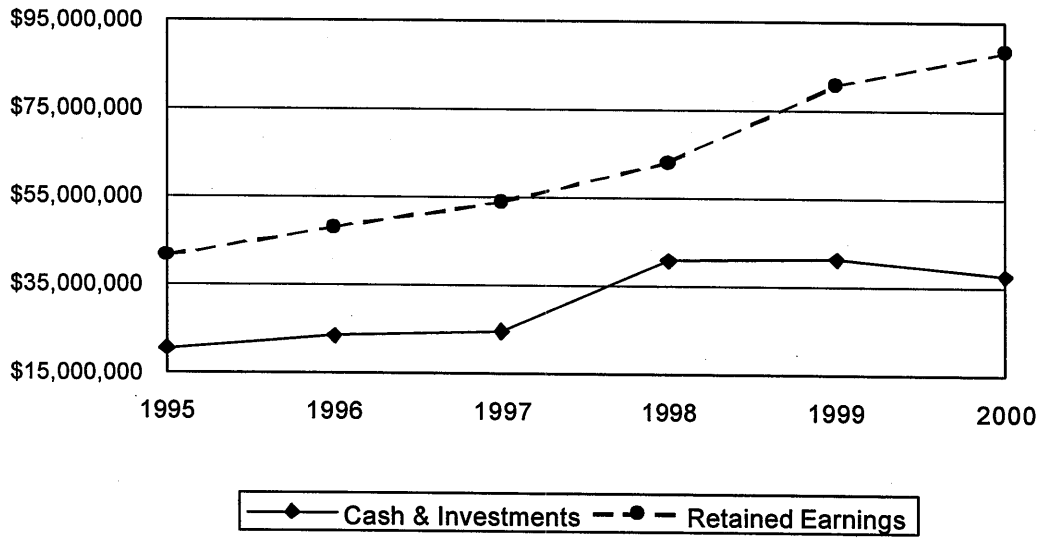
As was shown in Table 7, the Packers estimate their facility costs at $6.2 million for the current fiscal year. Over two-thirds of this expense is for depreciation of past capital improvements. Since FY 1994-95, other administrative operating expenses have increased $5.0 million, or 67.7 percent. Packers officials indicate that NFL assessments for league operations, which cannot be controlled by the Packers, account for the largest increase in this category. Other costs in this category include fringe benefits for staff; stockholder communications; computer hardware and software; and professional fees, such as payments to lawyers, auditors, and consultants.

Cash and Investment Balances

A second measure of the Packers' financial condition is cash and investments, which represent resources available to pay current and future salaries and other operating costs. An analysis of changing cash and investment balances may identify potential financial challenges in the future that may not be captured by a review of prior years' net income.

As shown in Figure 1, the Packers' cash and investment balances increased at a considerably slower pace than retained earnings, except in FY 1997-98. As noted, retained earnings increased from $40.5 million at the start of FY 1995-96 to an estimated $83.9 million at the end of the Packers' current fiscal year. Cash and investments increased from $22.1 million to $37.5 million during this same period.

Figure 1
Cash and Investment Balances Compared to Retained Earnings*
(as of March 31)



* Cash and investment balances exclude $20.6 million, including $20.2 million received from the stock sale, that is restricted for stadium improvements.

The relationship between increases in retained earnings, which are measured by net income, and changes in cash and investments is complex and may appear contradictory. For example, as shown in Table 9, while the Packers' net income was $6.7 million in FY 1997-98, their cash and investments increased by over $14.7 million. This increase resulted primarily from short-term borrowing of $10.8 million to pay for operating costs, including player compensation, and from the deferral of approximately $9.1 million in player and other personnel compensation to future years, as provided under contracts.

Table 9

Change in Cash and Investments

	FY 1997-98	FY 1998-99	Estimated FY 1999-2000
Increases in cash and investments:			
Net income	$ 6,718,000	$17,686,000	$ 7,685,000
Proceeds from short-term borrowing	10,760,000	0	0
Other adjustments*	13,963,000	4,667,000	3,238,000
Total increases in cash and investments	$31,441,000	$22,353,000	$10,923,000
Decreases in cash and investments:			
Signing bonuses	$13,682,000	$14,388,000	$ 6,676,000
Repayment of short-term borrowing	0	5,719,000	5,726,000
Capital expenditures	3,047,000	1,808,000	2,200,000
Total decreases in cash and investments	$16,729,000	$21,915,000	$14,602,000
Net change in cash and investments	$14,712,000	$ 438,000	$(3,679,000)

* Includes net changes in other accounts, including the amount of player and other personnel compensation deferred to future years, which for FY 1997-98 totaled $9.1 million.

On the other hand, while the Packers earned $17.7 million during FY 1998-99, primarily from increased NFL expansion revenues, their available cash and investments increased by just $438,000. For their current fiscal year, the Packers estimate net income of $7.7 million but project they will have insufficient cash to meet their obligations. This negative cash flow will require approximately $3.7 million in investments to be liquidated or spent.

One reason cash and investments increased less than net income during the last two fiscal years is that the Packers repaid prior-year short-term borrowing with $5.7 million in funds generated in

FY 1998-99, and $5.7 million generated in FY 1999-2000. The Packers use this temporary borrowing instead of liquidating longer-term investments to manage their cash during the off-season.

However, a more significant reason why cash and investments increased less than net income is the Packers' increased use of signing bonuses as part of player compensation. Since 1994, when limits were placed on team salaries, franchises have increased the portion of player salaries they pay in cash at the time contracts are signed, in order to attract and retain marquee players. In contrast to most other professional sports, which guarantee the entire amount of a player's contract, the signing bonus is the only portion of a professional football player's contract that is guaranteed. Accounting rules require signing bonuses, which represent pre-paid salary costs, to be charged against net income over the lengths of the players' contracts.

Because the Packers have increased their use of signing bonuses, they have used their available cash for this purpose rather than to increase investment balances. The amount of pre-paid salary costs represented by signing bonuses has increased each year since FY 1994-95, with the largest increase ($14.4 million) occurring between FY 1997-98 and FY 1998-99. The Packers pre-paid salary costs are projected to increase an additional $6.7 million in FY 1999-2000 and to total $50.2 million as of March 31, 2000. We were unable to obtain information on the extent to which the Packers' use of signing bonuses differs from other franchises.

Future Financial Condition

The Packers indicated that the severity of potential future cash deficiencies became apparent in FY 1998-99, when cash and investments increased by only $438,000 despite record net income of $17.7 million. The record income resulted largely from expansion revenues. The Packers expect cash flow problems to worsen in the current year. Our analysis confirms a significant decline in the Packers' projected cash and investment balance for FY 1999-2000, which results primarily from payment of escalating signing bonuses. To the extent this decline is the beginning of a trend, it will be necessary for the Packers to secure additional revenues or limit their future cost increases.

Several indicators point to potential financial challenges for the Packers in the future. For example:

- Future revenue from expansion fees is expected to decline because the current number of NFL franchises is considered optimum for the league's conference structure and scheduling purposes. Only a new Houston franchise, which is expected to begin play in 2002, will provide expansion revenue in the foreseeable future. The Packers received $5.0 million from the Houston franchise in their current fiscal year and expect to receive a total of $18.3 million over the next four years.

- In the absence of additional local revenue, the Packers project that their revenue ranking among all NFL franchises will decline from 15th in their current fiscal year to nearly last by FY 2003-04, in part because other teams are making increasing use of local revenues generated by new or renovated stadiums. As noted, local revenue is not shared with other NFL teams.

- Without stadium renovation, the Packers believe they will have to spend $48.1 million of their available cash and investments over the next five years in order to fund operations and

maintain Lambeau Field. Packers officials assert that as available cash declines, the team will become less competitive because fewer funds will be available to pay signing bonuses and other player obligations.

Packers officials believe that expenses cannot be significantly limited in the future because player costs are market-driven and subject to collective bargaining agreements. Therefore, they believe that their stadium renovation proposal is needed to provide a consistent source of additional revenue for the franchise. Table 10 shows the Packers' estimates of revenues in FY 2004-05, both with and without stadium renovation.

Table 10

Packers' Projected Revenues
FY 2004-05

	Without Stadium Renovation	With Stadium Renovation	Difference as a Result of Renovation
Operating revenues	$143,947,000	$165,168,100	$21,221,100
Investment income	1,345,000	3,540,000	2,195,000
Total	$145,292,000	$168,708,100	$23,416,100

Overall, the Packers expect additional revenue of $23.4 million if the stadium is renovated. With renovation, the Packers project $21.2 million in additional operating revenues from a number of sources:

- $8.8 million in additional suite and club seat revenue;
- $4.0 million from the sale of additional merchandise and advertising, which does not include revenue from naming rights;
- $3.7 million from the atrium concourse, including the net income of the stadium club and lease income from other tenants;
- $3.5 million in additional ticket sales revenue as a result of increasing seating capacity; and
- $1.2 million from additional concession sales and various other sources.

In addition, the Packers expect almost $2.2 million in additional investment income as a result of avoiding the need to liquidate investments to fund ongoing operations.

While the Packers expect FY 2004-05 revenues to increase an additional $23.4 million if stadium renovation occurs, they expect expenses in a renovated stadium to increase by only an additional $3.2 million, as shown in Table 11. Income taxes are projected to increase by $10.9 million with renovation; and facility costs are projected to decrease by $7.7 million, primarily as a result of transferring maintenance and other expenses to the football stadium district.

Table 11

Packers' Projected Expenses
FY 2004-05

	Without Stadium Renovation	With Stadium Renovation	Difference as a Result of Renovation
Operating expense	$150,715,000	$143,003,000	$(7,712,000)
Interest expense	1,280,000	1,280,000	0
Income tax expense	(2,346,000)	8,548,700	10,894,700
Total	$149,649,000	$152,831,700	$ 3,182,700

If the renovation proposal is adopted, the Packers' financial condition will improve. Operating revenues are expected to increase by an additional $21.2 million, and operating expenses are expected to decrease by $7.7 million, resulting in a FY 2004-05 increase in income from operations of $28.9 million. However, after considering investment income, interest expense, and income tax expense, the Packers net income will improve by $20.2 million.

Packers officials believe this increase will position the franchise favorably within the NFL. In fact, if the stadium is renovated, the Packers project their total revenues will rank near the top third of all NFL franchises by FY 2004-05. However, we cannot determine whether the amount of additional net income that will be generated by the Packers' proposal—approximately $20.2 million in FY 2004-05—is more or less than is needed to remain competitive. In addition, the Packers' projections contain a number of assumptions that cannot be tested, and actual revenues and expenses may differ substantially from current estimates. For example, expense levels could change depending on future management decisions. In addition, revenue from the stadium club and rental space cannot be analyzed until plans for use of the atrium concourse are further developed.

Questions to Be Considered

Broad questions related to the total cost of the proposal and associated funding issues will need to be addressed by the Legislature. A number of additional questions concerning the Packers' renovation proposal have also been raised by legislators, local officials, and the media, including whether the

Packers could pay a larger share of renovation costs, the implications and effects of financing mechanisms, and the effects of the renovation proposal on the City of Green Bay and the surrounding communities. Many of these questions cannot be answered definitively based on the amount and type of information available. However, during the course of our analysis, we reviewed several issues the Legislature may wish to consider as it continues deliberations on the proposal.

Can the Packers generate additional revenue from existing sources to help fund stadium renovation and maintenance?

Some have questioned whether the Packers could generate additional revenue to reduce the level of public financial support needed for the proposal. As noted, the majority of the revenue the Packers receive comes through the NFL's sale of national television broadcast rights and is shared among NFL franchises. However, the Packers can influence the amount of revenue they receive from other sources, primarily those who attend games.

The Packers propose keeping their average ticket prices at or slightly above the NFL average through increases of $6 per ticket per game in FY 2001-02, and $3 in 2002-03. Because season ticket holders will benefit most directly from an improved facility, some have proposed raising prices somewhat above the league average. If ticket prices were increased by an additional $5, or 10 percent above their current average price of $49, the Packers' revenues would increase by approximately $2.0 million annually with existing stadium capacity, and by approximately $2.3 million under the proposed expansion. Such an option would likely be opposed by season ticket holders, who are also being asked to pay a one-time user fee of $2,000 for each seat.

Increased revenue could also be generated from parking fees. Raising the price of stadium parking could generate additional revenue immediately. If parking were increased from the current price of $15 per stall to $25 per stall as some have suggested, approximately $350,000 in additional revenue would be raised annually. In the longer-term, local officials have suggested that an additional 5,000 to 7,000 parking stalls may be made available at no cost to the Packers from the Village of Ashwaubenon. At the current $15 parking price, if 5,000 more stalls were eventually made available, an additional $750,000 would be generated annually.

Should new revenue sources be found to help fund stadium renovation and maintenance?

A number of new sources of revenue have been suggested by legislators and others, including selling naming rights to the stadium, selling Packers license plates, creating a "walk of fame," and selling bricks for construction that would display names of the individual or corporate donors. It is difficult to make precise estimates of the amount of revenue that could be generated from most of these activities. Nevertheless, some have estimated that revenue from naming rights for the atrium concourse and entrance gates could be as much as $2.0 million annually and, if naming rights for the stadium are granted, as much as $100.0 million in total could be generated. The Monona Terrace Convention Center in Madison generated approximately $1.0 million on a one-time basis through the sale of inscribed tiles. Because revenues generated through these and other sources have not been included in the Packers' contribution toward construction, it has been argued that some or all of these sources could be used to help reduce public financial support for the renovation proposal.

How should any excess funds in the cost overrun reserve be used?

As noted, the Packers expect to receive $116.0 million from assessing one-time seat user fees. Approximately $39.4 million, or 34.0 percent, of this revenue would normally be shared by the other NFL franchises. However, because this revenue will be used for stadium construction, NFL rules allow the Packers to retain the full amount, of which the Packers have designated $92.5 million to help fund construction, and $23.5 million to create a reserve for construction overruns. The Packers have agreed to fund cost overruns in exchange for control of the construction process. If the proposal is approved, the Packers may not need to use the entire $23.5 million reserve for construction purposes, in part because the $295.0 million renovation proposal already includes $20.0 million that is held as a reserve for contingencies. Because the Packers cannot use any of the unused funds from the reserve for construction bond debt service without NFL approval, the Legislature could consider whether any reserves that are not needed for cost overruns be returned to those who paid the user fees.

How should maintenance and operating costs be paid in the future?

As proposed by the Packers, the franchise's expenses for the renovated stadium would be reduced by $7.7 million in FY 2004-05 because maintenance and other costs would be transferred to the stadium district. The Packers have explained that $4.0 million of this amount represents routine maintenance and operating costs, including:

- $1.7 million in facility maintenance, which includes janitorial services, supplies, and equipment rental;
- $977,000 for general administrative costs, including insurance and professional services such as accounting and legal services;
- $741,000 for security, including traffic control, law enforcement, and fire and emergency management services; and
- $564,000 for grounds maintenance, including snow removal, field maintenance, and heating for the field.

It is unclear how the remaining funds will be spent, although it is expected that a significant portion will be designated for future capital improvements.

The Packers have proposed that at least $4.0 million of these costs be funded by sales tax revenue and that the football stadium district apply a surcharge on tickets to provide additional funding to build reserves for future capital improvements. Considering the level of public support and the substantial benefit the Packers will receive from operating the renovated stadium, including the atrium concourse, some have questioned whether the proposed cost-sharing arrangement for maintenance should be restructured.

What are the financial implications of renovation to the City of Green Bay?

As noted, the Packers currently make annual rent and maintenance payments totaling $1.15 million to the City of Green Bay, which owns Lambeau Field. Of these payments, approximately $300,000 annually is paid for maintenance. The city has established a fund for those maintenance costs for which it is responsible under the lease agreement, and city officials indicate the current balance in the Lambeau Field maintenance fund is $1.1 million. It is unclear how these funds will be used should the current proposal be approved.

The City of Green Bay currently spends approximately $450,000 each year to provide police and fire protection on game days, while receiving about $900,000 from the Packers in rental payments that cover these and other costs. As noted, it is unclear how the lease between the Packers and the city will be affected if the proposed legislation is enacted. If the lease payments are discontinued, the amount of revenue in excess of the city's costs would decrease by approximately $450,000 annually unless the stadium district were required to pay property taxes or payments in lieu of taxes.

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