

State Fair Park Facilities Debt Service Costs ■

State Fair Park's ability to make debt service payments will be limited if revenues do not increase in the future.

To fund the costs of recent improvements to the fairgrounds—including renovations that began in 2000, as well as construction of a new Milwaukee Mile grandstand in 2003, the Wisconsin Exposition Center in 2002, and the Pettit Center in 1992—State Fair Park has relied on funding from program revenue-supported bonds, GPR-supported bonds, and the State's Stewardship Program. However, its ability to meet debt service obligations may be limited, at least in the short run, if program revenues from the Wisconsin State Fair and other sources do not increase, or if expenses do not decline.

If program revenues are insufficient to cover these debt service costs, the State could ultimately be called on to fund them. As previously discussed, additional financial assistance from the State could be requested if the Exposition Center Board is unable to make scheduled debt service payments.

Construction Funding

Since FY 1995-96, \$58.7 million in State Fair Park construction costs have been funded primarily with program revenue-supported bonds and GPR-supported bonds, as shown in Table 14.

Table 14

Funding Sources of State Fair Park Construction Costs

Fiscal Year	Program Revenue-Supported Bonds	GPR-Supported Bonds	Stewardship Program	Total Construction Costs	Annual Percentage Change
1995-96	\$ 1,911,587	\$ 2,607,037	\$ 0	\$ 4,518,624	-
1996-97	500,919	7,358,449	0	7,859,368	73.9%
1997-98	1,291,451	1,028,538	0	2,319,989	(70.5)
1998-99	1,868,092	506,728	0	2,374,820	2.4
1999-2000	1,198,244	1,548,675	0	2,746,919	15.7
2000-01	5,951,070	3,342,414	0	9,293,484	238.3
2001-02	3,967,278	1,688,095	2,000,000	7,655,373	(17.6)
2002-03	14,321,708	7,639,844	0	21,961,552	186.9
Total	\$31,010,349	\$25,719,780	\$2,000,000	\$58,730,129	

Program Revenue Bonds

In FY 2002-03, State Fair Park issued \$14.3 million in program revenue-supported bonds, primarily to fund construction of the new Milwaukee Mile grandstand. In the last three fiscal years, when total construction costs were \$38.9 million and program revenue-supported bonding costs increased to \$24.2 million, State Fair Park also refurbished its north gate entrance and equipped its recreational vehicle park with laundry facilities, shower facilities, and year-round hook-ups for sewer, water, and electricity.

Annual debt service payments will be more than \$3.3 million through FY 2012-13.

Appendix 3 lists the scheduled annual debt service payments that State Fair Park will be responsible for paying with program revenue from FY 2003-04 through FY 2022-23. During that time, total debt service payments—including those related to the Pettit Center—will be \$57.4 million, which consists of \$37.8 million in principal and \$19.6 million in interest. Annual payments will be more than \$3.3 million through FY 2012-13.

General Purpose Revenue Bonds

Since FY 1995-96, GPR funds have supported \$27.7 million in State Fair Park construction costs.

As was shown in Table 14, GPR funds supported construction costs of approximately \$27.7 million from FY 1995-96 through FY 2002-03: \$25.7 million in direct GPR-supported bonds, and \$2.0 million from the Stewardship Program, which is funded primarily with GPR funds. GPR-supported projects include the youth dormitory and improvements to State Fair Park's agricultural buildings and infrastructure. Stewardship Program funds were used for site development costs related to construction of the Wisconsin Exposition Center.

The GPR-supported bonds used by State Fair Park are typically repaid over a 20-year period. From FY 1995-96 through FY 2002-03, GPR debt service payments made on behalf of State Fair Park totaled nearly \$5.4 million. Appendix 4 lists the scheduled debt service payments to be funded with GPR from FY 2003-04 through FY 2022-23. During this period, total GPR debt service payments will be \$38.0 million, which consists of \$24.3 million in principal and \$13.7 million in interest. Annual payments will be \$2.0 million through FY 2017-18.

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Financial Operations
Management Structure
Relationship with Other Entities
Level of State Support
Future of the Master Building Plan

Future Considerations ■

Although both the Legislature and State Fair Park have taken steps designed to improve State Fair Park's financial status, changes in the fairgrounds' operations and improvements to major facilities and infrastructure have not yet allowed State Fair Park to become more financially secure. As the State Fair Park Board, the Legislature, and the Governor consider the future of State Fair Park, challenges related to financial operations, the fairgrounds' management structure, State Fair Park's relationships with other entities, and a number of other areas will need to be addressed.

Financial Operations

State Fair Park's financial condition will continue to deteriorate as long as operating expenses increase at a greater rate than revenues. However, not only must State Fair Park ensure program revenues are sufficient to cover future expenses, it must also recover from a \$4.4 million cash deficit it accumulated in FY 2002-03. In addition, State Fair Park's financial reporting system needs significant improvement.

Revenues from the August 2003 Wisconsin State Fair will be used to address the prior year's deficit. A budget that was approved by the State Fair Park Board in February 2003 projected 2003 fair revenues of \$10.6 million. However, this projection assumed attendance of 860,000, which was not met. Therefore, it is unclear whether Wisconsin State Fair revenues will be sufficient to address State Fair Park's FY 2002-03 deficit and still provide adequate operating funds for the remainder of FY 2003-04.

It is critical for State Fair Park to improve its financial management and financial reporting.

It is also critical that State Fair Park improve its financial management in general, and its financial reporting system in particular. Because State Fair Park officials have not yet provided FY 2001-02 financial statements that are materially correct and accurately reflect that year's financial activity, we have not been able to complete our statutorily required audit in a timely manner and make our opinion available to the Legislature and the Governor as they considered the State's 2003-05 biennial budget. State Fair Park has developed internal budgets for the annual fair and some of its largest events. However, these budgets do not include all expenses, such as an allocated portion of debt service. Therefore, it is difficult to evaluate overall profitability on a per event basis. In addition, State Fair Park's inability to account for expenses and revenues for the smaller events continues to be of concern.

Management Structure

State Fair Park's management underwent significant changes in 2003.

State Fair Park's management structure is again in transition. A new chair of the State Fair Park Board was named in February 2003, and four new members were appointed in 2003. At the direction of the Governor, the new chair immediately created various task forces to analyze operations and to make recommendations related to revenue enhancement options, State Fair Park's management structure, and its relationship with other entities. These recommendations are expected later this year.

The existing management structure, which relies on contractors for a significant portion of day-to-day management activities, may need particular scrutiny. For example, because State Fair Park's current chief executive officer is an independent contractor, the Secretary of the Department of Tourism, to which State Fair Park is attached for administrative purposes, has had to take responsibility for certain personnel and financial decisions that contractors are not statutorily authorized to address.

It should be noted that the State does not incur fringe benefit costs for the independent contractors who fill several key positions at State Fair Park. For example, total salary costs for the chief executive officer are approximately \$150,000 annually. Similarly, the fair operations manager is paid \$69,000, and the Milwaukee Mile's general manager is paid \$150,000 annually with no fringe benefits. Cost data for other consultants and contractors on staff were difficult to obtain from the Department of Administration because many of these costs are contained within capital expense budgets.

State Fair Park is attempting to staff other key positions with state employees. In 2003, it hired an exhibitor services manager as a state employee who is responsible for managing all contracts involving exhibitor sales and services. State Fair Park is also recruiting for state positions that include an event services manager, which is a newly created position that will manage non-fair events, and an agricultural coordinator who will coordinate and manage the agricultural programs, including auctions and the World Beef Expo, and perform other duties.

***State Fair Park
lost 15.0 positions
under the 2003-05
Biennial Budget Act.***

Ultimately, the State Fair Park Board and the Legislature will have to decide the optimal division between contract and state employees. This decision will likely include consideration of both the staffing implications of State Fair Park's recent decision to manage racing activities internally and recent budget and staffing cuts authorized under the 2003-05 Biennial Budget Act, which reduced State Fair Park's authorized staff by 15.0 positions, from 45.2 to 30.2, and cut its program revenue-funded operating budget by \$1.2 million.

Because State Fair Park and the Milwaukee Mile both require ticketing, marketing, and general operations staff, State Fair Park staff believe there is an opportunity for consolidation and cost savings. However, State Fair Park has not yet conducted a comprehensive analysis of how functions could be consolidated and which positions could be eliminated, if any. Its future business plans will need to address how budgetary reductions can be absorbed while activities are increasing.

State Fair Park officials note they are considering whether internal management of additional activities would be beneficial to the fairgrounds. However, certain legal issues will need to be reviewed before such options can be pursued. For example, industrial revenue bonds that were used to fund the Wisconsin Exposition Center may limit future organizational changes for that entity. In addition, the Pettit Center was partially funded with private funds, and some promised donations may be jeopardized if there are organizational changes to the Pettit Center.

***The Legislature should
consider the State's
potential liability if
State Fair Park is
granted further
independence.***

Some have also suggested that because of State Fair Park's unique status as an entertainment venue, it should be reorganized as a quasi-governmental authority, granted additional flexibility from state purchasing and employment requirements, or managed as a Special Park District with its own governance structure. However, proposals to increase the agency's independence from executive and legislative oversight and control are being made at the same time that the level of state support is increasing. Therefore, we suggest the Legislature carefully consider the level of oversight it wishes to retain over the State's investment in the fairgrounds.

Relationship with Other Entities

It is difficult to assess the future demands that may be placed on State Fair Park, given uncertainty about the future financial performance of both the Exposition Center and the Pettit Center. As noted, these entities are each governed by separate not-for-profit boards. However, in the short-term, State Fair Park should immediately address the unfavorable contractual provisions it has negotiated with other entities.

Level of State Support

In the future, the Legislature may be asked to define the level of state support for State Fair Park's operations and capital needs. Further, to help improve State Fair Park's financial condition, the Legislature may also be asked to exempt it from requirements to lapse program revenue to the State's General Fund, or to directly provide GPR support to State Fair Park. In deciding these issues, the Legislature and the Governor will have to weigh the level of public support for State Fair Park and the Wisconsin State Fair against competing demands for limited state resources.

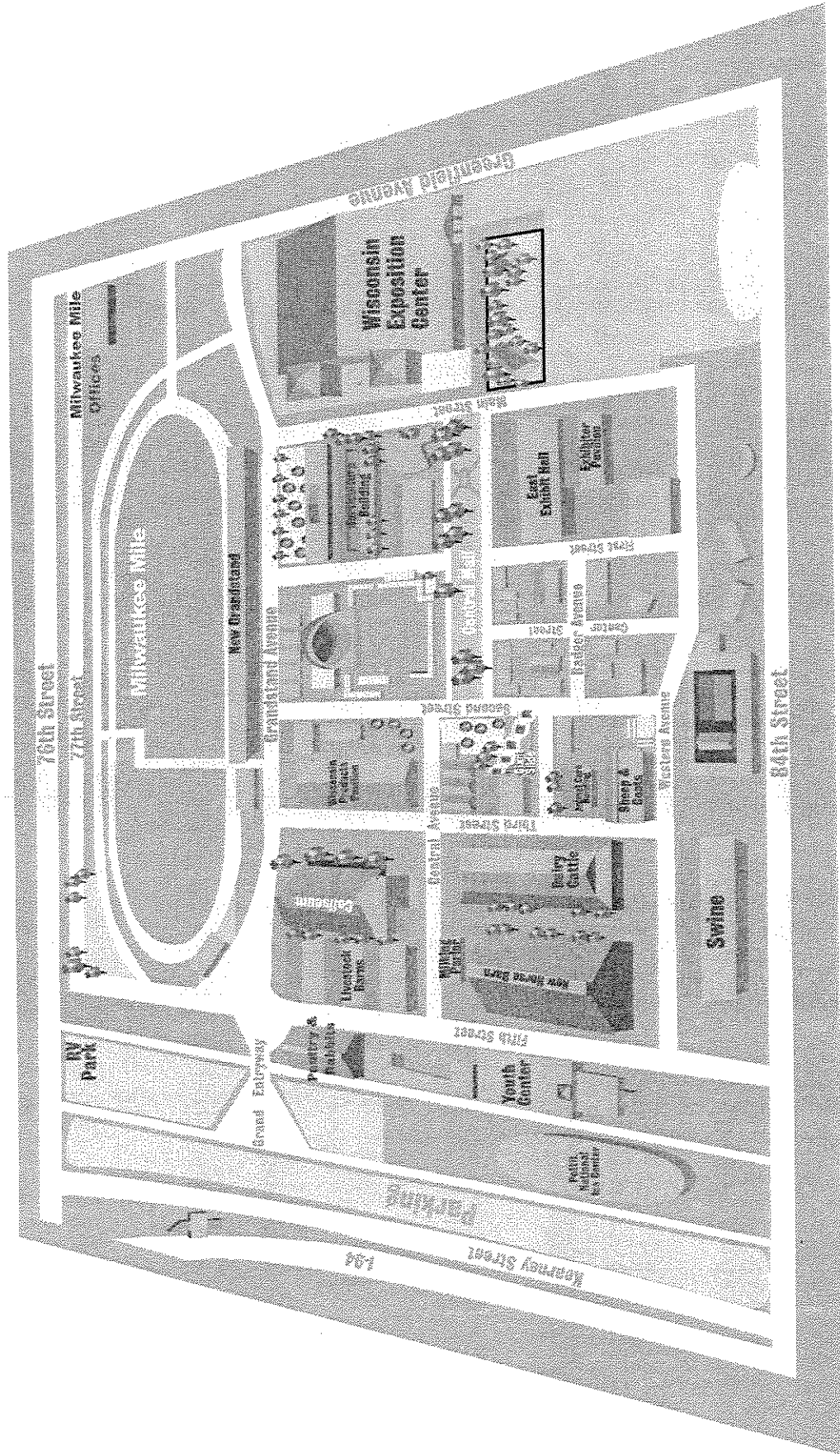
Future of the Master Building Plan

State Fair Park has largely completed several phases of its master plan, at a cost of nearly \$76.7 million. However, it has not yet completed phases involving the Wisconsin Heritage Hall, which is to serve as a showcase for Wisconsin products; remaining components of the agricultural village; and the landscaped lawn area. Future construction plans are uncertain.

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Appendix 1

Wisconsin State Fair Park



Source: State Fair Park

Appendix 2

**Scheduled Debt Service Payments
for Industrial Revenue Bonds**

Fiscal Year	Principal Payments	Interest Payments	Total
2003-04	\$ 0	\$ 2,527,525	\$ 2,527,525
2004-05	290,000	2,518,541	2,808,541
2005-06	390,000	2,497,476	2,887,476
2006-07	495,000	2,470,060	2,965,060
2007-08	610,000	2,435,829	3,045,829
2008-09	715,000	2,394,783	3,109,783
2009-10	860,000	2,345,992	3,205,992
2010-11	1,005,000	2,288,217	3,293,217
2011-12	1,150,000	2,221,459	3,371,459
2012-13	1,230,000	2,147,730	3,377,730
2013-14	1,310,000	2,069,045	3,379,045
2014-15	1,385,000	1,985,559	3,370,559
2015-16	1,470,000	1,897,115	3,367,115
2016-17	1,565,000	1,803,096	3,368,096
2017-18	1,660,000	1,703,191	3,363,191
2018-19	1,765,000	1,597,090	3,362,090
2019-20	1,875,000	1,484,329	3,359,329
2020-21	1,990,000	1,364,599	3,354,599
2021-22	2,110,000	1,237,586	3,347,586
2022-23	2,245,000	1,102,675	3,347,675
2023-24	2,380,000	959,400	3,339,400
2024-25	2,525,000	807,451	3,332,451
2025-26	2,685,000	646,054	3,331,054
2026-27	2,850,000	474,589	3,324,589
2027-28	3,020,000	292,746	3,312,746
2028-29	3,215,000	33,199	3,248,199
Total	\$40,795,000	\$43,305,336	\$84,100,336

Appendix 3

**Scheduled Debt Service Payments
for Program Revenue-Supported Bonds**

Fiscal Year	Principal Payments	Interest Payments	Total
2003-04	\$ 1,661,910	\$ 1,879,269	\$ 3,541,179
2004-05	1,734,677	1,792,881	3,527,558
2005-06	1,665,060	1,706,730	3,371,790
2006-07	1,742,229	1,623,786	3,366,015
2007-08	1,833,178	1,536,373	3,369,551
2008-09	1,919,001	1,449,485	3,368,486
2009-10	2,013,422	1,358,573	3,371,995
2010-11	2,113,677	1,259,756	3,373,433
2011-12	2,402,090	1,148,572	3,550,662
2012-13	2,525,240	1,023,258	3,548,498
2013-14	1,752,823	915,119	2,667,942
2014-15	1,840,754	825,584	2,666,338
2015-16	1,937,218	731,599	2,668,817
2016-17	1,938,786	634,957	2,573,743
2017-18	1,955,941	540,075	2,496,016
2018-19	1,999,176	438,965	2,438,141
2019-20	1,968,290	335,203	2,303,493
2020-21	1,957,355	232,148	2,189,503
2021-22	1,392,837	130,403	1,523,240
2022-23	1,462,565	67,278	1,529,843
Total	\$37,816,229	\$19,630,014	\$57,446,243

Appendix 4

**Scheduled Debt Service Payments
for GPR-Supported Bonds
(Including Stewardship Funds)**

Fiscal Year	Principal Payments	Interest Payments	Total
2003-04	\$ 790,997	\$ 1,246,225	\$ 2,037,222
2004-05	825,391	1,205,870	2,031,261
2005-06	866,236	1,160,782	2,027,018
2006-07	907,794	1,115,215	2,023,009
2007-08	948,279	1,067,851	2,016,130
2008-09	992,514	1,021,794	2,014,308
2009-10	1,016,557	975,301	1,991,858
2010-11	1,090,702	923,960	2,014,662
2011-12	1,338,069	860,612	2,198,681
2012-13	1,603,049	790,812	2,393,861
2013-14	1,651,346	705,493	2,356,839
2014-15	1,735,430	617,069	2,352,499
2015-16	1,824,184	524,545	2,348,729
2016-17	1,918,267	431,122	2,349,389
2017-18	1,633,585	343,103	1,976,688
2018-19	1,236,552	258,401	1,494,953
2019-20	1,297,442	193,732	1,491,174
2020-21	1,216,418	127,305	1,343,723
2021-22	874,646	68,885	943,531
2022-23	518,802	23,864	542,666
Total	\$24,286,260	\$13,661,941	\$37,948,201



Wisconsin State Fair Park

September 5, 2003

Ms. Janice Mueller
Wisconsin State Auditor
Legislative Audit Bureau

MANAGEMENT AUDIT RESPONSE LETTER

Dear Ms. Mueller,

First let me say that as always we appreciate the hard work and professionalism of your staff during the audit process and view your report as a tool for ongoing improvements at the State Fair Park. Please know that for the most part we agree with your recommendations for improvements italicized throughout the report however there are a number of items that we feel bear further clarification that consequently may lend more perspective on the challenges encountered as management strives to improve the overall fiscal and operational environment at State Fair Park. Lastly we noticed that many key operational improvements instituted over the last year have not been mentioned in this report and consequently could suggest to the readers that no progress is being made on operational improvements at the State Fair Park. We will take the opportunity to point these out for balance.

Revenues and Expenses:

The report factually notes that State Fair Park expenses exceeded revenues by \$4.5 million dollars. Furthermore it correctly explains most of the reason for this shortfall but neglects to mention the revenue shift from the State Fair Park operations into the Exposition Center business that has had a significant impact on State Fair Park cash flow.

Total Shortfall:	(\$4,500,000)
State Lapse:	\$2,400,000
'03 Pettit Center Arrearages:	<u>\$ 371,600</u>
	\$2,771,600
State Fair Park Revenue Shift to Expo:	
Prior State Fair Park Event Business	\$1,700,000
Associated Parking	<u>\$ 400,000</u>
	\$2,100,000
	\$4,871,602

This illustrates the following:

- 1. 62% of the shortfall (\$2,771,600) was created by outside impacts beyond Fair Park management control.*
- 2. \$2.1 million dollars in revenue was not lost but rather assigned over to the Exposition Center business and therefore did not leave the State Fair Park.*
- 3. If combined with the State Lapse and Pettit rent shortfall, total revenues would actually exceed expenses by \$371,602 dollars.*

Note: Pettit Center rent shortfalls reflected in this table do not show the additional \$1million rent payments in arrears from prior years.

State Fair Improvements Not Referenced:

- 1. Event budgeting and conservative forecasting continues to be a top priority for Fair Park management in an effort to fully understand profit and loss impact for any given event. For the second year in a row, a State Fair event budget was constructed. In 2002 the State Fair event net profit exceeded \$1 million dollars (after \$2.8 million in non-event overheads were deducted). The 2003 State Fair budget projects a net profit of \$1.5 million. At present and despite a 9.5% decrease in attendance due predominantly to weather conditions, revenue amounts for the event have surpassed budgeted estimates. Final net profit outcome will be determined later in September after all expenses are accounted for. *This performance is a solid illustration of management's commitment to conservative budgeting and thorough contingency planning efforts.***
- 2. In 2002, management implemented a new "state of the art" ticket admission system that for the first time allowed for exact count attendance at any time during the event and significantly improved revenue control accounting practices. Although technical problems were experienced in 2002 due to airwave frequency interruptions, the system worked flawlessly in 2003 given the installation of fiber optic connections between gates. State Fair Park is now starting to be recognized as a fair industry leader in successful use of leading edge admissions technology.**
- 3. In 2002, management hired an outside parking company to manage all parking operations at the Fair Park. This decision was made as a means of improving the parking operations without increasing manpower demands on the organization. Although 2002 presented some initial operational challenges for the company, their significantly improved performance and responsiveness to State Fair Park in 2003 is worth noting. Furthermore, as part of the negotiated parking contract, State Fair Park was entitled to receive new computerized entry gate car counting equipment, gating systems, new park wide gate signage and parking lot paving.**

As a result and despite an attendance decrease, the 2003 State Fair event showed a 10.5% increase in cars parked over the '02 performance, customer satisfaction levels have increased dramatically and accurate car counts and revenue reports are generated daily.

4. Special emphasis was put on improving our Exhibitor Services department including hiring a new exhibitor services manager. As a result of this emphasis, all contracts within the department (over 900) have been reworked to a standard format including aesthetics, vendor performance and financial reporting requirements. Another major accomplishment of the department was relocation of fair exhibitors from the 2002 State Fair into the 2003 State Fair. This was a major undertaking given the removal of the old North / South Halls, Family Living Center and Youth Expo buildings. The results showed that 99% of all exhibitors had been successfully relocated for the 2003 State Fair.
5. After the 2002 State Fair, management proceeded to institute a new standardized commission rate structure for all food and beverage vendors including replacement of the percentage approach on beverages with a corkage fee policy. As a result, all vendors were moved to contracts with identical terms thereby eliminating preferential treatment among vendors and re-establishing a level playing field for all vendors. The new contracts also required use of cash registers and daily submission of register tapes to the Fair Park for improved accounting methods. Additionally, the corkage fee policy has provided State Fair Park with more predictability in budgeting for beverage revenues and tighter accounting controls on revenues deposited from vendors.

In summary, management feels that great strides have been made for ongoing improvements to the operation of the State Fair event. It is our further opinion however that management must be provided the latitude through governance restructuring or contractual changes to extend these new systems, best practices and policies to other business operations at State Fair Park in order to achieve the same levels of successful performance.

Clarification of Specific Audit Points:

Concerns were raised about acquisition of the Milwaukee Mile Race Promotion Rights in several areas of the report. Although any major acquisition decision by an organization or company is subject to outside debate as to amounts paid, it should be noted that the State Fair Park worked closely in reviewing all available information in a very condensed timeframe and in formulating a best judgment estimate to consider in the ultimate decision to purchase these rights. In general, the core basis for the decision to proceed rested primarily on the following conclusions:

1. The purchase was consistent with longer-term organizational direction of State Fair Park.

2. State Fair Park saw increased value potential and therefore greater long-term financial benefit for the enterprise.
3. Total control of the business unit would be reassumed as a result of the purchase, eliminating the middleman from the business equation.
4. The acquisition created no more risk to the Fair Park than the existing race lease agreement.
5. Operational control would provide greater revenue generation potential especially in areas such as sponsorship and naming rights opportunities.
6. Operational control would provide cost efficiencies through organizational consolidation.

Comparison of Racing Debt to Asset Value referenced in several areas of the report (\$3.2 million vs \$1.6 million) needs clarification. Haas Racing spent \$4.4 million on capital assets, such as repaving the Milwaukee Mile racetrack and other infrastructure improvements that will enable races to be run for 20 years or more. In terminating the lease, State Fair Park obtained these assets by assuming \$3.2 million in debt. The lower \$1.6 million figure cited by the Legislative Audit Bureau, is due to book adjustments for tax purposes, which results in a net asset value that does not reflect market value.

Use of Forecasted Grandstand Naming Rights revenues, race event number and per cap spending for economic feasibility studies on the project was factually referenced in the report as it relates to an earlier Grandstand design report. However the audit neglected to also mention that a second pro-forma for a scaled back Grandstand Project was also prepared that did not include naming rights revenue, reduced the per cap numbers to industry levels and was based on (4) event weekends, not (6) events. On a performance note for balance it should be recognized that under State Fair Park management, the Milwaukee Mile has secured (3) major races for the 2004 season (CART, NASCAR, IRL) and is confident that a fourth will be announced this fall.

Bonus Payments to several Milwaukee Mile employees were referenced as an area of concern by the report. While the audit correctly reports the amounts provided and the disparity with civil service guidelines, management would conversely highlight that this payment structure is something the State Fair Park enterprise would like to establish in the future for more employees in positions responsible for revenue generation. Performance bonus arrangements are the norm in the entertainment industry and allows the enterprise to establish lower base salaries coupled with incentives, especially in areas requiring significant revenue generation.

The report notes that new or renovated facilities that were intended to be self supporting have not met with the overly optimistic revenue projects. In the case of the Exposition Center building, it should be noted that projections did not forecast a break even until the third full year of operation. At the end of 2003, the Exposition Center will be finishing its first full year of operation and therefore we believe this statement to be conclusive before the operation has had an opportunity to perform within plan. Secondly, the capital investment in the RV Park has generated enough to cover operating costs and dept service. Third, it is purely speculative at this transitional juncture to conclude that the

Milwaukee Mile under new State Fair Park management will be not be able to meet debt service obligations and deliver a net profit to organization.

Financial management and financial systems are referenced as needing improvement. Management does not disagree with this recommendation however it should be recognized that structural changes must be made between business entities at the Fair Park, the State and State Fair Park before an efficient and timely central financial system can be implemented. It should also be noted that over the last year management had requested and was granted financial staff assistance from the Department of Administration to help restructure the financial systems at State Fair Park given the "transitional nature of the enterprise" as referenced by the audit report. At this time however, State Fair Park continues to have no control or direct connection to financial systems at the Pettit Center or the Exposition Center and only recently began taking actions to integrate the Milwaukee Mile operation given the May acquisition. Note that each entity including the State Fair Park and the State Department of Administration have their own individual systems. This frequently causes delays in retrieving timely individual financial information for purposes of constructing final consolidated reports. To reiterate however, management agrees with this recommendation and has made this item a top priority for future improvements for the enterprise.

The report notes that 104 event days were lost to the State Fair Park as a result of the new Exposition Center being created. While this number suggests that 30% of events were lost, in actuality these were low end events that represented less than 7% of total State Fair Park event revenues.

State Fair Park Capital Reserve account is referenced to currently have a balance of \$842,000. Although this may have been the amount reviewed by LAB at the time of this audit, the final actual balance at the end of fiscal '03 is in excess of \$1 million dollars.

Unsupported Negative Cash Balance is presented in table format and represents a negative (\$2,170,233). What is not reflected directly or in foot note fashion is an acknowledgement that \$2.4 million of the negative cash balance is due to State Lapse Assessment. Were it not for the \$2.4 assessment, WSFP would in fact be in a positive Cash to Asset position.

The State Fair Park Master plan is criticized for not providing sufficiently detailed information to serve in financial discussions with lenders, the Legislature or the Governor. Management disagrees with this point. As correctly pointed out, the purpose of a Master Plan is to establish a long-term vision (or blue print) for future building considerations on an integrated basis. Master plans are typically adjusted throughout the life of the process as new ideas are generated to enhance the plan. However, by nature any financial references within the report only provide "order of magnitude" projections. As our State Building Commission would attest each component of the Master Plan must be accompanied by a detailed financial report and pass several levels of rigorous financial analysis by highly qualified Building Commission staff before being brought to the Commission members. Additionally, the State Building Commission requires State

Fair Park management to appear before Commission members to undergo thorough questioning before approval is granted. State Fair Park has enjoyed a strong working relationship with the State Building Commission and Division of State Facility staff and have relied on their guidance and assistance with the ongoing Master Plan improvements.

In conclusion, management finds the recommendations and concerns expressed in this report very much in line with the ongoing Board Special Committee works as directed by the Governor earlier this year. The Business Plan of the Chairman and these Special Committees is tentatively scheduled for full State Fair Park Board review later September. As the LAB correctly points out in the audit summary, the State Fair Park is again in a period of transition. Consequently transition presents significant operational challenges for management relative to consistent performance. While discussions between the State Fair Park Board, the State Legislature and the Governors Administration continue as to the most beneficial structure for the Wisconsin State Fair Park organization, management will continue to strive for improvement under existing conditions. As was stated in the 1999 Strategic Development Committee Report however, State Fair Park will never achieve its true potential until a structure is designed to provide the enterprise with the business tools necessary to compete in today's entertainment industry.

Finally, it is management's opinion that the Legislative Audit Bureau report makes sound recommendations for improvement of the Wisconsin State Fair Park enterprise and we sincerely appreciate the LAB staff's efforts in compiling this audit. Management hopes that this response letter is received in the similar spirit of cooperation towards a common goal of improving the Wisconsin State Fair Park to the enjoyment of generations of Wisconsin citizens to come.

Most Respectfully,


Joseph M. Chernelich
Chief Executive Officer



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

For Immediate Release

September 11, 2003

For More Information Contact:

Senator Carol Roessler
Representative Suzanne Jeskewitz

(608) 266-5300

(608) 266-3796

State Fair Park Audit Concerns Audit Co-Chairs

(Madison) Today the Legislative Audit Bureau (LAB) released an audit of the State Fair Park. The audit highlights that the new facilities at State Fair Park are not self-supporting and have further jeopardized State Fair Park's financial condition. In addition, inadequate business planning and practices are also of concern.

The Audit Bureau is required by law to conduct an annual financial audit of State Fair Park. "I am very concerned that State Fair Park has been unable to provide accurate financial statements to the audit team so that the Audit Bureau may fully analyze these statements and render an audit opinion," said Roessler. "Financial statements that are incomplete are from fiscal year 2001-02. Because these statements are from at least a year ago, the information should be accurate and readily available for review."

State Fair Park has relied heavily on revenues generated from the Wisconsin State Fair. Since fair attendance varies from year to year, State Fair Park has made \$76.7 million in improvements to allow year-round events to be hosted on the State Fair Park grounds. "I acknowledge that State Fair Park has undertaken aggressive renovations and new construction, including the new Exposition Center. Although these may be great marketing steps for State Fair Park to attract more year-round exhibitors, their business plan to implement these changes does not appear to have been sound and these facilities are not yet self-supporting and continue to drain more financial resources," Jeskewitz reviewed.

The State Fair Park reported a loss of \$341,700 for the Milwaukee Mile 2002 racing season. Two things appear to contribute to the financial drain from the Milwaukee Mile. First, State Fair Park renegotiated an agreement with a private racing promoter last year in an effort to increase racing revenues but instead led to a net loss in 2003.

"The contract that was renegotiated last year eliminated annual rent payments of \$300,000, did not require the racing promoter to reimburse State Fair Park for debt service costs, had profit-sharing provisions when there were continuous net losses, and also did not require the promoter to meet the projected number of bookings for future racing events," Roessler added.

Secondly, State Fair Park abruptly terminated the contract agreement with the racing promoter 2 days prior to the start of the 2003 racing season. The Milwaukee Mile is now managed internally.

Jeskewitz added, "Not only did it cost \$250,000 to get out of a bad contract negotiated less than a year ago, unfortunately, the termination of the contract with the racing promoter resulted in State Fair Park receiving \$3.2 million in debt liability while only receiving approximately \$1.6 million in net assets."

Roessler stated, "State Fair Park is a business enterprise and it should be run more like a business. This would include making realistic revenue projections and doing accurate financial bookkeeping." Jeskewitz also concluded, "Expenses have exceeded revenues in four of the past five years. No business can continue to operate in this manner and we will be listening very carefully to how the new board responds to the findings in this audit."

The Legislative Audit Bureau has made several recommendations to State Fair Park including:

- develop a detailed, comprehensive business plan for its racing activities;
- immediately renegotiate its agreements with the Wisconsin Exposition Center to seek reimbursement of the costs it incurs for Exposition Center operations and reasonably account for parking revenues and expenses related to Exposition Center events; and
- in conjunction with the Wisconsin Exposition Center Board and the Pettit National Ice Center, Inc., develop detailed, comprehensive plans to increase revenues, define operating and management relationships, and establish contingency plans if revenue targets are not met.

Both Co-Chairs Roessler and Jeskewitz have agreed that a hearing on the State Fair Park will be forthcoming.

###

Asbjornson, Karen

From: Nelson, Roxanne
Sent: Wednesday, September 24, 2003 11:55 AM
To: Asbjornson, Karen
Subject: Draft Ballot



SCO comm req
2003.doc

Karen,

Attached is a draft ballot for your review & modification. You may wish to add the time of the hearing. A letter from Senator Roessler to Senator Panzer, Chair, Senate Committee on Organization, should include the basic information from the ballot, plus any background information to support the hearing (i.e. audit). I'm out of the office 12-1. Let me know what else you may need at this point.

Sincerely,
Roxanne

TO: Senate Committee on Organization Members

FROM: Senator Mary E. Panzer, Chair

DATE: September 24, 2003

REGARDING: Committee Travel Request

Attached please find a request from:

Senator Carol Roessler

On behalf of the Joint Legislative Audit Committee

Public Hearing

State Fair Park, West Allis, Wisconsin

Friday, November 7, 2003

(Request includes authorization to travel; Legislative Council & Sergeant-at-Arms staff support; and reimbursement of travel expenses.)

I am recommending approval of this request. Please review the attached information, indicate your approval by signing below, and return this memo to my office. Thank you.

Date

Senator Mary E. Panzer

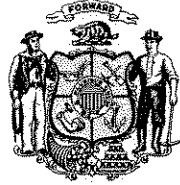
Senator Alan Lasee

Senator Dave Zien

Senator Jon Erpenbach

Senator Dave Hansen

WISCONSIN STATE SENATE



Carol Roessler
STATE SENATOR

September 24, 2003

Senator Mary Panzer
Chairman, Senate Committee on Organization
211 South State Capitol
Madison, WI 53707

Dear Senator Panzer:

I respectfully request, on behalf of the Joint Legislative Audit Committee, that the Audit Committee be allowed to travel to State Fair Park in West Allis, Wisconsin on Friday November 7, 2003 for a 10:00 a.m. hearing. I am requesting authorization for audit committee members to travel, Legislative Council and Sergeant-at-Arms staff support travel, and reimbursement of any actual and necessary travel expenses for the committee members.

As Co-chairs of the Joint Audit Committee, Representative Jeskewitz and I agree it would be beneficial for the discussion of the recently released audit on State Fair Park to be discussed on location at State Fair Park to view, analyze and understand the legislative Audit Bureau report on State Fair Park. For your information, a hearing on a State Fair Park audit was held at State Fair Park in 1996.

Enclosed is a copy of the press release the Co-Chairs distributed following the release of the State Fair Park audit for your information. In addition, I will forward a copy of the committee notice as soon as I hear confirmation from your office regarding the request of approval for travel.

If you have any questions or need additional information, please contact me. Thank you in advance for your attention to this matter. I await your response.

Sincerely,

CAROL ROESSLER
State Senator
18th District

CR:kla



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

For Immediate Release

September 11, 2003

For More Information Contact:

Senator Carol Roessler
Representative Suzanne Jeskewitz

(608) 266-5300
(608) 266-3796

State Fair Park Audit Concerns Audit Co-Chairs

(Madison) Today the Legislative Audit Bureau (LAB) released an audit of the State Fair Park. The audit highlights that the new facilities at State Fair Park are not self-supporting and have further jeopardized State Fair Park's financial condition. In addition, inadequate business planning and practices are also of concern.

The Audit Bureau is required by law to conduct an annual financial audit of State Fair Park. "I am very concerned that State Fair Park has been unable to provide accurate financial statements to the audit team so that the Audit Bureau may fully analyze these statements and render an audit opinion," said Roessler. "Financial statements that are incomplete are from fiscal year 2001-02. Because these statements are from at least a year ago, the information should be accurate and readily available for review."

State Fair Park has relied heavily on revenues generated from the Wisconsin State Fair. Since fair attendance varies from year to year, State Fair Park has made \$76.7 million in improvements to allow year-round events to be hosted on the State Fair Park grounds. "I acknowledge that State Fair Park has undertaken aggressive renovations and new construction, including the new Exposition Center. Although these may be great marketing steps for State Fair Park to attract more year-round exhibitors, their business plan to implement these changes does not appear to have been sound and these facilities are not yet self-supporting and continue to drain more financial resources," Jeskewitz reviewed.

The State Fair Park reported a loss of \$341,700 for the Milwaukee Mile 2002 racing season. Two things appear to contribute to the financial drain from the Milwaukee Mile. First, State Fair Park renegotiated an agreement with a private racing promoter last year in an effort to increase racing revenues but instead led to a net loss in 2003.

"The contract that was renegotiated last year eliminated annual rent payments of \$300,000, did not require the racing promoter to reimburse State Fair Park for debt service costs, had profit-sharing provisions when there were continuous net losses, and also did not require the promoter to meet the projected number of bookings for future racing events," Roessler added.

Secondly, State Fair Park abruptly terminated the contract agreement with the racing promoter 2 days prior to the start of the 2003 racing season. The Milwaukee Mile is now managed internally.

Jeskewitz added, "Not only did it cost \$250,000 to get out of a bad contract negotiated less than a year ago, unfortunately, the termination of the contract with the racing promoter resulted in State Fair Park receiving \$3.2 million in debt liability while only receiving approximately \$1.6 million in net assets."

Roessler stated, "State Fair Park is a business enterprise and it should be run more like a business. This would include making realistic revenue projections and doing accurate financial bookkeeping."

Jeskewitz also concluded, "Expenses have exceeded revenues in four of the past five years. No business can continue to operate in this manner and we will be listening very carefully to how the new board responds to the findings in this audit."

The Legislative Audit Bureau has made several recommendations to State Fair Park including:

- develop a detailed, comprehensive business plan for its racing activities;
- immediately renegotiate its agreements with the Wisconsin Exposition Center to seek reimbursement of the costs it incurs for Exposition Center operations and reasonably account for parking revenues and expenses related to Exposition Center events; and
- in conjunction with the Wisconsin Exposition Center Board and the Pettit National Ice Center, Inc., develop detailed, comprehensive plans to increase revenues, define operating and management relationships, and establish contingency plans if revenue targets are not met.

Both Co-Chairs Roessler and Jeskewitz have agreed that a hearing on the State Fair Park will be forthcoming.

###

Asbjornson, Karen

From: Asbjornson, Karen
Sent: Friday, September 26, 2003 5:07 PM
To: 'joe.chrnelich@sfp.state.wi.us'
Subject: Re: Joint Legislative Audit Committee members

Hi Joe,

Attached is the list of Joint Audit committee members as well as our committee seating chart.

List of members:



Distribution 1 pager
comm name...

Audit committee seating chart:



Jt. Cmte. on Audit
1.doc

Let me know if I can be of further assistance.

Karen Asbjornson, Joint Audit Committee Clerk
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us



OCT 01 2003

Senate Majority Leader
MARY E. PANZER

Wisconsin State Senate • 20th District

September 29, 2003

The Honorable Carol Roessler
Wisconsin State Senator
8 South - State Capitol
Madison, Wisconsin 53703

Dear Senator Roessler:

The Senate Committee on Organization has approved your request on behalf of the Members of the Joint Legislative Audit Committee to hold a public hearing at the State Fair Park in West Allis, Wisconsin on November 7, 2003.

It is the Committee's understanding that your request includes authorization to travel; Sergeant-at-Arms and Legislative Council staff support; and reimbursement of actual and necessary expenses.

Your request has been approved contingent upon the Senate not being in session. Please let me know if you have any questions.

Sincerely,

Senator Mary E. Panzer, Chair
Senate Committee on Organization

MEP/rpn



LOWE'S
Home Improvement Warehouse
MILWAUKEE SPEEDWAY
CHARLOTTE

P.O. BOX 800 • CONCORD, NC 28026-0800 • 704-455-3239

OFFICE OF THE PRESIDENT

September 10, 2003

Mr. Joseph Chmelich - CEO
Wisconsin State Fair Park - Milwaukee Mile
640 S. 84th Street
West Allis, WI 53214

Dear Joe,

I have been meaning to send you a letter since your visit to Lowes Motor Speedway with our mutual friend Mr. Fred Stratton. However, my hectic schedule has not been very obliging. Nonetheless, hearing all the recent exciting news about the Milwaukee Mile has finally prompted me to do so.

As you know, I've been in racing a long time and have seen the industry grow from regional roots into one of the worlds top spectator sports. Throughout this period of rapid growth, however, the NASCAR family has never lost site of the important traditions and history behind our sport. It is because of this genuine respect for our history that I'm so delighted to hear of the great progress being made at the Milwaukee Mile. No matter where we've been on the circuit this year, inevitably I hear someone mention the turnaround efforts underway at the Mile. That tells me your team is doing the right things to bring the Mile back to racing prominence, where it should be. As a promoter and one of the largest business stake holders in the racing world, very few things could please me more.

I especially want to complement you on your choice of Mark Perrone as Mile General Manager. I had the pleasure of getting to know Mark Perrone through his efforts in spearheading the creation, production and promotion of the Cracker Barrell 500 Winston Cup Event at our Atlanta Motor Speedway. Under Mark's leadership, the event proved to be a resounding success by all measures. His creative promotional ideas in particular caught the attention of many in the business. I pride myself on being one of the best promoters in racing. There is no doubt that Mark has what it takes to bring the Milwaukee Mile back to the forefront of the racing industry. Most importantly, I know that my team in Atlanta found Mark to be an honorable man with great integrity. At the end of the day, you can't succeed in our business without these qualities.

From:WI.STATE FAIR PK.

414 266 4238

11/19/2003 17:23 #055 P.003

In closing, please know that should you ever need help or advise, my door is always open to you and Mark. Also accept my best wishes for your future success at the Milwaukee Mile. I'll do my best to visit someday and check out your facilities again, if you know what I mean.

Sincerely,

LOWE'S MOTOR SPEEDWAY



H. A. "Humpty" Wheeler
President

P.S. Please give my best to Fred when you see him next!

This man is a real promoter!



P. O. Box 500
HAMPTON, GA 30228
(770) 707-7904

September 16, 2003

Joe Chrnelich
Wisconsin State Fair Park
8100 W. Greenfield Avenue
West Allis, WI 53204

Dear Joe:

I want to tell you how impressed I am with the job you and your group are doing with the rejuvenation of the Milwaukee Mile facility. It is obvious that the tradition of your facility is alive once more and the improvement with the new grandstands and lighting has put the track back among the major facilities in the United States motorsports industry.

In particular, it has been a pleasure to watch the efforts of Mark Perrone. As you know, we worked with Mark for several years when Cracker Barrel Old Country Store was our sponsor here at Atlanta Motor Speedway. Mark basically put together their entire program from A to Z and did an excellent job. Obviously, he has brought that same enthusiasm there. One thing you can count on, Mark will let no opportunity to promote and grow the Milwaukee Mile go by.

I wish the two of you much continued success. You are off to a great start and you have captured the attention of the motorsports world. The future of motorsports in Milwaukee has never looked brighter.

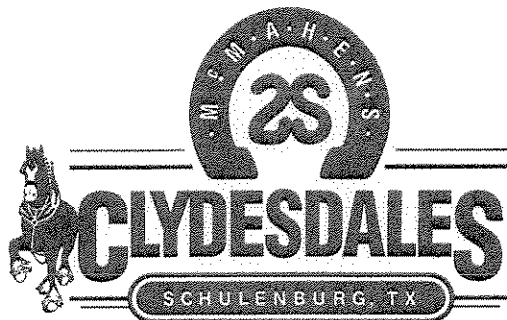
Best regards,

A handwritten signature in black ink, appearing to read "Ed Clark", with a long horizontal line extending to the right.

Ed Clark
President and General Manager
Atlanta Motor Speedway

ERC/pat

Charles & Pat McMahan
1551 Company Field Road
Schulenburg, Texas 78956
979-561-8542



Keith Mann • Manager
Home: 979-561-5098
Barn: 979-561-8540
www.2Clydesdales.com

September 18, 2003

SEP 30 2003

The Honorable Carol Roessler, Senator
State Senate, State Capitol
P. O. Box 7882
Madison, WI 53707-7882

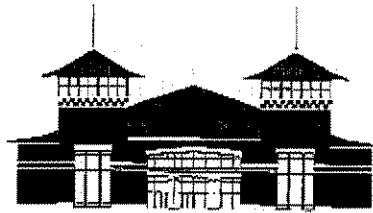
Dear Senator Roessler,

The new barn where the 2003 National Clydesdale Show was housed was a welcome addition not only to the breeders but to the park itself. I hope you had an opportunity to attend some of the four days of the National Clydesdale Show. It performed to standing room only crowds through most of the show. It's clear this is a very popular attraction for the people who attend the Wisconsin State Fair.

I know this is only one step toward the total building project that you have ongoing at the Wisconsin State Fair Park, but I hope that you will recognize the importance of the Clydesdale breed to the overall attendance at the park, and that you will make the horse barn a permanent home for the draft horse breed.

Sincerely,

Charles E. McMahan



WISCONSIN EXPOSITION CENTER
At State Fair Park

FAX COVERSHEET

To: Karen	From: Patrick Skaggs
Company: Senator Roessler's Office	Pages: 2 (including cover sheet)
Phone: 608-266-5300	Date: 10-02-03
Fax: 608-266-0423	Re: Meeting room layouts

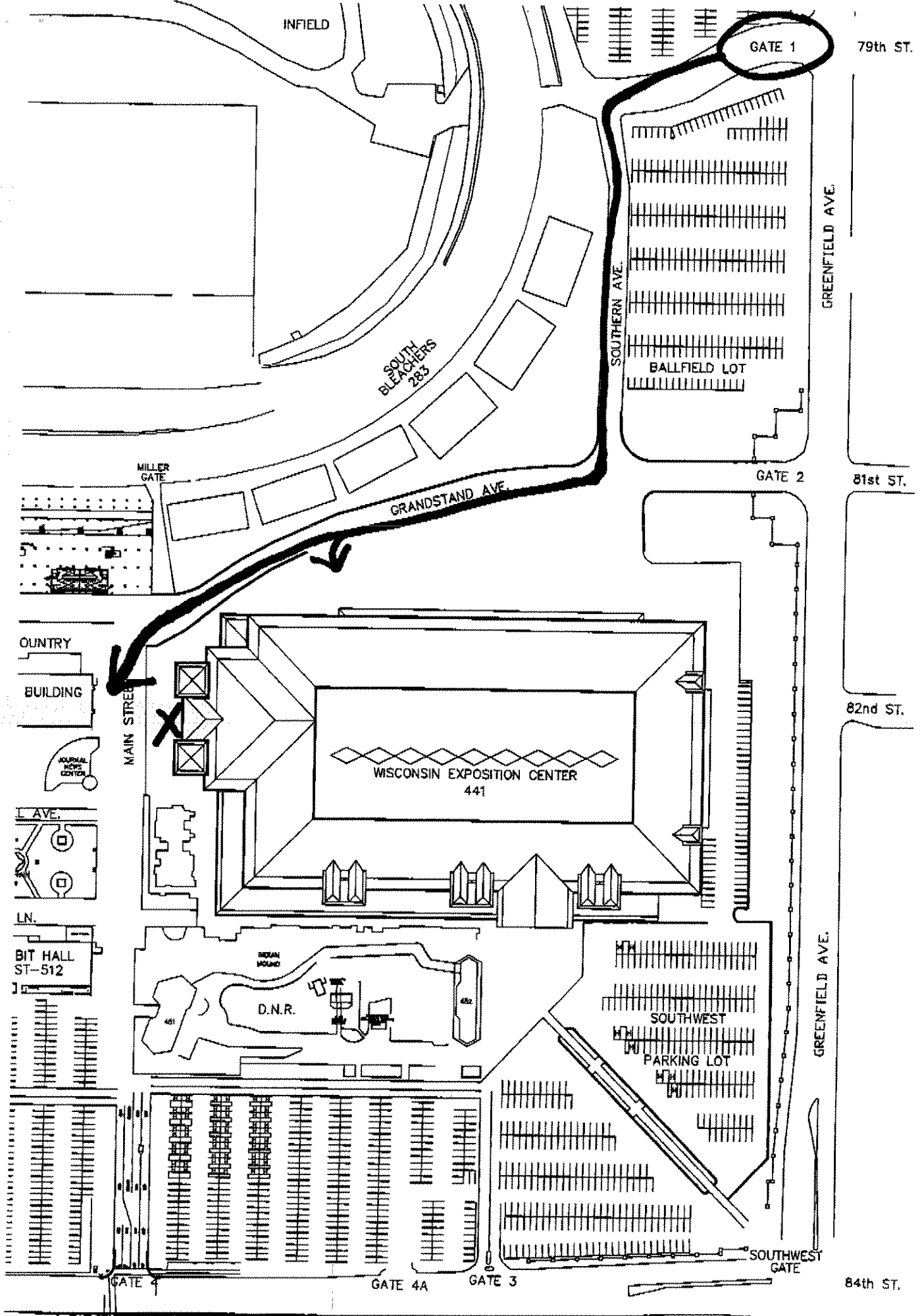
Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

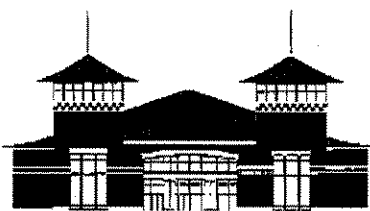
● **Comments:**

Karen,

Here's the map of the area surrounding the Exposition Center. Call me with any questions. Thank you.

Patrick Skaggs
Vice President of Operations
414-727-8843





WISCONSIN EXPOSITION CENTER
At State Fair Park

FAX COVERSHEET

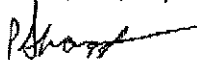
To: Karen	From: Patrick Skaggs
Company: Senator Roessler's Office	Pages: 6 (including cover sheet)
Phone: 608-266-5300	Date: 10-02-03
Fax: 608-266-0423	Re: Meeting room layouts

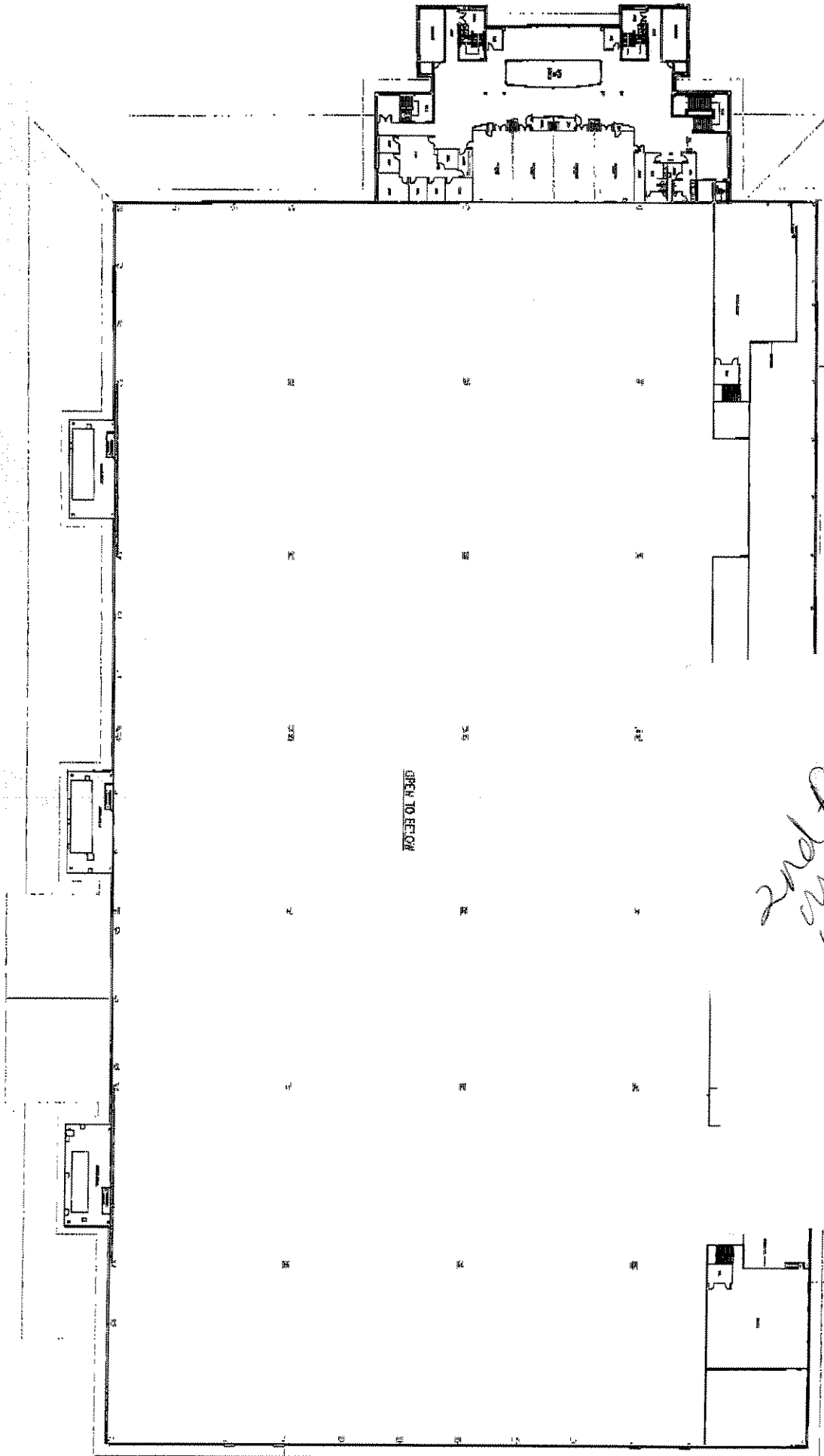
Urgent
 For Review
 Please Comment
 Please Reply
 Please Recycle

● **Comments:**

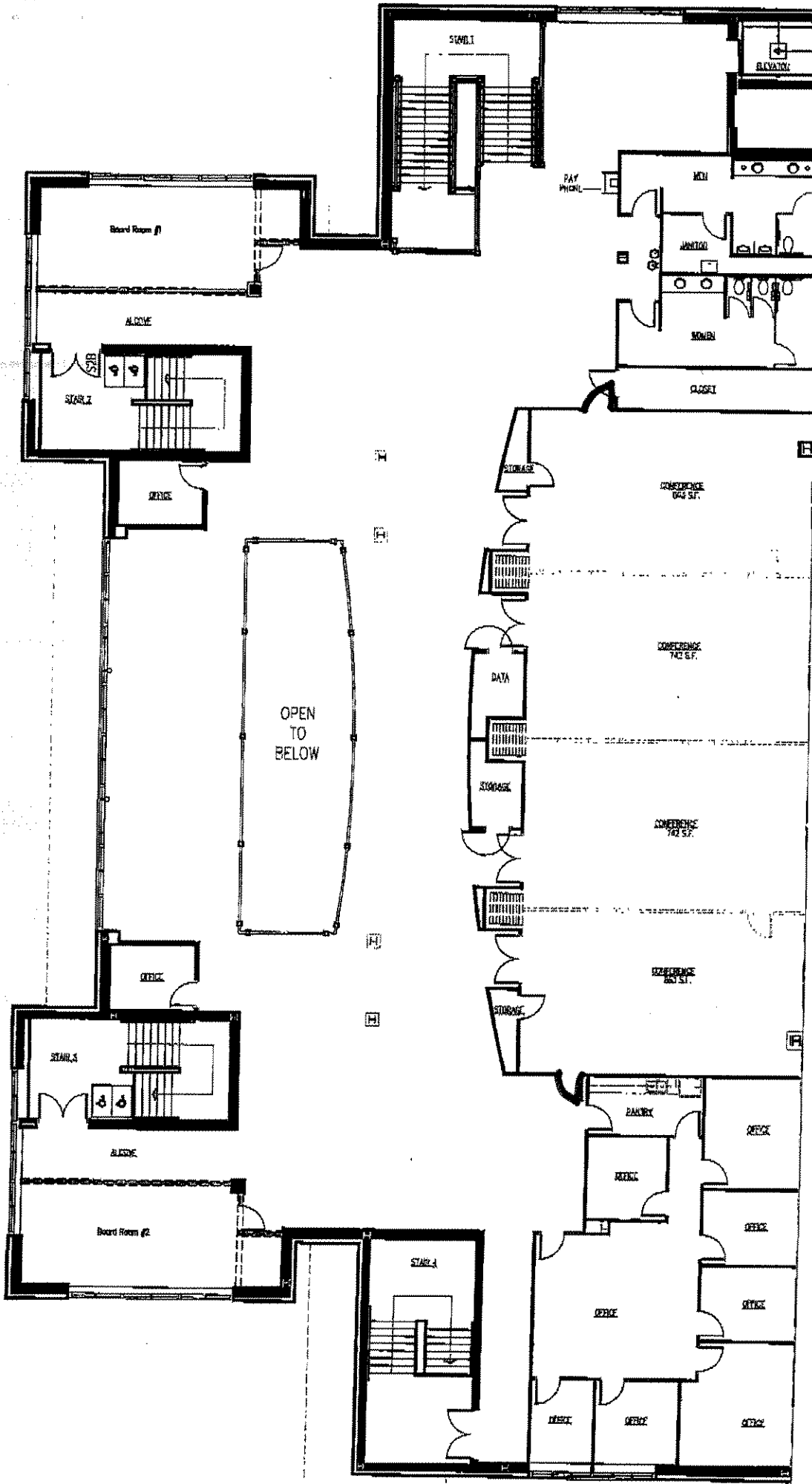
Karen,

It seems that we are playing phone tag so I thought I would get the ball rolling by sending you drawings of the building/ meeting rooms, directions and a general area map around the Exposition Center. Please give me a call when you have an opportunity. Please roughly draw in the configuration you'd like in meeting rooms 3 & 4 and a list of your needs (i.e. food service, AV, etc) and I will get started. If you have any questions, please give me a call. Thank you.


Patrick Skaggs
Vice President of Operations
414-727-8843



2nd floor
art rooms
Lobby below
& N. side of bldg.
- Come in
Main Entrance
Sign on a bldg



*- Partition
Windows
to exhibit*

Entrance

*Windows
to exhibit*

*1-3
Rooms
Joining*

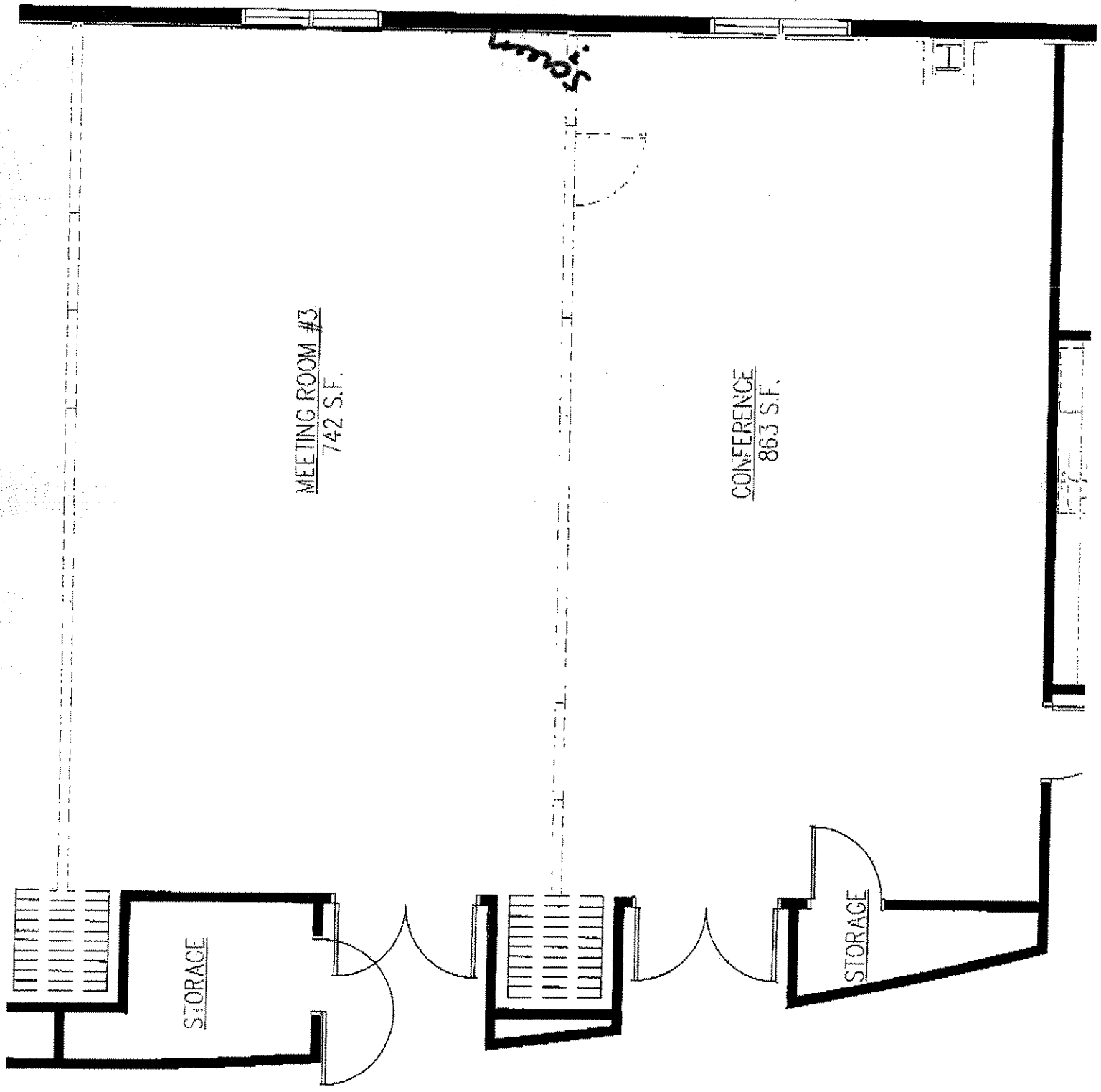
Scum

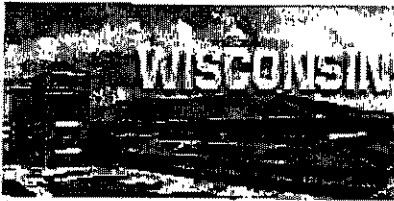
MEETING ROOM #3
742 S.F.

CONFERENCE
863 S.F.

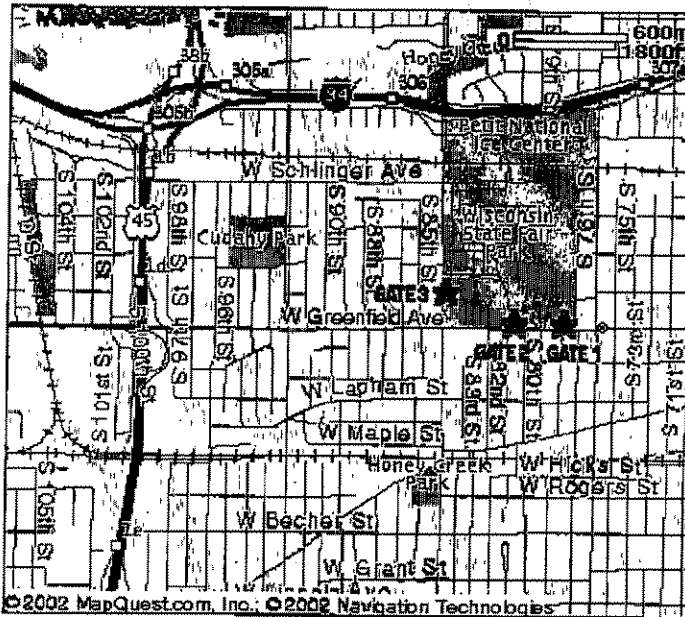
STORAGE

STORAGE





Directions to the Exposition Center



©2002 MapQuest.com, Inc. ©2002 Navigator Technologies
Open this address in mapquest (new window)

For clearer identification of the gates, go to our [parking page](#).

For Public Parking please enter at Gate #1 or Gate #3. For Exhibitor Parking please enter at Gate #1 only.

FROM THE NORTH

Take I-43 South to I-94 West. Go approximately 6 miles and take the 84th St. exit. Turn left (South) to Greenfield Avenue. Turn left (East) on Greenfield Avenue to 79th Street and turn left to enter at Gate #1. Take Hwy. 45 South to I-894. Continue in a southerly direction to the Greenfield Avenue exit. Turn left (East) on Greenfield Avenue. Take Greenfield Avenue to 79th Street and turn left to enter at Gate #1.

FROM CHICAGO AND OTHER POINTS SOUTH

Take I-94 North to the I-894 Bypass. Take the I-894 bypass to Greenfield Avenue Exit. Go right (EAST) on Greenfield Avenue. Take Greenfield Avenue to 84th Street and turn left (NORTH) to enter at Gate #3 or take Greenfield Avenue to 79th Street and turn left to enter at Gate #1.

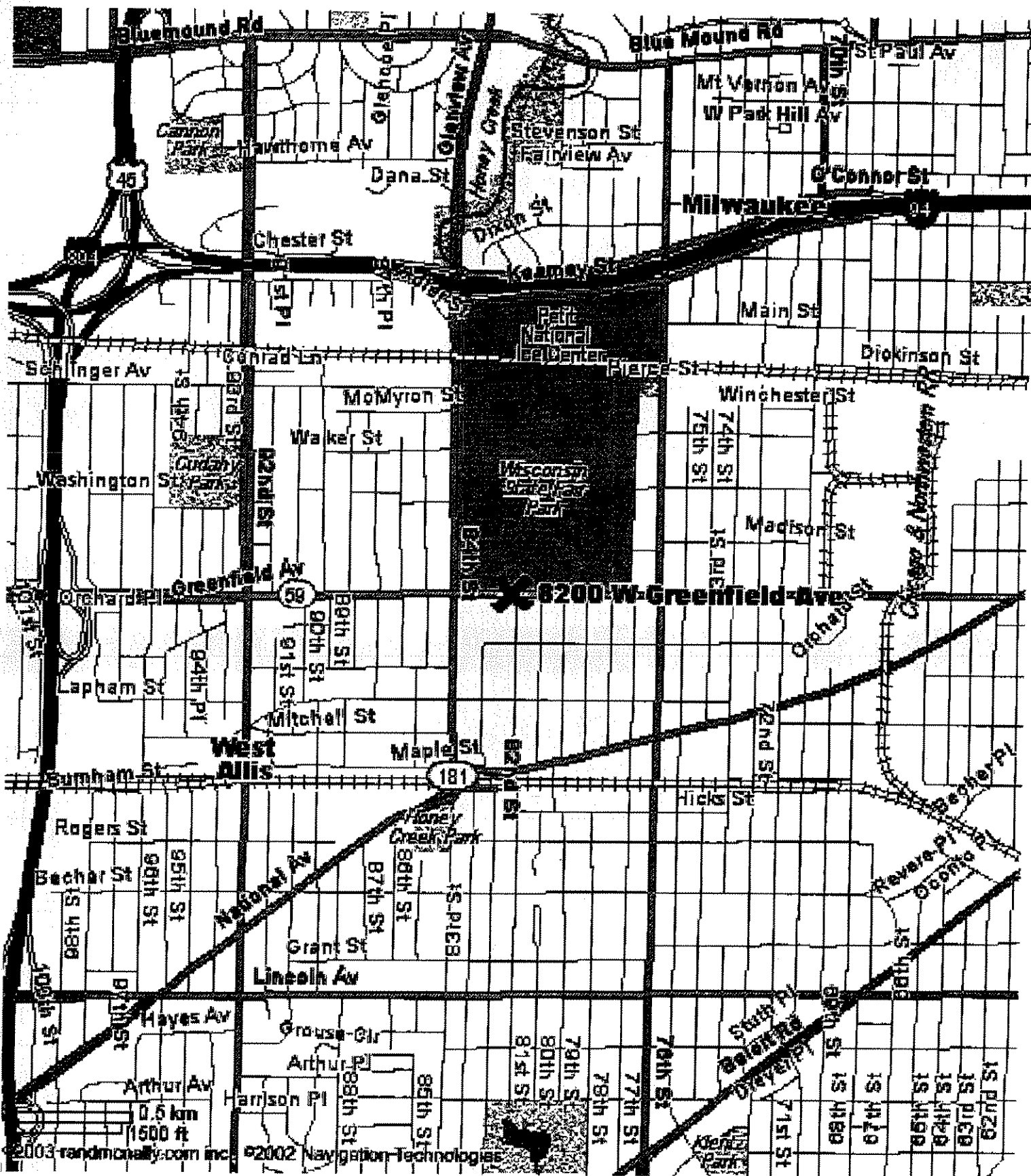
FROM THE WEST

Heading east on I-94, take the 84th Street exit. Turn right (south) onto 84th Street to Greenfield Avenue. Turn left on Greenfield Ave. (EAST) to 79th Street and turn left to enter at Gate #1.

FROM THE EAST:

Heading west on I-94, take the 84th street exit. Turn left (south) onto 84th Street continue to Greenfield Avenue. Turn left on Greenfield Avenue (EAST) to 79th Street and turn left to enter at Gate #1.

* Exhibitor Parking lot located between Gate #1 and Gate #2.



Asbjornson, Karen

From: Asbjornson, Karen
Sent: Monday, October 13, 2003 10:35 AM
To: 'patrickskaggs@wiexpositioncenter.com'; 'joe.chrnelich@sfp.state.wi.us'; 'jknop@dncinc.com'
Subject: Re: State Fair Park Audit Committee Meeting Notice for November 7

Hi!

Below is the hearing notice that went out today announcing the Joint Legislative Audit Committee will hold a hearing on November 7 at State Fair Park.

Thanks!

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

PUBLIC HEARING
Joint Legislative Audit Committee

The committee will hold a public hearing on the following items at the time specified below:

Friday, November 7, 2003
10:00 AM

Second Floor Meeting Rooms 3 and 4
8200 West Greenfield Avenue
Wisconsin Exposition Center at State Fair Park
West Allis, Wisconsin

Audit Report 03-11,
State Fair Park.

An Executive Session may be held on the above item.

Carol Roessler

Suzanne Jeskewitz

Senator Carol A. Roessler
Co-Chairperson

Representative Suzanne Jeskewitz
Co-Chairperson

Asbjornson, Karen

From: Jim Knop [JKnop@dncinc.com]
Sent: Monday, October 13, 2003 3:47 PM
To: Karen.Asbjornson@legis.state.wi.us
Subject: RE: Box Lunch

The selection process is fine. I need to know exactly how many by Tuesday, Nov 4 and what kind of sandwich on Thursday the 6th.

>>> "Asbjornson, Karen" <Karen.Asbjornson@legis.state.wi.us> 10/13/03 04:44PM >>>
Hi Jim,

I have just two quick followup questions:

1. So if I put the descriptions you gave me below with a check off box for either turkey or ham this would be ok?
2. What date do you need to have a total number of each type of box lunch provided to you to allow you ample of time? (The hearing is on Friday, November 7)

Thanks!

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

-----Original Message-----

From: Jim Knop [mailto:JKnop@dncinc.com]
Sent: Monday, October 13, 2003 1:42 PM
To: Karen.Asbjornson@legis.state.wi.us
Subject: Box Lunch

Generally our box lunch program is:

Either a turkey or a ham and cheese sub on a 5" split french hoagie roll
Includes a bag of potato chps, a cookie and a piece of fresh fruit (apple)
We include a can of soda (coke, diet coke, or sprite).

I hope this helps.

>>> "Asbjornson, Karen" <Karen.Asbjornson@legis.state.wi.us> 10/13/03
11:35AM >>>
Hi!

Below is the hearing notice that went out today announcing the Joint
Legislative Audit Committee will hold a hearing on November 7 at State Fair

Park.

Thanks!

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

> PUBLIC HEARING

>
> Joint Legislative Audit Committee

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> The committee will hold a public hearing on the following items at the
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> Friday, November 7, 2003
> 10:00 AM

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> Wisconsin Exposition Center at State Fair Park
> West Allis, Wisconsin

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>
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> Audit Report 03-11,
> State Fair Park.

>
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>
> An Executive Session may be held on the above item.

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> <<...OLE_Obj...>> <<...OLE_Obj...>>

> _____
> _____
> Senator Carol A. Roessler
> Suzanne Jeskewitz
> Co-Chairperson

Representative
Co-Chairperson



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

OCT 29 2003

JANICE MUELLER
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500
MADISON, WISCONSIN 53703
(608) 266-2818
FAX (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

October 29, 2003

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

On Friday, November 7, the Joint Legislative Audit Committee will hold a public hearing on audit report 03-11, *An Evaluation: State Fair Park*. To provide a context for past audit findings and to aid in your preparation for the hearing, enclosed you will find copies of the summaries from our three most recent audit reports of State Fair Park (report 03-11, report 02-10 and report 96-2).

Please contact me with any questions or concerns you may have or if we may assist further with your preparations for the hearing.

Sincerely,

Janice Mueller
State Auditor

JM/JC/bm

Enclosures

cc: Senator Robert Cowles
Senator Alberta Darling
Senator Gary George
Senator Jeffrey Plale
Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Cullen
Representative Mark Pocan



March 1996

STATE FAIR PARK BOARD

The State Fair Park Board is an independent agency responsible for operation of the Wisconsin State Fair; management of the fairgrounds, which consist of 190 acres of land and 79 facilities; and sponsorship of numerous activities in addition to the annual State Fair. In fiscal year (FY) 1994-95, State Fair Park's operating budget totaled \$11.1 million, and it was authorized 40.38 full-time equivalent employees. State Fair Park also relies extensively on limited-term employees, employing as many as 1,250 during the 11-day State Fair held in August of each year.

State Fair Park's Financial Condition Is Deteriorating

Although State Fair Park has been financially self-supporting since 1935, its financial condition is deteriorating. From FY 1990-91 to FY 1994-95, gross revenues increased by \$1.9 million, or 19.8 percent, while operating expenditures increased by \$2.7 million, or 32.7 percent. In addition, the balance in State Fair Park's capital improvement fund, which is used to fund renovation and repair of existing facilities, declined from \$3.0 million at the end of FY 1990-91, to slightly more than \$1.0 million at the end of FY 1994-95. Further, a 1993 study has identified \$29.3 million in remodeling, repair, and renovation needs.

State Fair Park's deteriorating financial condition has limited its ability to fund debt for the construction or renovation of its facilities. 1995 Wisconsin Act 27 increased State Fair Park's public debt limit substantially, from \$19.3 to \$32.9 million. However, State Fair Park's ability to use this authority is questionable, because the cost of financing any new debt is typically funded by State Fair Park's own revenues.

State Fair Attendance Has Decreased

The annual State Fair accounts for approximately two-thirds of State Fair Park's revenues. However, State Fair attendance has fluctuated since a FY 1990-91 peak; in 1995, it reached a six-year low. To decrease reliance on State Fair revenues, agency officials have increased efforts to host non-fair events such as trade, hobby, and special interest shows, which generated approximately \$3.2 million in gross revenues in FY 1994-95. We could not, however, determine the extent to which revenues from these events exceeded State Fair Park's costs, because State Fair Park officials make only a limited effort to account for all costs associated with specific events.

Automobile Racing Revenues Have Declined

Automobile racing at State Fair Park is held on the Milwaukee Mile, the oldest operating major automobile speedway in the United States. The most recent contract with an automobile racing

promoter became effective in March 1992. However, since FY 1990-91, the last year in which a previous contract was in effect, State Fair Park has experienced a 36.9 percent decline in gross racing revenues, from \$804,560 to \$507,290. State Fair Park officials believe that, over the long-term, the current racing contract will benefit the agency financially. However, several lease provisions appear to favor the contractor, rather than State Fair Park. For example, ancillary revenues, such as income from concessions and advertising, must be paid to the contractor; profit-sharing provisions allow losses to be carried forward; and the contractor may unilaterally extend the lease for up to three additional terms of seven years if modest amounts of additional rent are paid. Therefore, the degree to which State Fair Park can depend on racing to enhance its revenues in the future is not clear.

The Needs of the Pettit National Ice Center May Affect State Fair Park

The Pettit National Ice Center, Inc., which leases the Pettit National Ice Center facility located on the fairgrounds, was expected to provide full funding for the facility's operations, as well as for debt service on the state bonds that financed its construction. However, the corporation has struggled financially since the Pettit Center opened in December 1992, and without private contributions of nearly \$3.3 million, it would not have been able to continue operating the Pettit Center. Through FY 1994-95, operating expenditures have exceeded operating revenues by more than \$2.2 million, and rents to pay debt service will soon increase from \$45,902 to \$74,553 per month. Concerns about the financial viability of the Pettit Center have raised a number of questions about the extent to which State Fair Park may be asked to support the facility in the future. State Fair Park's total net expenditures in support of the Pettit Center through FY 1994-95 have been \$361,052.

The Legislature May Be Asked to Increase Support for State Fair Park

If State Fair Park's building plans are to proceed as contemplated in 1995 Wisconsin Act 27, the Legislature will need to provide additional general purpose revenue-supported bonding authority to complete a youth dormitory project estimated to cost \$13.0 million. In addition, the Legislature will be asked to decide whether renovation of the existing coliseum, which is currently used primarily for livestock events, should proceed at an estimated cost of \$11.3 million. Finally, if State Fair Park's financial condition does not improve, the Legislature may be asked to provide even more general purpose revenue in the future. This decision will require consideration of public support for the State Fair, the economic impact of the fairgrounds in the Milwaukee area, and potential competition concerns of the private sector.

Management Could Be Improved

We suggest a number of actions State Fair Park officials should take to improve State Fair Park's operations, including enhancing its accounting systems and modernizing its business operations, monitoring the racing contract to ensure maximum benefits are received, developing a plan to address maintenance and renovation needs, reporting on the value and type of equipment and services obtained through exchange agreements with the private sector, and mounting an aggressive fund-raising campaign to help meet its infrastructure and program needs.



WISCONSIN LEGISLATIVE AUDIT BUREAU AUDIT SUMMARY

Report 02-10

June 2002

STATE FAIR PARK

State Fair Park, the State's 190-acre fairgrounds located in the cities of West Allis and Milwaukee, is the home of the annual Wisconsin State Fair; numerous other fairs, exhibits, and promotional events; the Milwaukee Mile racetrack; and the Pettit National Ice Center, a United States Olympic training facility. We have completed our first annual financial audit of State Fair Park and have issued an unqualified independent auditor's report on its financial statements for fiscal year (FY) 2000-01. We also reviewed State Fair Park's revenues and expenditures to address concerns about its financial condition.

Expenditures Have Exceeded Revenues

Although State Fair Park's total revenues increased from \$13.1 million in FY 1995-96 to \$15.9 million in FY 2000-01, total expenditures increased at a greater rate and exceeded revenues in three of the past six fiscal years. State Fair Park's revenues can fluctuate because they are affected by uncontrollable factors, such as weather. Expenditures increased largely because construction projects increased program revenue-supported debt service costs from \$1.2 million in FY 1995-96 to nearly \$2.0 million in FY 2000-01, a 72.1 percent increase.

Aging and Deteriorating Buildings Are Being Replaced

State Fair Park has undertaken an aggressive building program to renovate or replace the fairgrounds' aging and deteriorating buildings. Since FY 1995-96, it has incurred \$12.7 million in construction costs, paid with program revenue-supported bond proceeds, for projects such as refurbishing gate entrances and upgrading the recreational vehicle park. General purpose revenue (GPR) funds supported an additional \$17.1 million in construction costs for projects such as the youth dormitory, agricultural buildings, and infrastructure. Given current bonding levels, GPR will fund debt service payments of approximately \$1.0 million annually through FY 2016-17.

The Pettit National Ice Center's Financial Condition Has Affected State Fair Park

The Pettit National Ice Center was expected to provide full funding for its own operations, as well as for debt service on the state bonds that helped to finance its construction. As of June 2001, the Pettit National Ice Center owed \$371,785 to State Fair Park in delinquent rent payments. That amount increased to \$817,774 as of May 2002. Because State Fair Park must continue to make debt service payments without all offsetting rental revenue from the Pettit Center, available funding for other fairgrounds operations is reduced.

-over-

Because private contributions declined from \$1.4 million in 1997 to approximately \$530,000 in 1998, the Pettit Center reported a total net loss of \$449,737 through 2000. The Pettit Center's 2001 financial information was required to be submitted to the Department of Regulation and Licensing in February 2002 but has not been provided as of May 2002. Uncertainty regarding the Pettit Center's current financial condition makes it difficult to assess the future demands that will be placed on State Fair Park's financial resources.

Additional Construction and Organizational Changes Are Planned for the Future

Steps have been taken to help improve the financial viability of the fairgrounds. State Fair Park officials stated that, because of management actions, the fairgrounds' operating expenditures will decrease by approximately \$1.0 million between FY 2000-01 and FY 2001-02. However, State Fair Park is assuming additional debt to renovate and replace other aging facilities. For example, a new exposition center is currently being built; renovations to the Milwaukee Mile grandstand are underway; and two other projects—a new building known as the Wisconsin Heritage Hall, which will serve as a showcase for Wisconsin products, and the Agriculture Village, which will include new or remodeled livestock facilities—are being planned.

All new building projects except the Agriculture Village are expected to be self-supporting. However, debt associated with the building program may represent additional financial risk for both State Fair Park and the State. For example, construction of the exposition center is being funded with \$44.9 million in industrial revenue bonds that were issued by the City of West Allis. Department of Administration officials have stated that if the exposition center is unable to cover its debt service costs, the State may provide financial assistance although it is not legally or morally required to do so.

At the same time the State is assuming additional financial risk, efforts to privatize fairgrounds operations are increasing State Fair Park's independence. For example, State Fair Park contracts with private individuals for some services that had at one time been provided by state employees, and the new exposition center will be managed by a not-for-profit corporation created by the State Fair Park Board. A lease agreement will allow the exposition center to determine the amount of its rent payments to State Fair Park.

Some have suggested that the Legislature should grant State Fair Park additional flexibility in its operations. However, if the new facilities do not generate revenue as projected or if debt service costs cannot be supported by operations, State Fair Park's financial condition could deteriorate and additional GPR support may be requested from the State at the same time efforts are made to increase the agency's independence and distance it from state oversight. Consequently, the Legislature may wish to ensure it retains adequate oversight of the State's investment.

Asbjornson, Karen

From: Patrick Skaggs [patrickskaggs@wiexpositioncenter.com]
Sent: Wednesday, October 29, 2003 10:27 AM
To: 'Asbjornson, Karen'
Subject: RE: State Fair Park Audit Committee Meeting Notice for November 7

Monday is fine Karen. I am also off Friday so we will get started on your setup the middle of next week. Please include any A/V requirements you may have. Thanks.

Patrick Skaggs
Vice President of Operations
Wisconsin Exposition Center
8200 W. Greenfield Ave.
West Allis, WI 53214
(414) 727-8843

-----Original Message-----

From: Asbjornson, Karen [mailto:Karen.Asbjornson@legis.state.wi.us]
Sent: Wednesday, October 29, 2003 10:21 AM
To: 'Patrick Skaggs'
Subject: RE: State Fair Park Audit Committee Meeting Notice for November 7

Hi Patrick,

I gave legislators a deadline of Friday October 31 to respond about their attendance so I can put together a room diagram that is up-to-date. On Monday I will get you the diagram by fax. I would get it to you Friday but my son doesn't have school on Friday so I will be off from work.

Yes, I will have a total for box lunches for Jim on Monday as well.

Is this still an ok timeline?

Thanks!

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

-----Original Message-----

From: Patrick Skaggs [mailto:patrickskaggs@wiexpositioncenter.com]

Sent: Wednesday, October 29, 2003 10:11 AM
To: 'Asbjornson, Karen'
Subject: RE: State Fair Park Audit Committee Meeting Notice for November
7

Karen,

I heard that you worked out box lunches with Jim Knop. Any luck on the room setup? Talk to you soon.

Patrick Skaggs
Vice President of Operations
Wisconsin Exposition Center
8200 W. Greenfield Ave.
West Allis, WI 53214
(414) 727-8843

-----Original Message-----

From: Asbjornson, Karen [mailto:Karen.Asbjornson@legis.state.wi.us]
Sent: Monday, October 13, 2003 10:35 AM
To: 'patrickskaggs@wiexpositioncenter.com';
'joe.chrnelich@sfp.state.wi.us'; 'jknop@dncinc.com'
Subject: Re: State Fair Park Audit Committee Meeting Notice for November
7

Hi!

Below is the hearing notice that went out today announcing the Joint
Legislative Audit Committee will hold a hearing on November 7 at State
Fair
Park.

Thanks!

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

> PUBLIC HEARING

>

> Joint Legislative Audit Committee

>

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> The committee will hold a public hearing on the following items at the
> time specified below:

1. Is there a rental fee for the meeting rooms? No, we are waiving that
 - A. Can the room hold 75 people? Yes
 - B. Is the room available at date and time with a flexible ending time? yes
2. Are there windows in the room? If so, how many and are we able to control the amount of lighting for a projection presentation?
Windows going out to the exhibit hall - blinds that can be closed - no outside windows – can control lighting florescents and incandescents and dimmers. 3-4 different setting
3. Is there a large screen available to project on from a computer laptop? If not, is there a wall in the room that we could use to project on?
Screen ok think 6 feet by 6 feet. Has wallpapered wall it would be cleaner with the screen
4. Do you have an AV cart we can put the computer on to project onto the screen or wall?
Yes they do have an AV cart and a LCD projector if needed
5. Do you have several extension cords we could use?
Absolutely - how about 3? Do 1200 exhibitors I think we could come up with some extension cords
6. Do you have a long rectangular table that could seat 13 people on one side of it?
18 inch or 13 inch wide table - 3-4 tables back wall overlooking will dress them up with skirting
7. We will need four microphones. Ok
8. Directions: Need very specific driving directions Will be faxed
9. Refreshments –
 - A. Water and coffee
Coffee, Water, Soda - 1/2 regular and 1/2 decaf 2 quarts of each - \$18 for coffee. Pitures of ice water no charge, but \$2.50 a bottle if bottled water.
 - B. Box lunch/deli tray: cold sandwich, cookie, fruit, potato chips including a soda \$9 (Ham and cheese or turkey)

CHAIRMAN MARTIN J. GREENBERG

BOARD MEETING 10/31/03

RECOMMENDATIONS FOR THE FUTURE

REMARKS

- Recommendations for the Future represents the voice of many people. This is the People's Park, and the document is an expression of a positive approach and constructive change. Thank you to all of those who participated.
- Wisconsin State Fair Park constitutes the greatest opportunity of any entertainment venue in the State of Wisconsin. The Recommendations are a work in progress and should be an impetus for immediate change.
- We must publicly admit and acknowledge the fiscal and operational problems that exist at the Wisconsin State Fair Park.
- The Recommendations do not direct fault to any one person or Board or any political party or Administration.
- Wisconsin State Fair Park must be provided the tools necessary for change and we must recognize that State Fair Park is a business and must be operated like a business.
- We must walk before we run. Short-term changes must be implemented now in order to arrive at a long-term solution.
- Our core mission here is to protect the State Fair Event. We must insulate, isolate and protect the future financial viability of the Event from outside financial distractions.
- The Event must not support its linkages. Conversely, the linkages must enhance and continue to grow the Fair Event.
- Change is equivalent to controversy. We as public trustees must do what's in the best interest of Wisconsin State Fair Park. We must understand the difference between the 11-day Event and the entity itself, and its financial and legal relationships. Therefore, to protect the future viability of the Event and to take action to fiscally and operationally help the entity, I recommend the following short-term changes.
 1. The State Fair Event. Retain the Event under its current statutory model and segregate the Event from all other Wisconsin State Fair operations and assets. Hire or preferably promote from within a State Fair Park Director to serve as the appointing authority and operational manager of the Event for the purpose of complying with Wisconsin Statutes.
 2. Business Plans. For purposes of determining operational deficits and capitalization needs, obtain a comprehensive Business Plan from the Milwaukee Mile, and request the same from the Boards of the Pettit National Ice Center and Wisconsin

Exposition Center. I would request that presentation of those Business Plans be made in November by the Milwaukee Mile, in December by the Pettit National Ice Center, and in January 2004 by the Wisconsin Exposition Center.

3. New Hires. There are three positions that this enterprise is in immediate need of. First, a CFO to improve current business practices, operations, and financial accountability and reporting. Second, an enterprise Marketing Director who would immediately inventory, price, and ultimately sell proprietary rights and contractually obligated income to increase top-line revenues and to further capitalize operations — yes, that is naming rights, sponsorships, signage, exclusive category sponsors, and other forms of contractually obligated income. And finally, a Vice President of Racing who will lead the Mile to economic neutrality and ultimate profitability, given new programming and revenue enhancement opportunities.
4. Employee Consolidation. All legal entities on State Fair Park property should jointly engage in a working agreement for utilization of employees that perform similar functions for purposes of effectuating cost efficiencies and eliminating duplication.
5. Bonding Analysis. For purposes of reducing current debt service, we should request of the Department of Administration to determine if a full or partial roll-up and refinance strategy would benefit Wisconsin State Fair Park's financial position overall for purposes of reducing debt service.
6. Financial Accountability. On a monthly basis, our Board should receive from a CFO a consolidated operating statement for all WSFP entities that indicates monthly and year-to-date financial results, with comparison to actual financial results in the previous year, and as compared to budget projections.
7. Fund Raising. Implement a new and/or re-invigorated fund raising entity and effort that incorporates new and creative revenue sources to underwrite costs associated with the Coliseum renovation, other Ag Village improvements, and agricultural and educational programs being a top priority for fund raising.
8. Revenue Enhancement, Income Generation. Wisconsin State Fair Park is in a deficit position. The object of short-term changes is to settle our accounts with the State. In order to accomplish a settlement of accounts with the State and capitalization of our enterprise, Wisconsin State Fair Park must be able to enter into public-private partnerships wherein the private sector can be assured that the monies invested in the enterprise stay at the enterprise and are not subject to lapse actions. Wisconsin State Fair Park must obtain appropriate waivers from the State so that it can enter into those partnerships, creating naming rights, signage, sponsorship, exclusive category relationships, and other contractually obligated income opportunities to help turn our financial path and to further capitalize our operations.
9. A Recognition That Wisconsin State Fair Park is an Entertainment Venue. We must recognize that we are an entertainment and sports venue and that certain leadership positions do not fit categorically within the Civil Service system. Hires must be made from a competitive industry-related pool, whose income and performance structures may be different than current State regulations.

10. Short-term structure. While I agree with the Committee that some form of Authority in the future may be the ultimate solution for the financial and legal structure of Wisconsin State Fair Park, we are not ready for such a move. We need to take immediate steps to change within the current statutory agency system with waivers, or the creation of what I refer to as a "new company" under Wisconsin Statutes §42.01(4) that would be formed for purposes of fund raising and management of selected State Fair Park assets.
11. Working Agreement. This Board is the voice of Wisconsin State Fair Park. The recommendations that are ultimately transmitted to the Governor should be the Board's Recommendations. Upon a resolution to adopt certain recommendations, the Department of Administration must be approached to create a working agreement to effectuate the short-term changes as hereinbefore enumerated.
12. A Chance to Succeed. During the sunset period, i.e. the period where our Board closely scrutinizes the financial and operational performance of the assets on the State Fair Park property, the Pettit National Ice Center, the Milwaukee Mile and other assets should be given every chance to succeed so that they are revenue neutral or complementary to our core mission, the State Fair Event.
13. The Results. The short-term changes, if properly executed, should produce the following results:
 - Preserving and financially segregating the Fair Event
 - Revenue Enhancement
 - Improving capitalized value of our assets
 - Realistic asset analysis
 - Consolidation and elimination of duplication of resources which will result in cost savings
 - A working agreement with the State relative to allocation of income and expenses, capitalization and an ultimate settlement of accounts with the State.

These are the most important times for the future of Wisconsin State Fair Park. Rhetoric, debate, and positioning must quickly pass and action must be taken. This is not an exercise in inertia. This is an exercise in change which I am committed to see through. It is hoped that these Recommendations, your input and debate as trustees of this institution, will lead to a structure that will forever financially and operationally stabilize our dear Wisconsin State Fair Park.