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Joint Audit Committee Hearing

November 16, 2004

State Fair Park Audit

Report 04-5

Testimony of

Martin J. Greenberg, Chairman

Wisconsin State Fair Park Board

I. INTRODUCTION

I am honored to have served the State of Wisconsin as Chairman of the Wisconsin State Fair Park Board since February of 2003. I greatly appreciate the work of the Legislative Audit Bureau, and its reports have been incisive, instructive, and have created positive fiscal changes at State Fair Park (SFP). Thank you for allowing me to share with you some of my thoughts as to the current status and future of SFP.

II. THE STATE FAIR

Every summer rural and urban Wisconsin come together to participate in, enjoy, and celebrate the best that our agriculture, commerce, entertainment, and youth have to offer. The Wisconsin State Fair creates memories that transcend generations.

The State Fair – the crown jewel of state events – was the best event of summer 2004 – yes, better than Summerfest and the PGA. The State Fair provides a fun, affordable, family experience celebrating Wisconsin for people of all ages and ethnic backgrounds.

The new Birthing Barn, Ag Oasis, the BMX show, Circus Matrix, and Siemor Miniature Brother Circus proved to be very successful enhancing the overall fairgoers experience.

- Attendance was up 9% and close to nine hundred thousand fair-goers attended.
- Sponsorships were up 29% generating \$1.37 million.
- The April Half-price Fair Deal promotion generated over \$700,000 in sales of admission tickets and midway wristbands far exceeding original goals.
- Food and beverage gross sales increased \$1.2 million.
- The opening day attendance of 70,053 was an attendance record.
- The cream puff marked its 80th anniversary and grossed over \$1 million in sales.
- The Pettit Ice Center was programmed with Fair activities which proved very successful.
- The Fair realized a profit of approximately \$1.9 million
- The 2004 promotional campaign - "Good to Go" -- for the 2004 Wisconsin State Fair received thirteen (13) awards at the 49th International Facilities and Event

Association, and the Fair will be receiving numerous other awards at the International Association of Fairs and Expositions Conference in December. These are truly the "Academy Awards" of event management and validates we are leaders in the industry.

The State Fair, however, is in potential jeopardy. In a Journal Sentinel editorial dated August 13, 2004, which appeared during the Fair, entitled "Great fair as usual but it still needs help," the Journal Sentinel states, "even with the cool, fall-like weather in the past few days this year, State Fair is still a hit. Four records were broken in its first five days for attendance and bakery sales, and while Fair organizers have managed to retain its appealing agricultural character, they have also attempted to reach out to more minorities and young people with new programs this year. Good work.

But the Fair's financial and popular success is only part of the story. In a nutshell, other operations at the Park are losing money and threaten to eventually drag the Fair down."

The State Fair is the people's asset – over 150 years of history and tradition. SFP needs help. We are taking all actions necessary to improve internally our financial operations, and help must start at home.

III. DEFICIT REDUCTION

With the announcement of our most recent losses, we have undertaken a deficit reduction -- cost savings program that operationally will help the SFP future financial picture:

- A. A human resource consolidation plan to eliminate duplicity;
- B. Create a more cost-effective security plan;
- C. Possible sale of certain assets such as vendor stands;
- D. Reduction of municipal payments;
- E. Travel restrictions;
- F. Development of a cost-benefit analysis for review of State Fair's contracts;
- G. Renegotiation of the Champ Car contract which should reduce losses for the event;

H. Elimination of six staff positions due to state budget mandate.

While the SFP is doing everything fiscally possible to reduce its costs and operate more efficiently and smarter, capital decisions made in previous administrations are currently having a disastrous effect upon the bottom line at SFP. Although several of those capital decisions can be corrected, the capital decisions previously made are my inheritance but not my legacy.

IV. PETTIT NATIONAL ICE CENTER

Because our Board did not play a significant role in the creation of or financing arrangement, our Board on September 30th passed Resolution No. 041-44 approving a budget request initiative to transfer funding of the Pettit National Ice Center (Pettit) building debt payments from State Fair Park operations to State General Purpose revenue.

The Pettit facility is owned by SFP but operated and maintained by Pettit National Ice Center, Inc., a charitable organization. It was built in 1992 at a cost of \$13.3 million, financed with \$4 million in private contributions and \$9.3 million in program revenue supported bonds. Funds to retire the debt are to be provided by the Pettit through rent payments under a lease agreement.

Because of the initial debt structure, the Pettit was on thin ice from its very inception. Its chances of success were minimized by virtue of the very structure under which it was created. The ERA feasibility study created for the Pettit in March 1988 indicated "that operating revenues even at maximum theoretical usage will not be adequate to do significantly more than covering operating costs. Therefore, no debt service may be anticipated. This is not surprising as virtually no other rink surveyed services a debt for its construction costs."

Over the next eight years in order to retire the debt, the Pettit is scheduled to pay in excess of \$70,000 per month for rental to the SFP. Although in excess of \$13 million of private and community money has been infused into the Pettit in order to help make it successful, the scheduled monthly rental is not feasible and will force further Pettit defaults and SFP deficits.

Given that the Pettit is a United States Olympic training facility and bears the name of one of the most charitable families in the State of Wisconsin and has a Wisconsin skating history, that alone deserves continuation. In order to survive, the Pettit needs to have a restructured lease with a minimum term of 30 years. The rent should include the past due rent, which now is in excess of a million dollars, and the Pettit should become responsible for equipment replacement, building improvement, municipal fees, and property insurance. At some point when all indebtedness is retired, the facility should ultimately belong to the Pettit subject to a land lease.

The restructuring of the Pettit is the right thing to do. It gives the Pettit a chance to succeed, the State ultimately receives all of its money plus past due balances, and relieves SFP from three to six hundred thousand dollars a year of losses and a liability that never should have been on the shoulders of SFP to begin with.

V. MILWAUKEE MILE

The State Fair Park's financial performance generally improved from July 1, 2003 through June 30, 2004. The deficit was primarily the result of losses incurred by the Milwaukee Mile (\$2.5 million). While the Milwaukee Mile has increased its programmatic and media coverage, beautified its surroundings, heightened its reputation nationally as not only the oldest track but one of the best, promoted its events with excellence and kept in line with budget expenses, it failed to meet revenue expectations as budgeted and projected.

The Milwaukee Mile had been subject to a promoter's rights agreement with Carl A. Haas Racing Teams, Ltd. (Haas) which was executed in 1992 as a 28-year agreement. Prior to my Chairmanship, as part of an effort to build and support the new grandstand facility, the SFP Board renegotiated a new agreement with Haas, which was signed in July 2002. The 2002 racing agreement increased SFP's financial risk because (1) it eliminated the minimum annual payment, (2) did not substantially increase the required number of racing events, and (3) did not require Haas to reimburse SFP for its debt service cost if the promoter did not realize a profit, thereby exposing the SFP to debt service in the approximate amount of \$1.8 million.

The LAB has concluded that previous SFP officials could reasonably have been expected to have known that debt service reimbursement was unlikely in the near future because Haas audited financial statements reported net losses totaling more than one million dollars in calendar years 2000 and 2001, and in 2002 racing revenues declined 95.5%, in the first year of the new racing agreement, from \$772,984 in the 2001 season to \$34,900 in 2002. Due to the significant decline, SFP was not reimbursed for debt service costs in 2002.

Given the contractual financial risks, the recoupment of the track and cancellation of the promoter's rights agreement in retrospect was the right decision.

The race track represents approximately 25% of the total real estate of SFP. With the State being exposed to debt service and the promoters interest in Wisconsin racing and profitability on the decline, reacquisition was a way to protect the future. Additionally, the State in its reacquisition relied on our own racing experts that the racetrack could break even and potentially make a small profit. Under this set of circumstances, the Haas contract was cancelled, the racetrack retrieved, and SFP was back in the racing business.

SFP and the State of Wisconsin should not underwrite racing losses in the future. While the track was taken back into state hands for all the right reasons, the operational results did not meet projections. Therefore, our Board believes that the re-privatization of the track will reduce the projected losses and is in the best interest of the future of the Milwaukee Mile and the state of Wisconsin. The asset has generated interest among private promoters and we are currently in the process of commencing discussions with private promoters. Our Board has generally approved terms that would put the onus of the debt service on the promoter, pay back the State in part for losses that have been incurred to date, and preserve the relationship between the Mile and the State Fair and its needs during the Event. We believe that with the privatization of the Mile that SFP could reduce its operational losses by \$1 million to \$2.5 million.

VI. WISCONSIN EXPOSITION CENTER

The 271,000 square foot Wisconsin Exposition Center (Exposition Center), which opened in August 2002 and is owned by a not-for-profit corporation, was built to

accommodate large trade and consumer show events at a cost of nearly \$37.8 million. Losses have been realized for both calendar year 2003 and 2004, and it is anticipated that the Exposition Center may be unable to pay all expenses, including debt service costs, in 2005. It is even possible that the ownership of the facility might ultimately be acquired by the lending institution through legal action. The State has taken the position that the State has no legal obligation to repay the debt.

A Journal Sentinel editorial has characterized the "Wisconsin Exposition Center as being over-built and yet worse, it has steered as much as two million dollars of business away from State Fair Park annually." The Exposition Center is used by State Fair during the Event. On a positive note, under new leadership the Exposition Center has increased its events and its importance as a venue, although the issue of its future will have to be addressed in the very near future.

VII. SINGLE ENTITY

SFP is perceived publicly as a single entity; that is, the Chapter 42 agency has supervision and control over all entities in the at SFP. This is untrue, and the SFP Board of Directors has no direct or indirect control over the day-to-day operations of the Pettit or Exposition Center. In the case of Pettit, the relationship is strictly landlord-tenant wherein SFP underwrites debt service payments even if leasehold payments are partially or not at all made. The Exposition Center is also a landlord-tenant relationship, but the Exposition Center represents a transference of business and revenue that produced approximately \$1.2 million in previous profits for the State agency. Public perception, however, of a single entity puts the burden of bad news on all aspects of operations of SFP. We are only as strong as our weakest link, and we must find ways in order to stabilize all links, including the Mile, Pettit, and Exposition Center.

VIII. NON-FAIR LOSSES

Many Ag programs are undertaken at SFP that are crucial to our underlying mission and purpose. Those events and activities, while important to our mission, are not necessarily profitable from an operational standpoint. While we have reduced non-

Fair losses from \$1.5 million to approximately \$547,000, to totally absolve ourselves of losses would be to eliminate many of the activities for which SFP was statutorily created. Some partial form of support from the Ag community or other public sources may be necessary in order to continue to serve our public mission and continue with the cornerstone of what the Fair and the SFP represent.

IX. REVENUE INCREASES

Cost cutting and deficit reduction is not the only agenda at SFP. Increasing revenues is of equal importance as cost cutting and deficit reduction. Creating more revenues, especially in the form of contractually obligated income; that is, naming rights, sponsorships, signage, advertising, and integrated corporate partnerships is of even higher priority. We have identified, inventoried, and priced our asset for corporate partnerships. While understaffed, we will seek to maximize and reap the benefit of the brand and Event during the 2005 calendar year which we hope will dramatically increase revenues and further secure the financial future of the SFP.

X. WE NEED HELP

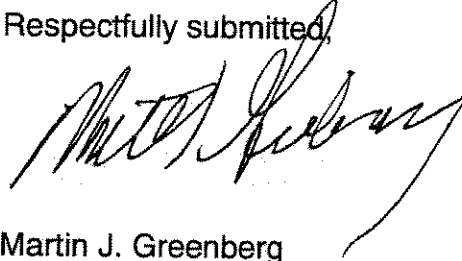
While the Building Campaign at SFP has made the Park more aesthetically pleasing and updated buildings that were in a dilapidated condition, the ability to pay the debt service may have been based on overly optimistic or blue-sky financial projections or, as I call it, "fuzzy math." I cannot predict with any degree of certainty that SFP will ever be able to meet the overwhelming debt burden that has been placed upon its shoulders; however, I do believe that the transfer of the Pettit debt and the reprivatization of the Milwaukee Mile, relieving, thereby, SFP of the current responsibility for debt service, would dramatically change the financial picture of SFP.

Our staff has been cut to a minimum. Every aspect of our internal operations is being analyzed to cut costs. I sincerely believe that our Board and staff are taking every and all steps necessary to try to fix the problem within the confines of our powers. External help, however, may be necessary to ultimately stabilize SFP. While we are attempting to run smarter, better, and more efficiently and have absolutely become more financially accountable and credible, without outside help there must be a

recognition by the State that potentially the losses incurred every year are the public's investment in a State asset and Wisconsinites' commitment to the continuation of a very important piece of history and tradition.

The primary purpose of State Fair Park is to continue the tradition and history of an unequalled Event -- that Event must be protected going forward. SFP needs help in undoing past financial decisions. In order to protect the asset going forward, we ask for your help.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Martin J. Greenberg". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Martin J. Greenberg
Chairman

Joint Audit Committee Hearing

November 16, 2004

An Audit: State Fair Park Report 04-5

Testimony of
Craig Barkelar, Interim Director, CFO
Wisconsin State Fair Park

Legislative auditors have raised concerns over State Fair Park's financial performance. While the annual State Fair event continues to be successful, the Park's overall financial condition has been negatively affected by the performance of the Milwaukee Mile, Pettit National Ice Center, and non-fair events. Today, I will note how these entities and events have influenced FY04 financial results and how they could influence results in FY05. I will also provide some additional information requested by Senator Roessler and Representative Jeskewitz.

State Fair Park projected a \$194,900 surplus in FY04, which was expected to be comprised of:

- \$321,600 surplus from Milwaukee Mile operations;
- \$224,600 surplus from State Fair and non-fair operations. Approximately \$1.3 million of the State Fair's \$1.5 million profit was expected to be used to support non-fair events and activities; and
- \$351,300 shortfall from Pettit Center Building operations.

Expenses actually exceeded revenues by \$1.5 million. Adding a mandatory General Fund Lapse, the Park's shortfall was almost \$1.7 million.

Wisconsin State Fair Park Revenues and Expenses

Fiscal Year 2004 (July 1, 2003 through June 30, 2004)

	<u>Total Activity</u>	<u>State Fair and Non-fair Events</u>	<u>Pettit Center</u>	<u>Milwaukee Mile</u>
Revenues	\$19,890,300	\$14,118,500	\$416,100	\$5,355,700
Operating Expenses	<u>18,721,700</u>	<u>12,233,900</u>	<u>68,200</u>	<u>6,419,600</u>
Operating Surplus/(Shortfall)	1,168,600	1,884,600	347,900	(1,063,900)
Debt Service	<u>2,667,100</u>	<u>525,900</u>	<u>727,900</u>	<u>1,413,300</u>
Surplus/(Shortfall) w/ Debt Service	(1,498,500)	1,358,700	(380,000)	(2,477,200)
General Fund Lapse	<u>179,700</u>			
Net Surplus/(Shortfall)	(1,678,200)			

While program areas generally met or exceeded performance goals, Milwaukee Mile revenues (primarily ticket sales) fell short. If racing revenues were realized as projected, State Fair Park would have exceeded its overall financial target by \$1.0 million.

Milwaukee Mile

Operating a race track has proven to be difficult. Industry operations do not easily fit into the statutory and administrative code environment in which State Fair Park operates. Further, Park officials underestimated the need to build a fan base that could support the addition of two race events. To limit our financial exposure and ensure that the racing program can grow, State Fair Park is considering leasing operations to a private party. The process is underway. Our Board chairman will comment more on this.

Until a decision on leasing is made, State Fair Park will continue to fund Milwaukee Mile employees through the Exposition Center. If we end up retaining Mile operations, significant staffing reductions will occur, although several positions would need to be saved because of the specialized skills associated with them.

If State Fair Park continues to operate the Milwaukee Mile, FY05 results could be similar to the FY04 loss. The loss for the last six months in 2004 (which are the first six months of FY05) is expected to preclude any improvement over FY04's results. While renegotiated contracts will generate additional revenue and significantly reduce costs in calendar year 2005 events, FY06 would be the first period offering a chance for significant improvement.

Pettit Center

To-date, State Fair Park has provided a subsidy of more than \$1.8 million to the Pettit National Ice Center (\$1,0 million of debt service, \$500,000 of municipal fees, and \$300,000 of capital improvements). In FY05, State Fair Park expects its subsidy to be limited to a municipal fee payment of \$75,000. After FY05, the Pettit Center may not be able to fully fund lease payments because charges, which are based on debt service, increase significantly.

Because it did not have a major role in creating the Pettit Center or in arranging its financing, State Fair Park is requesting in its 2005-07 biennial budget that the liability for debt service payments be transferred from the Park to the General Fund if Pettit Center operators are unable to fund a portion of lease charges.

According to the State Capital Finance Director, refinancing State Fair Park Board debt is not practical. Consequently, the Pettit Center initiative is the Park's primary strategy for obtaining a significant measure of annual debt relief. The Board Chairman will comment more on this.

State Fair and Other Events

State Fair Park's primary business is operating an annual State Fair as well as a number of agriculture and entertainment events. The Park also operates a youth dormitory and a recreational vehicle park, and it leases facilities to private promoters. Overall, these core operations are profitable. The State Fair generated a \$1.4 million profit and was the basis for the receipt of an additional \$500,000 one-time benefit. Non-fair business recorded a \$547,800 loss. In FY05, State Fair Park expects a minimum profit of \$950,000 from the State Fair and non-fair events and activities.

Losses in non-fair operations are a result of agriculture and other events that do not generate sufficient revenue to recover all costs. For example, the Beef Expo was originally held in Madison until the Department of Agriculture stopped sponsoring the event. Rather than have it disappear, State Fair Park agreed to host the event, even though it loses money. In the past, building rental income helped offset these losses. However, since the Exposition Center was created, the Park's annual rental profit is at least \$1.0 million less, which leaves the State Fair as the only source to offset non-fair shortfalls.

Fiscal Year 2005 Projections

To summarize FY05 projections, if track operations are leased, State Fair Park could have a loss of approximately \$1.0 million. Other programs will not be able to fully offset the Milwaukee Mile's losses incurred prior to a transfer of operating rights. If the Park continues to operate the Mile, an overall deficit of \$1.9 million is possible.

Wisconsin State Fair Park Projected Revenues and Expenses

Fiscal Year 2005 (July 1, 2004 through June 30, 2005)

	<u>Total Activity</u>	<u>State Fair and Non-fair Events</u>	<u>Pettit Center</u>	<u>Milwaukee Mile</u>
Revenues	\$21,404,600	\$13,675,000	\$663,000	\$7,066,600
Operating Expenses	<u>19,869,000</u>	<u>12,062,500</u>	<u>75,000</u>	<u>7,731,500</u>
Operating Surplus/(Shortfall)	1,535,600	1,612,500	588,000	(664,900)
Debt Service	<u>3,275,500</u>	<u>662,500</u>	<u>663,000</u>	<u>1,950,000</u>
Surplus/(Shortfall) w/ Debt Service	(1,739,900)	950,000	(75,000)	(2,614,900)
General Fund Lapse	<u>186,000</u>			
Net Surplus/(Shortfall)	(1,925,900)			

Cost Saving Strategies

Limiting State Fair Park's financial exposure to the Milwaukee Mile and the Pettit Center provide the best opportunities to stabilize financial operations and eliminate the Park's \$6.0 million deficit over time. Other savings strategies currently being developed that could significantly reduce future shortfalls include streamlining police and security services; reducing the cost of municipal services; and decreasing the use of limited term staff. Each of these strategies could generate annual savings of \$100,000 or more.

On a smaller scale, any purchase exceeding \$500 now requires approval of the chief financial officer as well as a purchase order to ensure that funds are set aside before an order is placed. The development of contracts require a written cost-benefit analysis that facilitates and justifies supervisory approval. Weekly management meetings devote 25 percent of the time to discussing new methods to reduce costs or generate additional revenue. Our focus is to develop procedures that allow us to conduct business with fewer resources. For example, if a purchase is absolutely necessary, we first consider how long it can be delayed. Second, we consider whether a used or rebuilt product satisfies the need. Third, if something new is required, the purchasing agent is fully engaged to ensure a very competitive price.

Additional savings will accrue from required staff reductions. Nine positions already have been cut and the process to eliminate six more is underway, with implementation completed by July 2005. The potential savings associated with eliminating these six positions is unclear because a final plan has not been approved by the Board and based on the positions eliminated, some services may need to be purchased.

In order to adequately account for and control expenditures, State Fair Park has invested more resources in financial management. As a result, the State Fair Park Board has received timely information on the Park's financial performance in FY04 and the State Controller's Office has received the FY04 financial statements, which are ready for audit. Business Office staff is working with program managers to develop accurate financial reporting for every event, which is expected to provide a structure for developing future event budgets, including pricing.

I do not want to overstate our savings efforts. They are just beginning. Although benefits will be realized this fiscal year, substantially more could be expected in FY06 and beyond, once savings strategies are fully implemented and new practices become second nature to staff.

Revenue Generation

In addition to controlling costs, staff is working to generate additional sponsorship and naming rights revenue. Before this year's State Fair, naming rights for the Milk Parlor and the Dairy Bakery building were obtained. More recently, naming rights were sold for the Milwaukee Mile's media center. Many more opportunities exist and substantial additional revenues are possible. The Board Chairman will comment on this.

Deferred Maintenance

There is no outstanding deferred maintenance backlog. However, for the first time in memory, State Fair Park's facility manager and engineering specialist prepared a six year capital project planning document that approximates what maintenance and capital improvements should be considered over the next six years. Under this tentative plan, costs would average \$1.3 million annually.

My written comments include an attachment identifying potential capital improvements by project and expense type. Some funding already exists for improvements to the Agriculture Village. Approximately \$2.8 million of projects would be financed with bonds that would be paid from general purpose revenue and the remainder would be financed with bonds paid from

operations. If funding does not become available, projects would not proceed. While there is some flexibility in the timing and scope of projects, a deferred maintenance backlog would begin to develop once these projects were delayed.

Business Plans

There was interest in reviewing updated business plans for the Exposition Center and the Pettit National Ice Center. Currently, none have been finalized for 2005. When approved by their respective boards, a copy will be forwarded to committee members and the State Auditor. I can provide a few comments: *→ end of yr.*

- Exposition Center: Preliminary estimates suggest a possible \$400,000 loss in calendar year 2005, which does not include any revenue from naming rights. This loss would not place any demands on State Fair Park. Legislative auditors have noted that a bond default is possible. If the Exposition Center's reserve fund is used to pay debt service and it is not replenished in a timely manner, the bonds become callable, which ultimately could result in new ownership. A default, if any, will not happen next year but in State Fair Park's FY06 or later. Department of Administration officials have stated that the State has no legal or other obligation to repay this debt.
- Pettit National Ice Center: Preliminary estimates suggest operations will break even in 2005. Pettit Center officials expect to pay all lease charges in FY05. It's after this period when payments will become difficult because, as noted earlier, lease charges (which are based on debt service) increase significantly. If nothing changes, required subsidies in subsequent years could reach \$600,000.

Conclusion

To conclude, past capital and operating decisions have significantly weakened the financial condition of State Fair Park. Some of the financial consequences include:

- \$1.0 million or more of lost profit each year as a result of creating the Exposition Center;
- \$1.8 million paid to cover the cost of certain Pettit National Ice Center costs; and
- \$2.8 million paid to the General Fund as mandatory lapses.

The timing and scope of track improvements led to restructuring the lease with the private race promoter operating the Milwaukee Mile. Because changes in the revised lease resulted in

State Fair Park being liable for all debt service (more than \$1.8 million annually), the Park purchased the promotional rights from the private promoter in hopes of limiting its financial exposure. In the short term, State Fair Park's inexperience in operating a track has led to losses greater than the \$1.8 million.

For any chance to stabilize Park operations, the Milwaukee Mile's structure must be immediately addressed. With the recent improvements in the track and its expanded programming, a number of parties have expressed an interest in operating the Mile. A knowledgeable private promoter would likely operate the track more successfully than State Fair Park has. For the good of racing's future and State Fair Park's financial health, resolving the Milwaukee Mile situation is the Park's number one priority.

Similar to the status of the master building plan, creating a single entity operating on the fairgrounds does not appear possible at this time. As noted, we believe a private track promoter may be best. State officials believe the Exposition Center needs to stand alone, and the Pettit Center believes its best chance to succeed is by being on its own. Nevertheless, State Fair Park cannot continue subsidizing the Pettit Center. For the good of the Pettit Center's future and State Fair Park's financial health, resolving the Pettit Center lease situation is the Park's second highest priority.

In addition to efforts to reduce costs and increase revenues generally, State Fair Park officials need to consider programming decisions. To protect the State Fair, non-fair events need to be evaluated based on the Park's mission and the Fair's ability to subsidize them. It will take many years to work out of the Park's deficit. Changes to programming need to be considered as a partial solution, including:

- eliminating events that require a subsidy from the State Fair; and
- providing fewer discounts to promoters leasing space for their events.

Wisconsin State Fair Park

Six Year Capital Project Planning Document

Six Year Capital Project Planning Document

Youth Center Project

Rooms (8)

FY's
2005-2007

FY's
2007-2009

FY's
2009-2011

Finish Walls, Ceiling, Molding, Doors & Frames	\$125,000.00		
Plumbing Fixtures (Showers, Toilets, Sinks)	\$25,000.00		
Electrical (Switches, Lights, Outlets & Wiring)	\$15,000.00		
HVAC	\$10,000.00		
Furnishings (Tables, Chairs, Beds, Refrig, etc)	\$15,000.00		
Carpeting & Tile	\$20,000.00		

Hallway

Finish Walls & Ceiling	\$10,000.00		
Electrical	\$5,000.00		
Carpeting & Tile	\$4,000.00		

Laundry Room

Plumbing	\$7,500.00		
Electrical	\$5,000.00		
Doors & Frames	\$500.00		
Furnishings (Tables & Chairs)	\$2,000.00		
Tile	\$1,000.00		

Storage Rooms (2)

Electrical	\$4,000.00		
Doors & Frames	\$1,000.00		

Sub Total	\$250,000.00
Cont. (10%)	\$25,000.00
A/E (8%)	\$20,000.00
DSF (4%)	\$10,000.00
Total	\$305,000.00

Recarpet Banquet Rooms, General Area & Classrooms
Replace Glass Doors & Framework

\$26,500.00
\$35,000.00

Sub Total	\$61,500.00
Cont. (10%)	\$6,150.00
A/E (8%)	\$4,920.00
DSF (4%)	\$2,460.00
Total	\$75,030.00

Six Year Capital Project Planning Document

East Hall Project

	FY's	
	2005-2007	2007-2009
Replace HVAC	\$250,000.00	
West Side HVAC Platform	\$50,000.00	
Replace all Doors	\$20,000.00	

Sub Total	\$320,000.00
Cont. (10%)	\$32,000.00
A/E (8%)	\$25,600.00
DSF (4%)	\$12,800.00
Total	\$390,400.00

Replace Roof, Soffits, & Fascia & Repair/Replace Skylite	\$175,000.00
Sandblast Exterior, Tuckpoint Paint Exterior Wood	\$55,000.00

Sub Total	\$230,000.00
Cont. (10%)	\$23,000.00
A/E (8%)	\$18,400.00
DSF (4%)	\$9,200.00
Total	\$280,600.00

Repair Concrete Floor (Interior) Additional Lighting & Electric Rest Room Improvements, Plumbing	\$50,000.00
	\$35,000.00
	\$50,000.00

Sub Total	\$135,000.00
Cont. (10%)	\$13,500.00
A/E (8%)	\$10,800.00
DSF (4%)	\$5,400.00
Total	\$164,700.00

Six Year Capital Project Planning Document

Horticulture Building Project

	FY's 2005-2007
Refurbish Ceiling Trusses/Roof/Soffits/Fascia	\$20,000.00
New Roof Membrane	\$35,000.00
New HVAC	\$200,000.00

FY's 2007-2009

FY's 2009-2011

Sub Total	\$255,000.00
Cont. (10%)	\$25,500.00
A/E (8%)	\$20,400.00
DSF (4%)	\$10,200.00
Total	\$311,100.00

New Doors & Skylite
Sandblast Exterior/Interior-Tuckpoint
Replace Interior Concrete Floor
Additional Lighting & Electrical Service

\$30,000.00
\$75,000.00
\$15,000.00
\$200,000.00
\$25,000.00

Sub Total	\$345,000.00
Cont. (10%)	\$34,500.00
A/E (8%)	\$27,600.00
DSF (4%)	\$13,800.00
Total	\$420,900.00

Add Small Concession Stand
Expand Rest Room Facility
Additional Plumbing
Exterior Site Scape

\$39,000.00
\$40,000.00
\$20,000.00
\$50,000.00

Sub Total	\$149,000.00
Cont. (10%)	\$14,900.00
A/E (8%)	\$11,920.00
DSF (4%)	\$5,960.00
Total	\$181,780.00

Six Year Capital Project Planning Document

Coliseum Project

	FY's		FY's		FY's	
	2005-2007		2007-2009		2009-2011	
Coil Roll Down Doors		\$85,000.00				
Elec. Dock Door/Ped. Entr./Exit		\$7,000.00				
40" Steel Doors/Frames		\$15,000.00				
Misc. Build-up Construction		\$105,000.00				
Power Roof Louvers		\$115,000.00				

Sub Total	\$327,000.00
Cont. (10%)	\$32,700.00
A/E (8%)	\$26,160.00
DSF (4%)	\$13,080.00
Total	\$398,940.00

Heating Units/AC for Office	\$45,000.00
Insulation	\$5,500.00
NG Service	\$15,500.00
Additional Electrical Service	\$20,000.00

Sub Total	\$86,000.00
Cont. (10%)	\$8,600.00
A/E (8%)	\$6,880.00
DSF (4%)	\$3,440.00
Total	\$104,920.00

Sandblast/Paint Interior-Exterior	\$195,000.00
Roof Reseal-Rest Rooms/Concess.	\$8,000.00
Furnishings	\$95,000.00

Sub Total	\$298,000.00
Cont. (10%)	\$29,800.00
A/E (8%)	\$23,840.00
DSF (4%)	\$11,920.00
Total	\$363,560.00

Six Year Capital Project Planning Document

Milwaukee Mile Project

	FY's		FY's		FY's	
	<u>2005-2007</u>		<u>2007-2009</u>		<u>2009-2011</u>	
Resurface Pit Road 62,400 sq. ft.		\$156,000.00				
Paddock Paving 21,000 sq. ft.		\$52,000.00				
Energy Reducing Barriers Turns 1,2,3,4 (3000 ft.)		\$900,000.00				

Sub Total	\$1,108,000.00
Cont. (10%)	\$110,800.00
A/E (8%)	\$88,640.00
DSF (4%)	\$44,320.00
Total	\$1,351,760.00

Phase 2 Road Course	\$350,000.00
Remodel Rest Rooms 2,500 sq. ft.	\$250,000.00
New Lift Station	\$100,000.00

Sub Total	\$700,000.00
Cont. (10%)	\$70,000.00
A/E (8%)	\$56,000.00
DSF (4%)	\$28,000.00
Total	\$854,000.00

Six Year Capital Project Planning Document

Paving Project

Central Mall

Paving	\$275,000.00
Sewers	\$50,000.00
Electric	\$40,000.00
Landscape	\$30,000.00

FY's
2005-2007

FY's
2007-2009

FY's
2009-2011

Ball Field

(95,000 sq. ft.)	
Paving	\$225,000.00
Sewers	\$40,000.00
Electric	\$40,000.00

Sub Total	\$700,000.00
Cont. (10%)	\$70,000.00
A/E (8%)	\$56,000.00
DSF (4%)	\$28,000.00
Total	\$854,000.00

Mile Lot

(90,000 sq. ft.)	
Paving	\$225,000.00
Sewers	\$45,000.00

Grounds Lot

(25,000 sq. ft.)	
Paving	\$62,500.00

Midway

(310,000 sq. ft.)	
Paving	\$775,000.00
Retaining Wall (450 ft.)	\$90,000.00
Fence	\$22,500.00

Sub Total	\$1,220,000.00
Cont. (10%)	\$122,000.00
A/E (8%)	\$97,600.00
DSF (4%)	\$48,800.00
Total	\$1,488,400.00

Six Year Capital Project Planning Document

Fence Project

Columns

Gate 3 to Gate 4

FY's
<u>2005-2007</u>
\$58,000.00
\$50,000.00

FY's
<u>2007-2009</u>
\$86,500.00
\$8,200.00

FY's
<u>2009-2011</u>
\$94,700.00
\$9,470.00
\$7,576.00
\$3,788.00
\$115,534.00

Sub Total	\$108,000.00
Cont. (10%)	\$10,800.00
A/E (8%)	\$8,640.00
DSF (4%)	\$4,320.00
Total	\$131,760.00

Fence

Gate 2 to Gate 1

\$86,500.00
\$8,200.00

Sub Total	\$94,700.00
Cont. (10%)	\$9,470.00
A/E (8%)	\$7,576.00
DSF (4%)	\$3,788.00
Total	\$115,534.00

Columns



Wisconsin State Fair Park

November 17, 2004

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

Dear Senator Roessler and Representative Jeskewitz:

It was an honor to appear before you yesterday and I appreciate your guidance, insights, and legislative oversight. In the short run we can turn the financial picture at State Fair Park with some internal clean-up, with relief of the Pettit indebtedness and a sale of the promoter rights to the Milwaukee Mile covering the State's debt service. This will dramatically change the picture, protect the Fair, and hopefully eliminate State Fair Park as a problem for the State and the Legislative Audit Bureau.

Once again, I want to thank you for the professional way in which you conducted the hearings and for your continued interest in the crown jewel of State assets.

Sincerely,

Martin J. Greenberg
Chairman

MJG:mjs

MEMORANDUM

November 19, 2003

Dear Senator Kanavas,

Thank you very much for bringing this e-mail to my attention. Rather than address only you with my reply, I would ask that you forward the attached response to all members of the Legislative Audit Committee for clarification. My apologies for the length.

Let me begin by saying that the person writing the e-mail claims to be doing so on behalf of racing volunteers and fans of the Milwaukee Mile. That categorically cannot be possible. The fact is fans, volunteers, Mile staff and corporate sponsors of the Mile are undeniably re-energized, excited and 100% supportive of all the changes occurring at the new Milwaukee Mile. If anyone questions that claim, I invite you to attend one of our races next year to ask these people firsthand about the positive changes at the Mile. Additionally, Mr. Kozura claims not to be writing as a disgruntled employee. Given the tenor and inaccuracies of the e-mail, I would suggest otherwise.

I've known Mr. Kozura for a number of years and in fact I am very familiar with the work he performed in his prior position. The manner of his dismissal was based on providing him with the best opportunity for future employment. Any detail beyond that is considered a personnel matter and out of respect to the employee should not be an issue for public discussion. Regrettably, he has elected to make it such. I don't for minute begrudge the bitterness that Mr. Kozura must feel although his facts in the note are incomplete and in many cases inaccurate.

What does anger me though is knowing that someone supplied a vulnerable ex-employee in Mr. Kozura with illegally obtained, damaging personal information on another person and then convinced him to launch it into the public realm. The finger prints confirming this are in the wording used and furthermore there is no way Mr. Kozura could not have obtained this information on his own. Taking advantage of a situation like this for the sake of a personal agenda is simply cowardice. There is a destructive pattern of behind the scenes dirty tricks continuing to occur challenging our positive progress at the Mile and it consistently flows from the same source. Over fifteen plus years of experience in the State Capitol, I gained the utmost respect for the State Legislature and the legislative process. This type of poison pen debris has no place in our time honored State House.

Enough on the cloak and dagger commentary. Additionally I do feel compelled out of respect to the Audit Committee members to make corrections for the record.

1. Mr. Perrone's contract was negotiated between he and Carl Haas Racing Teams before WSFP had purchased back the race promoter's rights. This contract was part of the purchase agreement and we felt Mr. Perrone's services were vital to the future success prospects of the Mile. Secondly it was a short term consulting contract that expires January of 2004. It is the Boards current intent to resign Mr.

Peronne into an employment arrangement rather than a consulting agreement. Note further that the contract amount and provisions are "lower end" by racing industry comparisons across any major speedway, not just Winston Cup tracks.

2. Contrary to Mr. Kozura's claim, the contract does not provide an incentive bonus of 2.5% on all revenues. The 2.5% was narrowly focused on two areas needing significant revenue growth improvement. The areas for potential incentives were:
 - Sponsorship and Naming Rights
 - Hospitality and Group Ticket Sales

Note that naming rights will be a longer sell cycle and therefore not completed by the end of his contract term. Consequently it is unlikely that this item will come into play relative to compensation.

As mentioned in the LAB hearing, bonus incentive arrangements are common business practice in the sports industry. Chairman Greenberg and I also specifically acknowledged that this does not fit in a State agency structure and that we are working diligently with the Department of Administration on short term solutions to accommodate both State and industry needs by the end of this year.

As a side note, Mr Kozura does not have access to this information and could only have acquired it by someone who is close to the WSFP organization.

3. The consulting contract allows Mr. Perrone to do outside consulting work provided the time does not detract from his primary duties. Key corrections to note:
 - Mr. Perrone's travel on behalf of another client was paid for by Mr. Perrone not the Milwaukee Mile. Contrary to the claim, he did in fact make sponsor sales calls on behalf of the Mile while on these trips to maximize his time and minimize future Mile related travel expenses.
 - His work on behalf of Golden Korral arranging for a Winston Cup entitlement at Atlanta Motor Speedway was not applicable to any Milwaukee Mile race event. They are not in this market place. This does however speak highly of his skills, credentials and connections in the racing industry.
4. The consulting contract provides for reimbursement of reasonable business expenses as well as reimbursement for an extended stay apartment given the significant amount of time he spends in Milwaukee working at the Mile. To eliminate this expense, Mr. Perrone receives this through a pre-existing sponsorship trade out agreement. Note further that Mr. Perrone has agreed with our Chairman to move to Milwaukee in the event that he is rehired under an employment agreement.

5. Mr. Perrone did in fact fight the IRS for thirteen years and won against the charges filed. He ultimately agreed to settle out of court on a misdemeanor late filing charge. When this issue was brought to our attention, the Chairman and I met with Mr. Perrone to hear his explanation. Secondly, we did verify through the U.S. Attorney Generals office that the case was settled out of court and is closed. Many citizens have to contend with the IRS under varying degrees of an audit process. Some make the decision to accept IRS charges and move on. Mr. Perrone believed he was correct and fought the IRS for thirteen years before settling on a late filing charge. In the opinion of the WSFP Chairman and myself, we do not consider this a major issue. However it is crystal clear that the person who illegally obtained this information (not Mr. Kozura mind you) has a different motive in mind and is not beyond character assassination to achieve their personal agenda. This type of conduct is not in the best interest of the Mile or the Fair Park.
6. Mr. Perrone has an outstanding reputation in the sports world and specifically in the racing industry. I have letters from one of the most powerful men in NASCAR and one from the General Manager of the Atlanta Motor Speedway who has worked directly with Mr. Perrone, both attesting to this fact. I have sent the letters for your information.
7. Our promoter rights purchase from Carl Haas Racing Teams was discussed publicly by our Board and the amounts were disclosed; \$250,000 for assets, \$376,000 for debt service repayment from the 2002 race season. The later amount was not related to the purchase but rather a requirement of the prior lease agreement between WSFP and Carl Haas Racing Teams. We maintain that this was a sound purchase decision for the benefit of WSFP.
8. We recently presented the Milwaukee Mile business plan and budget to our Board as recommended by the LAB report. We are forecasting essentially a breakeven year for 2004 after meeting operating expenses and debt service requirements. As part of this budget, we created a standalone race pro-forma for each major race and each shows a profit. In five short months we have doubled the number of major races for the Mile for the first time in decades. This alone is a significant accomplishment and in fact adds significant value to our event sponsorship and ticket sales packages, venue sponsorships, generates increased concessions and hospitality revenues and consequently improves the overall bottom line.
9. As to his critical attendance reference, note the following:
 - With the exception of the Packers, all major Milwaukee sports teams were down in attendance by double digits. Summerfest was down 11%, State Fair was down 9.5%.
 - The 20% increase reference is an aggregate of two races. Our NASCAR race attendance was actually up 29% over the prior year. CART was up over the prior year but contended with rain and 40 degree weather in May for the night

race which hurt walk up sales. Nonetheless these increases are substantial and a great indicator of things to come.

In conclusion, please know that we are doing our best to rebuild the Milwaukee Mile business into a successful contributor to the overall State Fair Park. These types of situations do not work towards that goal. Given a chance however, we believe it can achieve the same level of recent success as our annual State Fair event.

It is also important to know that when we acquired the race promotion rights back in late May, the Department of Administration briefed our Board and the public that inherent inconsistencies would be acquired with the sale for the remainder of the year relative to the former private operation of the Mile and operational procedures of our State agency. Short term measures had to be taken to accommodate the transaction. It was our collective opinion that the purchase was worth the short term challenges and that steps would be taken to rectify the inconsistencies by years end. The Board voted unanimously in favor of the racing rights purchase.

Lastly as stated by our Chairman and myself at the Audit Committee Hearing, we must all work towards arriving at solutions that benefit not only the Milwaukee Mile operation but also that of State Fair Park. Determining an acceptable hybrid government structure for the future operation of the park is absolutely critical in achieving future success. Given our common goal of a financially sound Wisconsin State Fair Park, we are confident short and long term answers can be found if we focus our energy on positive initiatives and solutions. Thank you as always for your past and continued support of our efforts and I regret that this matter has preoccupied your valuable time.

Respectfully, Joseph Chernelich-CEO Wisconsin State Fair Park

Asbjornson, Karen

From: Volz, David
Sent: Friday, November 21, 2003 2:28 PM
To: Asbjornson, Karen
Subject: RE: Pettit Center

That's news to me...thanks for the update!

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

From: Asbjornson, Karen
Sent: Friday, November 21, 2003 2:24 PM
To: Volz, David
Subject: RE: Pettit Center

Hi Dave,

Yes, I did see this. Not sure if your boss told you....Alberta and Dean told the Pettit people that they would personally look into why their payment amount/payment terms were not reduced when their money was refinanced. The LAB is looking into this issue and they will let the Co-Chairs of Finance and Audit know what they find out. Currently, they are waiting for a bond tracking number so they can get at the information.

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

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

From: Volz, David
Sent: Friday, November 21, 2003 2:07 PM
To: Asbjornson, Karen
Subject: FW: Pettit Center

Hi Karen,
Thought I should share this with you, for what it's worth...

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

From: Cindy Yomantas [mailto:cyomantas@thepettit.com]
Sent: Thursday, November 20, 2003 1:37 PM
To: sen.darling@legis.state.wi.us
Subject: Pettit Center

Good afternoon Senator Darling:

As you may recall, I participated in the recent Joint Legislative Audit Committee Hearing concerning Wisconsin State Fair Park. Our group enjoyed sharing information about the Pettit Center. Equally important, we were energized by the Committee's interest in learning more about the facility's debt service (i.e. refinancing the bonds).

Please let me know if there is any way the Pettit can be of assistance as your Committee explores this issue -- and/or if there is any news to share with our Board of Directors.

Thank you and best regards, Cindy

Cindy Yomantas
Executive Director
Pettit National Ice Center
U.S. Olympic Training Facility
500 South 84th Street
Milwaukee, Wisconsin 53214
Phone: 414-266-0100 x109
Fax: 414-266-0122
www.thepettit.com



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

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

November 25, 2003

Mr. Martin Greenberg, Chairman
State Fair Park Board
8100 West Greenfield Avenue
West Allis, Wisconsin 53214

Dear Mr. Greenberg:

On behalf of the members of the Joint Legislative Audit Committee, thank you for the testimony you offered before the Committee at its hearing on November 7. We appreciate your commitment to cooperate as we strive to ensure the effective and efficient management of State Fair Park.

Based on the information presented by the Legislative Audit Bureau in report 03-11, we must underscore our deep concern with the overall financial condition of the Park. Obtaining accurate and complete financial statements for fiscal year 2001-02 and fiscal year 2002-03 is of paramount importance to a careful assessment of the Park's financial condition. It is our expectation that, as Chairman of the State Fair Park Board, you will ensure that these financial statements are provided to the Legislative Audit Bureau on or before January 16, 2004.

In the interim, we expect that the following documents will be forwarded to the Legislative Audit Bureau on or before December 8, 2003:

- a copy of the engagement letter received from the private accounting firm recently hired to compile the financial statements for State Fair Park;
- complete copies of the most recent employment contracts (including base salary, bonus pay, and any other payments) for top State Fair Park officials, including the Chief Executive Officer and the General Manager of the Milwaukee Mile; and
- a written summary of State Fair Park Board actions taken since January 2003 to provide incentive or bonus pay to the Chief Executive Officer, and any other top State Fair Park officials.

Be assured that the Committee will closely monitor the financial condition of State Fair Park and will ask the Legislative Audit Bureau to review the business plans submitted to the State Fair Park Board by the Milwaukee Mile, the Pettit National Ice Center, and the Wisconsin Exposition Center in the weeks and months ahead. Thank you for your assistance and cooperation.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

cc: Janice Mueller, State Auditor



Wisconsin State Fair Park

November 26, 2003

Governor Jim Doyle
State of Wisconsin
P.O. Box 7863
Madison, WI 53707

Dear Governor,

I hope this letter finds you well and making great strides towards building Wisconsin for a brighter future.

The purpose of this communication is to make a special request of you to allow our recent unanimous Board action on Milwaukee Mile venue improvements to proceed on to the December Building Commission docket. Given the current WSFP financial situation, I realize your immediate reaction may be to hold on actions such as these however please know that our Board has not made these recommendations lightly or without thorough research and analysis.

Briefly, here was our rationale for proceeding:

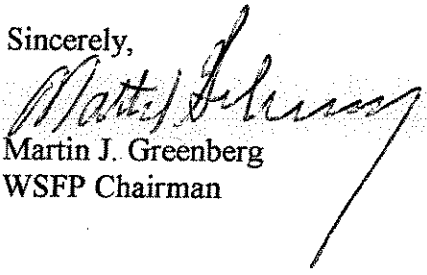
1. Several of the improvements, many of which are safety related, have been mandated by the Racing Sanctioning Bodies and therefore must be adopted, lest we lose the race due to non-compliance.
2. A number the improvements, i.e. the renovated road course, will provide the Mile with opportunities to unlock new revenue sources through new programming with little or no increase in operating expenses. If the road course is not improved, events such as go-carting, club car racing and motor cycle events will not be possible and consequently we lose this revenue source opportunity. Note that public word of this renovation has already brought event promoters to the Mile office to discuss booking road course time.
3. Currently the Mile spends a significant amount of dollars renting trailers for the media and critical care center support. Making these permanent structures allows us to redirect those annual rental costs towards asset investment. Additionally we already have identified interested sponsors who wish to have their name put on these buildings thereby generating increased sponsorship revenues.

4. If total bonding allocation of \$1.8 million was used, the additional annual debt service on the Fair Park would be approximately \$160,000 dollars. Our conservative estimates show an additional \$400,000 in new revenues that would be generated from the improvements. Therefore, even at half of that estimate, we comfortably cover the additional annual cost of investment.
5. In order to complete construction of these improvements in time for the 2004 race season starting in May, we do need to gain a decision before years end.
6. DOA facilities personnel toured the Mile and reviewed the proposed changes first hand and concurred that improvements are warranted. Additionally we asked that DOA Performance Analysis personnel review the associated financials and they recommended proceeding as well.

In conclusion, Governor, I would ask that you allow us to proceed with the knowledge and confidence that we have done our homework well. Improving the financial picture at State Fair Park will only be achieved by growing the business, which is exactly what these improvements will do. As you probably surmised from the Sports Business magazine article I gave to you the other night, positive word of the Milwaukee Mile's renaissance is spreading rapidly throughout the industry. The feedback has been invigorating and reassuring that we are on the right path to success.

Thank you in advance for your earliest consideration.

Sincerely,



Martin J. Greenberg
WSFP Chairman

Cc: Secretary Marc Marotta, Secretary Rob Cramer

State Fair Park Questions Audit Committee needs to ask:

1. How can you justify paying a contract consultant (Mr. Chnelich) \$150,000 per year to act as CEO for State Fair Park when he individual has no line supervisory authority over employees of State Fair Park? (His base annual salary under the last contract as \$143,000 plus a performance bonus of \$7000)
2. How can you justify paying a promoter over \$200,000 per year (Mr. Perrone) plus living expenses? (Approx. \$150,000 base salary, plus a percentage of gross, not net revenues, plus living expenses) FYI.....Mr. Perrone was convicted of tax evasion in Massachusetts and he just got off probation.
3. How can you hire employees who work for the benefit of the state Milwaukee Mile employees) and employ them and pay them through the expo center, a private corporation? Isn't this circumventing the state hiring process? Isn't it using financial resources of a private corporation to pay state bills? This would set a terrible precedent. If it is indicated that EXPO is being reimbursed for the expense of those employees by State Fair Park ask them under what authority they are making those payments to a private corporation.
4. Please explain the free car Mr. Chnelich was given by the Milwaukee Mile organization. If he claims rent was paid monthly ask how much. I'll bet it was far below typical car rental rates. Weren't you also driving a Milwaukee Mile truck for several weeks? (Many of the employees witnessed this)
5. Why do State Fair Park Board members have to file open records requests to get financial information? (Bill Drew repeatedly asked for financial information relating to the racetrack and was stonewalled by Chnelich. Bill also asked for information on Perrone's contract and was denied access by Chnelich, claiming its confidentiality)
6. When the auto race lease was re-negotiated, the new lease required regular planning meetings and specific dates on which financial information on race revenues were to be provided to the State Fair Park Board. The deadline financial reconciliation of race revenues for 2002 was April 1, 2003. Why did Mr. Chnelich not enforce those provisions of the lease? Also promotional plans and revenue projections for future years were to be drawn up and submitted to the State Fair Board. Why was there no attempt to enforce the provisions of the new lease until Board members insisted Mr. Chnelich issue a letter of non-conformance?
7. Original projections of auto race revenue Mr. Chnelich gave to the State Fair Board indicated net revenue from the racetrack operations would be \$1.7 million in 2003. What was the final figure? (A loss) How can the projections of someone responsible for righting the State Fair Park financial ship, be so far off?

8. The Milwaukee Mile racetrack lease had not yet been bought out by State Fair Park when Jim Melvin (general manager of the Milwaukee Mile) was fired by the Milwaukee Mile organization. Why then, did the CEO of State Fair Park meet with their employees to assure them that everything would be OK? Why was Lori Moss (office manager of the Milwaukee Mile) fired by the Milwaukee Mile after she asked for proof that the Milwaukee Mile employee benefits such as health insurance were being provided for?
9. How was the buyout amount for the racetrack lease arrived at? How was it determined that it was financially prudent to buy out the lease? Was a pro forma ever completed showing the buyout was financially prudent? If so, was it even given to the Board for their consideration before asking them to buy out Haas?
10. When the State Fair Board was asked to act on the racetrack lease buyout, were the Board members ever told that the buyout relieved Carl Haas' of the obligation to pay for past racetrack improvements that the State had paid for through general obligation bonds? The old lease required that Haas pay additional rent to compensate the state for debt service on the improvements, which totaled over \$3 million. Who is now going to pay the debt service still outstanding for the next 15-20 years? How much did Mr. Haas pay to be relieved of this obligation?
11. Mr. Chnelich's contract expired October 1st. Is he still working at the Park? Was the contract extended? At what cost and for what term? Why does it cost \$150,000 per year for a CEO at State Fair Park when the previous director of the park (Mr. Bjorkland) made less than \$100,000 (when the park was breaking even), and Mr. Brandherm as interim director was paid \$12,000 per month, including expenses?
12. What has been done to market the EXPO Center since the President left? (Nothing. They haven't even hired a new president or filled their Board membership after three of the Board members resigned in protest when DOA was interfering in the operations of EXPO)
13. Mr. Chnelich was part of the team that promoted the building of the new exposition center and was also instrumental (along with Geoff Hurtado) in the negotiations of events booked by the EXPO center. When then does he now indicate EXPO is a financial burden on State Fair Park and that the bookings at EXPO were insufficient.
14. Mr. Chnelich was involved in the negotiations for the Journal-Sentinel Sport Show. The pro forma for EXPO included revenue from the Sport Show based on attendance provided through those negotiations. He was also involved in negotiations for the Holiday Folk Fair as well. THE ACTUAL ATTENDANCE at these events was significantly less than the numbers Joe provided. In the case of the Sport Show the projected attendance was 150,000. The actual was in the 70,000 range. This one event suffered a \$300,000 reduction in projected revenue

due to the inaccuracies of the projections. Why did no one check the figures during the negotiations? These negotiations took place before EXPO president (Mr. Michael Meyers) was hired and could easily have been checked on the Internet with information posted on the web by the Midwest Express Center and other sport shows. Please note that the projected attendance was also used in the pro forma done to justify the building of EXPO and obtain financing for it.

15. What is State Fair Park's Plan for EXPO? Is money in the reserve fund (intended to cover operating losses during the startup period) being used to pay for State Fair Park expenses? If the State is asked to bail out the EXPO center, how will you pay off \$43 million dollars in debt on a building that cost \$36 million to build?
16. If the State Fair Park was spun off as an authority, who is going to pay the debt service on the improvements that have been made over the recent years? (Grandstand...\$20 million, Pettit...\$7 million remaining debt, EXPO, RV park.... \$2 million, North gate and perimeter fence, Youth Dorm?)
17. The pro-forma developed to justify a new grandstand was completed with information and projections provided by Mr. Mark Perrone. Mr. Chnelich was also deeply involved. The initial pro forma for the grandstand concluded a \$33 million facility would pay for itself with increased revenues. The final version indicated a \$20 million facility would pay. Will it? How? In the last 2 years projections have fallen far short of the figures Mr. Chnelich gave to the State Fair Park Board. Facts also indicate that revenue from food and beverage may have decreased for the auto races, especially the CART race which has experienced attendance reduction? Where is the added revenue that was reported to the Board by Mr. Chnelich? How have the sanction fees been figured into the pro forma now that the Board has bought out the lease (several million dollars)? Was the Board ever informed that sanction fees totaling several million dollars annually have to be paid to get the sanctioning bodies to even hold the auto and truck races at State Fair Park?
18. After the lease for the Milwaukee Mile office space had expired earlier this year, why was their lease NOT RE-NEGOTIATED or their rent increased even though the space they were allowed to use was increased. Was the loss of this rental income the Milwaukee Mile was paying ever reported to the State Fair Park Board when they were asked to buy out the racetrack lease?
19. Does Mr. Chnelich or his company (RAINMAKER CORPORATION) work for clients in addition to State Fair Park? If there is outside employment has authority been granted by the Board for Mr. Chnelich to undertake that employment as required by his contract? (In 2002 he was alleged to have worked for others.)
20. Harley Event.....The contract negotiated by Mr. Chnelich called for rental of the State Fair Park grounds and facilities for a nominal amount of money. In

addition, all rental income from the dorm, RV Park, and vendors had to go into the "gross revenue" pot for the event. From this, the House of Harley was able to deduct and pay for their expenses (they defined what the expenses were with no approval of the State Fair Board) with State Fair Park being paid a percentage of the remaining net revenue. Mr. Chnelich projected income to State Fair Park would total \$150,000. What was the real figure? (I have heard of figures in the \$75,000 range). Based on a similar event several years ago, rental of the dorm rooms alone by state fair park could have generated \$100,000, rental of the RV park another \$100,000, and food and beverage another \$50,000. Add to these parking fees that could have been generated? What was the reason for giving complete control of the State Fair Park grounds to the House of Harley?

21. What is State Fair Park's cash position at this point? What are the accounts payable? How much are the debt service payments that must be made before the next State Fair? How do you pay for operations in the meantime? How do you pay Mr. Perrone, How do you pay the CEO? How do you pay the sanction fees for auto racing? How do you reimburse EXPO for the salaries and benefits paid to Milwaukee Mile employees?
22. Please provide a business plan showing revenues/expenses for the upcoming year.
23. When the race contract was originally owned by the Guiffre brothers and there was a desire to buy them out. Who arranged the deal? (The Wisconsin Sports Authority). Were Mr. Chnelich and Mr. Martin Greenberg associated with the Sports authority at that time or did they take part in the negotiations? The sports authority then selected Carl Haas as the new race promoter. Now Mr. Chnelich has recommended, and the Board has approved paying Haas to buy out his contract (lease) and relieving him of an obligation to pay for improvements costing over \$3 million at the racetrack. Additionally, Mr. Chnelich engineered the hiring of the Milwaukee Mile employees by EXPO to avoid the state hiring process. Finally, Mr. Mark Perone and Mr. Chnelich have been friends for years and now Mr. Perone finds himself on the State Fair Park payroll at a cost of over \$200,000 annually. Does this pass the smell test?????
24. A Ms. Katherine Wellner was hired as a PR person, under the supervision of Kathleen O'Leary, director of marketing for State Fair Park. Due to performance problems, Ms. O'Leary was prepared to terminate her. The problems were well documented. Why, after a private meeting with Mr. Chnelich, was this person paid for six-8 weeks without ever showing up for work?
25. Two people employed by the Milwaukee Mile were recently given substantial raises. Mr. Chuck Kosich was given a raise of approximately \$30,000 to bring his salary to around \$90,000. Additionally, Cheryl Kuchinskis was given a raise of approximately \$15,000 to bring her salary to the \$36,000 range. How were these raises made and under what authority were they granted? What are their work related responsibilities to earn that rate of pay?

26. Why does State Fair Park need a Chief Financial Officer in addition to a high paid CEO when state accounting staff is available, especially when one realizes that the only significant revenue-generating event on the grounds is the State Fair?
27. Why has the State Fair Park CEO been involved in the hiring and firing of State Employees when he has no line supervisory authority (he is a paid consultant)?
28. Why has the CEO asked certain Board members to quit?

Asbjornson, Karen

From: Jason.W.Gallo@jci.com
Sent: Thursday, November 06, 2003 6:40 AM
To: Karen.Asbjornson@legis.state.wi.us



sfpquestions.doc

This email is on behalf of Bob Brandherm.

Karen.....these are the questions that should be asked at the hearing on the State Fair Park audit. The problems run much deeper than the audit bureau reported. Please have

Please have Carol call me before the hearing so we can discuss. I am in New York today (cell # 608-347-2982)

Tomorrow I am on the road to Merrill, WI. (cell will be on)

Tonight I will be at home after 11 PM (608-635-8282 after 11, cell phone before that

thanks
BOB BRANDHERM

(See attached file: sfpquestions.doc)

Jason W. Gallo
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Johnson Controls assists state and municipal governments improve their budget position, renew their infrastructure, reduce the environmental impact of their facilities, and provide secure environments for constituents and employees by delivering sustainable solutions that address their immediate and long-term needs.

WISCONSIN STATE FAIR PARK

During the two year period that the Capitol Police have been the primary law enforcement agency for State Fair Park, a number of enhancements to the security program have been implemented.

An operational security response plan for the park was developed. The plan details responses to various emergency situations.

A new state of the art video system has been installed in the park using Federal Grant money. The video system allows for continuous video monitoring from various points around the park. The cameras can be monitored from any computer on the state network (when the software enabler is installed). Officers, detectives, communications staff and law enforcement supervisors can monitor activity around the park 24-7. The video is monitored in Madison at the Capitol Communications center. During the upcoming year we plan on obtaining additional funding to allow an expansion of the system.

Through another grant, we have dramatically improved the communications program at the park. We added a new dispatch council at the police center. We added a number of portable radios on new frequencies that enable officers to communicate directly to our 24-7 communications center in Madison. We have enough radios on hand to supply all our officers without having to lease radios as in the past for the major events held at the park. Having a 24 – 7 dispatch center monitoring the officer's activity provides a safer work environment for the officers as well as providing greater protection for the park.

Security alarms have been added to the Expo Center, Grand Stand and the new Horse barn. The Thompson Center was also connected. Prior to two years ago, the facility had an alarm but did not report anywhere. The alarms are monitored at the communications center in Madison. This service is free to the park.

Through a number of grants we have been able to supply the officers assigned to the park with a number of tools to allow them to provide a safer environment for the park and it's many visitors.

We acquired a free fully equipped Harley Davidson motorcycle, which is used around the park during major events to patrol the perimeter, the parking lots and to serve as a PR tool for the park.

We purchase defibrillators for deployment in our squad cars and at our station. Officers have all been trained to use the equipment.

We have provided all full time officers in the Milwaukee area with Hazmat response equipment. Protective clothing, respirators and other devises have been placed in the squad cars and the headquarters. Officers have been trained to respond to various emergency situations.

Through a grant from a private corporation, we have purchased a dog that is used for locating explosive devices. The dog is used to provide "sweeps" of sensitive areas prior to events and to respond to suspect bomb incidents.

We have improved and updated the police computer system. Two years ago the computers used by our officers were very much outdated equipment. That equipment has been replaced and additional workstations made available. The police department was given access to a new report and cad system used in Madison. The system allows for our department to better keep track of incidents and to use that information to schedule our resources.

During the past year we added 5 high quality bikes to the bike program. The bikes retail for approximately \$2000 each and were basically donated to the park. We have plans of adding several additional bikes next year. The bike program has proven to be very effective means for officers to respond to emergency situations during crowded periods.

To reduce the park's liability for baseless claims against the police, we have installed in car video systems in each of our patrol units.

We have also purchased new mobile data computers for each of the patrol vehicles in the park. This system allows for more efficiency by the officers and allows another means of communications between officers.

Given the type of venue we have, we felt it necessary to give our officers additional tools other than employing deadly force in critical situations. We now have converted our shotguns to dispense less lethal projectiles. The system is basically a small beanbag that hits the subject with force allowing the officer to apprehend the suspect without using deadly force.

In addition we now have deployed a pepper-ball dispensing system. This system allows the officers greater safety in trying to apprehend an unruly subject or group without have to use batons or other more serious methods.

Officers have also been provided with AR-15 semi automatic weapons. The weapons are assigned to each squad in addition to be located at the police station. The weapon is more accurate than the shotguns and can be used with confidence by all officers.

All officers have received additional training opportunities in specialized classes as well as the standard inservice training provided by our agency. In the past officers attended a minimum of 3 days per year as required by law. Officers now receive a minimum of 8 days, which includes all the required subject matter dictated by the Department of Justice in addition to a number of courses directed at improving the quality of policing in the park.

FUTURE PROJECTS

I would like to obtain a grant to add a parkwide intercom system that could be used for emergency announcements as well as other park information. Currently there is no method to make emergency announcements.

I would like to add two Gators to the police department operations – Gators are the 4-wheel vehicles capable of carry equipment. Gators allow the officers to get around the park quickly and are much safer during events than using full size vehicles.

I would like to add additional video to the park to cover several areas that are currently not covered completely with the new video system. The grant for the video system allowed us to provide approximately 75% coverage. An additional grant can help us to cover the remaining 25%.

CEO COMMENTS – LEGISLATIVE AUDIT COMMITTEE

- THANK YOU MADAME CHAIR AND COMMITTEE MEMBERS. I APPRECIATE THE OPPORTUNITY TO STAND BEFORE YOU TODAY TO DISCUSS THE FINDINGS OF THE LAB REPORT.
- I'D LIKE TO ALSO SAY UPFRONT THAT WE DO APPRECIATE THE PROFESSIONALISM DISPLAYED BY THE AUDIT BUREAU STAFF THROUGH THIS PROCESS. EVEN THOUGH WE MAY NOT AGREE WITH 100% OF THEIR FINDINGS, WE DO RESPECT THE JOB THEY PERFORMED AND VIEW THEIR PRODUCT AS A TOOL FOR OUR FUTURE IMPROVEMENT.
- **RECOMMENDATIONS:** AS STATED IN OUR MANAGEMENT LETTER, WE AGREE WITH THE RECOMMENDATIONS IN THE REPORT AND IN HAVE ALREADY COMPLETED WORK ON MANY OF THE ITEMS.
 1. WE WILL BE PRESENTING A 2004 RACE SEASON BUDGET AND BUSINESS PLAN TO OUR BOARD NEXT FRIDAY FOR REVIEW AND APPROVAL. LAST WEEK WE PRESENTED THE INFIELD CAPITAL IMPROVEMENTS PLAN TO OUR BOARD COMPLETE WITH FINANCIAL JUSTIFICATION TO SUPPORT THE RECOMMENDED IMPROVEMENTS. OUR BOARD UNANIMOUSLY APPROVED THE RECOMMENDATIONS, IN FACT YOUR COLLEAGUE REPRESENTATIVE GUNDERSON MADE THE MOTION FOR APPROVAL.
 2. THE PNIC HAS FINISHED THEIR BUDGET AND BUSINESS PLANNING PROCESS AND WILL BE PRESENTING TO OUR BOARD IN DECEMBER. WE ARE VERY ENCOURAGED WITH PROGRESS BEING MADE THERE UNDER NEW LEADERSHIP.
 3. THE EXPOSITION CENTER HAS FINISHED PRELIMINARY WORK ON THEIR 2004 BUDGET AND BUSINESS PLAN AND WILL PRESENT TO OUR BOARD IN JANUARY. THE REASON FOR THE DELAY IS THAT THE EXPO BOARD IS IN THE FINAL STAGES OF HIRING A NEW PRESIDENT.
 4. STATE FAIR PARK AND THE EXPOSITION CENTER HAVE REWORKED THE PARKING FORMULA TO INSURE THAT STATE FAIR PARK DOES NOT LOSE MONEY ON THE FORMULA.
 5. WE HAVE BEGUN WORK TOWARDS THE USE OF ONE COMMON FINANCIAL SYSTEM AMONG ENTITIES IN ORDER TO BETTER TRACK AND REPORT ON FINANCIALS. CURRENTLY THERE (5) DIFFERENT SYSTEMS THAT ARE USED. IS VERY CUMBERSOME
- LASTLY, WE WILL CONTINUE TO ADOPT THE REMAINING RECOMMENDATIONS MOVING FORWARD INTO NEXT YEAR.

- **FINANCIAL PROGRESS:** WE ARE VIGOROUSLY WORKING WITH DOA TO RECONSTRUCT OUR 2003-2005 BIENNIEL BUDGET, PIECE BY PIECE BASED ON THE ABOVE BUDGETS AND INDIVIDUAL EVENT BUDGETS BUSINESS PLANS FROM THE OTHER ENTITIES AS WELL AS RETOOLING OUR INTERNAL BUDGET. CONSEQUENTLY THIS WILL ALLOW US TO DEVELOP A PAY DOWN PLAN WITH DOA FOR REPAYMENT OF THE SHORT FALL AMOUNTS.
- LAST YEAR WE CREATED A MONTH-TO-MONTH BUDGET TO BETTER UNDERSTAND OUR REVENUE AND EXPENSE ACTIVITY. NOW THAT WE HAVE A ONE YEAR BASELINE WE WILL GO THROUGH THE SAME PROCESS THIS YEAR WHICH WILL ALLOW OUR DEPARTMENT MANAGERS TO BETTER TRACK AND MANAGE THEIR INDIVIDUAL BUDGETS.
- WE ARE CONTINUING THE PRACTICE OF CREATING STANDALONE EVENT BUDGETS IN ORDER TO ACCURATELY MEASURE INDIVIDUAL EVENT PERFORMANCE. (I'VE BROUGHT ALONG TWO EXAMPLES FROM THIS YEARS HARVEST FAIR AND WORLD BEEF EXPO).
- THE 2003 ANNUAL STATE FAIR PROVED TO BE A GREAT SUCCESS BOTH FINANCIALLY AND OPERATIONALLY. DESPITE A 9.5% DECREASE IN ATTENDANCE DUE MOSTLY TO WEATHER AND THE ECONOMY, WE POSTED A NET PROFIT OF \$1.8 MILLION SURPASSING OUR FORECAST BY \$300,000 AND INCREASING NET BY \$800,000 OVER THE PRIOR YEAR. THIS IS AFTER DEDUCTING \$2.8 M OF OVERHEADS FROM THE EVENT BUDGET (THIS IS THE SECOND YEAR THAT WE HAVE USED AN EVENT BUDGET TO DEMONSTRATE THE PERFORMANCE OF OUR BIGGEST EVENT)
- ALTHOUGH NOT BUDGETED FOR THIS FISCAL YEAR, THE HARLEY 100TH ANNIVERSARY EVENT WILL SHOW A NET PROFIT OF \$125-\$150,000.
- WE ARE CURRENTLY IN THE MIDST OF A PARKWIDE 'EXCLUSIVE SOFT DRINK' RFP PROCESS. ALL BUSINESS UNITS AT THE FAIR PARK ARE INCLUDED IN THIS RFP. THIS WILL BE A PRIME EXAMPLE OF OUR ABILITY TO GAIN A GREATER VALUE BY COMBINING EFFORTS AS OPPOSED TO USING DECENTRALIZED, INDEPENDENT EFFORTS. WE EXPECT THE RESULTS TO HAVE A SIGNIFICANT POSITIVE IMPACT ON OUR BOTTOMLINE.

- **AUDIT REPORT:** AS TO THE AUDIT, WE WERE A BIT DISAPPOINTED THAT THERE WAS NO MENTION OF THE POSITIVE STRIDES MADE WITHIN OUR OPERATION IN THE LAST TWO YEARS, MANY EFFORTS OF WHICH WERE RECOMMENDED IN PRIOR LAB AUDIT REPORTS.
 1. INSTALLED A NEW LEADING EDGE ADMISSIONS SYSTEM THAT PROVIDES SUPERIOR ACCURACY OF ATTENDANCE COUNTS WITH MUCH TIGHTER ACCOUNTING CONTROLS.
 2. HIRED AN OUTSIDE PARKING COMPANY TO IMPROVE OUR PARKING OPERATIONS. AS PART OF THIS CONTRACT WE REQUIRED OVER \$300,000 DOLLARS OF PARKING RELATED IMPROVEMENTS SUCH AS NEW GATE SYSTEMS, CAR COUNTING TECHNOLOGY AND LOT PAVING. IMPERIAL PARKING HAS DONE A GREAT JOB OF UNDERING OUR NEEDS AND HAS BEEN VERY RESPONSIVE TO OUR QUALITY REQUIREMENTS.
 3. INSTALLED A NEW WSFP COMPUTER SYSTEM CREATING COST SAVINGS OF OVER \$125,000 ANNUALLY.
 4. RENEGOTIATED OUR SKYGLIDDER CONTRACT TO ALLOW FOR IT TO BE LENGTHENED, RELOCATED WITHOUT USING OUR CAPITAL RESOURCES.
 5. OUR SPACE SALES DEPARTMENT STANDARDIZED OVER (900) EXHIBITOR CONTRACTS WHICH NOW INCLUDE A REPORT CARD SYSTEM FOR REVIEW OF PERFORMANCE AND QUALITY OF APPEARANCE.
 6. IMPLEMENTED A STANDARDIZED VENDOR COMMISSION STRUCTURE THEREBY CREATING A LEVEL PLAYING FIELD FOR ALL VENDORS. ADDITIONALLY WE STANDARDIZED ALL VENDOR CONTRACTS AND NOW REQUIRE USE OF APPROVED CASH REGISTERS AND THE SUBMISSION OF SALES TAPES EACH DAY ALLOWING FOR BETTER INTERNAL ACCOUNTING PRACTICES.
 7. THROUGH A NEWLY NEGOTIATED MIDWAY CONTRACT WE CONTINUE TO IMPROVE MIDWAY OPERATIONS FOR BETTER RIDE PRESENTATION, CLEANLINESS, LAYOUT AND FINANCIAL REPORTING. AS PART OF THAT CONTRACT, STATE FAIR PARK NOW SELLS THE MIDWAY TICKETS. THIS YEAR AGAIN, DESPITE BAD WEATHER, THE MIDWAY HIT A NEW ALL TIME HIGH RIDE GROSS. WE EXPECT THIS POSTIVE TREND TO CONTINUE AND WILL DO OUR BEST TO LEVERAGE THIS CONTRACT TO HELP ADDRESS OUR SHORTFALL SITUATION.

- **GRANDSTAND AND MILWAUKEE MILE: I HAVE BEEN CEO FOR TWO YEARS NOW AND ALTHOUGH I HAD LITTLE OR NO INVOLVEMENT IN BUILDING EITHER THE PETTIT OR THE EXPO CENTER FINANCIAL BUSINESS MODELS, I DID HAVE SIGNIFICANT INVOLVEMENT IN THE MILWAUKEE MILE TRANSACTIONS. CONSEQUENTLY I DO QUESTION A NUMBER OF REFERENCES MADE WITHIN THE AUDIT REPORT ON THAT TOPIC:**
 1. THE PRO-FORMA REFERENCED IN THE AUDIT WAS FOR AN EARLIER, MORE ELABORATE VERSION OF THE GRANDSTAND. \$10 MILLION IN NAMING RIGHTS WAS NOT USED IN THE REVISED PRO-FORMA AND THE \$25 PER CAP WAS REDUCED TO \$12 IN THE REVISED REPORT.
 2. MONTHLY SALARY AMOUNTS FOR MILE EMPLOYEES ACQUIRED IN THE PURCHASE WAS NOT \$67,000 PER MONTH, BUT RATHER \$29,000.
 3. THE \$1.6 M IMPROVEMENTS ASSET VALUE REFERENCED IN THE AUDIT IS A NUMBER USED FOR TAX PURPOSES AND DOES NOT REFLECT TRUE MARKET VALUE WHICH IS CLOSER TO \$32 M. PLEASE NOTE; THIS POINT IS SUPPORTED BY THE STATE CONTROLLERS OFFICE.
 4. WE CONTEND THAT BY PURCHASING MILWAUKEE MILE, WE CREATED NO GREATER RISK THAN EXISTED UNDER THE PRIOR LEASE.
 5. WE CAN RUN THE OPERATION MORE PROFITABLY IN HOUSE AND ACHIEVE THE SUCCESS LEVEL OF THE STATE FAIR EVENT. PROGRESS:
 - DOUBLED NUMBER OF MAJOR EVENTS IN 5 MONTHS
 - RESIGNED NASCAR AND CART SANCTIONING DEALS
 - AVERAGE ATTENDANCE INCREASE – 20%
 - HOSPITALITY REVENUE UP – 606%
 - WE WILL BE HOLDING A PRESS CONFERENCE NEXT WEEK ANNOUNCING OUR FOURTH MAJOR RACE AND THE ADDITION OF A KEY SUPPORT RACE.

IN SUMMARY THINGS ARE TRENDING VERY POSITIVE AT THE MILE

- **PROJECTS HAVE NOT PAID FOR THEMSELVES:** REFERENCES WERE MADE IN THE REPORT ABOUT OVERLY OPTIMISTIC BUSINESS PROJECTIONS AND FACILITIES NOT BEING SELF-SUPPORTING. I WOULD LIKE TO POINT OUT SOME OMISSIONS:

1. THE NEW RV PARK WAS CONSTRUCTED IN 2000 FOR \$1.7 M. SINCE THAT TIME THE RV PARK HAS COVERED DEBT SERVICE AND SHOWED A PROFIT WITH THE EXCEPTION OF A \$10K LOSS IN 2001 DUE TO AN EXCEEDINGLY HOT SUMMER. THE FOUR YEAR NET PROFIT AVERAGE IS \$35,000.
2. THE 2004 RACE SEASON BUDGET WILL FORECAST REVENUES IN EXCESS OF THE SECOND YEAR PRO-FORMA FORECAST, WILL MEET DEBT SERVICE REQUIREMENTS AND SHOW A SLIGHT NET PROFIT.
3. THE EXPOSITION CENTER BUSINESS MODEL DID NOT FORECAST A NET PROFIT UNTIL THE THIRD YEAR OF FULL OPERATION. THE END OF 2003 IS THE FIRST FULL YEAR OF OPERATION.
4. OTHER NON-REVENUE GENERATING IMPROVEMENTS TO THE FAIR PARK WERE NECESSARY.

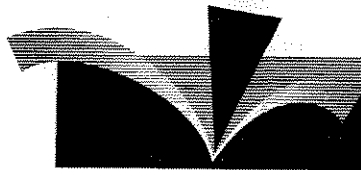
- INFRASTRUCTURE: OUR LIGHTS WENT OUT, PIPES WERE SPRINGING LEAKS IN THE MIDDLE OF THE ROAD AND SEWERS WERE CAVING IN. THESE IMPROVEMENTS HAD TO BE MADE AND MUST CONTINUE TOWARDS COMPLETION.

- DECORATIVE FENCING AND GATES: ALTHOUGH THESE DON'T GENERATE REVENUE, THE POSITIVE IMPRESSION MADE ON THE NEIGHBORHOOD AND LOCAL BUSINESS'S IS UNDENIABLE, NOT TO MENTION THE WELCOME FEELING IT PROVIDES TO OUR ANNUAL VISITORS.

- AG VILLAGE BARN: AG SHOWS STRUGGLE TO MAKE A PROFIT BUT THEY ARE A MAJOR PART OF OUR MISSION.

1. UNDER THE LEADSHIP OF OUR NEW AG DIRECTOR BRIAN BOLAN, WE ARE MAKING GREAT STRIDES IN IMPROVING THE STATE FAIR EXPERIENCE FOR OUR EXHIBITORS AND PATRONS.
2. BRIAN HAS ALSO DONE A GREAT JOB ATTRACTING MORE NON-FAIR AG EVENTS TO STATE FAIR PARK AND THE MARKS WE ARE GETTING FOR OPERATIONS AND FACILITIES ARE OUTSTANDING.

- **IN SUMMARY, I WOULD SUGGEST TO YOU THAT ALTHOUGH SOME OF THE PAST STRATEGIES USED TO ACHIEVE THE BUILDING PLAN MAY BE DEBATEABLE, THERE IS NO DENYING THAT STATE FAIR PARK IN RECENT DECADES HAS NEVER LOOKED BETTER.**
- **CONSEQUENTLY, PEOPLE ARE RETURNING TO STATE FAIR BECAUSE IT ONCE AGAIN LOOKS CLEAN AND NEW. IT LOOKS LIKE SOMETHING WE CAN BE PROUD OF. SMALL IMPROVEMENTS AND COMPLETION OF INFRASTRUCTURE WORK SHOULD CONTINUE ON A CLOSELY MEASURED BASIS HOWEVER UNDER NO CIRCUMSTANCES SHOULD BE LEFT UNCOMPLETED LEST WE FALL INTO THE SAME TRAP OF PAST.**
- **THE IMPROVEMENTS MADE TO-DATE WILL NOW ALLOW US TO GROW THE BUSINESS BECAUSE WE HAVE THE QUALITY VENUES TO DO SO. TO ACHIEVE THAT GOAL HOWEVER WE STILL NEED AN EFFICIENT OPERATIONAL STRUCTURE AND TOOLS TO DO SO. HOPEFULLY THIS NEW BOARD BUSINESS PLAN WILL PROVIDE THE IMPETUS TO FINALLY ALLOW STATE FAIR PARK TO OPERATIONALLY ACHIEVE ITS FULL POTENTIAL.**
- **IN THE MEANTIME, ON BEHALF OF THE ENTIRE STATE FAIR PARK, WE WOULD LIKE TO THANK YOU FOR YOUR UNWAVERING SUPPORT IN THE PAST AND HOPEFULLY YOUR CONFIDENCE IN OUR ABILITY MOVING FORWARD TO RESOLVE THESE LINGERING FINANCIAL PROBLEMS.**
- **FUTURE GENERATIONS OF WISCONSIN STATE FAIR PARK PATRONS ARE COUNTING ON US TO SUCCEED IN ORDER TO KEEP THE 150 YEAR PLUS TRADITION OF STATE FAIR GOING STRONG. THANK YOU AND I AM HAPPY ANSWER ANY QUESTIONS.**



Pettit National Ice Center U.S. Olympic Training Facility

Activity Highlights

- July 2003** **New leadership team** including executive director, programming director and marketing director joins Pettit Center staff.
- USOC official and Wauwatosa resident **Gale Tanger** joins the Pettit Center Board of Directors.
- Programming initiatives** drive year-over-year monthly revenue up 30%, during what has historically been one of the Center's slowest months. Pro Shop also sets revenue record.
- Wisconsin AAA Hockey** signs a self-renewing three-year agreement maintaining the Pettit Center as the organization's home ice.
- The Pettit Center welcomes four-time Olympian David Cruikshank and his personal training company as a **new facility tenant**.
- Nearly 100 family members attend Pettit Youth Hockey League meeting. Asked why they participate at the Pettit Center, one parent responds: "**The Rings on the outside of the building don't stand for average.**"
- The Pettit Center and U.S. Speedskating house camp attendees in the Tommy Thompson Youth Dormitory. **The Dormitory is assimilated into a "Pettit Campus" concept for the Center's programming initiatives.**
- Acknowledging that the sea level experience provided by the Pettit is important to its training regimen, **Team Canada utilizes the facility.**
- August 2003** Representatives of the **United States Olympic Committee** visit the Pettit Center and meet with staff and representatives of the facility's key user groups. Enhanced access to the Olympic rings is discussed.

Comprehensive **Pettit Center Business Plan** is developed and subsequently approved August 25, 2003 by the PNIC Board of Directors. Key revenue-generating initiatives identified in the plan include programming and sponsorship. A debt service payment plan is also developed, mirroring the Pettit's anticipated annual cash flow, and subsequently shared with WSFP.

Highlights of the PNIC Business Plan are shared with Marty Greenberg and Joe Chernelich August 29, 2003 during a second meeting in as many months with the WSFP representatives. Joe calls the plan "excellent" and comments that WSFP entities need to produce similar plans.

The **U.S. National Speedskating Team** trains at the Pettit Center and resides on the Pettit Campus (i.e. the WSFP Youth Dormitory), for a two-week period. Once again, the sea-level training experience in advance of the 2006 Winter Games is credited with the team's return to the Pettit.

Sept. 2003 A key initiative of the 2003-04 Business Plan is achieved when U.S. Speedskating announces that the **Development Office of the National Governing Body will be housed at the Pettit Center.**

Olympic medal winner **Dan Jansen** agrees to serve as spokesperson for the Friends of the Pettit fundraising organization.

The Pettit's **men's hockey league sets a facility record** with 25 teams.

Another Business Plan initiative is brought to fruition with the **launch of the Pettit concession stand** as an internally operated feature. Such a strategy allows the Pettit Center to retain 100 percent of the operation's profits.

New Fall Freeze hockey tournament is held at the Pettit Center and attracts 16 teams from locations as far away as Alaska.

Discussions are held with WSFP about securing a **WSFP Board member for the Pettit Board of Directors.**

Pettit staff supplemented with four (4) credit-only **college interns** assisting with various marketing initiatives including group sales – a first for the Center.

In support of the Pettit Business Plan, brochures describing the **Kids On Ice field trip** initiative are mailed to area schools. Center also provides **home-schooled participants** with a physical education experience.

As the first step in a Pettit Center Business Plan strategy, the Center meets with WSFP Fair consultant to identify milestone dates in the planning process of the State Fair. The Pettit Business Plan calls for the **Center to create programming to help enhance Fair attendance.**

Oct. 2003

Pettit Center representatives attend the **U.S. Speedskating Fall Board meeting.** The Center is awarded several competitions and is named the site of the 2004 Fall Board meeting.

Olympic sponsor **Sports Illustrated** makes the Pettit Center a destination on its 50th Anniversary Tour. A special skate promotion attracts more than double the number of skaters compared to a similar offer the previous year.

Friends of the Pettit Board of Directors meeting is held to elect officers. The group begins work on new major fundraising initiatives for the Center.

Wisconsin Figure Skating Association names Pettit its home ice for next three years.

Pettit Center representatives meet in Madison with Department of Administration representative Laura Engan to continue discussion about **re-structuring the facility's debt service.**

Representatives of the **Calgary Olympic Oval** contact the Pettit Center to explore the potential of hosting a summer camp in Milwaukee for up to 200 athletes.

Children's Hospital CEO **Jon Vice** is named a Pettit Foundation appointee to the Center's Board of Directors.

The Pettit's **calendar of summer camps and clinics is finalized.** Offerings include hockey, figure and speed skating along with a new Olympic Training Facility day camp experience designed to inspire health and fitness among youth participants. Importantly, the camp experiences incorporate the Pettit Campus concept (i.e. WSFP Youth Dormitory) during nearly nine weeks.

Pettit Center **sponsorship initiative** launched to encouraging response. Two out of first three pitches closed and third is pending.

Initial discussions with potential operators of a **restaurant/sports bar** to be located within the Pettit Center (similar to TGI Fridays at Miller Park), also enjoy enthusiastic reception.

Pettit Center develops and submits proposal to host **Northwestern Mutual** activity during company's 2004 summer meeting.

New Halloween Hockey Camp and Halloween Figure Camp initiatives attract nearly 100 participants. Pettit's concession operation provides lunch for attendees, further enhancing the facility's revenue generating potential.

Nov. 2003 **Great Lakes Short Track** competition attracts 150 skaters. Pettit Center wins praises from representatives of the West Allis Speedskating Club and U.S. Speedskating. Pettit's concession operation enjoys increased business during the competition.

Pettit representative meets with **West Allis Mayor** to discuss city's 100th anniversary in 2006, which coincides with the Winter Games. Also secure contacts for health, fitness, education and fundraising celebrations.

Quantify Pettit's remarkable statistics as **Wisconsin's "House of Champions"** with a 10-year history including:

- Eight (8) Olympic medallists
- Fifteen (15) Olympic medals
- Three World Championships at Pettit