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☞ Details: Documents related to the audit and potential sale of the Milwaukee Brewers Baseball Club

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Joint

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* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)


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County committee joins chorus demanding Brewers audit

Measures calling for review, time limit on sales tax get backing

By STEVE SCHULTZE
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Posted: Dec. 15, 2003

A group of Milwaukee County supervisors launched a fastball at the Milwaukee Brewers Monday, adding their voices to the demand for a public audit of the baseball team's finances and favoring a sunset on the Miller Park sales tax.

The County Board's intergovernmental relations committee approved resolutions favoring the audit and the tax sunset, as panel members expressed impatience at the pace of negotiations over details of an audit and anger over team spending.

Both resolutions are scheduled for consideration by the full County Board on Thursday.

"The public has committed \$1 billion to a private sector company, and the Brewers have not lived up to their end of the bargain," said County Supervisor Robert Krug, the sponsor of the audit resolution. The \$1 billion refers to the estimated full cost of the stadium construction, interest payments on debt and operation costs through 2030.

Krug repeated criticism heard often in recent weeks over the Brewers' reported plans to cut the franchise's payroll, something politicians and others have argued will mean continuation of the team's losing ways.

"I'm extremely disappointed with the foot-dragging that the Milwaukee Brewers have shown on this," said Krug, referring to the Brewers audit.

Team officials have endorsed a proposal for a group of three local CEOs, with some as-yet-unspecified participation by the state auditor, to review Brewers financial records.

Discussions on how that would take place are continuing, said Brewers spokesman H. Carl Mueller. State legislative leaders have called for a state audit and have been involved in those talks.

"I would expect to report some progress on that in the next week or so," Mueller said.

Rick Schlesinger, a Brewers vice president, said in a letter to Krug released Monday that the team was "as eager as anyone to make sure elected officials, or fans and the public receive the answers to the legitimate questions being raised.

"Regaining public confidence is important to the Brewers in moving forward and preparing for the upcoming season," Schlesinger said. The Brewers, the Metropolitan Milwaukee Association of Commerce and the Legislative Audit Bureau continue to work on the audit issue, he said.

Krug questioned how thorough an audit would be unless there is a full public accounting of the team's spending. He said any audit should disclose salaries paid to team executives, financial details of any loans made to the team by Brewers owners, and whether there are any third-party relationships between team owners and firms with whom the team does business.

The committee endorsed the public audit resolution on a 6-0 vote.

Quotable

“ The public has committed \$1 billion to a private sector company, and the Brewers have not lived up to their end of the bargain. ”

- County Supervisor Robert Krug, sponsor of the audit resolution

Supervisor Rob McDonald said the Brewers' expected cut to the payroll prompted him to sponsor the resolution calling on the state to set a definite date for ending the 0.1% stadium tax.

At the request of team representatives, however, McDonald agreed to amend the original wording of his resolution by deleting 2014 as the specific year for the stadium tax sunset. He said he planned to try to reinsert the date when the measure comes up Thursday.

The committee endorsed the sunset resolution on a 5-1 vote.

Supervisor Daniel Diliberti voted against the measure, saying he was concerned about the county losing its chance to recoup its \$18 million payment for the stadium costs in case the Brewers ever left Milwaukee.

Sunset supporter Supervisor Tim Johnson said he could not justify "subsidizing office space for millionaires" with the tax revenue.

"When is enough enough?" Johnson asked. "When are we paying these people too much to play a sport?"

Also Monday, state Sen. Tim Carpenter (D-Milwaukee) said he will press for consideration of his bill in the Legislature to put a sunset on the stadium tax by 2014.

From the Dec. 16, 2003 editions of the Milwaukee Journal Sentinel

Original URL: <http://www.jsonline.com/sports/brew/dec03/193205.asp>

Brewers confirm dealing with Selig's leasing firm

By **DON WALKER**
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Posted: Dec. 16, 2003

A West Allis automobile leasing firm whose president is Baseball Commissioner Bud Selig provides some car-leasing services to Milwaukee Brewers' employees, a team official confirmed Tuesday.

Robert J. Quinn, the Brewers' chief financial officer, provided details of the arrangement with Selig Leasing Co.

Quinn said Selig Leasing was one of a number of auto leasing firms with which the team does business.

"Our leases are not solely with Selig Leasing," Quinn said. "We have other arrangements with other leasing firms."

Selig controls an estimated 30% of the Milwaukee Brewers. Since becoming commissioner, he has placed his holdings in a voting trust controlled by two members of the team's board of directors.

As commissioner, Selig has steadfastly maintained, as have top officials within Major League Baseball and the Brewers, that he does not get involved in team affairs because of his ownership interest.

Told of the car-leasing arrangement, Assembly Speaker John Gard (R-Peshtigo) said he did not have any knowledge there was anything improper about it.

"An arrangement like this is probably consistent with what a number of other organizations do. That is an area of inquiry for us," he said.

Gard added: "I'm going to stay focused on the financial stability and future of the club. Hopefully the state auditor will answer a number of questions."


Gard and other state legislators have called on the Brewers to submit to a state audit. While talks continue on finding a role for the state auditor, a three-member panel of Milwaukee area business executives appointed by the Metropolitan Milwaukee Association of Commerce has plans to inspect team finances and report back to the public.

The Brewers' move to open their books comes after weeks of criticism and comment from fans and politicians. After Ulice Payne Jr., the team's president and CEO, made public his concerns after he and the board agreed on a plan to reduce the team's payroll to close to \$30 million next year, the team came under fire for not fielding a competitive team despite public tax support for a new stadium. Payne left the Brewers last month after reaching a severance agreement with the team.

Selig could not be reached for comment. H. Carl Mueller, a spokesman for the team's board of directors, said of the car-leasing deal: "I would expect this to be part of the work of the MMAC

Brewers/MLB

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task force. It's all fair game."

Timothy Sheehy, MMAC president, said he didn't think the arrangement with Selig Leasing was unusual, adding that he thought many people knew of the business relationship.

"It will be an issue with people, but our question will be is whether it is unusual or material," he said.

Quinn agreed that the relationship with Selig Leasing would be fully disclosed to the three-member panel.

According to the state Department of Financial Institutions, which maintains corporation records in Wisconsin, Bud Selig is listed as the president of Selig Leasing Co. Selig's daughter, Wendy Selig-Prieb, who is chairman of the Brewers' board of directors, is listed as a member of the board of directors, as is Sari Selig Kramer, Wendy's sister.

The relationship Selig Leasing has with the Brewers is known as a related party transaction. In accounting terms, it means a transaction between a business or people who do not have an arm's length relationship.

Quinn said the franchise did business with Selig Leasing because they were competitive with other firms in the area.

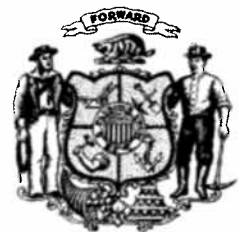
"The leasing rates we get from Selig Leasing you will find are competitive with other leasing companies," said Quinn, who declined to say how much business Selig Leasing had with the team, or how many employees leased cars.

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From the Dec. 17, 2003 editions of the Milwaukee Journal Sentinel



WISCONSIN STATE LEGISLATURE



Brewers need to share secrets with the public

There's a reason the Milwaukee Brewers don't want to open its financial books to public inspection. There are things in there that the team's ownership (otherwise known as the Seligs and their lackey partners) doesn't want the rest of us to know about. No one knows what those things are but I have quite a few suspicions. If the Brewers refuse to make its records open, I'd like the organization to at least answer the following questions:



Mark Belling

1. During the period that Wendy Selig-Prieb stepped aside as team president and supposedly gave up day-to-day management of the team, did she continue to draw salary and, if so, how much?
2. Was the \$44 million that the Brewers say the current owners pumped into the team used to fund ball club operations or was it merely to increase their own equity stake by buying out other owners?
3. How was the \$15 million in baseball revenue sharing money used?
4. Has the team been paying down its debt with money hauled in from Miller Park, revenue sharing, stadium sponsorships and other new monies?
5. If the team's revenues are \$113 million as Bud Selig said in sworn testimony, what are its expenses? If the payroll is being reduced to \$30 million, where is the other \$83 million going?
6. Have team owners and directors received a dividend or any other type of cash or stock distribution in the past five years?
7. How much are the directors being paid?
8. What is the salary of Selig-Prieb's husband, Laurel?
9. Has the team's stated debt of \$110 million been restructured to accelerate payments that would increase ownership's equity?
10. Was the salary of Brewers executive vice president Rick Schlesinger increased at any time since he's been hired?
11. When team officials say they need to draw two million fans to break even, are they referring to simple operating profits or are they referring to all expenses including repayment of loans used by present owners to buy out other owners?

I actually have more questions, but those will suffice for now. The premise behind all of the questions is that I don't trust the word of the Seligs anymore. When they claimed Wendy was stepping aside from daily management of the team, they were conning people. The fact that Ulice Payne was kept on such a short leash is proof of that. As for the fiscal situation, my strong belief is that the current owners are trying to raise their own personal stakes in the team by buying out other owners and reducing their debt. If they are using the increased Miller Park revenue for this purpose, they have betrayed the trust of all of us who supported the stadium project and its underlying tax.

Bud and Wendy could end all doubt about these questions if they opened the books or, at the least, answered my 11 questions. They are intending to do neither. The obvious reason is because they know what the reaction to the 11 answers would be.

* * *

The *Journal Sentinel* reported the other day that one of the reasons Wisconsin Attorney General Peg Lautenschlager is endorsing presidential candidate Howard Dean is because she likes his "fiscal conservatism." That's like defending Saddam Hussein because you like his record on protecting human rights or supporting the Brewers because of their long tradition of winning.

Mark Belling is the host of News-Talk 1130 WISN's "Mark Belling Late Afternoon Show" heard daily 3-6 p.m. His column can also be found online at www.discoverhometown.com.

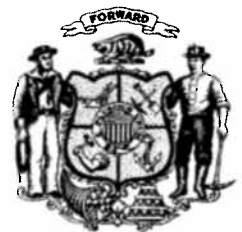
See 2/27, 2003 Hometown (GT)

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WISCONSIN STATE LEGISLATURE



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Brewers close to deal with state

Plan would produce two financial reports

By **DON WALKER**
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Posted: Jan. 8, 2004

In a plan under discussion, state auditors would be given access to the Milwaukee Brewers' financial records and would produce a report separate from a planned review by a three-member panel of business executives.

According to Brewers officials and other involved in the negotiations, the state's Legislative Audit Bureau would be granted access to the same set of financial documents that will be made available to the three-member business panel.

Left unclear is whether the audit bureau would conduct a full-blown audit of the team or something short of that.

Normally when the audit bureau conducts an audit, the working papers become public records after the audit is completed and published. The Brewers have concerns about the release of financial records.

Under the current plan, the audit bureau would, in effect, be working on a parallel track with the business panel, according to Robert J. Quinn, the Brewers' chief financial officer, and Timothy Sheehy, president of the Metropolitan Milwaukee Association of Commerce. Sheehy appointed the business panel.

"There will be independent reviews, but they will have access to the same data," Quinn said Thursday. "They will issue different reports."

Quinn and Sheehy said talks took place Monday and Thursday.

"We are getting closer. They are productive talks. I would say we are down to minor clarification issues," Quinn said.

Assembly Speaker John Gard (R-Peshtigo), who with Senate Majority Leader Mary Panzer (R-West Bend) has called for a state audit of the Brewers' books, said "it's not soup yet."

"I think we're getting close," Gard said Thursday night.

Gard said he planned to speak today with state auditor Jan Mueller, who leads the Legislative Audit Bureau.

The issue of team finances arose after Ulice Payne Jr., the team's former president and CEO, raised concerns about the direction of the team.

Last fall, Payne and the team's board of directors signed off on a plan to reduce the payroll this season to as low as \$30 million. Fans and politicians reacted swiftly and harshly, saying the team did not live up to its commitment to field a competitive team to play in Miller Park, which opened in March 2001.

Payne left the Brewers after reaching a severance agreement with the team.

In the ensuing furor, fans and politicians called on the Brewers to disclose more fully how they have been spending their money.

Sheehy said final approval of a deal to involve the state auditor would have to come from Gard and Panzer. He said he envisioned setting aside a room where all of the interested parties would be given the same access to financial records.

Panzer was unavailable for comment, but a spokesman said she was optimistic an agreement could be reached.

Asked if the audit bureau would conduct a full-blown audit, Sheehy said: "I would hesitate to say that. This is a voluntary action by the Brewers to allow an auditor to come in and review their finances."

Quinn declined to discuss in detail a possible agreement.

From the Jan. 9, 2004 editions of the Milwaukee Journal Sentinel

Original URL: <http://www.jsonline.com/news/editorials/jan04/201070.asp>

Editorial: Proceed with audit of team

From the Journal Sentinel

Posted: Jan. 19, 2004

Mary Panzer has it exactly right. While things have changed for the Milwaukee Brewers with last week's announcement that the team is for sale, the development makes it even more imperative that state auditors review the team's finances and disclose their findings to the public.

"Now more than ever the state auditor needs to be authorized to conduct a full review of the Brewers," said Panzer, the Senate majority leader and West Bend Republican, citing the need for public disclosure on critical matters such as the terms and conditions of team debt, business relationships and administrative costs. Fellow Republican John Gard of Peshtigo, the Assembly speaker, agreed with Panzer. So did Rep. Robert Ziegelbauer, a Democrat from Manitowoc. "It's important to have accountability," Ziegelbauer correctly noted. "As we transition to new ownership, the whole story needs to be assembled."

And the only way that story can be assembled while maintaining credibility is for state auditors to have a role in the review. While the decision of the present ownership group to sell does change the dynamics somewhat, the public's interest in this matter remains paramount - and unchanged. Taxpayers have a huge stake in this venture since they are footing the bill for Miller Park through a five-county sales tax.

What role the Legislative Audit Bureau would play in the review of the team's books is still not clear. But the possibility that the review could entail a full-blown public audit makes Brewers officials understandably nervous because they believe some information about the team should not be disclosed for competitive reasons. We think reasonable people should be able to work out a compromise that would respect the need of Brewers' officials to keep certain information confidential while they give auditors access to other information that would satisfy the public's right to know.

The Metropolitan Milwaukee Association of Commerce has named three business leaders to review the team's finances, and that group is reportedly ready to go. Timothy Sheehy, president of the MMAC, said he hoped to reach agreement with legislators and Brewers officials this week on the scope of the review. Fine. Just so that agreement allows state auditors to examine the books as well, either independently or in conjunction with the MMAC panel.

From the Jan. 21, 2004 editions of the Milwaukee Journal Sentinel

Committee to consider end to baseball stadium taxes

January 25, 2004

MADISON - A legislative committee is scheduled to take up a bill this week that would set an end date for the Miller Park sales tax in southeastern Wisconsin.

Senate Bill 2003 would ensure sales and use taxes for professional baseball districts end on Dec. 31, 2014.

A tenth of a cent sales tax to help pay for Miller Park, the Milwaukee Brewers' new stadium, is levied in Milwaukee, Ozaukee, Washington, Waukesha and Racine counties.

The Senate Committee on Homeland Security, Veterans and Military Affairs and Government Reform is scheduled to meet at 1 p.m. Thursday in room 300 Southeast in the state Capitol.

Original URL: <http://www.jsonline.com/sports/brew/jan04/203991.asp>

Deal struck on review of Brewers' finances

Not quite an audit, report will lack details on salaries, shareholders

By **DON WALKER**
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Posted: Jan. 30, 2004

State legislative leaders and the Milwaukee Brewers reached an agreement Friday on a review of the team's finances, but the deal appears to fall short of a definitive state audit.

The carefully worded eight-page document does not include the word *audit*, although a press release issued by Assembly Speaker John Gard (R-Peshtigo), who helped broker the agreement, refers to the agreement as such. In their press release, the Brewers refer to the deal as an "unprecedented comprehensive overview" by the state's Legislative Audit Bureau.

The distinction between *audit* and *review* is an important one for both the audit bureau, which is accustomed to conducting thorough, professional audits involving issues of public policy for the Legislature and the taxpayers, and the Brewers, who were uncomfortable for competitive reasons with the idea of releasing financial records to the audit bureau and, ultimately, the public.

Instead, the agreement states that, although the Brewers had no legal obligation to allow the audit bureau to review financial records because they are a private company, they are willing to do so "in an effort to put the facts on the table" that will address concerns about revenues, expenses, debt, ownership activity and other club matters and "provide a healthy discussion among community, team and legislative leaders."

"The LAB's objective is to produce a report that summarizes the historical sources and uses of (the Brewers') cash flows, including operating (revenue and expense), financing and investing activities over the past 10 years," the agreement states.

The deal, which comes just two weeks after the team's owners announced that the team would be put up for sale, was signed by state auditor Janice Mueller and Robert Quinn, the team's chief financial officer. The Brewers and officials representing Major League Baseball have called the Brewers' offer to open their books unprecedented among professional sports franchises.

The agreement was reached after lengthy negotiations that included Gard; Senate Majority Leader Mary Panzer (R-West Bend); Mueller; Quinn; Wendy Selig-Prieb, chairwoman of the Brewers' board of directors; Michael Grebe, a Brewers director; and Rick Schlesinger, the team's executive vice president for stadium operations.

Simultaneous reviews

The audit bureau review will be conducted at the same time as a review prepared by a three-member panel of business executives, who were appointed by the Metropolitan Milwaukee Association of Commerce. Each entity will issue a report to the public after a 90-day period.

"I believe both reports will address the questions that have been raised and concerns that have been raised," Quinn said. "I truly believe it will answer all of the questions that have been raised as it relates to the commitment of the shareholders, the investment in the ballpark and baseball operations."

Brewers/MLB

Quotable

“ We don't have the authority to be able to disclose everything we'd like to, so we ended up somewhere in the middle. ”

- John Gard,
 Assembly Speaker

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In a prepared statement, Schlesinger said, "We are eager to provide our fans and the taxpayers of the five-county area that are responsible for our world-class ballpark with the facts to correct any misinformation and provide a deeper understanding regarding the ballclub's finances."

Last November, Gard, Panzer, Rep. Bob Ziegelbauer (D-Manitowoc) and dozens of other state legislators called on the Brewers to allow the audit bureau to conduct a complete and open audit.

The legislators were reacting to a fan firestorm of criticism directed against the team in the aftermath of the departure last fall of Ulice Payne Jr., the team's former president and CEO. Payne had made public his misgivings about the cuts in player payroll for this coming season - the payroll is now estimated to be about \$30 million - after he and his board had signed off on the budget trims.

Ziegelbauer, while praising the work of Panzer and Gard and the competence of the audit bureau, said the financial review would provide an incomplete picture.

"From the Brewers' perspective, this looks to me like it's carefully designed to prevent embarrassing revelations to the principal owners," Ziegelbauer said. "Secondarily, it's designed to paint as sympathetic a picture as possible of the Brewers. This will just set off more questions."

Said Gard, "We don't have the authority to be able to disclose everything we'd like to, so we ended up somewhere in the middle."

Agreement on details

The agreement between the state and the Brewers details the amount and level of access to financial records. Under the agreement, for example, "the LAB is likely to include tables showing information, if relevant, only within larger categories or ranges to highlight trends of expenses and revenues over the past 10 years, as opposed to line items reflecting individual revenue and expense items."

Additionally, the document calls upon the audit bureau to "preserve" the confidentiality of records designated by the Brewers as confidential. That would include the audit bureau's own notes or work papers, which would be labeled confidential and not subject to public disclosure, the agreement states.

All documentation will be made available in a room at Miller Park, under the agreement, and the information cannot be removed from the building.

"We kept pushing for what we believed is needed to give the public an accurate picture," Panzer said of the negotiations.

Key issues

According to the agreement, the audit bureau will report on a number of key issues. They include:

- Summary of the team's operations, including changes in revenue over 10 years, including such items as concessions, parking and ticket revenue, as well as expenses and cash flows. But the audit bureau will not be allowed to provide specific numbers on each component.

In addition, the audit bureau will not be allowed to disclose the specific salaries of employees, but will be allowed to disclose whether the salaries are "less than, equal to, or greater than the Major League Baseball industry averages paid to persons performing the same or similar job duties at other clubs."

The report will detail the team's general and administrative expenses, but only to the extent of how they compare with other baseball franchises.

- How much debt the team carries, how much that has changed over 10 years, who owns the team and their ownership percentages, how much team owners have contributed or withdrawn, and what payments have been made to the owners in the form of salaries, fees or other payments.

However, the agreement said specific information about shareholders and their identities would not be disclosed, including the "relative ownership percentages of specific owners."

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The audit bureau also will learn to what extent team owners or other parties lent money to the ballclub. But under the agreement signed by Mueller, specific terms and conditions of those loans won't be disclosed.

- **Related party transactions.** Under the agreement, related party transactions mean an agreement or loan between the team and a director or shareholder of the franchise. The audit bureau report will be able to summarize those transactions and describe them but won't be able to itemize them in detail.

An example of a related party transaction involves baseball Commissioner Bud Selig, whose 26% ownership percentage in the team is controlled by a voting trust. Selig is also president of a West Allis automobile leasing firm that does business with the Brewers.

The MMAC panel consists of Curt Culver, president and CEO of MGIC Investment Corp.; Jim Keyes, former chairman of Johnson Controls; and Bob O'Toole, chairman and CEO of A.O. Smith Corp.

Quinn said a meeting was scheduled next week to set up a timetable for the reviews to begin.

"Most people want a bright future for Milwaukee Brewers baseball, whoever the ownership team is," Gard said. "We want to have a successful team, but you need a confident and trusting public to accomplish that. This is a step in the right direction."

From the Jan. 31, 2004 editions of the Milwaukee Journal Sentinel

Sen. Panzer and Rep. Gard: Brewers Agree to Open Books to State Auditor
1/30/2004

FOR IMMEDIATE RELEASE
CONTACT: SPEAKER GARD 608-266-2402
SEN. PANZER 608-266-7513

MADISON...The Milwaukee Brewers will give state auditors complete access to their team books under an agreement announced today between team officials and Assembly Speaker John Gard (R-Peshtigo) and Senate Majority Leader Mary Panzer (R-West Bend).

"From day one, my concern is to see baseball be successful in Milwaukee and Wisconsin," said Gard who, along with Panzer and Rep. Bob Ziegelbauer (D-Manitowoc), initially called for the Brewers to open their books to the non-partisan Legislative Audit Bureau in November. "The goal of this independent audit is to help restore the public's confidence in the future of Milwaukee Brewer baseball."

The lawmakers first called for a state audit after it was reported that the Brewers board had instructed the team president to slash player payroll by nearly 25%. At \$40 million, the Brewers already had one of the lowest payrolls in the major leagues and the Brewers had just completed their eleventh straight losing season. Since then, the current team ownership announced that it is putting the team up for sale.

The lawmakers insisted that the public has an interest in obtaining this information because of the public-private partnership with the team, which was at the heart of the legislation funding construction of Miller Park for the Brewers in 1996.

According to the agreement reached today, the Brewers will allow the non-partisan Legislative Audit Bureau access to, "Produce a report that summarizes the historical sources and uses of Milwaukee Brewers baseball club (MBBC) cash flows, including operating (revenue and expense) financing, and investing activities over the past ten years."

"I want to thank the Brewers for working with us to reach this agreement," said Panzer. "I am confident it will reestablish trust between the public and the Brewers organization. I believe this audit is a positive move forward for Brewer baseball in Milwaukee."

State auditor Jan Mueller said that she expects the Legislative Audit Bureau to complete their audit of the club later this spring.

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State to audit Brewers So will Milwaukee group

By Arnie Stapleton
Associated Press
January 31, 2004

MILWAUKEE - The Milwaukee Brewers are opening their books in hopes of restoring public trust after a tumultuous offseason.

The state Legislative Audit Bureau and the Metropolitan Milwaukee Association of Commerce will conduct separate reviews of the club's finances over the last 10 years, said Rick Schlesinger, the Brewers' executive vice president in charge of business operations.

Brewers chief financial officer Bob Quinn will work with the groups when they begin their reviews next week. Reports are expected within 90 days.

"This is unprecedented on several levels," Schlesinger told The Associated Press. "I'm not aware of any professional sports team that's agreed to this level of scrutiny. And No. 2, the Legislative Audit Bureau usually audits state agencies. It's not in the habit of reviewing private enterprises."

The Brewers have been in discussions for several weeks over a review of the club's finances, which stemmed from a public outcry after the November departure of popular team President Ulice Payne Jr., who went public with his reservations about plans to trim the teams' payroll by 25 percent.

The announcement brought the club a chorus of criticism for its failure to live up to its promise of building a better ballclub in a new stadium. The Brewers pledged higher payrolls and better teams when they won approval from state lawmakers in the 1990s to have taxpayers in a five-county area foot most of the bill for the \$413 million Miller Park. The stadium opened in 2001.

But the Brewers' payrolls have declined the last two seasons and the club hasn't had a winning season since 1992. After Payne's departure, several state lawmakers called for a full-fledged public audit - something the Brewers had always resisted.

Assembly Majority Leader John Gard, R-Peshtigo, and Senate Majority Leader Mary Panzer, R-West Bend, who pushed for the state audit, issued a joint statement saying the report will help restore fans' faith.

"From day one, my concern is to see baseball be successful in Milwaukee and Wisconsin," Gard said.

The Brewers, whose 2004 payroll in the \$30 million range is expected to be the lowest in baseball, traded away their best player, All-Star first baseman Richie Sexson, late last year. This month they put the club up for sale.

The family of baseball Commissioner Bud Selig owns the majority interest - 26 percent - of the club.

The financial reviews shouldn't have any effect on the club's efforts to sell the team, Schlesinger said. A buyer will still have a chance to review the Brewers' books, he said.

The main reason for the audit was to soothe fans, he said.

"There was a lot of questions raised about the Brewers, both the business side and the baseball side - misinformation, incomplete information and incorrect information about the Brewers' finances," Schlesinger said. "We realize the fans build this ballpark and they have a vested interest. But there was questions about the integrity of this ownership group.

"And an audit will show that the owners of this club have invested millions of dollars and have put money into this club to help with operations and have not taken money out of this club."

Such vindication, however, won't cause a change of heart for the Seligs to pull the club off the market, he said.

"The club is up for sale. That has not changed one bit," he said.

A copy of the deal between the Brewers and state Auditor Janice Mueller obtained by the AP shows the Brewers restricted the audit in several ways. The Brewers said some confidentiality is important to ensure they remain competitive, and the state has no legal authority to dig through private entities' finances.

"Compromises were made on both sides," Mueller said.

The restrictions include:

Expenses and revenues won't be itemized but instead lumped into broad categories. For example, the local revenue category will include money taken in from tickets, concessions, parking and suites but won't list specific amounts from each.

Specific salaries won't be disclosed, although the report will show whether salaries are on par with major league averages.

Specific owners' percentages of ownership won't be disclosed, although

their identities will be reported.

Specific terms and conditions of partners or other related parties' loans to the Brewers won't be disclosed.

State Rep. Bob Ziegelbauer, D-Manitowoc, another lawmaker who called for the audit, said he's disappointed with the restrictions.

"It will only lead to more questions," Ziegelbauer said. "This is designed from the Brewers' perspective to call off the dogs."

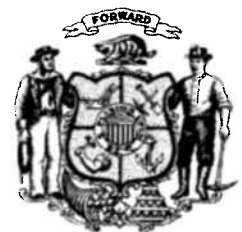
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http://www.wisinfo.com/postcrescent/news/archive/local_14465192.shtml

Posted Jan. 31, 2004

Brewers to release financial data

Effort seeks to restore faith in team

The Associated Press

MILWAUKEE — The Milwaukee Brewers will disclose their financial records in hopes of restoring public trust after a tumultuous offseason.

The Legislative Audit Bureau and the Metropolitan Milwaukee Association of Commerce will conduct separate reviews of the club's finances from the last 10 years, said Rick Schlesinger, Brewers' executive vice president of business operations.

Brewers chief financial officer Bob Quinn will work with the groups when they begin their reviews next week. Reports are expected within 90 days.

"This is unprecedented on several levels," Schlesinger told The Associated Press. "I'm not aware of any professional sports team that's agreed to this level of scrutiny. And, No. 2, the Legislative Audit Bureau usually audits state agencies. It's not in the habit of reviewing private enterprises."

The Brewers have been in discussions for several weeks over a review of the club's finances, which stemmed from a public outcry following the November departure of popular team president Ulice Payne Jr., who went public with his reservations about plans to trim the teams' payroll by 25 percent.

Assembly Majority Leader John Gard, R-Peshtigo, and Senate Majority Leader Mary Panzer, R-West Bend, who pushed for the audit, issued a joint statement saying the report will help restore fans' faith.

"From day one, my concern is to see baseball be successful in Milwaukee and Wisconsin," Gard said.

The Brewers, whose 2004 payroll in the \$30 million range is expected to be the lowest in baseball, traded away their best player, All-Star first baseman Richie Sexson, late last year. This month, they put the club up for sale.

The financial reviews shouldn't have any effect on the club's efforts to sell the team, Schlesinger said. A buyer will still have a chance to review the Brewers' books, he said. The main reason for the audit was to soothe fans, he said.

Original URL: <http://www.jsonline.com/news/editorials/feb04/204752.asp>

Editorial: A Brewers audit - sort of

From the Journal Sentinel

Posted: Feb. 3, 2004

Bread and baseball don't usually belong in the same sentence, much less in an analogy. But the best way to describe the agreement reached last week for a state review of the Milwaukee Brewers' finances is half a loaf. The review is better than none at all but falls far short of what was needed and what the public, as the primary benefactors of Miller Park, deserved.

The deal struck between the team and lawmakers is a compromise that allows state officials, including state auditor Janice Mueller, to look at some critical aspects of the ballclub's operations. The agreement comes nearly three weeks after the Brewers' owners announced that the team would be put up for sale. It was reached only after lengthy negotiations that included Assembly Speaker John Gard (R-Peshtigo), Senate Majority Leader Mary Panzer (R-West Bend), Mueller and Brewers' representatives, including Wendy Selig-Prieb, chairwoman of the team's board of director.

The Brewers and Major League Baseball have called the agreement unprecedented among professional sports franchises; indeed, it appears to go further than other reviews of other ballclubs. Unfortunately, it is still not an audit, even if Gard referred to it as such in a news release. And even though Mueller will be allowed access to certain information about the team, her effort will fall well short of the comprehensive, definitive review usually undertaken by her office.

What's more, the eight-page agreement specifically - and regrettably - calls upon Mueller and the Legislative Audit Bureau to keep confidential certain records that the team designates for such treatment. These would include the bureau's own notes and work papers.

Rep. Bob Ziegelbauer (D-Manitowoc) said the review would provide an incomplete picture. Of course, he's right. He's also right when he says the review might raise even more questions, especially among a public upset with the club's decision to cut its payroll and with the subsequent departure of Ulice Payne Jr., the team's former president and CEO.

We understand that the Brewers ballclub is a private company with no legal obligation to allow the audit bureau to review its financial records. Brewers officials say they are willing to do so - in a controlled way - "in an effort to put the facts on the table" that will address legitimate concerns about their revenue, expenses, debt and other matters.

Fair enough. But in our view, a complete state audit would have addressed those matters more effectively.

From the Feb. 4, 2004 editions of the Milwaukee Journal Sentinel



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Brewers report: Money not squandered

11:24 PM 5/06/04

Phil Brinkman Wisconsin State Journal

If the Milwaukee Brewers played better baseball, the team would make more money. <

That's the unsurprising conclusion of a state report released Thursday that examined the finances of Major League Baseball's smallest-market team. <

The report by the nonpartisan Legislative Audit Bureau, and a companion review by the Metropolitan Milwaukee Association of Commerce, found the team ended the last fiscal year more than \$133 million in debt, despite increased revenues after moving to its new stadium. <

"The financial challenges the Brewers have faced in the past will continue in the future, particularly if the team's on-field performance does not improve," the Audit Bureau report noted. "Although revenues have increased, they generally do not compare favorably with those of other major league baseball clubs." <

The Brewers continue to rely on borrowing and owner contributions to cover operating expenses, while spending increasingly less to attract top players, the report said. <

Lawmakers said the reports underscore the need to inject capital in the team, which is for sale, by finding a new owner. <

"The Selig family deserves great credit and thanks for bringing baseball to Milwaukee and keeping it here for so many years," said Assembly Speaker John Gard, R-Peshtigo. "Unfortunately, the kind of ownership size, structure and resources that worked for decades is a horse-and-buggy relic in today's turbocharged baseball marketplace." <

Legislators called for the unprecedented examination of the Brewers' books after revelations the team planned to cut its payroll by 25 percent. The Brewers promised higher payrolls and better performance as part of a deal to have taxpayers in a five-county area foot most of the bill for the \$413 million Miller Park, which opened in 2001. <

But payrolls declined the last two seasons, and the club hasn't had a winning season since 1992. <

The reports found no evidence the Brewers were squandering club resources on exorbitant salaries or to repurchase owners' shares, among the allegations that prompted the review. <

Although owner Allen "Bud" Selig, his daughter, Wendy Selig-Prieb, and her husband, Laurel Prieb, served in executive positions during all or part of the past 10 years, their combined annual compensation never exceeded \$735,500, the Audit Bureau report said. <

Both reports also noted the team has dramatically increased spending on scouting and player development, including minor league operations. The club ranked 21st out of 30 major league teams in spending in that category in 2000 but moved up to ninth in 2002. <

"This report should put to rest any concern that taxpayer funds were misused or abused, and it should start us on a discussion about what the team is going to do to convince its fans and the taxpayers that invested in the stadium that they're making good decisions to put this state and this city back in the playoffs," said Tim Sheehy, president of the Milwaukee commerce group. <

Senate Majority Leader Mary Panzer, R-West Bend, echoed that, saying, "It's clear that some of the things that have been alleged are simply not true. Salaries, although high, are not high relative to Major League Baseball. <

"It's also clear that .

- .
- . they have put resources into the farm team. The farm team is looking good; it's an investment in the future." <

In a statement, the Brewers said the team's performance mirrored that of Major League Baseball teams in general. <

It noted findings the team's debt level is higher than the average \$120.5 million for all professional baseball clubs but less than the \$140.1 million average for the 12 clubs that moved into new stadiums since 1994. <

The reports prompted some criticism from lawmakers. <

State Sen. Cathy Stepp, R-Sturtevant, said the Brewers' money troubles reinforced her support for ending the local sales tax supporting the stadium, expected to expire in 2014. The 0.1 percent tax applies to Milwaukee, Ozaukee, Racine, Washington and Waukesha counties. <

"If the Brewers find they can't make ends meet, they need to know that the taxpayers of Racine County will not be footing the bill for their debt," Stepp said. <

The Audit Bureau report also found the Brewers were using part of the tax money collected for maintenance toward paying off debt the team incurred to pay its \$90 million share of the cost of the stadium. <

The \$3.85 million annual payments were to cover the state's portion of maintenance costs. <

"If it is true that the taxpayers are picking up some or all of their financial obligation to the stadium, it's got to stop immediately," said state Sen. Jon Erpenbach, D-Middleton. <

But Sheehy said the Brewers are still responsible for all maintenance at the stadium, which actually costs "far more than that." <

While the Audit Bureau's report raised some questions about the Brewers' management, the Milwaukee commerce report took no position on what the team needs to do to turn its finances around. <

"I don't think either organization has the experience or the credibility to prognosticate about the future of a Major League Baseball team," Sheehy said. "It's not our area of expertise." <

When the team came to Milwaukee in 1970, Sheehy said, the city was the 24th-largest metropolitan area in the country. Today it's the 43rd. <

"That ought to tell you, in an environment where they compete with 29 other teams, that they're going to have a challenge even if they get everything right, because the size of the market dictates the number of people you have to draw tickets from," Sheehy said. Contact Phil Brinkman at pbrinkman@madison.com or 252-6145.

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Brewers owe \$133 million

2 independent reports find decline of local baseball revenue

By **DON WALKER**dwalker@journalsentinel.com**Posted: May 6, 2004**

With the release of two independent financial reviews of the Milwaukee Brewers, baseball fans learned Thursday that team debt has jumped to \$133.2 million and that local baseball revenue has declined 28.7% in the last two years to \$59.4 million in 2003.

The Legislative Audit Bureau, which issued its own report separate from an overview prepared by a three-member business panel appointed by the Metropolitan Milwaukee Association of Commerce, sounded a warning in its 25-page report. And its authors couched it in the context of a team that is looking for new owners and new investment.

"Our review of the Brewers' financial statements and related documentation indicates that the financial challenges the Brewers have faced in the past will continue in the future, particularly if the team's on-field performance does not improve," the audit bureau report said. The team has had 11 straight losing seasons.

"As noted, although revenues have increased, they generally do not compare favorably with those of other major-league baseball clubs. Furthermore, the Brewers have continued to rely on significant borrowing and on owner contributions to provide the cash needed to finance ongoing operations. Operating expenses are increasing, including amounts spent on scouting and player development, but the amount spent on major-league player compensation remains relatively low compared to other major-league clubs."

The audit bureau added: "If the Brewers are not able to increase operating revenues in the future, they will have to reduce spending on operations unless the owners make additional contributions or the club incurs additional debt."

Robert O'Toole, chairman and chief executive officer of A.O. Smith Corp., one of the three business leaders who put together the commerce association's report, put it more succinctly:

"This is a club that doesn't have any money."

According to the commerce association's report, the club's debt is below the industry average of \$140.1 million for the 12 major-league clubs that have new ballparks, but more than the overall industry average debt of \$120.5 million.

"I believe the debt numbers are of concern," said Assembly Speaker John Gard (R-Peshtigo), who had called for audit bureau oversight of the team. "You look at the available revenues coming in and declining, and that's a concern because there is no doubt it's going to be an ongoing challenge to find money to improve the talent on the field."

The reports said the Brewers' debt was 11th-highest among all 30 baseball clubs and was sixth among the 12 clubs with new stadiums.









Brewers






Photo/File

Miller Park opened in 2001.

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The reports were the direct result of heavy criticism the Brewers received last year for slashing their payroll and the feeling among fans and politicians that management was not serious about fielding a competitive team despite a new stadium, new sources of revenue and increased revenue-sharing from Major League Baseball.

Wendy Selig-Prieb, chairwoman of the team's board of directors, acknowledged the tough financial challenges the team faces. She recalled 2001, the first year at Miller Park, when revenue and hopes were high.

"I believe that, in 2001, that really showed what is the potential of this market," she said. "We recognize we won't get back to those kind of numbers without a competitive team. But you can see what the potential is."

The blizzard of statistics, charts, facts and statements on the financial condition of the Milwaukee Brewers that was released Thursday was intended to clear the air and give taxpayers an informed look at the ballclub.

The two groups were given access to team revenue, expenses, cash statements, debt, W-2 forms and ownership activity over a 10-year period from 1994 through 2003. Major League Baseball officials said the access the team provided was unprecedented in major professional sports.

Besides O'Toole, the commerce association panel was led by Curt S. Culver, president and CEO of MGIC Investment Corp., and James H. Keyes, a member of the board of directors of Johnson Controls. The three men received assistance from commerce association staff and officials at American Appraisal Associates, a Milwaukee firm that has expertise in business valuations.

The reports also provided new information about the Selig family and details of a car-leasing arrangement the team has with a car-leasing firm whose president is baseball Commissioner Bud Selig.

Specifically, the reports provided salary information about Selig, his daughter, Wendy Selig-Prieb, and her husband, Laurel Prieb, a marketing executive with the team. The reports concluded that salaries paid to the three over the years were within industry averages, and were well below a statement made in a recent HBO report on the Brewers that said the three drew more than \$2 million in salary at some point in the mid-1990s.

Selig had been president of the club since its inception in 1970 and stopped taking a salary in 1999, the year after he was named commissioner of baseball. Selig was unavailable for comment.

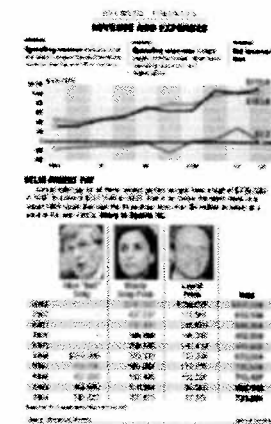
The reports also provided new details about Selig Leasing Co. The franchise has a long-standing relationship with the company, but the commerce association report concluded that the money involved - Selig Leasing was paid \$521,000 in 2003, for instance - was not excessive.

The reports also vindicated the Brewers on other key issues. Neither report said it could find any evidence that club resources had been used to purchase ownership shares with the intention of benefiting continuing club owners. And the commerce association report said "no other businesses and entities were funded or supported by the club."

"All sources of cash . . . were used to fund the Brewers' investment in Miller Park and to fund ongoing operations of the club," the commerce association report stated.

"There is no other way for any of the owners to take cash out of this business," said Timothy Sheehy, president of the commerce association.

Revenue & Expenses



Brewers Finances: Revenue and Expenses.

Quotable

“ This is a club that doesn't have any money. ”

- Robert O'Toole, Chairman and chief executive officer of A.O. Smith Corp

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Photo/Elizabeth Flores

At this April 22 game against the Arizona Diamondbacks, the Milwaukee Brewers lost 11-9 in 15 innings. The team has had 11 straight losing seasons, and empty seats are a key reason for the Brewers' financial troubles.

The effort to generate local baseball revenue - tickets, concessions, broadcast revenue, advertising and sponsorships - looked promising when Miller Park opened in March 2001. In 2001, the team generated \$83.3 million in local baseball revenue. Two years later, it was at \$59.4 million.

"This decline resulted primarily from a decline in attendance that reduced ticket revenue by 38.7%," the audit bureau report stated.

On the plus side, the Brewers have seen increases in Major League Baseball revenue, primarily television revenue, and increased revenue-sharing, particularly in 2003. The Brewers have said the game's new collective bargaining agreement with its players will help the team succeed.

Other highlights of the reports:

- From 1994 to 2003, team owners committed \$43.8 million in equity to the team, \$32 million of which was contributed through fiscal 2003, which ended Oct. 31. Baseball officials said last year that Selig had contributed as much as \$13.2 million of his own money over the past few years.
- Though no specific details were provided, stock sales did occur between owners of the team, but the franchise itself did not repurchase shares from owners using club assets or through borrowings under credit agreements. Selig is the majority stockholder of the team and holds 27.8%, the first time his specific percentage of ownership has been reported. His shares are held in a trust.
- The Brewers had a net loss from operations of \$28.8 million over the 10-year period, ranging from a loss of \$15.7 million in 1999 to income of \$12.1 million in 2003, the commerce association report says.
- The report did note an unusual arrangement involving undisclosed team owners who received a fee for "guaranteeing the club's debt under its loan agreements." The guarantee fees accrued, but not paid, totaled \$1.6 million as of Oct. 31, 2003, the report said.
- No dividends have ever been paid to team owners. However, combined annual payments to owners for director fees ranged from \$10,000 to \$29,000.
- Over a seven-year period beginning in 1994 and leading up to the opening of Miller Park in 2001, the Brewers averaged \$53.2 million in operating revenue per year. Since then, average operating revenue has been \$110.1 million.
- In the seven years up to 2001, the Brewers reported operating expenses at an average of \$60.6 million per year. Since Miller Park opened, the average has been \$102.8 million.
- The Brewers also have made commitments on baseball operations. During the seven-year period leading up to the opening of the ballpark, the team spent an average of \$46.3 million on baseball operations. Since the stadium opened, the average has been \$76.2 million. Baseball operations is defined as scouting and player development.
- General and administrative costs have increased 63.7% from 2001 to 2003. The increases, the reports said, were the result of increased salary expenses related to the severance agreements paid to former employees, including Ulice Payne Jr., the team's former president and CEO. In addition, pension costs have doubled and the cost of general liability insurance for the park doubled since the Sept. 11, 2001, attacks.
- The Brewers were unable to meet an assets-to-liabilities ratio of at least 60-40, as required by Major League Baseball, in seven of the 10 years that were reviewed. The team did, however, meet the standard in the past two years.
- The Brewers will make rent payments to the Miller Park stadium district, the team's landlord, totaling \$33.4 million over the life of the lease, which ends in 2030. In addition, the team will contribute \$21.7 million over the life of its lease to help finance major stadium repairs. Also, an agreement reached in 2002 between the Brewers and the stadium district means the Brewers will receive reduced maintenance payments from the district. That will save taxpayers in a five-county region who are paying a 0.1% sales tax a total of \$78 million.

The audit bureau report also raised some eyebrows in Madison with a reference to the lease agreement signed by the Brewers and the Miller Park stadium district board. The district owns 70.9% of the stadium. The lease includes language that allows the district to pursue financial and legal remedies to ensure that the team will stay in Milwaukee.

The audit bureau reported that a new non-relocation agreement had been signed this week by Gov. Jim Doyle. It also noted that, in the event of a default of the team, the club's secured lenders would not be bound by the terms of the non-relocation agreement.

State auditor Jan Mueller said Thursday that her office felt an obligation to disclose the default details. She added, as the report stated, that the possibility that a new owner could move the franchise is unlikely.

Administration Department Secretary Marc Marotta said a new non-relocation agreement was signed this week because state lawyers recently determined that then-Gov. Tommy G. Thompson had not signed it.

From the May 7, 2004 editions of the Milwaukee Journal Sentinel

Original URL: <http://www.jsonline.com/sports/brew/may04/227738.asp>

Honestly, Brewers are in bad shape

Posted: May 6, 2004



Dale Hofmann
[E-MAIL](#) | [ARCHIVE](#)

Now that the people know the Milwaukee Brewers aren't making anybody rich, they can worry about when they'll start making everybody happy. It had better be soon.

Two reports released Thursday didn't tell the public everything it wanted to know, but they did say that the franchise is in even worse shape than we thought. As long as it keeps losing games, it's going to keep piling up debt, and after a while, that gets to be an emergency.

Some taxpayers will be relieved and others distressed to learn that Wendy Selig-Prieb made \$242,000 last year and her husband, Laurel, made \$156,000, but if the work of the Legislative Audit Bureau and a team of business leaders is a banquet, those numbers aren't even a finger sandwich. At least they're less than

HBO claimed a few months ago.

We still don't know how much the other Brewers executives are making, or who owns how much of the team, but most of the questions angry citizens were asking about the team following their noisy separation from Ulice Payne, Jr., were addressed. The answers might make the citizens feel better about the organization's integrity and worse about its future.

Most of us have had cars at one time or another that we couldn't afford to get rid of because we spent so much money keeping them running. That's the picture these reports give us of the Brewers' ownership. We loved those wrecks, and they had to love the team, but there's a limit.

Maybe the owners reached it when they announced the team was for sale, although you wonder how serious anybody can be about selling something for \$180 million tops when it's more than \$133 million in debt. There's not much profit in that.

Not much market either unless somebody gets this thing on its feet. Miller Park did that for a year, but hundreds of losses have put the Brewers right back on the deck. The figures show they're 20th in baseball in local revenue, even with a new stadium.

"I will look at that as the cup being half full vs. half empty and say that when we drew 2.8 million fans it clearly shows what Miller Park can do," said Bob Quinn, the team's chief financial officer. "When things do turn around on the field, and we all believe the plan we're embarking on is the right plan, then Miller Park will generate the revenue that it was always intended to do."

You have to hope there's a mix of realism and common sense in that cup and not just the organization's traditional optimistic brew. The reports make clear the team's commitment to reinventing itself through the minor leagues, but they don't guarantee that the plan is going to work.

If it falls through, there's nothing left to save the franchise.

Miller Park's novelty wore off a long time ago, and the community is running low on good will. If it wasn't, the financial reports wouldn't have been necessary in the first place.

Brewers

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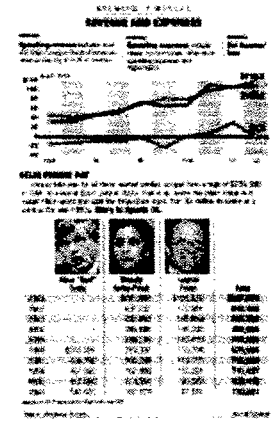
Revenue & Expenses

From that standpoint, the club believes the reports helped.

"It's not been a fun 90 days," said Quinn, "But as it was clearly stated in the opening statements of the Legislative Audit Bureau Report, they were granted full access to every document they asked for. There wasn't one thing we said no to.

"We feel all the facts are now out there, and that's important to us. These reports show the integrity of this ownership group can't be questioned. I think it supports the position that we took all throughout last year. We always said we had financial challenges."

The challenges aren't going away. The numbers say this franchise doesn't have much time to meet them.



**Brewers Finances:
Revenue and Expenses.**

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A call for change at top

Lawmakers say new ownership needed

By **DON WALKER**
dwalker@journalsentinel.com

Posted: May 6, 2004

The financial challenges the Milwaukee Brewers face make it clear that new ownership and new money is needed to keep the team competitive and viable, top state legislators said Thursday.

Assembly Speaker John Gard (R-Peshtigo), who along with Senate Majority Leader Mary Panzer (R-West Bend) pressed for a Legislative Audit Bureau review of team finances, said the report confirmed his suspicions that new ownership and new investment are needed.

"This audit shows that the problems facing the Brewers today are not the result of bad intentions or neglect but rather the harsh byproducts of a changed marketplace reality in major league baseball today," Gard said. "This review makes it clear that if the Brewers are going to be competitive and viable for the long term, new ownership with increased access to capital is essential."

Gard praised the Selig family for bringing baseball to Milwaukee and keeping it in the city.

"Unfortunately, the kind of ownership size, structure and resources that worked for decades is a horse and buggy relic in today's turbocharged baseball marketplace. The audit makes it pretty clear the status quo is not an attractive option in Milwaukee and we need to do what we can to facilitate the sale of the team."

In an interview, Panzer said the quicker the team is sold, the better.

"I believe what needs to happen is for the private sector to come forward and see what is out there for a potential owner or a consortium to bring new capital into the franchise," she said. "The public still wants a winning team in Milwaukee."

The team announced in January that the team is for sale. Various sources have estimated that the team is valued at \$174 million. Baseball officials have reported that there is interest nationally from potential investors, but no local investors have emerged.

Panzer said she did not know who would be in a position to buy the team. "When you have that kind of debt the sooner you can stop the debt drain, the better you are on firm financial footing," Panzer said.

The two reports differed slightly in calculating the amount of debt. One report said team debt was \$133.2 million, the other at \$133.1 million.

In 1994, the debt was at \$32.4 million. According to the reports, the club's debt is below the industry average of \$140.1 million for the 12 teams that have new ballparks, but higher than the overall industry average indebtedness of \$120.5 million.

Brewers

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Revenue & Expenses

The debt has increased despite the fact that, over a 10-year period, team owners, including baseball Commissioner Bud Selig, committed \$43.8 million in equity to the team. Major League Baseball officials have said that Selig himself committed an estimated \$13.2 million to the club, where he is the largest individual shareholder.

Wendy Selig-Prieb, chairman of the team's board of directors, said Thursday that the financial reports would have no impact on the efforts to sell the team.

"Obviously, anybody who is or will look at the club will do their independent due diligence," she said.

Selig-Prieb said the reports "went a long way toward addressing the commitment of this ownership group during what has been the most challenging times within Major League Baseball. I think these reports actually helps the understanding of what this ownership group has done."

Asked how she thought baseball fans ought to react to the financial challenges the Brewers face, Selig-Prieb said: "I would tell them look how our commitment to baseball operations has increased. If you go back to 1994 and then take that to 2003, you see the numbers exceed \$75 million. I think our fans should feel encouraged by our response."

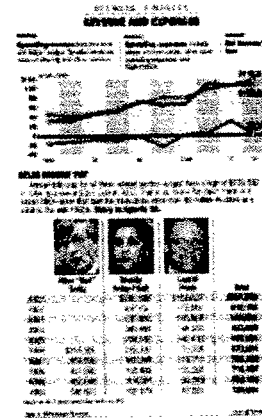
In a prepared statement, the Brewers said the amount of team debt reflected the industry as a whole. In all of baseball, total debt was \$3.6 billion in 2003.

The Brewers added in their statement that they believed baseball's financial landscape was changing. They cited specifically Miller Park as an asset, as well as the team's stated mission to build a competitive team through the rebuilding of its current roster and minor-league system.

The team said in its statement that the 2002 contract with the players' union "meaningfully addresses both the revenue disparity and competitive balance issues that have dominated Major League Baseball for the last decade.

Rick Schlesinger, executive vice president of business operations for the team, said there were promising signs already this season. He said ticket sales were up 11% over last season, and TV ratings and sponsorships have increased.

"From that perspective, we know we need to get back to numbers that are more like 2001," he said. "We feel that, in 2004, we are on the way back."



Brewers Finances: Revenue and Expenses.

From the Archives

- 11/8/03: Cuts may imperil Brewers on field
- 11/12/03: Legislators want to audit Brewers
- 12/3/03: Brewers agree to open books to financial scrutiny
- 12/8/03: Brewers strike out with public
- 1/16/04: Brewers put team up for sale

From the May 7, 2004 editions of the Milwaukee Journal Sentinel

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Editorial: Brewers: A numbers game

From the Journal Sentinel

Posted: May 6, 2004

The Milwaukee Brewers didn't have to allow outsiders to take a look at their finances. But to its credit, the ballclub, which is up for sale, opened its books anyway; the results, released Thursday, vindicate that decision.

Rather than provide additional fuel for critics, the findings, contained in two separate reports, demonstrate that the financially strapped team has not been fiscally irresponsible or wasteful. The reviews showed that all of the team's sources of cash were used to finance its investment in Miller Park and pay for baseball operations. Indeed, the team's owners provided \$44 million in equity to the organization over the past decade while reporting a net loss from operations of \$28.8 million over the same period.

The reviews also vindicated the club in another controversial area: the amount paid to former Brewers president - now baseball commissioner - Bud Selig; his daughter, Wendy Selig-Prieb; and her husband, Laurel Prieb. Not long ago, HBO Sports claimed in a breathless account that the three officials had drawn more than \$2 million in salary at some point in the mid-1990s. The reviews showed that HBO was way off base: The combined salaries of the three officials in a single year never exceeded \$736,000. That, the reviewers determined, was within industry averages.

Nor was any evidence uncovered that the team's resources had been used to buy ownership shares to benefit club owners. On the contrary, the reports show that the team's owners have tried to make the best out of a decidedly unenviable situation: The Brewers, even with a new state-of-the-art ballpark, operate in baseball's smallest market.

Not surprisingly, the team has been forced to borrow heavily to pay its bills and stay competitive; it finished last year with a debt of \$133.2 million, according to state auditors, one of two groups that independently looked at the Brewers' finances. The other was a team of business leaders appointed by the Metropolitan Milwaukee Association of Commerce. State auditors noted that the Brewers' debt is 11th highest among all 30 baseball clubs and sixth highest among the 12 teams with new stadiums.

But the most compelling conclusion in both reports is that this team faces serious financial challenges despite the increased revenue that came with the opening of Miller Park in 2001. Although the club's operating revenue rose from \$67.7 million in 2000 to \$115.9 million in 2003 - the team's third season in Miller Park - the amount was still lower than that of many other major league clubs.

What's more, Janice Mueller, the state auditor, pointed out in a cover letter to two legislative leaders that "a 2.1% reduction in spending between 2002 and 2003 raises concerns about the club's ability to compete in the future if additional reductions are made." It was the Brewers' decision last year to slash the payroll that led to public uproar and prompted the two financial reviews.

"If the Brewers are not able to increase operating revenues in the future, they will have to reduce spending on operations unless the owners make additional contributions or the club incurs additional debt," the auditors reported.

One way or the other, the Brewers need to get their financial house in order even as the current owners are trying to sell the club. That's a circle that's hard to square, especially because a fresh cash infusion by the current owners seems unlikely. The club, of course, could refinance its debt again or even add to it, but that seems unwise in the current circumstances.

The best option is for the Brewers simply to perform better on the field - the surest way to increase attendance at Miller Park, improve cash flow and make the team a more attractive prospect to potential buyers.

Fortunately, the ballclub is attempting to do just that by developing young talent. As the MMAC report noted, "during the seven-year period leading up to the opening of Miller Park, the Brewers' spending on scouting and player development ranked 20th on average in comparison to other clubs. In 2001 and 2002, the Brewers ranked 17th and ninth, respectively."

In a statement, the Brewers pointed out that their "rebuilt farm system is now generally regarded as the best in baseball." The club also noted that it and other small- and mid-tier teams stand to benefit from baseball's new revenue-sharing arrangement.

What the Brewers need now, more than anything else, is time to rebuild their organization, their fan base and their finances. Unfortunately, time is a commodity that isn't for sale, even if the Brewers could afford it.

From the May 7, 2004 editions of the Milwaukee Journal Sentinel

<http://www.wrn.com/gestalt/go.cfm?objectid=0F870F36-E7C1-4BE0-B1F5A19FCE75A51E&dbtranslator=local.cfm>

Friday, May 07, 2004 – Wisconsin Radio Network

Panzer commends Brewers

Audit is vital to sale

by Jackie Johnson

The Senate Majority Leader
commends the Brewers

Senate Majority Leader Mary Panzer (R-West Bend)

organization for opening up their books to the public. Senator Mary Panzer (R-West Bend) says, in terms of releasing financial information, the Brewers Organization went beyond what they originally agreed to do. "It's important to note that by releasing W-2s and that kind of income information from '94 to 2003, they went beyond what originally had been agreed to and I commend them for that."

Panzer says the new report has answered a lot of lingering questions. "In terms of salary, although high, they're not high relative to major league baseball. The other thing that is very apparent is that the Brewers are carrying a lot of debt. We now know how much debt, which in the bigger picture is helpful."

Panzer says a new owner can infuse capital into the brewers, which is what the organization needs. "I hope now that we have looked at the finances, we'll have a chance to discuss them, that we can move on. And it's my sincere hope that we are able to find ownership for the Brewers that allows a viable team to be in Milwaukee."

As for whether the audit was bad for the organization while it's up for sale, Panzer says she believes the audit will help the sale, because now there is clarity. "If I were going to buy a baseball team or any business, you would want to know what you're getting. Because you had not just one look at this, but one by the private sector in Milwaukee and one by the state auditors which I thought was absolutely critical because of the investment the taxpayers have made. I think it will be beneficial."

Panzer says, the legislature's role is done. It made sure the public was aware of the financial situation. Now, it needs to let the private sector take over. "We've done our job to make sure the public knew fully what was going on in terms of the finances and, this again is a private business, so to have public auditors go in was necessary because of the commitment the taxpaying citizens made to the stadium. I felt very strongly about that. But now, we need to be responsible public officials and let the private sector do what is their job, which is to find a way to keep baseball in Milwaukee."

Posted May 08, 2004

Brewers: Legislators pushing for end of sales tax

The Associated Press

MADISON — Now that the Milwaukee Brewers have opened their books, some state lawmakers still want relief for taxpayers in five southeastern counties who have helped cover the cost of building Miller Park.

A pair of financial reports released this week show the Brewers, up for sale, finished last year \$133 million in the hole, and the new retractable-roof stadium hasn't been the financial windfall the team hoped for when it asked for taxpayer dollars to build it. Team officials said the losses and debt reflect general trends in professional baseball

Miller Park opened in 2001 after lawmakers decided to levy a special sales tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties.

Lawmakers who represent residents in those counties pledged to revive legislation that would repeal the tax in 2014 — when stadium district officials have projected it will end anyway — and require the team to pay a fee equal to 5 percent of the franchise's sale price.

"The gravy train is coming to an end in 2014," said Sen. Cathy Stepp, R-Sturtevant, one of the sponsors of the bill, which unanimously passed the Senate in March.

The measure did not come up for a vote in the Assembly before legislators adjourned the legislative session for the year. Lawmakers are scheduled to return to the Capitol in January.

"We're going to go back again next session," Stepp said.

But Sen. Mary Lazich, R-New Berlin, who also sponsored the bill, said lawmakers need to act quickly.

"The team is for sale now, January could be too late," she said. "The Legislature needs to do something to protect the taxpayer in the five-county area."

The southeastern Wisconsin legislators have a battle ahead of them. Steve Baas, a spokesman for Assembly Speaker John Gard, R-Peshtigo, said the bill was not expected to come up in extraordinary session this spring.

"We have to do everything we can to make it easier for new ownership to come in," he said. "Reducing the value of the asset or increasing the cost of the team to a new buyer certainly would fly in the face of those two goals."

Brewers' officials have declined to comment on the legislation.

Sen. Tim Carpenter, D-Milwaukee, the bill's lead sponsor, said the information released about the Brewers' financial situation could help generate support for the proposal.

"I think it does help light the fire to get this thing moving," he said.

Original URL: <http://www.jsonline.com/news/metro/jun05/333743.asp>

Miller Park tab: \$392 million

Final figures by accounting firm likely will be debated

By **DON WALKER**
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Posted: June 14, 2005

More than four years after Miller Park opened for baseball, the stadium district board announced Tuesday how much money was spent to build it: just under \$392 million.

The figure is \$1.97 million below what the district had said several years ago would be the final cost of construction.

The figure - called the final cost of construction - was calculated by Benes & Krueger, an accounting firm that specializes in construction projects. The review was done at the request of the district. Benes & Krueger was paid \$50,000 for the work.

The new figure - actually \$391,997,946 - is considerably less than the amount the Legislative Audit Bureau said it cost to build Miller Park and will likely be questioned and debated in the Legislature.

Three years ago, the audit bureau said its own audit showed the cost of construction was \$413.9 million. Further, the audit bureau warned, among other things, that post-construction costs would drive costs even higher.

When the audit bureau report was released, stadium district officials criticized the work, calling it amateurish and unprofessional. Legislators generally backed the audit bureau's work, but there was no final agreement on exactly how much money was spent.

The latest review is at least the 10th time the district has been subjected to an audit. The audit bureau has looked at the numbers three separate times.

It could not be immediately determined if the audit bureau will review the Benes & Krueger report.

Mike Duckett, the district's executive director, said Benes & Krueger reviewed audited financial statements, general ledgers, expenditures, vouchers, construction contracts, project change orders, applications for payment and other accounting information.

Here's how the cost breaks down, according to Benes & Krueger:

- Stadium: \$228.63 million, \$21.25 under budget.
- Infrastructure: \$89.19 million, \$17.19 million over budget.
- Leases: \$41.55 million, \$3.54 million under budget.


Miller Park

Stadium Costs


Breakdown of stadium costs, according to accounting firm:

- ▣ Stadium: \$228.63 million
- ▣ Infrastructure: \$89.19 million
- ▣ Leases: \$41.55 million
- ▣ Operations, management and administration: \$32.60 million

On The Web

 [Miller Park District](#)

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- Operations, management and administration: \$32.60 million, \$5.62 million over budget.

Damage compensation

The Benes review also noted that the district was compensated for property damage, most notably the Big Blue crane collapse in July 1999, which killed three ironworkers. The district received more than \$102 million, much of that from the Big Blue case, in insurance proceeds.

Left to be calculated is a financial reconciling of the cost of repairs and settlement costs related to the stadium's troubled roof and the since settled multi-million-dollar lawsuit against Mitsubishi Heavy Industries of America.

Board chairman Jay Williams said Tuesday that he wanted a complete accounting of all spending.

The draft of the Benes & Krueger report was not released Tuesday. Instead, Duckett provided a summary to board members via a memo. Board members voted to send the report, which was labeled a draft, to the Finance Committee.

Board members said they had not received the draft report.

The Finance Committee is expected to review the report next month; the full board is expected to consider the final report in September.

A Journal Sentinel reporter officially protested the decision of the board not to release the report to the public, citing the state's open records law. A written request for the report also was made.

"Why should the public see it before the board of directors sees it?" asked board member Frederick Gierach.

Duckett said the Benes & Krueger report took many months. The final accounting also took longer because of the out-court settlement that was reached earlier this year between the district and Mitsubishi. The suit chiefly revolved around Mitsubishi's performance in the construction of the radial, retractable roof.

In the settlement, the district walked away with roughly \$33 million to pay for present and future repairs on the stadium's roof, while Mitsubishi received \$22 million.

Although officials say the roof is safe, openings and closings have been curtailed. After the 2005 baseball season, workers will replace the roof's bogies, the train-like devices that help open and close the roof.

In other business, the district also endorsed a consultant's report that says 2014 is the likely year for the end of the district's tenth-of-a-cent sales tax.

The tax, which is levied in Ozaukee, Washington, Waukesha, Milwaukee and Racine counties, is used to pay off the debt for the stadium.

"If we can retire the debt sooner, we should consider that," said Williams.

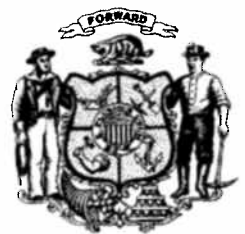
The board also unveiled a new Web site dedicated to district business. The Web site is www.millerparkdistrict.com.

From the June 15, 2005, editions of the Milwaukee Journal Sentinel
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- Don't have auth.

↳ private - Brewer's

↳ only public

KIAS - they opened their books to us when

→ now, they can say that they won't

↳ no way we can force them

→ Supreme power - only for public sector

- Continuing to monitor

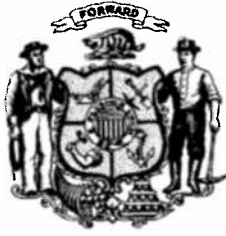
↳ looking at all options available

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Language in Brewer's Audit regarding the relationship between the State & the Brewer's

• How to handle

→ should we do a P.R.?

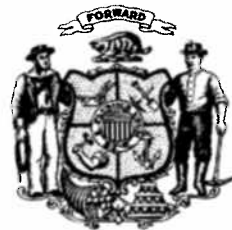


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A REVIEW

*Milwaukee Brewers
Stadium Costs*

*Southeast Wisconsin Professional
Baseball Park District*

02-8

LEGISLATIVE AUDIT BUREAU



A REVIEW

*Milwaukee Brewers
Stadium Costs*

*Southeast Wisconsin Professional
Baseball Park District*

02-8

May 2002

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The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

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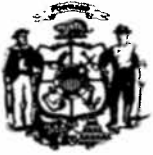
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Appendix 1—District Debt Service Schedule

**Appendix 2—Response from the Southeast Wisconsin Professional
Baseball Park District**



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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To all readers:

The agency response to our review of Milwaukee Brewers Stadium costs misrepresents the Legislative Audit Bureau, mischaracterizes the content of the report, and makes allegations about the report's accuracy and objectivity that cannot be substantiated. As with all of our reports, the information we have included here has been subject to a rigorous documentation process, and the working papers prepared in support of our findings are open for public inspection.

I regret that an unfounded attack on our report and our professionalism has occurred. However, the Legislative Audit Bureau remains committed to our mission of ensuring that financial transactions and management decisions involving public funds are made effectively, efficiently, and in compliance with state law and that public agencies carry out their public missions. We look forward to continuing to provide objective, unbiased, nonpartisan, and accurate information to the public and the Legislature in the future.

Sincerely,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller
State Auditor

JM/bm



May 2002

MILWAUKEE BREWERS STADIUM COSTS

1995 Wisconsin Act 56 created the Southeast Wisconsin Professional Baseball Park District to oversee the design and construction of a new stadium for the Milwaukee Brewers Baseball Club. To finance project costs, the District was authorized to issue revenue bonds and to impose a 0.1 percent local sales and use tax in Milwaukee, Ozaukee, Racine, Washington, and Waukesha counties. Groundbreaking took place in November 1996, and a new state-of-the-art stadium opened in March 2001.

An August 1995 memorandum of understanding (MOU) signed by representatives of the State, Milwaukee County, the City of Milwaukee, and the Brewers outlined the stadium's ownership, design, construction, and management. The MOU included a \$322.0 million project budget: \$250.0 million for the stadium, and \$72.0 million for infrastructure improvements. However, because of continuing concern about the stadium's costs exceeding legislative and public expectations, we have been asked to provide periodic reports on stadium costs and management issues. This is our third review.

Project Construction Costs Now Total \$413.9 Million

Despite the District's public assertions that the project is under budget, the District's financial records indicate that through December 2001, \$413.9 million has been spent on project construction, which is 28.5 percent more than the \$322.0 million anticipated by the MOU, and an increase of \$14.5 million since our 1999 review of stadium costs. The degree to which project costs will increase beyond the \$413.9 million cannot be determined at this time, but pending lawsuits related to the stadium's roof construction may affect total project expenditures. The District has acknowledged setting aside approximately \$11.0 million to pay for increased roof construction costs incurred as a result of design changes the District made after roof construction began. In addition, not all costs associated with a \$3.1 million youth ballpark on the former site of Milwaukee County Stadium have been incurred. District officials indicate they are contributing \$1.1 million toward this construction.

The District Has Spent \$14.2 million in Post-Construction Expenditures

The District's operations budget includes administrative costs provided by the District's own staff, as well as professional services for which the District contracts. The District spent \$14.0 million through December 2001 on these costs. In addition, the District spent \$14.2 million for post-construction costs through December 2001, and has budgeted \$11.1 million for 2002. Post-construction expenditures include: legal, consulting, and other contracted services costs; payments to help support future stadium repairs and improvements; and payments intended to help support stadium maintenance and repair. Public investment in building the stadium and operating and maintaining it for a 30-year period is substantial. When the lease expires in 2030, we estimate that all costs, including construction, debt service, administration, and maintenance, will total \$1.0 billion.

-over-

The District Reduced Documentation Requirements for the Brewers' Stadium Maintenance Costs

A November 2000 amendment to the stadium lease removed a monthly documentation requirement and replaced it with a less stringent one. The Brewers are no longer required to provide a summary reconciliation of bills and invoices showing the actual amount of maintenance costs the team incurs until May 31, 2006. By that time, the team will have received a total of \$23.1 million from the District. District officials justified their decision to pay the Brewers' maintenance costs without documentation by explaining that they wanted to "eliminate busywork" associated with these requirements. The current documentation requirements raise the possibility that the District will not attempt to recover overpayments that may occur and that taxpayers will support unnecessary costs.

The District Will Likely Own A Greater Share of the Stadium than Originally Anticipated

The 1995 MOU provided that the Brewers would own 36.0 percent of the \$250.0 million stadium and the District would own the remaining 64.0 percent, based on the anticipated proportion of construction costs each would finance. However, it now appears likely the District will own more than 64.0 percent of the stadium complex. District officials indicated to us that they have "no opinion regarding the advantages or disadvantages" to the District and its taxpayers if the District's ownership interest were to increase above the 64.0 percent originally anticipated. We suggest, however, that District officials must carefully consider the implications of owning a larger percentage of the stadium complex, including the possible effects this could have on taxpayers who may have to fund potentially increased costs for insurance and other expenses.

Oversight of Administrative Activities Needs Improvement

We identified several management issues regarding the District's operations, including the District's use of a private skybox in the stadium, its contract with a private consulting firm for ongoing stadium management services, and the adequacy of documentation for some administrative expenditures.

First, District officials stated that an Ethics Board opinion prevents them from making their skybox conference room available to charitable groups. However, the opinion contradicts the District's assertion. We recommend the District's governing board establish written procedures to make its conference room available to charitable groups in Milwaukee, Ozaukee, Racine, Washington, and Waukesha counties.

Second, in 2001, the District's governing board entered into a contract with a private consulting firm owned by the District's former executive director to provide ongoing facility management services. The consulting firm will receive at least \$2.6 million over the life of the contract, which runs through December 2006. However, the annual payment for management services is not based on the amount of work actually performed. We are concerned the current contract obligates the District to pay the consulting firm a substantial amount of money without assurance of the amount of work that will be completed.

Finally, because our charge was to focus on project costs and management in order to ensure public accountability, we attempted to review 90 vouchers. The District was unable to provide adequate documentation for 25 of these vouchers, for which it spent \$96,084. We question \$42,519 of this amount, including \$27,671 for baseball game tickets that the District purchased on behalf of others, such as board members and firms that contracted to provide the District with professional services. We suggest improvements be made to the District's financial oversight in order to avoid questionable and inadequately documented expenditures in the future.
