



Legislative Fiscal Bureau

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May 6, 2014

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: State Fair Park: Section 16.505 Authorization of 4.0 PR Positions -- Agenda Item IX

REQUEST

On February 26, 2014, the Joint Committee on Finance received notification the Department of Administration (DOA) had approved the creation of 4.0 permanent positions in the general operations PR appropriation [s. 20.190 (1)(h)] for State Fair Park. The position creation is subject to a 14-day passive review by the Committee. On March 14, 2014, the Co-Chairs submitted a letter to DOA reporting that an objection had been made to the request, and that the Committee would schedule a meeting to consider the matter.

BACKGROUND

State Fair Park is a 190-acre site located in West Allis and Milwaukee and is primarily associated with hosting the annual Wisconsin State Fair. The Park grounds include the Milwaukee Mile racetrack, the Wisconsin Exhibition Center, dormitories and Park offices in the Tommy G. Thompson Youth Center, and several other agricultural barns and exhibition spaces. State Fair Park's operations are funded with revenues generated by the Wisconsin State Fair and other events at Park facilities throughout the year. Revenues mostly come from admissions and parking fees, facility rentals, and a percentage of sales made by vendors and food and beverage concessionaires. Receipts are deposited into program revenue continuing appropriations for general operations and debt retirement costs of certain Park facilities. A continuing appropriation allows the Park to expend all monies received, subject to DOA approval. State Fair Park costs were budgeted at approximately \$19 million PR each year in the 2013-15 biennium, though State Fair Park budget authority was increased by approximately \$2 million in 2013-14 with the approval of DOA.

The Park is currently authorized 44.0 PR permanent positions, all of which are in the unclassified service. Total permanent positions at State Fair Park since 2000 have ranged from a high of 51.2, as recently as 2000-01, to 28.4 in 2006-07, due mostly to a deletion of positions in the 2001-03 and 2003-05 biennial budget acts. Since 2006-07, the Park's most significant additions of

positions have occurred: (a) in March, 2010, when 9.5 positions were approved under the passive review process primarily to provide additional staffing for operations of the Exposition Center following its acquisition by the state in 2009; and (b) in February, 2013, when 4.0 positions were approved through the passive review process. Positions approved under the 2013 passive review were for: (a) an information services administrator; (b) an accounts payable supervisor; (c) a carpenter; and (d) a grounds crew leadworker. In addition to its permanent positions, State Fair Park hires approximately 1,200 limited-term employees (LTEs) each year, most of whom work around or during the Wisconsin State Fair, but some of whom hold longer appointments. Since the Park's recent low in permanent positions, it has assumed control of the operations of the Milwaukee Mile, which had been previously contracted out to private promoters, and the midway of the Wisconsin State Fair, in addition to operations of the Exposition Center following its purchase.

For purposes of positions discussed below, it should be noted State Fair Park does not pay employees overtime compensation at the typical rate of 1.5 times base pay for hours exceeding 40 per week, or 80 in a two-week pay period. The Park contends, and the Office of State Employment Relations has concurred, that the Park qualifies under a provision of the federal Fair Labor Standards Act that exempts certain amusement and recreational establishments from overtime compensation laws. (The relevant exemptions have been incorporated into administrative rules promulgated by the Department of Workforce Development.) In some instances discussed below, it is assumed employees in the permanent positions requested by the Park would work a number of hours exceeding 2,088 in a year. For these employees, who would be paid on an hourly and not a salary basis, the Park would pay overtime hours at the employee's base rate.

ANALYSIS

State Fair Park initiated the current request in September, 2013, with a proposal to add 7.0 positions. In addition to the 4.0 recommended by DOA, the Park had requested permanent positions for: (a) an associate in the Park's buildings and grounds department; (b) a manager for events at the Thompson Youth Center; and (c) a plumber. DOA forwarded to the Committee the four positions estimated to have the greatest likelihood of either realizing cost savings, limiting cost increases, or having the potential to contribute to additional Park revenues in the future. The paragraphs below describe the positions requested, as well as the cost differences expected for each position relative to State Fair Park's current operations.

Assistant Box Office Manager. The State Fair Park box office conducts ticketing and admissions for both Park-administered events, such as the Wisconsin State Fair, and other events run by independent promoters. The Park estimates perhaps \$8 million of its annual revenues or more are generated by ticketing and admissions activities operated through the box office.

Currently, the box office operation is staffed by 1.0 box office manager in a permanent position. The Park reports the current manager typically may expect to work between 50 and 70 hours per week and perhaps up to 16 hours on certain days, depending on the Park's scheduled events, to sufficiently oversee ticketing and collections activities. Additional LTEs are hired as needed, ranging from 10 to 20 persons for small events to approximately 400 persons for the

Wisconsin State Fair. The Park also has typically hired a box office assistant by employing an LTE working under dual appointments. By statute, one limited-term appointment must be less than 1,044 hours per year; a dual appointment has had the effect of providing a full-time employee in such a role. However, the Park reports LTEs are prone to more regular turnover.

State Fair Park has requested an assistant manager for the Park's box office to assist with responsibilities including: (a) managing the box office's use of various software applications used by the Park for ticketing and event management; (b) scheduling LTEs as needed for ticketing at Park events; (c) the monitoring and reconciling of collections at ticket windows during Park events; and (d) assuming a portion of the hours currently worked by LTEs. State Fair Park officials have identified the assistant box office manager position as the highest priority position in the request, due to the current workload of the box office manager and the box office's role in handling Park revenues.

State Fair Park expects consolidating several LTEs into this permanent position would allow for fewer overall hours worked by box office staff, relative to current operations. The Park expects one permanent box office assistant would hold the capabilities currently held by several LTEs, as well as be more readily available to schedule work hours in conjunction with event promoters and other Park staff. The Park expects staffing costs for other box office LTEs could be reduced by approximately \$25,100 each year. DOA and State Fair Park estimate a permanent assistant box office manager would have increased costs of approximately \$6,600 annually, relative to a single LTE under dual appointments working annual hours equivalent to a full-time position. Estimated net savings, therefore, are estimated at \$18,500 annually for box office staffing costs.

The permanent position would receive training for programming the Park's ticketing software; this programming had been done in part by Park staff, but recently has been provided more by the software vendor on an as-needed basis for additional fees. These fees are estimated at \$15,000 annually. The Park and DOA expect such expenditures can be reduced or eliminated in the future by training a Park employee to carry out these tasks. (The Park reports a typical training session may cost \$5,000, including travel and other charges by the software vendor.) It should be noted the Park anticipates it would arrange for training of either the permanent box office assistant position, if approved, or a double-appointment LTE, were the current position request not approved. The Park, therefore, expects some amount of savings on vendor-provided services to occur regardless of the disposition of the current request. However, the Park contends it is preferable to train a permanent FTE for such responsibilities rather than an LTE, as an LTE is less likely to remain in the position long-term.

Automotive and Equipment Technician. State Fair Park owns a fleet of various automobiles, lifting/loading equipment, utility vehicles, golf carts and lawnmowers. The Park currently purchases maintenance services for the vehicles under contract with private vendors, one of which handles most of the Park's work orders for service on its heavy equipment and other motor vehicles. Vehicle and heavy equipment maintenance costs vary with the amount of services needed. The Park reports its annual vehicle and heavy equipment maintenance payments have generally declined in recent years, from approximately \$145,600 in 2009-10 to \$80,600 in 2012-13. Payments through March 31, 2014, have totaled \$63,900. State Fair Park attributes the

declining costs mostly to the replacement of several older vehicles and equipment pieces that required more frequent repairs. Most or all of these annual payments have gone to the Park's primary servicer.

State Fair Park and DOA estimate annual payments to vendors for vehicle and equipment maintenance may be perhaps \$100,000 on an ongoing basis. In addition to hourly labor charges, the contract for the primary vehicle maintenance service company provides a 10% markup for parts purchased by the contractor for the Park's vehicles and equipment. This markup varies with the number and type of replacement parts needed. DOA has estimated the ongoing cost of parts markups at \$5,500 annually.

DOA estimates total annual costs for vehicle maintenance for the Park could be reduced by perhaps \$51,600, assuming a permanent position with salary and fringe benefit costs of \$53,900 would replace current estimated annual costs of \$105,500, including contractor services and a parts markup. However, the actual savings realized could be smaller if annual maintenance payments to the contractor remained below \$100,000.

Commercial Vendor Manager. The Wisconsin State Fair hosts approximately 600 commercial vendors, and the Park hosts approximately 300 vendors for other events throughout the year. The commercial vendor manager is responsible generally for selecting vendors for events, as well as assigning and managing space for most commercial vendors and certain concessionaires. The person also acts as a liaison between the Park, its vendors, multiple state regulatory agencies, and the West Allis Fire Department for matters such as electrical, fire and utility code compliance, food safety and tax collections. The person also serves as a contact for fairgoers' questions or complaints regarding vendors. The role currently is filled by LTE staff holding dual appointments. The commercial vendor manager serves in State Fair Park's exhibitor and vendor services department.

The Park reports that fulfilling these responsibilities with an LTE strictly limits the employee's annual hours. This requires the Park to use additional LTEs to cover approximately 250 to 300 hours of work annually that otherwise would be covered by the primary commercial vendor manager. DOA projects that although a permanent position would incur higher annual costs of about \$6,600, part of this amount would be offset by fewer supplemental LTE hours at a savings of approximately \$1,400 annually. The net change in converting the position would therefore be an estimated \$5,200.

State Fair Park also expects a permanent employee less limited in his or her annual work hours would provide efficiencies over the longer term that, while more difficult to quantify, may improve various aspects of the Park's vendor services operations. Such operational areas may include: (a) working with vendors to improve displays or business practices; (b) conducting more thorough reviews of potential vendors, while also shortening the annual vendor selection timeline to generate contracts quicker; and (c) explore best practices in vendor management with other fairs. Park officials have suggested more involvement in improving vendors' businesses and displays could increase vendor sales. Increased sales could increase Park revenues, as the Park receives a portion of vendors' proceeds, but no estimate of any potential revenue increase is currently

available. Further, State Fair Park reports the commercial vendor manager has turned over, on average, every 2.4 years since permanent positions in the Park's exhibitor and vendor services department were eliminated in 2003. The Park expects a permanent position to foster greater longevity by incumbents, and to allow for greater productivity, due to familiarity with the Park facilities and internal operations, including integrated event management software the Park is continuing to deploy across its departments.

Department Administrator. Like the commercial vendor manager, the department administrator serves in the exhibitor and vendor services department. The department administrator's primary responsibility is managing the Park's contracts with vendors, including: (a) maintaining a database of vendors; (b) processing vendors' requests for changes to contracts, such as new locations or utility needs; (c) ensuring collections of contractual payments; and (d) verifying proper vendor insurance coverage. The position also manages seasonal office staff and assists with assembling various promotions during the Wisconsin State Fair, among other tasks.

The incumbent department administrator works under dual LTE appointments, as is the case with the commercial vendor manager. Due to overtime worked during the State Fair, the department administrator typically takes several weeks of leave each winter to adhere to annual limits on LTE hours worked. The Park reports this regular layoff period can somewhat disrupt annual processing of vendor contracts and payments. The Park does assign other LTEs to the department administrator's responsibilities during such times, but it reports some amount of training is often required.

The Park expects converting the department administrator to a permanent position would allow the incumbent to work more consistent hours throughout the year, and would encourage greater longevity in the position; the Park reports the position has turned over, on average, every 3.6 years since LTEs began filling the role in 2003. Under both circumstances, the Park would expect to realize operational efficiencies, assuming an experienced department administrator would not be subject to regular layoffs. State Fair Park also expects a permanent department administrator to assist in creating additional promotions to increase vendors' sales during the Wisconsin State Fair and other events and thereby increase the Park's revenue, as the Park receives a portion of the proceeds from vendors' sales. However, no estimate of any potential revenue increase is currently available.

The Park also expects to train the department administrator on the Park's integrated event management software, as well as send the administrator to fair management training offered by the International Association of Fairs and Expositions (IAFE), which can take three years to complete. The Park reports it would prefer to train a permanent employee on the internal software, while it does not believe enrolling an LTE department administrator in the IAFE program would be prudent, given the likelihood of turnover.

DOA estimates that although the Park would incur additional salary and fringe benefit costs of approximately \$5,800 annually with a permanent department administrator, the Park would realize savings of approximately \$4,300 annually in LTE costs currently paid for periods when the department administrator takes leave. The position authorization would therefore increase net

annual costs by an estimated \$1,500.

Positions Not Recommended. In addition to the 4.0 positions DOA recommended to the Committee under passive review, State Fair Park had requested another 3.0 positions. These are briefly described in the following paragraphs.

Building and Grounds Office Associate. The Park requested a position for its buildings and grounds department to ensure more timely and accurate entry of event data used for billing promoters, as well as to allow the department more cost-effective management of inventory such as cleaning supplies and restroom products. A full-time position would be hired at an estimated \$41,800, and would allow the Park to eliminate approximately \$18,000 in costs of LTEs, for a net increase of \$23,800. The Park expects more effective management of inventory could produce cost savings for the Park, but it is unclear at this time what, if any, savings the position could produce.

Youth Center Event Manager. The Park requested an events manager for coordination of events using the dormitory and other space at the Thompson Youth Center, as well as to allow the Park greater ability to maintain and clean the building with its own staff rather than LTE or contracted service providers. The Park would plan to replace annual LTE salary and fringe benefits totaling \$54,300 with a permanent salary and fringe costs of \$64,100, for an estimated annual increase of \$9,800. The Park reports additional Youth Center events could be hosted with a permanent position, but it is unclear at this time what additional revenues, if any, the position could generate.

Plumber. The Park would use a permanent plumber position to accommodate repairs and conduct routine maintenance on plumbing fixtures and equipment primarily in the Exposition Center and the Thompson Youth Center. The Park would plan to hire a plumber with total salary and fringe benefits of \$104,400 and eliminate its current LTE and contract plumbing services with total costs of \$43,400, for additional net annual costs of \$61,000. A permanent plumber would be expected to reduce costs associated with water leaks as well as prevent significant plumbing failures that could result in costly repairs or property damage. However, no estimate of such savings can be accurately made at this time.

Table 1 shows the costs associated with each DOA-recommended position both under current operations and under the request. State Fair Park and DOA report the double-appointment LTEs generally are eligible for retirement and health insurance benefits, in addition to such employees having standard employer payroll costs for Social Security and Medicare contributions. Not included in the table is \$15,000 DOA and State Fair Park estimate would be saved by cancelling certain vendor-provided programming services in the Park's box office operations, as these savings are likely to occur independent of the position request. Other potential cost savings that could not be quantified at this time are not identified. Also not included are certain one-time costs, such as employee training, which may be incurred as vacant positions are filled. In addition, the table shows similar information for the 3.0 positions requested by State Fair, but not recommended by DOA.

TABLE 1**State Fair Park Cost Changes by Position Requested**

<u>Position</u>	<u>Current Operations Costs</u>	<u>Costs under Request</u>	<u>Difference</u>
Assistant box office manager			
Primary salary and fringe	\$48,500 (LTE)	\$55,100 (FTE)	\$6,600
Additional LTE assistants	<u>25,100</u>	<u>0</u>	<u>-25,100</u>
Subtotal	\$73,600	\$55,100	-\$18,500
Automotive/equipment technician			
Primary salary and fringe	\$0	\$53,900 (FTE)	\$53,900
Ongoing contractor services	100,000	0	-100,000
Parts markup	<u>5,500</u>	<u>0</u>	<u>-5,500</u>
Subtotal	\$105,500	\$53,900	-\$51,600
Commercial vendor manager			
Primary salary and fringe	\$58,400 (LTE)	\$65,000 (FTE)	\$6,600
Additional LTE assistants	<u>3,100</u>	<u>1,700</u>	<u>-1,400</u>
Subtotal	\$61,500	\$66,700	\$5,200
Department administrator			
Primary salary and fringe	\$51,600 (LTE)	\$57,400 (FTE)	\$5,800
Additional LTE assistants	<u>9,300</u>	<u>5,000</u>	<u>-4,300</u>
Subtotal	\$60,900	\$62,400	\$1,500
Subtotal - Recommended Positions	\$301,500	\$238,100	-\$63,400
Buildings and grounds office associate			
Primary salary and fringe	\$18,100	\$41,800	\$23,800
Youth Center events manager			
Primary salary and fringe	\$54,300	\$64,100	\$9,800
Plumber			
Primary salary and fringe	\$42,300	\$104,400	\$62,000
Ongoing contractor services	<u>1,000</u>	<u>0</u>	<u>-1,000</u>
Subtotal	\$43,300	\$104,400	\$61,000
Subtotal - Positions Not Recommended	\$115,700	\$210,300	\$94,600
Total - All Positions	\$417,200	\$448,400	\$31,200

Table 2 shows the estimated condition of State Fair Park's operations and capital reserve accounts from 2011-12 through the end of the 2013-15 biennium under current law. State Fair Park's operations account, which reached a deficit position of -\$11.5 million at the close of the 2006-07 fiscal year, has realized a surplus in each year since and emerged to a positive cash

position in the 2011-12 fiscal year. By statute, unencumbered amounts in the Park's operations appropriation are transferred to the Park's capital reserve account at the close of each fiscal year; the closing balances in Table 2, therefore, represent the Park's capital reserve. The Park expects to continue generating annual operational surpluses in the future, including a projected surplus of perhaps \$1.5 million in 2013-14 on the basis of a strong performance of the 2013 Fair and one-time revenue from a land sale to the Department of Transportation for the Interstate 94 (Zoo Interchange) redevelopment. However, the Park's annual performance is highly dependent on the Wisconsin State Fair, which can be negatively impacted by factors such as inclement weather.

TABLE 2

State Fair Park Financial Condition

	<u>Actual</u> <u>2011-12</u>	<u>Actual</u> <u>2012-13</u>	<u>Estimated</u> <u>2013-14</u>	<u>Estimated</u> <u>2014-15</u>
Opening Balance	\$485,400	\$1,393,600	\$1,157,800	\$2,678,600
Revenues	19,594,200	20,256,500	22,350,000	20,900,000
Expenditures				
General Operations	-15,072,300	-16,101,400	-16,975,000	-16,275,000
Debt Service	-3,436,900	-3,507,900	-3,670,100	-3,900,000
Capital Reserve Expenses	<u>-167,400</u>	<u>-879,000</u>	<u>-180,000</u>	<u>-180,000</u>
Subtotal	\$18,676,600	\$20,488,300	\$20,825,100	\$20,355,000
Transfers to General Fund	<u>-9,400</u>	<u>-4,100</u>	<u>-4,100</u>	<u>-4,100</u>
Closing Balance	\$1,393,600	\$1,157,800	\$2,678,600	\$3,219,500

*Reflects State Fair Park's allocation of program revenue transfers to the general fund under the last two budget acts.

State Fair Park's recent strength in revenues may owe in part to continued growth in attendance for the Wisconsin State Fair. Fair attendance has increased from a recent low of 801,000 fairgoers in 2007 to slightly more than 1 million persons in 2013, which the Fair reports was the highest attendance since at least 1969.

The Committee could consider approving the request (Alternative 1). It could be argued the 4.0 positions approved by DOA represent those with the highest likelihood of cost savings, or, at a minimum, those least likely to result in significant cost increases over current operations. This alternative would provide the Park with 48.0 permanent positions. One could argue this level of permanent positions would be appropriate, as it would remain lower than the recent high of 51.2 positions authorized in 2000-01, despite the Park having recently assumed additional responsibilities for the Milwaukee Mile and State Fair midway. Alternative 1a would approve the DOA recommendation. Alternative 1b would approve the DOA recommendation, but as modified to realize the \$63,400 in annual savings expected under the request.

The Committee also could consider authorizing the 7.0 positions initially requested by State

Fair Park (Alternative 2). Alternative 2a would add 7.0 positions only, while Alternative 2b would supplement State Fair Park's budget authority to reflect estimated costs of the new positions. Although DOA did not approve 3.0 of the initially requested positions, it could be argued each position has potential to reduce the Park's expected ongoing costs or capture additional revenues. The positions would not exceed the Park's recent maximum level of permanent staffing in 2000-01, despite the Park adding facilities and internalizing other operations in the intervening years. However, given the additional costs estimated for the positions not approved by DOA, one also could argue it would be prudent for the Park to demonstrate a greater net benefit prior to adding the positions.

The Committee also could consider approving only certain positions (Alternatives 3a through 3g). Each position has unique considerations, as discussed previously, and the Committee could consider approving one or more on individual bases. While the Park argues all seven positions would be justified, it reports its priority for the positions is approximately the order in which the positions appear in Table 1 and under Alternative 3, with the assistant box office manager being the highest priority and a plumber being the lowest priority at this time.

One also could argue the Park has plans in place to continue providing sufficient services through LTE staffing or contracts with private vendors in the event any of the positions were not approved. Further, two of the DOA-approved positions and five of the initially requested positions are not necessarily expected to yield cost savings, and it is uncertain to what degree the positions would produce additional revenues to offset projected higher costs. The Committee could deny the request (Alternative 4). Under such an alternative, State Fair Park and the administration could forward additional staffing requests in future budget legislation and the Committee could reexamine the justification for additional staffing at such a time.

ALTERNATIVES

1.
 - a. Approve the Department of Administration request, to provide 4.0 PR positions for State Fair Park under its general operations appropriation [s. 20.190 (1)(h)].
 - b. In addition to Alternative 1a, delete \$63,400 PR from the State Fair Park general operations appropriation in 2014-15.
2.
 - a. In addition to Alternative 1a, approve 3.0 PR positions (7.0 total) as requested by State Fair Park in its February, 2014, request under s. 16.505 of the statutes.
 - b. In addition to Alternative 2a, provide \$31,200 PR in the State Fair Park general operations appropriation in 2014-15.
3. Approve one or more of the following positions as requested by State Fair Park:
 - a. 1.0 PR position for an assistant box office manager;
 - b. 1.0 PR position for an automotive and equipment technician;
 - c. 1.0 PR position for a commercial vendor manager;

- d. 1.0 PR position for an exhibitor and vendor services department administrator;
 - e. 1.0 PR position for a building and grounds department office associate;
 - f. 1.0 PR position for a Youth Center events manager; and/or
 - g. 1.0 PR position for a plumber.
4. Deny the request.

Prepared by: Paul Ferguson