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☞ Details: Audit Report 05-10, An Audit: State Fair Park

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Record of Committee Proceedings

Joint Legislative Audit Committee

Audit Report 05-10

An Audit: State Fair Park

November 29, 2005 **PUBLIC HEARING HELD**

Present: (9) Senators Roessler, Cowles, S. Fitzgerald, Miller and Lassa; Representatives Jeskewitz, Kaufert, Kerkman and Cullen.

Absent: (1) Representative Travis.

Appearances For

- None.

Appearances Against

- None.

Appearances for Information Only

- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Julie Gordon, Madison — Legislative Audit Bureau
- Craig Barkelar, West Allis — Deputy Director, Wisconsin State Fair Park
- Anthony Staskunas, West Allis — Representative, Wisconsin State Assembly/SFP Board Member
- Scott Gunderson, Waterford — Representative, Wisconsin State Assembly/SFP Board Member

Registrations For

- None.

Registrations Against

- None.



Pam Matthews
Committee Clerk



Report Highlights ■

State Fair Park's overall financial condition deteriorated through FY 2003-04.

Expenditures have exceeded revenues by \$7.3 million since FY 1999-2000.

Business plans for 2004 were proven to be overly optimistic when actual revenues fell short of projections.

We recommend State Fair Park report to the Joint Legislative Audit Committee by October 31, 2005, on its plans for improving financial operations.

State Fair Park, the 190-acre fairgrounds located in West Allis and Milwaukee, is home to the annual Wisconsin State Fair. The 11-day fair, which is one of the state's oldest and largest annual events, features midway rides and games, livestock shows, livestock auctions, craft exhibits, musical entertainment, and food and merchandise vendors. More than 879,000 people attended the August 2004 Wisconsin State Fair.

Statutes require us to perform an annual financial audit of State Fair Park. We have issued an unqualified audit opinion on State Fair Park's fiscal year (FY) 2003-04 financial statements, which are included in our report. In addition, we have followed up on concerns we expressed in 2004 regarding State Fair Park's financial condition, as well as business planning related to three fairgrounds activities or entities:

- the Milwaukee Mile racetrack and its grandstand, which State Fair Park began to manage internally in May 2003;
- the Pettit National Ice Center, a United States Olympic training facility that is owned by State Fair Park but operated by a private not-for-profit corporation; and
- the Wisconsin Exposition Center, which is owned by a not-for-profit corporation, used exclusively for the Wisconsin State Fair each August, and available for other events during the rest of the year.

Key Facts and Findings

We have issued an unqualified audit opinion on State Fair Park's financial statements for FY 2003-04.

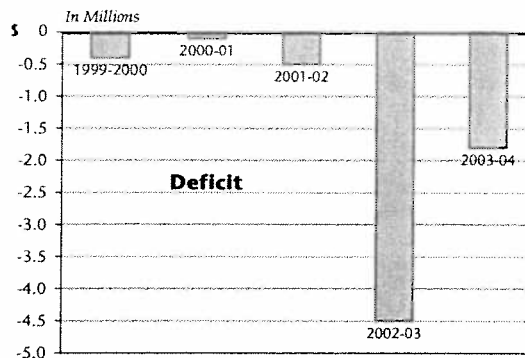
Program revenue-supported debt service payments will be more than \$3.4 million annually through FY 2012-13.

State Fair Park currently projects that total expenditures for FY 2004-05 will exceed revenues by \$3.9 million.

To limit future fiscal demands, State Fair Park is pursuing options for leasing the Milwaukee Mile and selling the Pettit National Ice Center.

Fiscal Decline through 2004

Since FY 1999-2000, State Fair Park has reported a total deficit of \$7.3 million. Expenditures have exceeded total revenues in each of the past five years. The largest deficits were reported in FY 2002-03 and FY 2003-04.



Some expenditures in those years—including required lapses to the State's General Fund totaling \$2.6 million—were beyond the control of agency staff or the State Fair Park Board. However, even without such external factors, annual expenditures would have exceeded revenues by \$1.8 million in FY 2002-03 and by \$1.3 million in FY 2003-04. State Fair Park officials project the overall FY 2004-05 deficit could be as much as \$3.9 million.

In recent years, State Fair Park has undertaken a building program to make the fairgrounds more of a year-round entertainment attraction. This program has included new and renovated facilities, such as:

- a new grandstand and expanded bleacher seating for the Milwaukee Mile racetrack, which were completed in time for the 2003 racing season at a cost of \$19.1 million; and
- the new Wisconsin Exposition Center, which replaced several existing exhibit buildings and was completed in time for the 2002 State Fair at a cost of \$37.8 million.

However, overly optimistic revenue projections that were used to support these and other construction projects have not been met. Instead, the projects have contributed to State Fair Park's declining financial condition.

To fund fairgrounds improvements, State Fair Park has relied on funding from bonds. Through FY 2012-13, debt repayment from State Fair Park revenues is expected to be more than \$3.4 million annually. If State Fair Park revenues are insufficient to cover these costs, the State could ultimately be called on to fund them. In addition, \$2.3 million in annual debt service costs from general purpose revenue (GPR)-supported debt has been issued for State Fair Park improvements.

2004 Operating Results

In prior reports, we recommended that State Fair Park develop and then continue to refine and modify

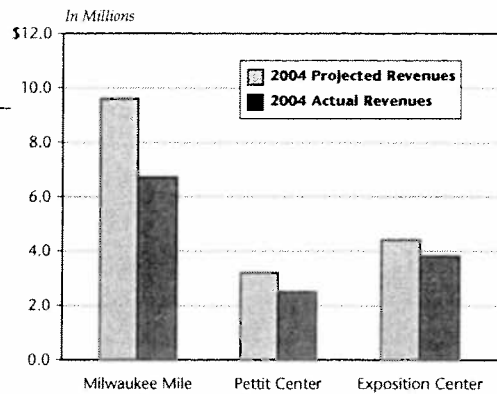
business plans, considering internal operations—including the Milwaukee Mile’s racing activities—and external operations such as the Pettit National Ice Center and the Wisconsin Exposition Center.

However, the business plans and operating budgets developed by State Fair Park for its racing activities and by the Pettit Center and the Exposition Center have proven to be overly optimistic, resulting in revenues that fall short of projections. For example:

State Fair Park estimated that Milwaukee Mile revenues would increase 77.7 percent, from \$5.4 million during the 2003 racing season to \$9.6 million in the 2004 racing season. However, actual revenues increased by only \$1.3 million, or 24.1 percent.

The Pettit Center projected that revenues from program activities would increase 35.8 percent, from nearly \$2.1 million in 2003 to \$2.8 million in 2004. However, actual revenues from program activities increased by less than 1.0 percent in 2004.

The Exposition Center projected that total revenue would increase 10.0 percent, from nearly \$4.0 million in 2003 to \$4.4 million in 2004. However, actual revenues declined to \$3.8 million.



2005 Business Planning

The 2005 business plans include initiatives that are similar to those in prior plans. Like the 2004 projections, they again include revenue increases:

- In December 2004, the State Fair Park Board projected that racing revenues would increase 40.7 percent, from \$6.7 million in 2004 to \$9.5 million in the 2005 season.
- The Pettit Center’s 2005 business plan projects an 11.1 percent increase in total revenue, from nearly \$2.5 million in 2004 to \$2.7 million in 2005.
- The Exposition Center projects its revenues will increase 12.2 percent, from nearly \$3.8 million in 2004 to \$4.2 million in 2005.

However, in April 2005, State Fair Park revised its projections to reflect an anticipated net loss of \$1.8 million from Milwaukee Mile

racing activities for the 2005 racing season. In addition, the Exposition Center has not yet increased the number of consumer and trade shows anticipated for 2005, which may make its projected increase in revenue difficult to meet.

Proposed Future Changes

The State Fair Park Board, the Pettit Center, and the Exposition Center Board are exploring options to improve their financial outlooks. For example, after incurring total losses of more than \$4.3 million since assuming operational control of the Milwaukee Mile in 2003, State Fair Park officials hope to again transfer operating responsibility to a private promoter in January 2006. However, the Milwaukee Mile will continue to be managed internally for the 2005 racing season.

The State Fair Park Board is also exploring options to sell the Pettit Center, which owed State Fair Park \$1.1 million in past-due rent as of May 2005. To ensure the Pettit Center continues as an Olympic training facility, State Fair Park and Pettit Center staff are negotiating the sale of the building and a portion of the surrounding land to the not-for-profit corporation that operates it.

Any future demands the Exposition Center may place on State Fair Park are unknown, but the Exposition Center is projecting a net loss of

\$1.3 million for calendar year 2005. Exposition Center staff have indicated that if sufficient resources are not available to meet financial obligations in 2007, reserve funds may be used to cover debt service costs. Doing so could jeopardize a letter of credit issued by a commercial lender to support Exposition Center construction bonds.

Recommendation

We include a recommendation for State Fair Park to:

- report to the Joint Legislative Audit Committee by October 31, 2005, on its financial condition and plans for improving the overall financial operations of the fairgrounds (p. 43)

At a minimum, we believe the plans should address the long-term organizational structure of racing activities at the fairgrounds, as well as State Fair Park's operating and management relationships with the Pettit Center and the Exposition Center.

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 05-10, which includes a response from State Fair Park's executive director, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Julie Gordon
(608) 266-2818

Legislative Audit Bureau

22 East Mifflin Street
Suite 500
Madison, WI 53703
(608) 266-2818

Janice Mueller
State Auditor





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

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

November 16, 2005

Mr. Martin J. Greenberg, Chairman
Board of Directors
Wisconsin State Fair Park
640 South 84th Street
West Allis, Wisconsin 53214

Dear Mr. Greenberg:

We have received your letter, dated October 28, 2005, which updated the Joint Legislative Audit Committee on the financial condition of State Fair Park. At a hearing to be held before the Committee on Tuesday, November 29th, we will consider the information in your letter in the context of the Legislative Audit Bureau's most recent audit of State Fair Park (report 05-10).

As indicated on the enclosed hearing notice, the public hearing will begin at 10:00 a.m. in Room 411 South of the State Capitol. We ask that you and Mr. Randy Prasse, Executive Director, be present at the hearing to offer testimony in response to the audit findings and to respond to questions from committee members. Before you begin to testify, please also plan to provide each committee member with a written copy of your testimony.

We remain concerned about the overall financial condition of State Fair Park. As you prepare your testimony, please be prepared to report on:

- future building projects planned for the State Fair or for other entities associated with State Fair Park, including the Wisconsin Exposition Center and Milwaukee Mile Holdings, LLC;
- State Fair Park's current and future operating relationships with the Wisconsin Exposition Center and the Milwaukee Mile;
- the financial success of the 2005 State Fair.

Please contact Ms. Pamela Matthews in the office of Representative Suzanne Jeskewitz at (608) 266-3796 by Wednesday, November 23rd to confirm your participation in the hearing. We look forward to exploring these issues with you on November 29th.

Sincerely,

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

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

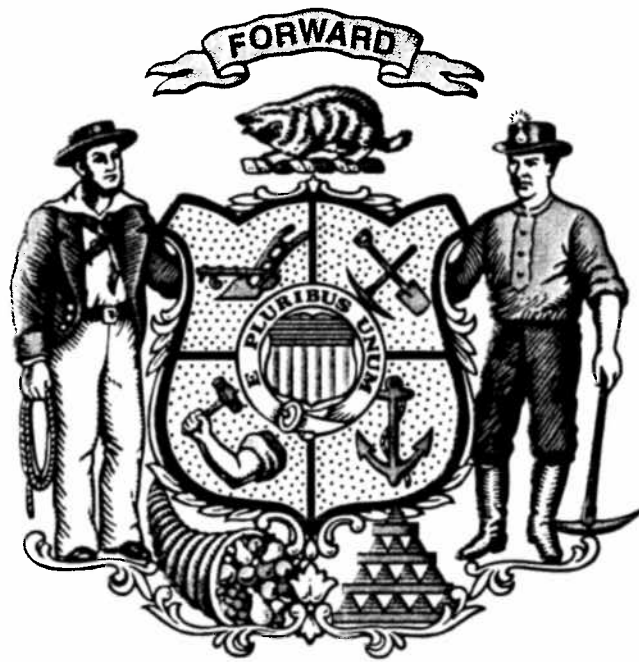
Enclosure

cc: Randy Prasse, Executive Director
Wisconsin State Fair Park

Janice Mueller, State Auditor

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

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

November 16, 2005

Senator Jeff Plale
106 South, State Capitol

Senator Tom Reynolds
306 South, State Capitol


Representative Scott Gunderson
7 West, State Capitol

Representative Tony Staskunas
124 North, State Capitol

Dear Senator Plale, Senator Reynolds, Representative Gunderson, and Representative Staskunas:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 05-10, *An Audit: State Fair Park*, on Tuesday, November 29, 2005, at 10:00 a.m. in Room 411 South of the State Capitol.

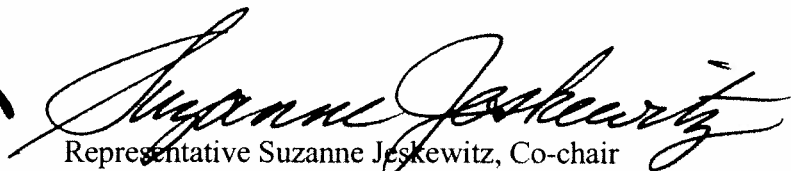
Given your roles as legislative members of the State Fair Park Board of Directors, we wish to inform you of this public hearing and extend an invitation for you to testify before the Committee concerning the overall fiscal condition of the Park.

Should you wish to testify, please contact Ms. Pamela Matthews in the office of Representative Suzanne Jeskewitz at 266-3796 in advance of the public hearing. We hope to see you on November 29th.

Sincerely,



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



Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor



WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

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

November 16, 2005

Mr. Randy Prasse, Executive Director
Wisconsin State Fair Park
640 South 84th Street
West Allis, Wisconsin 53214

Dear Mr. Prasse:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 05-10, *An Audit: State Fair Park*, on Tuesday, November 29, 2005, at 10:00 a.m. in Room 411 South of the State Capitol.

At this hearing, the Committee will receive testimony concerning the financial condition of the Park and follow-up on the written report submitted to the Committee by Chairman Greenberg on October 28, 2005. We ask that you, and appropriate members of your staff, be present at the hearing to offer testimony in response to the audit findings, and to respond to questions from committee members about the Park's ongoing fiscal issues. Please also plan to provide each committee member with a written copy of your testimony at the hearing.

Please contact Ms. Pamela Mathews in the office of Representative Suzanne Jeskewitz at (608) 266-3796 by Wednesday, November 23rd to confirm your participation at the hearing. Thank you for your cooperation and we look forward to seeing on you on November 29th.

Sincerely,

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

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor





News Release

Contact: Sandra Lange
414/727-8845

Revenues, bookings up

Wisconsin Expo Center Outpacing Projections

West Allis, Nov. 17, 2005 The Wisconsin Exposition Center at State Fair Park is on track to finish 2005 nearly \$445,000 ahead of budget and gain ground in 2006, staff projections show.

The Center forecast a \$178,600 deficit for 2005 but will instead earn net income of about \$267,000 before depreciation, according to financial statements submitted to the Center's Board by facility president Sandra Lange. The Center's revenue from catering, concessions, parking and event-related income will beat expectations by \$327,000 and expenses are \$100,000 under budget, she said, based on billings through October and projected for November and December.

The proposed 2006 budget for the Center banks that the growing popularity of the 3-year-old exhibition hall at State Fair Park in West Allis will allow it to break even next year, with revenues fully offsetting expenses and debt before depreciation. It assumes operating income of \$4.6 million and expenses of \$2 million, for a balance sheet loss of \$1.1 million after factoring in \$1.1 million in depreciation and \$2.6 million in debt service on bonds that financed the Center's construction.

For 2006, 30 events have contracted so far to use the Center, a number Lange said will increase as new shows are added and drive continued growth in income from parking, concessions, catering and other sources. "This is a budget we can live within and have every intention of outperforming," said Lange, noting that 25 events held in 2005 were booked after December of 2004.

While the number of shows booked for next year is on par with prior years, the days the facility is in use will shoot up dramatically and boost expected revenues from concessions, parking and show services, Lange said. The 30 shows already under contract for 2006 will occupy the Center 172 days, compared to 201 days used by all 55 shows this year.

"We've got momentum now," said Marty Greenberg, chairman of the State Fair Park Exposition Center Board. "Sandra Lange and her team are delivering on this facility's potential as an exciting community destination. As the word gets out, we're attracting new events and our events are growing larger and longer."

State Fair Park Exposition Center, Inc.

www.wiexpositioncenter.com

8200 West Greenfield Avenue West Allis, WI 53214-0307 414.727.8840 phone 414.727.8842 fax

New events this year included the Realtors Home & Garden Show, Lake Home & Cabin Show, National Street Rod Association and the Small Business Times' Wisconsin Business & Technology Expo.

"This facility single-handedly brings nearly 1.5 million visitors a year to West Allis, and stands alone as an economic magnet drawing revenue to hotels, restaurants and the local economy," said Dick Carlson, a member of the Center's board who as chairman of the Whitnall Summit Co., redeveloped the hulking Allis-Chalmers plant in West Allis into the lauded Summit Place office park.


Early concerns that the Wisconsin Exposition Center would be unable to meet its debt obligations have been resolved, Greenberg said, by exercising an option allowing the Center to make interest-only payments on \$41 million in industrial revenue bonds that financed its construction costs. "When the timing is right, our long-term solution is to refinance and we're working with Lehman Brothers to make that happen," Greenberg said.

The Wisconsin Exposition Center at State Fair Park is Wisconsin's largest and most complete exhibition hall, offering over 200,000 gross square feet of space expressly designed to host and enhance events. The Center is a private non-profit entity.

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Wisconsin Exposition Center
2006 Budget





Wisconsin Exposition Center 2006 Budget

2006 Budget

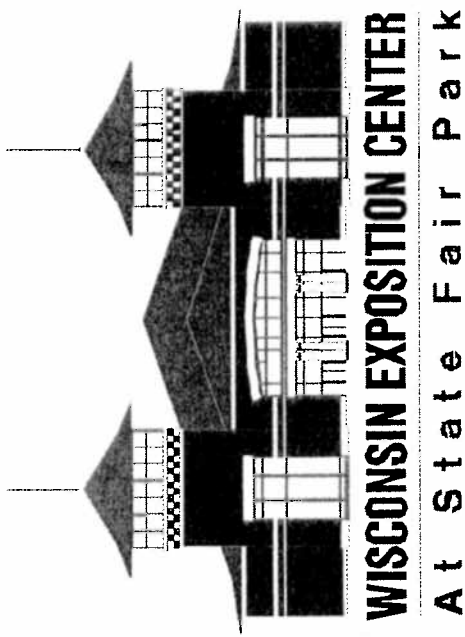
Number of Events

Number of Days Building in Use

Events for 2005

Events for 2006

Marketing Initiatives



State Fair Park Exposition Center, Inc.
Budgeted Revenues and Expenses

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For the Year Ended December 31, 2006 and Trended Information and Budget for 2005

Revenues:	2006	2005	2005	2004
	Budget	Trends	Budget	Actuals
License Fees (Space Rental)	2,050,000	2,175,435	2,200,000	1,959,597
Parking	625,000	616,770	600,000	513,291
Concessions/Catering	800,000	696,613	560,000	480,411
Utility Services	450,000	436,406	382,000	412,481
Box Office Services	50,000	46,809	40,000	48,027
Labor Services and SFP Chargebacks	365,000	359,223	364,444	308,535
Advertising, Sponsorship and Other Rights	100,000	66,396	100,000	39,960
Equipment Rental	125,000	105,639	50,000	67,536
Interest on Bank Accounts	25,000	90,265	6,000	36,105
Miscellaneous and Other	18,002	40,931	5,000	12,229
Contractual Credits	(50,000)	(93,001)	(93,000)	(122,790)
Total Revenues	4,558,003	4,541,486	4,214,444	3,755,382
Expenses:				
Salaries-Full Time Employees	688,471	559,406	627,720	546,837
Benefits-Full Time Employees	223,749	195,164	215,035	186,613
Salaries & Benefits-Event Employees	242,063	188,443	220,000	230,691
Communications	14,100	15,004	14,100	17,879
Rents and Leases	600	1,621	600	8,399
Professional Services	60,500	24,294	36,400	130,222
Utilities	365,000	306,342	300,100	254,188
Marketing and Advertising	90,000	49,033	95,000	42,020
Box Office	6,900	5,666	6,900	4,937
Building Security	3,600	343	3,600	3,931
Events	8,500	37,061	5,300	12,261
Parking Trams	1,500	500	1,500	4,200
Maintenance & Repairs-Facility	43,000	51,938	41,600	39,766
Supplies, Materials and Equipment	45,000	39,327	49,000	53,815
Food & Beverage Allotment	0	829	3,500	754
Insurance & Bonding	98,328	93,885	97,000	92,026
Bad Debt	6,000	10,474	6,000	13,125
Municipal Services (PILOT)	90,000	99,000	99,000	98,400
Depreciation	1,098,000	1,096,894	1,098,000	1,119,820
Miscellaneous and Other	10,499	57,370	10,500	13,840
Total Expenses	3,095,813	2,832,594	2,930,855	2,873,724
Operating Income/(Loss) before Debt Service Payments	1,462,190	1,708,892	1,283,589	881,658
Appropriations for Reserves and Debt Service:				
Contingency Fund	0	-	-	-
Capital Repairs and Maintenance Fund	0	-	-	-
Debt Service Payments - Interest Only	2,560,190	2,538,451	2,560,190	2,581,665
Total Appropriations for Reserves and Debt Service	2,560,190	2,538,451	2,560,190	2,581,665
Adjusted Operating Income after Debt Service and Reserves	(1,098,000)	(829,559)	(1,276,601)	(1,700,007)
Other Revenue & Expense Add Backs:				
Depreciation	1,098,000	1,096,894	1,098,000	1,119,820
	1,098,000	1,096,894	1,098,000	1,119,820
Adjusted Net Income/(Loss) after Add Backs	0 (1)	267,335	(178,601)	(580,187)

Notes:

(1) Adjusted Income is based on Section 3a of the Ground License agreement whereby rent is payable to State Fair Park equal to the excess of its annual gross revenues from all sources over its annual expenses of operating the Exposition Center including, but not limited to, debt service of any type, debt reserves, operating costs and reserves, (collectively the Expenses), plus any Additional Rent payable annually commencing on January 15th of the first calendar year following substantial completion of the improvements and on the fifteenth day of each subsequent January during the term of this Lease (Page 2 of the Ground Lease by and between State Fair Park Board and SFP Exposition Ctr, Inc.)

Wisconsin Exposition Center
2006 Cash Flow Summary

Cash balance, beginning of year	\$	397,055
Deduct:		
2006 Operating Net Loss, net of depreciation expense	(\$0)	
Capital Purchases	(88,500)	
Principal Payment on Revenue Bonds Payable	0	
Notes Payable-Other	0	
Capital Maintenance Fund & Contingency Fund	(90,000)	
Total Deductions to cash flows		(\$178,500)
Cash balance, end of year	\$	<u>218,555</u>

NOTE: This cash flow sheet is an integral part of the 2006 Operating and Cash Flow budget. This model assumes no bond principal payments in accordance with the bond indenture agreements in place as well.

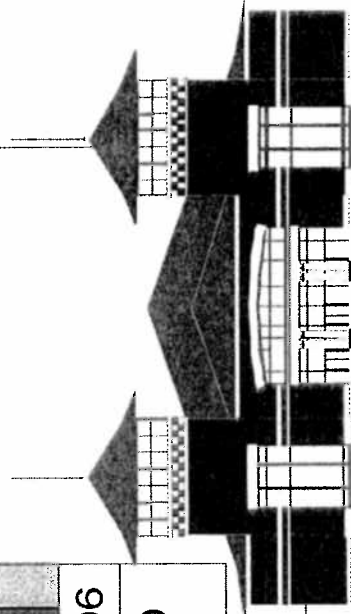
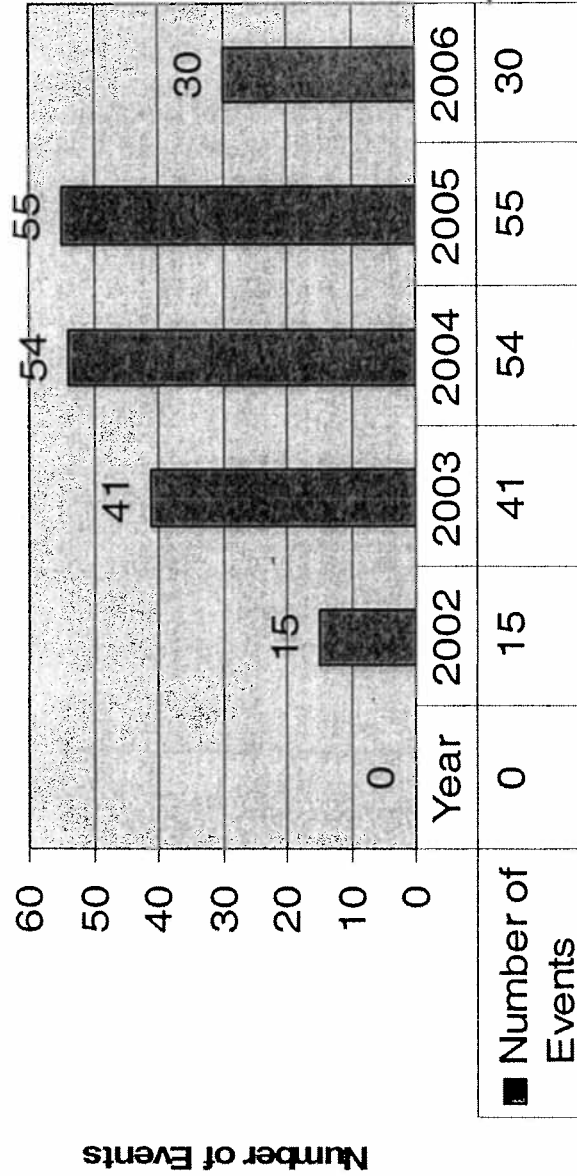
See the 2006 detailed monthly cash analysis for further review

Major Events Not In 2006:

Wisconsin Manufacturing & Tool Show

Wisconsin Exposition Center 2006 Budget

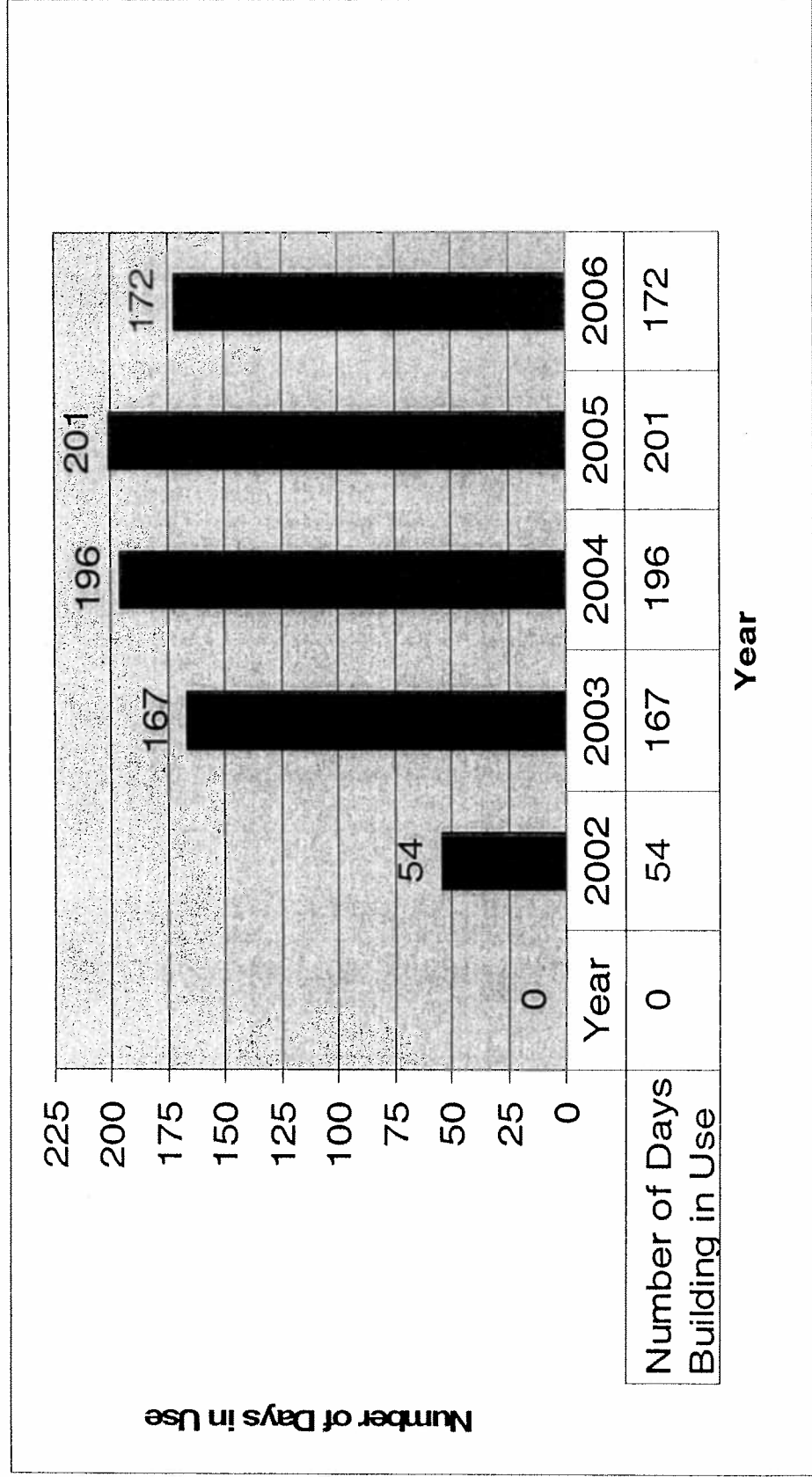
Number of Events



WISCONSIN EXPOSITION CENTER
At State Fair Park

Wisconsin Exposition Center 2006 Budget

Number of Days Building in Use



Wisconsin Exposition Center 2006 Budget

➤ 2005 New Catered Events

- Small Business Times Exhibitor Breakfast
- Metroparent's Kidsfest Character Breakfast
- Wisconsin Business & Technology Luncheon
- Tempo Luncheon
- Direct Supply's 20th Anniversary Party
- Snowmobile USA Exhibitor Party
- WI Truck Expo Peterbilt and Mack Truck Catering
- Potawatomi's Hunting Moon Pow Wow Reception

March

March

April

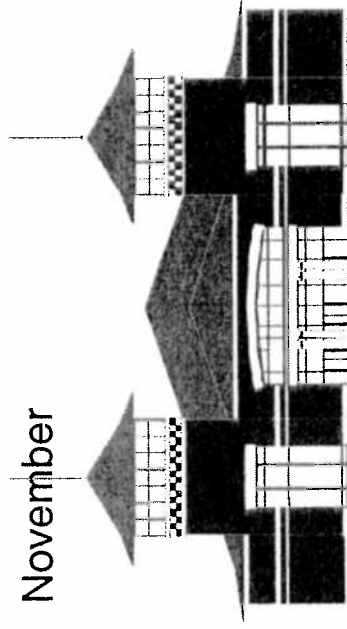
July

September

October

October

November



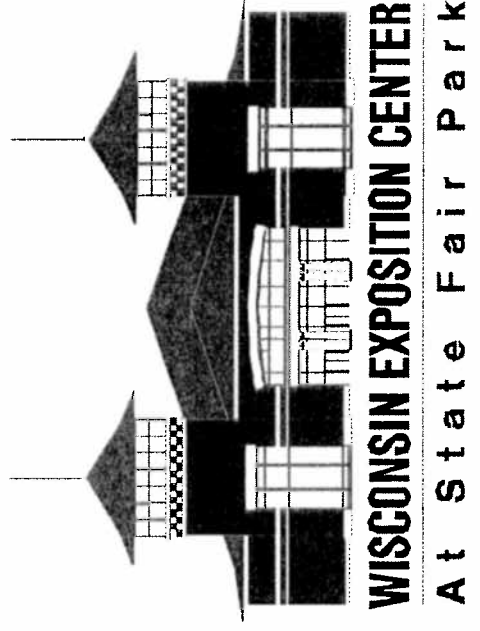
WISCONSIN EXPOSITION CENTER

At State Fair Park

Wisconsin Exposition Center 2006 Budget

➤ **New Events for 2006**

- Islamic Prayer Gathering January
- West Allis Business to Business Showcase March
- Wisconsin Kennel Club Dog Show March Multi-Year Contract
- Deaf Festival September New Biennial Event
- Other tentatives not confirmed at this time.

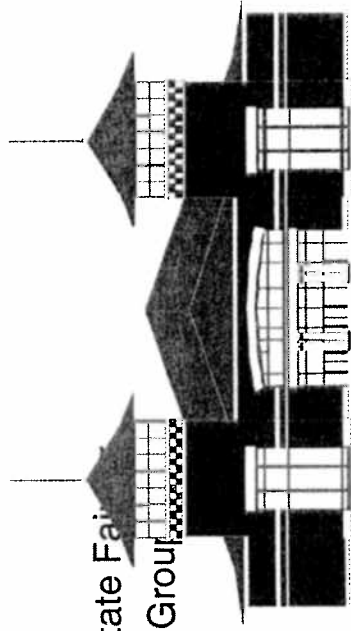


Wisconsin Exposition Center 2006 Budget

➤ Marketing Initiatives

- Meet space rental goal of \$2,050,000
- Consumer Shows
- Trade Shows
- Meetings
- Park-wide Events
- Milwaukee Mile Events

Wisconsin Exposition Center also sends many leads to Wisconsin State Fair, the Products Pavilion and Youth Center. (Church groups, Veteran's Group,



WISCONSIN EXPOSITION CENTER

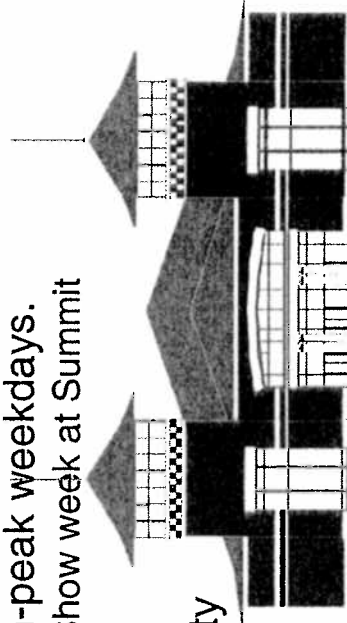
At State Fair Park

Wisconsin Exposition Center 2006 Budget

➤ Marketing Initiatives

➤ Drive attendance to Events

- We do not control show ad budgets but we can help drive attendance to the shows
- Electronic Sign
- Event Calendar
- Assist show promoters in connecting with local business to drive attendance during non-peak hours
- i.e. Consider reduced ticket prices/parking during non-peak weekdays.
 - Consider on site promotions at local business. i.e. Sport Show week at Summit place?
- Special Section -Milwaukee Journal Sentinel
- Enhance PR Efforts-Much good news about the facility and events.



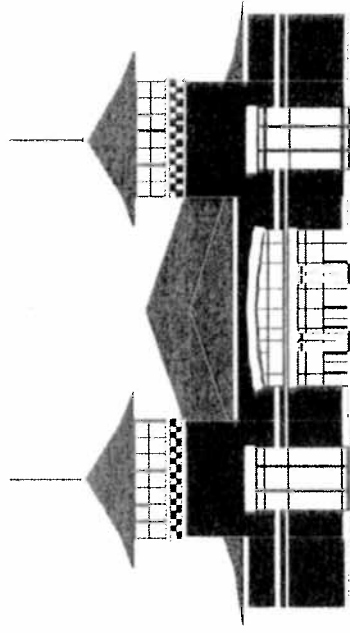
WISCONSIN EXPOSITION CENTER

At State Fair Park

Wisconsin Exposition Center 2006 Budget

➤ Marketing Initiatives

- Equipment Rentals
- Increase Equipment Rentals to Shows
- AV Equipment
- Utility Services/Voice/Data/Phone/Wireless
- Tables/Chairs
- Sign Hanging Program

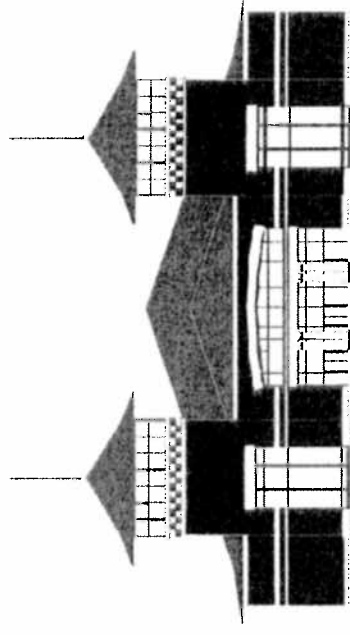


WISCONSIN EXPOSITION CENTER

At State Fair Park

Wisconsin Exposition Center 2006 Budget

- **Marketing Initiatives**
- **2006 Ad Campaign**
 - Targeted Marketing
 - NACS-National Association of Consumer Shows
 - Expo Magazine
 - Tradeshow Week
 - Direct Mail to Targeted List
 - Calendar of Events
 - Postcard
 - Fold Out Brochure
 - West Allis Map
 - Website Links
 - Serve on Association Boards and Community Programs
 - Hotel Motel Association, West Allis Bid District, WSAE



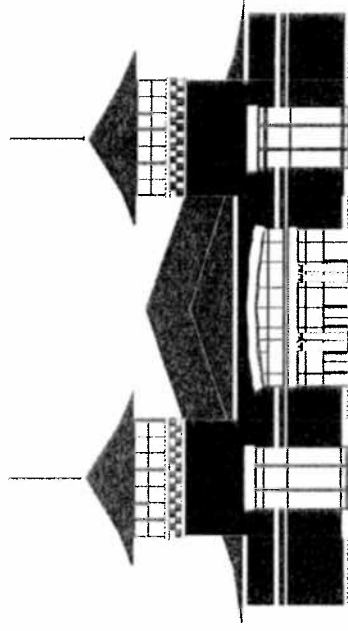
WISCONSIN EXPOSITION CENTER

A t S t a t e F a i r P a r k

Wisconsin Exposition Center 2006 Budget

➤ Marketing Initiatives

- Direct Mail Piece
 - Postcards
 - Fold Out Brochures
- On site- Visits delivering food and beverages to let people know who we are and we can Facilities, Catering and Parking
- Co Promotions and partnerships with local businesses.
- Invite business to see events here during lunch hours
 - Special ticketing/parking rates?
 - Drive attendance to facility...they return with their family



WISCONSIN EXPOSITION CENTER

At State Fair Park

Wisconsin Exposition Center 2006 Budget

> Marketing Initiatives

- Meet Concession/Catering Goal of \$800,000
- Mobile Kitchen on site and ready for business
- Up sell customers on all catering opportunities
 - Exhibitor lounges/parties
 - Private banquets/food functions
 - Weddings
 - Meetings
 - New Menus and Catering Options
 - In Booth Catering Options!

Market around us? It is growing!

State Fair Park

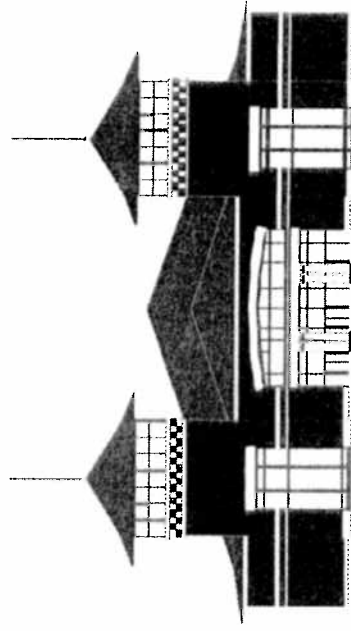
Milwaukee Mile

Summit Place

Six Points Development

Research Park

GE Medical



WISCONSIN EXPOSITION CENTER

A t S t a t e F a i r P a r k



Joint Legislative Audit Committee Hearing

November 29, 2005

An Audit: State Fair Park, Report 05-10

Testimony of
Craig Barkelar, Deputy Director
Wisconsin State Fair Park

I would like to begin by thanking the Audit Committee, the State Auditor, and her staff. This report and the others have provided a fair assessment of State Fair Park's condition. More importantly, they have been useful in directing our improvement efforts. As you heard, State Fair Park's financial condition continues to deteriorate. Expenditures exceeded revenues by \$3.7 million in FY 2004-05. These results are unacceptable and similar financial performance cannot be allowed to continue.

Operations would have been profitable except for the Milwaukee Mile Speedway, which lost \$3.6 million, the Pettit National Ice Center, which required a \$190,000 subsidy, and a \$186,000 efficiency initiative lapse to the General Fund. As you know, State Fair Park has been working to eliminate the financial risks associated with the Milwaukee Mile and the Pettit Center. While progress has been difficult, we have good news to report today, particularly related to the Milwaukee Mile.

Milwaukee Mile

State Fair Park owns the Milwaukee Mile Speedway and has managed track operations since the 2003 race season. Prior to this, a private promoter managed race operations. We have found that a public entity, such as State Fair Park, cannot effectively manage a race track. While we have increased the quality and number of the events, losses have increased.

To eliminate the financial risks of being a track promoter and ensure that the racing program continues to improve, State Fair Park has attempted to secure a private promoter for track operations. A year ago, we told you that we expected to have a private entity managing the track for the 2005 race season. We worked with many groups, but failed to come to agreement with any. At this time, we have secured a promoter for the 2006 race season, Milwaukee Mile Holdings LLC. Excluding the State Fair period in August, Milwaukee Mile Holdings LLC will independently operate the track from May 1st through September 27th in each year of our agreement.

The State Building Commission approved the license agreement in September, and it will become effective in December. The term of the agreement is 18 years and the license fee is set to recover all but approximately \$175,000 of annual debt service, which will be funded from revenues earned parking vehicles on the infield of the track during the State Fair. License fees will be guaranteed by a letter of credit. For this additional level of security, State Fair Park will fund the cost of carrying the letter of credit.

Because of a multiple year racing contract and other factors, the promoter will incur losses for a number of years. In partial compensation, a one-time fee waiver of \$1.5 million will be granted. Excluding the first year, licensing Milwaukee Mile operations to a private promoter should eliminate annual losses that have averaged \$3.0 million.

You expressed an interest in State Fair Park's building plans. Because of our financial condition, we really do not have any. But some development may result from the licensing of Milwaukee Mile. Development rights were included as a means for the promoter to lessen the significant risks of operating the track. Milwaukee Mile Holdings LLC will have a four year option to acquire nine acres in the southeast corner of the fairgrounds, with frontage along West Greenfield Avenue and 77th Street.

Before any development would begin, Milwaukee Mile Holdings LLC is required to relocate the AmeriGas company located in the center of the fairgrounds and deed the property to State Fair Park. This would eliminate a public safety hazard and provide State Fair Park with land much more valuable to it than that exchanged. Milwaukee Mile Holdings LLC would also be required to make a number of improvements to fairground property, which could include some environmental remediation, utility extensions, grading and gate expansion. The result would ensure State Fair Park has the same amount of usable property available for the State Fair after the exchange. The exchange is set at fair market value.

Milwaukee Mile Holdings LLC's tentative plans for property development includes a hotel, which would benefit all of the entities located on the fairgrounds, particularly the Wisconsin Exposition Center. Racing-themed facilities such as a restaurant and retail and office space are also being considered.

Pettit Center

In 1991, state officials approved the construction of an Olympic ice training facility on the fairgrounds and a lease with Pettit National Ice Center, Inc., to independently operate it. State Fair Park lost the use of its most valuable piece of property, became the unwilling owner of the Pettit Center building, and liable for its construction debt to the extent rents are not paid. Since the Pettit National Ice Center began operations, State Fair Park has provided an involuntary subsidy of more than \$2.2 million (approximately \$1.3 million for debt service, \$565,000 for municipal fees and \$315,000 for equipment and capital improvements).

Pettit Center operations do not generate sufficient funds to fully pay rent. If nothing changes, State Fair Park expects annual shortfalls in Pettit Center payments of at least \$575,000. Another \$75,000 or more of expense could be expected annually for municipal service fees and equipment and building maintenance. To avoid Pettit Center subsidies that it cannot afford, as told to you last year, the Wisconsin State Fair Park Board requested in its 2005-07 biennial budget that liability for debt service and other property costs be transferred from State Fair Park to the General Fund. This initiative did not get into the budget because the action would not solve Pettit Center problem but just transfer responsibility for subsidizing operations from State Fair Park to the State's General Fund.

An alternative solution was suggested and is currently being pursued. Legislation is being drafted that would allow the sale of the Pettit Center building and parking lot to Pettit National Ice Center, Inc. In order to facilitate a final solution, the State would provide \$1.0 million to fund a portion of the purchase price and State Fair Park would waive payment of \$1.0 million of past-due rents. Proceeds of the sale would set up a bond sinking redemption fund that would be the source of all future debt service payments.

Pettit National Ice Center, Inc., as owner, would become liable for all future property costs. The Pettit Center operator expects ownership to increase its ability to fundraise for operations and for necessary building and equipment improvements. Deed restrictions would ensure that no unauthorized development would occur and that it remain an ice training facility. This offers the best opportunity to keep Olympic rings in Wisconsin.

State Fair Park's financial performance would improve by \$650,000 or more annually if the Pettit Center is sold to Pettit National Ice Center, Inc. The Wisconsin State Fair Park Board is committed to eliminating this financial burden. It simply cannot afford any more subsidies. If the current approach does not work, State Fair Park will seek another operator for the business or purchaser for the building. Since our financial difficulties related to the Pettit Center have become public, there have been several inquiries about the availability of the property.

Wisconsin Exposition Center

The Wisconsin Exposition Center is owned and independently operated by a not-for-profit corporation. Unlike the Milwaukee Mile and the Pettit Center, the Exposition Center has not required significant subsidies, and while a number of conditions included in the corporation's organizational agreements with State Fair Park favored the Exposition Center, they have been or are being rectified. For example:

- although State Fair Park is liable for more under the license agreement, the formula determining the amount of parking revenue paid to the Exposition Center for parking during its events has been changed to ensure payments from State Fair Park do not exceed actual revenues received; and
- although State Fair Park is liable under the ground lease, the Exposition Center Board just passed a resolution agreeing to contract directly with the city of West Allis for municipal services. A contract has already been negotiated and is only waiting final approval by West Allis.

Because rents payable to State Fair Park under the ground lease only come into play if revenues exceed expenses and certain reserve requirements, we have always been interested in the Exposition Center's profitability. To-date though, the more relevant concern has been: can the Exposition Center make enough to pay debt service and avoid default? Because naming rights and event revenues have been less than that included in a feasibility study, financial performance has not met expectations. However, financial performance is improving and default may become less of a concern over time. Excluding depreciation, the Exposition Center incurred a loss of \$580,000 in 2004. Performance in 2005 will be significantly better. Rather than a budgeted loss of \$179,000, net income of \$267,000 is expected in 2005. In addition, the Exposition Center Board just passed a conservative break-even budget for 2006. The 2006 budget and financial information on 2005 and 2004 performance is attached to my written statement.

Catering is expected to drive new Exposition center business. In 2005, catering revenue will exceed budget by \$137,000. Its caterer, Well Bread Catering, began operating a mobile kitchen for the venue in July, which gives the Exposition Center the ability to serve 2,500 plated meals. Well Bread has hired a catering sales manager to 'up sell' catering to current customers and pursue new catering functions. Other efforts to promote financial stability, such as refinancing debt and selling building naming rights, continue to be pursued.

State Fair and FY 2005-06

You expressed interest in the financial results of the State Fair. The State Fair continues to be a financial success, with a profit exceeding \$500,000. This amount does not directly compare to profits reported in prior years. To obtain a reliable assessment of performance by activity, indirect costs were analyzed and in many cases, reallocated. Approximately \$1.0 million more of indirect costs are being assessed to the State Fair and less to non-fair activity.

Considering all activity in FY 2005-06, State Fair Park expects a loss of up to \$2.3 million, including a:

- \$3.1 million Milwaukee Mile loss;
- \$80,000 subsidy provided to the Pettit Center; and
- \$887,000 of profit generated from the State Fair and non-fair activity.

If the Milwaukee Mile and Pettit Center issues are settled, State Fair Park will return to profitability in FY 2006-07.

Assuming that State Fair Park will be required to waive \$1.0 million in past-due rents to help resolve the Pettit Center situation, its cumulative deficit on June 30, 2006 could be \$12.0 million. Of this, \$8.2 million would be associated with the Milwaukee Mile, \$2.8 million with state lapses, and \$1.0 million with the Pettit Center.

Eliminating this deficit will take many years. The Wisconsin State Fair Park Board's highest priority will continue to be maintaining the quality and public interest in the State Fair while systematically generating an annual profit to reduce and eventually eliminate its deficit. We welcome the continued involvement and assistance offered by the Joint Legislative Audit Committee and the Legislative Audit Bureau to aid us in accomplishing our financial goals.

State Fair Park Exposition Center, Inc.
Budgeted Revenues and Expenses
For the Year Ended December 31, 2006 with accompanying 2005 and 2004 selected financial information

Revenues:	2006	2005	2005	2004
	Budget	Trends	Budget	Actuals
License Fees (Space Rental)	2,050,000	2,175,435	2,200,000	1,959,597
Parking	625,000	616,770	600,000	513,291
Concessions/Catering	800,000	696,613	560,000	480,411
Utility Services	450,000	436,406	382,000	412,481
Box Office Services	50,000	46,809	40,000	48,027
Labor Services and SFP Chargebacks	365,000	359,223	364,444	308,535
Advertising, Sponsorship and Other Rights	100,000	66,396	100,000	39,960
Equipment Rental	125,000	105,639	50,000	67,536
Interest on Bank Accounts	25,000	90,265	6,000	36,105
Miscellaneous and Other	18,002	40,931	5,000	12,229
Contractual Credits	(50,000)	(93,001)	(93,000)	(122,790)
Total Revenues	<u>4,558,003</u>	<u>4,541,486</u>	<u>4,214,444</u>	<u>3,755,382</u>
Expenses:				
Salaries-Full Time Employees	688,471	559,406	627,720	546,837
Benefits-Full Time Employees	223,749	195,164	215,035	186,613
Salaries & Benefits-Event Employees	242,063	188,443	220,000	230,691
Communications	14,100	15,004	14,100	17,879
Rents and Leases	600	1,621	600	8,399
Professional Services	60,500	24,294	36,400	130,222
Utilities	365,000	306,342	300,100	254,188
Marketing and Advertising	90,000	49,033	95,000	42,020
Box Office	6,900	5,666	6,900	4,937
Building Security	3,600	343	3,600	3,931
Events	8,500	37,061	5,300	12,261
Parking Trams	1,500	500	1,500	4,200
Maintenance & Repairs-Facility	43,000	51,938	41,600	39,766
Supplies, Materials and Equipment	45,000	39,327	49,000	53,815
Food & Beverage Allotment	0	829	3,500	754
Insurance & Bonding	98,328	93,885	97,000	92,026
Bad Debt	6,000	10,474	6,000	13,125
Municipal Services (PILOT)	90,000	99,000	99,000	98,400
Depreciation	1,098,000	1,096,894	1,098,000	1,119,820
Miscellaneous and Other	10,499	57,370	10,500	13,840
Total Expenses	<u>3,095,813</u>	<u>2,832,594</u>	<u>2,930,855</u>	<u>2,873,724</u>
Operating Income/(Loss) before Debt Service Payments	<u>1,462,190</u>	<u>1,708,892</u>	<u>1,283,589</u>	<u>881,658</u>
Appropriations for Reserves and Debt Service:				
Contingency Fund	0	-	-	-
Capital Repairs and Maintenance Fund	0	-	-	-
Debt Service Payments - Interest Only	2,560,190	2,538,451	2,560,190	2,581,665
Total Appropriations for Reserves and Debt Service	<u>2,560,190</u>	<u>2,538,451</u>	<u>2,560,190</u>	<u>2,581,665</u>
 Adjusted Operating Income after Debt Service and Reserves	 <u>(1,098,000)</u>	 <u>(829,559)</u>	 <u>(1,276,601)</u>	 <u>(1,700,007)</u>
Other Revenue & Expense Add Backs:				
Depreciation	1,098,000	1,096,894	1,098,000	1,119,820
	<u>1,098,000</u>	<u>1,096,894</u>	<u>1,098,000</u>	<u>1,119,820</u>
 Adjusted Net Income/(Loss) after Add Backs	 <u>0 (1)</u>	 <u>267,335</u>	 <u>(178,601)</u>	 <u>(580,187)</u>

Notes:

(1) Adjusted Income is based on Section 3a of the Ground License agreement whereby rent is payable to State Fair Park equal to the excess of its annual gross revenues from all sources over its annual expenses of operating the Exposition Center including, but not limited to, debt service of any type, debt reserves, operating costs and reserves, (collectively the Expenses), plus any Additional Rent payable annually commencing on January 15th of the first calendar year following substantial completion of the improvements and on the fifteenth day of each subsequent January during the term of this Lease (Page 2 of the Ground Lease by and between State Fair Park Board and SFP Exposition Ctr, Inc.)



Joint Legislative Audit Committee Hearing

November 29, 2005

An Audit: State Fair Park Report 05-10

Statement of Martin Greenberg, Chairman Wisconsin State Fair Park Board

I am unable to attend the public hearing on the State Fair Park audit today because of previous commitments that could not be rescheduled. This disappoints me because I have come to rely on the direction provided by the Joint Legislative Audit Committee and the audit reports to help focus our mission and measure our performance. Please consider my comments below and the attached letter sent to the Joint Legislative Audit Committee on October 28th as my testimony.

In your notification letter, you specifically asked for information on future building projects, State Fair Park's operating relationships with other entities located on the fairgrounds; and the financial success of the 2005 State Fair. While our chief financial officer will discuss this with you during the public hearing, I will provide a few comments.

Future Building Projects

There are no definite plans for construction in the foreseeable future. As part of a license agreement with Milwaukee Mile Holdings LLC, it has a four-year option to acquire 9.35 acres in the southeast corner of the fairgrounds, with frontage along West Greenfield Avenue. Before any development could begin, Milwaukee Mile Holdings would be required to relocate the AmeriGas company located in the center of the fairgrounds and deed the property to State Fair Park, which would eliminate a significant public safety hazard. Milwaukee Mile Holdings would also be required to make a number of improvements to fairground property, which could include environmental remediation, gate expansion, utility extensions, and grading. The result would ensure State Fair Park has the same amount of usable property available for the State Fair after the fair-market value exchange as before the exchange.

Milwaukee Mile Holdings' tentative plans for property development include a number of possibilities but nothing absolute. The largest component could be a hotel, which would benefit all of the entities located on the fairgrounds, particularly the Wisconsin Exposition Center. Remaining development could be racing-themed facilities such as a restaurant and retail and office space. Because development is expected to offset the significant risk of operating the Milwaukee Mile Speedway, it is likely this property will be developed. However, development may not begin for four or more years.

State Fair Park has no plans to add anything to the Pettit Center building, although it remains responsible under the current lease for necessary building and equipment improvements. The owners of the Wisconsin Exposition Center have no plans to add anything onto its building.

Operating Relationships

State Fair Park will continue to work cooperatively with all entities on the fairgrounds when it is in everyone's best interest. Milwaukee Mile Holdings LLC will soon be the independent promoter of Milwaukee Mile Speedway. Pettit National Ice Center, Inc., is the independent operator of the Pettit National Ice Center. State Fair Park Exposition Center, Inc., is the independent owner and operator of the Wisconsin Exposition Center. State Fair Park continues to modify past practices and agreements to ensure future transactions with these entities will be arm's length, with no entity being subsidized by State Fair Park.

State Fair's Financial Success

While State Fair attendance was down slightly in 2005, revenues were similar to 2004. The State Fair continues to be a financial success. Please note that direct comparisons will no longer be possible to prior years. To obtain a more appropriate assessment of the profitability of the State Fair and non-fair activity, indirect costs have been reallocated among all profit and cost centers. More indirect costs (approximately \$1.0 million) are being assessed to the State Fair and less to other activity. State Fair Park's financial goal is generate a surplus of \$500,000 annually from the State Fair, which after the deficit is eliminated, will be needed to fund infrastructure improvements.

Please contact me if you have any questions related to this statement or the attached letter. The Wisconsin State Fair Park Board is committed to working with you to create a financially stable future for State Fair Park, while maintaining the quality of the State Fair for Wisconsin residents and visitors to the Fair from other states and locations.



Wisconsin State Fair Park

640 S 84th St. • West Allis, WI 53214 • (414) 266-7000 • www.wsfp.state.wi.us

October 28, 2005

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

Dear Senator Roessler and Representative Jeskewitz:

In its June 2005 report (number 05-10), the Legislative Audit Bureau recommended that State Fair Park report to the Joint Legislative Audit Committee on its financial condition and plans for improving it. Information was specifically requested on the long-term organizational structure of racing activities and the operating and management relationships between State Fair Park and the Pettit National Ice Center and Wisconsin Exposition Center.

Financial Condition as June 30, 2005

Actual results in fiscal year (FY) 2004-05 were better than what was projected when auditors were conducting their fieldwork, but the results are still unacceptable. As shown below, State Fair Park's expenditures exceeded revenues by \$3.7 million.

Wisconsin State Fair Park Revenues and Expenditures

Fiscal Year 2004-05

	<u>Total Activity</u>	<u>State Fair and Non-fair Events</u>	<u>Pettit Center</u>	<u>Milwaukee Mile</u>
Revenues	\$20,995,000	\$14,283,800	\$552,500	\$6,158,700
Operating Expenses	<u>21,302,000</u>	<u>13,381,600</u>	<u>80,000</u>	<u>7,840,400</u>
Operating Surplus/(Shortfall)	(307,000)	902,200	472,500	(1,681,700)
Debt Service	<u>3,218,800</u>	<u>635,800</u>	<u>663,000</u>	<u>1,920,000</u>
Surplus/(Shortfall) w/ Debt Service	(3,525,800)	266,300	(190,400)	(3,601,700)
State Lapse (efficiency initiative)	<u>186,000</u>			
Net Surplus/(Shortfall)	(3,711,800)			

Operations would have been at a break-even point except for the Milwaukee Mile and Pettit Center. State Fair Park is in the process of eliminating the financial risks associated with these operations. If resolved this fiscal year, State Fair Park should return to profitability in FY 2006-07.

Milwaukee Mile

State Fair Park owns the Milwaukee Mile Speedway and has managed track operations since May 2003. Prior to this, a private promoter managed race operations. State Fair Park does not have the wherewithal to operate a financially successful race track. While the number and

quality of events has increased, profitability has decreased. Many of the factors contributing to losses cannot easily be overcome by a public entity.

To eliminate the financial risks of being a track promoter and ensure that the racing program continues to improve, State Fair Park is licensing track operations to a private entity, Milwaukee Mile Holdings LLC. The Building Commission approved the license agreement in September 2005. Promotional rights to the Milwaukee Mile are expected to be transferred by November 30, 2005. The agreement includes a term of 18 years and a license fee that is set to recover all but approximately \$175,000 of annual debt service. The \$175,000 will be funded from revenues earned parking vehicles on the infield of the track during the annual State Fair.

Because of a multiple year racing contract and other factors, the promoter will incur losses for a number of years. As a result, a one-time fee waiver of approximately \$1.5 million will be granted the first year of the agreement. Excluding the first year, licensing Milwaukee Mile operations to a private promoter should eliminate annual losses that have averaged \$3.0 million over the last two fiscal years.

If the promoter isn't successful at turning track operations around, the agreement may end after eight years. The promoter has the right to convert the lease to a five-year term after an option for a property exchange is exercised, which is likely to be completed in the third year of the agreement. In exchange for making certain improvements to fairground property and deeding a privately-owned parcel of property on the fairgrounds to State Fair Park, the promoter will receive property along West Greenfield Avenue that it can develop. Earnings from the development are expected to significantly reduce the financial risks and losses of operating the track.

Pettit Center

State officials approved the construction of an Olympic ice training facility on the fairgrounds and a lease with Pettit National Ice Center, Inc., to operate it. Although not a proponent of the facility, State Fair Park became owner of the building and liable for its construction debt if the Pettit Center operator did not pay its rent. Since the Pettit Center began operations, State Fair Park has provided an involuntary subsidy of \$2.2 million (more than \$1.3 million for debt service, \$565,000 for municipal fees and \$315,000 for equipment and capital improvements).

Pettit Center operations do not generate sufficient funds to fully pay annual rents. Looking forward, State Fair Park expects annual shortfalls in Pettit Center rent payments of at least \$575,000. Another \$75,000 or more of expense could be expected annually for municipal service fees and equipment\building maintenance. Because it did not have a significant role in creating the Pettit Center or the lease making it financially responsible, in its 2005-07 biennial budget, the Wisconsin State Fair Park Board requested that liability for debt service and other property costs be transferred from State Fair Park to the General Fund if the Pettit Center operator is unable to fund all lease and property charges. This initiative did not get approved, primarily because the action would not solve Pettit Center problem but just transfer responsibility for subsidizing operations.

An alternative solution was suggested and is being followed. Legislation is being drafted that would allow the sale of the Pettit Center to Pettit National Ice Center, Inc. In order to facilitate a final resolution, the State would provide up to \$2.0 million to fund a portion of the purchase price. Proceeds from the sale would fund past-due rents owed to State Fair Park and set up a bond

sinking redemption fund that would be the source of all future debt service payments. Pettit National Ice Center, Inc., as owner, would become liable for all future property costs. Ownership is expected to increase its ability to fundraise for the maintenance of the building and its operations. Restrictions would be included to ensure the building's use would remain an Olympic ice training facility, along with operating other traditional ice rink programs. Please contact Representative Scott Gunderson for more information on this bill. If you agree it is a practical and cost-effective solution for all (State of Wisconsin, State Fair Park, Pettit National Ice Center, Inc., athletes training for the Olympics, and others such as hockey players and figure skaters), please consider sponsoring the bill.

State Fair Park's financial performance would improve by \$650,000 or more annually if the Pettit Center is sold to Pettit National Ice Center, Inc. In addition, more than \$1.0 million would be received for past-due rents, which would eliminate that portion of our deficit caused by the Pettit Center not paying rents in the past.

State Fair Park's financial condition is substantially worse than the Pettit National Ice Center, Inc.'s. State Fair Park simply does not have the resources to subsidize the Pettit Center. The Wisconsin State Fair Park Board is committed to eliminating this financial burden. If legislation is not enacted or if Pettit National Ice Center, Inc., is unable to complete the sale, State Fair Park will put the Pettit Center operator in default and seek another purchaser or operator for the building. Since our financial difficulties related to the Pettit Center have become public, there have been several inquiries about the availability of the property.

Wisconsin Exposition Center

The Wisconsin Exposition Center is owned by a not-for-profit corporation and operated by its own management and staff. Because it is a separate entity, Exposition Center officials believe its Board should review and approve the 2006 business plan before it is shared with others. The Exposition Center's 2006 business plan will be forwarded to the Joint Legislative Audit Committee as soon as it is approved by its Board. You can expect a copy by December 15th.

Exposition Center officials expect financial results in 2005 to be better than that budgeted. Rather than a \$170,000 deficit, officials expect to generate a profit. Factors contributing to this success include meeting the space rental goal of \$2.2 million and exceeding the:

- parking revenue budget by \$17,000, or 3 percent;
- concessions and catering revenue budget by \$137,000, or 25 percent;.
- utility services revenue budget by \$54,000, or 14 percent; and
- equipment rental revenue budget by \$56,000, or 110 percent.

The number of events and event days in 2005 will be similar to 2004. There will be 55 events, or one more than in 2004, and 201 event days, or five more than in 2004.

Going forward, catering is expected to drive new business. In December 2004, the Exposition Center signed a five-year agreement with Well Bread Catering to provide concessions and catering services in the venue. Well Bread began operating a mobile kitchen for the venue in July, which gives the Exposition Center the ability to serve 2,500 plated meals. Well Bread has also hired a catering sales manager to actively 'up sell' catering to current customers and pursue new catering functions for the venue.

Hurricane Katrina

On September 5, 2005, Wisconsin State Fair Park contracted with American Red Cross to allow it to operate an emergency shelter for Hurricane Katrina evacuees in the Tommy G. Thompson Youth Center. Under the terms of the contract, American Red Cross will reimburse Wisconsin State Fair Park for all costs incurred as a result of the shelter operation. When the emergency shelter operation closes in November, nearly 400 Katrina evacuees will have resided in the Youth Center for varying amounts of time. In addition, many of the 800 plus individuals residing at other locations in the Metro-Milwaukee Area came to the Youth Center for services provided by American Red Cross, Salvation Army, and various county, state and federal agencies. As a result of the success of the Youth Center Shelter and the relationship developed with American Red Cross, Wisconsin State Fair Park and American Red Cross are currently considering a contract to utilize a portion of the Youth Center year-around as a local emergency shelter.

Efficiency Efforts

In last year's report to you, in addition to addressing the Milwaukee Mile and Pettit Center issues, we identified several other cost saving initiatives that would be pursued. Our efforts have been successful. We eliminated six permanent positions in June, restructured the services provided by Capitol Police, and are finalizing a new agreement with the City of West Allis to provide municipal services. Annual savings are expected to exceed the \$300,000 target.

We have also increased our contractually obligated income by \$75,000 and expect an additional \$100,000 in the upcoming fiscal year. Sponsorships and naming rights continue to be viable sources of new revenue.

Fiscal Year 2005-06 Projections

Assuming Milwaukee Mile operations are licensed and the Pettit Center is sold and the past-due rent is paid, State Fair Park could record a \$1,061,000 loss in FY 2005-06.

Wisconsin State Fair Park Projected Revenues and Expenses
 Fiscal Year 2005-06

	Total Activity	State Fair and Non-fair Events	Pettit Center	Milwaukee Mile
Revenues	\$19,744,600	\$15,152,600	\$1,889,000	\$2,703,000
Operating Expenses	<u>17,301,600</u>	<u>13,589,600</u>	<u>80,000</u>	<u>3,632,000</u>
Operating Surplus/(Shortfall)	2,443,000	1,563,000	1,809,000	(929,000)
Debt Service	<u>3,504,000</u>	<u>676,000</u>	<u>878,000</u>	<u>1,950,000</u>
Net Surplus/(Shortfall)	(1,061,000)	887,000	931,000	(2,879,000)

If the Milwaukee Mile and Pettit Center issues are resolved as discussed above, State Fair Park could have a cumulative deficit of \$10.8 million on June 30, 2006. Approximately \$8.0 million of this amount would be associated with the Milwaukee Mile. The remaining portion would be a result of mandated state lapses.

Eliminating this deficit in a responsible manner will take between 10 and 20 years. The Wisconsin State Fair Park Board's highest priority is maintaining the quality and public interest in the annual State Fair while systematically generating an annual surplus to reduce the deficit.

We look forward to going into more detail on these and other issues with legislative auditors when they return in a few months to perform a review of State Fair Park's FY 2004-05 financial statements. If you have any questions, please contact me at (414) 271-4849 or Craig Barkelar (State Fair Park's chief financial officer) at (414) 266-7011.

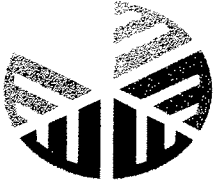
We welcome the continued involvement and assistance offered by the Joint Legislative Audit Committee and the Legislative Audit Bureau.

Sincerely,

Martin Greenberg, Chairman
Wisconsin State Fair Park Board

cc: Members, Joint Legislative Audit Committee
Ms. Janice Mueller, State Auditor
Members, State Fair Park Board of Directors
Sandy Lange, Wisconsin Exposition Center
Chuck Henderson, Pettit National Center
Cindy Yomantas, Pettit National Center





Wisconsin State Fair Park

640 S 84th St. • West Allis, WI 53214 • (414) 266-7000 • www.wsfp.state.wi.us

November 29, 2005

Senator Carol A. Roessler, Co-Chair
Representative Suzanne Jeskewitz, Co-Chair
Joint Legislative Audit Committee
State Capital
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

I appreciate your kind invitation for me to participate in this public hearing but due to scheduling conflicts, I am, unfortunately, unable to attend in person. Craig Barkelar, Wisconsin State Fair Park, Deputy Director and CFO, appears before you today and is fully capable of responding to any questions or comments the committee may have of Wisconsin State Fair Park and its operations.

By way of introduction to you, I began as Executive Director of the Wisconsin State Fair Park (WSFP) on January 24, 2005. I have assumed the role of Fair Manager, previously a contracted consultant, thus eliminating a direct cost to WSFP. I came to WSFP a veteran of 17 years of festival experience. I was also born and raised on a family dairy farm, so I fully appreciate the great importance of agriculture and the State Fair.

Upon coming aboard, I utilized prior audit reports as a "primer" for the understanding of the many significant issues facing WSFP. By that time, Mr. Barkelar and the staff had already implemented a number of cost reduction measures, including staff reductions and more structured purchasing procedures.

On a weekly basis, at our staff manager meetings, at least one topic of discussion references audit report findings and recommendations for improvement. We also discuss manager's progress in implementing them and attaining staff wide compliance with procedures.

While the scope of the annual audit reports focused largely on the financial challenges created by the Milwaukee Mile, Pettit National Ice Center and the Wisconsin Exposition Center, I saw through all of the data that the annual Wisconsin State Fair was extremely successful from both a financial and programmatic perspective.

While it was, and remains, a priority to eliminate the financial burden placed on the WSFP by these neighboring entities, it was made abundantly clear to me by Chairman Greenberg that protecting and improving the annual Wisconsin State Fair event was my highest priority. Our State Fair is held in high regards throughout the Fairs and Festivals Industry as one of the finest in the United States. We are an industry leader and innovators in many ways with regards to our programming and marketing efforts, agriculture shows, and our technology as it pertains to livestock exhibitor entries.

In 2005 alone, the Wisconsin State Fair was honored with 14 awards from the International Festivals & Events Association (IFEA) in a budget category that positions us with Wisconsin's Summerfest, Kentucky Derby Festival, Indianapolis 500 Fest, and Pasadena's Tournament of Roses Parade to name a few. At the International Association of Fairs & Expositions (IAFE) annual conference, the Wisconsin State Fair received an additional 3 awards.

The 2005 Wisconsin State Fair was one of the most successful events in recent history from an overall operations standpoint. We were blessed with good weather for most of the 11 day run, no major issues from a public safety standpoint, strong media coverage throughout. Nationally, festivals and fairs attendance has been on a decline, but the Wisconsin State Fair our attendance remained extremely strong at approximately 860,000 people. On a scale of 1-5 (5 being perfect), the Wisconsin State Fair was ranked 4 or better in our three primary survey categories- cleanliness, safety, and fun. Food offerings and variety of entertainment remained popular attractions to the Fair as well, ranking over 4.0- to summarize, the Wisconsin State Fair is an 'A' Fair, in the eyes of our fairgoers.

The 2005 Wisconsin State Fair welcomed a more ethnically diverse audience than ever- a point that was celebrated in an article in Milwaukee's Community Connections Network Magazine (see attached).

Diversity is a critical operating principle at the Wisconsin State Fair Park. We believe that our workforce and fair attendance should be a reflection of the communities we serve. Based on a 2000 Milwaukee County census report, we were successful in our efforts. To enhance our already strong diversity-marketing program, I recently led a series of diversity task force "listening sessions" with leaders of the African American and Hispanic communities. The State Fair received high marks across the board from the group attendees with regards to it being an inviting and welcoming, safe, family-friendly event. We received invaluable insight as to some of the areas of high interest from these ethnic groups, to further enhance their experiences at the State Fair. We plan to reconvene with these groups again in the Spring of 2006 to unveil our new diversity marketing campaign.

Of course, at the center of our marketing and programming efforts are our traditional treat, the Cream Puff. Sales of this delicacy were once again strong, due to our marketing efforts and its nearly icon-status popularity. One out of every three fairgoers enjoyed a Cream Puff during the 2005 Wisconsin State Fair. We have extended the Cream Puff's reach by offering "Cream Puffs To Go" in six-packs and drive-up service, allowing people to take them to the office to be enjoyed by co-workers.

Looking forward to the 2006 Wisconsin State Fair, our 155th edition of this wonderful Wisconsin tradition, we are more committed than ever to enhancing and expanding our participatory opportunities. This will include efforts to raise our "Textiles, Crafts and Culinary Arts" programs to a higher profile- both from participation and visibility standpoints. We believe that promoting this program throughout the ethnic communities, we will increase entries and offer additional appeal to drive attendance.

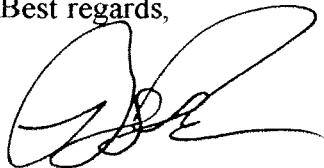
We also are researching opportunities to widen our primary market beyond 25 miles, by aggressively promoting the State Fair in what has been considered secondary markets. We believe that, if invited, people from Madison, Appleton, Green Bay and Sheboygan would attend the Fair. We will launch our first organized group tour effort, in an attempt to entice group tour managers to organize bus trips to the Fair and other Milwaukee-area destinations such as Miller Park, Milwaukee Art Museum, Potawatomi Bingo Casino and others.

I have seen many improvements in the overall climate of the Wisconsin State Fair Park in the 11 months since I came aboard. The commitment of my board of directors, our entire staff and myself, will only continue to drive future improvements.

Towards that end, I would like to thank this committee for its support as we turn the corner and set a strong course for long-term financial health and continued offering of Wisconsin's largest (and best) family-friendly experience- the annual Wisconsin State Fair. Please accept my invitation to attend the 2006 Fair as my guest and to take a behind the scenes tour of the Fair, including a stop at the Dairy Bakery for a Cream Puff, of course.

If you should require anything further of me, please feel free to contact me directly at (414) 266-7020 or by e-mail: randy.prasse@sfp.state.wi.us

Best regards,

A handwritten signature in black ink, appearing to read 'Randy S. Prasse', written in a cursive style.

Randy S. Prasse, Executive Director
Wisconsin State Fair Park

Garardo and Deanna Sanchez



DIVERSITY AT THE FAIR RESONATES WITH FANS AND OFFICIALS

by Tiffany Wynn



Girls having fun at State Fair

This year marked the 112th year Wisconsin State Fair Park (WSFP) has been the hub for family entertainment in the humid Wisconsin summers. For 11 August days, people from throughout the state of Wisconsin took advantage of the numerous things the fair had to offer. From cows and pigs, to cream puffs and flavored milk, shopping, and 28 free stages of local and national entertainment, the fair ensured that it would be a blast for all attendees.

Although the cream puffs filled the hungry stomachs, it was the souls hunger for music that made people stay late into the night. One married Latino couple drove up from Rockford, Illinois and explained that they came strictly to see Brian McKnight. "He is such a smooth singer," said Garardo Sanchez, 30. His wife, Deanna Sanchez, said, "We are regular concert-goers and when we heard about Jam 4 Peace, we had to buy tickets. This is our first time here and we enjoy most seeing the people we love live in concert instead of looking at them on TV."

Two sisters, Kim and Whitney Brown, came to Jam 4 Peace for different reasons. The teenagers were more interested in seeing those with slamming beats and noise levels sure to keep your head bobbing—Mike Jones and David Banner. "We came to see the good rappers because we like to dance and love their music," stated Kim.

Adding V100.7's Jam 4 Peace to its concert line-up is one example of how WSFP has shown its commitment to welcoming and embracing diversity at its grounds. This year's sold-out event featured the headliner Brian McKnight and guests Vivian Green, David Banner, B.G., Brooke Valentine, Keyshia Cole and Mike Jones.

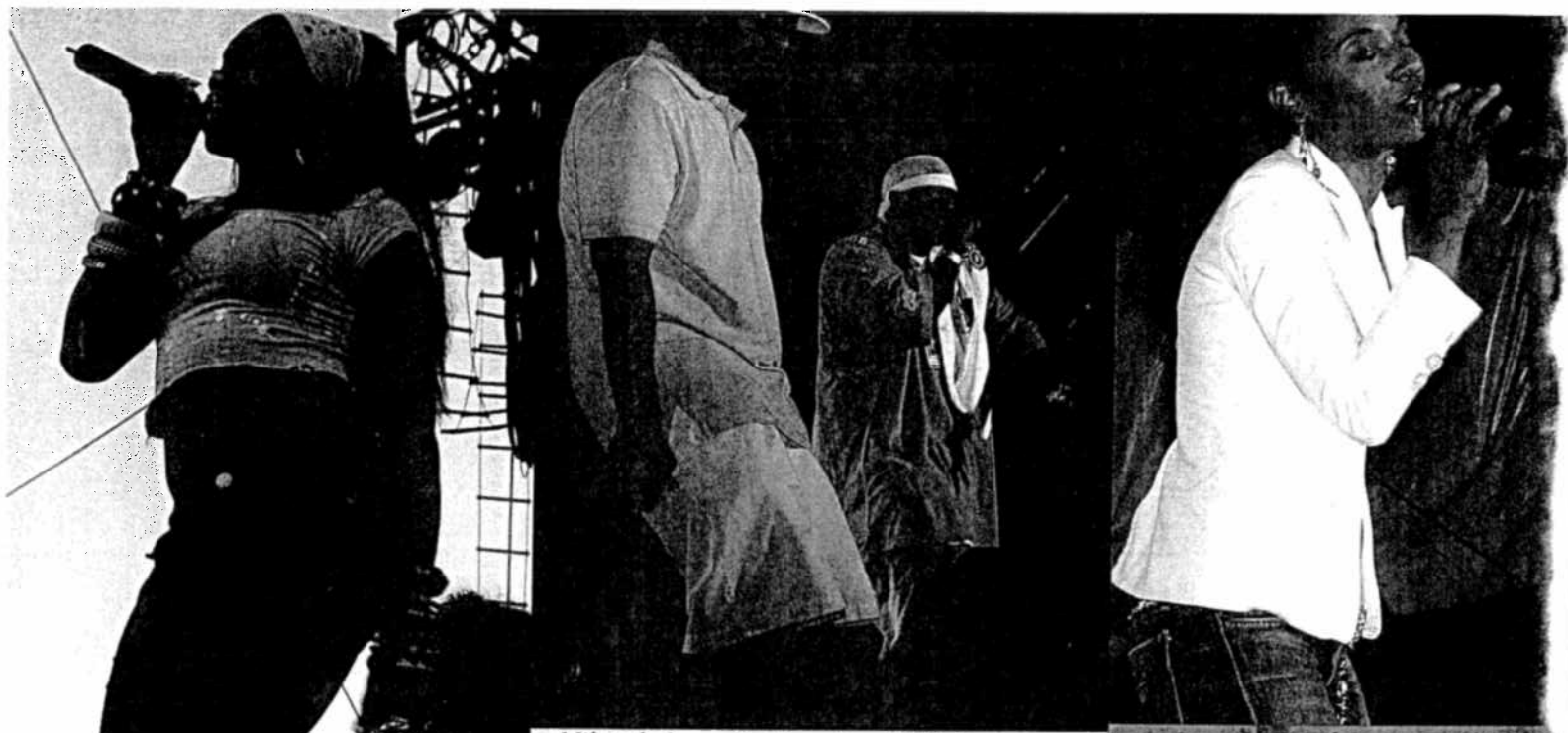
Within the last couple of years, there has been a tremendous effort to increase diversity at Wisconsin State Fair Park. Martin Greenberg's appointment to chairman of the WSFP board by Governor Jim Doyle in 2003 was the start to this initiative.

"It was important to the governor and me to make sure everyone knew that this is the people's park," said Greenberg. "Different people's presence at the park makes all the difference, and we made sure we started the effort to make the fair more diverse right away."

Greenberg stated that this year at the fair, there were more African-American attendants than ever before as well as ethnic food vendors. In addition, since 2002, the Latin Music Fest has made State Fair Park its home for their annual festival. The two-day event attracts thousands of people and reaffirms the fair's commitment to diversity. He has



The crowd at Jam 4 Peace



Milwaukee's own G. Womack and Mike Jones

Vivian Green

Keysha Cole

THE IMPORTANT THING IS THAT WE RECOGNIZE HOW IMPORTANT DIVERSITY IS TO MILWAUKEE?

received an excellent response and many people indicated their approval that WSFP has taken an interest in recognizing and celebrating Wisconsin's cultural differences.

"The important thing is that we recognize how important diversity is to Milwaukee and that's why we've opened and welcomed all to WSFP," Greenberg adds.

Currently, Greenberg extended an invitation to an urban, African-American farmer named Will Allen to bring more diversity to next year's fair. He is also trying to set up an African-American celebration in October 2005 with Michael McGee.

Greenberg says: "We will continue to make efforts to attract diverse people and vendors to the fair. We will also advertise the fair differently to attract African-Americans and community leaders in the future."

To attract visitors of all ages, many new additions supplemented the fair this year. Some of those new add-ons were Build-A-Bear Workshop, designed for children to make their own stuffed animal; Jelly Belly Day, which offered fair-goers a chance to view large mosaics from the Jelly Belly Art Collections; and Bergstrom Hummer, a Hummer dealership that provided hands-on fun including the latest in state-of-the-art GM vehicle accessories and audio/video systems.

Is the push for diversity working for the music lovers as well? Southern rapper David Banner felt so connected to his fans that he barely stayed on stage during his performance. He constantly stepped out into the crowd with those cheering him on and after his time was up, walked the stands to sign autographs and take pictures for more than 30 minutes.

Mike Jones, who had all his fans screaming "Mike Jones, who," and rushing to the front to get a closer view said, "Milwaukee is like a second home to me," vocalizing the reciprocal love between the fans and the performers. He continued: "It's crazy; Milwaukee showed me a lot of love before I got a deal. I look forward to coming here any and every time."

To stay posted on Wisconsin State Fair events, please visit their Web site: www.wisstatefair.com/home/wsfp/.





State Fair Park

Legislative Audit Bureau
November 2005

1

Overview

- ◆ Governed by the 13-member State Fair Park Board
- ◆ Funded primarily by program revenue from the annual State Fair
- ◆ An unqualified audit opinion was provided for the FY 2003-04 financial statements

2

State Fair Park Finances

- ◆ State Fair Park has reported a total deficit of \$7.3 million since FY 1999-2000
- ◆ Total expenses exceeded revenues by \$1.8 million in FY 2003-04

3

State Fair Park Building Program

- ◆ Recent construction includes:
 - a new grandstand for the Milwaukee Mile racetrack
 - the Wisconsin Exposition Center
 - new and remodeled livestock and agricultural buildings
- ◆ Building costs from FY 1999-2000 through FY 2003-04 totaled \$83.5 million

4

Milwaukee Mile

- ◆ State Fair Park began managing the Milwaukee Mile internally in 2003
- ◆ The 2003 and 2004 racing expenses exceeded revenues by a total of \$4.3 million
- ◆ In April 2005, the 2005 racing deficit was revised upward from \$146,300

5

Wisconsin Exposition Center

- ◆ The Exposition Center reported a net loss of \$1.7 million in 2004
- ◆ State Fair Park has received no rent from the Exposition Center
- ◆ The Exposition Center has projected a net loss of \$1.3 million for 2005
- ◆ The entire principal balance (\$40.8 million) is due when the bonds mature in 2028

6

Pettit National Ice Center

- ◆ Total expenses have exceeded revenues by \$1.2 million since 2000
- ◆ The Pettit Center projects it will break even in 2005
- ◆ The Pettit Center's monthly rent payments will increase by 32.4 percent in FY 2005-06

7

Debt Service Costs

- ◆ Annual debt service payments for fairground facilities through FY 2012-13 will be:
 - \$3.4 million for State Fair Park's program revenue-supported construction
 - \$2.3 million for State Fair Park's GPR-supported construction

8

State Fair Park 2005 Condition

- ◆ State Fair Park reported its FY 2004-05 expenses exceeded revenues by \$3.7 million
- ◆ State Fair Park indicates it may require additional state support in the future

9

State Fair Park

Legislative Audit Bureau
November 2005

10



no date

State Fair Park Questions

Pettit Center

1. What is the tentative timeline for completing or finalizing the sale of the Pettit Center?
2. The October 28th report from State Fair Park indicated that, if the sale of the Pettit Center does not occur, the Park would seek another purchaser for the building. It also states that there have been several inquiries about the property's availability. Could you give us a sense of the types of venues/operators that may be interested?

Milwaukee Mile

1. State Fair Park's report indicated that it expected to transfer promotional rights to the Milwaukee Mile by tomorrow (November 30th). Has the license agreement with Milwaukee Mile Holdings LLC been finalized and signed?
2. The license agreement required a land swap between State Fair Park and the Milwaukee Mile Holdings LLC. Can you give the Committee a sense of how State Fair Park will use the land that it acquires? What type of development is Milwaukee Mile Holdings planning for the land it obtains?
3. How will State Fair Park ensure that Milwaukee Mile Holdings works with the surrounding neighborhood? (This question addresses previous community concerns regarding noise and night races.)

Exposition Center

1. Reserve funds were set aside from the original bond proceeds. If such funds are used, they must be replenished, or the Exposition Center's current letter of credit may be jeopardized. Has the Exposition Center determined if/when it will no longer be able to meet its financial obligations and, therefore, would need to use its reserve funds?
2. In the Audit Bureau report and in their presentation today, it was noted that the entire principal balance of \$40.8 million will be due in 2028. How will the Exposition Center be able to fund such a large balloon payment when it has not generated a profit to date? What would happen if the Exposition Center is unable to make this payment?
3. At one time, a hotel near the Exposition Center was being contemplated. Is that still being pursued by the Exposition Center or the City of West Allis?
4. State Fair Park and Exposition Center staff have previously included naming rights revenue in financial projections. Has there been progress in obtaining such sponsorships?

Annual State Fair:

1. How much of a profit did the 2005 State Fair generate? Will that entire amount be used to subsidize other fairground operations?