

An Audit:

## State Fair Park

June 2007

# Report Highlights ■

---

***As of June 30, 2006, State Fair Park's accumulated cash deficit was \$11.5 million.***

State Fair Park, the 190-acre fairgrounds located in West Allis and Milwaukee, is home to the annual Wisconsin State Fair. The State Fair Park Board, which is attached to the Department of Tourism for administrative purposes, is responsible for its management.

***The sale of the Pettit Center was finalized on January 5, 2007.***

We are required by statutes to perform an annual financial audit of State Fair Park and have issued an unqualified opinion on its financial statements for fiscal year (FY) 2005-06. They are included in our report.

***State Fair Park's agreement with the racetrack promoter provides for a land exchange.***

We have also continued to monitor State Fair Park's financial condition and efforts to improve its financial performance. As part of those efforts, agency officials have restructured financial relationships with two entities operating facilities that have affected the financial condition of State Fair Park:

***The Wisconsin Exposition Center believes that refinancing debt will help its financial condition.***

- the Pettit National Ice Center, a United States Olympic training facility that was built in 1992 and was recently sold to the not-for-profit corporation that has been responsible for its operation; and
- the Milwaukee Mile racetrack and grandstand, which had been managed by State Fair Park from May 2003 through December 2005, when operations were again licensed to a private promoter.

***Careful monitoring of State Fair Park's financial condition continues to be needed.***

A third facility on the fairgrounds, the Wisconsin Exposition Center, is owned and operated by a not-for-profit organization. The Exposition Center is used exclusively for the Wisconsin State Fair each August but is available for other events throughout the year.

## Key Facts and Findings

*We issued an unqualified opinion on State Fair Park's financial statements for FY 2005-06.*

*FY 2005-06 expenditures exceeded revenues by \$1.7 million.*

*State Fair Park sold the Pettit Center for \$5.6 million.*

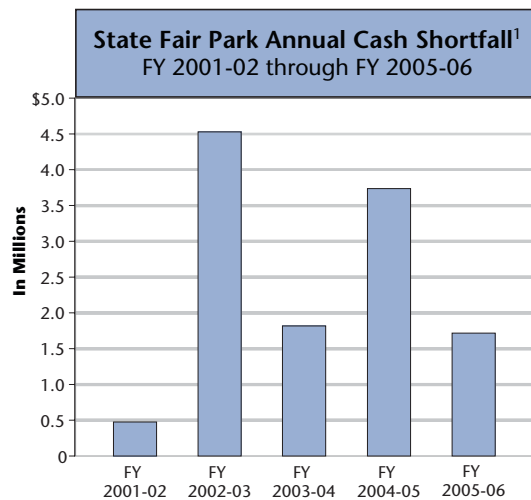
*The Wisconsin Exposition Center is refinancing \$40.8 million in industrial revenue bonds.*

*In May 2007, State Fair Park obtained \$1.7 million in GPR-supported borrowing to purchase and remediate 2.54 acres of land.*

*The first year of the licensing agreement with the Milwaukee Mile's private promoter ended in December 2006.*

## Fiscal Condition

State Fair Park's annual expenditures—including operating, capital, and debt service costs—have exceeded total revenues since FY 1999-2000. A cash shortfall of \$1.7 million was realized in FY 2005-06.



<sup>1</sup> Includes statutorily required lapses.

The cash shortfall is smaller in FY 2005-06 than in the prior year, when expenditures exceeded revenues by \$3.6 million. However, State Fair Park's accumulated cash deficit has increased to \$11.5 million. Such a deficit reduces funding available for other state programs and limits the State's ability to generate income from investment earnings.

Both staff and the Board believe that State Fair Park's long-term financial condition will improve with the sale of the Pettit Center and the privatization of Milwaukee Mile management. Further, several cost-saving initiatives have been

implemented, and additional sponsorships have been sought to increase revenues. For the first time in recent years, State Fair Park is projecting a cash surplus of \$537,000 in FY 2006-07.

## Pettit Center

The Pettit Center facility was sold to the Pettit National Ice Center, Inc., on January 5, 2007. The sale was approved by the State Building Commission and the Legislature's Joint Committee on Finance.

Based on two appraisals, and with input from the State's Capital Finance Director, the final sale price was set at \$5.6 million. Proceeds from the sale, plus interest earnings, will be used to pay the remaining debt service on the facility.

As part of the sale agreement:

- State Fair Park waived past-due rent of \$1.0 million, which had been outstanding since June 30, 2004;
- the facility must continue to be used as an Olympic training facility;
- the facility cannot be leased without approval by the State Fair Park Board; and
- the State retains the first right of purchase if the facility is sold by the Pettit National Ice Center, Inc.

State Fair Park has requested \$5.3 million in program revenue–supported bonding authority in the event it would need to repurchase the Pettit Center. This request was included in recommendations by the Building Commission for the 2007-09 biennium and is currently pending in the Legislature.

## The Milwaukee Mile

In December 2005, State Fair Park entered into a license agreement with Milwaukee Mile Holdings, LLC, a racing promoter, to manage the fairgrounds’ racing activities. The license agreement is for a term of 18 years, with a renewal option for 10 additional years.

State Fair Park received \$246,000 in license fees in July 2006. Future license fees will exceed \$1.7 million in each year.

Annual Milwaukee Mile License Fees	
Year	Annual Fee
2007	\$1,822,000
2008-2015	1,842,000
2016-2023	1,717,000

One provision in the 2005 license agreement is a four-year land exchange option under which Milwaukee Mile Holdings can acquire 9.35 acres of State Fair Park property for development. To do so, the promoter was to have acquired and remediated a separate piece of

property located on the fairgrounds but owned by AmeriGas, L.P.

Propane tanks located on the AmeriGas property have caused some safety concerns. Therefore, in April 2007, Milwaukee Mile Holdings assigned its rights to acquire that property to the State Fair Park Board. At its May 2007 meeting, the Building Commission approved \$1.7 million in general purpose revenue (GPR)–supported borrowing for State Fair Park to purchase and remediate the land. In addition, \$300,000 in program revenue–supported borrowing was approved for utility and other improvements.

Milwaukee Mile Holdings continues to hold the right to purchase the 9.35 acres of State Fair Park land for development. If it exercises the option, it will reimburse the State for \$1.7 million spent to acquire and remediate the AmeriGas property.

## Exposition Center

In its most recently audited financial statements, the not-for-profit Wisconsin Exposition Center reported a loss of \$668,000. Continuing losses and cash flow problems have led the Exposition Center to seek a refinancing arrangement for the remaining \$40.8 million in bonds used to finance facility construction.

The proposed refinancing agreement is expected to provide for a lower interest rate, which is anticipated to reduce annual debt service

payments by \$60,000, and it does not require the Exposition Center to maintain a letter of credit. For calendar year 2005, the Exposition Center’s cost to renew its letter of credit was \$27,126.

Exposition Center staff believe the refinancing will help its financial condition. To date, the refinancing agreement has not been finalized.

## Future Considerations

In addition to their existing efforts to improve State Fair Park’s financial condition for the long term, the State Fair Park Board and staff are considering other options to increase revenues and begin reducing the accumulated cash deficit. These include the potential development of 15.28 acres of the fairgrounds bordering I-94. Profits from this development would be used to reduce the current cash deficit.

Increasing debt service payments for the program revenue–supported bonds that financed various construction projects have contributed to State Fair Park’s financial losses. For example, since FY 2001-02, annual debt service payments funded by program revenues have increased 56.5 percent. They totaled \$3.4 million in FY 2005-06.

Additional construction projects that would increase program revenue–funded debt service costs will need to be closely scrutinized. We believe State Fair Park should continue to carefully monitor its financial condition, especially related to capital projects.

## Additional Information

For a copy of report 07-7, which includes a response from State Fair Park's executive director, call **(608) 266-2818** or visit our Web site:



[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Address questions regarding this report to:

[Carolyn Stittleburg](#)  
(608) 266-2818

*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.*

### Legislative Audit Bureau

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

Janice Mueller  
State Auditor