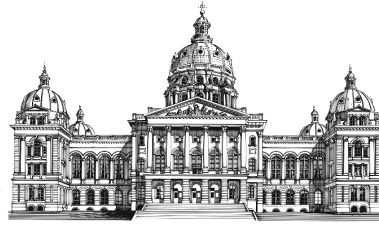

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
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State Fair Bonding For The Renovation Of The State Fair Grounds And Buildings

ISSUE

A review of the use of bonding to fund State Fair grounds and building renovations.

AFFECTED AGENCIES/AUTHORITIES

Iowa State Fair

CODE AUTHORITY

Chapter 173.14B, Code of Iowa

BACKGROUND

The State Fair was given authority to issue negotiable revenue bonds for a maximum of \$150.0 million by the General Assembly in 1987. Bonding requests must be approved by the General Assembly and the Governor and do one of the following:

1. Acquire real estate to be devoted to uses for the Fair.
2. Pay expenses or costs incidental to a building or repair project.
3. Provide sufficient funds for the advancement of any of the Fair's corporate purposes.

In 1991, the bonding authority was decreased to \$6.0 million and the Blue Ribbon Foundation was established by the Iowa State Fair Board and the General Assembly to raise funds for the renovation and preservation of the Iowa State Fairgrounds.

CURRENT SITUATION

Section 36, SF 2314 (Agriculture and Natural Resources Appropriations Bill), increased the bonding authority of the State Fair to \$25.0 million. To date, no bonds have been issued for improvements to the State Fair grounds. Section 8, SF 2330 (Capitals and Standings Appropriation Bill), appropriated \$200,000 to the State Fair to complete the Iowa State Fair Service Center. The Service Center is necessary to meet requirements of the federal Americans with Disabilities Act.

Highest priority will be given to repairing and constructing the following State Fair buildings:

	<u>Estimated Total Cost</u>
Grandstand	\$ 4.0 - 5.0 million
Varied Industries Building	\$ 3.5 - 4.5 million
New Agricultural Exposition Center, etc.	\$16.0 - 17.0 million

Bonding could be considered for partial funding of these projects. Current sources of revenue include State Fair operations surplus, pledges and gifts, income tax checkoff, and Lottery appropriations. Pledges to date (including State appropriations) are included on Attachment A and proposed projects to date on Attachment B.

ALTERNATIVES

An alternative to bonding for improvements could be to raise admission to specific events. When sufficient funds are available, the improvements can be completed on a cash basis.

BUDGET IMPACT

The State Fair is considering bonding due to the timeframe in which pledges are actually received. Bonding would allow the Fair to make improvements and pay the bonds back as the pledged donations are received. Since the State Fair is responsible for financing the bonds issued, the credit of the State is not affected. Bonding would allow the State Fair to make improvements at current cost estimates and would allow buildings to be brought into use which had to be abandoned due to safety regulations.

Attachment C shows the operating revenues and expenses for the State Fair for the year ending October 31, 1993. According to the Iowa State Auditor's report, the operating income for FY 1993 was \$475,852. The fair-related net income is \$2,313,916. The non-fair related net loss is \$1,838,064. Increasing admission rates to events and donations would allow the State Fair to renovate on a cash basis, however the amount of money needed would increase due to interest and continued deterioration.

STAFF CONTACT: Darlene Kruse (Ext. 14612)

SOURCES OF PLEDGES AND SPECIFIC PROJECTS

		1993	1994	1995	1996	1997	1998	TOTAL
NON-COMMITTED PLEDGES:								
Casey's		\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 100,000
Marion County Fair		10,000	10,000	10,000	10,000	10,000	-	50,000
Pioneer Hi-Bred		100,000	100,000	100,000	100,000	100,000	-	500,000
Principal Financial		120,000	120,000	120,000	120,000	120,000	-	600,000
Anderson-Erickson		-	25,000	25,000	25,000	25,000	-	100,000
Fred J. Dowie, Sr.		15,000	15,000	-	-	-	-	30,000
Grinnell Mutual Group		2,000	2,000	2,000	2,000	2,000	-	10,000
Midwest Resources		-	30,000	30,000	30,000	30,000	30,000	150,000
State of Iowa		500,000	500,000	500,000	500,000	-	-	2,000,000
Equitable Life		-	10,000	10,000	10,000	-	-	30,000
Non-Committed Pledges Total:		\$ 747,000	\$ 832,000	\$ 817,000	\$ 817,000	\$ 307,000	\$ 50,000	\$ 3,570,000
COMMITTED PLEDGES:								
	Project							
Deere & Co.	Admin. & Ag. Bldgs.	\$ 100,000	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -	\$ 500,000
Iowa Bankers	4-H Bldg.	-	109,000	-	-	-	-	109,000
Iowa Jaycees	Youth Inn & Fam. Ctr	-	100,000	100,000	100,000	-	-	300,000
Vermeer Manufacturing	Grandfather's Barn	-	100,000	-	-	-	-	100,000
Firststar Corporation	Service Center	-	25,000	25,000	25,000	25,000	-	100,000
Iowa Farm Bureau	Pioneer Hall	85,000	80,000	80,000	-	-	-	245,000
State of Iowa	Service Center	-	-	200,000	-	-	-	200,000
American Republic Insurance Co.	Plaza	-	10,000	10,000	10,000	10,000	10,000	50,000
Committed Pledges Total:		185,000	624,000	615,000	135,000	35,000	10,000	1,604,000
Total Pledges:		\$ 932,000	\$ 1,456,000	\$ 1,432,000	\$ 952,000	\$ 342,000	\$ 60,000	\$ 5,174,000

Source: Iowa State Fair

STATE FAIR IMPROVEMENTS AND SOURCE OF FUNDING

<u>PROJECT</u>	<u>SOURCE OF FUNDING</u>	<u>BEGINNING DATE</u>	<u>COMPLETION DATE</u>	<u>AMOUNT</u>
COMMITTED PROJECTS:				
Admin. & Ag. Bldgs.	Deere & Co.	Sep-94	Jun-95	\$ 750,000
Sheep/Baby Beef Barn	Unspecified	Jun-94	Aug-94	700,000
Service Center	Firststar Bank	Sep-94	May-95	400,000
Rock Island Street	D.O.T.	Apr-94	Jul-94	100,000
Parking Lot- N. of Tourism Bldg	Unspecified	Jul-94	Jul-94	80,000
Grandfather's Barn	Vermeer Mfg.	Jun-94	Aug-94	80,000
American Republic Plaza	Am. Republic Ins.	Apr-95	Jun-95	50,000
Pioneer Hall	Farm Bureau	Oct-95	Jul-96	350,000
TOTAL:				\$ 2,510,000
STATE FAIR SURPLUS FUNDED PROJECTS:				
Restrooms-				
Shoppers Mart-Grandstand		Nov-93	Jun-94	\$ 50,000
S.W. of Administration Bldg		Nov-93	Jun-94	50,000
Telephone Trunk-Line update		Oct-93	Jul-94	10,000
Wash Rack Roofs		Apr-94	Jul-94	13,800
Horse Barn East Arch Ways		Nov-93	Jan-94	11,000
Band Box - Grandstand		Apr-94	Jul-94	40,000
FUTURE PROJECTS:*				
Administration (Interior)	Deere & Co.			\$ 1,600,000
Agricultural Bldg. (Interior)	Deere & Co.			800,000
Grandstand	Unspecified			5,500,000
Varied Industries Bldg.	Unspecified			4,000,000
New Agricultural Expo Center	Unspecified			16,000,000
* Pending Funding				
TOTAL COST OF IMPROVEMENTS				\$ 30,584,800

Source: Iowa State Fair

IOWA STATE FAIR AUTHORITY
Year Ended October 31, 1993

ATTACHMENT C

OPERATING REVENUES:

Non-fair:

Interim events	\$	834,039
Maintenance		17,658
Administration		114,401
Total Non-fair revenues:	\$	966,098

Fair:

Industrial	\$	185,082
Concessions		1,560,584
Entry		202,576
Sponsorships		539,274
Services		292,620
Ticket sales		3,651,492
Miscellaneous		8,624
Fan Fair support		100,232
Total Fair revenues:	\$	6,540,484

TOTAL REVENUES: \$ 7,506,582

OPERATING EXPENSES:

Non-fair:

Interim events	\$	74,316
Maintenance		1,001,645
Utilities		237,564
Administration		949,934
Capital improvements		31,571
Public safety		157,668
Treasurer		9,672
Depreciation		341,792
Total Non-fair expenses:	\$	2,804,162

Fair:

Administration	\$	151,262
Maintenance		287,860
Entry		295,044
Entertainment		1,054,044
Services		440,071
Special entertainment		324,588
Sales tax		188,530
Premiums		698,497
Public Safety		147,693
Treasurer		23,533
Admissions		181,302
Industrial		6,906
Concessions		21,884
Marketing and promotion		335,774
Utilities		69,580
Total Fair Expenses:	\$	4,226,568

TOTAL EXPENSES: \$ 7,030,730

OPERATING INCOME \$ 475,852