

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 18, 2025

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Celia Benton, Economic Development Director, Department of Administrative Services

Subject: From the Economic Development Director, requesting approval to modify the Contribution Agreement, process appropriation transfers needed to modify budgets, and commit to capital funding in 2027 and 2028 associated with changes resulting from the 3rd Amendment to the lease between Milwaukee County and the Marcus Center for Performing Arts

File Type: Action Report

REQUEST

The Department of Administrative Services – Economic Development Division is requesting the approval of the attached resolution (“Resolution”). The Resolution includes actions necessary to be approved in accordance with what will be the Third Amendment to the Lease between the Marcus Center for Performing Arts, Inc. (“MCPA”) and Milwaukee County.

POLICY

Pursuant to Wisconsin Statute 45.72(4), a County may appropriate money and may levy a tax to acquire, pay for, construct, erect, furnish, equip, operate, repair, maintain, or reconstruct a suitable war memorial.

Wisconsin State Statutes:	45.72(4)
Milwaukee County Code of General Ordinances:	
Specific Adopted Budget:	
Specific Adopted Budget Amendment:	
Specific Adopted Capital Project:	

BACKGROUND

County Financial Position & Cultural Strategy

The Office of the Comptroller’s Five-Year Financial Forecast was recently published in March for 2026-2030. The forecast assists policymakers and the public in understanding the future challenges and opportunities of the County budget. Per the report, the County continues to have a structural deficit because the expenditure growth outpaces revenue growth. In the report, expenditures are forecasted to grow by 3.5 percent annually, while revenues are forecasted to grow by only 1.0 percent annually.

Although the 0.4% sales tax helped reduce the structural deficit, it did not eliminate it. The report projects the 2026 operating gap to be \$46.7 million and each year that gap continues to grow.

To address the structural deficit, the County will need to reduce expenditures (i.e., essential services to the community), increase operating revenue, defer maintenance, and/or rely on one-time revenues and expenditure abatements. Additionally, the County's infrastructure needs continue to outpace the County's current level of cash and debt financing for its capital assets. Options to address future fiscal sustainability, regarding capital needs, include decreasing the County's asset portfolio or finding creative solutions to reduce the County's capital responsibilities.

In response to ongoing fiscal pressures, Milwaukee County is pursuing a strategy to gradually reduce both operating and capital support for its cultural partners. This approach is designed to provide sufficient transition time for these organizations to achieve greater financial independence from the County.

Marcus Center for the Performing Arts, Inc.

The "Marcus Center for the Performing Arts" (MCPA) was built with private funds in 1969 and deeded to County to be held in trust for the public for the preservation and enrichment of the performing arts. Under the terms of the 1954 Agreement, as amended, a predecessor to MCPA received an annual allocation of County financial support, as determined by County in its annual budget.

In connection with a public-private partnership targeting a \$26.5 million renovation of the Center, County and a predecessor to MCPA entered into two Memoranda of Understanding for the operation, administration, and maintenance of the Center. Each Memoranda provided for County's contribution of fixed and level funding through a series of five (5) year terms—\$1.5 million for the years 1994 to 1998, and \$1.6 million for the years 1999 to 2003. The purpose of County's annual financial support was to bolster MCPA's private fundraising efforts. On December 28, 2004, Marcus Center for the Performing Arts, Inc. was formed.

Upon expiration of the second MOA in 2003, County's funding for MCPA reverted to an annual allocation as determined by County in its annual budget until April 8, 2016, when County and MCPA entered into a contribution agreement (the "Contribution Agreement"), which was approved by the County Board in Resolution File No. 16-214.

In July 2018 the Milwaukee County Board and County Executive adopted Resolution 18-544 that reduced the 2026 capital support amount to reflect half of the incremental costs from the County advance refunding all outstanding tax-exempt debt associated with the MCPA. In August 2018, the County entered a Lease ("Lease") with the MCPA, which was amended in 2018 and 2022.

The current **Lease as Amended** includes the following:

- Term: The initial term of the Lease is through 2066. The MCPA may extend term to 2115.
- Maintenance: MCPA agrees to take on the maintenance and repair costs of the building, except for the
 - Utilities outside the building
 - The Riverwalk
 - Work required by the 2016 Contribution Agreement and as amended by the 2022 2nd Amendment
 - Any pre-existing ADA conditions
- Capital Reserve: MCPA is required to maintain a Capital Reserve of at least \$100,000
- The 2022 2nd Amendment provided that MCPA is responsible for managing the capital projects and the County reimburses MCPA for work completed. Additionally, all project overages became the responsibility of MCPA.
- Future Capital Expenses: The Current Lease includes a mechanism for future capital expenses that if such expenses cannot be covered by MCPA, then MCPA may request the required funds from the County Board, and if approved, will be repaid as Additional Rent. If request is denied, then MCPA may use the Lease as collateral with a bank to borrow the funds.
- Other Provisions: The Current Lease includes other standard provisions protecting the County including, permitted uses, limitations on material alterations, limitation on assignment, limitation on encumbrances, insurance requirements, environmental compliance, indemnification, default, right to audit, nondiscrimination, conflicts of interest, and public records.
- Contribution Agreement: The 2016 Contribution Agreement is included as an addendum to the Current Lease.

In the current Lease as Amended, the operating contribution from the County ends in 2025 after which time the County and MCPA are to evaluate the potential need for a level of continued financial support solely for the MCPA's function as a Milwaukee County War Memorial.

MCPA is projecting a \$1,640,000 deficit for its 2025-26 fiscal year and is expected to deplete its cash reserves by this summer. In response, MCPA is actively working to close this gap by reducing expenses—such as a renegotiated Ticketmaster Agreement and limiting discretionary spending—and by increasing revenue through enhanced fundraising efforts and extending its Broadway programming. After reviewing MCPA's current financial position and the proactive steps being taken, it is clear that continued County support is necessary to provide sufficient transition time for MCPA to achieve long-term financial independence. The following recommendation seeks to balance MCPA's operational needs with the County's fiscal constraints.

RECOMMENDATION

The Director of the Department of Administrative Services - Economic Development recommends that the Milwaukee County Board of Supervisors approves the changes to the contribution agreement with the Marcus Center for the Performing Arts to ensure adequate transition time for MCPA to become independent of the County.

This authorization includes providing MCPA continued declining operational support for five years on the following schedule:

- 2026 - \$450,000
- 2027 - \$450,000
- 2028 - \$400,000
- 2029 - \$225,000
- 2030 - \$225,000

Additionally, 2024-2026 capital funds will be reallocated to immediate project needs of MCPA that will help reduce operating expenses, increase revenue, or address an immediate need of the property. The resolution also commits new capital funding to MCPA in the amounts of \$755,000 in 2027 and \$800,000 in 2028 for MCPA identified projects. MCPA remains responsible for any project overages therefore limiting the County’s capital contribution to the amounts stated. MCPA will study the feasibility of becoming independent from County support and will report the results to the County Board within the next three years.

Related File No’s:	16-214 , 18-557 , 18-544 , 22-40 , 22-850 , 24-616
Associated File No’s (Including Transfer Packets):	
Previous Action Date(s):	

ALIGNMENT TO STRATEGIC PLAN

Describe how the item aligns to the objectives in the [strategic plan](#):

3B: Enhance the County’s fiscal health and sustainability

Continuing to follow the cultural strategy of reducing operating and capital contributions to our partners, while allowing adequate transition time for our cultural partners to be independent of the County will enhance the County’s fiscal health and sustainability.

FISCAL EFFECT

No impact in the current fiscal year. The fiscal impact in future budget years for the increase in operating support is \$1,750,000 (2026-2027). The 2026 Phased Building Exterior Stone Cladding will be replaced in the 2026 capital budget with projects identified by MCPA that reduce expenses, increase revenue, or meet an immediate safety or property need as approved by Milwaukee County in an amount not to exceed \$757,295. Additionally, this resolution commits to funding \$755,000 of new capital projects in 2027 and \$800,000 in 2028 for projects identified by MCPA that reduce expenses, increase revenue, or meet an immediate safety or property need. The changes in future budget years are summarized below in this chart:

Year	OPS	CAP	Reallocated CAP	Net Levy Impact
2025		\$ 1,292,663.00	\$ (1,292,663.00)	\$ -
2026	\$ 450,000.00	\$ 757,295.00	\$ (757,295.00)	\$ 450,000.00
2027	\$ 450,000.00	\$ 755,000.00	\$ -	\$ 1,205,000.00
2028	\$ 400,000.00	\$ 800,000.00	\$ -	\$ 1,200,000.00
2029	\$ 225,000.00	\$ -	\$ -	\$ 225,000.00
2030	\$ 225,000.00	\$ -		\$ 225,000.00
TOTAL	\$ 1,750,000.00	\$ 3,604,958.00	\$ (2,049,958.00)	\$ 3,305,000.00

25/26 Projects funded with re-allocated CASH funding from 24/25 Agreement appropriations and anticipated 26 cladding appropriations (from 2nd amendment) to be reallocated pursuant to approval of the 3rd amendment.

TERMS

- Provide continued declining operational support for five years on the following schedule:
 - 2026 - \$450,000
 - 2027 - \$450,000
 - 2028 - \$400,000
 - 2029 - \$225,000
 - 2030 - \$225,000
- Changes to the 2024-2026 Projects in the current Lease as Amended: The Stone Cladding project scheduled for 2024-2026 is removed from the list of projects and replaced by the projects that reduce annual expenses, increase revenue opportunities, or deal with an immediate need. These projects include security screening equipment, upgraded building security, Uihlein Hall Orchestra shell removal, peck drain line & campus paving, and digital signage. The MCPA is responsible for any future repair/maintenance associated with the projects being removed.
- Commitment of additional capital funding of \$755,000 in 2027 and \$800,000 in 2028 for projects identified by MCPA that reduce expenses, increase revenue, or address an immediate safety or property need.
- MCPA will study the feasibility of becoming independent from County support and will report the results to the County Board within the next three years.

VIRTUAL MEETING INVITES

Kevin Giglinto, President and CEO, Milwaukee Performing Arts Center,
kgiglinto@marcuscenter.org

Katie Dillow, CFO & Vice President for Finance & Administration, Milwaukee Performing Arts Center, kdillow@marcuscenter.org

PREPARED BY:

Erica Goblet, Economic Development Project Manager, Dept. of Admin. Services

APPROVED BY:

Celia Benton, Economic Development Director, Department of Administrative Services

Celia Benton

ATTACHMENTS:

PowerPoint

Resolution

Fiscal Note

CC:

David Crowley, County Executive

Liz Sumner, Comptroller

Parks & Culture Committee Members

Finance Committee Members

MaryJo Meyers, Chief of Staff, Office of the County Executive

Aaron Hertzberg, Director, Department of Administrative Services

Kelly Bablitch, Chief of Staff, County Board of Supervisors

Steve Cady, Director of Research and Policy

Kelsey Evans, Committee Coordinator

Allyson R. Smith, Committee Coordinator

Sandy Saltzstein, County Board Research Analyst