

Monday, September 29, 2014



Cultural & Entertainment

Capital Needs Task Force

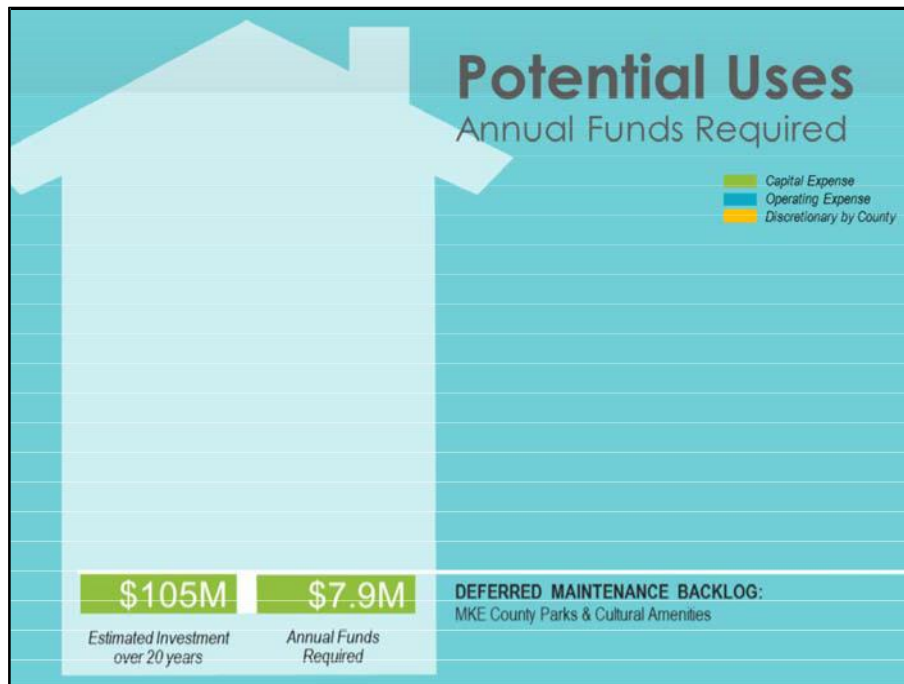
Exploring funding options to preserve and enhance assets in the MKE Region.
[#MKECultureTF](#)

TIMELINE

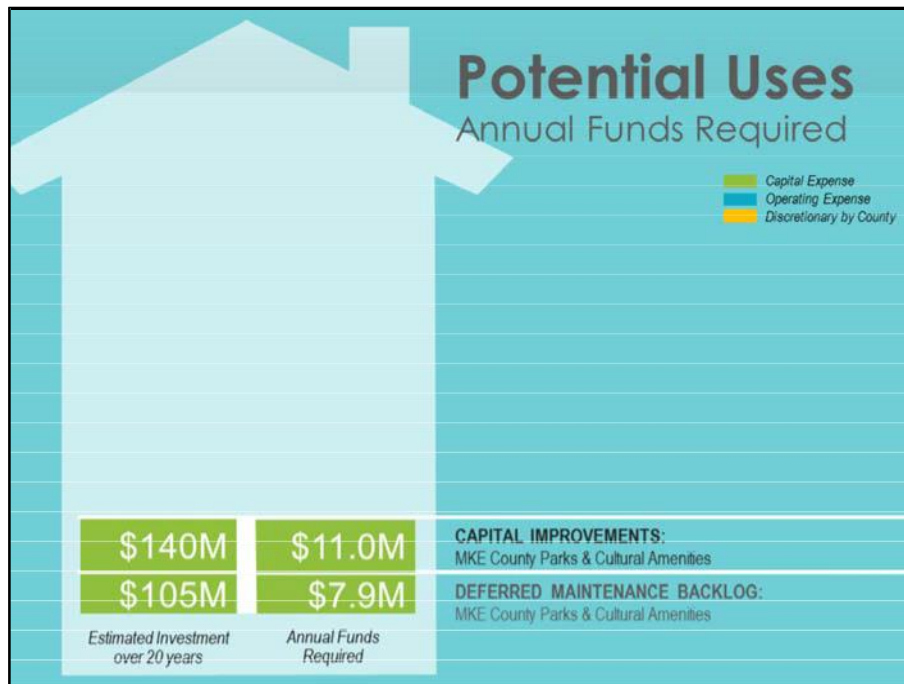
SEPTEMBER	Review Potential Uses and Sources of Additional Funding
OCTOBER	Gather Task Force Feedback
NOVEMBER	Gather Task Force Feedback
DECEMBER	Compile Results and Issue Report

POTENTIAL USES

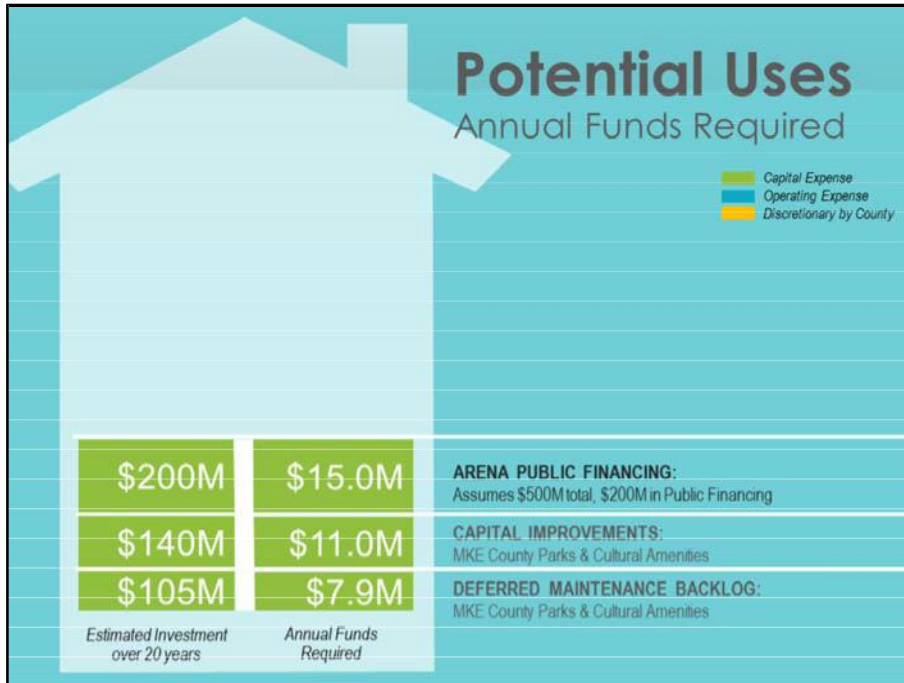
Annual Funds Required



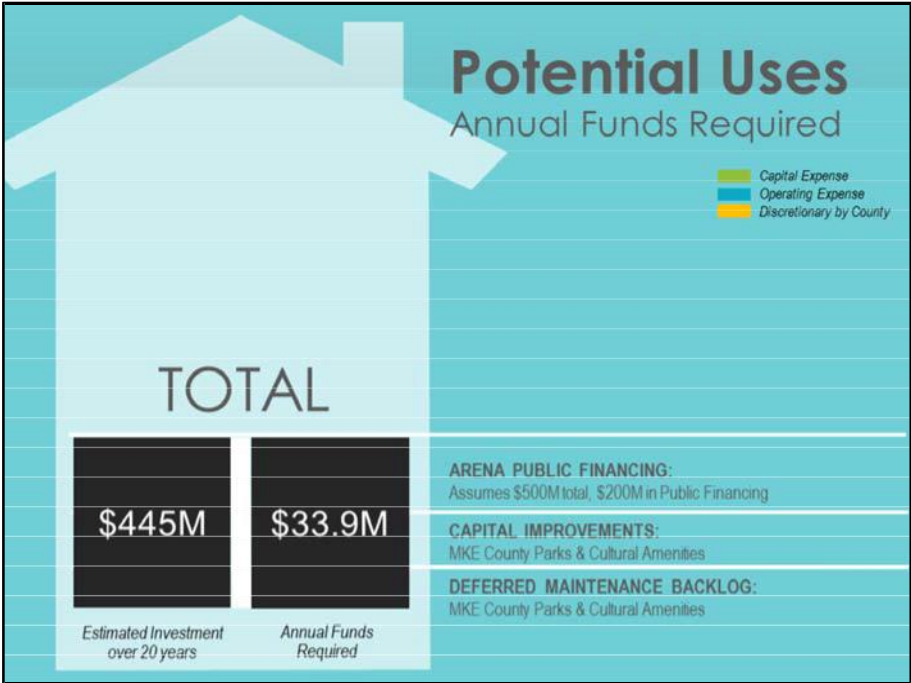
- The source for financial estimates used in this presentation is the Public Policy Forum’s Report, “Pulling Back the Curtain: Assessing the need of major arts, cultural, recreational and entertainment assets in Milwaukee County.”
- This item refers to maintenance or repair of infrastructure that was not performed when it should have been or was delayed for a future period.
- The “Cultural Amenities” referred to on these slides include: The Milwaukee Art Museum/War Memorial; Milwaukee Public Museum; Marcus Center for the Performing Arts; and the Milwaukee County Zoo.
- Examples of deferred maintenance expenditures include: replacement of exterior windows at the Milwaukee Art Museum, modernizing the elevator in the Marcus Center’s Todd Wehr Theater, and a fire alarm system upgrade for the Milwaukee Public Museum.
- The 20-year costs are based on a 4.25% borrowing rate, level payments over 20 years, general obligation debt.

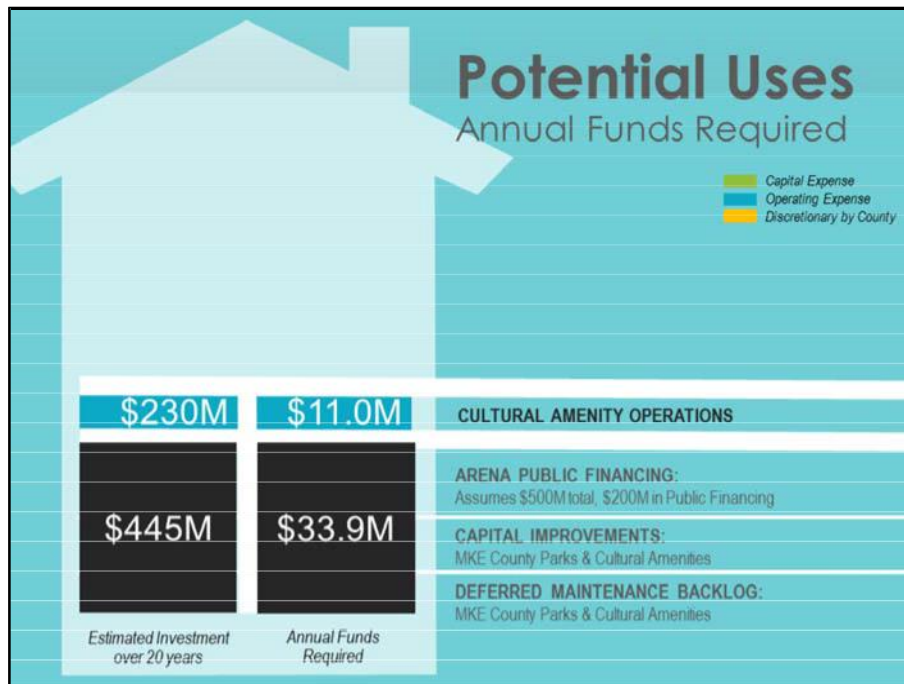


- Capital improvements pertain to four major regional cultural amenities: The Milwaukee Art Museum/War Memorial; Milwaukee Public Museum; Marcus Center for the Performing Arts; and the Milwaukee County Zoo.
- Examples of proposed capital projects include:
 - A new entrance and bus turnaround at the Public Museum
 - A renovation of Vogel Hall at the Performing Arts Center
 - Reinstalling art collections at the Art Museum
 - New hippo and sea lion exhibits at the Milwaukee County Zoo
- Examples of proposed capital expenditures for parks include a South Side aquatics center and softball/baseball complex improvements.

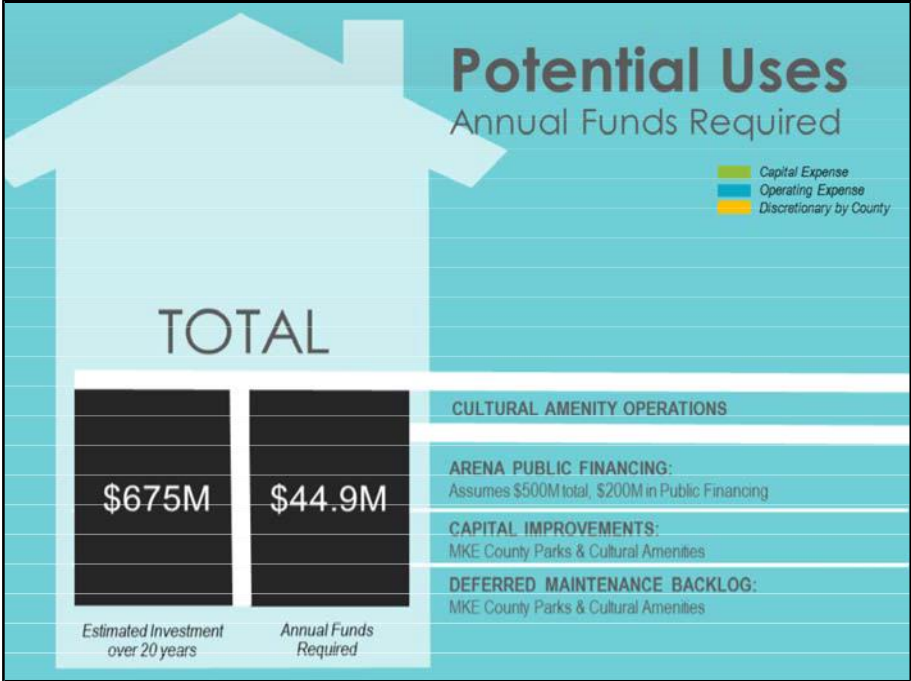


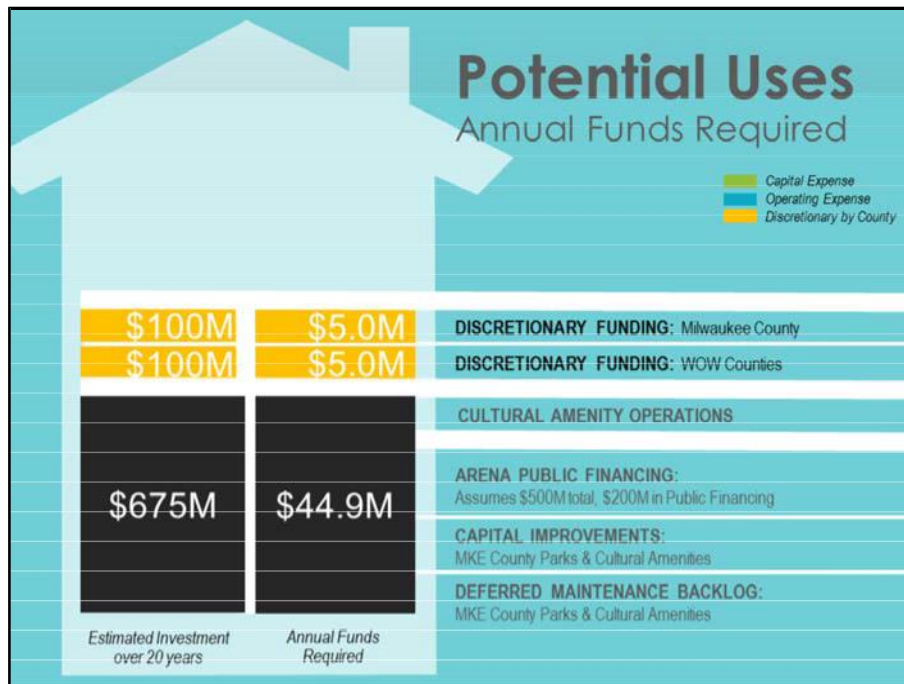
- A new downtown arena is roughly estimated to cost \$500 million. \$300 million of that is expected to be contributed by the new owners of the Bucks Basketball team, along with minority owners and private contributions. Using these estimates, about 40% of the project would require public financing.
- A study conducted by the Marquette University Law School found that for 23 arenas constructed between 1995 and 2016, the average share of public financing was just over 70%.



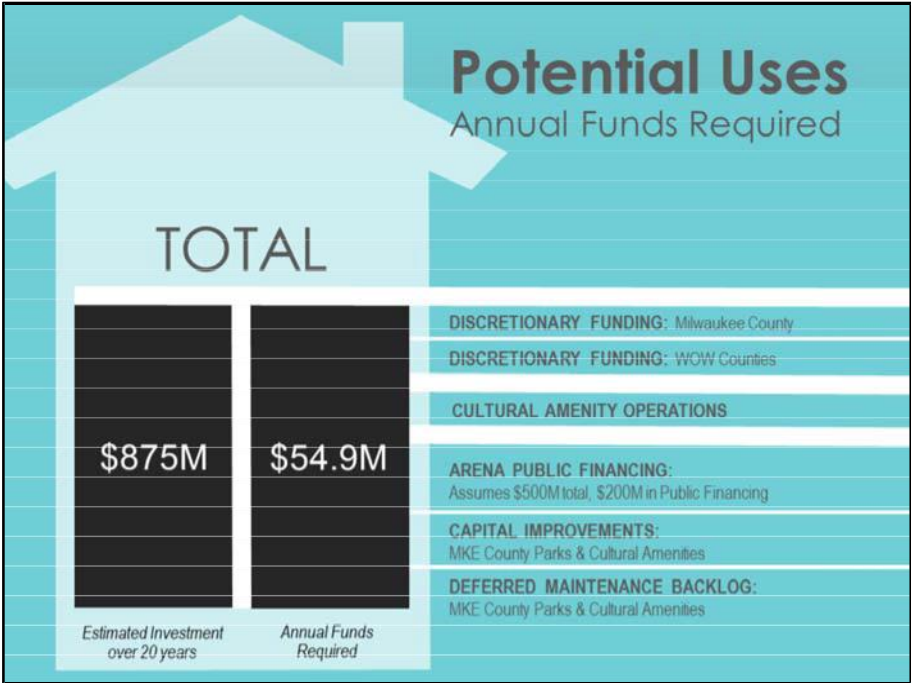


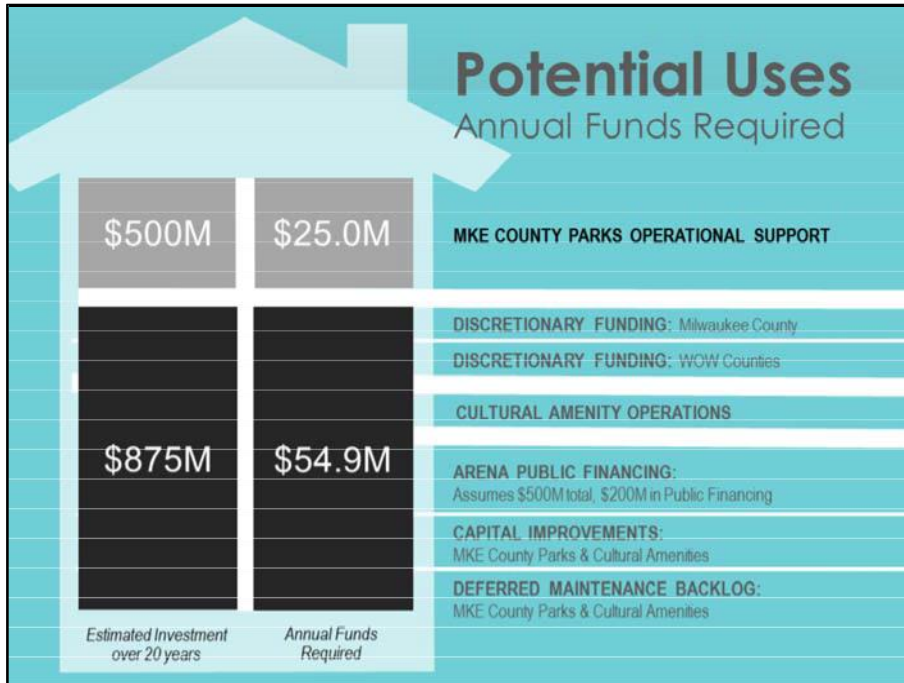
- Source: current Milwaukee County budget tax levy for regional cultural amenities. Operations costs break down as follows:
 - Milwaukee County Zoo: \$4.918M
 - Milwaukee Public Museum: \$3.502M
 - Milwaukee Art Museum: \$1.491M
 - Performing Arts Center: \$1.088M
- By moving these line items off the county budget, these funds could be applied to other purposes such as public transit, mental health services, or property tax reduction.
- *Note: Operations support, while outside the stated scope of this task force, is being shown as an “add-on” option in response to interest task force members have expressed in seeing this information.*



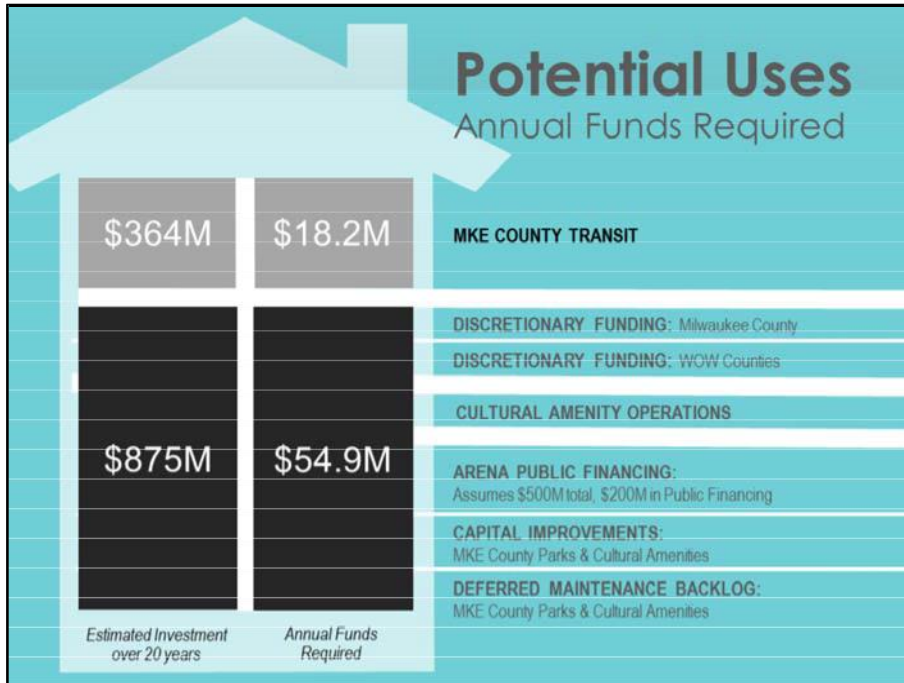


- Discretionary funding is shown as an option in recognition that each county in the metro area has needs and aspirations that could be funded through additional public support or by shifting from an existing funding source to a new one.
- These funds could be used for new or existing purposes at each county’s discretion.
- This type of flexible funding is similar to the Denver model, where grants are awarded by a representative governing body to applicants for specific projects.

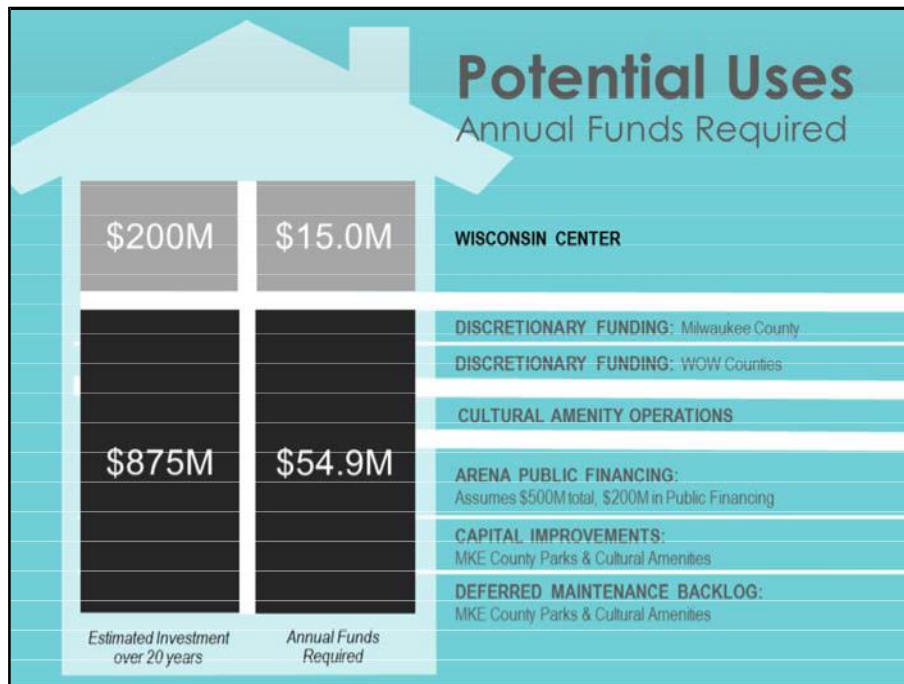




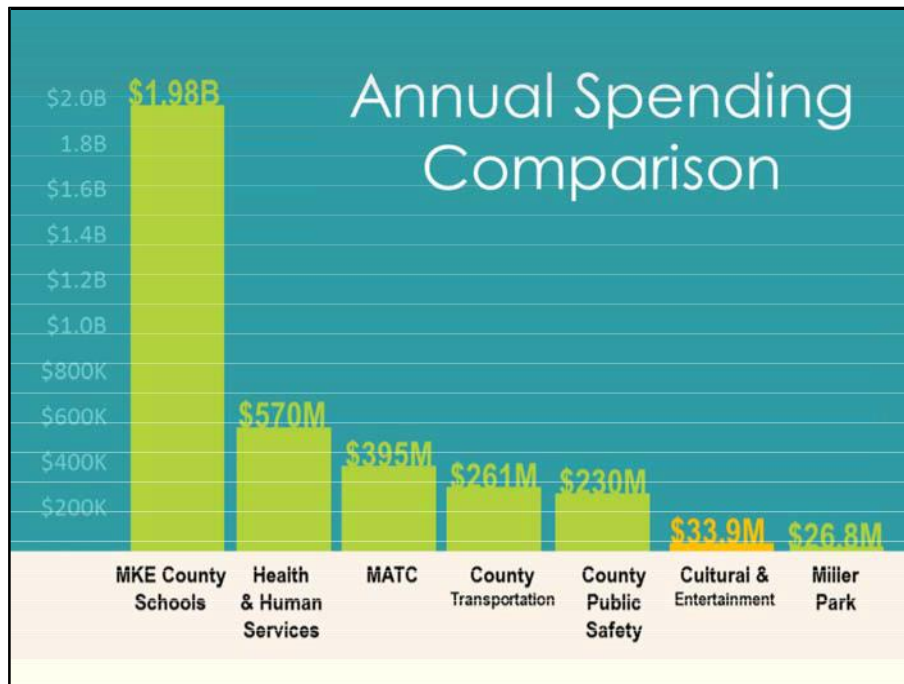
- This \$25 million annual number is directly tied to the Milwaukee County property tax levy that supports parks’ operations.
- *This “add-on” is being shown as an option in response to interest expressed by task force members in seeing this information.*



- The 2014 Transit budget is \$159 million. The levy portion is \$18.2 million, or 11.4% of the total budget.
- *This “add-on” is being shown as an option in response to interest expressed by task force members in seeing this information.*



- The Wisconsin Center figures are based on a study by HVS Convention, Sports and Entertainment Facilities Consulting that estimated the cost to expand the convention center.
- The Wisconsin Center District owns and operates the convention center, the UW-Milwaukee Panther Arena and the Milwaukee Theatre.
- The district collects revenue from four taxes: a 2.5% Milwaukee County room tax; a 7% room tax in the City of Milwaukee; a 0.5% food and beverage tax in Milwaukee County; and a 3% countywide car rental tax. All of that revenue is pledged for debt service.
- *This “add-on” is being shown as an option in response to interest expressed by task force members in seeing this information.*



- The orange \$33.9 million figure – which is the cumulative amount shown on Slide 7 -- represents just under 1% of the total local, state and federal dollars used for the purposes shown on this slide. This budget combined with the Miller Park tax is 1.8% of the total.
- The Miller Park tax is 0.10% for Milwaukee, Waukesha, Washington, Ozaukee and Racine counties.
- Health and Human Services includes:
 - *Family care*
 - *Behavioral health*
 - *Aging*
- County Transportation includes:
 - *Airport*
 - *Highways*
 - *Transit*
- County Public Safety includes:
 - *Sheriff*
 - *DA*
 - *Courts*
 - *House of Corrections*
- Milwaukee County Schools includes:
 - *All MPS, Choice, Charter and Milwaukee County suburban schools*



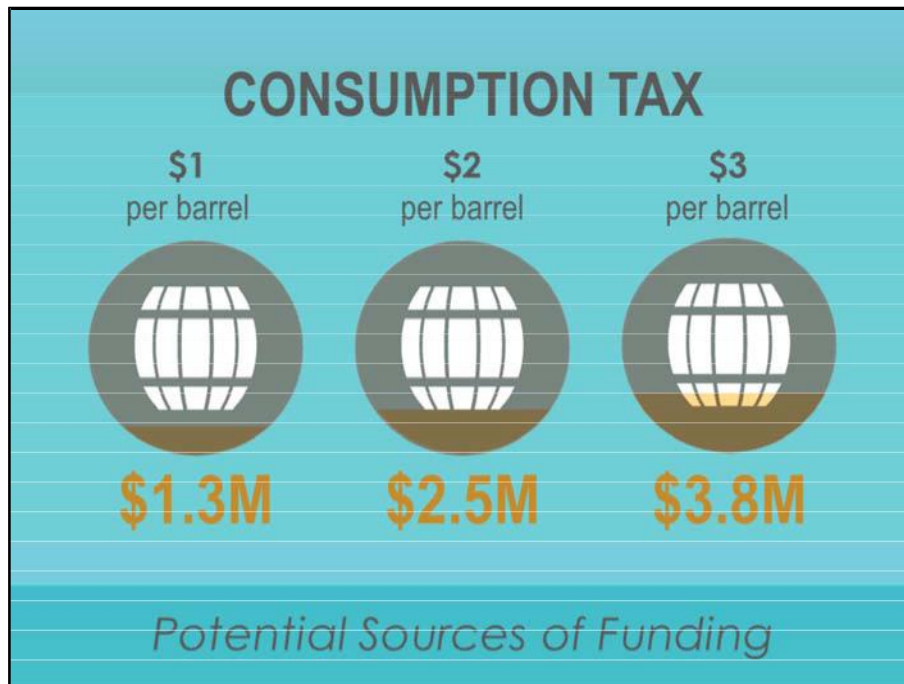
Potential Sources of Funds

CONSUMPTION TAX

- Includes taxes on beer, liquor and cigarettes
- Applies to all four counties in the metro area

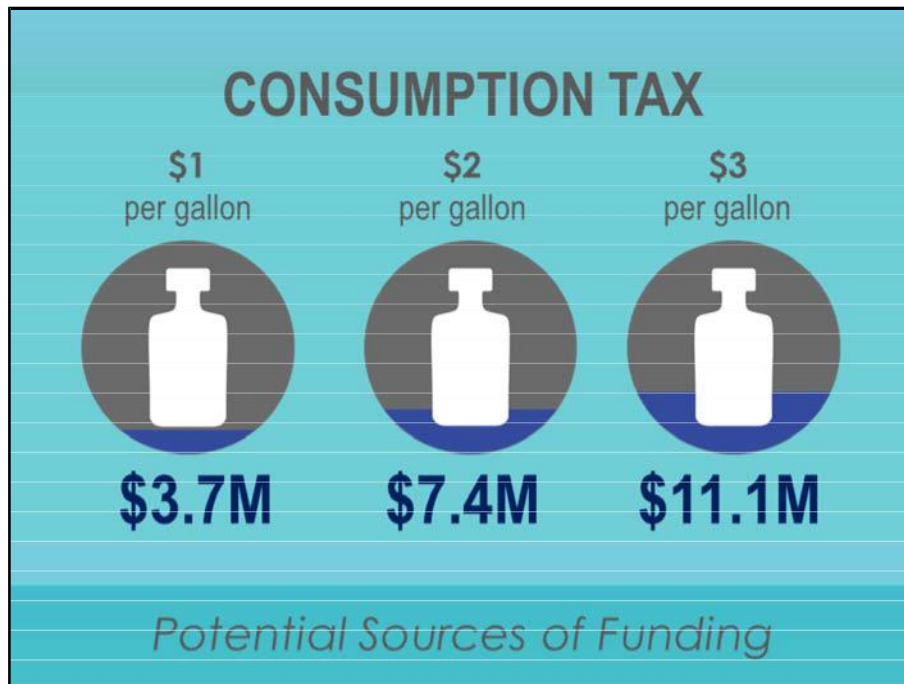
Potential Sources of Funding

- Consumption taxes can be a declining source of revenue because they act as a disincentive on purchases. As an example, the Centers for Disease Control estimates a 4% decline in yield for every 10% increase for cigarettes.
- If this source of funding is used to repay debt for capital needs, a significant portion must be reserved for debt service coverage, reducing the amount available to fund projects.
- A consumption tax could include taxes on beer and/or liquor, and/or cigarettes.



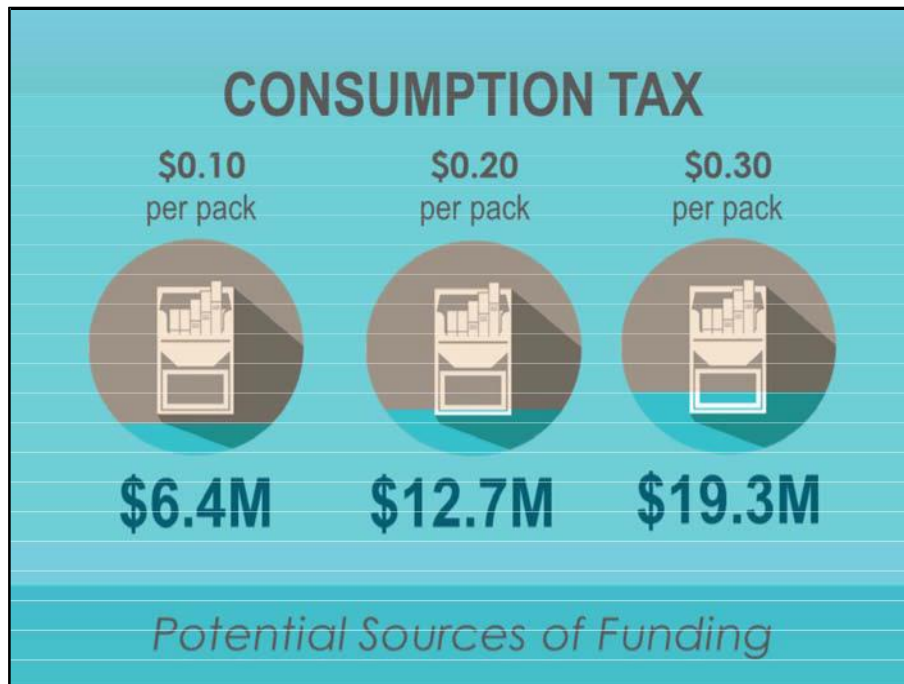
For comparison purposes:

- In Cuyahoga County, Ohio, there is a \$5.58 state tax on beer per barrel and a \$4.96 county tax (\$10.54 total).
- In Wisconsin, there is a \$2 state tax per barrel.



For comparison purposes:

- In Cuyahoga County, Ohio, there is a \$9.04 state tax per gallon of liquor and a \$.32 county tax (\$9.36 total).
- In Wisconsin, there is a \$3.36 state tax per gallon of liquor.



For comparison purposes:

- In In Cuyahoga County, Ohio, there is a \$1.25 state tax per pack of cigarettes and a \$.345 county tax (\$1.59 total).
- In Wisconsin, there is a \$2.52 state tax per pack of cigarettes.

TAX INCREMENTAL FINANCING

- A TIF uses future gains in taxes to subsidize current improvements
- Expenditures are limited to the geographic boundaries of the TIF

Potential Sources of Funding

Sample TIF: Manpower HQ

 $= \$3M$

 $= \$6M$

 $= \$9M$

Potential Sources of Funding

TICKET TAX

- Applies to all paid attendees, regardless of where ticket was purchased or where the purchaser resides
- Excludes all comp tickets and memberships

Potential Sources of Funding

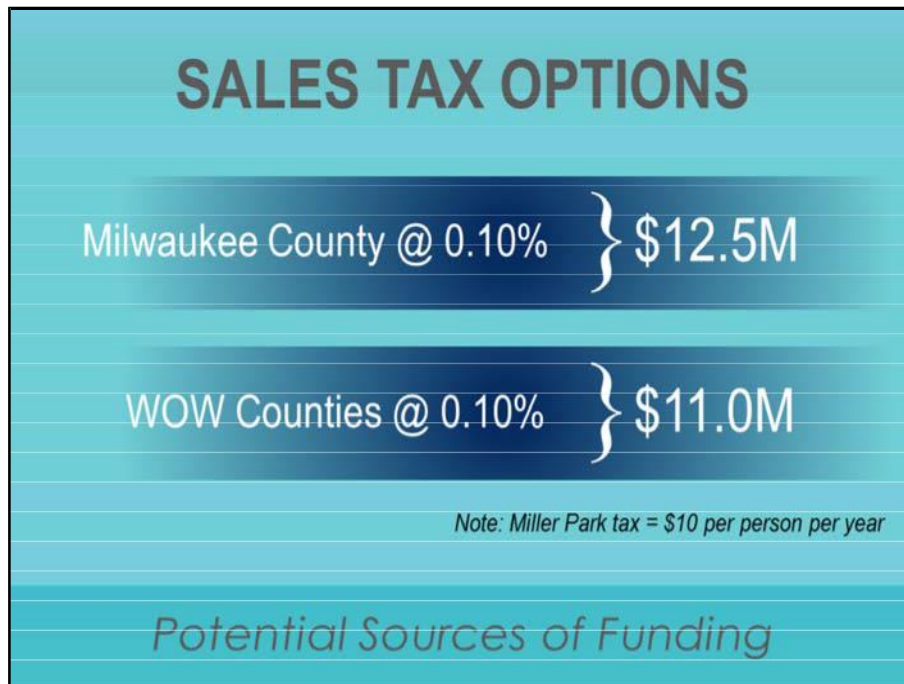


- Ticket tax calculations are based on 2.4 million paid admissions to the Milwaukee Art Museum, Milwaukee Public Museum, Milwaukee County Zoo, BMO Harris Bradley Center and the Marcus Center.

SALES TAX

- Wisconsin imposes a 5% general sales tax on the sales price of personal property, digital goods, and selected services
- Counties have the option of imposing an additional 0.5% local sales tax
- Most food products are exempt

Potential Sources of Funding



- This slide provides benchmark figures that can be increased or decreased to account for various options.
- Population by County:
 - Milwaukee = 956,023
 - Waukesha = 393,843
 - Ozaukee = 87,054
 - Washington = 132,739

SALES TAX OPTIONS

Milwaukee County @ 0.30% } \$37.4M

WOW Counties @ 0.10% } \$11.0M

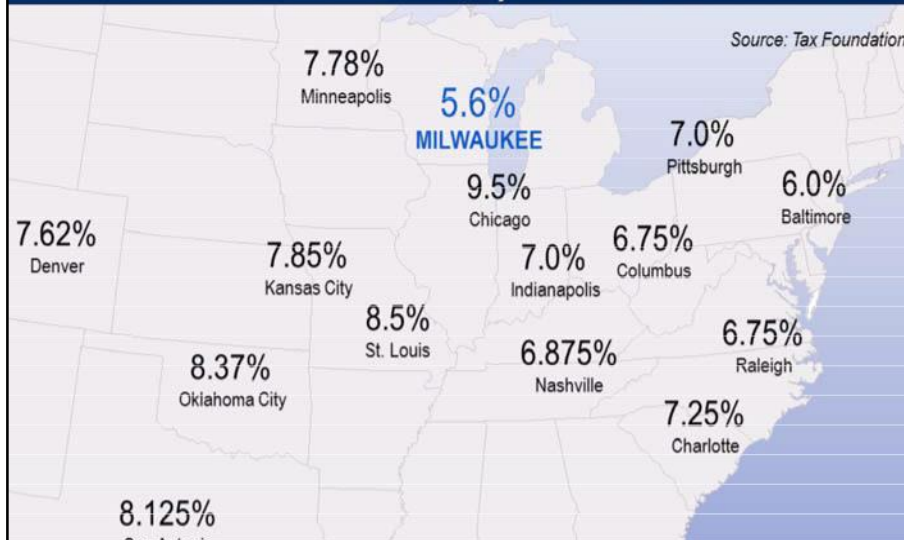
Note: Miller Park tax = \$10 per person per year

Potential Sources of Funding

- This slide provides an example of a differentiated sales tax. Figures can be increased or decreased to account for various options.

Sales Tax Rates of Comparable Cities

Milwaukee ranks 99 out of 108 major metros in sales tax rates.





- Based on a list of comparably sized cities throughout the U.S. that are population centers in terms of their city-to-metro area populations and are similar in terms of their government function.
- Source: Comparative Revenue and Expenditure Report for the City of Milwaukee

NEXT STEPS

- Small group discussions
- Gather questions/info requests
- Reconvene in October
- Report in December

Cultural &
Entertainment
Capital Needs Task Force