

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 6/24/13

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Authorization to enter into a new Lease and Management Agreement with the Milwaukee Public Museum

FISCAL EFFECT:

- | | |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input checked="" type="checkbox"/> Not Absorbed Within Agency's Budget

<input type="checkbox"/> Decrease Operating Expenditures

<input type="checkbox"/> Increase Operating Revenues

<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures

<input type="checkbox"/> Decrease Capital Expenditures

<input type="checkbox"/> Increase Capital Revenues

<input type="checkbox"/> Decrease Capital Revenues

<input type="checkbox"/> Use of contingent funds |
|--|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	3,046,182	3,546,182
	Revenue		0
	Net Cost	3,046,182	3,546,182
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

The request to authorize the execution of a new Lease and Management Agreement (LMA) with the Milwaukee Public Museum will help ensure the sustainability of MPM with current and future operating and capital investments included along with the establishment of conditions to be met by MPM throughout the duration of the proposed LMA. The proposed LMA extends to December 31, 2042.

Additional costs in 2013 will be approximately \$3,000,000 to fully fund the MPM pension liability associated with MPM employees and retirees who were originally employed by the County. The amount was determined by MPM's actuary and confirmed by the Comptroller's office. Funding would come from the Debt Reserve Fund which has a current available balance of \$18 million. Payment of the \$3 million is contingent upon MPM raising \$3 million in funds and donor commitments to pay down existing bank debt by August 31, 2013. MPM shall raise funds for the remaining debt of \$1.5 million by December 15, 2015.

There is an additional increased cost of \$46,182, for the assumption of property insurance costs by Milwaukee County that are currently paid by MPM.

Additionally, the proposed LMA would commit the County to fund up to \$4 million in capital improvement funding specific to deferred maintenance during 2014 - 2017 for the MPM facility. Since the intention is to remain within the County's current bonding caps while also fulfilling this obligation, this action will not result in increased debt service payments on the part of Milwaukee County.

The proposed LMA commits the County to provide additional annual support payments according to the schedule below.

Calendar Year 2014 – 2017: \$3,500,000 (Current Commitment)

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Calendar Year 2018 – 2019: \$3,350,000
Calendar Year 2020 – 2021: \$3,200,000
Calendar Year 2022: \$3,000,000

The proposed LMA states that MPM must achieve several operating and financial goals. If the goals are not achieved during 2014 - 2022, Milwaukee County may reduce the annual support funding by \$250,000 for the subsequent year.

In addition, there is a provision contained in the proposed LMA that if MPM has received at least \$5 million in cash and donor commitments for capital spending related to the facility by December 31, 2017, the annual support payment for operations will remain at the 2014-2017 level of \$3,500,000 for 2018-2022.

Department/Prepared By Comptroller's Office

Authorized Signature _____

Did DAS-Fiscal Staff Review? Yes No
Did CBDP Review?² Yes No Not Required

² Community Business Development Partners' review is required on all professional service and public work construction contracts.