

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 02/26/16

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Marcus Center Contribution Agreement

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	\$0	\$900,000
	Revenue	\$0	\$0
	Net Cost	\$0	\$0
Capital Improvement Budget	Expenditure	\$0	\$3,618,868
	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.
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- A. The County is requesting approval of a Contribution Agreement between Milwaukee County and the Marcus Center for the Performing Arts (MCPA). The contribution agreement contains operating support contributions from 2016-2025 and annual capital support from 2017-2026. The Operating Contribution is on a decreasing basis over time, which would reduce operating contributions from \$950,000 in 2016 to \$500,000 by 2025. For Capital Contributions, after the contribution of \$3.6 million in 2017, the contributions decrease to under \$1.0 million in each subsequent year up to 2026. The Marcus Center would be required to begin creating a capital reserve by contributing \$250,000 each year to the reserve. The capital reserve could be used to make needed repairs to the building.
 - B. There is no direct costs or savings that result from this agreement in the current year. Although the Contribution Agreement includes \$950,000 for the 2016 operating contribution, this amount has already been included in the 2016 Adopted Budget. The annual capital support under this agreement does not begin until 2017.
 - C. The contribution agreement is a multiyear agreement, and there are expenditure impacts for the years 2017-2026.

Operating Support

The Operating Support will be made on a quarterly basis from the County to the MCPA so long as the MCPA complies with section 3 of the Contribution Agreement. Section 3 delineates that the MCPA must continue to operate the Center, operate it as a war memorial, provide performance space, host community events, and comply with restrictions on private business

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.

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

use, so that Bonds can remain nontaxable. The agreement states that the MCPA shall be independent from the County for the purposes of operating expenditures after the schedule of Operating Support in the Contribution Agreement. A proviso was added that allows for a reevaluation of operating support after ten years, if MCPA is continuing to operate the facility. The annual operating support amounts are listed below:

Year	Operating Contribution Amount
2016	\$950,000
2017	\$900,000
2018	\$850,000
2019	\$800,000
2020	\$750,000
2021	\$700,000
2022	\$650,000
2023	\$600,000
2024	\$550,000
2025	\$500,000
Total 2016-2025	\$7,250,000

Capital Support

The Capital Support will be made through the County's annual budget process. The annual amounts for the years 2017-2021 shall be spent in accordance with the project plan(s) submitted to the County, and for the projects listed on the Contribution Agreement Appendix A. The agreement states that the MCPA shall be independent from the County for the purposes of capital funding support once the funding period expires. Any capital project needs beyond those listed could possibly be the responsibility of the MCPA. The estimates for Capital Support are in 2015 dollars and are included in the table below:

Year	Capital Support Estimate (2015 Dollars)	Project
2017	\$3,618,868	HVAC Upgrade
2018	\$694,782	Center Stage Lifts
2019	\$589,000	Elevator Modernization
2020	\$460,000	Roof Replacement
2021	\$800,000	Pedestrian Pavement Replacement
2022	\$773,000	Ped Pavement Replace
2023	\$860,000	Ped Pavement Replace
2024	\$780,000	Ped Pavement Replace
2025	\$500,000	Todd Wehr Theatre Entrance
2026	\$500,000	Exterior Fountain
Total 2017-2025	\$9,575,650	

The Capital Support estimates for the projects will be updated as part of the annual County capital budget process. The proposed agreement commits the County to the completion of the project, including any cost overruns. As a result, the financial commitment being agreed to by the County is open ended and based on estimates. To limit its exposure, the County will be in control of the scope of the project, which would help the County adjust the size of projects to better meet cost projections provided below.

No determination has been made as to the bondable nature of any of the projects except for the 2017 project on HVAC upgrade. As a result, future capital commitments may be funded by bonds or tax levy, depending on the work to be completed. The HVAC upgrade for 2017, at present, has been determined to be bondable. Due to possible transference of the Marcus Center to the Wisconsin Center District, the Comptroller office will only issue bonds with a four year maturity, and thus pay off over a shorter period.

The table below includes the annual Capital Support amounts, but adjusts the figures to reflect future construction costs based on a 3% inflation factor.² Recent history has shown the producer price index (PPI – Bureau of Labor Standards) at an inflation rate of 5% from 2006 to 2013. The inflation rate has seen a major decline in recent years as fuel prices have dropped, which has lowered the inflation rate to 2.0% over that period

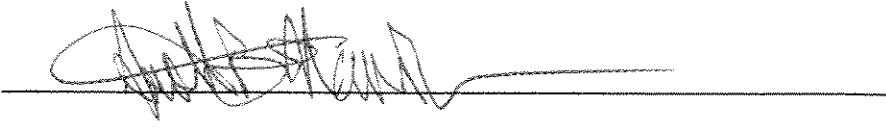
Year	Capital Support Estimate (Adjusted for Future Construction Costs)
2017	\$3,840,000
2018	\$760,000
2019	\$660,000
2020	\$530,000
2021	\$960,000
2022	\$950,000
2023	\$1,090,000
2024	\$1,020,000
2025	\$670,000
2026	\$690,000
Total 2017-2026	\$11,170,000

There is no commitment by the County for any capital support beyond the projects that are listed. Any future commitments would be subject to future County Board and County Executive capital budget deliberations.

- D. Assumptions made were related to the inflation factor of 3% for construction costs in the future in order to estimate the Capital Support Estimate for MCPA. It is assumed that inflation will be the only factor which could impact project costs.

² An annual percentage increase of 3% is assumed.

Department/Prepared By Justin Rodriguez

Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No

Did CDBP Review?² Yes No Not Required

