

Minutes

Cultural and Entertainment Capital Needs Task Force meeting September 29, 2014

All task force members were present except John Daniels, Marina Dimitrejevic, Rodney Ferguson, John Kissinger, Aldo Madrigano, Vicki Martin, Marie O'Brien, Tim Sheehy, Harris Turer and Laurie Winters.

A. Introductory comments

Jay Williams convened the group at 7:35 a.m. He reviewed the task force's progress to date, noting:

- The Cultural and Entertainment Capital Needs Task Force was launched last December in response to two developments: A Public Policy Forum Report that found key cultural and entertainment facilities are at risk due to chronic underinvestment, and The NBA's announcement that the BMO Bradley Center no longer meets league requirements.
- The group spent the first few meetings digesting the Public Policy Forum report. Over the course of the winter, we also held several public listening sessions. In May, we held a visioning event at the Art Museum that engaged more than a hundred community leaders. In July, we heard from representatives of three communities – Cleveland, Denver and Oklahoma City – that have preceded us down similar paths.
- Earlier this month, we held an outreach event with Future Milwaukee alumni. We'll be doing the same with the Downtown Rotary, the Waukesha County Business Alliance, the Sharon Lynne Wilson board and, we hope, other groups this fall. Anyone interested in scheduling a presentation should contact Anne Curley at anne@curleycommunication.com.

Jay said all those events fall under the heading of discovery, adding that the purpose of this meeting was to begin a pivot from fact-finding to zeroing in on options that warrant further consideration. He noted that, since June, he and a group of fellow task force members had been preparing for this meeting by sifting through a great deal of data to create a clear, useful presentation on two subjects: potential uses of additional public funding for our cultural and entertainment assets, and potential sources of additional public funding. The goal of the meeting was to share this information, answer as many questions as possible, and identify any additional information task force members felt was needed.

He emphasized that the purpose was not to leap to conclusions or recommendations, adding that the group would conduct what will essentially be the second half of this meeting on October 14 from 8 to 9:30 a.m. at the Zoofari Conference Center, when each task force member will have a chance to share his or her point of view on the options reviewed at this meeting.

From there, he said, the co-chairs envision moving toward the conclusion of the task force with the drafting, review and completion of a report before year-end. He noted that the co-chairs don't expect the final report to feature a single recommendation because they don't expect the task force to reach a unanimous conclusion.

Jay said that while the release of this report will be the last act of the task force, it will not be the last step in this initiative. Rather, it will be the conclusion of Phase One. In the next phase, he said, the expectation is that a more broadly representative group of citizens, armed with the work of this group, will continue the visioning and outreach processes that will be required to build support for any additional public investment. We know from the experiences of Denver, Cleveland, Oklahoma City and other areas that this is a marathon, not a sprint, he cautioned.

Thanks to the efforts of this task force, the capital needs of our region's signature cultural facilities, as well as the arena, are and will continue to be in the spotlight, he said. While the arena timeline may differ from this larger effort, he said the co-

chairs had been assured that the MMAC will remain firmly committed to providing the necessary support to carry the larger initiative forward.

Before beginning the featured presentation, Jay cautioned that it would not include two components that will ultimately be critical: a proposal for a fair and representative governance structure and a compelling vision. There are so many variables that could come into play that these items need to be addressed in an iterative process, he said.

He added that, while the presentation also would not include every possible use or source of funds, the working committee that put it together went beyond the stated scope of the task force – the capital needs of cultural and entertainment facilities – to include some potential funding uses that task force members have advocated and that can be quantified.

He emphasized that nothing in the presentation constituted a recommendation; the goal was just to lay out options that can be mixed and matched according to one's priorities.

B. 'Sources and Uses' presentation

For a copy of the full presentation with notes pages, visit: (Insert link here).

Part 1: Potential funding sources

Jay started by identifying potential uses of additional public funding for cultural, entertainment and possibly other quality-of-life purposes. He used the analogy of a multi-story house to explain different purposes for which funding could be used.

At the "basement" level, he identified a potential use of \$105 million in bonding to pay for overdue repairs and/or replacement of infrastructure at four of the region's major, publicly funded cultural institutions -- the Milwaukee Art Museum, Milwaukee Public Museum, Marcus Center for the Performing Arts, and Milwaukee County Zoo – as well as at the Milwaukee County Parks. These are projects that should already have been completed according to standard maintenance and replacement schedules but that were deferred due to Milwaukee County budget constraints. Examples include replacing leaking windows at the art museum and upgrading the fire alarm system at the public museum. The annual revenue required to cover the debt cost on \$105 million raised by issuing 20-year general obligation bonds at a 4.25% interest rate (the same terms as for all other debt discussed here) would be \$7.9 million.

At the "ground floor" level, Jay showed a potential use of \$140 million in bonding to fund capital improvements to the same four cultural facilities and the Milwaukee County Parks. Debt payments on this level of would cost \$11 million a year. He noted that an alternative to using debt to fund projects would be a pay-as-you-go approach, which would eliminate interest expense but stretch out the investment impact.

Also at the ground floor level, he showed a potential use of \$200 million in bonding to cover the public portion of the cost for building a new sports/entertainment arena. This would require \$15 million in annual revenue for debt coverage. He noted that the projected construction cost for an arena is \$500 million, meaning public dollars would be funding 40% of the total in this scenario vs. a national average of 70% public/30% private funding for arenas constructed since 1995.

These "basement" and "ground floor" potential fund uses total \$33.9 million. This covers the task force's stated scope: capital needs of signature cultural and entertainment assets that already receive public funding. However,

because task force members have asked for information on other potential uses of additional public support, three additional levels of information were provided. These included:

- The potential use of \$11 million a year from a new revenue source to remove the operating subsidies for the art museum, zoo, public museum and Marcus Center from the property tax bill paid by Milwaukee County residents.
- The potential use of \$10 million for discretionary purposes by Milwaukee, Ozaukee, Waukesha and Washington Counties. Based on population-based proration, the hypothetical split shown was \$5 million for Milwaukee County and \$5 million shared among the “WOW” counties. This possible fund use is based on the model used in the Denver area to fund quality-of-life amenities, which featured a tiered approach in which a small number of mainstay institutions receive annual funding and a much larger number of organizations are eligible to compete for grant funding.
- The potential use of various sums generated by a new revenue source to fund other activities that task force members have asked to see figures for. These annual sums include:
 - \$25 million to shift the Milwaukee County Parks operating budget off the property tax bills of county residents.
 - \$18.2 million to shift the Milwaukee County transit system’s operating subsidy off the property tax bills of county residents.
 - \$15 million to fund an estimated \$200 million cost to expand the convention center.

In concluding the “potential uses” portion of the presentation, Jay noted that the \$33.9 million figure cited for the basement and ground floor purposes amounted to less than 1% of the total local, state and federal dollars spent in Milwaukee County on K-12 schools, MATC, health and human services, transportation, and county public safety. Adding in the \$26.8 million a year that is currently being generated by the Miller Park tax would bring the total spent on cultural and entertainment amenities to 1.8%.

2. Potential sources

Turning to potential sources of additional funding, Jay covered four:

1. Consumption tax: This could include an additional tax on beer, liquor and/or cigarettes, with the figures shown assuming the tax would apply to Milwaukee County and to Waukesha, Ozaukee and Washington (WOW) counties. Consumption taxes can be somewhat counterproductive, since they create a disincentive to purchases. For example, the Centers for Disease Control estimates that for every 10% increase in a cigarette tax, there is a 4% decline in cigarette purchases. But based on current sales figures in the four-county area, annual revenue projections are as follows:
 - a. Beer: \$1/barrel tax = \$1.3 million; \$2/barrel tax = \$2.5 million; \$3/barrel tax = \$3.8 million. For comparison purposes, Jay noted that the Cleveland area uses a consumption tax to fund quality-of-life amenities. Citizens there pay a \$10.54 tax per barrel in state (\$5.58) and local (\$4.96) taxes, versus the \$2/barrel in state tax paid by Milwaukee area residents.
 - b. Liquor: \$1/gallon = \$3.7 million; \$2/gallon = \$7.4 million; \$3/gallon = \$11.1 million. For comparison purposes, the liquor tax in the Cleveland area is \$9.36/gallon, comprising a \$9.04 state tax and a 32-cent county tax. Milwaukee area residents pay a \$3.36 tax on liquor.
 - c. Cigarettes: 10 cents a pack = \$6.4 million; 20 cents a pack = \$12.7 million; 30 cents a pack = \$19.3 million. For comparison purposes, the cigarette tax in the Cleveland area is \$1.59, comprising a \$1.25 state tax and a 34.5 cent local tax. (The Cleveland area is used for these comparisons because it was part of the Public Policy Forum report on which most of the numbers in this presentation are based.)
2. Tax incremental financing: A “TIF” uses tax revenue generated by new development to help pay for the cost of that development. In other words, it uses future gains in taxes to subsidize current improvements that increase property values. In most cases, revenue generated by a TIF must be reinvested within the geographic boundaries of the area where the new investment sparks an increase in property values. For comparison purposes, Jay noted that the TIF created to subsidize development of the new Manpower corporate headquarters had produced \$3

million in new tax revenue. In other words, it would take 10 new developments equivalent to the Manpower headquarters to produce an additional \$30 million in tax revenue.

3. Ticket tax: The calculation here is based on a tax that would apply to all paid admissions to the Milwaukee Art Museum, Milwaukee Public Museum, Marcus Center and Milwaukee County Zoo, regardless of where the purchaser resides. It excludes all complimentary tickets and memberships. Like consumption taxes, ticket taxes can be counterproductive in the sense that they create a disincentive to purchases. But based on 2013's 2.4 million paid admissions, revenue projections are as follows: \$1/ticket = \$2.4 million; \$3/ticket = \$7.2 million; \$5/ticket = \$12 million.
4. Sales tax: Wisconsin currently imposes a 5% general sales tax on personal property, digital goods and selected services. (Most food products are exempt.) Counties have the option of levying an additional 0.5% local sales tax. If Milwaukee County were to establish an additional 0.10% sales tax, it would raise an estimated \$12.5 million a year. If the WOW counties did the same, approximately \$11 million would be raised. The 0.10% figure was chosen for illustration purposes because it is what area taxpayers are currently paying for Miller Park. Prior research on the pocketbook impact of this tax puts the per-person annual cost at roughly \$10. The number was also chosen because it's easy to multiply, enabling task force members and interested citizens to calculate the impact of a tax of 0.20%, 0.30%, etc.

Jay also showed a "differentiated tax" option, in which Milwaukee County residents would pay a higher sales tax surcharge than WOW County residents. The example showed a Milwaukee County add-on tax of 0.30% bringing in \$37.4 million a year, with a WOW County tax of 0.10% bringing in \$11 million.

He noted that at 5.6%, the current sales tax in the Milwaukee region is 99th lowest of 108 major metro areas. However, the area's property taxes are substantially higher than average.

C. Transitional comments

Following the conclusion of the presentation, Task Force Co-Chair Chuck Harvey explained that the rest of the meeting would consist of a) small-group discussions aimed at giving task force members a chance to identify key questions about the information presented and additional information they felt they needed before forming conclusions, followed by b) a large-group report out.

Chuck encouraged the audience of about 30 to share their questions and comments through the feedback forms provided, noting that written input from members of the public would be added to the meeting minutes, shared with task force members, and posted on the task force web site, www.culturalneedstaskforce.com, where citizens can leave feedback any time.

To create another opportunity for "live" feedback from citizens, he announced that the task force would hold two public listening sessions in October. They will be held:

- October 14, from 9:30 to 11 a.m., immediately following the next task force meeting, at the Zoofari Conference Center, 10001 W. Bluemound Road, and
- October 16, from 6 to 7:30 p.m., at the Frank L Weyenberg Public Library, 11345 N. Cedarburg Rd., Mequon.

D. Discussion report-outs

Following the small-group discussions, spokespersons reported out the following questions and requests for additional research:

1. Can you spend money raised through a TIF outside the TIF district?

2. What is the total tax burden on area citizens when you combine all current state and local taxes on them?
3. Can we get combined tax-burden data for the different counties so people can see the average burden on Milwaukee County taxpayers vs. those in surrounding counties?
4. Is an increased gas tax a potential revenue source?
5. What would the numbers on the “potential source” side look like if they included all counties in the M7 region?
6. Why not look at a broader seven-county tax?
7. How would the grant process work if we go with a version of the Denver model?
8. How much is currently raised by taxing income earned by performers at the arena?
9. Why wasn’t this tax on performers’ income included as a potential revenue source?
10. What will our region look like in the future if we DON’T do this?
11. Why focus only on county-owned facilities?
12. Why get locked into 20-year bonds? Needs change over time.
13. Does a ticket tax decrease attendance?
14. Are we shooting high enough? If we looked at a half-cent or whole-cent sales tax increase, what could we accomplish that would be sensational?
15. Why not add the arena into the ticket tax calculation?
16. Could a broader range of facilities be included, e.g. the Milwaukee Public Library?
17. Is it assumed that any funding mechanism(s) involved would have a sunset requirement?
18. Why can’t the hotel room tax, restaurant tax and other revenue sources currently funding the Wisconsin Center District be expanded to cover more purposes?
19. How much revenue would be lost if these institutions went away?
20. Has there been any polling data collected?
21. How would the breakdown of WOW revenue look?
22. Is there an inflation factor assumed?
23. If the arena gets split off, how do we keep the urgency around the needs of the other institutions?

Points other than questions that were reported out included:

- To build public support, it will be important to have an inspiring, ambitious vision. (This point was made several times.)
- The Wisconsin Center’s needs seemed to be glossed over.
- The sales tax seems to be the only way to go.
- We would like to see other regional assets included and look at a hybrid (?) model.
- It’s important to note that TIF revenue is still a property tax.

Chuck Harvey concluded the meeting at 9:30 a.m. by thanking participants and encouraging them to attend “Part 2” of the meeting on October 14 from 8 a.m. to 9:30 p.m. at the Zoofari Conference Center, 10001 W. Bluemound Rd.

E. Written feedback submitted by audience members

The following questions were submitted by Common Ground members:

1. How is it going to work if the arena moves onto a separate timeline despite the fact that this all is presented together?
2. Why no looking at private money?
3. Why do the billionaire owners need public money to buy their arena?
4. How much would it cost per person in Milwaukee to finance the arena – this includes many citizens who never go to the arena?
5. Is cost of infrastructure of arena included in the estimate of public money needed?
6. Is there a benefit to the city to have the arena partially funded by public money?
7. Why are you talking about other counties helping to finance cultural and entertainment needs when these counties have already stated they don’t want to be a part of this?

8. Is anyone concerned about how the use of TIF funding drains money from the overall public good (the city/county budget)?
9. Why weren't super TIFs mentioned? Are super TIFs an option?