

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 3-1-22

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Proposed Funding for Construction of a New Museum Facility and Operational Funding for County Collections Maintenance and Storage

FISCAL EFFECT:

- | | |
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| <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		\$2.7M
	Revenue		
	Net Cost		\$2.7M
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

*Reflects the estimated NET annual operating costs based upon:

- I. DECREASE in the County annual operating contribution from \$3.5M to \$1.0M;
- II. INCREASE in annual Debt Service costs related to an assumed bond issuance of \$45M for a new museum facility (assumes \$3.7M annually for a 15-Yr debt amortization, \$55.5M cumulative for principal and interest over the 15-Yr debt amortization)
- III. Increase in annual operational costs ((i.e. utilities, general maintenance and upkeep, security, etc.) for the existing museum building (800 West Wells Street)
- IV. Table Detail:

Proposed Annual Debt Service for New Museum Facility (15-YR Amort. Schedule)	\$3.7M
Proposed Annual County Operating Contribution	\$1.0M
Existing Annual Operating Contribution (to be replaced)	(\$3.5M)
Annual Operating Expenses for existing Museum	\$1.5M

Estimated Annual Net County Operating (Decrease) / Increase \$2.7M

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. 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.

Operating Contribution: The County's current agreement with Milwaukee Public Museum, Inc. (MPM) includes a (tax levy funded) annual operating contribution of \$3,500,000 from the commencement of the Agreement through at least 2022, unless a number of performance criteria were not met, whereby the funding amount would be decreased by \$250,000 annually thereafter. The Adopted 2022 Budget includes an operating contribution of \$3,500,000 to MPM.

MPM has requested to extend the term of the existing Agreement, at the current contribution rate of \$3,500,000, until such time as the new facility is open.

Once the new museum facility is placed into service, the County's operating contribution support will decrease to \$1,000,000 annually. This support is reserved for maintenance and storage of the County's collections.

	Annual Operating Contribution
Current	\$3,500,000
Proposed	\$1,000,000
(Reduction)/Increase in County Operating Contribution	(\$2,500,000)

Capital Funding / Debt Service: MPM has estimated the construction costs for the new museum facility and exhibits to be \$190M.¹ MPM is requesting County capital funding support of \$45M for new facility and exhibit costs that are bond-eligible. Assuming the County issues general obligation

¹ An additional \$50M in project costs includes collections moves, transition activities, and endowment development. These activities are not bond eligible.

bonds in the amount \$45M, the related total principal and interest costs (i.e. debt service) is as follows:²

	(est) Annual	(est) Cumulative
20 Year	\$3.0M	\$60.0M
15 Year	\$3.7M	\$55.5M

The estimates are high-level and provide a general estimate of the tax levy impact related to the proposed new museum facility's debt service.³

The County has an adopted policy (County Board file number 03-263) limiting the amount of bonds issued to finance capital improvement projects. Under this policy, bond issuance is limited to an increase of no more than 3% over the preceding year's adopted bond amount. Based on the 2022 adopted bonding amount of \$44,505,364, the projected 2023 bonding limit is \$45,840,525. Projected (bond-eligible) capital requests for 2023 is estimated between \$83M - \$131M. As this policy is self-imposed, policymakers can choose to go over the cap to accommodate funding for the new museum facility.

Annual operating costs (i.e. utilities, general maintenance and upkeep, security, etc.) for the existing museum building (800 West Wells Street) become the County's responsibility once MPM vacates. A high level estimate for these costs is approximately \$1M - \$1.5M, but may be higher/lower depending on actual level of operational/ maintenance required.

Fiscal Note Assumptions:

- 1.) MPM has achieved the financial goals outlined in the Due Diligence Report and Term Sheet
- 2.) Assumptions reflect that County debt service is increased based upon the issuance of new debt for the new museum facility⁴
- 3.) As the County shall have no ownership of the new museum facility, all capital and operating expenses will be funded and managed by MPM (or its assignees)

Department/Prepared By DAS-Economic Development, Adam Stehly

Authorized Signature *Aaron Hertzberg*

Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review? Yes No Not Required

² Pursuant to Wis. Stat. 67.07, the County may not exceed a 20-year amortization of debt.

³ County sales and use tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy ad valorem taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as interchangeable.

⁴ Pursuant to Wis. Stat. 66.0602 (3) (d) (2), the County has the option to increase its tax levy anytime the debt service increases. The County, however, must decrease its tax levy anytime debt service decreases.