

Due Diligence Milwaukee County Ordinance Chapter 32.88

Applicable Requirements of Milwaukee County Ordinance Chapter 32.88	Review
1) County Operating budget impact.	<p>Under the proposed agreement, County commits to annual operating contribution to the Milwaukee Public Museum (MPM) as follows: \$3,500,000 per year through Calendar Year 2017; \$3,350,000 in 2018-2019; 3,200,000 in 2020-2021; \$3,000,000 in 2022. The County's annual operating contribution will increase to \$3,500,00 (for calendar years 2018-2022) should MPM secure at least \$5M in cash and donor commitments (by December 31, 2017) for capital funding of building improvements. The County can reduce its annual operating contribution by \$250,000 (for calendar years 2014-2022) if MPM does not secure donor commitments to pay off remaining MPM debt of \$1.5M by December 31, 2015; annual MPM attendance (including the theater/planetarium, special exhibits/events/programs) must exceed 400,000; Milwaukee Public Museum generates positive unrestricted operating earnings as defined by the change in unrestricted net income plus depreciation is greater than zero; Total Milwaukee Public Museum Endowment net assets are a minimum of \$5,000,000 with a minimum of at least \$2,000,000 in unrestricted net assets; MPM's Total Net Assets continue to exceed the value as of fiscal yearend 2013 audited results excluding gains associated with pension contribution and gift commitments for debt elimination.</p>
2) Capital Management/Maintenance	<p>Between January 1, 2014 and December 31, 2017, the County is committed up to \$4M in funding for structural repairs. County to fully fund former County employees' pension plan at \$3M by August 31, 2013 provided MPM raises \$3M in funds and donor commitments to pay down bank debt. MPM will continue to be obligated to cover retiree medical obligations for former Milwaukee County employees. Any new debt, except for working capital and capital leases less than \$100,000, collateralized debt by donor pledges or personal assets, is subject to approval by the County Executive or designee.</p>
3) Debt management	<p>Sections 5.2 and 5.3 of the proposed LMA address MPM's debt elimination plan. MPM must secure at least \$3M in donor commitments (prior to August 31, 2013) toward the elimination of its existing total bank debt of approximately \$4.5M. Additionally, any new MPM debt, except for working capital and capital leases less than \$100,000, collateralized debt by donor pledges or personal assets, is subject to approval by the County Executive or designee.</p>
4) Legal liability.	<p>MPM provided a legal opinion from its Attorney stating there are no outstanding legal liabilities; Copies of applicable insurance (liability, workers comp, etc.) have been previously provided to the County.</p>
5) Financial reporting systems and controls.	<p>MPM follows Generally Accepted Accounting Principles (GAAP) requirements and maintain annual outside audits from the accounting firm of Baker Tilly (formerly Virchow Krause). Additionally, under section 5.9 of the proposed agreement, MPM must provide the County (within 180 days following the close of the MPM fiscal year), financial statements prepared under GAAP requirements, together with a report and opinion made by an independent certified public accountant.</p>

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6) Key factors for success/failure of the venture.	Key factors to success include: 1) continued attendance growth by the public to the museum, special exhibitions, and theater/planetarium shows; 2) fundraising for annual support and capital campaign goals; 3) County annual support for maintenance of the collection and the building; 4) ancillary earned revenues related to facility rental events, sales in the gift shops, and other earned revenue activities.
7) Governance structure and procedures.	MPM is a 501(c)(3) non-profit corporation. MPM provided a copy of its Articles of Incorporation.
8) Public policy impacts (e.g. Affirmative Action. Disadvantaged Business).	Pursuant to Section 9.1 of the proposed agreement, MPM shall not shall not discriminate against any employee or applicant for employment because of race, color, national origin, age, sex or handicap.
9) Employee/labor relations impacts (including benefits).	The County will fully fund former County employees' pension plan at \$3M by August 31, 2013 provided MPM raises \$3M in funds and donor commitments to pay down bank debt. MPM will continue to be obligated to cover retiree medical obligations for former Milwaukee County employees.
10) Tax consequences.	There are no (income) tax consequences related to this agreement as MPM is a non-profit 501(c)3 corporation. However, MPM agrees to pay directly to the appropriate taxing authority, when due, all general real property taxes, if any, levied against the building during the Term of the agreement.
11) Capital management (e.g. maintenance).	Pursuant to section 3.3 of the proposed agreement, MPM is responsible for the day-to-day repairs, replacements and maintenance of the interior of the building and is also responsible to keep the building in a good, clean, sanitary condition. In addition to MPM's staff of mechanics, technicians, and custodial workers, MPM has a number of maintenance contracts in place with 3rd parties for support of its major mechanical, electrical, safety and security systems. These include Johnson Controls, Simplex, Otis Elevators, Toepfer Security, and Ahern. The County's responsibilities primarily include structural repairs and replacements to the exterior of the building as well as mechanical, electrical, hvac, and fire/security systems.
12) Conflicts of interest/ethics.	As part of the proposed agreement (see Section 9.2(b)), MPM states that it is familiar with the County's Code of Ethics, which states in part: "No person may offer to give to any County officer or employee or his immediate family, and no County officer or employee or his immediate family may solicit or receive anything of value pursuant to an understanding that such officers or employees vote, official actions or judgment would be influenced thereby."

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13)	Organizational chart and mission statement.	<p>MPM has provided an Organization Chart. The mission of the Milwaukee Public Museum is as follows: The mission of MPM is to educate, explore, discover and preserve the world and its people. The Milwaukee Public Museum (MPM) is an educational and research institution that focuses on the natural sciences, anthropology and history. Beginning in 2007, MPM opened a planetarium and included astronomy in its program offering.</p> <p>MPM preserves and cares for its collections in the public trust. Through its research and collections, the Museum seeks knowledge and understanding of global change and diversity from geological, biological, cultural and historical perspectives. MPM interprets these themes to diverse audiences through its exhibits, programs and publications.</p> <p>MPM's mission is best accomplished through the coordinated use of its public exhibits, research capabilities, collections and educational programs.</p>
14)	Name of lending institution.	<p>The Private Bank 743 North Water Street Milwaukee, WI 53202</p>