

**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** July 19, 2013

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** A resolution approving new lease, management and development agreements with the War Memorial and Art Museum

**FISCAL EFFECT:**

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

*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.*

|                                   | <b>Expenditure or Revenue Category</b> | <b>Current Year</b> | <b>Subsequent Year</b> |
|-----------------------------------|--|---------------------|------------------------|
| <b>Operating Budget</b>           | Expenditure                            | 0                   | \$1,586,000            |
|                                   | Revenue                                | 0                   | 0                      |
|                                   | Net Cost                               | 0                   | \$1,586,000            |
| <b>Capital Improvement Budget</b> | Expenditure                            | 0                   | \$4,059,359            |
|                                   | Revenue                                | 0                   | 0                      |
|                                   | Net Cost                               | 0                   | \$4,059,359            |

## 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. <sup>1</sup> 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.

Approval of this resolution will authorize the execution of five separate lease, management and development agreements with and between the War Memorial, Art Museum and Milwaukee County. These include:

1. Milwaukee County War Memorial Lease Agreement
2. Milwaukee County Art Museum Lease Agreement
3. Milwaukee County, War Memorial and Art Museum Cooperation Agreement
4. Milwaukee County, War Memorial and Art Museum Development Agreement
5. Milwaukee County, War Memorial and Art Museum North Tract Access, Use and Future Development Agreement

The agreements provide for both annual operating and capital improvement funding support.

The annual operating support is for a period of ten years, from 2014 through 2023 in a total amount of \$1,586,000 per year, which includes \$1,100,000 to the Art Museum and \$486,000 to the War Memorial. The annual funding commitment ends in 2023 and additional operational funding commitments, if any, are subject to future deliberations.

The agreements also provide for a County Capital Improvements commitment of \$10 million to supplement \$15 million in privately-raised funds from the Art Museum to make \$25 million in improvements to the publically-owned War Memorial's Saarinen Building and Art Museum's Kahler Addition and construction of the East Atrium Addition. Milwaukee County appropriated \$2,000,200 in the 2013 Adopted Capital Improvements Budget toward the \$10 million commitment. This would leave \$7,999,800 to be appropriated by the County in the 2014 through 2017 Capital Improvements

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<sup>1</sup> 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.

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

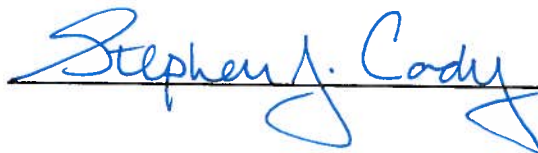
Budgets. The Capital Improvement estimate for 2014 in this fiscal note of \$4,059,359 is based on the five-year construction cost timeline dated June 27, 2013. The timeline includes County capital funding of \$1,428,859 in 2013, \$4,630,700 in 2014, \$2,489,400 in 2015, \$1,180,000 in 2016 and \$408,400 in 2017. (These amounts total \$10,137,359 and the additional \$137,359 reflects potential supplemental funding to address any outstanding building safety issues after 2015 during the construction project.) The estimated 2014 amount reflects the construction budget for 2013 and 2014 of \$6,059,559, less the funds \$2,000,200 appropriated in 2013, for a net commitment of \$4,059,359 next year.

It should be understood that the construction budget/timeline may require higher or lower amounts of County funding in any particular year over the remaining four-year funding period. These amounts will be subject to discussions between project managers and annual County Board appropriations.

This fiscal note shows \$0 for Capital Improvements for 2013 because funds (\$2,000,200) toward the \$10 million commitment were appropriated in the 2013 Adopted Budget and adoption of this resolution has no impact on that earlier action.

Department/Prepared By Stephen J. Cady, Fiscal and Budget Analyst, County Board

Authorized Signature



Did DAS-Fiscal Staff Review?  Yes  No

Did CDBP Review?<sup>2</sup>  Yes  No  Not Required