



Date: March 20, 2017

To: Chairperson Theodore Lipscomb, Sr., Milwaukee County Board of Supervisors  
Chairperson Peggy A. West, Committee on Finance, Personnel, and Audit  
Chairperson Jason Haas, Committee on Parks, Energy, and Environment

CC: Janelle M. Jensen, Senior Committee Coordinator, Office of the County Clerk  
Allyson R. Smith, Committee Coordinator, Office of the County Clerk

**Subject: Report from the Milwaukee Public Museum  
Results for the 2<sup>nd</sup> quarter ending February 28, 2017**

*The Mission of the Milwaukee Public Museum is to inspire curiosity, excite minds and increase desire to preserve and protect our world's natural and cultural diversity through exhibitions, educational programs, collections and research.*

### **MPM Restructuring**

As Supervisors were apprised, shortly after the end of the quarter being reported on in this meeting the museum announced a staff restructuring across several museum departments, impacting positions from senior leadership to line staff. Once fully implemented, the staffing changes will reduce MPM's expenses by approximately 1 million dollars, or 8% per year.

Of MPM's 160 staf (141 FTE's), the restructuring affected 15% of Union represented staff (18 of 119 positions), and 23% of non-union staff (10 of 41 positions), including some layoffs as well as other positions reducing in hours. It should also be noted that MPM already reduced its workforce by 4 non-union management positions earlier in 2017.

The Supervisors should be aware that there were two reasons for this restructuring.

First, while by many measures MPM has been doing well—with double-digit increases from 2014-16 in unrestricted fundraising, membership revenue, total attendance, theater attendance and retail revenue—2017 has proven a more challenging fiscal year. As noted elsewhere in this report, fundraising and admissions for FY17 are currently trailing projections by a half million dollars over the first six months of the fiscal year. While MPM is implementing strategies to try and improve those results, we must also ensure the Museum is prudently and responsibly reducing expenses in order to meet its Board-approved \$14.2 million budget. The Museum's own history offers a powerful example of the consequences when difficult fiscal decisions are deferred, rather than taken head-on.

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Second, MPM must prepare for the future. The Museum has major projects ahead that require a different mix of staff and skills than were required in past. Most significantly, MPM must address the care of the County's collections and prepare to eventually move millions of objects to offsite storage in coming years. This project is in anticipation of a major effort to prepare for AAM reaccreditation review in 2020. Failure to succeed in attaining reaccreditation would place the entire institution at risk.

The staffing mis-alignment being addressed in the restructuring can perhaps be best understood by an example. MPM is not planning any major permanent exhibit construction projects in the next five years, but has an 8-person team of exhibits artists on staff, while over that same window of time it must prepare to process, document and move half of its collection of 4 million objects... yet has only one Registrar and no Collections Conservation, Objects Processing or Packing staff at all.

Finally, Supervisors should be aware that the Museum is working hard to ensure we assist each individual impacted by this decision in as many ways as possible. It bears noting that the museum is attempting to be both fiscally responsible but also sensitive to the personal impacts of an unfortunate situation, and mindful of its responsibilities to staff who have devoted, in some cases, decades to the museum.

We are available to discuss any questions or concerns you may have about this information during our appearance in April.

### **"Deep Storage" Project**

MPM is in the final steps of identifying the scope, details and expenses necessary to stage and move a significant portion of the County's collections to offsite (aka "deep") storage.

This move would represent Phase 1 of addressing the issues of collections care necessary for MPM to retain its accreditation. As the Museum has shared previously, MPM is at high risk of losing its accreditation as a Museum based on the storage and gallery conditions of the current MPM facility, and must demonstrate tangible progress and a credible path to addressing these issues prior to its accreditation review in 2020.

To develop the estimates MPM has worked with museum storage experts, consulted with peer organizations that have recently moved major collections (including the WI Historical Society and the Bell Museum in Minneapolis) and tapped real estate expertise on its Board of Directors to develop a preliminary estimate and plan.

We are currently discussing and refining this information with County input and anticipate providing a report to the County Board and County Executive later this Spring.

### **Program Summary**

The Museum concluded its second quarter of the new fiscal year on February 28 with visitor totals down 22.6% over 2016. Current fiscal year attendance totals continue to show growth over attendance counts for fiscal years 2012-2015, however.

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The first year of *Holiday Streets*, which ran from mid November through January, provided a seasonal touch to a beloved museum exhibit. Our next traveling exhibit, *Global Kitchen*, presented in partnership with the American Museum of Natural History, New York opened to the public on March 3<sup>rd</sup> and will run through July 9<sup>th</sup>, 2017 with a budgeted attendance of 60,000. MPM is hosting more than 150 community programs with *Global Kitchen*, with partner organizations across Milwaukee.

The annual Food & Froth event in February brought in 1600 visitors while raising over \$80,000 in support of MPM's operations. This event showcases local micro-brewers and food vendors for an evening of tastings and is one of three main fundraising events held by the museum each year.

### **Fiscal Summary**

MPM consolidated financial statements for the 2nd quarter of FY 2017 report a net operating loss of (\$43,819), compared to a net operating loss for the same period in the prior year of (\$207,109). After accounting for non-operating activity and changes in restricted assets, the net result is a decrease in Net Assets of (\$652,146). Use of restricted assets of \$1,127,193 (contributions received in prior years and expended in the current fiscal year) provided for the overall decrease in Net Assets year to date.

Consolidated year-to-date operating revenues of \$6.7 million fell short of the prior year's revenues by approximately \$220,000 due to lower than budgeted admissions and development revenues and offset by the use of restricted contributions released for operations. Operating revenues are currently \$588,000 lower than fiscal year budgeted revenues due to variances from plan in the same areas noted above.

The Museum has been carefully controlling expenses all year, and hence expenditures are lower than prior year expenses and approximately \$552,550 (7.5%) lower than the fiscal year to date budget. Current efficiencies in salaries, benefits, supplies, maintenance and professional services are attributed to timing of planned expenditures rather than realized savings, however. Given the unexpected shortfall in revenues for this fiscal year, we have moved forward with a restructuring to assist in meeting our fiscal year budget with available resources. Expenditure reductions put in place in March will begin to be realized during the third quarter of our fiscal year.

In other non-operating activity, the Museum and Endowment investment earnings reported total fiscal year to date market gains of approximately \$307,000. In fiscal year 2017, distribution from the MPM Endowment Fund totaled \$50,000, along with Board-approved special exhibit loans for future projects of \$160,000 from restricted funds within the Endowment.

Fiscal year-to-date financials for the six months ending February 28, 2017 are attached to this report.

### **Capital Investment Summary**

County funded projects that are in process at the Museum include the replacement of the electrical substations, expected replacement of key mechanicals, additional passenger elevator and the pioneer courtyard/Kilbourn tunnel project.

The substation project has experienced a multi-week delay due to availability of WE Energies to complete required tasks. We are now moving forward again. The HVAC project planned for 2017 continues to need additional prep work before the project can proceed. The elevator project continues to work its way through the County's Capital Request submission process. The pioneer

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courtyard/Kilbourn tunnel project involves many parties (City/County/State/MPM/contractors) and will cause MPM to limit the use of the school lunchroom area during construction. The museum is working with all parties on the timing to reduce the disruption to our visitors during this project.

Other projects funded by MPM donors completed in recent months include the continued upgrade of several Museum entryways required for appropriate security and safety for the Museum collections and visitors. In addition, several bids are currently under review for providing ADA accessibility in our Gromme auditorium and in selected restrooms.

Museum President Dennis Kois and I will be happy to take questions during our appearance before the Committees.

Sincerely,

*Patti Dew*

Patti Dew  
Vice President of Finance and Operations  
Milwaukee Public Museum

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<b>MPM Consolidated Statement of Activities for the Six Months Ended 2/28/17</b>					
	<b>YTD</b>	<b>YTD</b>		<b>Prior Year</b>	<b>Prior Year</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Variance</u></b>	<b><u>Actual</u></b>	<b><u>Change</u></b>
<b>Revenue:</b>					
Contributions	1,256,202	1,656,203	(400,001)	1,402,275	(146,073)
Vision Fund	5,000	175,000	(170,000)	62,502	(57,502)
Membership	625,342	766,540	(141,198)	655,902	(30,560)
Special Event Revenue	475,097	538,195	(63,098)	491,330	(16,234)
Public Support	1,750,000	1,750,000	0	1,750,000	0
Admissions	799,539	885,430	(85,891)	1,086,337	(286,798)
Theatre/Planetarium	150,285	132,123	18,162	155,291	(5,006)
Programs	87,398	75,583	11,815	74,859	12,538
Contributed Services	0	0	0	2,800	(2,800)
Restaurant and Facility Rental	187,607	150,425	37,182	120,456	67,151
Retail	291,069	252,500	38,569	339,191	(48,122)
Other income	7,577	13,785	(6,208)	25,469	(17,893)
Net Assets released from restrictions	1,127,193	954,916	172,277	816,075	311,119
<b>Total Unrestricted Revenue</b>	<b>6,762,308</b>	<b>7,350,700</b>	<b>(588,392)</b>	<b>6,982,489</b>	<b>(220,180)</b>
<b>Operating Expenses:</b>					
Cost of Goods Sold	123,801	109,529	14,273	146,704	(22,902)
Supplies	483,685	576,773	(93,087)	550,674	(66,988)
Salaries and Wages	3,054,154	3,127,262	(73,109)	3,070,033	(15,879)
Benefits	771,978	919,574	(147,596)	847,298	(75,319)
Travel	13,725	31,183	(17,458)	80,951	(67,226)
Insurance	44,856	55,735	(10,879)	55,335	(10,479)
Marketing/Public Relations	405,812	411,947	(6,135)	497,513	(91,702)
Member/Donor Development	21,150	39,092	(17,942)	70,783	(49,633)
Subscriptions/Memberships	16,553	19,164	(2,611)	13,531	3,022
Maintenance	333,064	414,568	(81,504)	320,632	12,432
Utilities	498,795	523,956	(25,161)	498,199	597
Professional Fees	255,830	304,518	(48,688)	317,978	(62,148)
Interest Expense	62,793	53,678	9,115	56,976	5,816
Miscellaneous	50,879	75,856	(24,976)	64,141	(13,262)
Sales Tax Expense	5,450	14,400	(8,950)	14,205	(8,755)
Contributed Services	0	0	0	0	0
Depreciation	663,602	681,444	(17,842)	584,643	78,958
<b>Total Operating Expenses</b>	<b>6,806,127</b>	<b>7,358,677</b>	<b>(552,550)</b>	<b>7,189,598</b>	<b>(383,470)</b>
<b>Inc/(dec) in Unrestricted Net Assets in Operating Items</b>	<b>(43,819)</b>	<b>(7,977)</b>	<b>(35,842)</b>	<b>(207,109)</b>	<b>163,290</b>
<b>Non-Operating Items:</b>					
Investment Earnings	126,662	0	126,662	(221,303)	347,965
Loss on Swap Liability	8,410	0	8,410	23,492	(15,081)
Pension & Post Retirement Expenses	(54,000)	(54,000)	0	(54,000)	0
Non-Operating Expense	0	0	0	0	0
<b>Total Non-Operating Items</b>	<b>81,072</b>	<b>(54,000)</b>	<b>135,072</b>	<b>(251,811)</b>	<b>332,884</b>
<b>Inc/(dec) in Unrestricted Net Assets</b>	<b>37,253</b>	<b>(61,977)</b>	<b>99,230</b>	<b>(458,921)</b>	<b>496,174</b>
<b>Changes in Temporarily Restricted Net Assets:</b>					
Contributions	248,106	675,000	(426,894)	1,260,788	(1,012,681)
Investment Earnings	181,186	0	181,186	(80,556)	261,741
Net Assets released from restrictions for operations	(1,127,193)	(954,916)	(172,277)	(816,075)	(311,119)
<b>Inc/(dec) in Temporarily Restricted Net Assets</b>	<b>(697,901)</b>	<b>(279,916)</b>	<b>(417,985)</b>	<b>364,157</b>	<b>(1,062,058)</b>
<b>Changes in Permanently Restricted Net Assets:</b>					
Contributions	2,100	0	2,100	2,000	100
Investment Earnings	6,402	0	6,402	0	6,402
Net Assets released from restrictions for operations	0	0	0	0	0
<b>Inc/(dec) in Permanently Restricted Net Assets</b>	<b>8,502</b>	<b>0</b>	<b>8,502</b>	<b>2,000</b>	<b>6,502</b>
<b>Inc/(dec) in Net Assets</b>	<b>(652,146)</b>	<b>(341,893)</b>	<b>(310,253)</b>	<b>(92,763)</b>	<b>(559,383)</b>
<b>Total Net Assets at Beginning of Period</b>	<b>14,996,363</b>	<b>14,996,363</b>	<b>0</b>	<b>16,061,931</b>	<b>(1,065,568)</b>
<b>Total Net Assets at End of Period</b>	<b>14,344,217</b>	<b>14,654,470</b>	<b>(310,253)</b>	<b>15,969,168</b>	<b>(1,624,951)</b>

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<b>MPM Consolidated Statement of Financial Position as of 2/28/17</b>				
	<b>Consolidated</b>	<b>Consolidated</b>	<b>Consolidated</b>	
	<b><u>2/28/17</u></b>	<b><u>2/29/16</u></b>	<b><u>8/31/16</u></b>	<b><u>Change from 8/31</u></b>
<b>Assets:</b>				
Cash and cash equivalents	2,921,092	2,939,133	2,660,896	260,196
Investments	304,775	250,107	274,167	30,608
Accounts Receivable	84,046	50,956	61,605	22,441
Contributions Receivable -Current	618,847	665,247	1,285,762	(666,915)
Due From Other Entities	0	0	0	0
Inventories, net	51,041	73,450	42,859	8,182
Prepaid Expenses	40,614	136,118	83,738	(43,124)
<b>Total Current Assets</b>	<b>4,020,416</b>	<b>4,115,010</b>	<b>4,409,027</b>	<b>(388,611)</b>
<b>Other Assets:</b>				
Cash and investments held for endowment	5,435,597	4,588,608	5,347,656	87,941
Contributions Receivable - Long Term	1,193,421	2,129,003	1,193,421	0
Other Long Term Assets	0	0	0	0
<b>Total Other Assets</b>	<b>6,629,018</b>	<b>6,717,611</b>	<b>6,541,077</b>	<b>87,941</b>
<b>Property &amp; Equipment:</b>				
Construction in Progress	1,010,448	974,548	1,285,398	(274,950)
Building Additions	19,704,587	19,691,987	19,691,987	12,600
Furniture, equipment and other improvements	13,251,198	13,068,555	13,140,627	110,571
<b>Gross Property &amp; Equipment</b>	<b>33,966,233</b>	<b>33,735,090</b>	<b>34,118,012</b>	<b>(151,779)</b>
Less-Accumulated depreciation	(19,068,516)	(18,747,717)	(19,364,729)	296,213
<b>Net Property &amp; Equipment</b>	<b>14,897,717</b>	<b>14,987,373</b>	<b>14,753,283</b>	<b>144,434</b>
<b>Total Assets</b>	<b>25,547,151</b>	<b>25,819,994</b>	<b>25,703,387</b>	<b>(156,236)</b>
<b>Liabilities and Net Assets:</b>				
Accounts Payable	601,397	807,459	348,566	252,831
Accrued Payroll & Benefits	662,474	780,565	739,250	(76,776)
Deferred Revenue	1,130,459	997,313	1,192,220	(61,761)
Interest Payable	8,568	7,864	8,414	154
Accrued Postretirement Benefits - Current	133,595	124,639	133,595	0
Notes Payable - Current	1,842,295	1,100,000	1,842,295	0
Lease Payable - Current	2,221	19,633	8,813	(6,592)
<b>Total Current Liabilities</b>	<b>4,381,010</b>	<b>3,837,472</b>	<b>4,273,153</b>	<b>107,857</b>
Accrued Postretirement Benefits	6,051,796	5,194,510	6,065,332	(13,536)
Interest Rate Swap Liability	23,127	51,843	31,538	(8,411)
Due to Other Entities	0	0	0	0
Notes Payable	747,000	767,000	337,000	410,000
Lease Payable	0	0	0	0
<b>Total Liabilities</b>	<b>11,202,933</b>	<b>9,850,826</b>	<b>10,707,023</b>	<b>495,910</b>
<b>Net Assets:</b>				
Unrestricted	5,163,007	6,011,992	5,125,755	37,252
Temporarily Restricted	5,409,475	6,094,470	6,107,375	(697,900)
Permanently Restricted	3,771,736	3,862,705	3,763,234	8,502
<b>Total Net Assets</b>	<b>14,344,218</b>	<b>15,969,168</b>	<b>14,996,364</b>	<b>(652,146)</b>
<b>Total Liabilities and Net Assets</b>	<b>25,547,151</b>	<b>25,819,994</b>	<b>25,703,387</b>	<b>(156,236)</b>

## Milwaukee Public Museum

<b>Consolidated Statement of Cash Flows for the Six Months Ended 2/28/17</b>		
	<b>YTD</b>	<b>Prior YTD</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>
<b>Operating Activities:</b>		
Increase in net assets	(652,146)	(92,763)
Adjustments to reconcile net cash flows from operations:		
Depreciation and amortization	663,602	584,643
Loss on disposal of assets	32,083	0
Change in value of interest rate swap	(8,410)	(23,492)
Unrealized (gain)/loss on investments	(248,995)	380,304
Realized (gain)/loss on investments	(8,959)	(19,270)
Contributions restricted for capital and endowment		
Changes in operating assets and liabilities:		
Accounts Receivable	(22,442)	(4,647)
Contribution Receivable	418,915	454,733
Inventories and Other Assets	(8,182)	(34,357)
Prepaid Expenses	43,124	(56,339)
Accounts Payable, Accrued Expenses and Accrued Benefits	162,516	343,828
Due to Affiliates	0	0
Interest Payable	155	(2,207)
Deferred Revenue	(61,761)	(6,169)
Total Adjustments	961,647	1,617,027
Net cash provided/(used) by operating activities	309,501	1,524,264
<b>Investing Activities:</b>		
Purchases of Property & Equipment	(167,647)	(50,929)
Purchases of Property & Equipment - Restricted	(672,470)	(557,941)
Proceeds from Sale of Investments	419,411	909,466
Purchases of Investments	(280,006)	(62,347)
Net cash provided/(used) in investing activities	(700,713)	238,249
<b>Financing Activities:</b>		
Net proceeds on Notes Payable	410,000	0
Proceeds from contributions restricted for capital and endowment	248,000	
Net proceeds from Line of Credit	0	(500,000)
Payments on lease obligations	(6,592)	(14,509)
Net cash provided/(used) in financing activities	651,408	(514,509)
<b>Net Inc/(Dec) in Cash and Cash Equivalents</b>	260,196	1,248,004
<b>Cash and Cash Equivalents, beginning of period</b>	2,660,896	1,691,129
<b>Cash and Cash Equivalents, end of period</b>	2,921,092	2,939,133