



Date: May 17, 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 eight months ending April 30, 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.

Program Summary

The Museum concluded the first eight months of the fiscal year on April 30 with visitor totals down 20% compared to the prior year. In 2016 the opening of the renovated *Streets of Old Milwaukee* brought in more than 30,000 more visitors during the holiday season, and that year's special exhibit, *Ultimate Dinosaurs*, opened in February to higher counts than our current special exhibit is drawing. The current traveling exhibit, *Global Kitchen*, opened March 3 to the public and is running short of projected attendance goals. Pricing changes were implemented in mid April to increase visitation to the exhibit and to improve revenue generation. That noted, the exhibit is meeting MPM goals for program and community delivery, having been booked specifically to allow MPM to test a new model of community partnership. The Museum is delivering 150+ public programs with 60+ community partners during the exhibit—partners including Alice's Garden, Growing Power, Fondy Food Market, MATC, the Zilber School of Public Health at UWM, Teens Grow Greens, Feeding America, and many others.

Through April 30, 2017, MPM base visitation exceeds 217,000 with approximately 20% gaining free access through Kohl's Thank You Thursdays as well as other free options and the theater and planetarium delivered educational programs and content to over 122,000 visitors.

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Looking Ahead

The next special exhibit at MPM will be the second project organized from the Museum collection: *Weapons - Beyond the Blade*. The exhibit will open in October 2017 and will showcase the technology, artistry, innovations and stories of a variety of offensive and defensive weapons used across global cultures through history.

Collections Storage Move Phase 1 - Offsite "Deep" Storage

As has been shared previously, in order to retain its accreditation as a museum and thus ensure MPM is a going concern, the County must take action to store its collection of ~4 million specimens and artifacts in a manner that meets the standards of the American Alliance of Museums. This work must be substantially underway prior to MPM's next reaccreditation review in 2020 or MPM will be at significant risk.

On behalf of the County and at its own expense, MPM Inc. has undertaken a thorough collections analysis over the past year and developed a detailed estimate of the expenses anticipated to move a portion of the County-owned Museum Collection into offsite storage. This offsite storage will house collections that, while irreplaceable and priceless parts of Wisconsin's cultural and natural history heritage, are not currently being used for active research with high frequency.

The estimate is based on a detailed analysis of collections utilization, storage requirements relative to the Accreditation standards of the American Alliance of Museums, gains in space possible through the compactorization of collections, analysis of the tracking, registration, security and object handling needs of such a move, the capital investment required to outfit the necessary square footage and the market rates for such leased space, and (based on information gleaned from the experience of other museums moving collections) the costs to process, pack and move the collections in a safe and secure manner.

The Museum is currently working with leadership at the County's Department of Administrative Services to identify both capital funding opportunities as well as ongoing funding within the existing expense structure of the County to begin execution of this project prior to the museum coming up for reaccreditation review in 2020.

As is detailed in the attached document, it is currently estimated that the hard costs total \$6.5 million to outfit a leased facility and move the collections, along with \$3.9 million in soft costs—primarily museum staffing and labor to undertake the project. The total project cost is therefore estimated at \$10.4 million in 2017 dollars, along with future ongoing costs for leased space that would be borne by the County.

The move of millions of County-owned collection objects into an offsite facility due to the failings of the current Museum building falls outside the current Lease & Management Agreement between the County and MPM Inc., and hence the approach and funding for this critical project will need to be cooperatively determined. We look forward to partnering with the County to protect and preserve these irreplaceable artifacts.

Fiscal Summary

MPM consolidated financial statements for the eight months ending April 30, 2017 report a net operating loss of (\$50,184), compared to a net operating loss for the same period in the prior year of (\$56,522). After accounting for non-operating activity and changes in restricted assets, the net result is a decrease in Net Assets of (\$654,503).

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Consolidated year to date operating revenues of \$8.9 million fell short of the prior year's revenues by approximately \$807,000 due to lower than expected admissions and development revenues and offset by the use of restricted contributions released for operations. Operating revenues are also currently \$918,000 lower than fiscal year planned revenues. Admissions are below planned levels by over \$424,000 and unrestricted contributions are below plan by over \$489,000.

Expenditures are lower than prior year expenses and approximately \$773,000 (8.0%) lower than the fiscal year to date budget. Current efficiencies in salaries, benefits, supplies and are attributed to timing of planned expenditures rather than realized savings. Expenditure reductions put in place in March will begin to be realized in the last months of the fiscal year.

In other non-operating activity, the Museum and Endowment investment earnings reported total fiscal year to date market gains of more than \$442,000. In fiscal year 2017, distribution from the MPM Endowment Funds totaled \$74,548.

Fiscal year-to-date financials for the eight months ending April 30, 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 resumed after a delay by We Energies. The pioneer 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. HVAC project delayed to coordinate with the Kilbourn tunnel work.

We are continuing to secure bids on the work needed to provide for ADA accessibility in our Gromme auditorium and in selected restrooms. This work will be funded by donations to MPM for this purpose.

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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MPM Consolidated Statement of Activities for the Eight Months Ended 4/30/17					
	YTD	YTD		Prior Year	Prior Year
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Change</u>
Revenue:					
Contributions	1,508,948	1,815,685	(306,736)	1,582,622	(73,674)
Vision Fund	55,000	237,500	(182,500)	322,502	(267,502)
Membership	857,712	1,101,594	(243,882)	980,855	(123,143)
Special Event Revenue	501,273	544,695	(43,422)	503,180	(1,908)
Public Support	2,333,333	2,333,333	0	2,333,333	0
Admissions	1,284,021	1,708,595	(424,574)	2,045,311	(761,289)
Theatre/Planetarium	212,634	192,973	19,661	235,461	(22,827)
Programs	140,658	107,793	32,865	101,869	38,788
Contributed Services	24,991	0	24,991	2,800	22,191
Restaurant and Facility Rental	212,192	182,615	29,577	148,744	63,447
Retail	441,276	440,250	1,026	581,974	(140,698)
Other income	19,934	23,508	(3,574)	36,181	(16,248)
Net Assets released from restrictions	1,301,492	1,122,497	178,995	825,661	475,831
Total Unrestricted Revenue	8,893,464	9,811,038	(917,574)	9,700,495	(807,031)
Operating Expenses:					
Cost of Goods Sold	187,380	191,544	(4,164)	247,548	(60,168)
Supplies	585,923	750,911	(164,988)	843,673	(257,750)
Salaries and Wages	4,073,429	4,191,524	(118,095)	4,172,210	(98,782)
Benefits	968,918	1,217,397	(248,479)	1,143,515	(174,598)
Travel	16,998	28,679	(11,681)	112,137	(95,138)
Insurance	56,391	74,667	(18,276)	73,559	(17,168)
Marketing/Public Relations	492,167	521,481	(29,314)	541,636	(49,469)
Member/Donor Development	24,922	47,492	(22,570)	93,178	(68,256)
Subscriptions/Memberships	18,322	21,163	(2,841)	15,329	2,993
Maintenance	415,687	501,279	(85,592)	459,165	(43,478)
Utilities	657,747	684,211	(26,464)	623,030	34,717
Professional Fees	380,211	387,430	(7,220)	447,881	(67,670)
Interest Expense	81,016	67,184	13,833	71,449	9,567
Miscellaneous	71,502	108,335	(36,833)	108,351	(36,850)
Sales Tax Expense	5,450	14,400	(8,950)	14,205	(8,755)
Contributed Services	24,991	0	24,991	0	24,991
Depreciation	882,594	909,117	(26,523)	790,151	92,443
Total Operating Expenses	8,943,648	9,716,813	(773,165)	9,757,017	(813,369)
Inc/(dec) in Unrestricted Net Assets in Operating Items	(50,184)	94,225	(144,409)	(56,522)	6,339
Non-Operating Items:					
Investment Earnings	184,818	0	184,818	40,296	144,522
Loss on Swap Liability	18,644	0	18,644	23,492	(4,847)
Pension & Post Retirement Expenses	(72,000)	(72,000)	0	(72,000)	0
Non-Operating Expense	0	0	0	0	0
Total Non-Operating Items	131,462	(72,000)	203,462	(8,212)	139,675
Inc/(dec) in Unrestricted Net Assets	81,279	22,225	59,053	(64,735)	146,013
Changes in Temporarily Restricted Net Assets:					
Contributions	283,606	902,500	(618,894)	1,345,788	(1,062,181)
Investment Earnings	270,567	0	270,567	33,941	236,626
Net Assets released from restrictions for operations	(1,301,492)	(1,122,497)	(178,995)	(825,661)	(475,831)
Inc/(dec) in Temporarily Restricted Net Assets	(747,319)	(219,997)	(527,322)	554,067	(1,301,386)
Changes in Permanently Restricted Net Assets:					
Contributions	2,100	0	2,100	2,000	100
Investment Earnings	9,437	0	9,437	0	9,437
Net Assets released from restrictions for operations	0	0	0	0	0
Inc/(dec) in Permanently Restricted Net Assets	11,537	0	11,537	2,000	9,537
Inc/(dec) in Net Assets	(654,503)	(197,772)	(456,731)	491,332	(1,145,835)
Total Net Assets at Beginning of Period	14,996,363	14,996,363	0	16,061,931	(1,065,568)
Total Net Assets at End of Period	14,341,860	14,798,591	(456,731)	16,553,263	(2,211,403)

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MPM Consolidated Statement of Financial Position as of 4/30/17				
	Consolidated 4/30/17	Consolidated 4/30/16	Consolidated 8/31/16	Change From 8/31
Assets:				
Cash and cash equivalents	2,822,406	2,854,594	2,660,896	161,510
Investments	311,121	266,308	274,167	36,954
Accounts Receivable	30,616	2,374	61,605	(30,989)
Contributions Receivable -Current	562,246	733,226	1,285,762	(723,516)
Due From Other Entities	0	0	0	0
Inventories, net	56,776	63,683	42,859	13,917
Prepaid Expenses	27,134	68,460	83,738	(56,604)
Total Current Assets	3,810,299	3,988,645	4,409,027	(598,728)
Other Assets:				
Cash and investments held for endowment	5,642,549	4,947,668	5,347,656	294,893
Contributions Receivable - Long Term	1,193,421	2,129,003	1,193,421	0
Other Long Term Assets	0	0	0	0
Total Other Assets	6,835,970	7,076,671	6,541,077	294,893
Property & Equipment:				
Construction in Progress	992,798	1,071,636	1,285,398	(292,600)
Building Additions	19,704,587	19,691,987	19,691,987	12,600
Furniture, equipment and other improvements	13,282,944	13,086,619	13,140,627	142,317
Gross Property & Equipment	33,980,329	33,850,243	34,118,012	(137,683)
Less-Accumulated depreciation	(19,287,509)	(18,953,225)	(19,364,729)	77,220
Net Property & Equipment	14,692,820	14,897,018	14,753,283	(60,463)
Total Assets	25,339,089	25,962,334	25,703,387	(364,298)
Liabilities and Net Assets:				
Accounts Payable	493,165	791,515	348,566	144,599
Accrued Payroll & Benefits	651,169	868,925	739,250	(88,081)
Deferred Revenue	1,505,832	1,341,463	1,192,220	313,612
Interest Payable	8,278	5,792	8,414	(136)
Accrued Postretirement Benefits - Current	133,595	124,639	133,595	0
Notes Payable - Current	1,392,295	200,000	1,842,295	(450,000)
Lease Payable - Current	0	15,390	8,813	(8,813)
Total Current Liabilities	4,184,335	3,347,724	4,273,153	(88,818)
Accrued Postretirement Benefits	6,053,001	5,242,503	6,065,332	(12,331)
Interest Rate Swap Liability	12,893	51,843	31,538	(18,645)
Due to Other Entities	0	0	0	0
Notes Payable	747,000	767,000	337,000	410,000
Lease Payable	0	0	0	0
Total Liabilities	10,997,229	9,409,071	10,707,023	290,206
Net Assets:				
Unrestricted	5,207,032	6,406,178	5,125,755	81,277
Temporarily Restricted	5,360,057	6,284,380	6,107,375	(747,318)
Permanently Restricted	3,774,771	3,862,705	3,763,234	11,537
Total Net Assets	14,341,860	16,553,263	14,996,364	(654,504)
Total Liabilities and Net Assets	25,339,089	25,962,334	25,703,387	(364,298)

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Consolidated Statement of Cash Flows for the Eight Months Ended 4/30/17		
	YTD	Prior YTD
	<u>Actual</u>	<u>Actual</u>
Operating Activities:		
Increase in net assets	(654,503)	491,332
Adjustments to reconcile net cash flows from operations:		
Depreciation and amortization	882,594	790,151
Loss on disposal of assets	32,083	0
Change in value of interest rate swap	(18,644)	(23,492)
Unrealized (gain)/loss on investments	(384,015)	18,817
Realized (gain)/loss on investments	(9,070)	(19,270)
Contributions restricted for capital and endowment		
Changes in operating assets and liabilities:		
Accounts Receivable	30,988	43,935
Contribution Receivable	454,517	386,754
Inventories and Other Assets	(13,917)	(24,590)
Prepaid Expenses	56,604	11,319
Accounts Payable, Accrued Expenses and Accrued Benefits	44,185	464,237
Due to Affiliates	0	0
Interest Payable	(135)	(4,279)
Deferred Revenue	313,612	337,981
	1,388,802	1,981,563
Total Adjustments		
Net cash provided/(used) by operating activities	734,298	2,472,895
Investing Activities:		
Purchases of Property & Equipment	(176,743)	(66,082)
Purchases of Property & Equipment - Restricted	(677,470)	(657,941)
Proceeds from Sale of Investments	419,522	909,465
Purchases of Investments	(358,284)	(76,122)
Net cash provided/(used) in investing activities	(792,975)	109,321
Financing Activities:		
Net proceeds on Notes Payable	410,000	0
Proceeds from contributions restricted for capital and endowment	269,000	
Net proceeds from Line of Credit	(450,000)	(1,400,000)
Payments on lease obligations	(8,813)	(18,752)
Net cash provided/(used) in financing activities	220,187	(1,418,752)
Net Inc/(Dec) in Cash and Cash Equivalents	161,511	1,163,464
Cash and Cash Equivalents, beginning of period	2,660,896	1,691,129
Cash and Cash Equivalents, end of period	2,822,406	2,854,593

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PRELIMINARY ESTIMATE (5/20/2017)

MOVE OF DEEP-STORAGE COLLECTIONS TO OFFSITE LOCATION

Outfitting 30,500 s/f leased space with collections storage equipment \$ 3,167,233
such as archival/museum-grade racking, shelves, compact storage units.
These costs assume reuse of all current cabinetry that meets current museum standards. (29,000 s/f compact storage+ 1,500 s/f work and dock space)

Staffing costs, required over multiple years of project to Assess/Document/
Barcode/Clean/Pack/Unpack (see notes) \$ 3,906,620

Supplies/Equipment (archival boxes, archival materials, packing materials) \$ 527,272

Moving expense, estimated by Coakley over multiple years of project \$ 551,250

Museum grade HVAC, security and systems upgrades to leased facility \$ 2,287,500
(could be amortized in leased space), estimated @ \$75 per s/f

PRELIMINARY ESTIMATE \$10,439,875*

Estimated annual base cost for leased facility, not including any + \$99-122,000/yr
amortization of systems improvements in lease
Estimated @ \$3.25-4.00 per s/f

NOTES:

- Collection Storage equipment –based on detailed estimates from provider walkthroughs of collection areas and measurements (assumes reusing cabinetry that has been deemed acceptable).
- Staffing – this estimate was constructed by consulting with other museums about recent major collection moves. MPM leadership met extensively with MPM collections staff to review those reports and come up with an estimate of the time and labor required for each type of collection to be moved at MPM. Staffing needs are in two categories (expert and support). Expert staff salaries were estimated at an entry level curator’s salary (\$50,000) and support staff salaries were estimated at an entry level collection manager’s salary (\$36,000). Estimated time to assess and pack is based on all collections being done at the same time. This may not be possible because of staging of packed materials, etc. This is also contingent on a space being available and ready when the move commences.
- Moving costs were estimated by Coakley Brothers. Several representatives of Coakley Brothers visited the museum over multiple days and toured all collections to develop estimate.

***All estimates subject to change over time. Not for use after May 2017 use without contemporaneous MPM confirmation of updates or changes.**