

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: June 22, 2018

TO: Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors

FROM: Amy Pechacek, Deputy Director, Department of Administrative Services
Dennis Kois, President & Chief Executive Officer, Milwaukee Public Museum

SUBJECT: **AMENDMENT TO LEASE AND MANAGEMENT AGREEMENT BETWEEN
MILWAUKEE PUBLIC MUSEUM, INC. AND MILWAUKEE COUNTY**

BACKGROUND

On August 15, 2013, Milwaukee County (“County”) entered into a Lease and Management Agreement (“Agreement”) with the Milwaukee Public Museum, Inc. (“MPM”) whereby the County would own the current museum building at 800 West Wells Street and all of the artifacts, exhibits, and other items of historical or scientific value or significance owned or held by the County and used or intended to be used for exhibition, display, education or research in connection with the activities and operations of the museum and the County would lease the current building, the personal property, and the artifacts to MPM, and MPM would undertake the primary responsibility for managing and operating the museum.

The initial term of the agreement is through December 31, 2022 and can be automatically extended for four (4) successive periods of five (5) years each through December 31, 2042.

Through this Agreement, the County agreed to reimburse MPM \$3,500,000 per year in support of the operation of the Museum 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.

This Amendment seeks to change two of these criteria.

1. The criteria that the Museum receive at least \$5,000,000 in cash and donor commitments to make capital improvements to the current County-owned building by December 31, 2017.

Since the Agreement was signed in 2013 MPM has undergone significant changes in leadership and organizational strategy, and the MPM’s Board of Directors is now focused on advancing plans to create a new facility for the museum in the coming years. As this strategy has taken shape it became clear that it was an unwise use of donor (or public) funds to invest in major capital improvements to the current facility, which MPM plans to eventually leave. Accordingly, any potential future capital requests from MPM related to the current facility will be solely limited to those urgent necessities needed to maintain minimum structural and operational standards for the museum filed and / or to sustain business revenue. A change to this criteria is requested to reflect the current strategy, allowing funds raised *both* to improve the current facility and also to advance plans for the future facility count toward this criteria,

and extending the deadline to meet the \$5,000,000 total.

2. The criteria that the Milwaukee Public Museum Endowment (the “Endowment”) maintain at least \$2,000,000 in unrestricted net assets from donors. This condition was made to match the requirement of a covenant MPM had with its bank for its line of credit facility, calling for this same \$2,000,000 baseline as a guarantee for the line.

Since the Agreement was signed in 2013 MPM’s bank (CIBC) has reduced this requirement to \$1,550,000 in unrestricted net assets required in the Endowment. This amendment seeks to similarly reduce the County requirement to \$1,550,000 in unrestricted net assets in the Endowment, in order that the County’s requirement match that of MPM’s bank.

Please note that this amendment does not impact MPM’s permanently restricted or temporarily restricted Endowment assets; only the amount of unrestricted assets.

RECOMMENDATION

The Department of Administrative Services and MPM, with collaboration and review from the Comptroller’s Office and the Office of Corporation Counsel respectively, seek to amend this Agreement as follows:

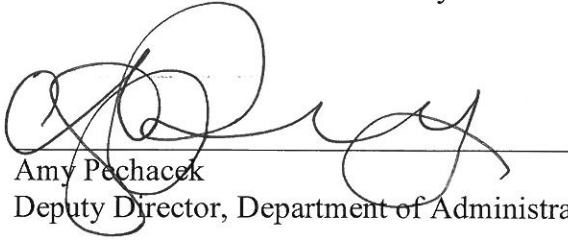
1. The date at which the MPM is to receive at least \$5,000,000 in cash and donor commitments be changed from December 31, 2017 to December 31, 2020 and also include monies received or pledged for a possible new building as well as the current building before any future funding amounts would be decreased. Of the total \$5,000,000 in commitments, MPM is limited to only including \$1,000,000 of these total funds to be from donor commitments and cash specifically raised towards exhibits. Exhibits continue to bring in revenue, but do not necessarily directly assist the site, building or future relocation.
2. The total amount of the Endowment unrestricted net assets required to be maintained be decreased to \$1,550,000 to match the updated covenant MPM has with its bank for its line of credit facility.

The original lease is attached to this report as Exhibit A, and the proposed amendments are included as Exhibit B. The areas of the original lease that are impacted by these amendments are highlighted for ease of reference.

FISCAL IMPACT

These amendments update the existing lease to clarify performance criteria for MPM to achieve the funding levels as established in 2013 and as previously approved by the County Board. The updates reflect current strategic facility goals and adjust the unrestricted net assets to comport with MPM’s updated banking and credit requirements. The County’s present contribution levels do not change with these amendments, and therefore there is no associated immediate fiscal impact. The County will continue funding MPM at its current levels in future years under the new performance criteria if the amendments are approved, and will budget for the current contribution levels through 2020 to reflect the new lease terms and long term strategy. The

amendments do not impact or reduce any of the additional performance criteria MPM is required to meet in order to receive County funds.



Amy Pechacek
Deputy Director, Department of Administrative Services

Cc: Chris Abele, County Executive
Supervisor James Schmitt, Chairman, Finance and Audit Committee
Finance and Audit Committee
Kelly Bablitch, Chief of Staff, County Board
Raisa Koltun, Chief of Staff, Office of the County Executive
Teig Whaley-Smith, Director, Department of Administrative Services
Scott Manske, Comptroller
Ryan O'Desky, Chief Financial Officer, Milwaukee Public Museum