



TO: Chairman Theodore Lipscomb, Sr.

FROM: Paul Mathews, President & CEO

RE: Refunding of Current Outstanding Tax-Exempt Debt
Amendment to 2016 Contribution Agreement

DATE: July 19, 2018

This Memorandum is to indicate the Marcus Center's support for the approval of two items currently being considered by the County Board Finance Committee and the County Board: a) A request from the Milwaukee County Comptroller seeking approval for issuing a not-to-exceed amount of \$7,500,000 in Taxable General Obligation Refunding Bonds to refund current outstanding tax-exempt debt for capital improvements at the Marcus Center (MCPA); and b) A request to amend the MCPA 2016 Contribution Agreement to effectuate cost sharing for the above mentioned bond refinancing. The amendment would reduce the MCPA's 2026 allocation by 50% of the actual additional cost of bond financing.

In the process of finalizing a long-term Lease Agreement between Milwaukee County and the MCPA, it was discovered that Milwaukee County has been issuing tax-exempt bonds for financing capital improvements at the MCPA which could be problematic for the MCPA going forward.

As explained in Comptroller Scott Manske's June 28th request, the use of tax-exempt bonds severely restricts the MCPA's ability to engage in private fund-raising activity due to Private Activity Rules. Since the MCPA relies on earned income for over 85% of its operating revenue, the ability to generate both capital and operating support without the constraints required by Private Activity Rules is critical to our on-going success.

As you know, we have worked in cooperation with Milwaukee County to repeal 205 Wisconsin Act 60, which called for the transfer of the MCPA to the Wisconsin Center District. Repeal legislation was adopted by the Wisconsin State Legislature and signed by Governor Walker earlier this year. Thus, the MCPA will remain under County ownership. Since Milwaukee County will maintain ownership of the facility, Milwaukee County will continue to have a vested interest in maintaining the MCPA in a state-of-the-art condition.

We have also been working diligently to negotiate a long-term Lease Agreement with the Director of Administration, the County Corporation Counsel and the Comptroller. Mr. Whaley-Smith's July 12th Report to Chairman Lipscomb provides a summary of what we have negotiated, as well as a copy of the full Lease Agreement. We agree with the terms,

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and it is our goal to execute the agreement once the County Board approves the bond authorization and the Contribution Agreement Amendment.

The Lease Agreement we have negotiated—particularly its term length—will enable the MCPA to secure major contributions and sponsorships to support the Campus Master Plan we are currently preparing, in anticipation of our 50th anniversary in 2019. The Lease Agreement is also necessary in the event we would need to secure financing from lenders to redevelop the current parking structure owned by the MCPA.

While working to secure the repeal of 2015 Wisconsin Act 60 and negotiating with the County to secure a long-term Lease agreement, MCPA has continued in good faith to both be sound stewards of a County-owned facility and deliver on the historic mission we committed to part of our 2016 Contribution Agreement.

Some of our more significant recent accomplishments include:

- Continued to serve over 600,000 patrons in our halls and on our grounds annually.
- Continued to grow as a community gathering place. We annually host over 2200 events, which averages out to over 6 events per day.
- Grew our Diversity and Community Engagement commitment by offering programming including, *Kidz Days* and *Kidz Days in the City*, *Family First Nights*, *Opening Our Doors*, *Arts Connect*, the *Dr. Martin Luther King, Jr. Birthday Celebration*, *Cantos de las Americas*, and our *Flag Day Celebration* and *Naturalization Ceremony*.
- Completed the renovation of Wilson Theater in Vogel Hall, which was a \$2.5 million public-private partnership with Milwaukee County.
- Invested in a \$4.5 million upgrade to our parking facility, which was privately financed by the MCPA, gaining us an additional eight years of useful life of the structure.
- Grew our partnership with *Black Arts MKE*, which has developed *Black Nativity* into an annual holiday tradition rooted in African American culture.
- Added three new non-profit resident companies: *Bronzeville Arts Ensemble*; *Optimist Shakespeare Theater* and *Suemo Dance Company*.
- Secured a multi-week run of *Hamilton* which will be a major highlight of our fiftieth anniversary season in 2019-2020.
- Maintained its long-running commitment to annual balanced budgets.
- Provided consulting and maintenance services for the Milwaukee County Historical Society and Charles Allis/Villa Terrace museums.
- Secured Milwaukee as the site for the fall 2019 gathering of the Performing Arts Centers Consortium, a professional organization comprised of 35 performing arts centers in the U.S. and Canada.

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If we are to continue to deliver on our vision to be the entire community's performing arts center, it is essential that our ability to secure private underwriting for programs and capital improvements not be impeded in any way – especially as the MCPA the faces declining County funding. Adoption of the recommendations from Comptroller Manske and Director Whaley-Smith and the subsequent execution of a long-term Lease Agreement are absolutely necessary to our continued success on Milwaukee County's and the community's behalf.

Respectfully Submitted

Paul Mathews, President & CEO

CC: Chris Abele, Milwaukee County Executive
Raisa Kolton, County Executive Chief of Staff
Milwaukee County Board of Supervisors
Kelly Bablitch, County Board Chief of Staff
Comptroller Scott Manske
Margaret Daun, Corporation Counsel

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