

Assumptions Informing the Business Plan and Conceptual Design Report to Milwaukee County
Mitchell Park Domes Task Force
Addressing Questions from the Milwaukee County Parks Department
September 3, 2019



At the request of Milwaukee County Parks administration, we have prepared a series of assumptions in Q and A format. These assumptions have been used consistently to inform the business plan. Each of these are referenced in the plan and are essential in shaping the 10-year operating pro forma. These are found referenced in the narrative, and, in many cases, are also referenced in presentations made to the Task Force prior to the presentation of the business plan.

Documents Referenced:

1. Business Plan: **BP**
2. RFP Scope of Work document March 29, 2019: **RFP**

In addition, see:

3. May 7 Presentation to the Task Force PowerPoint: **5/7/2019PP**
4. June 13 Presentation to the Task Force PowerPoint: **6/13/19 PP**
5. June 30 Draft of Plan Document distributed to the Task Force: **6/30/19 DP**
6. July 11 Presentation to the Task Force PowerPoint: **7/11/PP**
7. Findings and recommendations from Phase 1 and 2 reports were used to inform the plan.
8. Other presentations made to the Task Force prior to this plan were used to inform the plan, including peer review and model documents provided by the National Trust for Historic Preservation. These materials can be found in the compendium of documents posted by the County, related to the Task Force's work over the past three years.

#	Question	Response/Implications to the Plan	Doc. Ref.
1.	Explain what you were tasked to do.	<ul style="list-style-type: none"> • <i>“Evaluate the current Conservatory (Pros/cons) and the preliminary vision (or visions) for the future that you are proposing. Provide a description of building and facility problems you anticipate in this project and how you propose to overcome them.</i> • <i>“Provide recommendations on partnership opportunities and related governance necessary to develop and support the two options envisioned by the Task Force, recognizing that Milwaukee County may be unable with current resources and operating structure to develop and manage an expanded facility.</i> • <i>“Provide analysis of likely funding sources for developing and operating each of the two alternatives identified by the Task Force, incorporating any possible impacts from partnerships and to existing partnerships.</i> • <i>“Develop preliminary programming and budgetary cost estimates based on space needs for the Task Force selected alternatives, including the possible impact of partnerships on programming and facility requirements.</i> • <i>“Recommend a <u>preferred feasible solution</u> to the Task Force with your reasoning behind the recommendation. Provide a summary report for use by the Task Force, as well as the County Board, that provides overall and integrated understanding of the two options for the Mitchell Park Domes identified by the Task Force.”</i> • <i>Also: Address applicability of HTC and test private sector funding capacity for a capital campaign.</i> 	BP Page 23

2.	How was the overall capital budget developed?	<p>We assume this includes capital expense and revenue. This box addresses expense. The next box addresses revenue.</p> <p>The first step in creating the capital budget was to determine the spectrum of programs and services that would be needed to drive revenues for day to day operations.</p> <p>In doing this, it became clear that a somewhat larger programmatic (building and grounds needs) view other than Task Force Options 1 or 2 derived from their earlier consultative process would be needed to house these programs and services.</p> <p>This realization led to the recognition of the need for a new welcome/visitor center, refurbishment of the boathouse, new gardens and other amenities.</p> <p>Many of these elements are based on findings from the comparison conservatories and their parks as listed on page 28-29 and as discussed in-depth in subsequent pages.</p> <p>Not only are these elements important to driving revenue, but they are also important to the nature and repayment of the required capital stack. (See below.) They are completely inter-dependent: programming spectrum and derived net revenue = requirements of capital stack financing.</p> <p>From this, along with a review of the Domes buildings rehabilitation requirements, a capital expense budget was developed.</p> <p>Page 53 lists the elements included in the capital expense budget. Page 55 gives line items developed through the expertise of the Engberg-Anderson and Saiki Design teams.</p> <p>The \$30 million estimate for the Domes is based on in-depth dialogue, facilitated by team member Mark Ernst, with all of the various firms the County has previously and currently tasked with evaluating the structural redevelopment costs of the Domes.</p>	<p>BP Pages 28-29 Page 52,53,55</p>
----	---	--	---

3.	<p>How was the capital budget developed? (Revenue)</p> <p>After launching the plan, the team was instructed that this plan must call for as little County bond financing as possible. Ideally, they were told it would be implemented in full, without public financing.</p> <p>And per the above task question in the scope of work, the consultants needed to <i>“recognize that Milwaukee County may be unable with current resources and operating structure to develop and manage an expanded facility.”</i></p> <p>Hence, the capital revenue plan had to consider both the development and operational costs.</p>	<p>The next step was to develop a capital revenue plan.</p> <p>For this, the planning process tested private sector giving capacity and found it to be about \$13.5 million. We tested as high as \$17 million and were advised to bring the goal lower to about \$13.5 million.</p> <p>The team tested Historic Tax Credits based on finding the Domes viable for historic status.</p> <p>After extensive discussions with state and national HTC investors, we settled on a goal of seven million dollars.</p> <p>The consultants then developed scenarios for and tested NMTC, PACE and OZ with local, state, and national lenders and investors, as these are all potentially applicable for this location within an opportunity zone.</p> <p>The team matched up operating approaches, services, and partnership programs to make possible a capital stack utilizing NMTC, PACE and OZ. The span of programs and services detailed pages 30-52 describe how these are matched to these capital financing and investment strategies.</p> <p>These financing and investment strategies require the creation of an operating structure reliant on for-profit subsidiaries under a non-profit conservancy.</p> <p>Based on dialogue with state and national experts in NMTC, PACE, and OZ, the consultant team found that the approximate amount of \$39 million in a combination of investment and financing was viable for the capital stack.</p> <p>Viability is based on <u>meeting the requirements of the governance, tax structure model, operations, and programming plans</u> for HTC, NMTC and OZ, and PACE.</p> <p>This leaves \$13.5 million needed from Milwaukee County to close the gap. The consultants could not find an alternative for some level of capital financing from Milwaukee County. As noted in the report, a level of capital investment (financing)</p>	<p>BP Pages 56-70</p>
----	--	---	---------------------------

		into the project by the County was also found to be important to convince the private sector for contributions, and in approaching OZ investors.	
--	--	--	--

3.1.	What funding is assumed to arrive in what year?	<p>The plan shows targeted timeline goals for the capital schedule with the recommendation of striving to meet these as federal programs inclusive of HTC, NMTC, OZ and PACE can change from year to year.</p> <p>The plan recommends moving forward immediately to create an Opportunity Zone Investment Fund (launched by the Conservancy) so as to maximize investor ROI beginning in 2019, under the terms of this federal program. It assumes “that OZ Investment will need to become some of the early-in support for the Domes and Park.”</p> <p>Historic Tax Credits come into play as soon as construction begins, flowing via a short-term loan that comes with the HTC package (HTC funds themselves are only released when the buildings are placed into service.) This plan hypothesizes these in the first year of capital redevelopment, 2021. HTC will come to the project via the Domes Services subsidiary, then through to another subsidiary that operates as the developer. It is this subsidiary of the Conservancy that re-develops the historic portion of the project. This is required by IRS rulings.</p> <p>The use of NMTC, PACE, and OZ require repayment (interest and principal) within restricted timelines. Hence, <u>placing new buildings and park elements that are money makers into service ASAP is important to the fiscal viability of the project: meeting the payback requirements.</u> This plan calls for these funds and their related construction to come in 2021. (page 65)</p> <p>The plan hypothesizes County bond monies flowing into the project over two years, half in 2021 and half in 2022. (Page 65). Because the viability of private sector fundraising requires – per the feasibility study – that donors know the County is committed to this venture and because of the backlog of private sector capital campaigns currently underway in Milwaukee County, the plan hypothesizes these monies flowing in starting in 2022 and continuing through 2025, based on County monies flowing into the project in 2021 and 2022.</p> <p>The plan assumes the balance of capital to complete this plan will be derived from Conservancy net operating revenues beginning in 2026 through 2030.</p>	BP Page 60, 65
------	---	---	----------------------

3.2.	Which are grants and which are loans?	<p>“Grants” are only applicable to private sector philanthropy.</p> <p>We assume the question is “which of the tax credit/financing mechanisms” need to be paid back and which don’t.” The answer is complex:</p> <p>HTCs do not need to be paid back. HTC for historic rehabilitation projects that are qualified by the Department of the Interior is sold to tax-paying entities that need to lower their income tax in any given calendar year. (Hence, this project’s inclusion of the Part 1 application qualifying the Domes for historic rehabilitation using HTC.) It is the proceeds of the sale of the HTCs that go to the project as long as it meets IRS requirements. Meeting IRS requirements is essential to viability of this capital influx.</p> <p>NMTC is largely a loan that has a seven-year payback schedule which is almost always refinanced for a second seven years. Not all NMTC is a loan. Part of it (about 21%) is intended as start-up capital toward the building and new business operations that it makes possible. Reflecting this, the plan includes \$3.15 million as a building and working capital contribution. NMTC only requires that interest payments be made years 1-6 (and, if rolled over forward) with a balloon payment of the principal at the end of the term.</p> <p>PACE is a self-assessed repayment that can be paid be over 25 years.</p> <p>As an entirely new funding strategy, OZ is “generally” assumed to be a stakeholder share of the businesses that are funded. (The Domes subsidiaries.) The investor has the right to forgive or transfer this investment into a grant. Our plan assumes no payback.</p>	BP Page 59
------	---------------------------------------	--	---------------

4.	How to read the pro forma?	<p>This pro forma is for the operations of Mitchell Park and the Domes over the time-period 2020-2030. Its revenues are based on the programming assumptions, partnership assumptions, and other assumptions as stated in the plan pages 26-54. These assumptions were established to meet the requirements of the capital financing from HTC, NMTC, PACE, and OZ. Its expenses are based on the estimated required staffing by the Conservancy. (Pages 72-74) It does not include the operating budgets of the subsidiaries.</p> <p>The pro forma should be read as the pro forma for operations and meeting capital financing requirements by the Conservancy.</p> <p><u>This is not a pro forma for the County’s operation of the Park, but for the Park/Domes operating structure as required by the financing and funding mechanisms – i.e. a Conservancy with for-profit subsidiaries.</u> It is the Conservancy’s responsibility to meet the revenue goals and thus pay down capital financing. It is the Conservancy’s role to create, maintain, and grow the subsidiary entities required by the capital stack. It is the Conservancy’s role to work with the newly created developer entity as shown to the Task Force June 13, 2019 PowerPoint to redevelop the property. The cost of the County’s owner’s representative is not included.</p> <p>On page 80, the net (after-tax) hypothesized revenues into the Conservancy from the Domes Services and the Partnerships LLC subsidiaries are shown, respectively, in blue and red highlighted rows.</p> <p>Rows in white (not highlighted) are revenue flows directly into the Conservancy, which we hypothesize includes the NMTC/OZ early capitalization monies that do not require re-payment by the Conservancy. (See 3, above.) Grey highlighted shows grants sought by the Conservancy which may include grants it seeks together with Partners. Membership net flows into the Conservancy after fundraising expense, by the Friends.</p> <p>On page 81, the net cost of County operating staff is shown as a line item related to the County staffing as indicated on Page 75. In reality, this is likely to be paid separately by the County but is shown here as part of a single overall operations pro forma to reflect the partnership between the Conservancy and County. The balance of the costs shown are for the Conservancy and pass-through to the subsidiaries.</p>	BP Pages 81- 82
----	----------------------------	--	-----------------------

		<p>This includes the line for “ramp up.” The last line “interest/loan” payment reaches \$18.335 M over ten years for the partial repayment of NMT (net) and PACE during that time period.</p>	
--	--	---	--

5.	Admissions assumptions per year.	<p>This can be found on Page 18.</p> <p>It assumes going from approximately \$6.6 PP in 2022 to between \$7.70 and \$8 PP by 2032. Taking discounts and free days into consideration, actual admissions are accordingly higher.</p> <p>At face value this does not appear to differ in any significant way from present admission charges: however, it does when viewed through the lens of the present deep discounts per attender and the high numbers of free attenders as found in the County Audit, which shows an average discount per paid attendee of \$2.12 and that only 66% of all 2017 admissions were paid. (44% of admissions were free.) Our pro forma is based on an average of paid admissions not including free admissions. (Free admissions should potentially be shown as a line showing zero revenue.)</p> <p>The growth in membership net revenues, which are significant, include repeat family visitation to the Children’s Garden with membership as well as repeat discount and free admission for evening and other special events such as live music, dancing, etc. Membership also includes the assumption of discounts at all food venues and for some rentals within the Park as well as savings on classes and programs offered by the Partners and retail discounts.</p>	<p>BP Page 18</p> <p>BP Page 80, notes.</p>
6.	Provide the basis for catering, restaurant and other rental figures; wedding event revenues. Where are Farmers Market revenues? How is the big jump in retail revenue explained. Explain the touring exhibit fabrication line item.	<p>A. All of these are shown as net (after-tax) revenues from Domes Services that flow into the Conservancy. The catering, restaurant, events rentals include the full spectrum of culinary programming shown throughout the plan, including operations of the full-service restaurant, self-catering within the Park and its venues including the state-of-the-art Boat House Pavilion, operations of the Food Trucks and Café.</p> <p>B. The entire culinary operation is hypothesized to be a division of the Subsidiary, internally run and operated per the model of Franklyn Park Conservatory in Columbus. (By bringing all its food-service and events business in-house as an enterprise unit, Franklin Park Conservatory realizes \$3 million gross revenue for a similar spectrum of options as compared to the net of \$390,000 shown here.)</p>	<p>BP Page 47- 49</p>

		<p><u>This is required to drive the business model and net revenue toward paydown of the capital financing from HTC, NMTC, PACE and OZ and will require revisiting the contract agreement recently signed with Zilli's.</u></p> <p>C. A produce and plants market is part of the anticipated jump in retail are related to the opening of the Welcome Center/Visitor's Center incorporating indoor and outdoor space for expanded retail, which also operates as a part of the Domes Services subsidiary. This is hypothesized for 2022. As a point of comparison, Franklin Park realizes a net of \$500,000 from its retail; Phipps realizes a net of \$800,000. The retail business becomes a part of the Domes Services subsidiary. This will require a revision of the contract recently signed with the Friends and is <u>necessary to drive the business model and net revenue required by NMTC and OZ.</u></p> <p>D. Because a part of Domes Services responsibilities to meet the NMTC and OZ jobs creation and support elements will be the fabrication of exhibits (called for in the plan narrative) these will go on to tour other botanical gardens as a revenue source. As a point of context, the North Carolina Arboretum nets \$75,000 per exhibit per year that it tours for small exhibits under 2,000 square feet. It is not unusual for larger touring exhibits (6,000 sq. ft.) to charge between \$150,000 and \$200,000 per three-month rental plus shipping costs. The plan assumes building 3-5 exhibits per year ranging from small to large in scale that premiere in the Domes and then go on to tour. The national Traveling Exhibitions Database (TED) provides a range of rental costs for exhibits that currently tour. Touring exhibits is an excellent way to develop predictable revenue streams for years into the future, and we have used it as a consistent line item.</p> <p>It is essential to note that strong performance by the DSC subsidiary is important to meet <u>IRS requirements for HTC and to meet investor requirements for NMTC and OZ. The County needs to adjust its agreements with Zilli's and the Friends to make this possible or these capital stack lines will be viable.</u></p>	
--	--	--	--

7.	<p>Partnership Rent and Commissions: provide assumptions and details behind the partner revenue line. Have the data been endorsed by potential partners? What is the basis for the \$500K, \$300K and \$300K figures in years 2-4 labeled NMTC/OZ Ramp Up?</p>	<p>First, it is important to note that we anticipate that the development of partnership the structure for the Mitchell Park Partners will develop over the next year (2019-2020) involving <u>extensive dialogue between the Conservancy and Partners</u>, due diligence by each, sharing of financial and governance, development of the spectrum of services and more.</p> <p>In answering this question, a specific directive from Parks’ leadership to the consultant midway in the project was <u>for the consultant to <i>not</i> facilitate</u> partnership discussion or joint planning beyond initial discussions. As a result, we believe it fortunate that even with the limited time we were instructed to spend on this that it was possible to bring committed potential partners - along with others that need more discussion - to the table. Far more needs to be done, however.</p> <p>It is therefore impossible to provide “details.” Also, “details” were not part of the scope of consulting work. We can only provide the assumptions we used and discussed with the prospective partners in the meetings held to date.</p> <p>Because of the requirements of NMTC and OZ, we have defined partnership - the Mitchell Park Partners LLP - as a legal structure rather than an informal working arrangement.</p> <p>As a legal structure among nonprofits, there should be a match in focus, shared elements of mission, sharing of some of the same service population, and complimentary services. These were the criteria we discussed and used in aligning prospective partners.</p> <p>We have used the term “rent and commissions” in this pro forma to signal a range of prospective ways in which the output of the partnership LLC includes payment to the Conservancy (overall Park budget) in return for the property, utilities, maintenance, marketing, and service population synergies it provides to the Partners.</p> <p>Assuming four or more partners, the line item amount we hypothesized for this is modest because the goal is not to use prospective partners as a means for profit, but as a means for service to reach and benefit a synergistic target market, and it offsets operating expenses related to the Conservancy’s share or role in the LLP.</p>	BP Page 59
----	--	---	------------

		<p>This <u>general concept</u> was “endorsed” by potential partners.</p> <p>The basis for the \$1.1 million in NMTC and OZ ramp-up is that any business entity, including a new unit of combined nonprofits, needs appropriate ramp-up capital to launch and expand.</p> <p>This is incorporated into the concept of NMTC, in which 21% of a tax credit allocation is retained for capital and is incorporated into the concept of Opportunity Zone investment in which it is assumed that these funds are used to launch the enterprise units.</p> <p>Because of the business model required by HTC, as well as NMTC, PACE, and OZ, the Mitchell Park Partners LLP is one of two subsidiaries to be launched – the other is Domes Services Corp, and of the two MPP LLP is less capital intensive or risk intensive than DSC.</p> <p>We, therefore, allocated an infusion of \$1.1 million – out of a total anticipated \$3.15 million working capital from NMTC – to the Conservancy to support the ramp-up of the LLP over three-years.</p> <p>We assume that the balance of working capital infusion from both these sources will go directly to DSC for its ramp-up and thus have not shown it on the Conservancy pro forma.</p> <p>Please note that these are early assumptions.</p>	
8.	<p>Program Grants. Talk about potential sources identified for the annual Program Grants line item. What % of these are assumed to be secured by Partners versus the Conservancy? Have your discussions with potential Partners validated their assumed delivery of grant funding and can you provide an example.</p>	<p>Please note the first paragraph of point 8, above, in which our ability to drill down into details such as this with prospective partners was limited at the directive of Parks.</p> <p>Our assumptions/hypotheses are based on examination of program grants secured by nationally recognized horticultural conservatories and their partners. The spectrum of work that will be done jointly by the Conservancy and Partners opens the door for major grants from foundations and government agencies.</p>	<p>BP list of best practices entities Pg. 28</p>

		<p>Medical research and practice in urban health and gardening, for example, opens the door for what can be six-figure grants. This was discussed by the consultants with the Medical College of Wisconsin’s Center for Healthy Communities and Research.</p> <p>Similarly, there are major grant opportunities for urban agriculture, including potential from the State of Wisconsin, grant programs for water stewardship, and grant programs for the type of joint venture programming to create a “civic commons” as has been developed in this plan.</p> <p>As a point of comparison, the Fairmont Park Conservancy in Philadelphia was awarded a \$5.4 million three-year grant from the Kresge Foundation, in 2014, to re-imagine “ways that civic assets can be elevated and connected as an integrated, sustainable system and how they can be designed and developed to foster talent, opportunity and engagement.”</p> <p>Please note that the staffing plan for the Conservancy places emphasis on fund development including a high level “director of institutional development” position to investigate, develop and apply for grant funding across all the topics of the proposed “centers” within the Park.</p>	<p>BP Page 75</p>
--	--	---	-----------------------

9.	<p>Membership Net. What is the source of this revenue? Does this supplement or conflict with Friend's membership?</p>	<p>As stated in the plan on the pages noted here, "membership will be collected by Friends but passed through as a net after their membership campaign expenses."</p> <p>The membership net is just that.</p> <p>It is membership in the Friends of Mitchell Park and Domes; passed through by the Friends to the Conservancy as membership revenues are received (most likely transferred from Friends account(s) to the Conservancy every quarter.)</p> <p>Membership revenues, in this model, are not held and retained by the Friends for uses they determine but are passed to the Conservancy for the over-arching support of the Park and its programs.</p> <p>Membership is one strand of the overall fund development task of the Conservancy. Utilization of this model will address many of the issues raised in the County Audit of the Domes relationship with the Friends organization. Achieving this requires a change in the contract recently signed by the Parks with the Friends.</p>	<p>BP Page 76; notes to the pro forma Page 80</p>
10.	<p>On the expense side of the Pro-forma, does your Conservancy staff expense align with the org. chart on Page 74 of the report?</p>	<p>Yes, however, the budget assumes a ramp-up to the org chart on page 75 and then potential expansion beyond the org chart by years 2023 onward. Staff expense includes benefits.</p>	<p>BP Page 75</p>
11.	<p>Is there a similar org chart or assumed staffing model for the Domes Services organization?</p>	<p>Not yet. Developing the business plans for Domes Services Corp and Mitchell Park Partners LLC are recommended next tasks for the Sept-January time-period.</p>	

12.	Is the marketing support line item a staff expense or a marketing budget?	It is a marketing budget.	
13.	The cost of Milwaukee County staff line item assumes what reduction in County staff? And what part of the new organization picks up those responsibilities?	<p>According to the Domes Audit (page 14), Mitchell Park and Domes currently includes seasonal and part-time staff as well as eleven FT positions as follow: director, horticultural manager, six horticulturalists, one park artist, one interpretive educator, and one office manager.</p> <p>The plan assumes a director and a total of eight horticulturalists. The office, interpretive and artistic staff would, in this model, be a part of the Conservancy.</p> <p>The expense side of the Pro Forma assumes an expense of \$500,000 for this type of horticultural team, while the income side shows that Milwaukee County's <i>net</i> cost for these positions drops to \$250,000 throughout the ten-year period: essentially, the Conservancy pays \$250,000 per year to the County to reduce County staff costs.</p>	BP org chart Parks, plus 79 and 80
14.	Are there particular investments assumed to drive a 15% utility cost reduction or is that just assumed?	<p>We have integrated PACE financing into the capital stack to support the installation of state-of-the-art HVAC and other energy savings (i.e. green roof on the Welcome Center building and potentially on Boat House Pavilion, and other similar actions throughout the park.)</p> <p>So, yes, this is a savings assumption based on that set of clean energy and energy-saving capital improvements.</p>	BP Page 59, PACE financing
15.	Who is responsible for the on-going maintenance of the facilities/buildings? Who is responsible for the on-going maintenance of the new gardens? Park Grounds? Roadways? Parking?	<p>Within the Pro Forma, the utilities and maintenance line is combined, reflecting lower utility costs once the construction of the new buildings and improved HVAC is completed.</p> <p>Maintenance will need to be negotiated between Milwaukee County Parks and the Conservancy and addressed in an operating agreement. We assume that the outdoor gardens will be maintained by the Partners and potentially with some assistance from the Friends.</p> <p>Currently, per the County Audit, the Friends mow the grass.</p> <p>Because there is no current operating budget for the Park, only a general ledger of</p>	

		<p>costs assigned to the Park operations, it was not possible to study the current costs of roadways and parking.</p> <p>This will need to be negotiated between the parties.</p>	
16	What are the assumptions behind the “ramp-up expenses, on-going fees, contracts, services” line item?	This includes what will most likely be contracted or outsourced exhibit designs, educational materials/curricula, art, and other expenses related to the creation and installation of multiple top-quality exhibitions as well as on-going expenses such as educational videos/welcome center experience, interpretive brochures, and materials, educator materials, etc. It also includes non-staff tech (special lighting or sound, for example) and amphitheater programming. To become a first-class conservatory destination, there needs to be a start-up investment into the level of exhibition support necessary.	BP Pages 36, 41, 43
17.	What are the assumptions behind operating costs, program and services line item?	This assumes the costs of day-to-day operations of the destination inclusive of admissions, guest services, and plants.	
17.1	What is the explanatory note “10 -year reserves and loan repay?”	This refers to the numbers below it all contained in the green highlighted box. It refers to the \$400,000 operating reserve and the \$18.335M principal and interest repayment over ten years.	BP Page 81
18.	What are the assumptions behind the “operating reserves” line item?	<p>Our goal was to build a larger operating reserve, sooner.</p> <p>However, to keep the principal and interest repayment line at the needed level, we could only hypothesize accumulating \$400,000.</p> <p>For sustainability through growth, the operating (working cash) reserve should be a minimum of 3 months operations, ideally 6+ months, matching the operating budget at the time. This is especially important with the rapid level of growth projected.</p> <p>This needs to be revisited with the goal of increasing the line.</p>	

19.	What loans are actually getting paid back on the interest/loan payment line item?	<p>Please see the answers to question 3.2, above. Two loans require partial payment during the ten-year period. These are NMTC and PACE. Combined, and noting that 21% of the \$15 M NMTC remains as an investment, this equals \$16.85. We assume a partial payment (approximately \$4 million) of the NMTC principal by year seven, then rolling the balance over for another seven years. We assume fixed annual payments for PACE over a 20-year period. Combined, we show the capacity to pay down \$18.34 M (principal and interest) within ten years out of operating revenues.</p> <p>It “may” be possible to increase net operating revenues after expense, but if this is the case, we would argue that it is more important to use any additional net revenue to increase the operating reserves rather than a more aggressive paydown of capital loans: the lack of reserves is almost always what lands organizations in trouble.</p>	
20.	The math for the cash flows and variance line item does not seem to be the net of Total Revenue minus total expense. Please explain.	That’s correct. In addition to building an operating reserve, the Conservancy and Park operations need liquidity to operate. This is particularly important for an entity such as the Domes that have major seasonal swings in costs, and also takes into consideration unexpected opportunities or costs.	

In addition to the questions listed above as prepared by Milwaukee County Parks, and because there appear to be some underlying questions as to what entity does what, we have added a series of Q and A of our own to further address the business plan assumptions.

A.	<p>What agreements will be required for the structure needed for HTC, NMTC, PACE, and OZ?</p>	<p>At least two “transaction” agreements are likely. The first is for the flow of public financing into the construction, which will require an agreement with Historic Domes LLC/developer.</p> <p>The second is for operations, which will require a transaction agreement with the Conservancy in which the Conservancy will be responsible for managing County assets and services and for working together with the County in operations.</p> <p>Supporting this, the County will need to address its current agreements with the Friends and with Zilli’s, as the Conservancy will be the managing entity they will support. For the Friends, this is a direct support line; for the catering, it will be managed through the Domes Services Corp.</p>	
B	<p>What is the County’s role and responsibility in the construction?</p>	<p>We assume that County transaction agreement with Historic Domes LLC/developer will delineate specific roles.</p> <p>That said, the newly created Historic Domes LLC/developer entity – not the County – will need to be responsible for the redevelopment of the Domes and Park/buildings in order to meet the requirements of the capital stack financing sources.</p> <p>Our assumption as noted above is that the County will have a partnership presence with the Conservancy in this process, with its own “owner’s representative” involved in the process. The exact nature of which entity does what will need to be worked out through the next months including legal guidance relative to the requirements of the capital stack.</p>	

C	How can there be property appraisal for “basis” needed for HTC, NMTC, and PACE?	A baseline “basis” appraisal evaluation will need to be commissioned, of the space operated as for-profit subsidiaries – Domes Corp and the Partnership LLC. Doing this will be the responsibility of the Conservancy as the lead entity, together with Milwaukee County.	
D	It sounds like there will be many different CEOs and accounting teams required to operate this as a combined budget. That could be a lot of staff overhead.	The plan anticipates leaders for each subsidiary but assumes that accounting goes through a single CFO who manages all the revenue and expense streams and accounts each to the appropriate entity.	
E	What is the County’s role in the next year as this moves forward into reality? Will the Conservancy get up and running soon to manage this going forward?	The plan envisions establishing the Conservancy as soon as possible and that during the next year the County, Conservancy (initial leaders) and the legal teams work through the various necessary agreements. To make this possible, some bridge funding from the County will be essential. Either the County or the Conservancy may be the contracting and managing entity for on-going planning, historic preservation work, architectural and design work. However, it may be easiest for the Conservancy to be responsible for this with close partnership with the County.	
F	What additional planning needs to happen? What about starting on fund development?	Considerable planning needs to happen in the next six months. Architectural and engineering detailed cost analysis, determination of “basis” value, and the balance of the historic status application, along with the legal agreements between the subsidiaries, Conservancy, and County must be completed before HTC can be applied for. Before NMTC and OZ can become real, the drill-down business plans for these subsidiaries need to be in place. Then, due diligence testing from an expert outside entity needs to be completed. The entire governance and implementation ramp-up should be complete by spring 2020.	
G	Why so fast?	Capital financing mechanisms are fluid and can change. OZ Investments are most attractive to investors in 2019 and lose attractiveness every year after. NMTC and other tax credits are continuously up for review at the Federal level and may not be available in future years. Essentially, the capital stack could be more difficult to put together if the project proceeds at a slower pace.	

H	<p>The capital expense budget isn't complete. You won't know the final cost estimates for rehabilitating the Domes until after current studies are completed. There are items that aren't in the capital budget, for example, build-out of some paths and roadways.</p>	<p>Detailed budget projections will be completed within the next six months. At the same time, the team will be continuing to work with NMTC, HTC, PACE, and OZ lenders and investors so that if there are unanticipated capital cost increases, these will be addressed through this combination of capital financing rather than by requiring additional County financing.</p> <p>The timeline for this project was tight, limiting the range of funding sources that could be examined in-depth, and additional exploration of fund sources for some elements needs to continue. There are federal and state funding sources not discussed in the plan, for example, that can be applied for and used for paths and roads. There are some additional foundation and government grants that can be used to address costs related to the historic rehabilitation of the Domes and the launch of the new enterprise entities. As these are fully examined and tested for viability, they will be brought into the plan.</p>	
---	---	---	--