

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: June 17, 2020

TO: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

FROM: Aaron Hertzberg, Director, Department of Administrative Services, Economic Development Division
Dr. Ellen Censky, President & Chief Executive Officer, Milwaukee Public Museum
Prepared by: Adam Stehly, Project Manager, DAS-ED & Ryan O'Desky, CFO, MPM

SUBJECT: AN ACTION REPORT REQUESTING AUTHORIZATION TO ENTER A SECOND AMENDMENT TO THE LEASE AND MANAGEMENT AGREEMENT BETWEEN MILWAUKEE PUBLIC MUSEUM, INC. AND MILWAUKEE COUNTY

REQUEST

Authorization to execute a Second Amendment to Lease and Management Agreement to avoid a default of commitments and maintain existing funding, each of which is a result of the COVID-19 pandemic.

PREVIOUS LEGISLATION

File 13-598 – Action Report – Authorization to Execute a Lease and Management Agreement with MPM
File 18-532 – Action Report – Authorization to Execute an Amendment to Lease and Management Agreement with MPM
File 20-16 – Informational Report – MPM Presentation on Financial Statements

REPORT

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 by \$250,000 annually thereafter.

This Amendment seeks to change two of these criteria.

1. The criteria that Annual attendance of the Museum, its theater/planetarium and special exhibits, events and programs, exceeds 400,000 during the preceding fiscal year.
2. The criteria that the Milwaukee Public Museum generates positive unrestricted operating earnings as defined by unrestricted operating net income plus depreciation is greater than zero.

If these changes in criteria are not memorialized, then MPM risks being in default of the Agreement. With regard to the first criteria, museums worldwide are either closed down, or are experiencing unprecedented decreases in attendance levels due to COVID-19. The expectations are that this decline in attendance will continue until there is a vaccine which could be a year or longer away. This loss of attendance leads to a direct impact on the second criteria. Based on current forecasting, MPM anticipates that its revenue for its Fiscal Year ending August 31, 2020 could be up to 30% below expectations and prior year. The budget process for the Fiscal Year ending August 31, 2021 is just getting started, but expectations are it will be a difficult year from an attendance perspective as well as membership and fundraising, based on information from past epidemics and on what is happening currently across the world. In tandem, these criteria may result in MPM being unable to achieve positive unrestricted operating income net assets for both FY 2020 and 2021.

The full allocation of \$3.5M becomes incrementally more important as other revenues for the museum are at risk. Reduction would put the County's cultural assets in jeopardy. Even though MPM continues its fundraising efforts with results that are currently in line with expectations, membership and event revenue are down dramatically. Future economic commitments become less predictable than in years past. Currently, MPM also maintains the employee benefits for employees who have been furloughed (57 of the 129 total employees).

The metrics of the Agreement are in place to ensure that MPM acts on behalf of the County as its steward of the artifacts and collections, to promote these cultural assets. The intent does not appear to provide a path to punishment when faced with the headwinds of a global pandemic. Through alternative programming utilizing social media and other web-based platforms and working directly with public school teachers and parents, MPM is making the best possible efforts to continue its primary mission and deliver on its commitment to serve the County and its citizens. In the two months following the closure to the public, MPM touched over 1 million citizens and directly engaged with more than 182,000 of them. MPM continues to grow these efforts as we are closed. This would not be possible without the funding provided by the County.

RECOMMENDATION

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

1. The criteria for annual attendance of the Museum, its theater/planetarium and special exhibits, events, and programs be waived for the Museum Fiscal Years 2020 and 2021.

2. The criteria that the Museum have positive unrestricted operating earnings as defined by unrestricted operating net income plus depreciation being greater than zero be waived for the Museum Fiscal Years 2020 and 2021.

The original lease is attached to this report as Exhibit A, and the proposed amendment is included as Exhibit B.


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 conditions due to the COVID-19 pandemic. The County's present contribution levels do not change with these amendments, and therefore there is no associated immediate fiscal impact. The amendments do not impact or reduce any of the additional performance criteria MPM is required to meet in order to receive County funds.

Aaron Hertzberg

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Kelly Bablitch, Chief of Staff, County Board
Supervisor Jason Haas, Chairman, Finance and Audit Committee
Finance and Audit Committee Members
Shanin Brown, Committee Coordinator
Steve Cady, Director of Research and Policy
Supervisor Sheldon Wasserman, Chairman, Parks, Energy and Environment Committee
Parks, Energy and Environment Committee Members
Kelsey Evans, Committee Coordinator, Office of the County Clerk
Emily Peterson, Research & Policy Analyst
Julie Landry, Director, Department of Administrative Services
Guy Smith, Executive Director, Milwaukee County Parks
Scott Manske, Comptroller
Joe Lamers, Director, Office of Performance, DAS-PSB
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