New Strategies are Needed to Revitalize the War Memorial Center and Fulfill its Dual Mission to Honor Veterans and Promote the Arts

September 2011

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September, 2011

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

As directed by County Board Resolution 10-75, we have completed an audit of the Milwaukee County War Memorial Center.

The attached audit report provides background information to help provide an understanding of how the War Memorial Center was conceived, created and has evolved since 1945. Despite a mix of private and public funding for the War Memorial Center that includes substantial financial support from the County, there is an estimated $5.3 million of known problems needing repair, replacement or upgrade. Problems with the physical condition of the facility threaten the safekeeping of the Milwaukee Art Museum collection and reflects poorly on the community's level of commitment to fulfill its intent to honor American veterans who have fallen in service to their country. Remedies will require a significant investment of public and/or private funds. This ongoing problem is representative of a much larger issue that exists on a Countywide basis, one that has been the subject of a number of prior audit reports—the County's inability to adequately fund the repair and maintenance needs of its aging infrastructure.

The report provides recommendations to address specific operational issues and offers new strategies to revitalize the War Memorial Center and fulfill its dual mission to honor veterans and promote the arts.

Responses from the Milwaukee County War Memorial, Inc. and the Milwaukee Art Museum are included as Exhibits 3 and 4, respectively. We appreciate the cooperation extended by staff from both organizations during the course of this audit.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer

Director of Audits

JJH/JAT/cah

Attachment

cc: Milwaukee County Board of Supervisors
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New Strategies are Needed to Revitalize the War Memorial Center and Fulfill its Dual Mission to Honor Veterans and Promote the Arts

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Summary

In 1945, the Milwaukee County War Memorial Center, Inc., a non-profit organization, was formed to create a permanent memorial commemorating the war dead of World War II, and to provide a home for Milwaukee's growing visual and performing arts community. In 1998, the corporation formally changed its name to the Milwaukee County War Memorial, Inc. (WMI). The WMI's mission remains to "Honor the Dead by Serving the Living" through the principals of arts and peace.

Under the terms of a lease agreement authorized under Chapter 45 of the Wisconsin State Statutes, Milwaukee County has accepted legal title to all buildings and facilities constructed under the auspices of the WMI. This means that, with the notable exception of the Quadracci Pavilion, the Calatrava-designed expansion to the Milwaukee Art Museum (MAM) that was completed in 2001, Milwaukee County has assumed the role of 'landlord' and is ultimately responsible for the physical condition of the War Memorial Center. The same lease agreement provides for the WMI to manage day-to-day operations of the War Memorial Center facility. From its incorporation in 1945, its collaboration with Milwaukee County and its subsequent expansions, the WMI now comprises the Villa Terrace Decorative Arts Museum, the Marcus Center for the Performing Arts and the Charles Allis Art Museum, as well as the Milwaukee Art Museum.

War Memorial Center operations are supported with a mix of public and private revenue streams.

Since 2007, the County's annual support of $1,504,594 represents 65.3% of total War Memorial Center revenues. The remaining revenues have come primarily from parking fees (14%), facility rental fees along with related catering and beverage commissions (11%), and office rentals (8%). A significant portion of the County's annual subsidy for War Memorial Center operations provides support for the Milwaukee Art Museum. For instance, the $1.5 million in tax levy support for the War Memorial Center in 2011 includes $250,000 in direct funding for MAM operations, as well as an additional estimated $600,000 in indirect support for utilities and maintenance associated with the Kahler addition. While County funding of WMI has remained fairly stable, the direct support for MAM within the annual WMI funding decreased substantially during the past ten years. In 2002, direct County funding for MAM was $627,325. Since 2007, annual direct County funding for MAM has been $250,000.

During the past five years, the War Memorial Center has generated an average of:

- ***$185,400 from facility rental charges.***
  - The War Memorial Center generates revenues throughout the year by renting out available space to the public for special events, such as weddings, meetings, veterans ceremonies, etc. It also earns commissions through related catering services.

- ***$192,700 in office space rental revenue.***
  - WMI currently leases space to 12 organizations—ten non-profit and two for-profit. The average lease rate of $18.68 per square foot charged for office space at the War Memorial Center is about 23% above the average for the surrounding area. This premium is not surprising given the prime lakefront location of the facility.

- ***$328,100 annually in parking revenue.***
  - War Memorial Center parking fees are below market rates for both monthly and daily parking. A review of its rate structure to help increase parking revenue is warranted.

Improved parking system controls are needed to reduce the likelihood of collection losses and unauthorized access. The parking system used by the War Memorial Center is antiquated by current standards. It does not provide real time information on the number of vehicles in the lot at any given moment. Such data is useful not only in controlling admittance at times when the lot is completely full, but also in providing historical evidence on percent of capacity for future planning purposes. Our review showed that total parking activity exceeded 300 cars (capacity without a grassy overflow area is 286) in about one of every five days during a 17-month period. We recognize it is not likely that all cars were present at the same time during those days, but it provides some perspective as to how frequently overflow situations may occur.

We noted other problems related to WMI's parking system. Of most concern is the practice of not issuing receipts for cash transactions unless requested by the customer. Without this important control, the customer cannot see how the transaction is being recorded. We noted that it is possible for the cashier to record a daily parking cash transaction as a monthly parking pass without being detected by the system, and simply take the cash received.

Further, the entrance and exit gates are kept in the 'up' position to allow free access to and from the unattended lot when parking attendants leave for the day. This can occur as early as 2:00 p.m. on Mondays through Wednesdays. As a result, the lot may be used for unintended purposes. According to WMI management, attempts to curtail access have resulted in cars simply jumping the curb near the lot entrance, occasionally damaging the gate. However, steps can be taken to better regulate the use of the parking lot by only authorized vehicles. Remedies to effectively discourage improper entrance and exit include raising the curb height, installing soft barriers through the use of landscaping, and even more extreme measures such as metal plates that flatten tires on vehicles

improperly entering the lot. Developing cost centers for parking and other revenue activities could help in making future decisions if modernizing the existing parking system is considered.

The War Memorial Center is charging considerably less for parking than nearby facilities for both surface and covered lots. We compared the monthly and daily rates with rates charged by comparable parking facilities near the War Memorial Center. Although War Memorial Center parking cannot be considered equivalent in value to core downtown parking venues, the results show that parking rates at the War Memorial Center are considerably less than at nearby facilities for both surface and covered lots. War Memorial Center parking fees are below market rates for both monthly and daily parking. The WMI Executive Director expressed concern that raising parking rates could negatively affect attendance, but based on our review, at least a modest modification of its rate structure to help increase parking revenue is warranted.

County funding for War Memorial Center operations has remained stable, but has decreased as a percentage of total operating revenues over the years. Over the five-year period 1997—2001, the County funded 76.4% of total War Memorial Center operations. During the period 2002–2006, County funding represented 68.6% of total War Memorial Center operating revenues. Due to additional revenue generated by the War Memorial Center the County's percentage of operating support has fallen to 65.3% of total revenues over the last five years. Total County support for the War Memorial Center has been significant. The County has provided about $21.7 million for capital projects and operations for the War Memorial Center since 2002.

Funding for the War Memorial Center's infrastructure upkeep has come primarily from Milwaukee County. Since 1995, there have been only two years in which the County has not funded a capital project at the War Memorial Center (2003 and 2009). During that period, the County has contributed about $16.5 million for various capital projects. The WMI uses a Special Projects Fund to cover costs above those funded by the County for a given project, or for necessary major maintenance or capital projects for which no County funds are available. For example, according to the 2010 Special Projects Fund audited financial statements, the fund is committed to pay up to $150,000 in construction costs above and beyond what the County has committed to pay for the new north entrance to the War Memorial Center. The Special Projects Fund currently contains about $700,000, but WMI does not include this fund in annual audited financial statements it submits to Milwaukee County. Since 2005, WMI has obtained a separate audit for this fund, which it has not shared with the County. We include a recommendation in this audit report to improve the transparency of WMI's finances.

Problems with the physical condition of the War Memorial Center threaten the safekeeping of the $750 million Milwaukee Art Museum collection; remedies will require significant investment of public and/or private funds.

In 2001, the Milwaukee Art Museum invested $121 million in private funding to make a world-class architectural statement and to expand its exhibit space. A decade later, $1.4 million in publicly financed capital projects are being completed to remodel the north end of the original War Memorial Center (Saarinen) building. Those projects will create a new and more inviting main entrance, as well as additional parking space, both of which were lost to the MAM expansion. Those projects represent major capital investments in the War Memorial Center and include aspects of both meeting practical needs and enhancing the visual appeal of the facility. However, a long list of major capital repair issues remains unaddressed.

Preliminary estimates to address known problems needing repair, replacement or upgrade at the War Memorial Center total approximately $5.3 million. Many of the facility problems at the War Memorial Center are associated, directly or indirectly, with water infiltration and moisture issues. For instance:

- **The groundwater seepage problem** buckles portions of the wood flooring of MAM gallery space, exposing valuable pieces of the MAM collection to potential damage. The seepage produces a lingering musty odor in other exhibit areas. **Estimated cost: $76,200 but could be more based on unforeseen circumstances, as the problem is below surface level.**

- **The exterior glass-enclosed 'Bird Cage' stairway,** located within the courtyard and attached to the Saarinen building, is in need of replacement. The steel frame system is rusted and about 75% of the single pane glass sections are cracked. **Estimated cost: $834,000.**

- **The south exterior stairs** of the Saarinen building has deteriorated to the point where spalling (popping/flaking) and crumbling concrete has led to leaks of rainwater and ice/snow melt-off in the space below. This is especially critical because the space below the stairs is directly over MAM gallery space. **Estimated cost: $893,500.**

- **Other notable repair items:**
    - Fire alarm system replacement. **Cost estimate: $663,700.**
    - Roof removal and replacement—Kahler building. **Cost estimate: $500,000.**
    - Replace east glass façade—Kahler building. **Cost estimate: $440,000.**
    - Roof removal and replacement—Saarinen building. **Cost estimate: $400,000.**

Milwaukee County, owner of the War Memorial Center, has not performed its own assessment of the facility's physical condition, or estimated the cost to restore the facility to

a desirable condition. The list of problems and associated repair cost estimates used for this report (see **Exhibit 2**) was developed from interviews and data provided by WMI and the Milwaukee Art Museum. The County's five-year capital planning process forces each owner department/lessee to prioritize its facilities needs. Competing interests for limited County funds often mean that items identified as a repair and maintenance need may not be funded. This is clearly evident at the War Memorial Center, where the County's limited resources and a long list of capital repair needs has resulted in approval for the remodeling of the facility's main entrance over numerous repairs needed to address various water infiltration problems. The current state of disrepair at the War Memorial Center highlights the need for Milwaukee County, owner of the facility, to be more actively engaged in assessing and prioritizing its capital needs.

The current physical state of the War Memorial Center has several negative implications. The long list of known problems needing repair, replacement or upgrade at the War Memorial Center have the following negative implications:

- Significant portions of the $750 million MAM collection are at risk of damage.
- Accreditation of MAM by the American Association of Museums and the ability for the museum to attract future exhibits could be compromised.
- The facility's state of disrepair reflects poorly on the community's level of commitment to fulfill its intent to honor American veterans who have fallen in service to their country.

The War Memorial Center is a prime example of the general conclusion reached in a December 2009 audit report on the County's Park system—the County's infrastructure demands have outpaced available resources. Heading into the 2012 budget deliberation period, the County is facing a highly-publicized budget gap of an estimated $36.9 million and the second year of a two-year freeze on the issuance of general obligation bonds for new capital projects (due to accelerated bonding in 2009 and 2010 to take advantage of favorable market conditions resulting from the Federal Build America Bond Program). These stark realities create a pressing need to identify alternatives to County funding of needed War Memorial Center repairs.

New strategies are needed to sustain the War Memorial Center's original dual purpose of honoring veterans and promoting the arts.

With the Calatrava-designed 142,000 square-foot expansion and the iconic wing-inspired Brise Soleil, MAM became the dominant physical and architectural presence at the War Memorial Center site. The placement of MAM's expansion on the south side of the facility effectively eliminated what had been the main entrance, or 'front door,' to the War Memorial Center. The visual transformation

of the site is symbolic of the diverging arcs in the growth and vitality of the two underlying interests—honoring veterans and promoting the arts—that forged the center's founding vision.

With the notoriety of the Burke Brise Soleil, an improved financial position and growing attendance figures, MAM has excelled in achieving its core mission to serve the community and present art as a vital source of inspiration and education. In the ten years since the expansion, MAM has elevated the prestige of the institution, drawing world class exhibits such as Andy Warhol: The Last Decade and the current Summer of China series of five exhibitions celebrating 3,000 years of Chinese art and culture. At fiscal year-end 2010, MAM had net assets of $132.9 million, an Endowment Fund balance of $27.7 million and total attendance of 322,632, its highest since 2005.

During a similar time period, the WMI has experienced mixed results in achieving similarly ambitious goals related to its core mission of honoring war veterans. In 1999, the War Memorial Center Board of Trustees approved a new entity, the Wisconsin Veterans War Memorial/Milwaukee, to:

- Raise funds for renovation of the third and fourth floors of the original Saarinen Building. This effort was successful. According to WMI, approximately $2.6 million in donations were used toward renovations completed in 2000.

- Create an educational center—America's Freedom Center—which would be an interactive facility where young people and others could visit and participate in activities related to honoring veterans of the armed services. This goal was not achieved.

While the vision of an education center was not realized, WMI continued to achieve its mission of honoring veterans through maintaining and operating the War Memorial Center. With numerous major veteran-related events annually over the past decade and an average of 136 veteran-related facility rentals during the past five years, the WMI has successfully pursued its mission by making the War Memorial Center and surrounding area a focal point for significant veteran-related activity.

However, WMI has also pursued non-veteran related activity for revenue-generating purposes. In fact, the data show activity at the War Memorial Center is more heavily tilted toward non-veteran related activity than veteran-related activity, with about 80% of the facility rental activity and 89% of the office space used for non-veteran related purposes.

The War Memorial Center governance structure is antiquated and, given the scarcity of public resources, struggles to achieve its dual mission of honoring veterans and promoting the arts. There are several indications that the War Memorial Center Board of Trustees has

diminished in its relevance and is struggling to successfully achieve both aspects of its dual mission. These include:

- The governance structure was established to implement an initial vision of creating a cultural destination point that would honor the war dead from World War II through principals of arts and peace. However, the individual entities composing the War Memorial Corporation are not collectively sited at the War Memorial Center's lakefront location, as originally envisioned. Only the MAM and WMI are at the lakefront site.

- The Board of Trustees' oversight role is limited. Our review of meeting minutes indicates the Board of Trustees meets only quarterly, for approximately one hour per meeting, at which times each member entity reports on the previous quarter's activities.

- The current governance structure of the WMI and the scarcity of public resources have resulted in the War Memorial Center's current state of disrepair, with $5.3 million in known and necessary capital improvements, but little current prospect of funding those repairs from either public or private sources.

  Working under its management lease agreement with the County, the WMI has been unable to maintain the War Memorial facility at a desirable level with the public resources provided. The Memorial Board of Trustees, with membership that includes representatives from the individual boards overseeing four facilities of their own (MAM, the Marcus Center for the Performing Arts and the Charles Allis and Villa Terrace Art Museums), creates additional challenges due to an inherent internal competition for limited public resources.

- According to the Chairman of the Memorial Board of Trustees, the effort expended to realize the America's Freedom Center Foundation vision of an interactive education center diverted community resources and the Board of Trustees' time away from addressing the War Memorial Center's facilities needs. A separate War Memorial Center Facilities Board of Directors is being assembled. Authorized to be included in the WMI governance umbrella by the Board of Trustees in October 2009, prospective members of the Facilities Board were still being solicited as of the issuance of this report.

  The original management and lease agreement between Milwaukee County and the WMI includes the following provision:

  > *It is further agreed that the War Memorial buildings and facilities shall not be used for any purpose other than a purpose recognized under the laws of the State of Wisconsin as a public purpose.*

  Other than an indirect revenue-generating benefit, it does not appear any public purpose is provided by current War Memorial Center tenants such as a law firm or a business acquisition consulting firm.

Frank discussion is needed to develop a unified future vision for the War Memorial Center. That vision should ensure that the facility is properly restored and maintained in a manner that is consistent with, and will sustain, its original dual purpose of honoring veterans and promoting the arts.

Based on documentation of the magnitude of pressing physical repairs needed at the War Memorial Center, as well as the relative successes of the WMI and MAM in achieving their specific goals

during the past decade, we recommend that the Milwaukee County Board of Supervisors consider simultaneous pursuit of the following strategies:

Challenge/Energize the War Memorial Center Board of Trustees.

- Encourage the current movement to create a War Memorial Center Facilities Board. Efforts of this board should focus on developing mission-relevant tenants and public uses of the building rather than leasing space to entities for revenue-generating purposes only.

- Promote additional veteran-related programming, including greater emphasis on the country's current wars in Afghanastan and Iraq.

- Consider hiring a programming consultant or collaborating with MAM staff to identify new mission-related revenue streams.

Direct the Milwaukee County War Memorial, Inc. to work collaboratively with the Milwaukee Art Museum and the County Department of Transportation and Public Works to establish a firm prioritization of War Memorial Center repair items and authorize a specified amount of capital investment beginning in 2013 to restore the facility in good repair.

- This strategy could involve a collaboration with MAM and veterans' groups to establish a capital campaign to 'Restore the Memorial' with a specified ratio of matching public funds for private funds raised.

- This strategy could include obtaining a commitment on the part of MAM to assume financial responsibility for various War Memorial Center repair items identified in **Exhibit 2.**

Task the Milwaukee County War Memorial, inc. and the Milwaukee Art Museum with collaborating to develop a long-range plan with a specific timetable to transition away from dependence on Milwaukee County financial support for War Memorial Center facility needs.

- This plan could consider a more collaborative role between WMI and MAM staff in day-to-day management of the War Memorial Center. This could include shared services, collaborative programming, and potentially, gradual consolidation of some staff positions. For instance, WMI employs five full-time and one part-time staff for facilities/maintenance, including a facility engineer. MAM employs three full time staff for facilities, including a facility engineer. Marketing and events planning are additional areas of potential consolidation.

- Any long-range plan should include establishing strict assurances in the form of contractual obligations to provide programming, space, staff and budget resources to honor veterans.

The report contains recommendations to address specific problems identified. We wish to acknowledge the cooperation of both WMI and MAM management and staff throughout our review. A joint management response from both WMI and MAM appears as **Exhibits 3**.

Background

In the mid-1940s, three women's civic groups collaborated in forming a two-fold vision: to create a permanent memorial commemorating the war dead of World War II, and to provide a home for Milwaukee's growing visual and performing arts community. In 1945, the Milwaukee County War Memorial Center, Inc., a non-profit organization, was formed to bring that vision to fruition. In 1998, the corporation formally changed its name to the Milwaukee County War Memorial, Inc. (WMI).

The original War Memorial Center, a unique 125,800 square foot building designed by renowned architect Eero Saarinen, was completed in 1957. It was dedicated on Veterans Day 1957 as a testament to the men and women who served the nation when called. A mosaic mural was installed on the west façade of the building in 1959. The mural contains roman numerals signifying the beginning and ending dates of WWII and the Korean War, respectively. Construction began in 1972 for an addition to house the growing collection of the Milwaukee Art Museum (MAM). The Kahler Building Addition, named after the Milwaukee firm that designed the building, was dedicated in 1975, adding approximately 170,000 square feet to the War Memorial Center. As with the initial Saarinen building, construction of the Kahler addition was funded by private donations. Throughout this report, we refer to the original Saarinen building and the Kahler addition (which space is utilized entirely by MAM) collectively as the War Memorial Center.

The WMI's mission remains to "Honor the Dead by Serving the Living" through the principals of arts and peace. Following is a timeline of major milestones in the development of the War Memorial Center, located on the lakefront at 750 N. Lincoln Memorial Drive. A map of the War Memorial Center as currently configured is presented as **Figure 1**. A graphical depiction of the timeline is presented as **Figure 2**.

Milwaukee County War Memorial, Inc. Milestones

1945—Creation of WMI. The initial goal of the non-profit organization is to raise $5 million to construct three facilities: a War Memorial Center, a visual arts center, and a performing arts center.

1947—Having raised private donations of $2 million, plans are revised to construct one building as both a war memorial and visual art center, with a performing art center to be constructed at a later date.

1953—The Milwaukee County Board of Supervisors approves use of lakefront property within Juneau Park for a War Memorial Center site.

1955—Construction begins on the War Memorial Center, with the Milwaukee Art Institute and the Layton Art Gallery each contributing funding in exchange for permanent space to house their art collections.

1957— On Veteran's Day, 1957, the building is dedicated.

1966—The Villa Terrace Decorative Arts Museum is added to the WMI

1969—The Performing Arts Center (now known as the Marcus Center for the Performing Arts) is added to the WMI.

1972—Ground is broken for a major addition to the War Memorial Center, to house the growing MAM collection. The building, known as the Kahler addition or the Kahler building, is dedicated in 1975. For clarity, the original building is often referred to as the Saarinen building.

1979—The Charles Allis Art Museum is added to the WMI

1991—The Southeast Wisconsin Vietnam Veteran's Memorial is dedicated.

1997—Ground is broken for construction of the Santiago Calatrava-designed Burke Brise Soleil and Quadracci Pavillion. This critically acclaimed $121 million expansion of the facility, located adjacent to the Saarinen building, was funded by the Milwaukee Art Museum with private donations.

2001—The MAM expansion is opened to the public.

Figure 1
View of War Memorial Center
and Milwaukee Art Museum

Figure 2

Timeline of Milwaukee County War Memorial, Inc. Milestones

1940s

1945: Three women's civic groups (Zonta, Business & Professional Women's Club and Altrusa) collaborate to honor the dead of WWII and to provide a home for Milwaukee's growing visual and performing arts community. The Milwaukee County War Memorial, Inc. (WMI) is formed.

1947: $2 million in private funds is raised to construct a War memorial and visual arts center, with the intention of adding a performing arts center at a later date.

1950s

1953: Milwaukee County Board approves Juneau Park for War Memorial Center site. Milwaukee County assumes legal title of the building and gives responsibility for operations to Memorial Board of Trustees.

1955: Construction begins on the War Memorial Center designed by architect Eero Saarinen. The Layton Art Gallery and the Milwaukee Art Institute each contribute construction funding in exchange for permanent space in the facility.

1957: The War Memorial Center is dedicated on Veteran's Day, 1957.

1960s

1966: Villa Terrace Decorative Art Museum is donated to Milwaukee County and becomes a Constituent Member of the WMI by amending the original lease agreement.

1969: Performing Arts Center (Marcus Center for the Performing Arts) is donated to Milwaukee County and is added as a Constituent Member of the WMI.

1970s

1975: The Kahler building addition to the original War Memorial Center is completed to house the growing Milwaukee Art Museum collection.

1979: Charles Allis Art Museum is donated to Milwaukee County and is added as a Constituent Member of the WMI.

1990s

1991: Southeast Wisconsin Vietnam Veteran's Memorial is dedicated.

2000s

2001: Milwaukee Art Museum completes the Calatrava-designed expansion of the War Memorial Center, including the Quadracci Pavilion and featuring the iconic Burke Brise Soleil.

Source: Auditor Prepared Using WMI Data.

Governance and Operations

Under the terms of a lease agreement authorized under Chapter 45 of the Wisconsin State Statutes, Milwaukee County has accepted legal title to all buildings and facilities constructed under the auspices of the WMI. This means that, with the notable exception of the Quadracci Pavilion, the Calatrava-designed expansion to the Milwaukee Art Museum that was completed in 2001, Milwaukee County has assumed the role of 'landlord' and is ultimately responsible for the physical condition of the War Memorial Center. The same lease agreement provides for the WMI to manage day-to-day operations of the War Memorial Center facility, essentially casting the non-profit organization in the role of 'property manager.' In matters concerning the Brise Soleil and the Quadracci Pavilion addition, the Milwaukee Art Museum assumes the roles of both landlord and property manager.

During the course of our audit, we conducted extensive internet research and made direct contact with 10 entities in an attempt to identify facilities similar to the War Memorial Center to identify best practices. Our research has led us to conclude that the Milwaukee County War Memorial Center is indeed unique in its dual mission to honor the service of veterans as well as to promote the arts.

Governance

The WMI's basic governance structure is outlined in §45.75, Wis. Stats. From its incorporation in 1945, its collaboration with Milwaukee County and its subsequent expansions, the WMI now comprises the Villa Terrace Decorative Arts Museum, the Marcus Center for the Performing Arts and the Charles Allis Art Museum, as well as the Milwaukee Art Museum. These expansions have resulted in multiple boards and reporting lines. Including the Milwaukee County Board of Supervisors, there are six separate boards of directors (a seventh has been authorized and is in the process of forming as of the release of this report).

According to its by-laws, corporate membership in WMI includes eight Special Members (four County Board members and four county residents); no more than 20 Constituent Members (four designees each from five separate entity boards) and two Non-Resident Members. From this 30-member corporate membership, a smaller group of 15 acts as a Memorial Board of Trustees to coordinate and oversee the operation and maintenance of the WMI. The Memorial Board of Trustees includes the eight Special Members, the two Non-Resident Members, and five Constituent Members elected from the 20 Corporate Constituent Members. The WMI governance structure is shown in **Figure 3**.

Figure 3
Milwaukee County War Memorial, Inc.
2011 Governance Structure

Milwaukee County Board of Supervisors

15-Member Memorial Board of Trustees

County Board Supervisors (4)	Resident Members (4)	Constituent Members (5)	Non-Residents (2)
Appointed by the County Executive and confirmed by County Supervisors	Appointed by the County Executive and confirmed by the County Board	One designated from each of the 5 Constituent Boards of Directors	Selected by the Nomination Committee of the War Memorial Center Corporation

20 Constituent Members
(Attends Annual Meeting)

War Memorial Center Facility Board of Directors (4)	Veterans Board of Directors (4)	Milwaukee Art Museum Board of Trustees (4)	Charles Allis/Villa Terrace Board of Directors (4)	Marcus Center for the Performing Arts Board of Directors (4)
Designated by the Memorial Facility Board Chairman **(In Formation)**	Designated by the Veterans Board Chairman	Designated by the MAM Board Chairman	Designated by the Charles Allis/Villa Terrace Board Chairman	Designated by the Performing Arts Board Chairman

Source: WMI.

Following is a brief description of each of the entities involved in the WMI governance structure.

- **Milwaukee County Board of Supervisors**—Has ultimate fiduciary responsibility for the War Memorial Center facility (with the exception of the Calatrava-designed expansion undertaken by MAM) and surrounding parkland, as well as the facilities occupied and operated by the Charles Allis/Villa Terrace Art Museums and the Marcus Center for the Performing Arts. Provides funding in support of operations and capital repairs/upkeep for each entity.

    - **Memorial Board of Trustees**—Responsible for the management and operation of all buildings and improvements constructed with funds supplied by the WMI, pursuant to rules and regulations adopted by the County Board. The Board of Trustees appoints an Executive Director position to manage day-to-day operations.

        - **Veterans Board of Directors—**Responsible for management of the affairs and business of the Veterans Board of Directors, currently comprising the following organizations:

American Legion	Military Order of the Purple Heart
AMVETS	Military Order of the World Wars
Army & Navy Union, U.S.A.	Milwaukee Cty. Veterans Service Office
Catholic War Veterans	Milwaukee Metro NCO Council
China-Burma-India Veterans Assn.	National Assn. of Black Veterans
Disabled American Veterans	Polish Legion of American Veterans
Fleet Reserve Association	Veterans of Foreign Wars
Jewish War Veterans	Vietnam Veterans of America
Marine Corps League	Wisconsin Vietnam Veterans
Military Officers Assn. of America	

        - **Milwaukee Art Museum Board of Trustees—**Responsible for oversight and management of the property, affairs and business of the Milwaukee Art Museum, an institution committed to advancing the appreciation and understanding of the visual arts.

        - **Charles Allis/Villa Terrace Board of Directors—**Responsible for overseeing management and operation of the Charles Allis Art Museum, and the Villa Terrace Decorative Arts Museum. The Charles Allis Art Museum was designed by prominent Milwaukee architect Alexander Eschweiler for Charles Allis, the first president of Allis Chalmers, and his wife Sarah in 1911. The mansion and art collection was built with the sole purpose of bequeathing it to the public. The Villa Terrace Decorative Arts Museum was designed and built in the style of an Italian Renaissance villa by architect David Adler in 1923. The building was originally the residence of former A.O. Smith president, Lloyd Smith, and his family. The museum features fine and decorative arts dating from the 15th through the 18th centuries.

        - **Marcus Center for the Performing Arts Board of Directors—**Responsible for overseeing management and operation of the Marcus Center for the Performing Arts. The Center offers cultural and community programming and is home to performing artists such as the Milwaukee Symphony Orchestra,

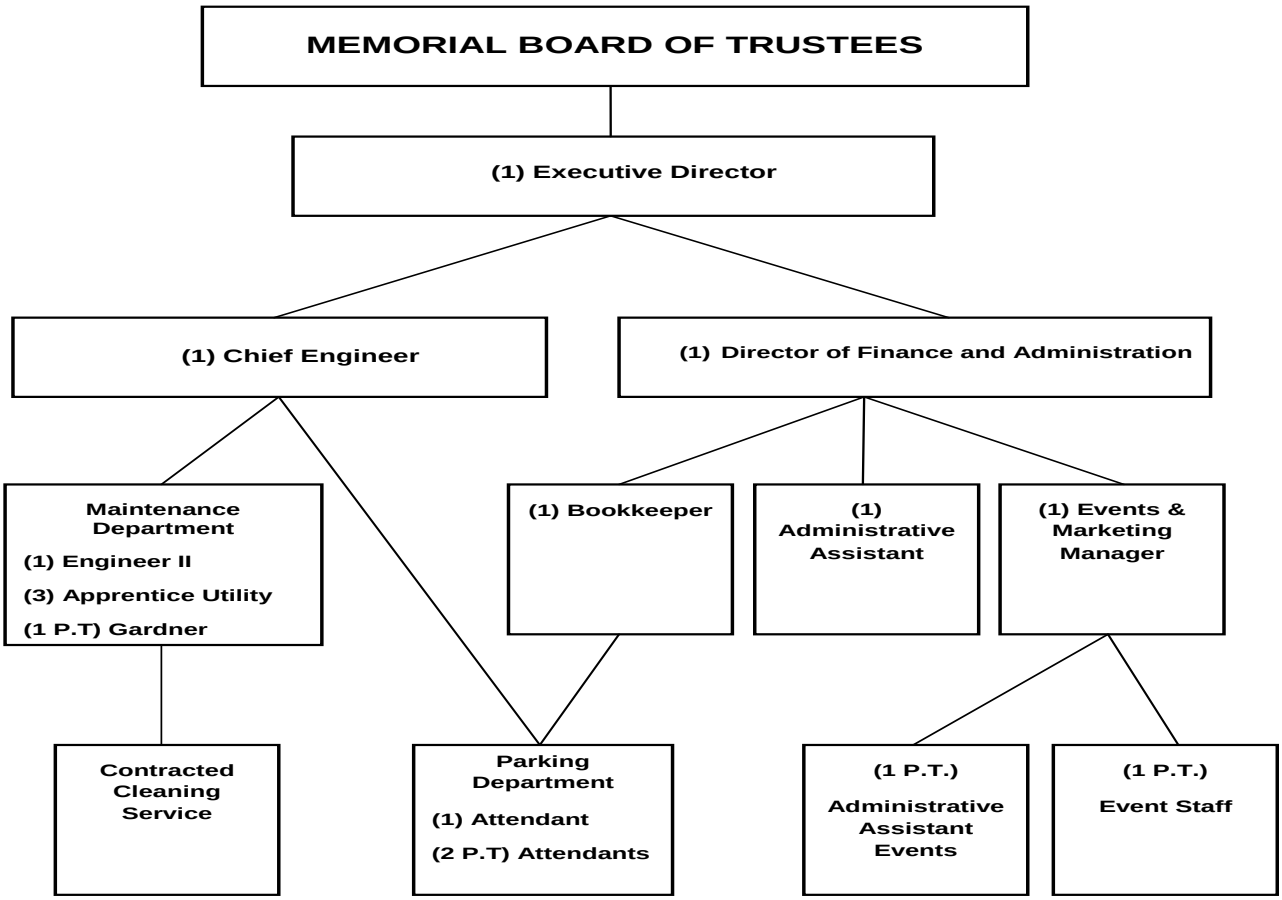
Milwaukee Ballet Company, Florentine Opera Company and First Stage Milwaukee, among others.

- **War Memorial Center Facility Board of Directors—**Established in concept by the Memorial Board of Trustees in 2009 to be responsible for overseeing management and operation of the War Memorial Center facility, relieving the Board of Trustees from those duties specific to the facility. According to the Chairman of the Memorial Board of Trustees, this new War Memorial Center Facility Board will be on equal footing with the other Constituent Boards of Directors and will permit the Memorial Board of Trustees to focus more on its general policy and oversight function, and less on day-to-day facility operations and maintenance issues. It is anticipated the new War Memorial Center Facility Board will be named and operating before the end of 2011. According to the WMI Executive Director, once the new facility board is functioning, his position will report directly to the new board, as well as the Memorial Board of Trustees, essentially wearing 'two hats.'

Operations

Milwaukee County has contracted with the WMI since 1954 to operate and maintain War Memorial Center buildings and grounds. Over this period, WMI has operated in a manner similar to a County department for budget purposes. Each year it provides the County Board with a budget of revenues and expenses for the coming year. As with County departments, it is expected to minimize the amount of tax levy support it needs to operate by raising revenues and/or reducing operating expenses. County procedures for requesting capital improvements are also followed by the WMI. However, the WMI remains contractually independent, maintaining separate books and records. The WMI provides the County with quarterly financial reports as well as annual audited financial statements each year. **Figure 4** shows the organizational chart of the 16-member WMI staff.

Figure 4
WMI
Staff Organizational Chart



Source: Auditor Prepared Using War Memorial Center Data.

On September 30, 2010 the Milwaukee County Board of Supervisors approved a Resolution [File No. 10-75] directing the Director of the Department of Audit to perform a facilities space and parking needs audit of the Milwaukee County War Memorial Center.

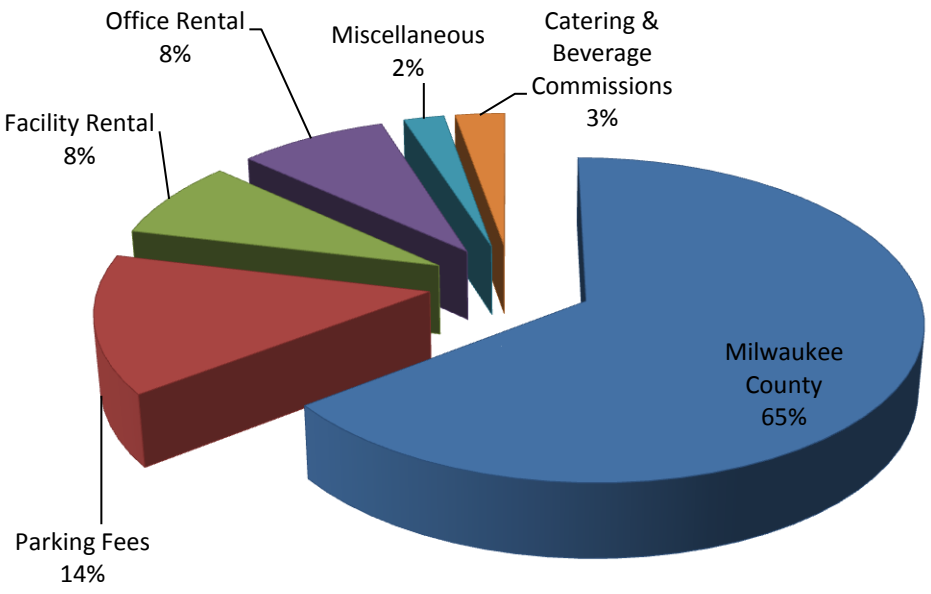
Section 1: War Memorial Center operations are supported with a mix of public and private revenue streams.

Historically, the War Memorial Center has relied primarily on three revenue streams.

Since 2007, the County's annual support of $1.5 million represents about two-thirds of total War Memorial Center revenues.

Facility rental fees, office rental charges and parking fees help reduce the War Memorial Center's dependence on County funding. However, the bulk of War Memorial Center operations are funded by County tax levy support. Since 2007, the County's annual support of $1,504,594 represents 65.3% of total War Memorial Center revenues. The remaining revenues have come primarily from parking fees (14%), facility rental fees along with related catering and beverage commissions (11%), and office rentals (8%). **Figure 5** breaks out the percentage of revenue provided by each revenue source over the period 2007–2011.

Figure 5
Source of War Memorial Center Revenues
2007—2011



Source: Audited financial records and War Memorial Center budget information.

During the past five years, the War Memorial Center has generated an average of about $185,400 from facility rental charges.

The War Memorial Center generates revenues throughout the year by renting out available space to the public for special events, such as weddings, meetings, veterans ceremonies, etc. It also earns commissions through related catering services. Available indoor space for rental includes Memorial Hall, a 5,100 square foot room on the 3rd floor of the Saarinen building, along with 4th floor rooms set aside for meetings. Outside the building, WMI rents out Fitch Plaza, an outdoor venue located atop the Kahler building overlooking Lake Michigan. In addition, it rents out the adjoining Veterans Gallery to interested parties. In general, use of War Memorial Center facilities by veterans groups and others for activities related to the mission of the WMI are free of charge.

Facility rentals involving caterers provide additional revenue in the form of commissions from catering and beverage sales. The War Memorial Center has generated an average of about $64,000 from accompanying catering and beverage commissions over the past five years. **Table 1** summarizes the facility rental activity for the War Memorial Center during the past five years.

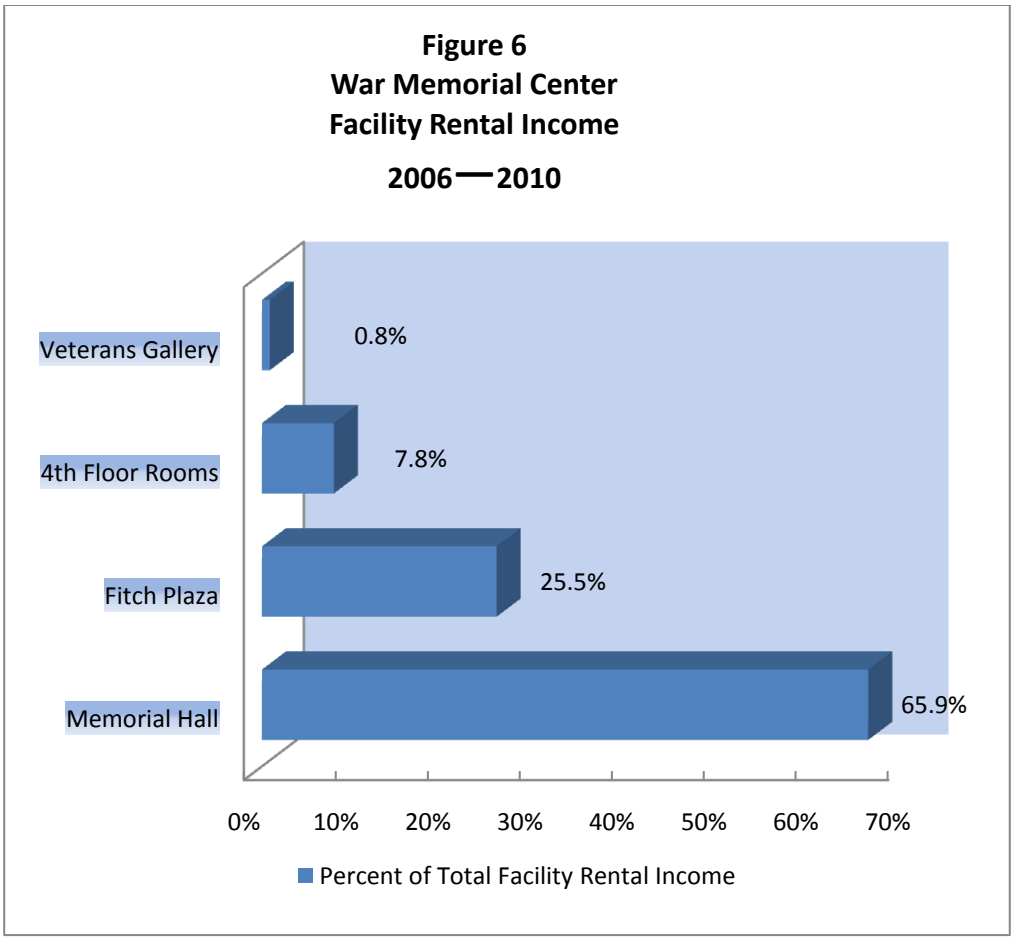
Table 1
Summary of War Memorial Center
Facility Rental Activity
2006—2010

Rental Area	2006	2007	2008	2009	2010
Memorial Hall					
No. of events	214	214	226	290	303
Attendance	27,626	27,748	32,152	48,140	54,398
Revenues	$81,055	$87,855	$96,826	$133,705	$152,145
Fitch Plaza					
No. of events	59	54	59	71	73
Attendance	4,061	4,621	4,127	4,278	4,040
Revenues	$23,075	$31,832	$56,700	$48,041	$53,834
4th Floor Rooms					
No. of events	422	424	464	393	444
Attendance	5,964	5,022	4,216	3,772	4,503
Revenues	$12,443	$13,335	$12,922	$11,535	$15,165
Veterans Gallery					
No. of events	12	9	10	25	23
Attendance	1,185	2,050	1,059	1,240	1,110
Revenues	$1,600	$1,125	$1,500	$1,820	$1,050

Source: War Memorial Center facility rental statistics.

Memorial Hall is the biggest facility revenue generator at the War Memorial Center.

The five year trend in the number of scheduled events reflects a general increase. These statistics also highlight that rental of Memorial Hall, at 65.9%, is by far the biggest facility revenue generator over the past five years. This is followed by the rental of Fitch Plaza (25.5%), 4th Floor meeting rooms (7.8%) and the Veterans Gallery (0.8%). These data are depicted in **Figure 6**.



During the past five years, the War Memorial Center has generated an average of about $192,700 in office space rental revenue.

War Memorial Center office space is leased by nine non-profit and three for-profit

WMI also rents about 10,400 square feet of office space, located primarily on the 3rd and 4th floors of the Saarinen building, to various entities on an annual basis. In addition, prior to 2011, when renovations began on the new north entrance to the War Memorial Center, classrooms were rented out on a lower level of the building. According to the WMI Executive Director, the emphasis has been to lease to non-profit organizations, but it also rents to for-profit businesses. It currently leases space to 12 organizations—ten non-profit and two for-profit.

Following are the current tenants at the War Memorial Center, the amount of space leased, and a brief background on each.

Non-profit Organizations

AMVETS Department of Wisconsin (832 square feet)**—**A non-profit organization which allows any person who served in the Armed Forces of the US to become a member. AMVETS provides free claims assistance to veterans, their dependents and survivors. Of particular interest to the organization are issues related to veteran's health care and other entitlements, POW/MIA accountability, national defense and flag protection.

World Trade Center of Wisconsin (601 square feet)**—**Part of the New York based World Trade Centers Association, a not-for-profit, non political entity with an overall mission of "Peace and Stability Through Trade."

SHARP Literacy, Inc. (1,171 square feet)**—**An independent non-profit program which means "Student Historical Art Resource Program." SHARP teaches young students how to read and write effectively by using the visual arts and art history as tools for learning their required vocabulary and academic concepts.

Kiwanis Club of Milwaukee (346 square feet)**—**A non-profit club which takes on humanitarian and civic projects that many public authorities are not prepared or able to perform. Kiwanis focus on the special needs of the community such as helping the elderly, promoting literacy, and supporting youth sports.

Rotary Club of Milwaukee, Inc. (601 square feet)**—**A non-profit organization that is committed to service in the community. Rotary's best-known motto is "Service above Self," and its secondary motto is "They profit most who serve best."

Chipstone Foundation (2,370 square feet)—A non-profit organization collection of decorative arts, which centers around early American furniture and historical prints, and seventeenth and eighteenth century British pottery. A partnership between Chipstone and Milwaukee Art Museum allows the art to be displayed at the Milwaukee Art Museum.

Milwaukee Art Museum (660 square feet)**—**A non-profit organization which collects and preserves art, presenting it to the community as a source of inspiration and education. MAM rents 660 square feet of space on the lower level of the Saarinen building. MAM pays no rent or utility charges for all other space it occupies at the War Memorial Center, including 8,880 square feet of administrative office space and 16,570 square feet of gallery space in the Saarinen building, as well as approximately 170,000 square feet of space in the Kahler addition.

USO of Wisconsin (360 square feet)—The United Service Organizations (USO) is a non-profit organization whose mission is to enhance the quality of life of the US Armed Forces

personnel and their families worldwide, and to create a cooperative relationship between US military communities and involved or supporting civilian communities through morale-boosting and support programs and services.

Milwaukee Church of Christ (612 square feet)**—**A non-denominational, Bible based church affiliated with the International Churches of Christ.

International Association for Orthodontics (1,638 square feet)**—**A non-profit organization representing general dentists, pediatric dentists and other dentists that provide orthodontic care to patients.

For-Profit Organizations

Marjory S. Stewart Law Office, LLC (637 square feet)**—**A for-profit law office that focuses on most aspects of business law, intellectual property protection and litigation, and civil disputes. The law office does a considerable volume of trademark and copyright work along with advising clients on trade secrets and some patent matters.

Pentvia Partners (612 square feet)**—**A for-profit merger and acquisition advisory firm that focuses on serving growth-oriented privately-held businesses in the lower-middle market, defined as companies generating annual revenues between $2 million and $20 million.

The average lease rate of $18.68 per square foot charged for office space at the War Memorial Center is about 23% above the average for the surrounding area.

All War Memorial Center office space lease rates were within the broader range of rates found in the surrounding area.

This premium is not surprising given the prime location the War Memorial Center presents to potential renters. While there was some internal variances in the rates charged to the War Memorial Center's tenants, we confirmed that all rates were within the broader range of rates found in the surrounding area. It should be noted that none of the rates we used for comparison were on the banks of the lakefront, as is the War Memorial Center. **Table 2** identifies the amount of space leased from the War Memorial Center, along with the rates charged. In two instances, tenant space is divided among two lease agreements.

Table 2
War Memorial Center
Office Space Rental
August 2011

Organization	Square Footage	Rate per Square Foot
International Association for Orthodontics	1,638	$20.96
Chipstone Foundation	1,758	20.22
Chipstone Foundation	612	19.34
Marjory S. Stewart Law Office, LLC	637	19.89
Pentvia Partners	612	19.67
SHARP Literacy, Inc.	1,171	19.14
World Trade Center of Wisconsin	601	19.14
Milwaukee Church of Christ	612	18.54
AMVETS	232	16.97
AMVETS	600	13.14
Milwaukee Art Museum	660	16.58
Kiwanis Club of Milwaukee	346	16.13
Rotary Club of Milwaukee	601	16.11
USO of Wisconsin	360	14.67
Total sq. ft	10,440	
Average per sq. ft.		$18.68

Source: WMI contract documents.

We compared the lease rates charged for War Memorial Center space with local lease rates as published by LoopNet, a commercial real estate organization that provides real estate listings for sale and lease properties. **Table 3** summarizes the results of our review

Table 3
War Memorial Center Office Space Rental
Comparison of Lease Rates
With Surrounding Market

	84 Offices	War Memorial Center
➢ Average annual cost per square foot	$15.19	$18.68
➢ Range of annual cost per square foot	$8.00 - $23.00	$13.14 – $20.96
➢ Median cost per square foot	$15.00	$18.84

Source: LoopNet real estate listings.

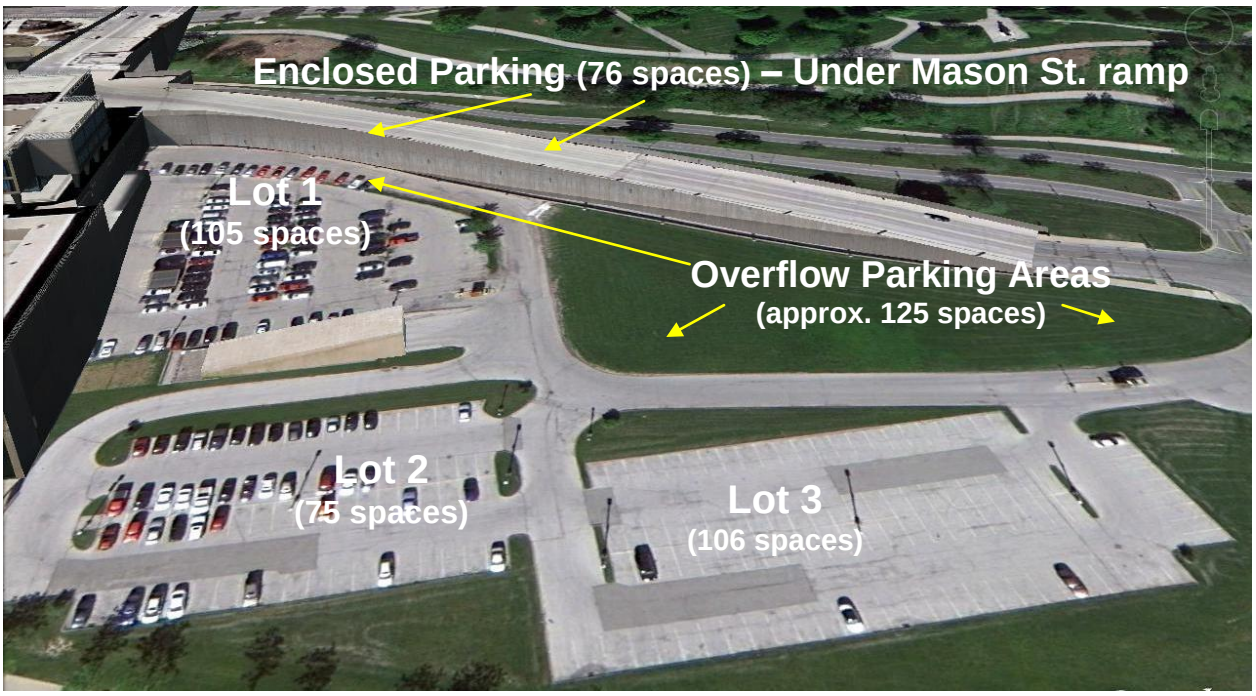
Parking revenues have averaged about $328,100 annually during the past five years.

To help defray County tax levy support, the War Memorial Center has charged its patrons and others using the lakefront for parking in its lot.

Parking Availability

Until 2011, available parking was located on three sectioned surface lots located in the area just north of the War Memorial Center, as shown in **Figure 7.**

Figure 7
Available Parking Operated by WMI
July 2011



The lot directly adjoining the War Memorial Center's north entrance (referred to as Lot 1 for report purposes) has spaces for 105 vehicles. Just to the east of that lot are two addition parking sections bordering Lake Michigan. Lot 2, the section directly east of Lot 1, has lined parking spaces for 75 vehicles, while the section just to its north (Lot 3) has spaces for an additional 106

vehicles. This provides a total number of striped spaces for 286 vehicles.

Space not specifically designated for parking is used to handle overflow situations on days where volume exceeds capacity. An estimated 100 vehicles can park on the grass area just north of Lot 1, east of the Mason Street ramp leading onto Lincoln Memorial Drive. In addition, up to 25 vehicles routinely park along the curb of the roadway leading to the War Memorial Center's north entrance, directly west of Lot 1.

The total number of lined parking spaces at the War Memorial Center is 362; there are an additional 125 unmarked overflow spaces.

The overflow situation was mitigated to some extent in June 2011 when a large storage area below the Mason Street ramp leading to Lincoln Memorial Drive was converted into an enclosed parking area for 76 new parking spaces. This space had been previously used by the Parks Department for storing items related to the Mitchell Park Domes, Bradford Beach and McKinley Marina operations. According to WMI management, these new spaces are being offered to War Memorial Center tenants first for assigned monthly parking. This brings the total number of lined War Memorial Center parking spaces to 362, not including the 125 unmarked overflow spaces.

Additional parking is located nearby to help alleviate over-capacity instances at the War Memorial Center. MAM's parking garage, whose entrance is on the south end of the museum, has 97 parking spaces. Also, the reopening of O'Donnell Park provides up to 350 spaces for daily parking, after taking into consideration monthly and reserved parking commitments. **Table 4** summarizes the number of available parking spots for the War Memorial Center.

Table 4
War Memorial Center—Available Controlled Access Parking Lots

War Memorial Center:	**No. of Spaces**
• Surface Lot 1 (adjoining north entrance)	105
• Surface Lot 2 (east of Lot 1)	75
• Surface Lot 3 (north of Lot 2)	106
• Enclosed Lot (under Mason St. ramp to	
• Lincoln Memorial Drive)	76
Total Lined Parking Spaces	362
Overflow Parking (no lines for parking):	
• Grass area between Mason St. ramp and parking entrance roadway	100
• Along curb on roadway leading to enclosed parking area	25
Total War Memorial Center Parking	**487**
Additional Nearby Parking:	
• MAM (underground parking lot)	97
• O'Donnell Park (excluding reserved/monthly spots)	350
Total Available Parking	934

Source: WMI staff, Parks Department memo re: O'Donnell Park spaces, and a physical count of actual parking spaces.

Improved parking system controls are needed to reduce the likelihood of collection losses and unauthorized access.

The parking system used by the War Memorial Center is antiquated by current standards.

The parking system used by the War Memorial Center is antiquated by current standards. It does provide statistical information on the total number of different types of transactions that occur in a given day. For example, information provided by the system is used to identify how many vehicles were for monthly tenant parking, daily cash parking, MAM volunteer parking, general monthly parking, etc. However, it does not provide real time information on the number of vehicles in the lot at any given moment, taking into consideration vehicles that have exited. Such data is useful not only in controlling admittance at times when the lot is completely full, but also in providing historical evidence on percent of capacity for future planning purposes.

Overflow conditions generally occur during highly attended regularly scheduled events at the War Memorial Center, such as weekly Rotary Club luncheon meetings and Free Admission Thursdays on the first of each month at the Milwaukee Art Museum. They also occur for nearby events, such as the July 3rd lakefront fireworks or Summerfest. We reviewed available parking statistics from January 2010 through May 2011 to help provide some insight as to the frequency by which a day's parking volume may have required use of the overflow areas. Statistics showed, for example, 97 of 504 days during this timeframe where total parking activity exceeded 300 cars (capacity without the overflow is 286). We recognize it is not likely that all cars were present at the same time. We provide this to help provide perspective as to how frequently overflow situations may occur.

An analysis focusing on daily parking provides another indication of overflow situations. We identified 24 days in which just the number of cars charged a daily fee exceeded 286 (the lot's capacity). A review of these days showed total parking ranged from 317 to 723 cars. By reviewing lakefront event calendars we identified several events that likely resulted in use of the overflow area in addition to those listed above, such as:

- Strain for the Brain 5K Walk/Run (May 14, 2011)
- Kite Society of Wisconsin and Illinois (May 15, 2011)
- Milwaukee Air & Water Show (June 12-13, 2010)
- Lakefront Festival of the Arts (June 17-19, 2011)
- Milwaukee's Lakefront Marathon (Oct, 2, 2010)
- Milwaukee Wine Festival (August 20-21, 2010)

WMI management noted that it limits the number of monthly parking available to the general public to help ease overflow instances (99 for August 2011). This helps ease overflow problems during the week. However, many of the highest volume days were on the weekend, for which monthly permits are not valid. Also, the new parking area under the Mason St.

ramp, provides no relief as it is not open to the public on weekends.

It is possible to divert cash receipts without detection.

We noted other problems related to WMI's parking system. Of most concern is the practice of not issuing receipts for cash transactions unless requested by the customer. Without this important control, the customer cannot see how the transaction is being recorded. We noted that it is possible for the cashier to record a daily parking cash transaction as a monthly parking pass without being detected by the system, and simply take the cash received. From a system perspective, there would be no shortage since there is no daily revenue associated with monthly pass usage.

We performed a spot test of the system by paying cash for daily parking without requesting a receipt, and subsequently reviewing the cash register tape to see how the sale was recorded. We found no improprieties in this limited test.

WMI's parking policies and procedures require that receipts be provided to cash paying customers. However, WMI management admitted that this requirement was not being enforced. WMI management pointed out that they have recently hired a firm to surreptitiously observe weekend parking activity to determine if fraudulent activity was occurring outside of normal weekday hours. No problems were noted by the firm.

Issuing receipts for all cash transactions is a basic tenet of good internal controls. To reduce the likelihood of cash register pilfering, we recommend that WMI management:

1. *Enforce its policies and procedures for parking by requiring parking staff to issue cash receipts for all cash transactions.*

Generally, parking facilities are designed to control access to only authorized customers. However, such is not the case with WMI's parking lot. The entrance and exit gates are kept in the

‘up’ position to allow free access to and from the unattended lot when parking attendants leave for the day. This can occur as early as 2:00 p.m. on Mondays through Wednesdays.

As a result, the lot may be used for unintended purposes. For example, we noted an instance where the lot was used by a man sleeping in his car overnight. The Office of the Sheriff and the City of Milwaukee Police Department statistics show the overall number of reported incidents at the War Memorial Center averaged about four per month, with heaviest concentration during the summer months. The statistics lacked sufficient detail to isolate incidents occurring in the War Memorial Center parking lots, but the open access provides an opportunity for undesirable activity including drug transactions, illegal drinking and loitering.

According to WMI management, attempts to curtail access have resulted in cars simply jumping the curb near the lot entrance, occasionally damaging the gate. However, steps can be taken to better regulate the use of the parking lot by only authorized vehicles. Remedies to effectively discourage improper entrance and exit include raising the curb height, installing soft barriers through the use of landscaping, and even more extreme measures such as metal plates that flatten tires on vehicles improperly entering the lot.

Having the lot unattended during hours where both the War Memorial Center and MAM are open could also reduce net parking revenues. For example, we noted an instance of a customer driving up to the gate about 1:45 p.m. on a Wednesday to park, only to back out before passing the entrance gate and return just after the parking attendant had left for the day. Turnarounds such as this are frequent enough to include it as a category on their daily reconciliation sheet. While it is unknown how many turnarounds could be instances of lost revenue, it is clear that revenues are affected by current practices.

WMI management noted that an analysis of parking activity was the catalyst for closing earlier on select days. However, it was uncertain when the analysis was done, or what activity level was needed for revenues to cover expenses. War Memorial Center does not perform cost or programmatic accounting for its primary revenue-generating activities, thus cannot accurately determine what volume of parking is needed to break even.

While a complex accounting system may not be needed to make business decisions such as this, cost effectiveness should not be the sole reason for closing before the end of the business day. The presence of a parking attendant can provide a degree of safety to customers returning to their cars. Attendants can also deter car break-ins and vandalism. Further, the early closings could have an unintended side effect on MAM parking revenues. MAM patrons arriving after 2:00 p.m. could decide to park for free in the War Memorial Center parking lot rather than pay for MAM parking. However, MAM officials were uncertain of the extent this may be happening.

Developing cost centers for parking and other revenue activities could help in making future decisions if modernizing the existing parking system is considered.

Developing cost centers for parking and other revenue activities could help in making future decisions if modernizing the existing parking system is considered. There are a variety of different systems that can be used to automate parking lots, resulting in better internal controls and in some cases eliminating the need for parking attendants. The War Memorial Center has one full-time and two part-time attendants, whose salary plus fringe benefits costs are about $50,000 annually.

To improve its ability to manage parking revenues and restrict unauthorized entry, we recommend that WMI management:

2. *Develop a programmatic accounting system that allocates direct and indirect costs to the various revenue-generating activities on a supportable basis.*

3. *Explore the cost effectiveness of modernizing the existing parking lot to improve parking lot controls and accountability.*

The War Memorial Center is charging considerably less for parking than nearby facilities for both surface and covered lots.

Parking fees charged at the War Memorial Center for the past two years are shown in **Table 5.**

Table 5
War Memorial Center Parking Fees
2010–11

Type of Parking	2010	2011
Daily:		
General Public	$5.00	$5.00
MAM Volunteers	$2.50	$2.50
Rotary & Kiwanis Club Members	$2.50	$2.50
Special Event	As posted	As posted
Monthly Parking:		
General Public	$65.00	$65.00
War Memorial Center Tenants	$52.50	$55.00
MAM Employees	$42.50	$45.00

Note: Cost includes tax where applicable

Source: WMI.

Special events include such things as the lakefront fireworks on July 3rd, which costs $20 per vehicle stall.

We compared the monthly and daily rates with rates charged by parking facilities near the War Memorial Center. The results in **Table 6** show that parking rates at the War Memorial Center are considerably less than at nearby facilities for both surface and covered lots.

Table 6
War Memorial Center Monthly Parking Rates
Comparison with Comparable Parking Lots

Surface Lots:	**Price Range**
522 E. Wisconsin Ave.	$100 – $125
501 N. Broadway St.	$100 – $125
431 N. Milwaukee St.	$80
330 E. Clybourn St.	$75 – $100
421 N. Milwaukee St.	$75 – $100
738 N. 2nd St.	$75 – $100
701 E. Clybourn St.	$53 – $106
202 N. Jackson St.	$50 – $75
WAR MEMORIAL CENTER	**$45 – $65**
Covered Lots:	
411 E. Wisconsin Ave.	$150 – $175
721 N. Broadway St.	$150 – $175
100 E. Wisconsin Ave.	$125 – $150
720 N. Water St.	$125 – $150
747 Old World Third St.	$125 – $150
209 E. Mason St.	$100 – $125
615 N. Plankinton Ave.	$100 – $125
724 N. 2nd St.	$100 – $125
WAR MEMORIAL CENTER	**$45 – $55**

Note: Covered parking at the War Memorial Center is currently limited to tenants.

Source: Dept. of Audit survey of downtown parking lots.

Although War Memorial Center parking cannot be considered equivalent in value to core downtown parking venues, WMI's rate for the monthly tenant parking in the newly created covered lot under the Mason St. ramp to Lincoln Memorial Drive was less than one third the rate charged by two covered parking facilities in reasonably close proximity.

Daily parking fees are fairly standard throughout the city, where customers are charged $5 for the first hour, which escalades to a maximum of $10–$15 after ten hours. Thus, the flat $5 charge at the War Memorial Center puts it as the cheapest parking rate for customers staying more than one hour.

War Memorial Center parking fees are below market rates for both monthly and daily parking.

War Memorial Center parking fees are below market rates for both monthly and daily parking. The WMI Executive Director

expressed concern that raising parking rates could negatively affect attendance, but based on our review, at least a modest modification of its rate structure to help increase parking revenue is warranted. Therefore, we recommend WMI management:

4. *Establish monthly parking rates more in line with those charged in the downtown area.*

County funding for War Memorial Center operations has remained stable, but has decreased as a percentage of total operating revenues over the years.

Total County support for the War Memorial Center over the past 10 years has been significant.

Over the five-year period 1997—2001, the County funded 76.4% of total War Memorial Center operations. During the period 2002–2006, County funding represented 68.6% of total War Memorial Center operating revenues. Due to additional revenue generated by the War Memorial Center the County's percentage of operating support has fallen to 65.3% of total revenues over the last five years.

A significant portion of the County's annual subsidy for War Memorial Center operations provides support for the Milwaukee Art Museum. For instance, the $1.5 million in tax levy support for the War Memorial Center in 2011 includes $250,000 in direct funding for MAM operations, as well as an additional estimated $600,000 in indirect support for utilities and maintenance associated with the Kahler addition.

While County funding of WMI has remained fairly stable, the direct support for MAM within the annual WMI funding decreased substantially during the past ten years. In 2002, direct County funding for MAM was $627,325. Since 2007, annual direct County funding for MAM has been $250,000.

As shown in **Table 7**, total County support for the War Memorial Center over the past 10 years has been significant. **Table 7** shows the County has provided about $21.7 million for capital projects and operations for the War Memorial Center since 2002.

Funding for the War Memorial Center's infrastructure upkeep has come primarily from Milwaukee County.

The original Saarinen-designed structure and the Kahler addition, completed in 1957 and 1975, respectively, were

Table 7
Operating Revenue & Capital Contributions by Milwaukee County for the War Memorial Center and the Milwaukee Art Museum
2002—2011

Year	Tax Levy Support For Operations	Capital Projects Support	Type of Capital Improvement	Direct Support for MAM*
2002	$1,700,574	$360,000	General Facility Improvements	$627,325
2003	$1,575,515	$0	None	$564,592
2004	$1,311,636	$175,000	General Facility Improvement	$369,734
2005	$1,311,636	$826,500	HVAC & General Improvements	$294,734
2006	$1,433,462	$1,678,100	HVAC & North Entrance	$250,000
2007	$1,504,594	$1,936,300	HVAC	$250,000
2008	$1,504,594	$714,540	HVAC	$250,000
2009	$1,504,594	$0	None	$250,000
2010	$1,504,594	$1,053,000	No. Entrance & Parking Lot	$250,000
2011	$1,504,594	$57,300	Window Replace/Repair	$250,000
Total '02-'10	**$14,855,793**	**$6,800,740**		
Total '02-06	**$7,332,823**	**$3,039,600**		
Total '07-'10	**$7,522,970**	**$3,761,140**		
Grand Total County Support 2002—2011			**$21,656,533**	

* Direct support for Milwaukee Art Museum is included in the Tax Levy Support for Operations column at for left of table.

Sources: Milwaukee County Adopted & Capital Budgets, 2002—2011.

Since 1995, the County has contributed about $16.5 million for various capital projects at the War Memorial Center.

constructed primarily through private funding. However, since their initial construction, funding to maintain the WMI's buildings has come largely from Milwaukee County. Since 1995, there have been only two years in which the County has not funded a capital project at the War Memorial Center (2003 and 2009). Over that period, the County has contributed about $16.5 million for various capital projects, including the $6.8 million noted in **Table 7**.

Outside funding has been used for capital improvements in at least one instance. In 1999, the WMI began work to renovate the 3rd and 4th floors of the Saarinen building, a project

completed in 2000 funded primarily by $2.6 million in funds collected by fundraising spearheaded by the Wisconsin Veterans War Memorial/Milwaukee, Inc.

Special Projects Fund

The War Memorial Center has two additional resources for which WMI maintains control. The first is the Special Projects Fund, created to account for donations made for specific and non-specific projects involving the War Memorial Center, the Vietnam Veterans Memorial, and the Charles Allis/Villa Terrace museums. Funds for each of these locations are accounted for separately but combined for reporting and auditing purposes. The balances of each of these funds as of July 31, 2011 are shown in **Table 8**.

Table 8
War Memorial Center
Special Projects Fund
July 31, 2011

Beneficiary Organization	Fund Balance
Charles Allis/Villa Terrace	$492,478*
War Memorial Center	$172,951
Vietnam Veterans Memorial	$36,659
Fund Balance, July 31, 2011	**$702,088**

* Funds raised by Charles Allis/Villa Terrace Board

Source: WMI management.

Except where restricted by the donor, use of donated funds is at the discretion of the Board of Trustees. According to the WMI Executive Director, the fund is often used to cover costs above those funded by the County for a given project, or for necessary major maintenance or capital projects for which no County funds are available. For example, according to the 2010 Special Projects Fund audited financial statements, the fund is committed to pay up to $150,000 in construction costs above

and beyond what the County has committed to pay for the new north entrance to the War Memorial Center. To date, about $21,000 has been paid from the fund.

For the period 1994—2004, nearly $2.1 million was spent on various special projects for entities under the Board of Trustees' umbrella (not including the above example). The largest project noted was to renovate the Coach House at the Charles Allis Art Museum, where almost $1.2 million was spent in 1997—1998.

WMI discontinued the practice of providing Milwaukee County results of its annual Special Projects Fund audits beginning in 2005.

In reviewing WMI's contractually required annual audited financial statements, we noted that WMI discontinued the practice of providing Milwaukee County the results of its annual Special Projects Fund audits beginning in 2005. Previously, the audit reports covered all entities under WMI (War Memorial Center, Villa Terrace, Charles Allis, and Marcus Center for the Performing Arts) as well as the Special Projects Fund. According to the WMI Executive Director, it is only obligated to provide the County with the audited financial statements for operations. Also, there was a concern that the County would use the data provided by the audit report to reduce County contributions for capital improvements.

We found no documentation limiting what audited financial information was to be provided to the County. The contract is clear, however, on County's responsibility to fund needed capital improvements and major maintenance. Thus, the existence and size of the fund does not mitigate this responsibility.

However, as the primary funding source of the War Memorial Center operations and capital improvements, the County has a right to be kept fully informed on all aspects of WMI's financial position. Withholding information about any source of available funds opens up WMI to potential criticism over lack of transparency in its operations and in its working relationship with the County.

To provide the full transparency intended in the requirement that WMI provide audited financial statements to Milwaukee County, we recommend that WMI management:

5. *Provide Milwaukee County with copies of all audited financial statements annually.*

A second available funding source for special projects is the WMI's restricted building account. Prior to 2002, any excess of revenues over expenditures was required to be returned to the County. Beginning in 2003, the County permitted WMI to create a reserve account wherein up to $25,000 of net income each year can be deposited annually. These funds are to be used in future years for the WMI's building needs. The balance of this account as of December 31, 2010, was $101,590, detailed in **Table 9**.

Table 9
War Memorial Center
Restricted Building Fund
As of December 31, 2010

Year	Increases (Net Income)	Disbursements	Ending Balance
2003	$ $25,000	$0	$25,000
2004	$5,000	$0	$30,000
2005	$5,960	$0	$53,460
2006	$25,000	$0	$60,960
2007	$25,000	$19,600	$66,360
2008	$25,000	$22,104	$69,256
2009	$25,000	$17,586	$76,670
2010	$25,000	$80	$101,590
Totals	$160,960	$59,370	

Source: Audited financial statements.

In contrast to the Special Building Fund, the details of the Restricted Building Fund are included in the audited financial statements provided annually to the County.

Repair and maintenance costs represent about 15.3% of WMI's total operating costs.

Only salaries and wages (24.9%) had higher costs over the past five years (2007–2011). While not capital in nature, spending operating funds on repair and maintenance of the War Memorial Center building and grounds is important to prevent premature funding of more expensive capital repairs for the Saarinen and Kahler buildings. **Table 10** displays how much has been spent in this area over the past decade.

Table 10
War Memorial Center
Repair and Maintenance Expenditures from
WMI Operating Budgets
2002—2011

Year	Grounds	Buildings
2002	$10,243	$396,209
2003	$26,072	$304,648
2004	$22,024	$241,099
2005	$48,751	$317,578
2006	$66,343	$334,021
2007	$66,318	$301,213
2008	$135,809	$276,254
2009	$64,718	$277,280
2010	$56,198	$318,408
2011	$55,000*	$185,000*
Total	**$551,476**	**$2,951,710**

Total Repair and Maintenance from WMI = $3,503,186

*Budgeted. All other figures are actual.

Sources: WMI Financial Statements, 2002—2010; and 2011 Operating Budget.

Despite significant investment of both public and private funds for capital improvements, repair and maintenance, the War Memorial Center is in need of substantial additional repairs. **Section 2** of this report identifies the magnitude and implications of needed repairs to the War Memorial Center.

Section 2: Problems with the physical condition of the War Memorial Center threaten the safekeeping of the $750 million Milwaukee Art Museum collection; remedies will require significant investment of public and/or private funds.

In 2001, the Milwaukee Art Museum invested $121 million in private funding to make a world-class architectural statement and to expand its exhibit space. This was accomplished with the Santiago Calatrava-designed Brise Soleil, the movable, wing-like sun screen with 72 steel fins ranging in length from 26 feet to 105 feet and a wingspan of 217 feet, and a new building adding 117,000 square feet of gallery space, both located on the south end of the War Memorial Center facility. A decade later, $1.4 million in publicly financed capital projects are being completed to remodel the north end of the original War Memorial Center (Saarinen) building. Those projects will create a new and more inviting main entrance, as well as additional parking space, both of which were lost to the MAM expansion.

Those projects represent major capital investments in the War Memorial Center and include aspects of both meeting practical needs and enhancing the visual appeal of the facility. However, a long list of major capital repair issues remains unaddressed.

Preliminary estimates to address known problems needing repair, replacement or upgrade at the War Memorial Center total approximately $5.3 million. Unforeseen problems to address a pervasive groundwater seepage problem could push that estimate higher.

Many of the facility problems at the War Memorial Center are associated, directly or indirectly, with water infiltration and moisture issues.

Many of the facility problems at the War Memorial Center are associated, directly or indirectly, with water infiltration and moisture issues. For instance:

> **The groundwater seepage problem** buckles portions of the wood flooring of MAM gallery space, exposing valuable pieces of the MAM collection to potential

damage (see photos, **Figures 8** and **9**). The seepage produces a lingering musty odor in other exhibit areas. The precise nature of the seepage problem has not been identified and will require specific study—potentially excavation—to develop a meaningful estimated cost for a remedy. **Estimated cost: $76,200 but could be more based on unforeseen circumstances, as the problem is below surface level.**

Figure 8
MAM Wood Floor Buckling
from Groundwater Seepage

Figure 9
Picasso Sculpture Located Several Feet from
Wood Floor Buckled by Groundwater Seepage

- **The exterior glass-enclosed 'Bird Cage' stairway,** located within the courtyard and attached to the Saarinen building, is in need of replacement. The steel frame system is rusted and about 75% of the single pane glass sections are cracked. In winter months, ice develops on the un-insulated glass and drips on terrazzo floors, creating a dangerously slippery surface (see photo, **Figure 10**). **Estimated cost: $834,000.**

Figure 10
Ice Build-up, Rust and Window Damage to Glass-Enclosed Stairway (Bird Cage) at South End of Saarinen Building

- **The south exterior stairs** of the Saarinen building has deteriorated to the point where spalling (popping/flaking) and crumbling concrete has led to leaks of rainwater and ice/snow melt-off in the space below. This is especially critical because the space below the stairs is directly over MAM gallery space. Consequently, drip pans have been placed on overhead track lights to prevent water damage to the art collection (see photos, **Figures 11** and **12**). **Estimated cost: $893,500.**

Figure 11
Crumbling Concrete at South Stairs
Creates Water Infiltration Problems
for MAM Gallery Space Below

Figure 12
Drip Pans Placed on Track Lights
to Prevent Water Damage
to MAM Art Collection

- **Problems with the HVAC system persist,** despite County capital improvement expenditures devoted to HVAC renovations totaling $4.7 million during the four-year period 2005 through 2008. Approximately half of the 70 Variable Air Volume (VAV) boxes in the system are inoperable and, according to MAM engineering staff, in need of replacement. Staff from WMI and MAM are in disagreement whether or not this repair is necessary in light of the significant upgrades made to the system in recent years.

  There is no disputing the fact that consistent temperature and humidity levels are critical to prevent moisture-related damage to delicate art pieces. The standard for temperatures in museums is 70º F +/- 2 degrees and the relative humidity at 50% plus or minus 8%. The MAM provided data showing temperatures in gallery space within the Kahler building exceeding recommended standards. Based on readings every 15 minutes, average temperatures for the Bradley Level South gallery space in July 2011 was 74.6º F, with temperatures exceeding 77º F on several occasions. Relative humidity levels for the same space were well within the acceptable range, averaging 46.7% during July 2011. In the Bradley Level North gallery space, the average temperature in July 2011 was 73.8º F, also exceeding recommended standards, while average relative humidity was 47.1%. According to the MAM Mechanical Engineer, patrons often complain that the Bradley Level in the Kahler building is too hot in the summertime. **Cost estimate: $270,000.**

- **Other notable repair items:**

  - Fire alarm system replacement. **Cost estimate: $663,700.**

  - Roof removal and replacement—Kahler building. **Cost estimate: $500,000.**

  - Replace east glass façade—Kahler building. **Cost estimate: $440,000.**

  - Roof removal and replacement—Saarinen building. **Cost estimate: $400,000.**

Milwaukee County, owner of the War Memorial Center, has not performed its own assessment of the facility's physical condition, or estimated the cost to restore the facility to a desirable condition.

The list of problems and associated repair cost estimates used for this report (see **Exhibit 2**) was developed from interviews and data provided by WMI and the Milwaukee Art Museum. According to the County Director of Architectural and Engineering services (A&E), the County's current system for managing its buildings and structures is decentralized. Owner departments and lessees are relied upon to identify and self-report any structural problems of a capital nature, and follow an established capital improvement request process to address those needs. Within that process, cost estimates are prepared by A&E working with the owner departments/lessees.

The County's capital improvement request process was described in a 2010 audit report titled *Milwaukee County Needs to Commit to a Preventive Repair and Maintenance Program to Ensure Public Safety*. The audit was conducted in the aftermath of a fatal accident involving a 27,000 pound concrete façade piece falling from the County's O'Donnell Park parking structure in June 2010. The report noted that the County's five-year capital planning process forces each owner department/lessee to prioritize its facilities needs. Competing interests for limited funds, along with special restrictions that accompany some funding sources (e.g., federal transit funding is restricted from use for purposes other than transportation) often mean that items identified as a repair and maintenance need may not be funded.

Competing interests for limited County funds often mean that items identified as a repair and maintenance need may not be funded.

This is clearly evident at the War Memorial Center, where the County's limited resources and a long list of capital repair needs has resulted in approval for the remodeling of the facility's main entrance over numerous repairs needed to address various water infiltration problems. The Executive Director of the WMI and the Director of MAM agreed that remodeling of the north entrance was a high priority because MAM's 2001 Calatrava-designed expansion eradicated the original main entrance to the facility. As a result, visitors to the War Memorial Center entered

the building from the original 'back door' to the facility, next to a loading dock.

The current state of disrepair at the War Memorial Center highlights the need for Milwaukee County, owner of the facility, to be more actively engaged in assessing and prioritizing its capital needs. According to the County A&E Director, he was under the impression that the groundwater infiltration problem that buckles the floors of art gallery space at the War Memorial Center had been addressed by a prior capital improvement project. The director's misunderstanding of a significant facility issue at the War Memorial Center reinforces a key finding in the previously-mentioned 2010 facilities audit.

The audit identified the County's need for a comprehensive plan of assessments, inspections and preventive maintenance supported by a system that accurately inventories, prioritizes and documents completed work. An audit recommendation was made to perform proactive, cyclical assessments and inspections of all County-owned infrastructure assets. The audit finding and recommendation were primarily focused on ensuring public safety. However, they are equally relevant to avoiding or minimizing the County's exposure to potential liability in the event that a preventable problem with the War Memorial Center facility was to damage the Milwaukee Art Museum collection.

The County's establishment of a centralized inspection unit has been delayed because land sales revenue tentatively identified to fund the unit has been deferred and is not available.

In its response to the audit recommendation, the Department of Transportation and Public Works outlined an initiative to establish a centralized inspection unit for that purpose. The 2011 Adopted Budget directed the department to submit a plan for funding and executing an inspection unit. However, according to the Director of Transportation and Public Works, the initiative has been delayed because land sales revenue tentatively identified to fund the unit has been deferred and is not available.

To help minimize both public safety and potential financial exposure concerns, we recommend the Milwaukee County Board of Supervisors:

6. *Include funding in the 2012 Adopted Budget to create an inspection unit to perform proactive, cyclical assessments and inspections of all County-owned infrastructure assets.*

The current physical state of the War Memorial Center has several negative implications.

The long list of known problems needing repair, replacement or upgrade at the War Memorial Center have the following negative implications:

Significant portions of the $750 million MAM collection are at risk of damage.

- Significant portions of the $750 million MAM collection are at risk of damage.
- Accreditation of MAM by the American Association of Museums and the ability for the museum to attract future exhibits could be compromised.
- The facility's state of disrepair reflects poorly on the community's level of commitment to fulfill its intent to honor American veterans who have fallen in service to their country.

The War Memorial Center is a prime example of the general conclusion reached in a December 2009 audit report on the County's Park system—the County's infrastructure demands have outpaced available resources.

In *A Tale of Two Systems: Three Decades of Declining Resources Leave Milwaukee County Parks Reflecting the Best and Worst of Times*, we stated:

> *During the decades of the 1960s and 1970s, Milwaukee County devoted an increasing amount of resources towards the development of a County Parks system. Those two decades of steadily increasing resources were followed by a sustained decline over the 1980s, 1990s and continuing throughout the present decade. Coupled with the pictorial presented in this report, it is clear that the infrastructure demands of the current system have outpaced available resources.*
>
> *This report provides independent corroboration of numerous others that have been presented to*

policymakers from a variety of sources since 2000. Each has served as warnings of a day of reckoning that has clearly arrived, and that demands a strategic decision on a future course of Parks stewardship.

The War Memorial Center competes for the same public funds that support the parks system, public transit, public safety and public social services in Milwaukee County.

It is noteworthy that the War Memorial Center, located at Veteran's Park, is a part of the County's overall infrastructure and thus competes for the same public funds that support the parks system, public transit, public safety and public social services in Milwaukee County.

Heading into the 2012 budget deliberation period, the County is facing a highly-publicized budget gap of an estimated $36.9 million and the second year of a two-year freeze on the issuance of general obligation bonds for new capital projects (due to accelerated bonding in 2009 and 2010 to take advantage of favorable market conditions resulting from the Federal Build America Bond Program). These stark realities create a pressing need to identify alternatives to County funding of needed War Memorial Center repairs. Such alternatives are presented in the following section of this report.

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Section 3: New strategies are needed to sustain the War Memorial Center's original dual purpose of honoring veterans and promoting the arts.

With the public dedication of its stunning Burke Brise Soleil and the Quadracci Pavilion in 2001, the Milwaukee Art Museum unveiled the fruits of its $121 million, privately-funded investment in the future of the Milwaukee visual arts scene.

That addition dramatically altered the visual appearance of the War Memorial Center. With the Calatrava-designed 142,000 square-foot expansion and the iconic wing-inspired Brise Soleil, MAM became the dominant physical and architectural presence at the War Memorial Center site. The placement of MAM's expansion on the south side of the facility effectively eliminated what had been the main entrance, or 'front door,' to the War Memorial Center. The visual transformation of the site is symbolic of the diverging arcs in the growth and vitality of the two underlying interests—honoring veterans and promoting the arts—that forged the center's founding vision.

The visual transformation of the site is symbolic of the diverging arcs in the growth and vitality of the two underlying interests—honoring veterans and promoting the arts—that forged the center's founding vision.

At its conceptual beginning in 1945, the vision of a commemorative war memorial included honoring the War dead through the principals of arts and peace. Initial plans called for three separate buildings, one to commemorate war veterans, one to house the visual arts, and one to house the performing arts. The emphasis during that formative period was clearly on the notion of honoring veterans—when fundraising efforts fell short of the initial $5 million goal, plans were scaled back to construct a single war memorial with a visual arts component, and the performing arts center was postponed to a later date. In 1955, the MAM's predecessor organizations secured the ground and basement floors of original Saarinen building as dedicated art exhibit space.

By 1975, with the 170,000 square-foot expansion of the Kahler addition used exclusively for art display, MAM occupied the majority of the space within the War Memorial Center. However, the Kahler addition was less distinct in its design than the original Saarinen building and did not overshadow the unique architecture of the original facility.

MAM has excelled in achieving its core mission to serve the community and present art as a vital source of inspiration and education.

With the notoriety of the Burke Brise Soleil, an improved financial position and growing attendance figures, MAM has excelled in achieving its core mission to serve the community and present art as a vital source of inspiration and education.

In 1999, MAM had net assets of $70.1 million, an Endowment Fund balance of $16.9 million and total attendance of 380,914. In the ten years since the expansion, MAM has elevated the prestige of the institution, drawing world class exhibits such as *Andy Warhol: The Last Decade* and the current *Summer of China* series of five exhibitions celebrating 3,000 years of Chinese art and culture. At fiscal year-end 2010, MAM had net assets of $132.9 million, an Endowment Fund balance of $27.7 million and total attendance of 322,632, its highest since 2005.

During a similar time period, the WMI has experienced mixed results in achieving similarly ambitious goals related to its core mission of honoring war veterans.

In 1999, the War Memorial Center Board of Trustees approved a new entity, the Wisconsin Veterans War Memorial/Milwaukee, legally organized as one of five constituent member boards under the WMI governance structure. The two major functions of the Wisconsin Veteran War Memorial/Milwaukee were to:

- Raise funds for renovation of the third and fourth floors of the original Saarinen Building. This effort was successful. According to WMI, approximately $2.6 million in donations were used toward renovations completed in 2000.

- Create an educational center—America's Freedom Center—which would be an interactive facility where young people and others could visit and participate in activities related to

honoring veterans of the armed services. This goal was not achieved.

In 2003, the Wisconsin Veterans War Memorial/Milwaukee changed its name to American's Freedom Center Foundation. This name change occurred to help in fundraising efforts for the America's Freedom Center Project and to position the organization nationally. Fundraising efforts for this vision floundered and were ultimately unsuccessful. It was subsequently determined that the America's Freedom Center would be built at a location other than the War Memorial Center, and in 2008, the America's Freedom Center Foundation Board disaffiliated from the Milwaukee War Memorial, Inc. to function as a separate entity. In March 2011, America's Freedom Center Foundation, Inc. was officially dissolved.

While the vision of an education center was not realized, WMI continued to achieve its mission of honoring veterans through maintaining and operating the War Memorial Center. This included hosting various veteran-related events, as well as providing space and facilities for various local veterans groups.

The War Memorial Center has been involved in a number of major veteran-related events each year.

For instance, the War Memorial Center has been involved in a number of major veteran-related events each year since 2001. A review of WMI Board of Trustee minutes during the past decade identified 18 noteworthy events honoring the service of veterans in some capacity, many of which are done on an annual basis. These include Veterans Day celebrations, an annual Pearl Harbor Memorial Service, a Veteran of the Year Banquet, and a 9-11 Memorial Service, among others. **Table 11** lists the significant veteran-related events noted from our review of WMI meeting minutes.

Table 11
Veteran-Related Activities
at the War Memorial Center
2001—2010

All American Evening at the War Memorial

Commissioning of the USS Freedom

National Veterans Wheelchair Games

Annual July 3rd Fundraiser (selling beer and soda in front of the WMC)

Veterans Day Parade and Festivities downtown and at the WMC

Pearl Harbor Memorial Service

Veteran of the Year Banquet

Purple Heart Memorial

Operation Freedom activities

USO - Support session for families that have loved ones on active duty

9-11 Memorial Service

20,000 MIA/POW Balloon Launch

Sleep Out for our Troops

National Day of Honor

Veterans Appreciation Day

Memorial Day activities

Wis. Dept of Veterans Affairs-Salute to Veterans

Americanism Awards Breakfast

Source: WMI Board of Trustee meeting minutes 2001—2010.

Table 12 shows the facility rental activity at the War Memorial Center during the five-year period 2006—10, providing a breakout of the number of times various venues at the center were rented for veteran-related purposes.

Table 12
2006—10 Veteran-Related
Facility Rental Activity
War Memorial Center

Year	% Vet Events	Total All Events	Total Vet Events	4th Floor	Memorial Hall	Fitch Plaza	North Grounds	Veterans Gallery
2006	17.8%	811	**144**	98	23	14	4	5
2007	21.7%	704	**153**	111	25	8	3	6
2008	17.1%	764	**131**	95	28	4	0	4
2009	14.6%	780	**114**	74	21	7	1	11
2010	16.6%	845	**140**	102	18	8	2	10
2006--10 Total	17.5%	3,904	**682**	480	115	41	10	36
Annual Average	**17.5%**	781	**136**	96	23	8	2	7

Examples of Organizations Using the War Memorial Center

Allied Veterans Council
Navy League Milwaukee Council
Civil Air Patrol
American Legion Posts
Various VFW Posts
Milwaukee Armed Forces Committee
United Services Organization
U.S. Army, Navy and Marine Corps

Source: WMI activity records.

WMI has successfully pursued its mission by making the War Memorial Center and surrounding area a focal point for significant veteran-related activity.

With numerous major veteran-related events annually over the past decade and an average of 136 veteran-related facility rentals during the past five years, the WMI has successfully pursued its mission by making the War Memorial Center and surrounding area a focal point for significant veteran-related activity.

However, WMI has also pursued non-veteran related activity for revenue-generating purposes. **Table 13** shows the proportion of all office space and general facility rental activity devoted to veteran vs. non-veteran related activities.

Table 13
War Memorial Center Facility Use
Veteran Related vs.
Non-Veteran Related

	No. of Rentals	Percent Total
Average Veteran-Related Rentals 2006—2010	**136**	**17.5%**
Total Rentals Unrelated to Veterans	645	82.5%
Grand Total Rentals	781	100.0%

	Square Ft.	Percent Total
2010 Office Space Rented to Veteran-Related Entities	**1,192**	**11.4%**
2010 Office Space Rented to Non-Veteran Related Entities	9,248	88.6%
Total Square Footage Office Space Rented	10,440	100.0%

Source: WMI records.

The data in **Table 13** show that activity at the War Memorial Center is more heavily tilted toward non-veteran related activity than veteran-related activity, with about 80% of the facility rental activity and 89% of the office space used for non-veteran related purposes.

The War Memorial Center governance structure is antiquated and, given the scarcity of public resources, struggles to achieve its dual mission of honoring veterans and promoting the arts.

There are several indications that the War Memorial Center Board of Trustees has diminished in its relevance and is struggling to successfully achieve both aspects of its dual mission. These include:

- The current governance structure was established to implement an initial vision of creating a cultural destination point that would honor the War dead from World War II through principals of arts and peace, and provide a place for Milwaukee's growing visual and performing arts. However, the individual entities composing the War Memorial Corporation are not collectively sited at the War Memorial Center's lakefront

location, as originally envisioned. Only the MAM and WMI are at the lakefront site. While there is some synergy in the institutions' missions to promote the arts, the Charles Allis Museum, the Marcus Performing Arts Center and Villa Terrace Museum are all located miles apart, and have no compelling mission-related purpose in common with the War Memorial Center. In fact, the Charles Allis/Villa Terrace Board is seeking independent status as its own 501(c)(3) non-profit organization.

- The Chairman of the Memorial Board of Trustees noted the Board provides an important oversight function over its member entities. Our review of meeting minutes indicates the Board of Trustees meets only quarterly, for approximately one hour per meeting, at which times each member entity reports on the previous quarter's activities.

  Further, each WMI member entity submits a separate annual request for operating support from the Milwaukee County Board (with the exception of the Milwaukee Art Museum, which request is included in the War Memorial Center request). A lack of detailed questions noted in meeting minutes indicate the Board of Trustees' scrutiny of individual entities' budgets is limited.

- The current governance structure of the WMI and the scarcity of public resources have resulted in the War Memorial Center's current state of disrepair, with $5.3 million in known and necessary capital improvements, but little current prospect of funding those repairs from either public or private sources.

  Specifically, we have previously identified the current list of capital repair needs, as well as the County's obligation to meet those needs. The County's current budget gap of $36.9 million heading into 2012 budget deliberations and its capital financing moratorium through 2012, as well as mounting deferred maintenance demands documented in previous audits, do not bode well for increased County support for the War Memorial Center.

  Working under its management lease agreement with the County, the WMI has been unable to maintain the War Memorial facility at a desirable level with the public resources provided. The Memorial Board of Trustees, with membership that includes representatives from the individual boards overseeing four facilities of their own (MAM, the Marcus Center for the Performing Arts and the Charles Allis and Villa Terrace Art Museums), creates additional challenges due to an inherent internal competition for limited public resources.

For instance, MAM's 2001 expansion to the south of the War Memorial Center facility eliminated the south parking lot and the 'front door' of the facility. Both the MAM Executive Director and the WMI Director concur that the current renovation of the north entrance and the project to convert underpass storage space into additional parking spaces is an important and beneficial improvement, long delayed for lack of funding. However, the prioritization of this improvement, long-delayed as it was, over needed repairs such as the water infiltration problems at the War Memorial Center, illustrates the challenges facing WMI in addressing all facility needs on the limited support available from the County.

- According to the Chairman of the Memorial Board of Trustees, the effort expended to realize the America's Freedom Foundation vision of an interactive education center diverted community resources and the Board of Trustees' time away from addressing the War Memorial Center's facilities needs. To provide better focus on those needs, the Chairman indicated a separate War Memorial Center Facilities Board of Directors is being assembled. Authorized to be included in the WMI governance umbrella by the Board of Trustees in October 2009, the War Memorial Center Facilities Board is intended to give the needs of the facility equal voice with the other entities under the WMI umbrella. Although authorized in concept in 2009, prospective members of the Facilities Board were still being solicited as of the issuance of this report.

- The Chairman of the Board of Trustees acknowledged that many of the office tenants at the War Memorial Center are not directly related to its mission, but are there solely to provide a revenue stream—and thus indirectly help the Board achieve its goals.

It should be noted that the original management and lease agreement between Milwaukee County and the WMI includes the following provision:

> *It is further agreed that the War Memorial buildings and facilities shall not be used for any purpose other than a purpose recognized under the laws of the State of Wisconsin as a public purpose.*

Other than indirect revenue-generating benefits, it does not appear any public purpose is provided by for-profit tenants at the War Memorial Center.

Other than the indirect revenue-generating benefit noted above, it does not appear any public purpose is provided by War Memorial Center tenants such as a law firm, a business acquisition consulting firm.

Frank discussion is needed to develop a unified future vision for the War Memorial Center. That vision should

ensure that the facility is properly restored and maintained in a manner that is consistent with, and will sustain, its original dual purpose of honoring veterans and promoting the arts.

When asked to articulate the Board of Trustees' vision for the War Memorial Center over the next five years, the Chairman of the Board indicated "our goals are to stand tall with a building full of integrity, well maintained and a facility that is vibrant." He expressed pride in the number of weddings booked at the facility and noted that the War Memorial Center, with its view overlooking Lake Michigan, was one of the premier war memorials in the nation. The Chairman was passionate in expressing his conviction that as a society, we should never forget to give proper recognition to those men and women that lost their lives in wars for our freedom.

The Chairman was passionate in expressing his conviction that as a society, we should never forget to give proper recognition to those men and women that lost their lives in wars for our freedom.

While the Chairman did not identify a specific approach to achieve that vision in the face of mounting facility repair needs, he was optimistic that the formation of the new War Memorial Center Facility Board, authorized by the Board of Trustees nearly two years ago, would provide renewed focus and energy towards that end.

The Director of the Milwaukee Art Museum expressed a specific vision of expansion, adding art gallery space to the east of the Kahler building. He indicated a major private capital investment proposal would be forthcoming. When asked specific questions regarding the future of the War Memorial Center, the Director also expressed a willingness to work collaboratively with the WMI to develop a long-range plan to transition away from dependence on Milwaukee County financial support for facility needs.

While both parties agree that the working relationship between the WMI and MAM has improved dramatically in recent years, our discussions with stakeholders indicates there remains an

underlying concern that an increased MAM role in War Memorial Center operations could diminish the influence of veterans' interests in the memorial established in their honor. For this reason, close collaboration between the WMI and MAM is critical to advance a solution to the current fiscal plight of the War Memorial Center.

Based on documentation of the magnitude of pressing physical repairs needed at the War Memorial Center, as well as the relative successes of the WMI and MAM in achieving their specific goals during the past decade, we recommend that the Milwaukee County Board of Supervisors consider simultaneous pursuit of the following strategies:

7. ***Challenge/Energize the War Memorial Center Board of Trustees.***

    - Encourage the current movement to create a War Memorial Center Facilities Board. Efforts of this board should focus on developing mission-relevant tenants and public uses of the building rather than leasing space to entities for revenue-generating purposes only.

    - Promote additional veteran-related programming, including greater emphasis on the country's current wars in Afghanastan and Iraq.

    - Consider hiring a programming consultant or collaborating with MAM staff to identify new mission-related revenue streams.

8. ***Direct the Milwaukee County War Memorial, Inc. to work collaboratively with the Milwaukee Art Museum and the County Department of Transportation and Public Works to establish a firm prioritization of War Memorial Center repair items and authorize a specified amount of capital investment beginning in 2013 to restore the facility in good repair.***

    - This strategy could involve a collaboration with MAM and veterans' groups to establish a capital campaign to 'Restore the Memorial' with a specified ratio of matching public funds for private funds raised.

- This strategy could include obtaining a commitment on the part of MAM to assume financial responsibility for various War Memorial Center repair items identified in **Exhibit 2.**

9. ***Task the Milwaukee County War Memorial, inc. and the Milwaukee Art Museum with collaborating to develop a long-range plan with a specific timetable to transition away from dependence on Milwaukee County financial support for War Memorial Center facility needs.***

    - This plan could consider a more collaborative role between WMI and MAM staff in day-to-day management of the War Memorial Center. This could include shared services, collaborative programming, and potentially, gradual consolidation of some staff positions. For instance, WMI employs five full-time and one part-time staff for facilities/maintenance, including a facility engineer. MAM employs three full time staff for facilities, including a facility engineer. Marketing and events planning are additional areas of potential consolidation.

    - Any long-range plan should include establishing strict assurances in the form of contractual obligations to provide programming, space, staff and budget resources to honor veterans.

Exhibit 1

Audit Scope

The objective of this audit was to perform a facilities space and parking needs audit of the Milwaukee County War Memorial Center.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives**.** We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review to the area specified in this Scope Section. During the course of the audit, we:

- Reviewed capital and operating budget information from 1994—2011, including available audited financial statements reports for the War Memorial Center operations and the associated Special Projects Fund, for the period 1994—2010.

- Interviewed management from the Milwaukee County War Memorial Center, Milwaukee Art Museum, Marcus Center for Performing Arts, and the Charles Allis/Villa Terrace Art Museums.

- Interviewed board members from the War Memorial, Inc. (WMI) Board of Trustees, Milwaukee County Veterans Board, Milwaukee Art Museum Board, Marcus Center for Performing Arts Board and the Charles Allis/Villa Terrace Board.

- Reviewed relevant historical data documenting the formation and continued operations of the War Memorial Center, including County Board Resolutions, lease agreements entered into by the County and the WMI, associated articles of incorporation and by-laws (including all amendments), for the period 1954–2011.

- Conducted internet research and made direct contact with 10 entities for additional details related to their operations in an attempt to identify facilities similar to the War Memorial Center.

- Reviewed minutes of the Memorial Board of Trustees from 1998—2011.

- Toured the War Memorial Center and surrounding grounds, photographing areas in significant need of capital improvement.

- Reviewed War Memorial Center parking lot operations by reviewing related policies and procedures, detailed parking lot activity reports from January 2010—May 2011, interviewing WMI management and parking lot staff, and observing operations, including a spot test of sales transactions for propriety.

- Surveyed surrounding parking lot operations for market cost comparison purposes, including MAM's underground parking operations.

- Reviewed WMI records relating to tenant leases and office space leased at the War Memorial Center, including a comparison of the cost per square foot charged by WMI to lease rates at office buildings located in the same zip code.

- Reviewed activity reports on rental of War Memorial Center space for public and private events, including how many events, attendance levels, associated revenues, and the types of organizations involved, for the period 2006—2010.

- Researched standards related to preserving museum artifacts, and the affects of temperature controls and high humidity on art collections.

Exhibit 2

Schedule of Known Needed Capital Repairs at the War Memorial Center

Problem Area	Work Description	Related Work	Building Saarinen	Building Kahler	Repair Estimate	Note
Exterior South Stairway	Repair and/or replace, including waterproofing building	Patch and paint interior ceiling	X		$893,520	1
Bird Cage Staircase	Replace glass enclosure	Replace interior ceiling tile and repair paneling	X		$834,000	2
Fire Alarm System	Replace		X		$663,720	3
Roof Replacement - Saarinen	Remove and replace		X		$400,000	4
North & South Granite Façade.	Tuck-point north and south face of north and south elevations. Need to investigate permanent fix	Patch and paint interior walls	X		$240,000	5
Veterans Courtyard	Remove concrete and replace, including electrical system for lighting	Patch and paint interior ceilings	X		$207,000	6
Fire Exit Stairway North	Replace		X		$100,000	7
South Entrance Doors and Frames	Replace	Renovate restrooms at south entrance	X		$55,000	8
Joint Between WMC and Mason Street Bridge	Repair the joint between WMC and Mason Street Bridge to address water leaking issue		X		$50,000	9
Elevators	Control modernization and cylinder replacement for select elevators in both buildings		X	X	$310,000	10
Roof Replacement - Kahler	Remove concrete and replace	Patch and paint interior ceilings		X	$500,000	11
East Glass Façade	Replace			X	$440,000	12
HVAC System Operation	Replace inoperative variable air volume boxes	Rebalance system		X	$270,000	13
Sculpture Court Deck System	Replace	Patch and paint interior ceilings		X	$135,000	14
Lower Level Moisture	Reseal foundation wall & install new drain tile	Depends if the excavation uncovers additional issues		X	$76,200	15
Loading Dock	Remove sod and sidewalk, replace waterproofing and flashing. Consider 'green' alternative			X	$62,500	16
HVAC Air Intake	Install painted aluminum wall cap			X	$25,000	17
				Total Estimated Repair Cost :	**$5,261,940**	

Source: WMI, MAM, and Milwaukee County DTPW-AE&ES

Notes:

1 : The exterior south stairway of the Saarinen building has deteriorated and is leaking into the art galleries.

2 : The glass enclosure for the south fire exit stairwell of the Saarinen building has rusted beyond repair.

3 : The fire alarm system is original and parts are no longer available.

4 : Roofing for the 4th floor of the Saarinen building is near the end of its useful life.

5 : The north & south façade of the Saarinen building needs tuck pointing.

6 : The concrete floor of the Veterans Courtyard needs replacement.

7 : The exposed fire exit stairway of the Saarinen building is deteriorated and needs to be inspected for structural integrity.

8 : South entrance doors and frames are original and have exceeded their useful life.

9 : The connection between the Mason Street bridge and Saarinen building is deteriorating, causing water to leak into lower levels.

10 : Elevators have continual problems and need to be evaluated for upgrade.

11 : Roofing on the Kahler building needs replacing.

12 : The east glass façade of the Kahler building has exceeded its useful life.

13 : The variable air volume boxes need to be repaired or replaced.

14 : Sculpture Court leaks into the Kahler building galleries. An option being considered is to enclose the court, possibly with a green roof alternative, which would provide for additional gallery space.

15 : East elevation drainage problem may be the cause of ongoing moisture penetration in Kahler building. Needs investigation.

16 : Kahler building loading dock needs new roof and waterproofing.

17 : The HVAC air intake for the Kahler building needs concrete repair.

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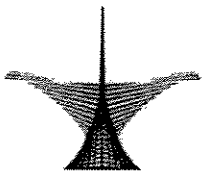
Exhibit 3

Milwaukee County
War Memorial Center



MILWAUKEE ART MUSEUM

September 8, 2011

Mr. Jerome J. Heer
Director of Audits
Milwaukee County Department of Audits

Dear Jere,

Thank you very much for the audit report dated September 2011. We appreciate the thoroughness of the study and the time spent by your team identifying the issues and concerns outlined in the audit. We are taking this information and the recommended strategies for both facilities and parking very seriously and will work together to respond to the issues.

In order to do so, it will be necessary to brief our boards, determine possible solutions, and set priorities relative to the specific issues and priorities of our separate but connected organizations. Therefore we propose that a detailed and joint response be provided by us to the Committee on Finance and Audits no later than April 1, 2012. Our plan is to begin with immediate discussions involving the Presidents of our Boards: George Gaspar—The War Memorial; Ray Krueger—Milwaukee Art Museum and us as directors. Following our initial discussions, we will form a small Vision Committee with representation from both organizations, and that could include appropriate representation of the County Board of Supervisors. We further propose that the Vision Committee be formed no later than October 31, 2011.

We hope this proposal meets with the approval of the Committee on Finance and Audits. We are eager to begin our work to investigate what might be possible and to find appropriate solutions to near-, mid- and long-term issues as well as opportunities raised in the audit. Again, thank you for your work.

Sincerely,

David J. Drent
Executive Director
Milwaukee County War Memorial Inc.

Daniel T. Keegan
Director
Milwaukee Art Museum