

CULTURAL CONTRIBUTIONS (1900) BUDGET

Department: Cultural Contributions

UNIT NO. 1900

FUND: General — 0001

Strategic Program Area 5: Milwaukee Public Museum

Service Provision: Discretionary

How We Do It: Program Budget Summary					
Category	2018 Actual	2019 Actual	2020 Budget	2021 Budget	2021/2020 Variance
Expenditures	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$ 0
Revenues	\$0		\$0	\$	\$ 0
Tax Levy	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$ 0

What We Do With It: Activity Data				
Activity	2018 Actual	2019 Actual	2020 Target	2021 Target
Attendance-Museum*	255,270	269,769	294,500**	135,000**
Attendance-Theater/Planetarium*	177,271	170,293	174,250**	85,000**
Attendance-Exhibitions*	62,571	44,152	57,410	0

How Well We Do It: Performance Measures				
Performance Measure	2018 Actual	2019 Actual	2020 Target	2021 Target
Annual Attendance Over/(Under) the 400,000 Base Level*	95,112	84,214	126,160**	(180,000**)
Unrestricted Endowments Assets Over/(Under) the \$1,550,000 Base Level*	Yes	Yes	Yes	Yes
Generate Positive Unrestricted Operating Earnings* ¹	Yes	Yes	Yes**	Unknown**

*The Performance Measures identified are partially based on conditions that must be met by the Milwaukee Public Museum (MPM) as outlined in the existing Lease & Management Agreement.

** These are the original budget estimates for FY2020 which goes from 9/1/19 through 8/31/20. Museums worldwide are either closed or are experiencing unprecedented decreases in attendance levels due to COVID-19. The expectations are that this decline in attendance will continue until there is a vaccine which could be a year or longer away. Based on current forecasting, MPM anticipates that its revenue for its Fiscal Year ending August 31, 2020 could be up to 30% below expectations and prior year. MPM expects a difficult year from an attendance perspective as well as membership and fundraising, based on information from past epidemics and on what is happening currently across the world. In tandem, these criteria may result in the MPM being unable to achieve positive unrestricted operating income net assets for both FY 2020 and 2021.

Strategic Overview:

Pursuant to Wisconsin Statute 59.56(2), Milwaukee County (County) may acquire, own, operate and maintain a public museum in the County and appropriate money for such purposes. As a museum of human and natural history, it provides a dynamic and stimulating environment for learning. The museum interprets the world's cultural and natural heritage through collections, research, education and exhibits. It holds its collections as a public trust and is dedicated to their preservation for the enrichment of present and future generations.

¹ Positive Unrestricted Operating Earning is defined by unrestricted operating net income plus depreciation being greater than zero.

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Strategic Implementation:

MPM provides detailed quarterly reports of financial status and museum programmatic updates throughout the fiscal year to the Milwaukee County Parks and Finance/Audit committees.

The budgeted funds included as part of the 10-year Lease and Management Agreement (LMA) provide operational support to run the museum on behalf of the County and to provide access to schools, families and the community in a variety of ways. MPM intends to continue serving over 500,000 visitors during each fiscal year and to provide services and educational opportunities to a diverse constituency. Milwaukee schools will also continue to receive free admission to MPM during the months of September through November (pursuant to current LMA).

Current LMA background:

Original LMA

In 2013, the County and the MPM entered into a new LMA (adopted County Board file #13-598). The original LMA states that MPM must achieve several operating and financial goals. If the goals are not achieved, the County may reduce its annual operating contribution by \$250,000 for the subsequent year. Additionally, if MPM receives at least \$5,000,000 in cash or donor commitments for capital projects by December 31, 2017, the annual operating contributions will remain at \$3,500,000 for calendar years 2018-2022.²

The County is responsible for authorizing up to \$4,000,000 in museum capital improvement projects by December 31, 2017. As of December 31, 2017, the County included adopted capital projects in the amount of approximately \$5.8 million (2014 Adopted Capital Budget through 2017 Adopted Capital Budget).

The initial term of the agreement is through December 31, 2022 and can be automatically extended for four (4) successive periods of five (5) years each through December 31, 2042.³

² On August 15, 2013, the County entered into a new LMA with the MPM whereby the County owns the current museum building at 800 West Wells Street and all of the artifacts, exhibits, and other items of historical or scientific value or significance owned or held by the County and used or intended to be used for exhibition, display, education or research in connection with the activities and operations of the MPM and the County would lease the current building, the personal property, and the artifacts to MPM, and MPM would undertake the primary responsibility for managing and operating the museum.

³ Pursuant to the LMA, each Extended Term shall commence upon the expiration of the Preceding Term, except that any Extended Term shall not commence if one party gives the other notice not less than six (6) months prior to the expiration of any Preceding Term that such party elects not to extend, in which case, the LMA shall terminate upon the expiration of such Preceding Term.

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Amendments to Original LMA

In 2018, the LMA was amended by the County and the MPM based on a strategic facility vision put forward by MPM and alignment of MPM Endowment covenants (adopted County Board file #18-532). Changes to the LMA include the following:

- A. \$5,000,000 in cash or donor commitments for capital improvements:⁴
 1. The date at which the MPM is to receive at least \$5,000,000 in cash and donor commitments changed from December 31, 2017 to December 31, 2020.
 2. Include monies received or pledged for a possible new building as well as the current building before any future funding amounts would be decreased.
 3. Of the total \$5,000,000 commitment goal, MPM is limited to only including \$1,000,000 of these total funds to be from donor commitments and cash specifically raised towards exhibits. Exhibits continue to bring in revenue, but do not necessarily directly assist the site, building or future relocation.
- B. Endowment unrestricted net assets:⁵
 1. The criteria that the MPM Endowment (the "Endowment") maintain at least \$2,000,000 in unrestricted net assets was reduced to \$1,550,000 to match the updated covenant MPM has with its bank for its line of credit facility.

In 2020, the LMA was amended a second time by the County and the MPM due to the negative financial impacts related to the COVID-19 pandemic (adopted County Board file #20-482). Changes to the LMA include the following:

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

⁴ Milwaukee County Department of Administrative Services/MPM joint report (file 18-532): *"Since the Agreement was signed in 2013 MPM has undergone significant changes in leadership and organizational strategy, and the MPM's Board of Directors is now focused on advancing plans to create a new facility for the museum in the coming years. As this strategy has taken shape it became clear that it was an unwise use of donor (or public) funds to invest in major capital improvements to the current facility, which MPM plans to eventually leave. Accordingly, any potential future capital requests from MPM related to the current facility will be solely limited to those urgent necessities needed to maintain minimum structural and operational standards for the museum filed and/or to sustain business revenue. A change to this criteria is requested to reflect the current strategy, allowing funds raised both to improve the current facility and also to advance plans for the future facility count toward this criteria, and extending the deadline to meet the \$5,000,000 total."*

⁵ Milwaukee County Department of Administrative Services/MPM joint report (file 18-532): *"This condition was made to match the requirement of a covenant MPM had with its bank for its line of credit facility, calling for this same \$2,000,000 baseline as a guarantee for the line. Since the Agreement was signed in 2013 MPM's bank (CIBC) has reduced this requirement to \$1,550,000 in unrestricted net assets required in the Endowment. This amendment seeks to similarly reduce the County requirement to \$1,550,000 in unrestricted net assets in the Endowment, in order that the County's requirement match that of MPM's bank."*

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B. Unrestricted operating earnings:

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

Annual County Base-Level Operating Contributions to MPM (pursuant to LMA)

Approved County Board file #18-532 adjusted the \$5.0 million MPM capital donor/pledge requirement deadline from December 31, 2017 to December 31, 2020. As a result of this (and adherence to the other LMA requirements), County operating contributions to the MPM for years 2018 through 2020 remained at \$3.5 million.

For 2021, the \$3.5 million operating contribution is included provided the MPM meets its LMA commitments for fundraising capital amounts (for the facility and/or a future facility) as well as meeting performance criteria. It is anticipated that the 2022 operating contribution will remain at the \$3.5 million level assuming the same LMA requirements are met by the MPM.