

**MILWAUKEE COUNTY-FUNDED
PARKS AND CULTURAL INSTITUTIONS**
A FISCAL ASSESSMENT: 2000-2008 AND BEYOND

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I. EXECUTIVE SUMMARY

The Public Policy Forum's role in the *Audit of Greater Milwaukee's Regional Cultural Assets* was to examine the fiscal condition of those cultural assets owned and/or funded by Milwaukee County: the Milwaukee Public Museum, Marcus Center for the Performing Arts, Milwaukee County War Memorial Center, Milwaukee County Historical Society, Charles Allis Museum, Villa Terrace Decorative Art Museum, Milwaukee County Cultural Artistic and Musical Programming Advisory Council, Milwaukee County Zoo and Milwaukee County Parks.

In order to conduct this examination, we first collected and analyzed financial and attendance data for each of the cultural institutions for the 2000 to 2008 period.¹ For most, we were able to utilize this data to make operating budget projections for the next three years. Because there is so much more to assessing the condition of each institution than financial statements and attendance figures, we also conducted multiple interviews with the leaders of each to get a first-hand sense of recent successes and failures and long-term operating challenges, as well as their viewpoint on their existing relationship with the county. County budget documents and these interviews allowed us to document recent capital investments and appraise future capital needs.

Because the fiscal condition of each of the county-owned and/or funded assets is tied in varying degrees to the county's capacity to provide operating assistance and capital investments, we also analyzed the county's overall fiscal trends and challenges this decade. That analysis is contained in the first section of our report. In the penultimate section, we provide additional context by comparing Milwaukee County's public funding commitment to its parks and cultural assets to that of the other six southeast Wisconsin counties.

As we conducted our examination, it became clear to us that numbers do not tell the whole story. For example, because of various accounting changes made by Milwaukee County during the past eight years, a year-to-year comparison of the county's property tax levy contributions to its parks and cultural institutions is limited. Also, because each of the institutions utilizes different accounting and budgeting techniques for items such as depreciation, capital campaign receipts, major and minor maintenance, etc., it is difficult to directly compare trends and draw firm conclusions based solely on analyzing the financial statements of each.

Nevertheless, our individual analyses did yield the following collective findings:

- Major maintenance and basic infrastructure repair needs are significant and growing at each of the county-owned assets, with the exception of the Milwaukee County Historical Society headquarters, which is in the final stages of a major renovation. Among the more significant deferred maintenance/infrastructure needs assessment totals are \$10 to \$15 million for the Milwaukee Public Museum, \$5.5 to \$8.5 million for the Milwaukee County Zoo (plus a \$130 million capital improvements wish list), and \$276.6 million in the Milwaukee County Parks.

¹ Fiscal information and related data was obtained from county budget documents and financial reports, public reports prepared by the institutions and submitted to county committees, Internal Revenue Service filings (990 forms) made by the institutions, and reports provided to us by the institutions. To the extent possible, actual data for 2000-2007 and budgeted data for 2008 was utilized.

- Milwaukee County property tax levy contributions to the parks, recreation and culture function diminished in congruence with a sharp increase in pension and employee health care costs that began in 2003 and escalated in the middle years of the decade. In 2008, the county provides \$37.7 million in property tax levy for parks, recreation and culture – just \$900,000 more in real terms than it provided in 2000 and \$7.9 million less in inflation-adjusted dollars.
- Each of the institutions and county departments have faced annual structural deficits in their operating budgets, generally caused by fixed costs that are growing faster than existing revenue streams (including the county property tax levy). Responses have included increased private sector contributions, implementation of new operating efficiencies, initiation of new earned revenue strategies and cuts in advertising and maintenance budgets.
- Milwaukee County’s new debt issuance policy in 2003 reduced its capacity to fund capital improvements and infrastructure repairs for the parks, recreation and culture function. The new policy limited annual bonding countywide to \$30 million per year as a means of controlling debt service payments in future budgets. The \$13.3 million in capital spending for parks, recreation and culture in 2008 is well below peak spending levels in 2001 and 2002 (\$25.3 million and \$19.9 million respectively).
- Attendance lagged at most of the institutions during the decade. Those entities suffering significant decreases are the Marcus Center, War Memorial, Charles Allis/Villa Terrace and parks department pools and golf courses. The zoo has seen an increase since 2000 but a decrease since 2003, while the Historical Society experienced a significant increase until its headquarters closed for reconstruction in 2008. Public Museum attendance plummeted from 2005-2007 before rebounding dramatically in 2008 due to the *Body Worlds* traveling exhibit.
- While Milwaukee County’s property tax levy expenditures on its quality of life function decreased in real terms during the decade, a comparison to the other six southeast Wisconsin counties indicates that Milwaukee County spends far more on a per capita basis and as a percentage of its overall property tax levy than the rest of the region.

We also observed that, in general, each of Milwaukee County’s cultural institutions was able to secure new sources of revenue or enhance existing sources to offset diminished county support. In some respects, this supports the notion that each had the capacity to become less reliant on taxpayer funding and simply needed a push to do so. However, that finding was countered by the universal sense among each institution’s leaders that any additional reductions in county operating support – at least in the short-term – would be extremely difficult to accommodate, as efforts to successfully boost earned revenue sources (such as admissions/user fees, concessions, etc.) and creatively reduce administrative expenditures largely have been exhausted.

The overall picture is one of publicly-funded parks and cultural assets in Milwaukee County that face significant long-term fiscal challenges and that have experienced varying degrees of success in developing strategic plans and securing capital resources to address those challenges. Significant maintenance and infrastructure backlogs and diminished attendance suggest the need for increased capital commitments and, at minimum, level operating contributions from the county, but whether that will be possible in light of the county’s precarious fiscal situation certainly is questionable.

II. AN OVERVIEW OF MILWAUKEE COUNTY FINANCES

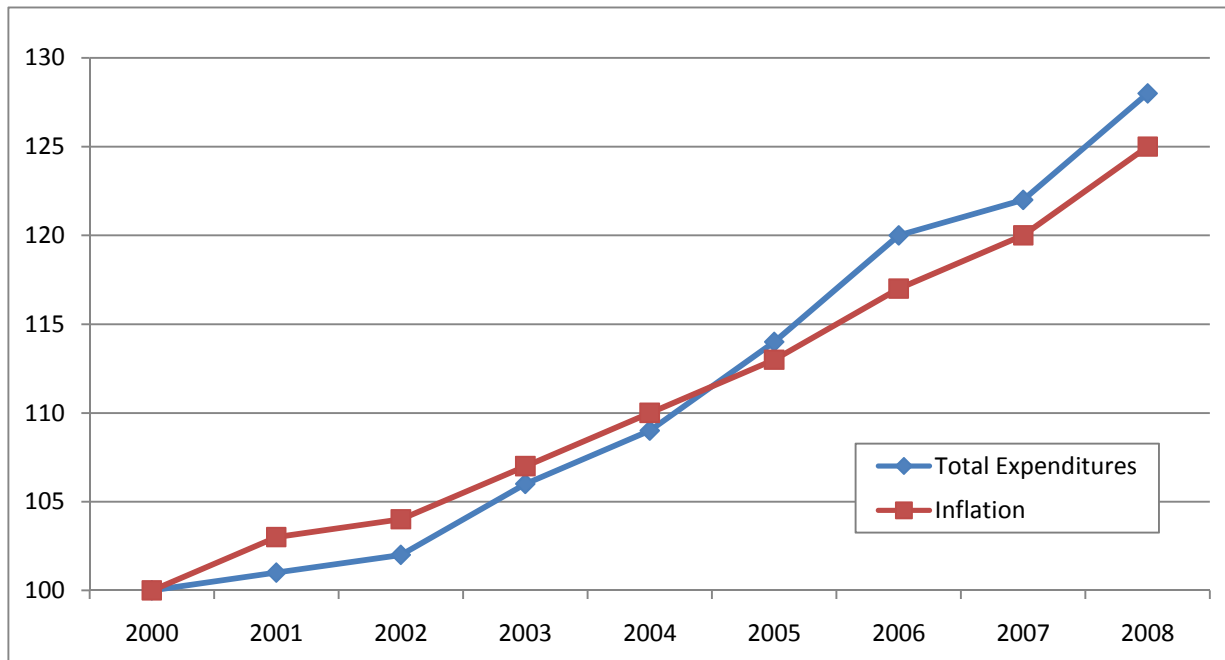
In order to understand the context in which Milwaukee County has determined its support for parks, recreation and culture services this decade, it is important first to grasp the county's overall fiscal situation. This section provides an overview of the key factors that have driven the county's fiscal decision-making since 2000 and that have impacted its ability to support parks, recreation and culture.

Operating Budget

Milwaukee County's 2008 operating budget totals \$1.3 billion. Three categories represent the bulk of the county's spending: health and human services at \$662.8 million, transportation and public works at \$254.2 million and public safety at \$165 million. Those services categorized as "parks, recreation, and culture" by the county are budgeted to receive \$73.9 million in 2008, which amounts to 5.5% of the county's total operating budget.

Since 2000, Milwaukee County has increased its total spending 28%. **Graph 1** indicates this growth has slightly outpaced inflation.

Graph 1: Milwaukee County total spending, indexed to 100 in 2000



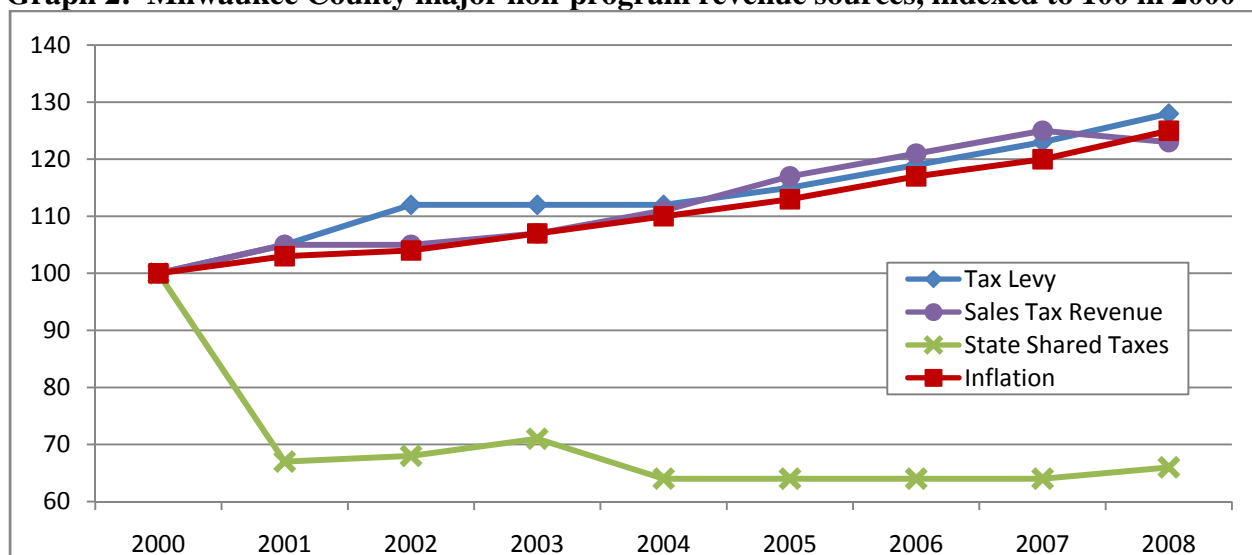
The county's total budgeted revenue in 2008 also is \$1.3 billion. Roughly a third of that is program revenue at \$442.8 million. Program revenue consists of payments from users and reimbursement from the state and federal governments that is tied directly to the provision of certain services. Another 30% of the total revenue is "remaining state revenue" at \$350.1 million. Most of this revenue consists of grants and other state reimbursements that are for specific purposes, but not necessarily tied to specific services.

The significant influence of state and federal revenue sources in the county budget is understandable given that many of the county's programs and services are mandated by the state and/or federal government. Indeed, county governments in Wisconsin were created by the state primarily to deliver services on its behalf at the local level. Discretionary services such as parks, the zoo and museums have been added to the county's roster of responsibilities over time.

Almost a fourth of total revenue, \$315.5 million, comes from locally generated sales and property taxes. The property tax levy will provide \$249.9 million in 2008, while sales tax collections are budgeted at \$65.6 million. Another major source of general, non-program revenue is state shared revenue, which is distributed on a formula basis to counties and municipalities to help offset the cost of mandated local services, and which totals \$38.1 million in the 2008 budget. Other revenue sources in the county budget include bond proceeds and indirect revenue from interest earnings, fines and forfeitures, and other miscellaneous sources.

Graph 2 shows that the property tax levy has increased 28% since 2000, slightly above inflation. Sales tax revenue has followed a similar trend, just dipping below the inflation rate in 2008, while state shared revenue has not kept pace with inflation. State shared revenue decreased dramatically in 2001 when the state took over the county's child welfare program. Since that time, the state has deducted about \$20 million annually from the county's shared revenue allocation, which is the amount of property tax levy the county allocated to child welfare services before the takeover. The county's state shared revenue allocation has been stagnant ever since.

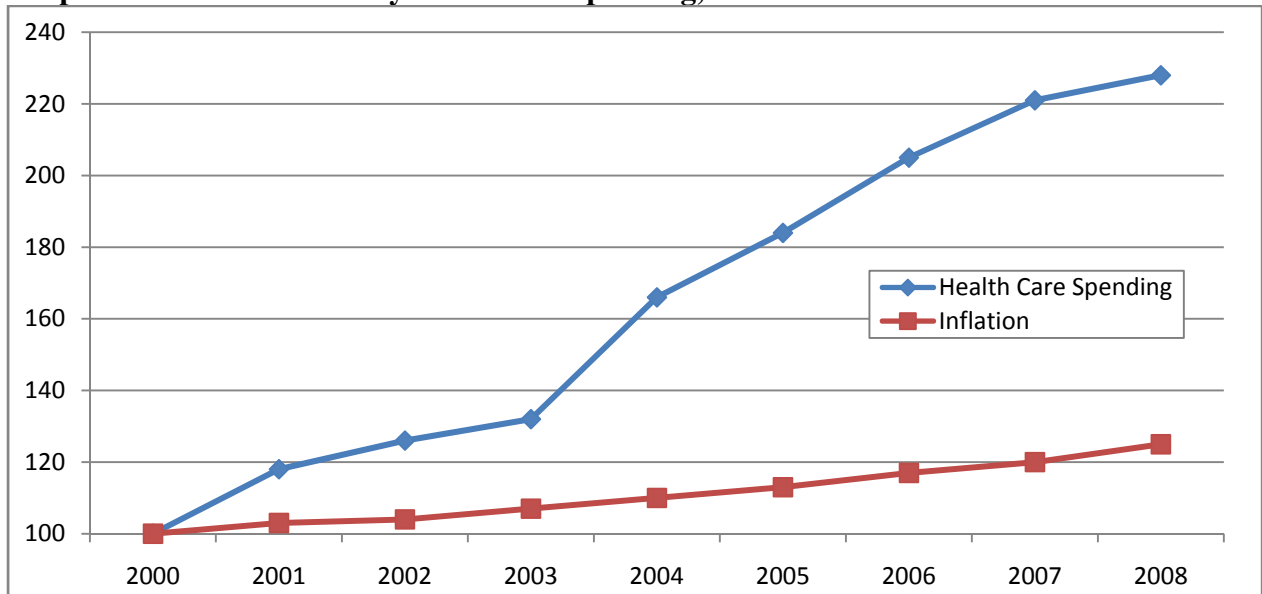
Graph 2: Milwaukee County major non-program revenue sources, indexed to 100 in 2000



Growth in Employee and Retiree Costs

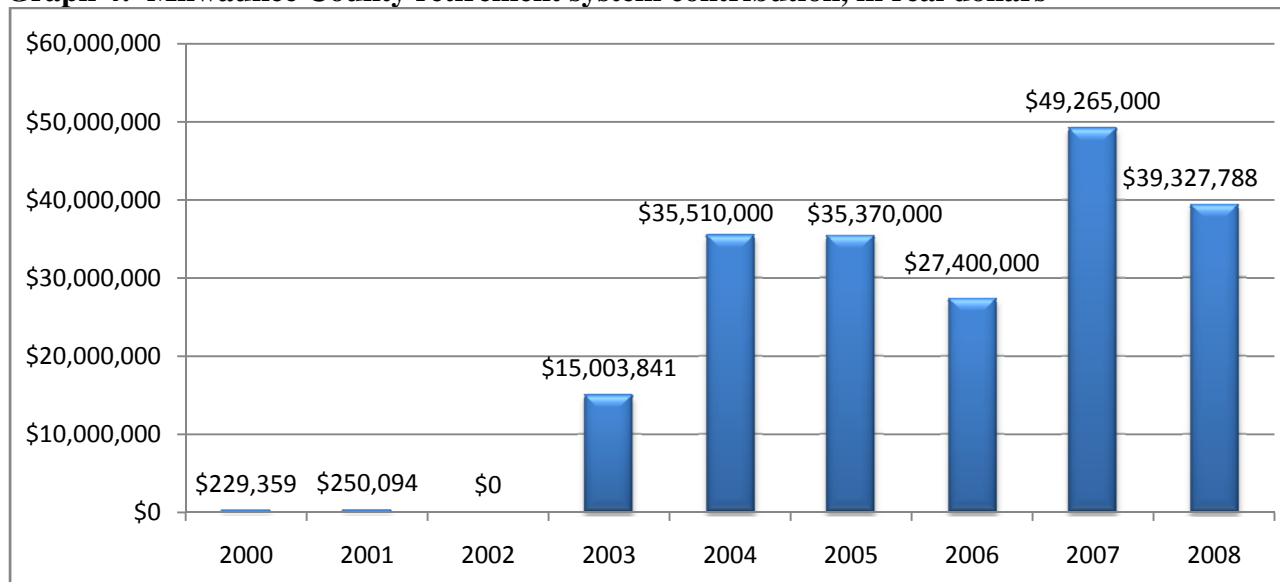
While overall county spending has grown 28% since 2000, that does not necessarily mean that services to citizens have been expanded. Indeed, the major budget driver for the county this decade has been the significant growth in its internal fixed costs. For example, as **Graph 3** shows, the increase in county spending for health care for its employees and certain retirees (128%) has radically outpaced total spending growth. In 2008, Milwaukee County is budgeted to spend \$139 million on employee and retiree health care.

Graph 3: Milwaukee County health care spending, indexed to 100 in 2000



In addition, since 2003, the county's annual contribution to its retirement system has escalated sharply. As shown in **Graph 4**, the county's retirement system contribution grew from near zero in the early part of the decade to between \$27 million and \$49 million annually in each of the last five years. This is attributed both to significant pension benefit enhancements adopted in 2000 and to several successive years of losses or weak returns on pension fund investments early in the decade, both of which created an unfunded liability of more than \$400 million at the end of 2007.

Graph 4: Milwaukee County retirement system contribution, in real dollars



These employee benefit-related county expenses clearly have diminished the county's ability to spend on discretionary services. In 2000, for example, 5.8% of the county's total spending was on employee/retiree health care; by 2008, that number had almost doubled to 10.4% of total spending. Also, between 2000 and 2008, total county spending increased \$297.6 million; health care and pension spending increased \$116 million, almost 40% of the total spending growth.

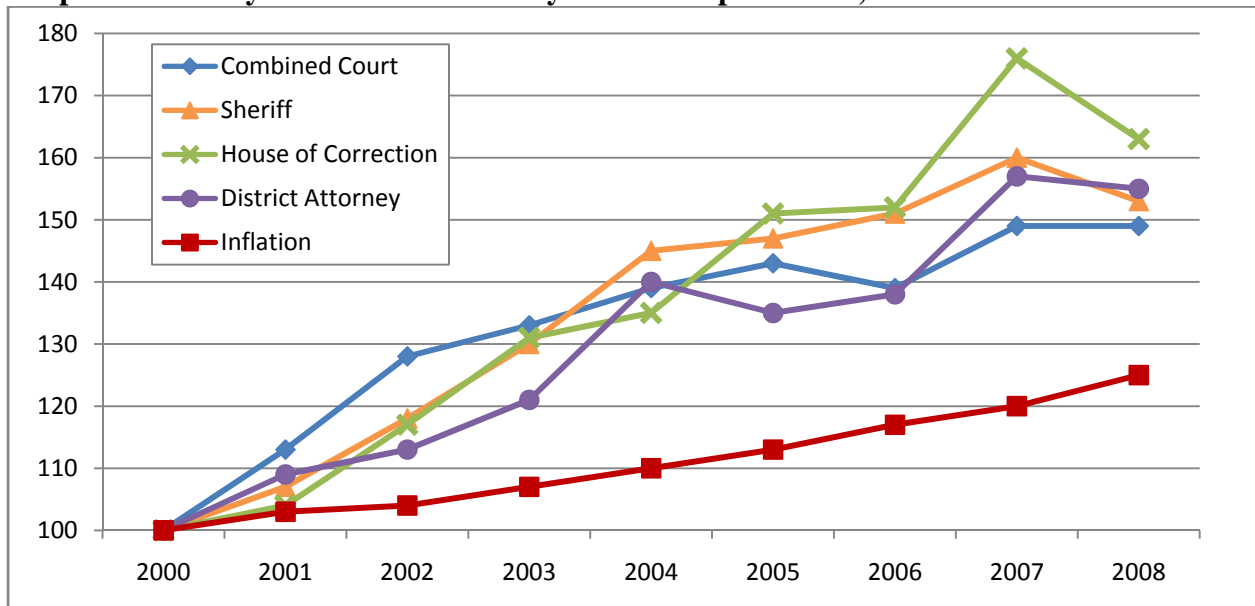
Impact of State Mandates

As noted above, the county is required by the state to provide certain services. Over time, however, many of the state and federal revenue sources that ostensibly support those services have not kept up with increased costs, necessitating increased use of the county's local revenue sources to make up the gap. For example, key human services revenue sources such as Youth Aids, Community Aids and Income Maintenance funding have either been stagnant or decreased during this period, and other sources such as Circuit Court Support grants and mass transit operating assistance have not kept pace with inflation. Closing the state aid gap with local tax funds places considerable pressure on the county's non-mandated services, such as parks, culture and transit, which rely much more heavily on the county's own-source revenue.

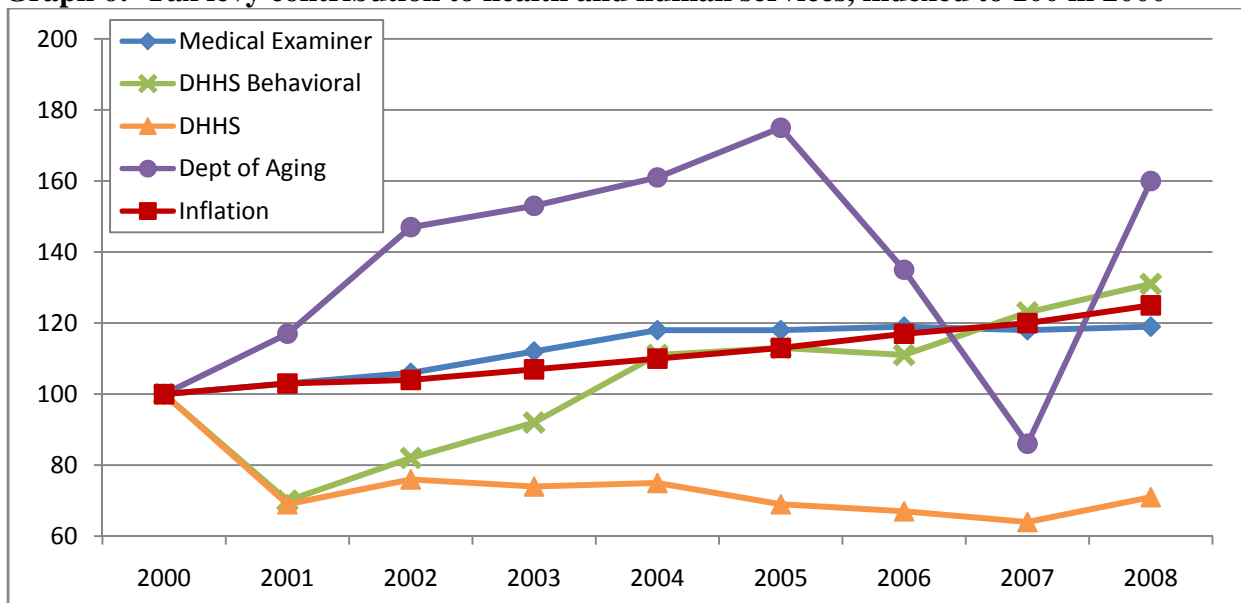
It is difficult to quantify the spending that is mandated by the state, as typically the state mandates only that a service or program *be* provided, but does not dictate the *level* of service that must be provided. Also, state law mandates, for example, that Milwaukee County elect a sheriff, but within the Sheriff's department, some of the programs are discretionary. It is possible, however, to compare property tax levy spending in the departments that are heavily influenced by mandates with spending in those departments (such as parks and culture) that clearly are discretionary.

Graphs 5, 6 and 7 compare the county's property tax levy commitment to mandated versus discretionary services during this decade. The county has increased the amount of property tax levy spent on each of its mandated departments substantially since 2000, above inflation in every case with the exception of the medical examiner and health and human services.² The county's property tax commitment to major discretionary services has suffered, meanwhile, with spending on each service growing less than inflation with the exception of the zoo.

Graph 5: Tax levy contribution to safety services departments, indexed to 100 in 2000

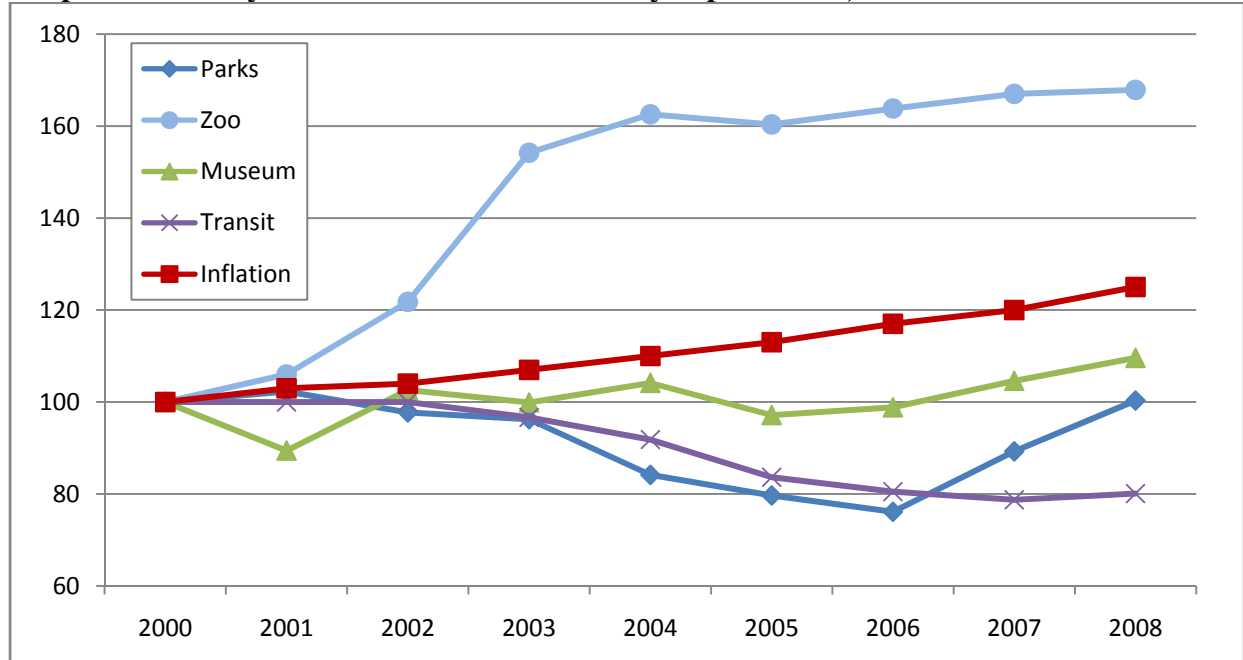


Graph 6: Tax levy contribution to health and human services, indexed to 100 in 2000



² The Department of Health and Human Services is an exception in part because child welfare services were transferred to the state in 2001.

Graph 7: Tax levy contribution to discretionary departments, indexed to 100 in 2000

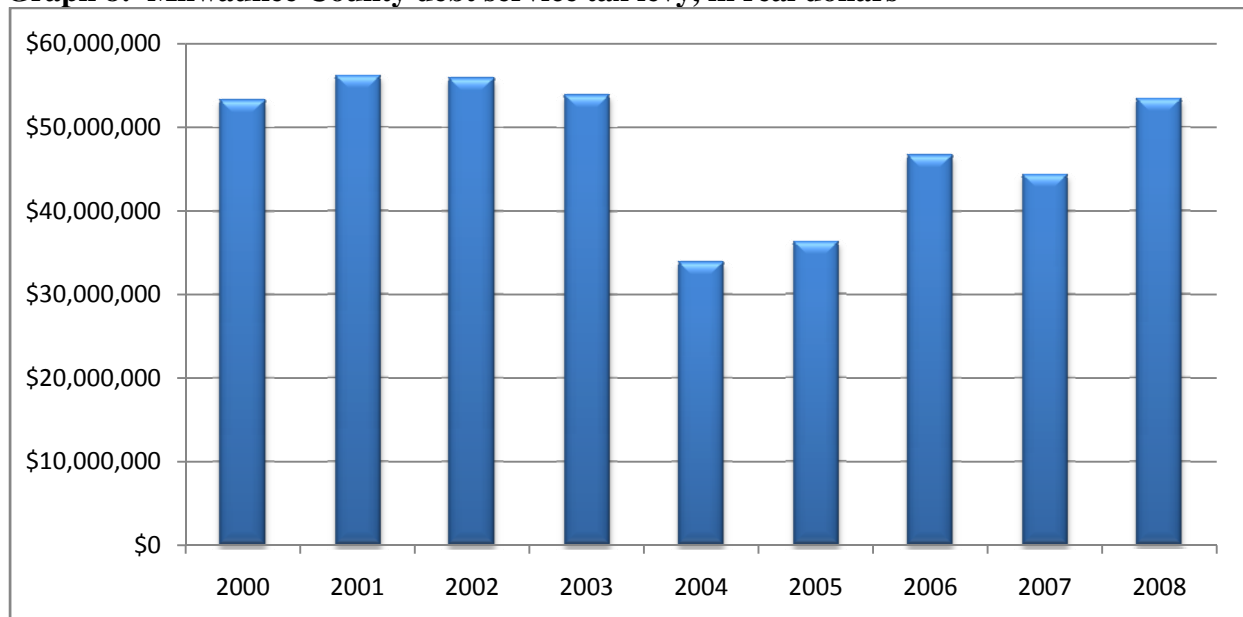


Debt Service/Capital Spending

Milwaukee County's need to pay principal and interest on its debt exacerbates the pressure on discretionary services. In fact, county ordinances dictate that the county must pay its general obligation debt service from sales tax revenue before it is able to expend those resources on anything else.

Graph 8 shows that the county's annual debt service payment was between \$50 million and \$60 million at the beginning of the decade, then fell in 2004 when the county undertook a major debt refinancing initiative. The debt refinancing plan not only took advantage of lower interest rates at the time to reduce annual interest payments on existing debt, but also front-loaded some savings for the first few years. This relieved immediate operating budget pressures, but created added costs in the future. As a result, debt service payments are now increasing again, presenting the county with another growing cost that must be paid before making funds available for discretionary services.

Graph 8: Milwaukee County debt service tax levy, in real dollars



Closely related to debt service is capital spending. When the county refinanced its debt, it also instituted a new debt management policy that sought to limit the amount of annual debt incurred by instituting an annual cap on general obligation bonding. That policy recognized that while the restructuring initiative would provide short-term relief, it would produce gradually increasing debt service obligations in the future. In an effort to help afford these higher payments, county policymakers adopted limitations on future debt issuance. The county generally has followed this policy and has budgeted for \$29.8 million in general obligation debt for capital projects in 2008.

The county's debt issuance policy, however, appears to conflict with its capital spending needs. For example, the county's 2008 five-year capital plan identifies \$126.6 million in capital projects for 2009. The \$126.6 million represents projects identified and requested by county departments that have not yet undergone scrutiny from budget staff or policymakers. Still, it is safe to assume that most of these projects have been requested because they are truly needed, which poses a policy dilemma for the county. It can either exceed its debt management policy and borrow to fund a significant number of the requested 2009 projects, thus increasing future debt service costs above the level deemed prudent (and thereby decreasing available operating funding for discretionary services); or it can adhere to its policy and defer needed infrastructure investment beyond 2009, thus increasing future costs of repairs or replacements. Either way, addressing the county's infrastructure needs will require significant resources in future years, putting further pressure on both the operating and capital needs of discretionary departments and services.

Conclusion

This overview of county finances over the past eight years reveals that the county's fixed costs, especially employee and retiree health care and pension costs, have increased dramatically, while growth in state/federal aids and own-source tax revenue has been stagnant. It also reveals that the county's property tax levy commitment to discretionary services (including parks, culture, and recreation) has lagged below inflation and well below the growth in tax levy support for departments with heavily mandated services during this period. While measures have been taken to bring employee fringe benefit costs under control, health care costs in the region as a whole still are rising at above the rate of inflation, and an expected escalation in debt service payments and increasing capital improvement needs will provide added pressure in the future. Consequently, the intense pressure on funding for discretionary services in the county budget is likely to continue.

III. CULTURAL INSTITUTIONS

MILWAUKEE PUBLIC MUSEUM

The Milwaukee Public Museum, founded in 1882, boasts one of America's oldest and most comprehensive collections of natural and cultural artifacts. Located since the early 1960s at 800 W. Wells Street, the 400,000-square-foot facility qualifies as a global exhibit venue. Along with its four million specimens and artifacts, the museum periodically offers national traveling exhibits such as this year's hugely successful human anatomy exhibit, *Body Worlds*.

Over its history, the museum has experienced shifting ownership: from the City of Milwaukee to Milwaukee County in 1976, and to a public-private partnership in 1992. Currently Milwaukee Public Museum (MPM) Inc., a private nonprofit enterprise, operates the facility, while the county owns the building and collection and provides operating assistance. Their alliance in the early 1990s was hailed as the model of a new age – streamlined county institutions run so efficiently and creatively that little or no taxpayer support would be required.

About a decade after the museum became a public-private venture, however, severe money troubles developed. Attendance and donor support waned and Milwaukee County, facing its own severe fiscal struggles, cut its support. Meanwhile, expenses, particularly personnel and utilities, climbed steadily, as did the museum's debt load from a highly ambitious array of capital improvements launched in the 1990s and early this decade, including an IMAX theatre and butterfly vivarium.

By 2002, the museum's budget was barely breaking even. The fiscal year ending August 31, 2004 saw a \$7 million deficit. The chief financial officer covered this shortfall with an improper transfer of funds from the museum's endowment. Another \$7 million deficit ensued in fiscal year 2005. In spring 2005, the museum's fiscal problems erupted publicly. The museum's president resigned under fire, its chief financial officer was convicted of filing a false statement, several top managers departed abruptly, and its auditors and most of its governing board were replaced.

The museum averted collapse with \$6 million in county-backed bank loans and extensive cost-cutting. The staff was downsized from 269 to 150, leaving a bare-boned workforce without many curatorial experts. Local 526 of the American Federation of State, County and Municipal Employees, which represents the museum's unionized workers, signed a new two-year contract with pay cuts of 5% to 10% and reduced benefits. Non-union salaries were cut or frozen, as were benefits. Also, the museum sold the Tirimbina rainforest property in Costa Rica, used as a research outpost, to a local not-for-profit foundation.

Museum President and Chief Executive Officer Dan Finley, who took over in 2005, reports that thanks to streamlining, a new recovery plan formulated with the county and lenders, and a successful \$10 million fund-raising drive, his institution's crisis is over. In March 2008, museum officials paid off their \$6 million rescue loans seven years ahead of schedule. Michael Bernatz, the museum's chief financial officer, reported in July that the museum once again has a

positive net worth. But despite the significant progress, formidable challenges remain, leading Bernatz also to caution that the museum’s fiscal situation remains “fragile.”

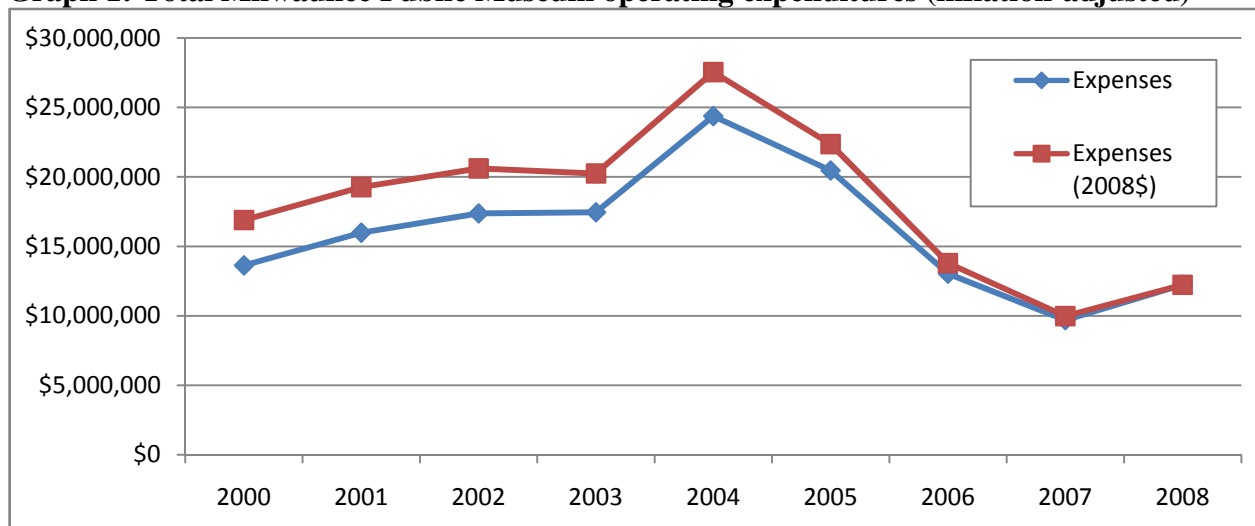
Milwaukee Public Museum Operating Budget

Table 1 summarizes museum operating expenditures for fiscal years 2000 to 2008 (the museum’s fiscal year ends August 31). It shows steadily rising spending between 2000 and 2003, followed by a sharp jump from \$17.45 million in 2003 to \$24.38 million in 2004. Spending was cut by more than \$6.5 million in 2006 in the wake of the financial crisis and another \$3.6 million in 2007. The 2008 budget is \$12.23 million, which is 10.2% below the \$13.63 million budget at the start of this decade. **Graph 1** shows that in inflation-adjusted dollars, the swings in spending are even more acute.

Table 1: Milwaukee Public Museum operating expenditures, in real dollars

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Operating Expenses									
Salaries & Wages	\$5,256,378	\$5,324,062	\$5,234,145	\$6,114,208	\$7,990,350	\$7,857,300	\$4,911,546	\$4,676,198	\$5,322,615
Benefits	\$1,557,065	\$1,909,427	\$2,357,105	\$2,415,857	\$2,553,822	\$2,840,948	\$2,203,663	\$1,124,738	\$1,998,123
Maintenance	\$614,849	\$933,716	\$1,574,035	\$1,164,696	\$2,220,941	\$1,218,779	\$755,670	\$751,529	\$814,621
Utilities	\$546,492	\$609,128	\$712,512	\$739,144	\$723,630	\$753,008	\$842,048	\$823,769	\$904,740
All Other	\$5,653,439	\$7,206,896	\$7,490,028	\$7,017,281	\$10,886,925	\$7,790,836	\$4,313,073	\$2,312,747	\$3,193,465
Total Operating Expenses	\$13,628,223	\$15,983,229	\$17,367,825	\$17,451,186	\$24,375,668	\$20,460,871	\$13,026,000	\$9,688,981	\$12,233,564

Graph 1: Total Milwaukee Public Museum operating expenditures (inflation-adjusted)



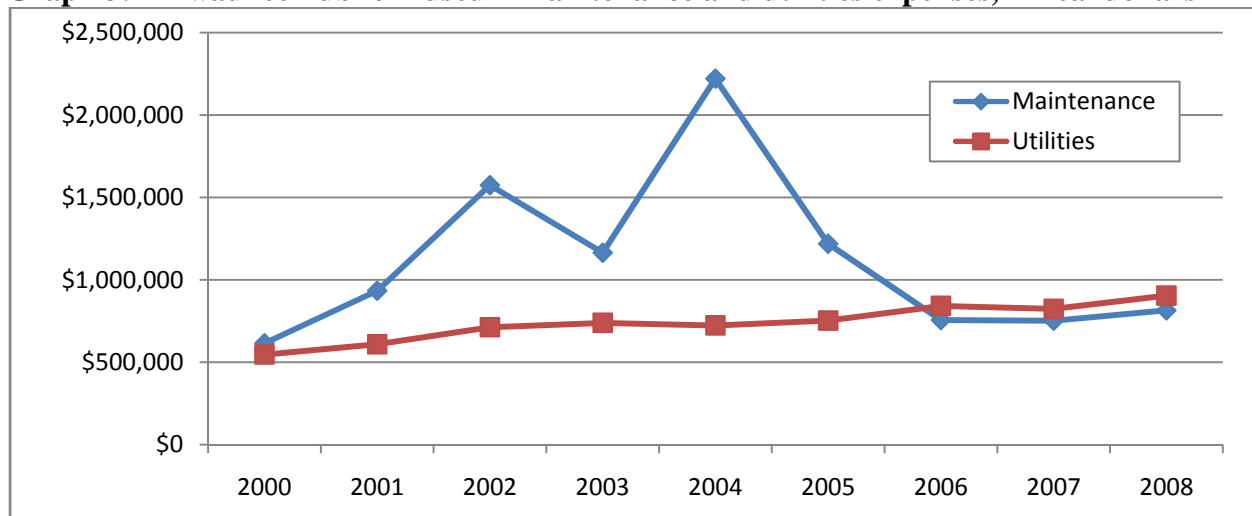
Graph 2: Milwaukee Public Museum personnel expenditures, in real dollars



Personnel expenses were a primary driver of the sharp rise and swift decline of the museum's budget this decade, as shown in **Graph 2**. Annual salaries and wages increased from the \$5 million range early in the decade to the \$8 million level in 2004 and 2005 before falling to \$4.9 million in 2006. This reflects how quickly the large museum operation of the mid-decade led to financial trouble, triggering downsizing of about 40% of museum workers in 2005-2006. Staffing has remained lean, as shown by this year's projected \$5.3 million salary and wage expense, which is only 1.3% higher than salary/wage expenditures at the start of this decade.

Benefits took a similar, though milder, path of ascent and decline, peaking at \$2.84 million in 2005. Amid broad-based staff terminations, the outlay for benefits shrunk to \$2.2 million in 2006 and \$1.12 million in 2007. Worker concessions granted during the museum's fiscal crisis ended with recently adopted new work contracts, and the 2008 benefits outlay was projected to approach \$2 million.

Graph 3: Milwaukee Public Museum maintenance and utilities expenses, in real dollars



Utilities costs took an upward course unrelated to the museum's changing fortunes. **Graph 3** illustrates the 65.5% difference between the \$546,492 spent in 2000 and the \$904,740 expected outlay in 2008.

Meanwhile, maintenance expenses fluctuated substantially, also shown in **Graph 3**. The significant decrease during the past four years reflects the museum's very challenging fiscal environment more so than diminishing maintenance needs. On the contrary, museum officials list deferred maintenance as one of the most significant problems facing the institution, and the museum's recently adopted strategic plan cites a \$10 to \$15 million deferred maintenance backlog. (This presumably includes both maintenance that would be funded in the operating budget and infrastructure repairs that would be funded in the capital budget.)

The "all other" category in **Table 1** is a substantial one that also has fluctuated significantly during the decade. This category includes expenditures on items such as exhibits, restaurant and facility rentals (which are offset by corresponding revenue), fundraising, and retail.

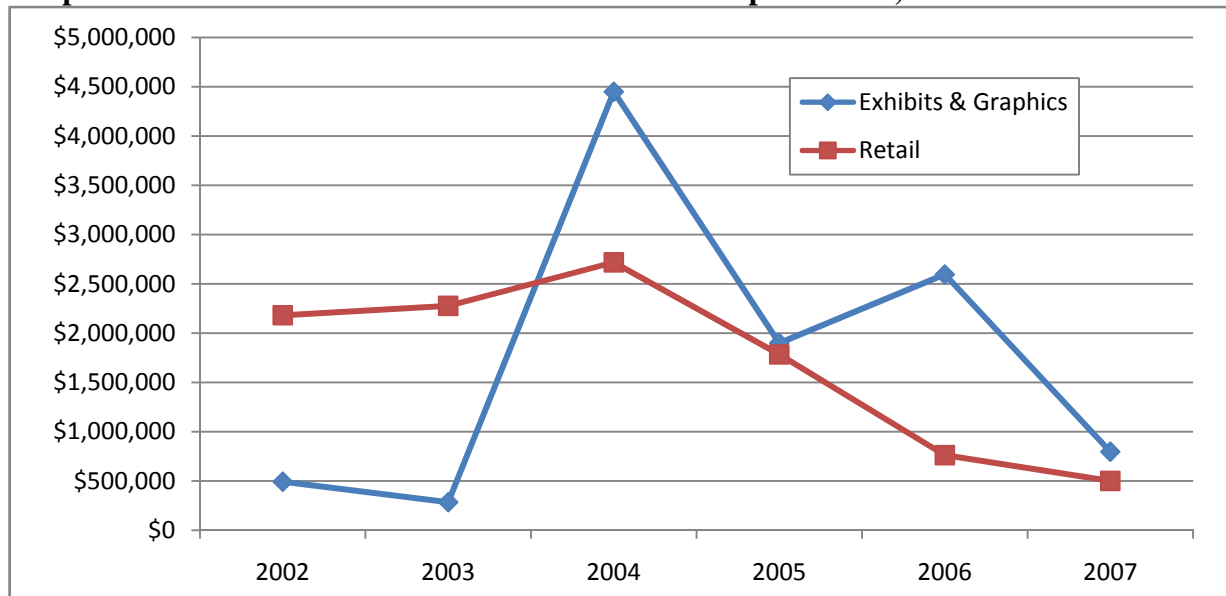
The category is not broken down into sub-categories because modifications implemented in 2006 by the new chief financial officer changed the accounting of certain expenditures significantly, making a year-to-year comparison of little utility. For example, prior to 2006, expenditures on restaurant and facility rental vendors and services were budgeted under expenditures, and gross revenue collected from restaurant and facility rentals was budgeted under revenues. Beginning in 2006, however, only the net profit was shown as revenue, causing a \$1.6 million "paper" reduction in expenditures that year (as well as a \$2 million reduction in revenue). Hence, while the sharp decrease in museum expenditures that began in 2006 is mostly attributable to personnel and program reductions caused by the fiscal crisis, accounting changes like this also have played a role.

Two of the expenditure lines included in the "all other" category that merit discussion are exhibits/graphics and retail. As **Graph 4** indicates, expenditures on exhibits/graphics has wavered sharply during the past five years,³ from a low of \$798,000 in 2007 to a high of \$4.45 million in 2004. These expenditures are impacted primarily by the nature of exhibits during a given year – a blockbuster such as 2008's *Body Worlds* or 2004's *Quest for Immortality* not only provides a significant boost in admissions revenue, but also requires sharply increased expenditures to secure, advertise and coordinate the exhibit.

The "retail" line item – also shown in **Graph 4** – is significant not only because of its annual fluctuations, but also as an indicator of the type of actions taken by new museum management in 2005-2006 to restore fiscal stability. The previous management team launched a major initiative to sell museum gift shop items in offsite retail establishments throughout the metro area as a new source of outside revenue. Annual expenditures related to this initiative were in the \$1.5 million range until the initiative was eliminated in 2006. An examination of revenue generated from this initiative reveals that it lost money each year.

³ **Graph 4** shows the 2002-2007 period because changes in the presentation of consolidated financial statements makes a comparative analysis for previous years extremely difficult.

Graph 4: Milwaukee Public Museum miscellaneous expenditures, in real dollars



Finally, it is worth noting that general marketing expenditures, which also fall under the “all other” category, shrunk as the museum’s overall budget decreased in the wake of the fiscal crisis. In 2007, the museum spent about \$385,000 on marketing, a decrease of 25% from the \$511,000 spent in 2002. The marketing budget did increase in 2008 in conjunction with the *Body Worlds* exhibit and officials plan to keep it robust in order to promote future major traveling exhibits.

Overall, an examination of the museum’s operating expenditures during this decade clearly indicates the extent to which the operation has been downsized virtually across the board. Some of this downsizing has occurred due to cuts in salaries and benefits, administrative overhead, and better resource management (i.e. trimming the unsuccessful outside retail endeavor) – reductions that ostensibly have not impacted the museum’s ability to generate earned revenue or its long-term viability. Other reductions, however, such as those to maintenance and marketing budgets, might be more appropriately characterized as necessary choices that reflected the need to balance the museum budget, but that may not have occurred in a more stable fiscal environment.

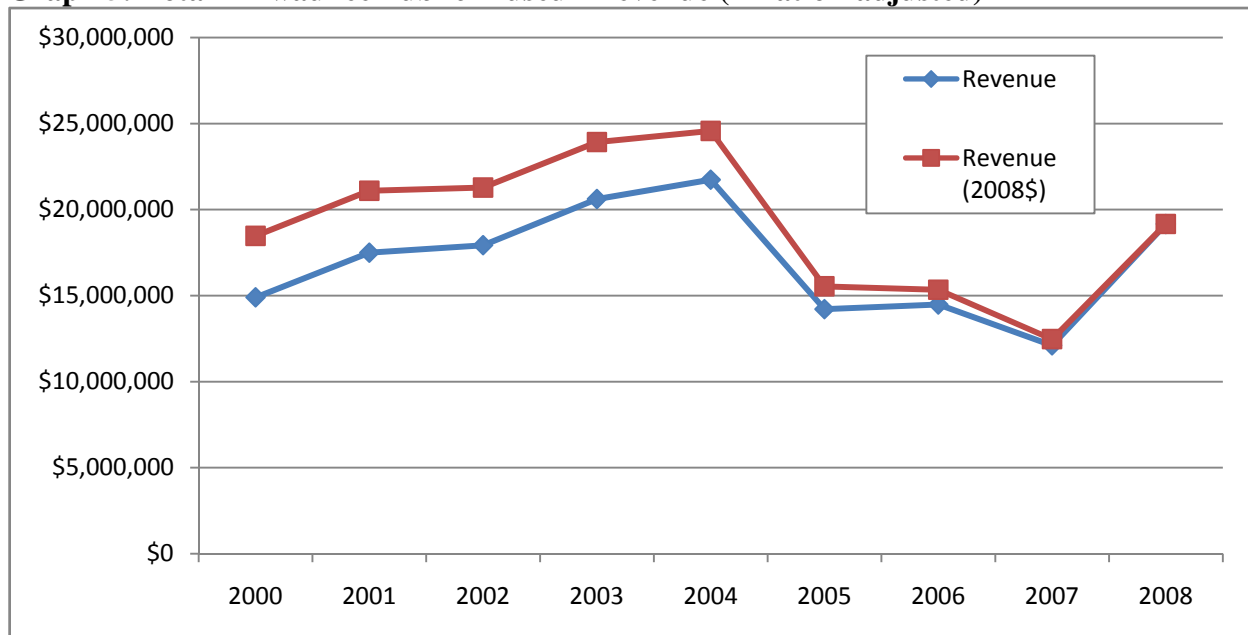
Milwaukee Public Museum Revenue

The museum's overall revenue picture for 2000-2008 is shown in **Table 2**, with **Graph 5** tracking year-to-year totals in both real and inflation-adjusted dollars. This information shows 2004 to be the museum's peak earning year, with a near-tripling in admissions revenue and more than 50% hike in restaurant/rental income from the previous year. Earned income represented 51% of the museum’s nearly \$21.7 million revenue that year, staving off a deficit despite a \$2.1 million drop in private support and \$400,000 decline in public support.

Table 2: Milwaukee Public Museum revenue, in real dollars

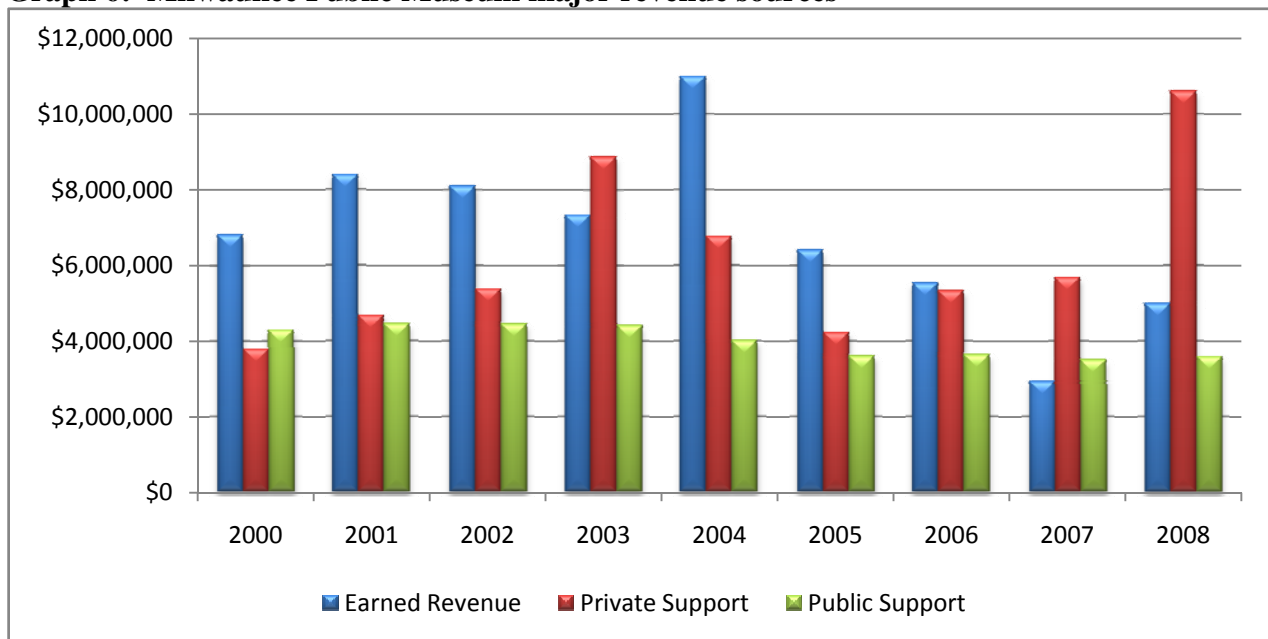
	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Earned Revenue									
Admissions Including Special Exhibits	\$1,056,734	\$1,057,429	\$924,071	\$1,090,271	\$3,057,151	\$1,070,111	\$3,072,531	\$1,031,998	\$2,560,000
Restaurant/Rental	\$2,183,543	\$2,523,707	\$2,018,351	\$1,983,231	\$3,021,691	\$1,964,998	\$320,772	\$206,097	\$250,000
Retail Revenue	\$1,533,102	\$1,695,620	\$1,916,182	\$2,047,894	\$2,448,287	\$1,681,228	\$779,497	\$495,794	\$675,000
IMAX/Planetarium Revenue	\$856,600	\$1,539,903	\$1,443,266	\$1,545,218	\$1,579,331	\$1,288,318	\$938,149	\$964,778	\$1,150,000
Other Operating	\$1,177,210	\$1,559,185	\$1,802,398	\$669,146	\$874,022	\$395,794	\$419,906	\$230,419	\$350,000
Earned Revenue	\$6,807,189	\$8,375,844	\$8,104,268	\$7,335,760	\$10,980,482	\$6,400,449	\$5,530,855	\$2,929,086	\$4,985,000
Fund Raising									
Operating Support	\$2,363,732	\$2,899,013	\$3,538,164	\$3,349,117	\$2,712,869	\$2,908,571	\$3,531,235	\$3,754,264	\$3,345,024
Special Exhibit Support/ Grants/Debt Reduction	\$721,040	\$1,075,667	\$1,078,404	\$4,955,015	\$3,270,986	\$899,704	\$1,455,075	\$1,608,323	\$6,900,000
FOMPM Support	\$260,000	\$250,000	\$250,000	\$210,000	\$400,000	\$275,000	\$235,000	\$210,000	\$250,000
Endowment Income	\$4,235	\$0	\$20,371	\$144,927	\$135,000	\$0	\$0	\$0	\$0
Donated Services	\$443,146	\$446,957	\$488,896	\$216,585	\$242,374	\$133,082	\$99,437	\$104,262	\$100,000
Private Support	\$3,792,153	\$4,671,637	\$5,375,835	\$8,875,644	\$6,761,229	\$4,216,357	\$5,320,747	\$5,676,849	\$10,595,024
Public Support									
Milwaukee County Funding	\$4,300,000	\$4,300,000	\$4,300,000	\$4,156,663	\$3,948,832	\$3,547,292	\$3,461,772	\$3,385,630	\$3,444,004
State of Wisconsin Funding	\$0	\$150,000	\$150,000	\$250,000	\$50,000	\$50,000	\$172,131	\$116,423	\$140,000
Public Support	\$4,300,000	\$4,450,000	\$4,450,000	\$4,406,663	\$3,998,832	\$3,597,292	\$3,633,903	\$3,502,053	\$3,584,004
Total Revenues	\$14,899,342	\$17,497,481	\$17,930,103	\$20,618,067	\$21,740,543	\$14,214,098	\$14,485,505	\$12,107,988	\$19,164,028

Graph 5: Total Milwaukee Public Museum revenue (inflation-adjusted)



Beginning in 2005 – in conjunction with the fiscal crisis – the museum’s revenue picture changed dramatically. Earned revenue dropped from \$11 million to \$6.4 million. The admissions revenue portion of the decrease can be explained by lack of a major exhibit, but the museum also suffered sharp drops in restaurant/facility rental, retail, and IMAX revenue. The continued sharp drop in restaurant/facility and retail revenue after 2005 can be attributed to accounting factors and to the decision to eliminate the offsite retail initiative, but IMAX revenue also continued to fall, a reflection of waning interest in a technology that was no longer new and unique. Private support diminished as well, shrinking from nearly \$6.8 million in 2004 to \$4.2 million in 2005 before rebounding. (The rebound in 2006 was helped by the \$350,000 sale of the Tirimbina rainforest property, the proceeds from which were utilized to pay down debt.)

Graph 6: Milwaukee Public Museum major revenue sources



Graph 6, which indicates the composition of the museum’s revenue picture during each year of the decade, illustrates the substantial drop in earned revenue. This is slightly skewed by the accounting change related to restaurant/facility rental income, but it is significant nonetheless that earned revenue in 2007 comprised just 24% of the museum’s total revenue picture. The museum has become increasingly reliant on private support to fund operations, which has been a critical revenue source recently in light of a community-wide imperative to “save” the museum, but which may be difficult to sustain in the long term given the myriad of competing demands for philanthropic dollars in greater Milwaukee.⁴

Another development that may have impacted museum admissions and related revenue to some extent – as well as fundraising – is the closure of the Discovery World science museum adjacent

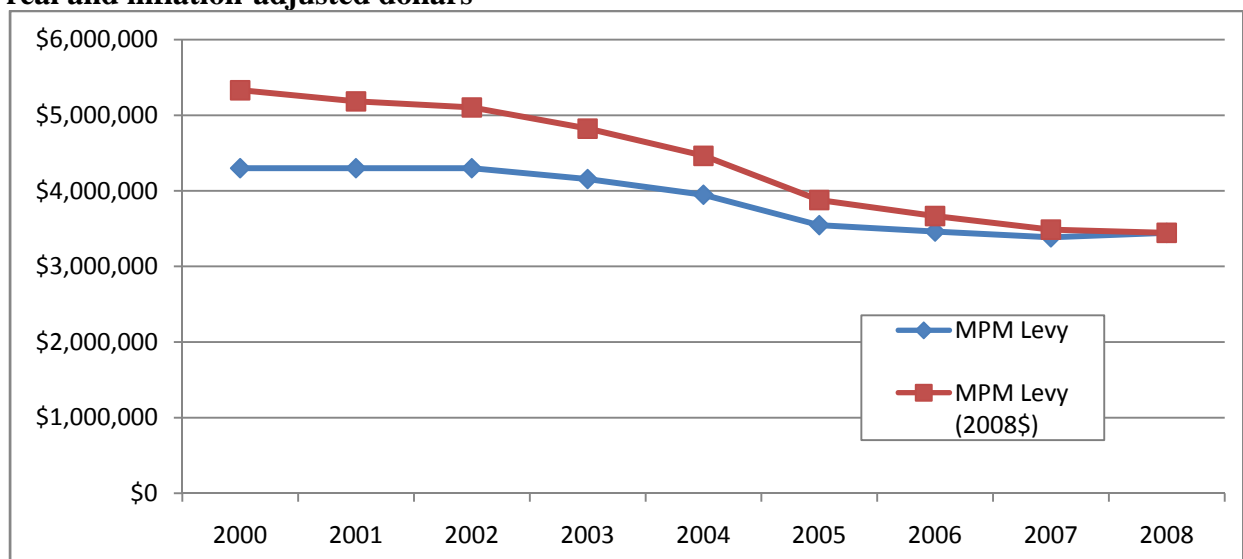
⁴ According to museum officials, the increased private sector support in 2002-2004 shown in **Graph 6** is somewhat misleading, as substantial private funds generated by a capital campaign to help pay off debt associated with major capital improvements appeared in the operating budget during those years. Hence, the level of private support generated to bolster Museum operations in later years is even more pronounced than this graph indicates.

to the museum building in 2004 and its re-opening on the lakefront in 2006. Discovery World was constructed as a privately owned addition to the museum building in the mid 1980s on land leased from the county. When Discovery World officials decided to move to the Pier Wisconsin site earlier this decade, MPM officials promised to buy the building for \$6 million. After the financial crisis hit and new management took over, they sought to cancel the deal. Discovery World officials offered to cut the purchase price in half, but in October 2007 both parties agreed the sale would not take place. Earlier this year, Junior Achievement of Wisconsin announced plans to buy the building for \$2.5 million.

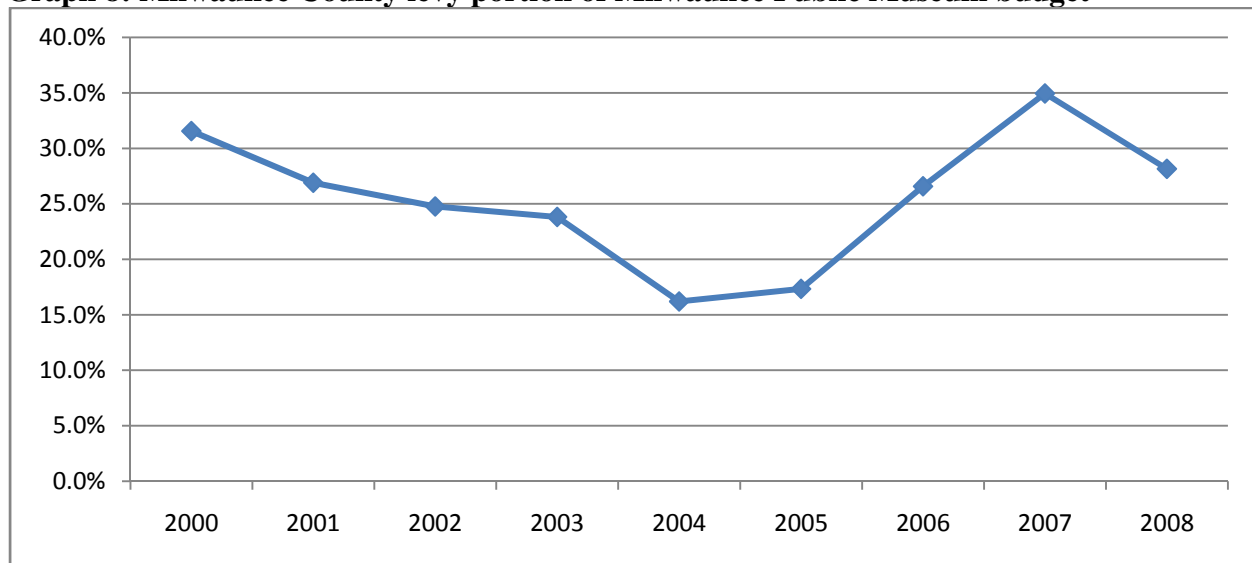
Museum officials attest that the closure of Discovery World – which attracted patrons who also visited the public museum – may have had a limited but not a significant impact on attendance. Harder to measure is whether the opening of the new Discovery World has added another competitor for the museum, or conversely, whether it might be providing a small attendance boost by attracting visitors to Milwaukee who end up visiting both museums. Also difficult to measure is whether Discovery World’s competition for the same private philanthropic support has impacted the museum’s recent and future fundraising efforts.

Meanwhile, **Graph 7** shows public support for the museum has waned since 2002 – particularly on an inflation-adjusted basis – reflecting the county’s own financial challenges and the expiration of a multi-year memorandum of agreement between the museum and the county that locked in a minimum level of county support. The memorandum allowed for a maximum 5% annual reduction in county tax levy support subsequent to its expiration, and the county took advantage of that provision in most years. **Graph 8** shows that county property tax levy provided 31.6% of museum expenditures in 2000, steadily dropped to a low of 16.2% in 2004, then rose post-fiscal crisis to more than 25% in 2006 and 35% in 2007. The increased percentage in 2006-07, of course, is attributed not to an increase in county support, but to the sharp drop in museum expenditures.

Graph 7: Milwaukee County levy contribution of Milwaukee Public Museum budget, in real and inflation-adjusted dollars



Graph 8: Milwaukee County levy portion of Milwaukee Public Museum budget



While the county's operating support declined annually between 2002 and 2007, it should be noted that the county's decision to guarantee \$6 million in museum debt in 2005 and its agreement to accelerate some of its quarterly payments in both 2005 and 2006 were critical to the museum's ability to avoid insolvency during that period.

The museum's 2008 budget includes \$3.44 million in county property tax levy, or 28.2% of its \$12.23 million total budget. This reflects the new recovery plan adopted by the museum, its lenders, and the county in 2007, under which the county's property tax levy contribution increased to its 2006 level and is guaranteed to stay there for 10 years. While a flat 10-year county contribution at first glance would appear disadvantageous in light of the loss of real purchasing power during that time, this was seen as a significant milestone by museum officials, given annual 5% cuts they had experienced in previous years and their newfound ability to conduct budget planning with certainty regarding their county funding.

The museum also has collected a relatively small amount of state funding each year during the period, typically in the \$100,000 to \$150,000 range. A portion of that is an annual \$50,000 grant for African-American education activities from the state's Department of Public Instruction, while the rest typically comes from individual grants.

Total museum revenue in 2008 was projected to be \$7 million (28.6%) more than in 2002, which if achieved will mark an impressive turnaround from the turmoil of a few years ago. That gain was expected to accrue largely from about \$1.6 million more in admissions from its *Body Worlds* exhibit and an anticipated \$5 million in private donor funds. The \$5 million emanates from a challenge grant provided by the Bradley Foundation and an anonymous donor, under which an initial \$5 million has been pledged to pay off long-term debt under the condition that the museum board raise another \$5 million itself. According to museum officials, \$5.1M in pledges were received by December 31, 2007 to make the match, and \$4 million of Bradley challenge money already has been received and utilized to extinguish all county-backed debt.

Looking further into the future, the museum's strategic plan envisions a revenue picture consisting of 25% government funding, 30% annual contributions, 35% earned income, and 10% endowment income. The earned income increase is to be achieved through increased attendance, while major fundraising initiatives are planned to grow the museum's endowment.

A July 2008 report from the chief financial officer to the county board indicated that fundraising efforts had yielded \$9.1 million in donations through the first nine months of the 2008 fiscal year, earned income revenues were \$1.2 million over budget, and endowment funds had grown to \$1.9 million. The museum was projecting \$815,583 in total net assets and a \$6.24 million increase in unrestricted net assets at the end of its 2008 fiscal year.

Milwaukee Public Museum Recovery Plan

The 2007 recovery plan will continue to impact future budgets in several additional meaningful ways. The plan – agreed to by the museum board of directors, Milwaukee County, and the museum's two main lenders (M&I and Chase banks) – is summarized as follows:

- The county agreed to level annual appropriations of \$3.5 million for the museum beginning in 2008. The county also agreed to provide a minimum of \$4 million in capital improvement expenditures between 2008 and 2012 for projects mutually agreed to by the county and museum.
- The two banks agreed to restructure the remaining \$16.7 million in long-term debt for a 10-year period at reduced rates. This restructuring, combined with debt elimination provided by the challenge grant, lowers the museum's annual debt service payments by approximately \$750,000 per year during the first five years, and \$375,000 per year for the next five.
- The museum agreed to raise \$5 million to match the challenge grant and to first pay off the \$6 million in debt guaranteed by the county, and it also agreed to significantly grow its endowment (as part of an overall major capital campaign) and take various other steps to ensure long-term sustainability.

The recovery plan clearly has allowed the museum to generate significant short-term operating budget relief and stability via the reduced debt service payments and level support from the county. It also has provided prospective donors with greater confidence with regard to the museum's financial future, which has been reflected in the museum's recent fundraising success. Those two factors, in turn, have helped trigger the recent turnaround.

Nevertheless, concerns remain about the museum's long-term fiscal health given a balloon payment of approximately \$13.4 million that will be due to the banks after the expiration of the agreement in 2017, an \$8 million liability for pension and health care obligations to former county employees,⁵ and uncertainty regarding the museum's ability to meet its capital campaign

⁵ When MPM, Inc. took over museum operations in 1992, the county required it to assume responsibility for pension and other retiree benefit obligations earned by county employees who had worked at the Museum.

fundraising goals. While museum officials have not publicly disclosed the goal of the capital campaign, a county board staff report describing the recovery plan cited it as \$25 million (in addition to the \$10 million associated with the Bradley challenge grant).

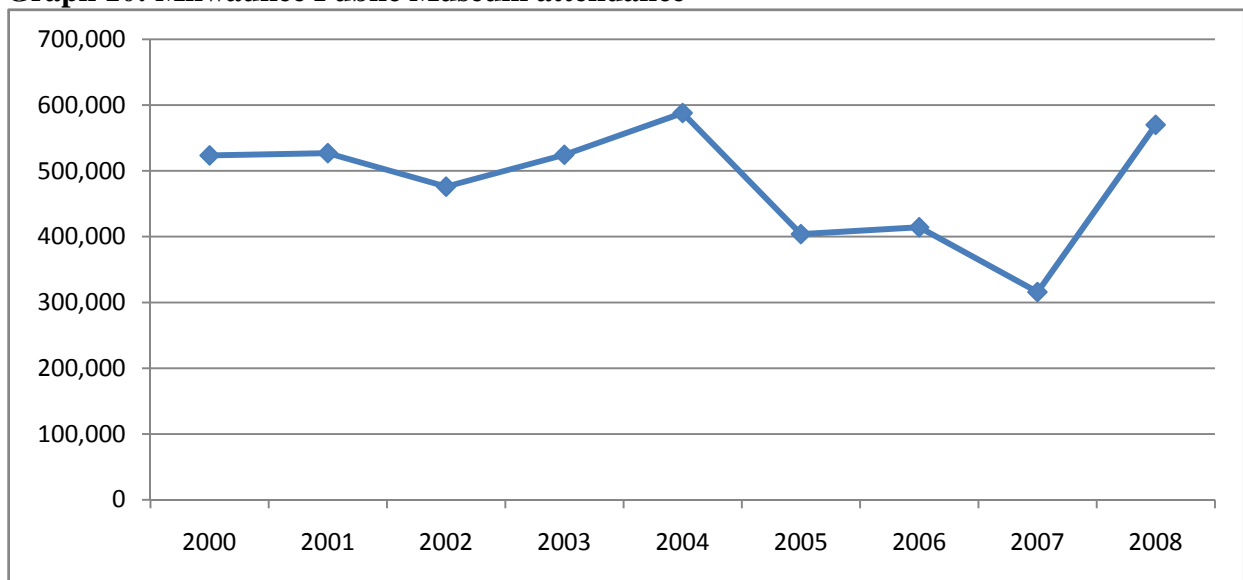
Milwaukee Public Museum Attendance

The museum's biggest crowds this decade materialized in 2004, the year before the full-blown fiscal crisis. That year, 588,016 visitors came through its doors, and admission revenue exceeded \$3 million. The attendance boost can be linked to that year's special exhibit, *Quest for Immortality*.

The 2007 fiscal year produced 315,882 museum-goers, an eight-year low, as seen in **Graph 10**. Other years were in the 400,000 to 500,000 range for attendance. The museum's chief financial officer points out, however, that prior to 2006, attendance figures likely were skewed by multiple counting of one person's day of visiting the museum, IMAX and a special exhibit.

For 2008, museum officials predicted a return to glory days, with a projected 570,000 visitors. That prediction actually was surpassed. The *Body Worlds* exhibit alone drew 338,000 viewers during its January to June run – exceeding attendance for all of 2007. While 2008 attendance figures demonstrate huge success, they also demonstrate the museum's reliance on annual blockbuster exhibits. For 2009, the museum is projecting flat attendance of about 290,000 for regular museum-goers and about 229,000 for the IMAX/planetarium, while counting on 225,000 visitors to the *Titanic* exhibit. Actual IMAX attendance in 2007 was only 182,000 – much less than the more than 400,000 as recently as five years ago. It is hoped that the planetarium addition will boost that by close to 50,000 and keep it there.

Graph 10: Milwaukee Public Museum attendance



Milwaukee Public Museum Operating Budget Projections

The museum's chief financial officer prepared detailed three-year budget projections for the museum board of directors this August prior to approval of the fiscal year 2009 budget. Those projections are reproduced in **Table 3**. It is important to note that this table reflects the projected annual operating surplus/deficit before factoring in the capital campaign. Hence, for those years in which a deficit is shown, the museum is not necessarily losing money; on the contrary, if projected capital campaign revenue were added, significant surpluses would be indicated.

With regard to assumptions, the projections generally used inflationary adjustments for most expenditure and revenue categories. Other key assumptions are as follows:

- It is assumed that a blockbuster traveling exhibit is secured for each year of the projection period. Attendance projections for those exhibits are similar to the 225,000 projected for the *Titanic* exhibit, which opened in October 2008. By comparison, the record-breaking *Body Worlds* exhibit drew about 338,000 patrons.
- Base museum attendance is projected to grow from 281,688 forecast for 2008 to 289,780 in 2009 and 300,000 in 2010-12.
- Combined IMAX/planetarium attendance is projected to increase gradually from the 225,797 projected in 2008 to 240,000 by 2012.
- Admission fees for base admissions, IMAX/planetarium, and special exhibits are projected to grow on an inflationary basis with the exception of a special exhibit under contract for 2010 (but not yet publicly announced). A new fee structure is planned for that exhibit that is expected to boost revenues by more than \$2 million and expenditures by about \$1.8 million.
- Professional fees are increased approximately \$500,000 in 2009 for costs associated with the capital campaign and planning the 2010 special exhibit.
- Endowment income is projected to grow from \$60,000 in 2009 to just over \$200,000 by 2012.

Table 3: Milwaukee Public Museum budget projections (2008-2012)

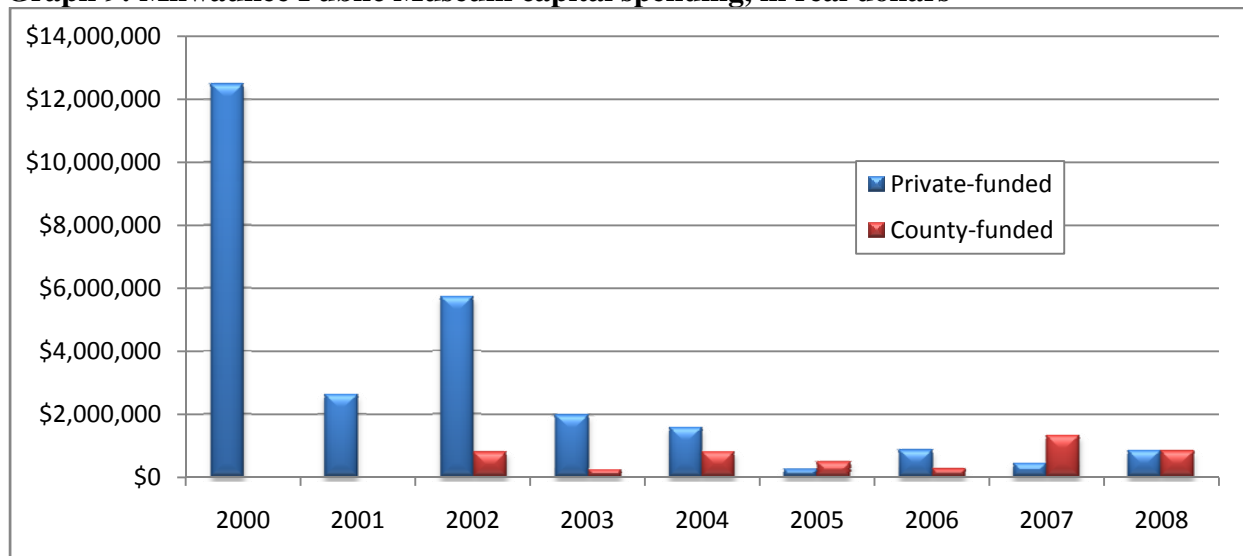
	2008 Budget	2009 Projected	2010 Projected	2011 Projected	2012 Projected
Salaries & Wages	\$5,564,523	\$5,719,555	\$6,017,123	\$6,308,111	\$6,612,752
Benefits	\$1,995,421	\$2,084,976	\$2,178,451	\$2,351,832	\$2,510,755
Maintenance	\$864,092	\$768,066	\$794,948	\$822,772	\$851,569
Utilities	\$914,726	\$1,019,276	\$1,100,818	\$1,188,884	\$1,283,994
All Other	\$5,054,674	\$5,486,996	\$6,691,038	\$4,419,424	\$4,169,646
Total Operating Expenditures	\$14,393,436	\$15,078,869	\$16,782,378	\$15,091,023	\$15,428,716
Earned Revenue					
Admissions Income	\$3,225,028	\$3,027,982	\$5,315,663	\$3,103,163	\$3,365,663
Restaurant, Catering & Rental Sales	\$293,179	\$364,992	\$440,000	\$459,000	\$525,000
Museum Shops, Concessions	\$772,931	\$798,000	\$895,227	\$871,626	\$942,125
IMAX/Planetarium Admissions Revenue	\$1,101,930	\$1,205,152	\$1,271,413	\$1,342,251	\$1,445,251
Other Operating Income	\$304,749	\$54,325	\$57,041	\$59,893	\$62,888
Earned Revenue	\$5,697,817	\$5,450,451	\$7,979,344	\$5,835,933	\$6,340,927
Fund Raising					
Campaign & Membership	\$3,704,626	\$3,570,319	\$3,688,140	\$3,817,224	\$3,950,827
FOMPM	\$269,862	\$249,190	\$257,413	\$266,423	\$275,748
Grants	\$233,819	\$160,232	\$160,232	\$160,232	\$160,232
Restricted/Projects	\$387,863	\$1,095,000	\$1,200,000	\$1,200,000	\$1,200,000
Education Program Income	\$124,171	\$173,920	\$208,704	\$250,445	\$300,534
Endowment Income	\$0	\$60,000	\$102,104	\$152,104	\$202,104
Private Support	\$4,720,341	\$5,308,661	\$5,616,593	\$5,846,428	\$6,089,445
Public Support					
Milwaukee County Funding	\$3,444,004	\$3,502,380	\$3,502,380	\$3,502,380	\$3,502,380
State of Wisconsin Funding	\$0	\$0	\$0	\$0	\$0
Public Support	\$3,444,004	\$3,502,380	\$3,502,380	\$3,502,380	\$3,502,380
Total Operating Revenue	\$13,862,162	\$14,261,492	\$17,098,317	\$15,184,741	\$15,932,752
Net Gain/Loss	(\$531,274)	(\$817,377)	\$315,939	\$93,718	\$504,036

These projections illustrate the extremely challenging operating budget environment facing the museum. Operating stability appears achievable if certain key goals are met, including success in securing popular traveling exhibits, stabilization of IMAX attendance in light of the new planetarium, growth in the endowment to the point that investment earnings can yield significant contributions to the operating budget, and a successful capital campaign. Conversely, significant failure in achieving any of those goals could spell significant trouble.

Milwaukee Public Museum Capital Budget

Milwaukee County's budgeted capital improvements contributions to the museum totaled \$4.7 million during the 2000-2008 period, an average of about \$520,000 per year. As **Graph 9** indicates, the county's contribution has ebbed and flowed, depending on the size and nature of needed projects. **Graph 9** also indicates that privately funded capital improvement projects at the museum outpaced county capital spending during the decade.

Graph 9: Milwaukee Public Museum capital spending, in real dollars



A little more than \$1.7 million of the county’s budgeted capital expenditures were directed toward replacement of the museum’s electrical distribution system, while \$940,000 was earmarked for plumbing system replacement and \$931,000 for security/life safety system replacement. This year, an \$828,000 air handling and pipe replacement project is budgeted. In the meantime, the museum borrowed or solicited its own funds for exhibit-related improvements, such as the Pulicher Butterfly Exhibit and its purchase of the IMAX theatre early in the decade and, more recently, the Daniel M. Soref Planetarium. In all, museum-funded capital improvements totaled \$26.8 million between 2000 and 2008.

The need for significant investment in the physical facility and the question of who can and should pay for such improvements has been one of the most contentious aspects of the county-museum relationship during the past several years. The museum’s strategic plan, adopted in 2007, cites “Re-invest in Physical Facility” as one of five main strategic objectives, noting, “Museums that do not invest in new exhibits or facilities experience downward spirals in attendance, financial support, and program quality.” In addition to laying out a vision that includes new and renovated exhibits and improvements to the atrium and common areas, the plan notes the building’s failing mechanical systems, corroded pipes, and leaky roofs that “require significant investment to keep the building functional.” As noted earlier, it estimates \$10 to \$15 million of deferred maintenance needs for the building.

Because the building is owned by the county, it is responsible for capital improvements. Building maintenance, however, is the responsibility of the museum, and disputes have arisen in the past over what constitutes a maintenance item versus a capital improvement. Museum officials think the recovery plan, which commits the county to \$4 million in capital expenditures from 2008 to 2012, will provide for improved care of building infrastructure, but the needs will exceed the amount allotted, and may detract from the museum’s efforts to focus on new and improved exhibits. Meanwhile, museum officials point out that they have been allocating about \$200,000 per year for building repairs they believe should be the county’s responsibility.

The museum's new capital campaign obviously is critical in order to make the strategic plan's vision for the building a reality. According to the chief financial officer, about half of the capital campaign dollars will be dedicated to building-related upgrades. Again, the question is whether there are enough philanthropic dollars to meet the needs of this campaign in light of the needs of other arts and cultural institutions as outlined in this report.

Conclusion

With a downsized operation, new leadership, restructuring of long-term debt, an infusion of private money, and a stable public funding commitment, the Milwaukee Public Museum has rebounded from a severe fiscal crisis that shattered its balance sheet and battered its reputation. Meanwhile, its recently adopted strategic plan, which could serve as a model for other arts and cultural institutions, lays out an impressive vision and roadmap for future sustainability.

But despite this encouraging turnaround, the Museum's long-term fiscal outlook still hinges on several key variables. One of the most significant is its ability to secure annual blockbuster exhibits in order to maintain healthy attendance figures. As the chief financial officer puts it, if the museum fails to land a major traveling exhibit in a given year, "then we're losing money."

Another is the fact that even if it is successful in maintaining ticket sale revenue, this revenue source will account for only about 20% of net income, leaving the museum dependent on significant annual private sector support. The museum has excelled in attracting such support recently, but officials acknowledge they are worried about sustaining such success in a down economy and an increasingly competitive philanthropic environment.

Also, it is impossible to overlook the museum's \$25 million in long-term obligations, consisting of \$17 million in bank debt and \$8 million in pension/retiree obligations. The good news is that there is a plan for addressing those liabilities, which essentially boils down to using the breathing space afforded by 10 years of lower debt service payments to build a substantial endowment, and then using endowment earnings to support operations as the liabilities come due. The bad news, of course, is that once again the museum is counting on uncertain private sector support.

With regard to county funding, the museum does not face as big a challenge as other county-owned institutions because of the 10-year level funding commitment, though it should be noted this commitment is not legally binding. As for the prospect that the museum might someday be self-sufficient, museum leaders say that is unlikely. In fact, they look at the issue differently, saying that because not only the museum building but also its collection is owned by the county, county funding should not be viewed as a subsidy. Rather, the county is paying MPM, Inc. to take care of its building and show its collection much like it pays other contractors for other services. And, they add, it is getting a price that is less expensive than if it were doing so itself.

It would have been difficult to imagine two years ago that at the start of its 2009 fiscal year, the Milwaukee Public Museum would be showing a positive balance sheet and a realistic, though ambitious, long-term plan for maintaining fiscal stability. While the future still holds challenges, the new museum regime has made impressive progress.

MARCUS CENTER FOR THE PERFORMING ARTS

The Marcus Center for the Performing Arts, bordering Milwaukee's downtown riverfront, has served as the heart of the region's cultural scene for nearly 30 years.

Built for \$12.7 million, largely with private funds, and turned over to Milwaukee County upon its 1969 completion, the five-story building at 929 N. Water St. originally was named The Performing Arts Center. It was designed by Chicago architect Harry Weese for a dual purpose: to coalesce area theater, music and dance groups at a central location, and to provide a world-class entertainment venue.

The Marcus Center has more than fulfilled its original ambitions. Today, it houses not only renowned fine arts organizations such as First Stage Children's Theater, Milwaukee Symphony Orchestra, Milwaukee Ballet Company and Florentine Opera Company, but it also hosts guest artists and performers from around the world. Ethnic and cultural groups employ it as an event site and, since the 1990s, touring Broadway and off-Broadway companies have performed in its trio of theaters.

After the Marcus Foundation donated a multi-million-dollar lead gift toward a \$27 million public/private renovation project, including an all-glass east facade, the center was renamed for Ben and Ceil Marcus in 1996. Its latest improvement came this spring with a \$1.1 million privately funded LED lighting system that provides dramatic, shifting nighttime illumination for the building exterior.

As its cultural reach has broadened, the center has evolved from being primarily a performing arts venue for local resident performing arts groups to an arts organization in and of itself. In presenting national touring groups, the county-owned center's private non-profit operators have discovered a rich source of earned revenue that has largely offset shrinking public sector financial support. The center also has demonstrated an ability to creatively reduce administrative costs in order to offset lost revenue while keeping core functions working smoothly.

A county-funded operation in 1969, the Marcus Center for the Performing Arts now is a business relying primarily on earned income. This is consistent with a goal that county leaders originally established for the Marcus Center and other cultural institutions for which private non-profit operators were secured – that county support gradually but eventually be replaced with other revenue streams. This year, Milwaukee County's property tax levy will provide \$1.28 million of the center's projected \$7.28 million operating budget.

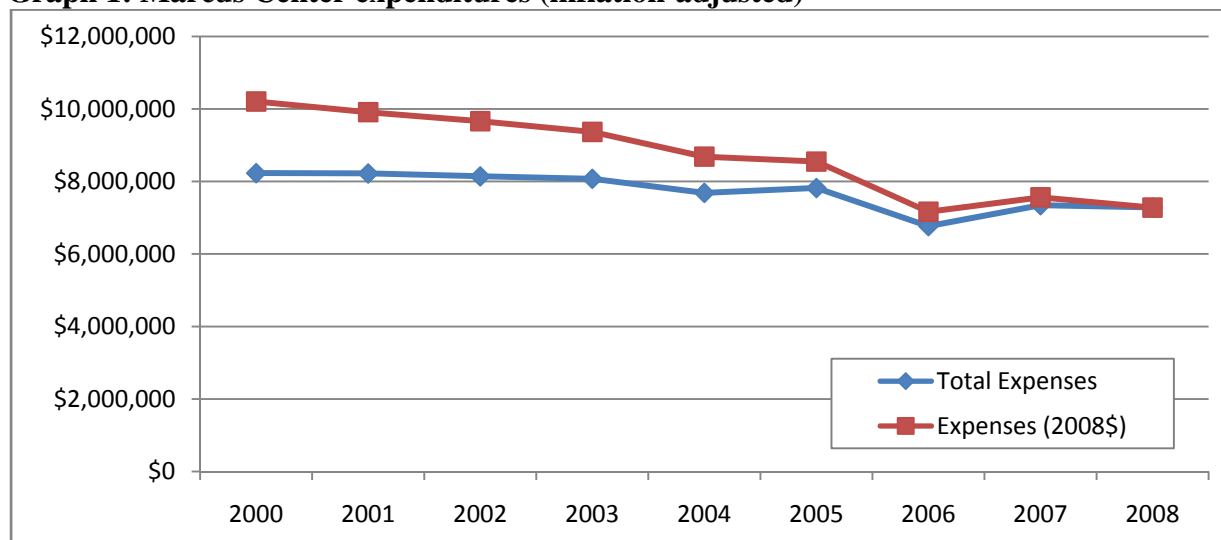
Marcus Center for the Performing Arts Operating Budget

Table 1 summarizes the center's operating expenditure budget from 2000 to 2008. **Graph 1** shows that whether measured in nominal or inflation-adjusted dollars, the center's operating budget has shrunk this decade.

Table 1: 2000-2008 Marcus Center operating expenditures, in real dollars

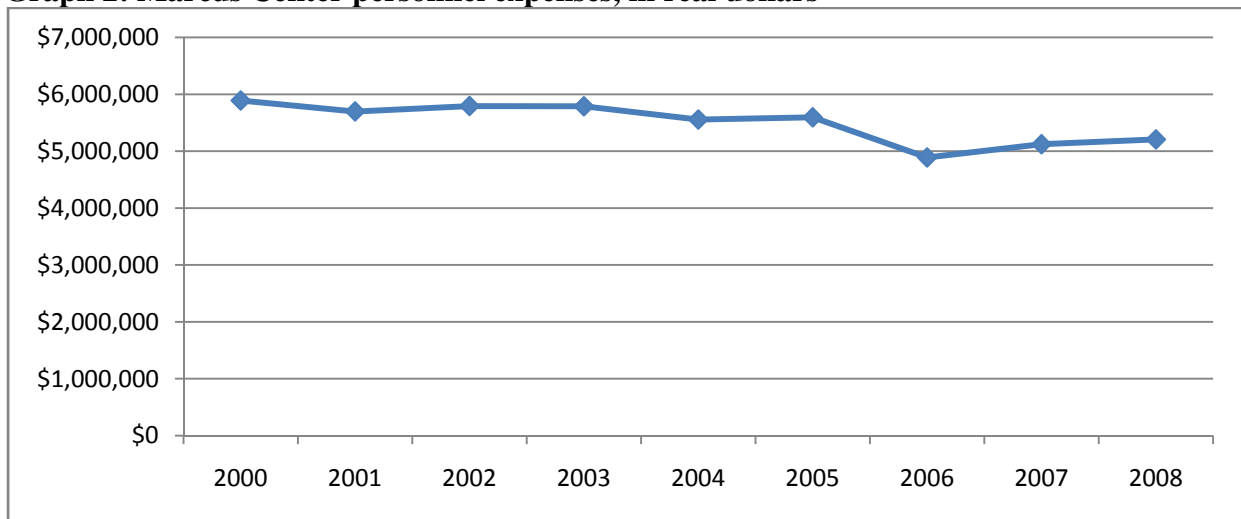
	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Personnel Services	\$5,890,606	\$5,697,627	\$5,793,397	\$5,788,911	\$5,555,255	\$5,593,959	\$4,888,293	\$5,121,412	\$5,205,839
Adv & Promotion	\$501,899	\$595,218	\$372,464	\$384,563	\$347,805	\$423,297	\$268,037	\$401,744	\$355,500
Space & Utilities	\$1,157,353	\$1,194,083	\$1,264,673	\$1,295,966	\$1,175,006	\$1,289,710	\$1,183,801	\$1,384,131	\$1,299,045
Office & Adm Supplies	\$525,021	\$522,741	\$509,030	\$412,629	\$427,888	\$330,637	\$288,445	\$306,571	\$268,403
Other Expenses	\$24,608	\$67,623	\$21,582	\$34,499	\$29,796	\$28,735	\$1,436	\$519	\$0
City of Milwaukee payment	\$130,903	\$143,312	\$179,438	\$155,886	\$147,921	\$153,115	\$135,766	\$129,870	\$152,027
Total Expenses	\$8,230,390	\$8,220,604	\$8,140,584	\$8,072,454	\$7,683,671	\$7,819,453	\$6,765,778	\$7,344,247	\$7,280,814

Graph 1: Marcus Center expenditures (inflation-adjusted)



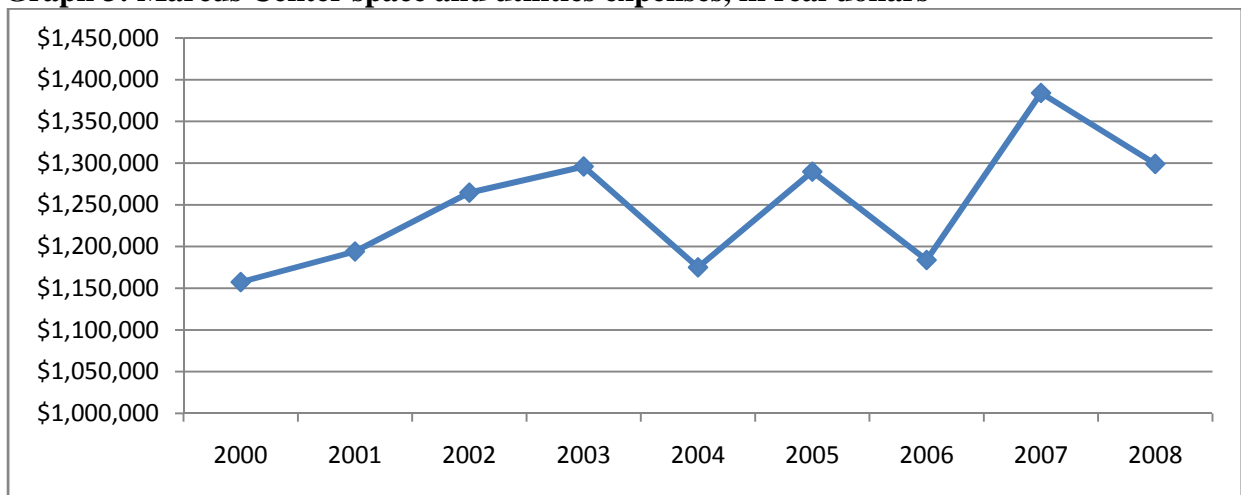
This year's projected budget of \$7.28 million is nearly \$1 million less than the center's 2000 operating budget of \$8.23 million. Center officials attribute the expenditure decrease in part to downsizing of administrative and service staffs, more efficient scheduling of those who remained, using more volunteer ushers, adjusting insurance benefits and premiums, imposing more control over office supplies, instituting various energy-saving measures, implementing a comprehensive preventive maintenance program, and shifting from paper-based to electronic information systems.

Graph 2: Marcus Center personnel expenses, in real dollars



Personnel expenses comprise the lion’s share of operations spending at \$5.2 million of this year’s \$7.3 million budget. But, as **Graph 2** indicates, these costs have dropped 11.6% from their \$5.9 million peak at the start of the decade due to the administrative actions described above.

Graph 3: Marcus Center space and utilities expenses, in real dollars



Graph 3 shows that space and utility costs, the center’s second largest expense, have climbed 12.2% so far this decade, from \$1.16 million in 2000 to a projected \$1.3 million this year. The center has held down power costs by upgrading its electrical substation and using more energy-efficient lighting in work areas.

The center also has undertaken efforts to hold down maintenance costs, but it also now faces a \$1.2 million backlog in major maintenance needs, according to center officials. Maintenance is funded in the center’s operating budget, while major infrastructure repairs are the responsibility of the county as the building’s owner.

Examination of other significant expenditure line items reveals that center officials trimmed both office/administrative supplies and advertising/promotions budgets by about 29% this decade. Meanwhile, parking structure revenue payments to the City of Milwaukee rose 16.1%, from \$130,903 in 2000 to \$152,027 budgeted this year. The Marcus Center shares parking center garage profits with the City of Milwaukee, from whom it leases the land underneath the structure. Per the lease terms, all such profits are restricted for future capital improvements to the structure, and are not available to support general operations at the center.

The Marcus Center also makes an annual payment of approximately \$400,000 to Milwaukee County for the principal on outstanding debt, though this payment does not appear in the operating budget. The county issued \$5.8 million in bonds in 1994 and 1995 to renovate the interior of the Marcus Center with the understanding that the center would impose a facility fee on tickets to repay the county for the debt service on an annual basis. There is approximately \$1.1 million in debt service remaining.

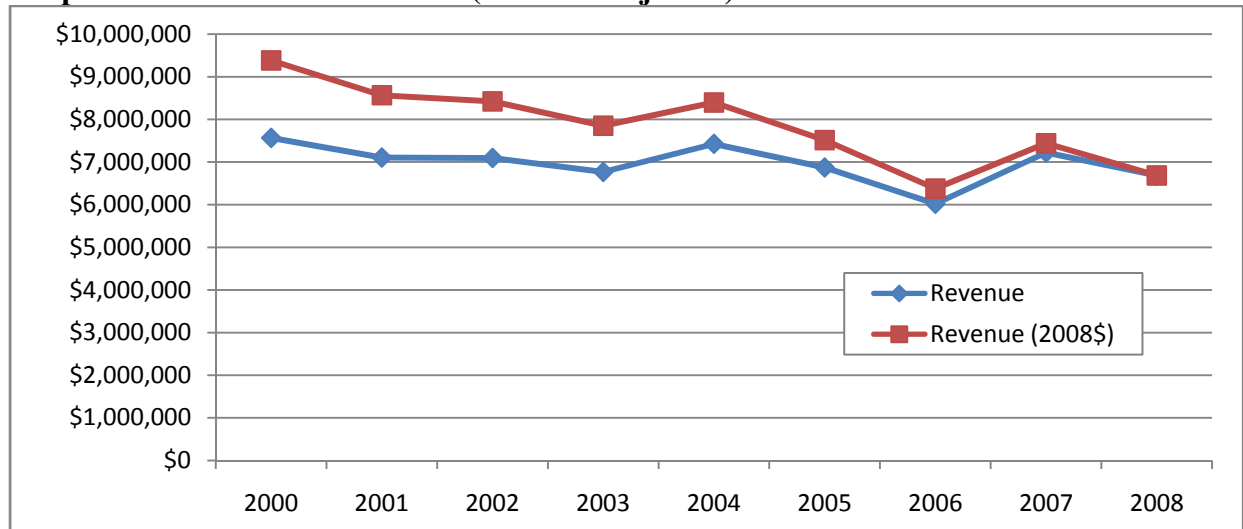
Marcus Center for the Performing Arts Revenue

The center's overall revenue picture for 2000-2008 is shown in **Table 2**. Total annual revenue dropped 11.7%, or \$884,007, between 2000 and the 2008 budget projection. **Graph 4** shows the decline in real and inflation-adjusted dollars.

Table 2: 2000-2008 Marcus Center revenue, in real dollars

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Revenue									
Total Facility Rentals	\$1,121,412	\$1,150,662	\$1,246,165	\$1,163,290	\$1,281,411	\$1,200,030	\$1,182,849	\$1,192,990	\$1,199,782
Total Parking Revenues	\$902,581	\$888,018	\$919,791	\$895,124	\$878,750	\$1,058,404	\$818,620	\$804,947	\$842,400
Ticket Sales	\$1,662,221	\$1,643,498	\$1,511,422	\$1,633,687	\$2,004,038	\$1,700,200	\$977,583	\$1,302,220	\$1,486,500
Gift Shop Income	\$86,001	\$111,842	\$106,883	\$86,911	\$76,606	\$65,230	\$67,270	\$73,712	\$85,000
Concession Income	\$243,613	\$208,924	\$224,738	\$202,307	\$190,208	\$185,515	\$183,850	\$180,459	\$183,000
Facility Fee Income	\$425,883	\$408,717	\$456,266	\$332,983	\$403,767	\$406,268	\$401,992	\$419,193	\$495,000
Equipment Rental Income	\$199,838	\$199,680	\$236,209	\$173,709	\$222,277	\$234,428	\$216,676	\$196,679	\$217,850
Personnel Reimbursements	\$1,557,913	\$1,416,873	\$1,522,558	\$1,533,394	\$1,441,302	\$1,449,383	\$1,488,016	\$1,302,267	\$1,454,451
Operating Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$4,000	\$135,815	\$100,000
Renovation Contributions	\$218,162	\$2,261	\$2,050	\$1,000	\$402,018	\$0	\$62,240	\$984,862	\$160,000
Grants/ Sponsorship Income	\$536,217	\$640,669	\$444,677	\$335,241	\$199,231	\$188,852	\$143,380	\$134,486	\$50,000
Investment Income /Interest Income	\$219,101	\$170,288	\$123,745	\$157,387	\$103,147	\$153,849	\$226,387	\$236,598	\$186,000
Ticketing/Credit Card Income	\$116,707	\$140,538	\$170,739	\$116,445	\$125,933	\$99,326	\$115,198	\$136,943	\$117,500
Other and Misc. Income	\$277,441	\$123,203	\$130,334	\$135,285	\$97,512	\$131,472	\$131,941	\$121,029	\$105,600
Total Revenue	\$7,567,090	\$7,105,173	\$7,095,577	\$6,766,763	\$7,426,200	\$6,872,957	\$6,020,002	\$7,222,200	\$6,683,083
Milwaukee County Levy Support	\$1,600,000	\$1,600,000	\$1,600,000	\$1,700,000	\$900,000	\$1,303,000	\$1,280,000	\$1,280,000	\$1,280,000

Graph 4: Marcus Center revenue (inflation-adjusted)



One major source of lost revenue was from funds dedicated for Rainbow Summer, a popular 21-year-old lunchtime and evening music series that ended after the 2004 season due to cuts in private and county support. As a free program, Rainbow Summer did not generate earned income. Private sponsorships and grants, most restricted to the summertime music program, plunged nearly 41% (from \$335,241 to \$199,231) and have continued to decline in subsequent years. This year, only \$100,000 in sponsorships and grants are expected.

Ticket sales revenue has fluctuated significantly since early this decade, which is attributed by center officials to the quality and strength of productions offered during any given year. From the \$1.5 million to \$1.6 million during 2000-2003, ticket sales shot past \$2 million in 2004 with a pair of lucrative traveling Broadway shows, “Chicago” and “Mama Mia.” Ticket revenue dropped in subsequent years; in fact, 2007 actual ticket sales revenue was \$300,000 below that received at the start of the decade.

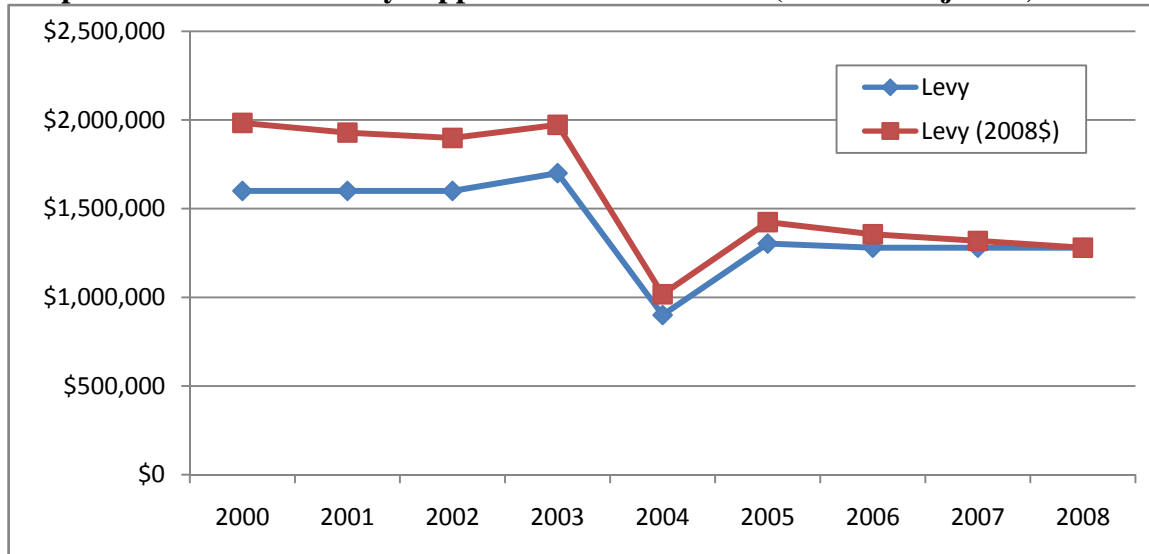
Despite this decrease, ticket sale revenue, in addition to rental revenue and facility fees from commercial presentations, remains a vital revenue source for the center. In fact, Broadway and off-Broadway productions have been the center’s financial bread and butter in recent years. Center officials state that while the majority of performance time is devoted to the non-profit resident groups, income generated from the center’s own presentations and touring productions exceeds that derived from any single group. This income represents the largest single source of revenue outside of county property tax levy.

Another major source of revenue is facility rental fees charged to resident groups and other users. While flat during the decade, facility rentals have provided about \$1.2 million per year.

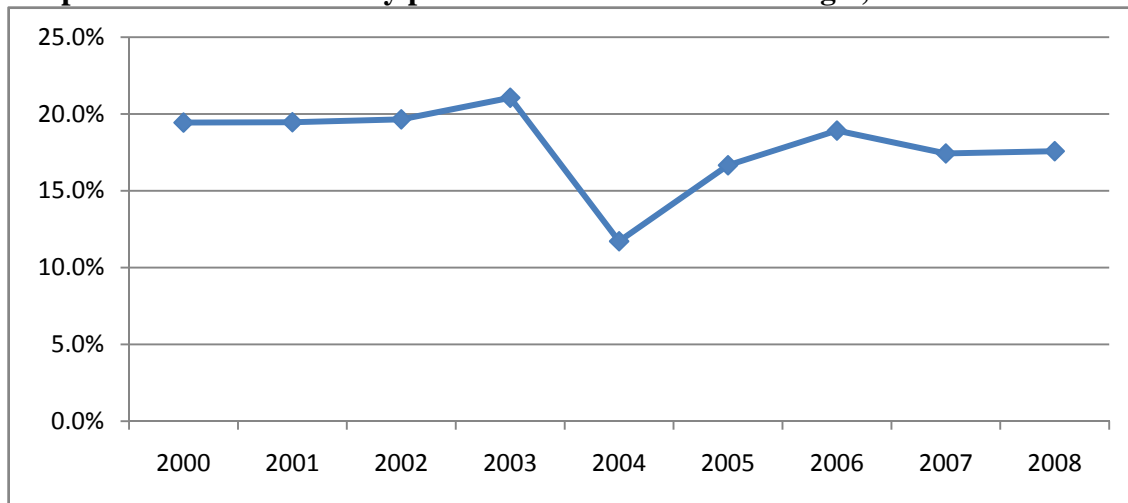
Two other revenue line items deserve mention in light of their size. Personnel reimbursements, which fluctuate based on activity at the center, are payments from tenants renting the theaters. The center charges these tenants for ushers, stagehands and a portion of box office personnel costs. The income is treated as revenue and the personal services budget is charged for the

expense. Meanwhile, gross revenue from the center’s 700-space parking structure off W. State and N. Water Streets is included in the revenue budget, though only the profit is shared with the city. That revenue line has totaled \$800,000 to \$1 million per year, but was at its lowest level of the decade in 2007.

Graph 5: Milwaukee County support of Marcus Center (inflation-adjusted)



Graph 6: Milwaukee County portion of Marcus Center budget, in real dollars



Milwaukee County’s property tax levy, once the center’s predominant source of operating funds, has played an ever-smaller role in center finances this decade (see **Graph 5.**) So far this decade, the Marcus Center has experienced a 20% reduction in county aid.

In 2000, county funds contributed \$1.6 million, or about 19% of the center’s expenditure budget, as **Graph 6** shows. That sum held for two more years and then edged up to \$1.7 million, or

22.5% of center expenses, in 2003. Since then, levy support has dwindled, hitting a plateau of \$1.28 million for the last three years. This year, the levy will provide a projected 17.6% of the \$7.28 million budget. *Note: While the county's property tax levy contribution dipped to \$880,000 in 2004, the budget that year also allowed for a one-time debt forgiveness of \$400,000 from the county's 1994-95 debt issuance on behalf of the center. As a result, the debt service payment was reduced from \$539,515 to \$139,515 and the actual county levy contribution was \$1.28 million for that year.*

The overall operating revenue picture for the decade, therefore, is one of flat or decreasing attendance and rental-related revenue and decreased public support. While the Marcus Center has been able to deftly accommodate its revenue realities by identifying efficiency-related reductions in operating expenditures, this picture does create concern for the future. Center officials state that external factors, such as the costs of utilities, health insurance and major maintenance, will present the greatest uncertainties.

Center officials, however, believe they have a solution. As noted above, the Marcus Center parking structure, which sits on city-owned land leased for \$1 per year, has been a steady income provider for 30 years. Essentially filled up, it serves mostly monthly parkers and performance patrons, and also some hourly parkers. Per the lease with the city, any profits are split evenly between the city and center, retained and invested by the center, and restricted for the structure's future renovation needs. Currently, there is \$3.6 million in that fund.

Center officials hope to pursue a plan to redevelop the site for mixed-use with 1,000 parking spaces. This could put the center on a course toward economic self-sufficiency, assuming an agreement can be reached with the city that would allow net proceeds to be used to support center operations. Paul Mathews, the center's president and chief executive officer, calls this proposal "our best financial scenario" and estimates that it would generate at least \$1 million in additional net revenue per year upon debt retirement – enough to eventually wean the center completely from taxpayer support.

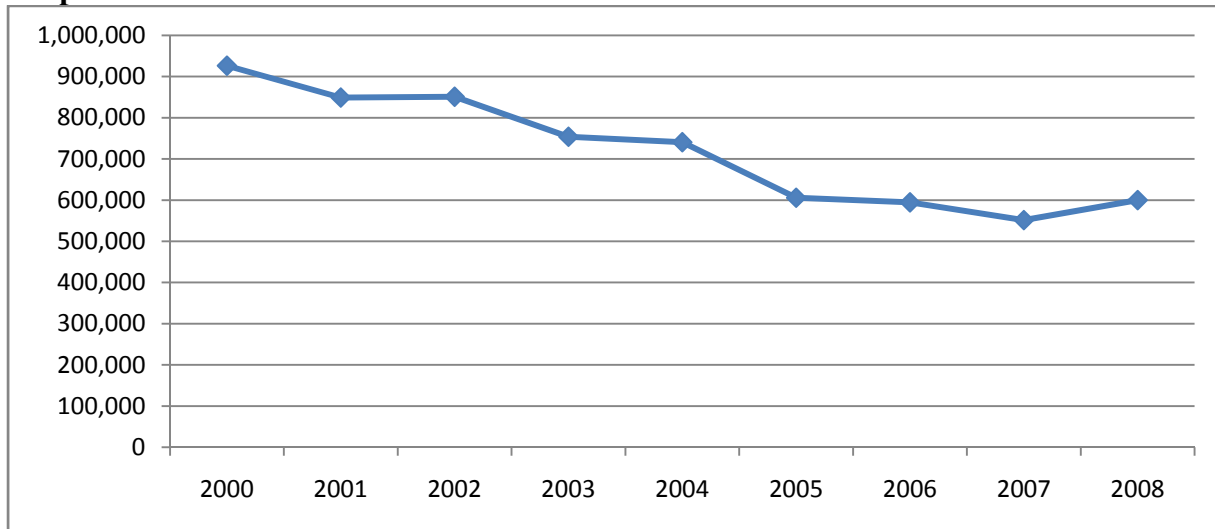
Marcus Center for the Performing Arts Assets

The center's total net assets in 2007 were \$12,543,031, with a \$228,270 increase in unrestricted net assets over the prior year. Net assets accrued from a 1994 fund-raising campaign that produced \$16.5 million and will deplete as capital assets depreciate.

Marcus Center for the Performing Arts Attendance

More than 925,000 people patronized the center in 2000, this decade's attendance peak. **Graph 7** shows how patronage has dipped almost every year since. The sharpest fall, about 135,000 patrons, came after cancellation of Rainbow Summer after the 2004 season. This year, center officials predict an attendance uptick to 600,000 visitors from 551,303 in 2007. Even at that level, this year's crowds will be about 35% smaller than at the start of the decade.

Graph 7: Marcus Center attendance



Marcus Center for the Performing Arts Operating Budget Projections

In an effort to quantify the potential operating budget challenges facing the Marcus Center during the next three years, we projected expenditures and revenues utilizing the following basic assumptions, which were reviewed by the center’s vice president of finance and are similar to those typically used by the center to develop its own fiscal projections:

- County property tax levy remains flat.
- Rental income and personnel reimbursements increase 3% per year.
- Parking, concession, equipment and rental income increase 2% per year.
- Ticket sales revenue and facility fee income increase 1% per year. Center officials qualify this assumption with the caveat that ticket sales and attendance are primarily dependent on the quality and strength of what the center is presenting or producing.
- Gift shop, grants/sponsorship, investment and ticketing/credit card income increase 1% per year.
- Operating contributions stay flat.
- Renovation contributions are at zero because no contributions are anticipated unless the center plans another special project or capital campaign.
- Personnel costs increase 3% per year, primarily due to anticipated increases in health care costs. This may be conservative.
- Space and utilities increase 3% per year, which likely is conservative.
- Administrative costs increase 2% per year.
- Marketing costs increase 1% per year.
- Other expenses are zeroed out, as none can be anticipated at this time.
- Payment to the City of Milwaukee remains flat, as this is entirely dependent on net parking profit.
- Depreciation costs remain flat.

Table 3 shows the projections based on those assumptions. As projected, the center would face a \$413,000 deficit in 2009, which could grow to more than \$567,000 by 2011.

Table 3: Marcus Center budget projections (2008-2011)

	2008 Budget	2009 Projected	2010 Projected	2011 Projected
Personnel Services	\$5,205,839	\$5,362,014	\$5,522,875	\$5,688,561
Adv & Promotion	\$355,500	\$359,055	\$362,646	\$366,272
Space & Utilities	\$1,299,045	\$1,338,016	\$1,378,157	\$1,419,502
Office & Adm Supplies	\$268,403	\$273,771	\$279,246	\$284,831
Other Expenses	\$0	\$0	\$0	\$0
City of Milwaukee payment	\$152,027	\$152,027	\$152,027	\$152,027
Depreciation Expense	\$861,481	\$861,481	\$861,481	\$861,481
Total Expenses	\$8,142,295	\$8,346,365	\$8,556,431	\$8,772,674
Revenue				
Total Facility Rentals	\$1,199,782	\$1,235,775	\$1,272,849	\$1,311,034
Total Parking Revenues	\$842,400	\$859,248	\$876,433	\$893,962
Ticket Sales	\$1,486,500	\$1,501,365	\$1,516,379	\$1,531,542
Gift Shop Income	\$85,000	\$85,850	\$86,709	\$87,576
Concession Income	\$183,000	\$186,660	\$190,393	\$194,201
Facility Fee Income	\$495,000	\$499,950	\$504,950	\$509,999
Equipment Rental Income	\$217,850	\$222,207	\$226,651	\$231,184
Personnel Reimbursements	\$1,454,451	\$1,498,085	\$1,543,027	\$1,589,318
Operating Contributions	\$100,000	\$100,000	\$100,000	\$100,000
Renovation Contributions	\$160,000	\$0	\$0	\$0
Grants/ Sponsorship Income	\$50,000	\$50,500	\$51,005	\$51,515
Investment Income /Interest Income	\$186,000	\$187,860	\$189,739	\$191,636
Ticketing/Credit Card Income	\$117,500	\$118,675	\$119,862	\$121,060
Other and Misc. Income	\$105,600	\$107,712	\$109,866	\$112,064
Total Revenue	\$6,683,083	\$6,653,887	\$6,787,861	\$6,925,091
Milwaukee County Levy Support	\$1,280,000	\$1,280,000	\$1,280,000	\$1,280,000
Surplus/Deficit	-\$179,212	-\$412,478	-\$488,570	-\$567,583

It should be noted that the “deficit” of \$179,212 projected for 2008 does not reflect a deficit in the center’s operating fund, but is essentially a paper deficit attributed to the need to account for depreciation and other accounting factors. In reality, the Marcus Center has achieved a balanced operating budget for 39 consecutive years. Hence, the true size of the projected deficit for purposes of this analysis would be more properly characterized as \$233,266 in 2009 (the difference between the \$179,212 “deficit” in 2008 and the \$412,478 in 2009), \$309,358 in 2010 and \$388,371 in 2011.

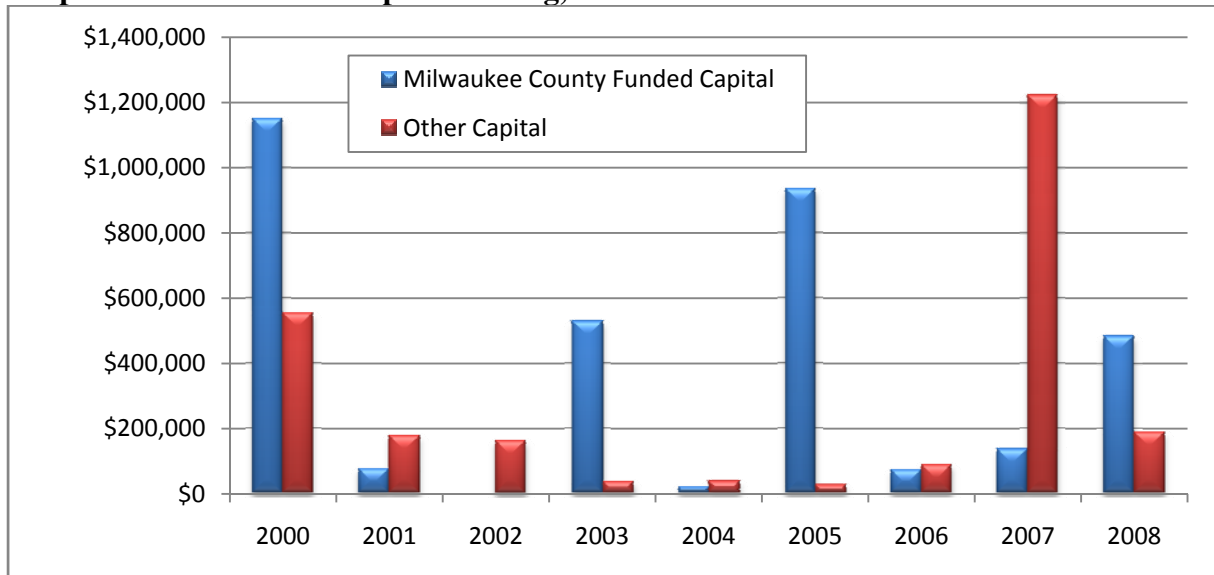
It is also critical to point out that because the Marcus Center is so dependent upon earned income from ticket sales and other revenue sources related to attendance, which can fluctuate significantly based on the shows during a given year, these are only rough projections that simply illustrate the potential gap in projected expenditures versus projected revenues. Securing high-demand shows will positively impact revenue.

Nonetheless, the potential gap indicates a real challenge for the center that likely will necessitate either continuing to find ways to contain costs, securing additional sources of outside revenue, or redeveloping the parking structure. The potential gap also indicates that any additional cuts in county property tax levy would be extremely difficult to absorb until or unless the parking structure redevelopment becomes reality, the subsequent debt is retired and the center is then allowed to dedicate parking profits to operations.

Marcus Center for the Performing Arts Capital Budget

Graph 8 shows capital spending from 2000 to 2008, which has ebbed and flowed depending upon the need for major improvements. Overall, center officials say, this county-owned building is better maintained than most – in large part because of a \$22 million privately-financed overhaul in the late 1990s. Smaller, periodic renovations and an emphasis on major maintenance have helped considerably too, they say.

Graph 8: Marcus Center capital funding, in real dollars



The center maintains an on-going program of capital investment through both private and public funding. Since the completion of the major renovation in 1996, the center has constructed KidzStage at a cost of \$404,000 and installed a new \$80,000 ticketing system and a \$1.1 million exterior illumination system. Along with these privately funded projects, the center also has been outfitted with an interior video event promotion system funded by \$40,000 in private support.

County-funded projects this decade have been of the nuts-and-bolts infrastructure repair variety, including significant revisions to the river water intake system that serves the center’s chillers, elevator rehabilitation/replacement, fire alarm replacement and replacement of stage lighting dimming systems in two halls. In 2008, \$200,000 is earmarked for replacement of the 30-year-old Bradley pavilion moveable wall system. These infrastructure projects are consistent with the

public-private partnership model, under which the public sector takes care of basic building infrastructure and the private operator raises money for more visible improvements.

The center's CEO notes that securing capital funding from the county has required considerable effort on the center's part to document infrastructure needs and aggressively pursue funding with policymakers. He credits the county, however, with having the foresight to invest \$3.4 million in the building this decade to ensure that it functions well for patrons and that annual maintenance costs are kept under control.

Center officials have requested county funding in 2009 to continue to modernize the building's elevator and renovate its heating/ventilating/air-conditioning system – the two major capital interior projects in the near future. Outside the building, center officials want to upgrade the grounds, Peck Pavilion and Riverwalk, an estimated \$5 million undertaking that appears eligible for federal funding assistance and that could be attractive to private funders. Should the parking structure site be redeveloped, center officials believe parking structure financing also could include revenue to partially fund these exterior improvements.

Conclusion

The Marcus Center for the Performing Arts stands out – perhaps more than any of the other county-owned cultural institutions – as a successful model of public-private partnership. By streamlining operations (including a reduction in personnel costs), courting private donors for capital improvements and enhancing its earned revenue and reputation with Broadway and off-Broadway entertainment bookings, center officials have maintained a sound fiscal condition and successfully balanced budgets while accommodating reduced public funding this decade.

The effort to do so has not been easy; in fact, center officials note that reductions in county funding have resulted in elimination of all non-income generating programming (Rainbow Summer being the biggest), as well as staff reductions that have directly impacted building operations and maintenance. They also point to annual budget gaps that have been bridged thus far, but that soon may require discussion with the city and county regarding changes in the use of restricted parking and facility fee income.

Still, while challenges remain, the public-private model in this case has proved beneficial for both parties. It may become even more so if the center's hopes for its parking structure pan out. As noted above, once the debt for the project is retired, all parking proceeds from the redeveloped structure ostensibly could be directed to center operations, possibly weaning the center completely from county support. Center officials are quick to point out, however, that this scenario may hinge on the county's willingness to maintain adequate operational support for the center in the meantime.

CEO Paul Mathews says the center is “on a course for self-sufficiency.” If successful, that would make the Marcus Center the first of the county cultural institutions to reach that long-time policy goal.

WAR MEMORIAL CENTER

Milwaukee’s War Memorial Center opened in 1957 to permanently remind Milwaukee area residents of the sacrifices and struggles of those who fought and lost their lives in foreign wars. The War Memorial Center is operated by a private non-profit entity, Milwaukee County War Memorial, Inc. That entity, governed by a volunteer board of directors, serves as the corporate parent for the Marcus Center for the Performing Arts, the Milwaukee Art Museum, the Charles Allis Museum and the Villa Terrace Decorative Arts Museum, though each of those entities also has its own separate board.

The War Memorial Center building is owned by Milwaukee County. The building includes an addition that opened in 1975 (the so-called “Kahler addition”) that also is county-owned and is leased to the art museum. The 2001 Calatrava addition to the art museum is owned by the art museum, but the land on which it was built is owned by the county.

Today, the War Memorial Center is struggling in the face of considerable fiscal challenges, highlighted by significant deferred capital and maintenance needs. The extent and nature of those challenges are best captured by its main entrance, which can only be reached by crossing a loading dock. This inconvenient and unattractive entryway, along with insufficient parking, are cramping the center's growth prospects, its executives say. In the meantime, Milwaukee County’s support for the center has decreased during this decade, and the physical needs of an aging building are growing.

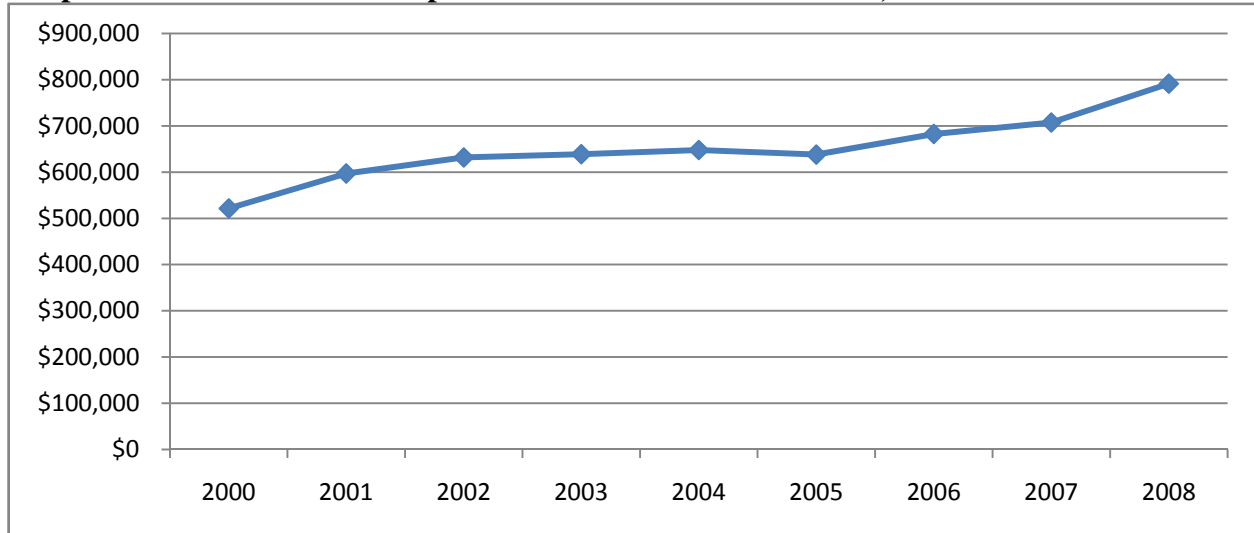
War Memorial Center Operating Budget

Table 1 summarizes the War Memorial’s operating expenditure budget from 2000 to 2008. This information indicates that total expenditures increased 12%, or about \$235,000, during the period. Major cost drivers for the center are personnel, space and utilities, and costs associated with maintenance of the space occupied by the Milwaukee Art Museum.

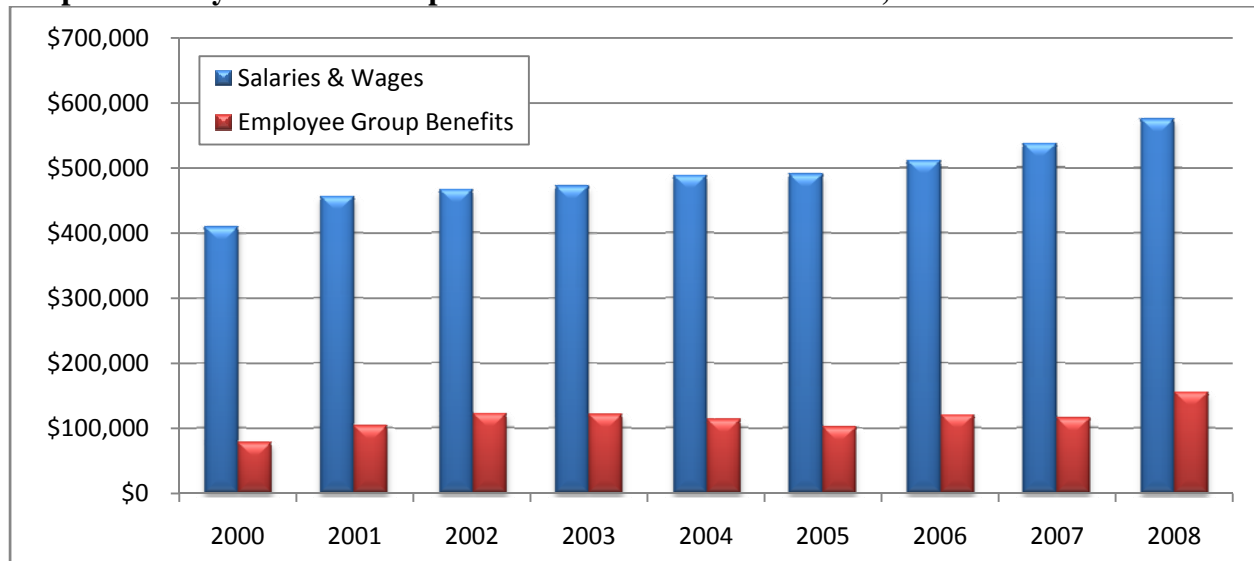
Table 1: 2000-2008 War Memorial Center operating expenditures, in real dollars

Expenditures	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Personnel Services	\$521,530	\$597,151	\$631,789	\$638,931	\$647,798	\$638,028	\$682,630	\$707,407	\$791,498
Professional Fees	\$86,739	\$137,397	\$108,002	\$92,738	\$111,908	\$105,008	\$110,108	\$109,550	\$120,240
Adv & Promotion	\$20,996	\$34,405	\$41,255	\$31,820	\$20,536	\$31,193	\$46,402	\$65,477	\$51,000
Auto Allowance & Mtgs.	\$7,952	\$6,797	\$4,304	\$4,287	\$4,722	\$4,612	\$3,453	\$4,337	\$5,490
Space & Utilities	\$650,293	\$911,491	\$858,103	\$822,463	\$738,663	\$880,856	\$982,817	\$949,548	\$962,866
Office & Adm Supplies	\$27,425	\$33,295	\$23,535	\$20,757	\$26,024	\$22,123	\$20,010	\$21,722	\$23,500
Major Maintenance	\$27,549	\$32,200	\$20,901	\$48,390	\$9,562	\$39,136	\$9,895	\$20,910	\$0
Art Museum Funding	\$627,325	\$627,325	\$627,325	\$564,592	\$369,734	\$294,734	\$294,734	\$250,000	\$250,000
2007 Planning	--	--	--	--	--	--	--	\$101,129	--
Total Expenditures	\$1,969,809	\$2,380,062	\$2,315,215	\$2,223,978	\$1,928,948	\$2,015,690	\$2,150,050	\$2,230,081	\$2,204,594

Graph 1: Personnel services expenses for War Memorial Center, in real dollars

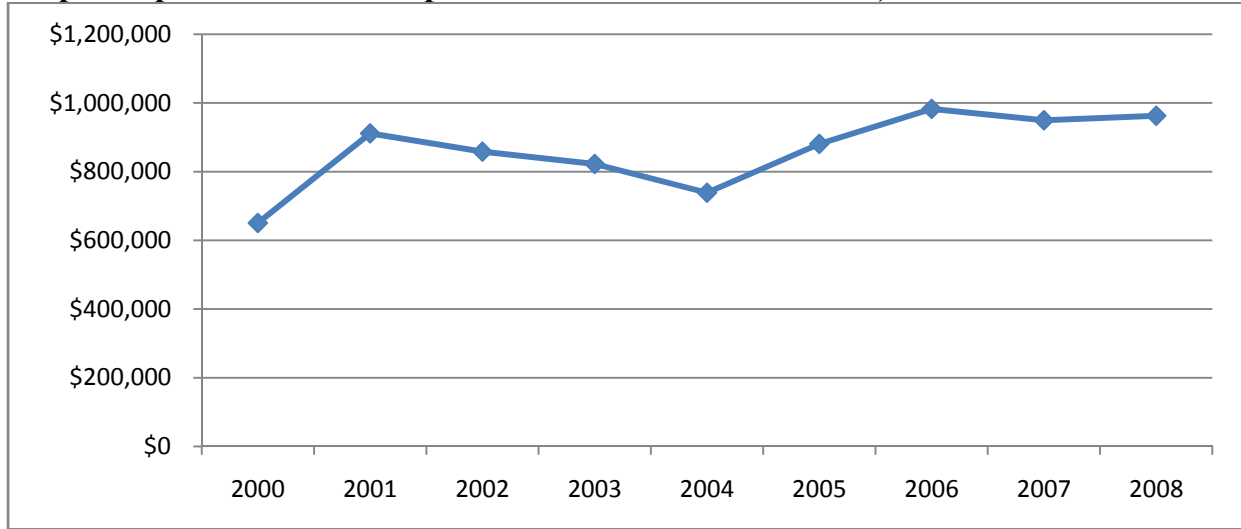


Graph 2: Salary and benefit expenses for War Memorial Center, in real dollars

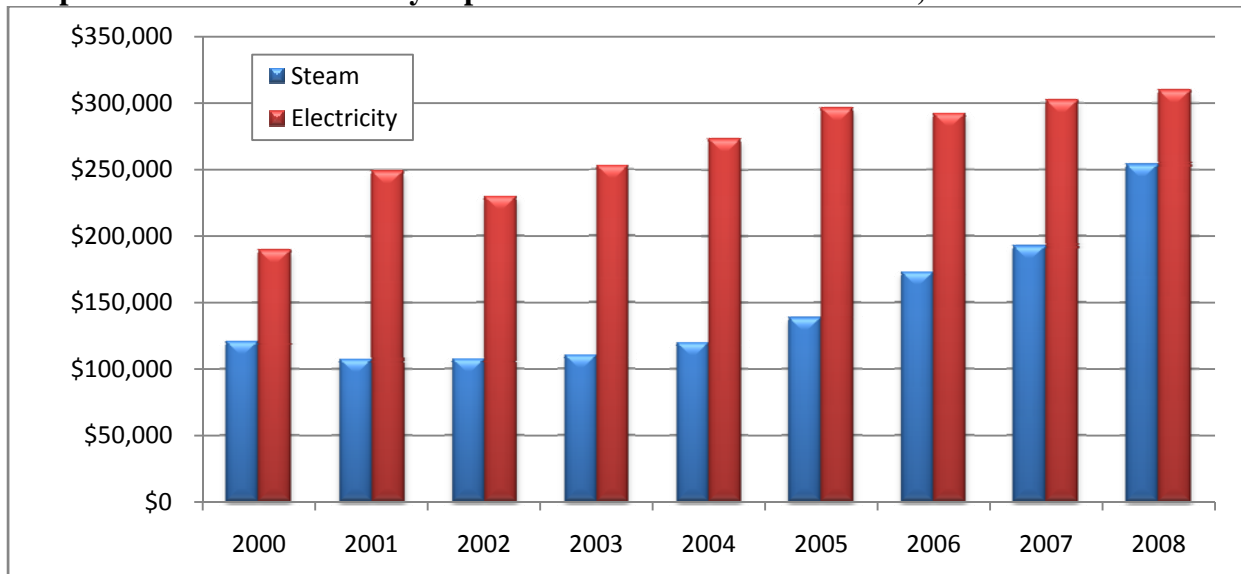


Graph 1 shows growth in personnel expenditures, which have increased 52%, or about \$270,000, since 2000. **Graph 2** indicates the total spending on salaries and wages (an increase of 40% or about \$165,000 since 2000) and employee group benefits (a 100% increase or about \$77,500). The significant increase in the 2008 budgeted amount for personnel services over 2007 actual spending is attributed by center officials to the need to fill existing vacant positions; some unusual turnover in 2007 held down those costs.

Graph 3: Space and utilities expenses for War Memorial Center, in real dollars

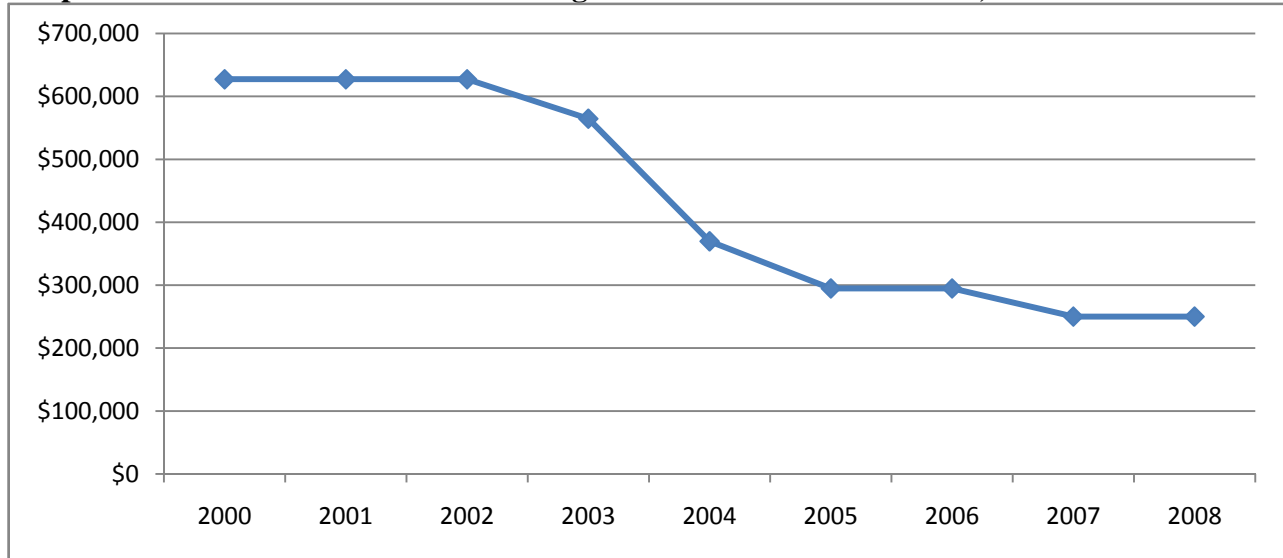


Graph 4: Steam and electricity expenses for War Memorial Center, in real dollars



The center's space and utilities expenditures, meanwhile, as shown in **Graph 3**, increased 48% (or about \$312,500) since 2000. Key drivers in that spending category, as shown in **Graph 4**, are steam and electrical expenses. Personnel expenditures and space and utilities expenditures make up 80% of the total operating expenditures in 2008, yet accounted for 60% of the center's operations spending in 2000.

Graph 5: Milwaukee Art Museum funding from War Memorial Center, in real dollars



The third major expenditure item in the War Memorial Center's operating budget consists of costs related to the Milwaukee Art Museum. As indicated in **Graph 5**, this area of spending has decreased by 60% since 2000 (or about \$377,000).

The center uses a significant portion of its county property tax levy allocation to support the art museum by providing building services for the space the museum occupies in both the original center building/addition and in the Calatrava addition, and to provide direct financial support for the museum. The 2008 budget, for example, includes both a \$250,000 cash obligation and \$587,000 in maintenance and programming services for the art museum.

This relationship stems from the long-term lease between Milwaukee County and the War Memorial Center, which was last renewed in 2001. The initial term expires in 2022 but the lease contains three automatic 25-year extensions. That contract establishes the county's financial obligation to the War Memorial Center and the center's sub-lease obligations to Milwaukee Art Museum. While the sub-lease specifies that the center must provide the art museum with security, cleaning and mechanical services, it does not specify a cash contribution. It does, however, require that the center honor "past practices."

Some county policymakers have chafed at the notion of using county property tax levy to support the art museum in light of the private fundraising prowess it demonstrated in building and supporting the Calatrava addition. This, as well as the county's overall growing fiscal challenges, helps explain the sharp reduction in War Memorial Center support for the art museum during the period.

Overall, the center has seen a modest increase in expenditures during the past eight years, with growth in employee- and building-related costs offset to a great extent by a reduction in payments to the art museum. Center officials say they have saved money by downgrading full-

time positions to part-time, eliminating fringe benefits, shifting the events manager to a Tuesday-Saturday work week to save weekend expenses, and reducing the cleaning budget from \$300,000 to \$160,000 annually.

Given the fixed nature of the center’s building costs and the political difficulty associated with cutting the contribution to the art museum any further, it may be difficult to avoid significant operating expenditure increases in the future without reducing staff.

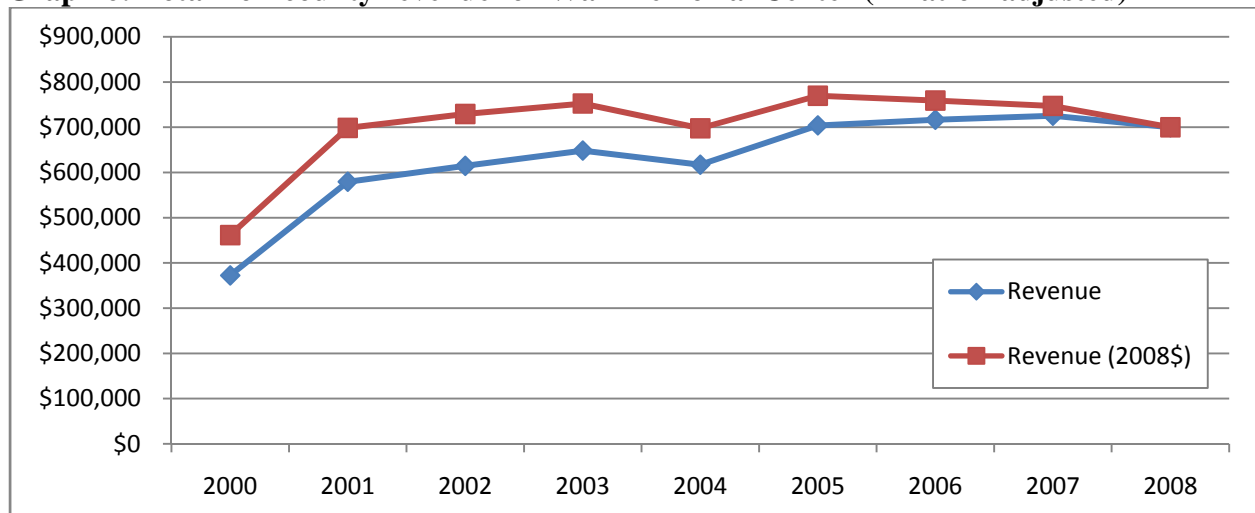
War Memorial Center Revenue

The War Memorial Center’s revenue picture for 2000-2008 is captured in **Table 2** and **Graph 6**. Non-county revenue grew by 11% per year on average, increasing 88% (or about \$328,000) during the period. Office rental revenue (338% or about \$150,000 increase) and parking revenue (60% or about \$111,000 increase) led the way. It should be noted that the significant increases in parking revenue that occurred in 2006 and 2007 are attributed to the provision of parking for construction workers on the University Club Tower project. Completion of that project reduced budgeted parking revenue for 2008.

Table 2: 2000-2008 War Memorial Center revenues, in real dollars

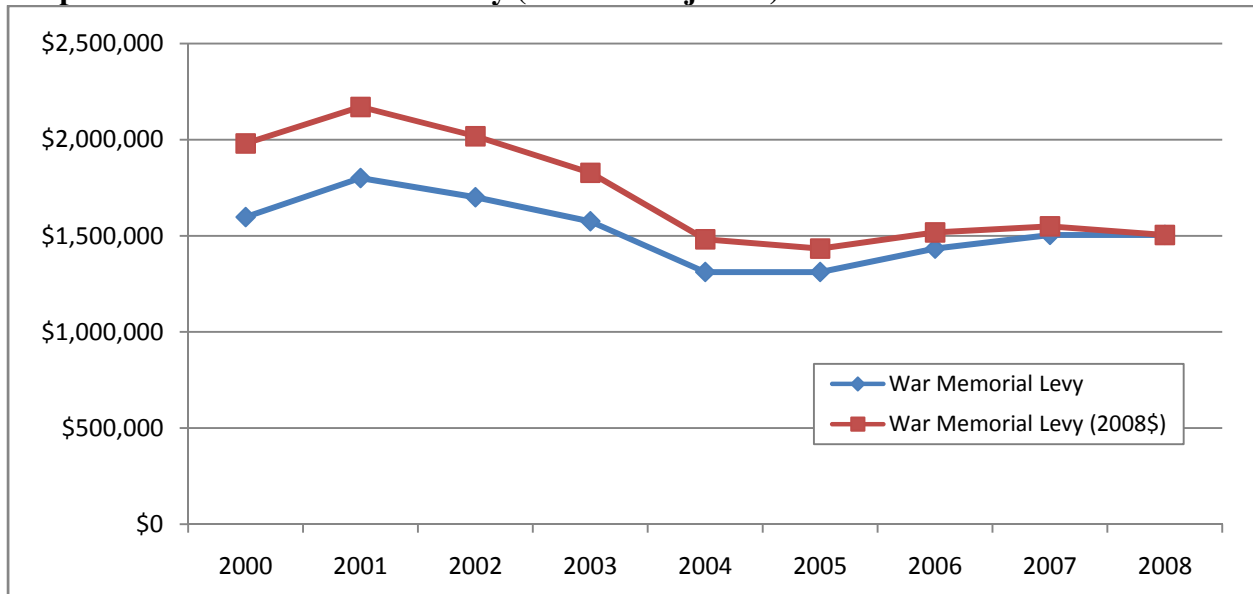
	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Parking	\$184,158	\$279,308	\$273,651	\$280,291	\$242,030	\$288,954	\$316,276	\$337,912	\$295,000
Miscellaneous	\$22,806	\$38,762	\$47,934	\$64,710	\$48,950	\$50,340	\$47,841	\$46,055	\$56,000
Caterers Commission	\$29,752	\$25,419	\$28,880	\$31,861	\$25,239	\$32,741	\$21,750	\$21,174	\$20,000
Office Rentals	\$44,277	\$93,677	\$98,719	\$93,359	\$102,377	\$130,238	\$161,565	\$170,621	\$194,000
Hall, Plaza, Grounds Rentals	\$74,217	\$115,320	\$134,831	\$137,675	\$137,555	\$142,493	\$135,803	\$120,642	\$115,000
Meeting Room Rentals	\$4,262	\$11,899	\$11,603	\$25,834	\$45,957	\$39,174	\$17,928	\$16,558	\$8,000
Liquor Commission	\$12,856	\$15,106	\$19,023	\$14,732	\$15,203	\$20,115	\$15,424	\$12,524	\$12,000
Total Revenue	\$372,327	\$579,490	\$614,641	\$648,463	\$617,311	\$704,054	\$716,588	\$725,487	\$700,000
Milw Co Tax Levy	\$1,597,482	\$1,800,572	\$1,700,573	\$1,575,515	\$1,311,637	\$1,311,636	\$1,433,462	\$1,504,594	\$1,504,594

Graph 6: Total non-county revenue for War Memorial Center (inflation-adjusted)

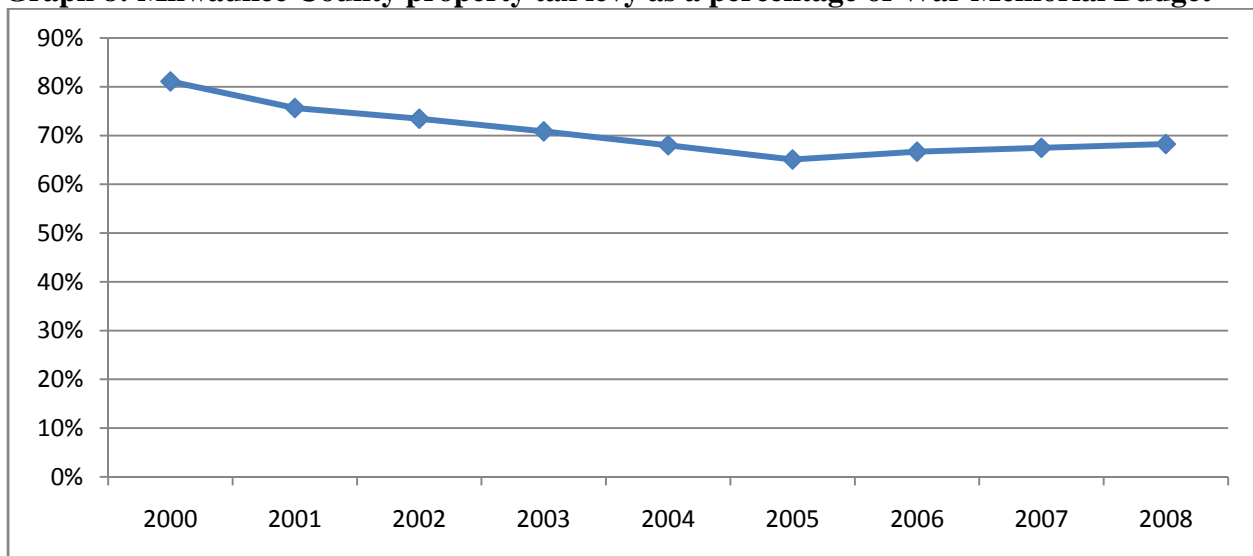


By far the most significant source of revenue in the center’s operating budget is the annual property tax contribution from Milwaukee County. The county’s net tax levy for the War Memorial Center budget has varied over the past nine years; its current \$1.5 million contribution is unchanged from a year ago, nearly matches its contribution a decade ago, and is well below its peak allocation of \$1.8 million in 2001. **Graph 7** shows the county’s property tax levy contribution during the period in both real terms and in 2008 dollars (indicating the significant decrease in county support). County funds now underwrite 68% of the center’s budget, versus 81% at the start of the decade, as indicated in **Graph 8**.

Graph 7: War Memorial Center levy (inflation-adjusted)



Graph 8: Milwaukee County property tax levy as a percentage of War Memorial Budget



It is clear from this analysis that the center’s ability to grow office space rental and parking revenue has offset diminished county property tax levy support. It could be argued that this is the way the relationship is supposed to work – county cultural institutions should seek to expand non-county revenue sources in an effort to wean themselves from county levy support. Center officials are questioning, however, whether this trend can continue, as they may have exhausted sources for new or increased revenue. Office space is at 100% occupancy. Sizable increases in parking or rental fees, meanwhile, could simply cause potential patrons to park or rent space elsewhere. The center’s parking fee is \$5, for example, while the nearby Italian Community Center charges nothing.

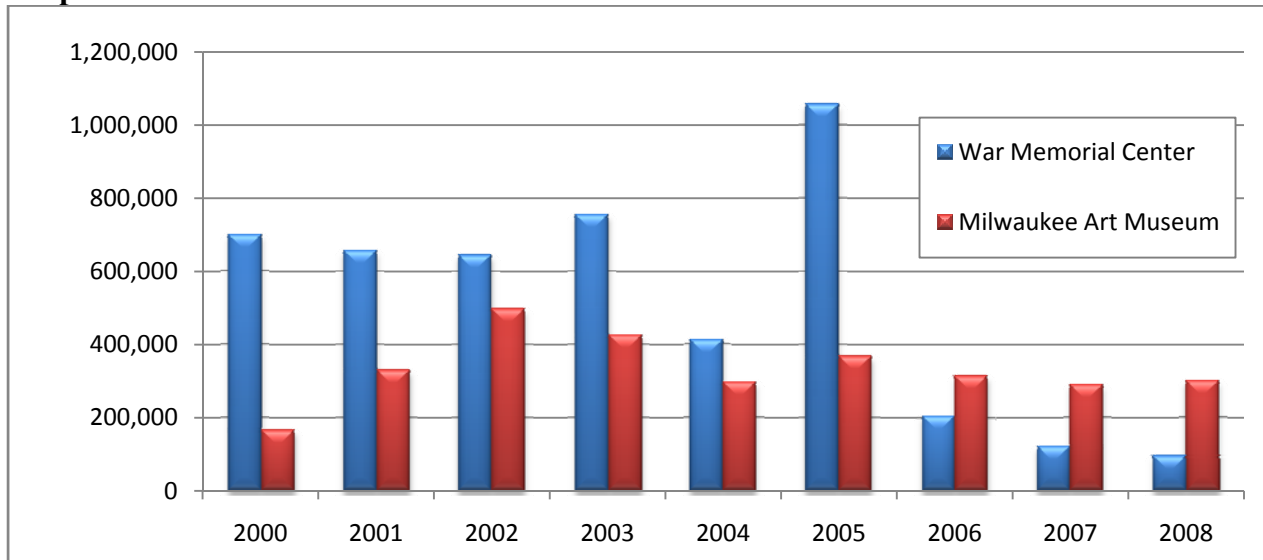
War Memorial Center Assets

The center has \$473,536 in restricted assets, no unrestricted assets and \$600,000 worth of equipment. Total assets are \$1,073,536.

War Memorial Center Attendance

Despite the 88% jump in revenue since 2008, attendance at the center has dwindled over the decade. **Graph 9** shows annual attendance for both the War Memorial Center and the Milwaukee Art Museum.

Graph 9: War Memorial and art museum attendance



This year, the center expects only 94,540 visitors – down from nearly 700,000 in 2000. Attendance peaked at 1.1 million visitors in 2005, when the War Memorial Center hosted a two-day air show that drew a half-million visitors.

Wedding and other social event crowds have declined in recent years, center officials say, and no air shows are scheduled this year or for the near future. A new entrance would make the center more marketable, they say, though its revenue potential is unknown.

War Memorial Center Operating Budget Projections

In an effort to quantify the potential operating budget challenges facing the War Memorial Center during the next three years, we projected both expenditure and revenue utilizing the following basic assumptions:

- County property tax levy remains flat.
- The center’s direct contribution to the Milwaukee Art Museum remains flat.
- Space and Utilities expenditures increase 6% (this is the seven-year average between 2000 and 2007 actual amounts).
- The center’s major maintenance budget remains at zero. In past years, major maintenance has either been funded in the capital improvements budget or with surpluses in other operating accounts.
- All other expenditure and revenue categories increase 2% per year.

Table 3: War Memorial Center budget projections, 2008-2011

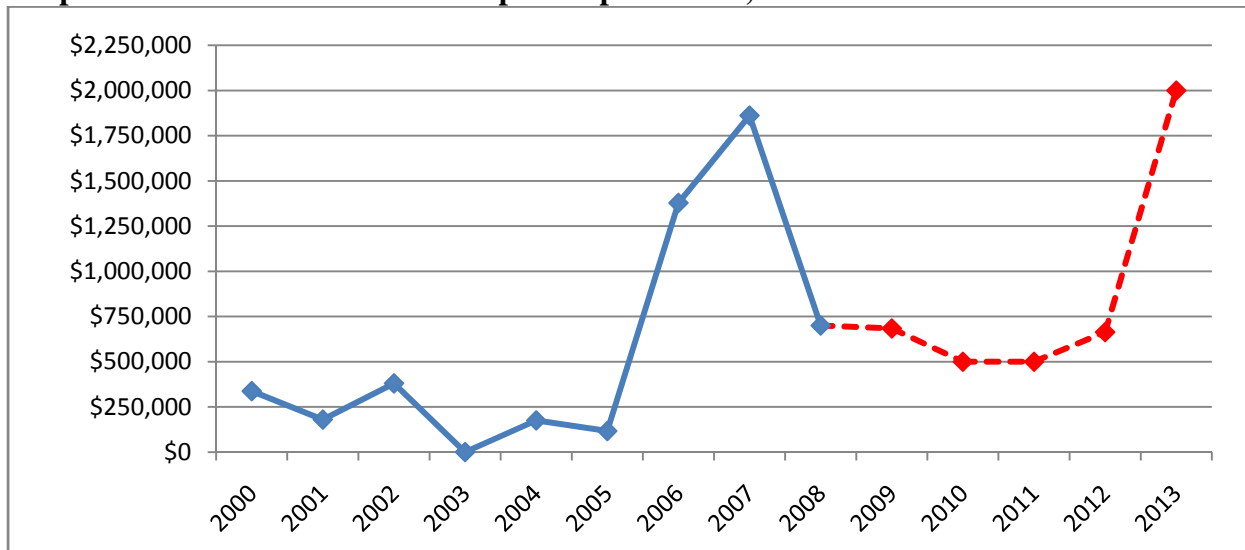
	2008 Budget	2009 Projection	2010 Projection	2011 Projection
Revenues				
Parking	\$295,000	\$300,900	\$306,918	\$313,056
Miscellaneous	\$56,000	\$57,120	\$58,262	\$59,428
Caterers Commission	\$20,000	\$20,400	\$20,808	\$21,224
Office Rentals	\$194,000	\$197,880	\$201,838	\$205,874
Rentals	\$115,000	\$117,300	\$119,646	\$122,039
Meeting Room Rentals	\$8,000	\$8,160	\$8,323	\$8,490
Liquor Commission	\$12,000	\$12,240	\$12,485	\$12,734
Net Total Revenue	\$700,000	\$714,000	\$728,280	\$742,846
Milw County Tax Levy	\$1,504,594	\$1,504,594	\$1,504,594	\$1,504,594
Total Revenue	\$2,204,594	\$2,218,594	\$2,232,874	\$2,247,440
Expenditures				
Personnel Services	\$791,498	\$807,328	\$823,475	\$839,944
Professional Fees	\$120,240	\$122,645	\$125,098	\$127,600
Adv & Promotion	\$51,000	\$52,020	\$53,060	\$54,122
Auto Allowance & Mtgs.	\$5,490	\$5,600	\$5,712	\$5,826
Space & Utilities	\$962,866	\$1,020,638	\$1,081,876	\$1,146,789
Office & Adm Supplies	\$23,500	\$23,970	\$24,449	\$24,938
Major Maintenance	\$0	\$0	\$0	\$0
Art Museum Funding	\$250,000	\$250,000	\$250,000	\$250,000
Total Expenditures	\$2,204,594	\$2,282,201	\$2,363,670	\$2,449,218
Budget Gap	\$0	(\$63,607)	(\$130,796)	(\$201,779)

Table 3 shows the projections based on those assumptions. The War Memorial Center is projected to face a \$64,000 deficit in 2009, which would grow to almost \$202,000 by 2011. Options to address this gap could include developing strategies for generating additional revenue, attempting to get by with fewer staff, or convincing the county to increase its contribution. If the county were to provide a 2% increase in 2009, that would amount to just over \$30,000, resulting in total county support of roughly \$1,535,000.

War Memorial Center Capital Budget

The county's annual capital contribution to the center has ebbed and flowed during the 2000-2008 period, depending on the need for major projects. The average this decade has been \$219,558 per year. **Graph 10** shows county capital contributions during the past eight years, and also projects forward to 2013, based on the center's five-year capital budget request.

Graph 10: War Memorial Center capital expenditures, in real dollars



Some significant capital needs have been addressed during the past several years. The center's mechanical equipment deficiencies – notably, moisture problems that consultants had warned were serious back in 1995 – prompted county funds for a new heating, ventilation and air conditioning system. The outlay was \$1.38 million in 2006 and \$1.86 million last year, with another \$700,000 slated this year.

Still, the center faces significant additional needs. The center's proposed 2009-2013 capital plan calls for \$4.35 million in spending, which does not include a solution to the north entrance problem (now accessible only via a loading dock) or for insufficient parking. The center is about to begin conceptual design for those items. No cost estimates have been developed.

The \$4.35 million in identified capital projects includes \$694,000 in 2009 for a new exterior stairway and platform on the building's south side, plus insulation and waterproofing. In 2010, the Memorial Courtyard deck, a popular site for wedding and anniversary parties, would be replaced for \$500,000. Another half-million dollars would be spent in 2011 for the Fitch Plaza railing system and the art museum's loading dock and air intake/exhaust chambers. In 2012, the center wants to replace its fire alarm system – an estimated \$660,000 expense. In the plan's final year, the exterior glass stairway known as “the birdcage,” which connects the second through fourth floors, would be replaced – a \$2 million projected outlay. However, the birdcage stairway will wait, according to center director David Drent, until the center has solved its north entrance problem.

Actual funding of the center's capital requests is subject to annual county budget deliberations and will be greatly influenced by the county's overall capital budget needs. Those needs, as described earlier, are immense, and competition for capital dollars will be fierce in light of the annual cap on county debt issuance. The War Memorial Center has no endowment and, despite its long list of projects, no capital campaigns are planned at this time.

Conclusion

The War Memorial has struggled since 2000 to accommodate growing maintenance and capital improvement needs in the face of decreased public funding. Parking revenue, facilities charges and office space rental revenue have grown over the period to fill budget gaps. In addition, center officials have saved money by downgrading certain staff positions to part-time and reducing the cleaning budget.

The War Memorial Center and the Milwaukee Art Museum have been uneasy neighbors, but changes in leadership and their mutual challenge of upgrading facilities for today's audiences amid tight finances could provide a new avenue for cooperation. For example, the art museum has limited curatorial and office space, while the War Memorial Center needs a new entrance. It is possible the two parties could devise a mutually beneficial solution.

Development of mutually beneficial solutions also may need to take place among the other entities that comprise the War Memorial Corporation, but which for the most part function independently. As this report documents in other sections, each of the county-owned entities included in the corporation – the War Memorial Center, Marcus Center for the Performing Arts, Charles Allis Museum and Villa Terrace Decorative Arts Museum – has significant capital and endowment needs, which undoubtedly could lead to competition. Coordinated planning could be helpful to each.

In the meantime, War Memorial Center officials indicate they will continue to plan for needed upgrades that could provide enhanced rentals and revenue and hope for the funding that is needed to implement those improvements.

MILWAUKEE COUNTY HISTORICAL SOCIETY

Memorabilia from 334 years of life in the former Native American settlement and fur trading post known as metropolitan Milwaukee are preserved and displayed by the Milwaukee County Historical Society.

Founded in 1935, the society has served as repository for artifacts, photo collections, government records and personal papers tracking the community's growth and change. It oversees more than 20,000 artifacts and five county-owned properties, including a downtown Milwaukee museum, three mid-19th century suburban houses, and Trimborn Farm, an eight-acre, nine-building operation in Greendale that dates to 1851.

The society's headquarters are at its downtown museum on Old World 3rd Street. The 1913 Beaux Art building, a wedge-shaped landmark overlooking the Milwaukee River, was constructed for the now-defunct Second Ward Savings Bank. It was donated to the county by its second owner, First Wisconsin National Bank. Listed on the National Register of Historic Places, the museum is in the midst of a \$7.5 million, multi-year remodel designed to restore its former glory.

The Historical Society operates as a private nonprofit educational organization. As a result of agreements signed with Milwaukee County in 1965 and 1988, it is custodian for archived county records. The agreements obligate the county to provide an operating subsidy and capital funding assistance for the downtown headquarters building.

The low-profile operation enjoyed a financial and publicity boost this spring with its selection as a filming location for the Johnny Depp movie *Public Enemies*. Producers underwrote \$150,000 in restoration work and paid \$84,075 rent for a single day of film-shooting in June. Museum officials capitalized on heightened public interest by interrupting remodeling and reopening the building through July so visitors could tour the movie set.

The society offers tours of its other holdings: Trimborn Farm, the 1848 Jeremiah Curtin stone house in Greendale; the 1844-47 Lowell Damon house in Wauwatosa; and the 1844 Greek Revival Kilbourntown House in Milwaukee. It also hosts lectures, genealogy meetings, tours of historic areas, and an annual October Civil War re-enactment and September festival at Trimborn Farm. Next year, it plans to run a summer camp at Trimborn Farm.

The museum building is closed until May 2009 while major interior work is underway. Executive director Robert Teske believes the restored museum holds great promise as a venue for social and corporate events, potentially ushering in a new era of economic stability for the society.

Milwaukee County Historical Society Operating Budget

Table 1 summarizes actual society operating expenditures from 2000 to 2007, while **Table 2** summarizes 2008 budgeted operating expenditures. This information is presented in two tables

with different expenditure categories because the 2000-2007 data were only available from the annual 990 forms submitted to the Internal Revenue Service, which contain different expenditure categories than the society's annual budget.

This information shows relatively steady annual expenditure levels in the \$800,000 range since 2002, up from the \$650,000 range in prior years. The exceptions are 2005 and 2007, when "other expenses" included costs associated with the major renovation of the downtown museum. **Graph 1** shows that in inflation-adjusted dollars, expenditures held fairly even except for those two years.

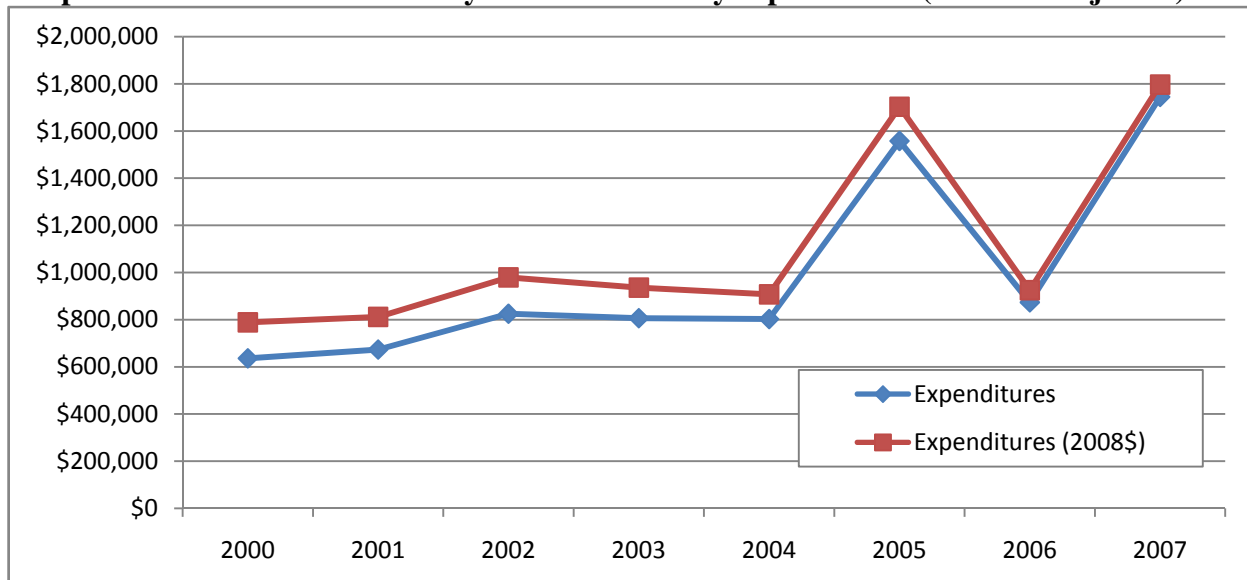
Table 1: Milwaukee County Historical Society expenditures (2000-2007 Actual), in real dollars

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual
Personnel	\$365,851	\$400,162	\$413,865	\$423,282	\$438,467	\$458,965	\$467,112	\$470,802
Professional fundraising fees	\$0	\$0	\$0	\$0	\$52,013	\$27,383	\$12,000	\$25,061
Accounting fees	\$14,155	\$5,967	\$7,050	\$6,900	\$9,650	\$4,400	\$5,500	\$2,500
Supplies	\$6,718	\$8,401	\$17,037	\$8,056	\$57,098	\$129,202	\$147,634	\$36,277
Telephone	\$5,542	\$4,563	\$6,336	\$10,772	\$6,946	\$8,312	\$0	\$0
Postage and shipping	\$5,588	\$11,393	\$9,206	\$11,702	\$0	\$0	\$0	\$0
Occupancy	\$18,148	\$24,738	\$30,631	\$18,721	\$42,379	\$53,817	\$68,827	\$97,071
Equipment rental	\$15,557	\$11,701	\$5,125	\$15,480	\$36,991	\$45,671	\$5,905	\$20,424
Printing	\$19,328	\$45,119	\$31,396	\$54,781	\$91,615	\$27,884	\$102,008	\$0
Other Expenses	\$185,368	\$161,597	\$304,697	\$257,028	\$67,704	\$800,269	\$64,871	\$1,092,625
Expenditures	\$636,255	\$673,641	\$825,343	\$806,722	\$802,863	\$1,557,804	\$873,857	\$1,744,760

Table 2: Milwaukee County Historical Society expenditures (2008 Budgeted)

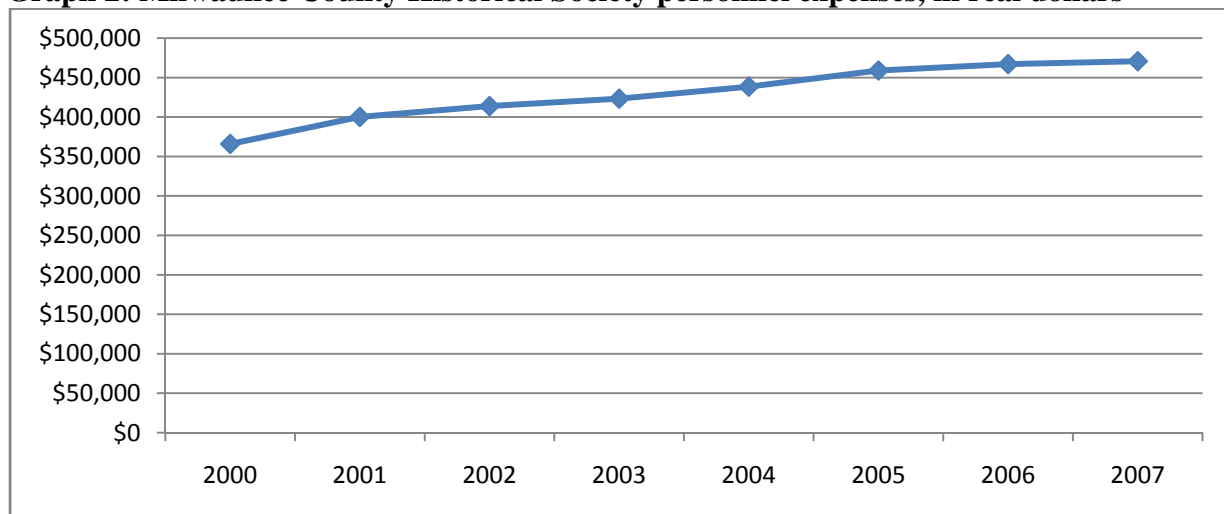
	2008 Budget
Personnel	\$444,300
Building Operations	\$81,000
Library & Archives	\$10,000
Museum & Collections	\$60,000
Publishing	\$80,000
Period Homes	\$20,000
Membership Functions	\$20,000
Office Expenses/Prof. Ser.	\$47,500
Trimborn	\$75,000
Miscellaneous	\$250
Total Expenses	\$838,050

Graph 1: Total Milwaukee County Historical Society expenditures (inflation-adjusted)



Personnel expenditures account for a significant share of the society's budget, accounting for 53% of this year's budgeted spending. As indicated in **Graph 2**, these expenses have edged up nearly 29% since the start of the decade, from \$365,851 in 2000 to \$470,802 in 2007.

Graph 2: Milwaukee County Historical Society personnel expenses, in real dollars



Another significant area of operating expenditure growth was occupancy costs, which increased from just over \$18,000 in 2000 to more than \$97,000 in 2007. The 2004 jump occurred when the society added Trimborn Farm to its list of facilities. The \$28,000 increase in 2007 is attributed to a reclassification of storage costs to this expenditure category. The society's executive director says the occupancy increase would have been higher were it not for the museum's replacement in 2005 of most windows with energy efficient glass, plus improvements in heating efficiency.

The use of different accountants to prepare 990 forms during the period makes it difficult to draw conclusions from historical comparison of individual spending categories. Many of the changes observed in Table 1 can be attributed to accounting changes; for example, the "zero" that appears for some expenditures represents a change in classification, not elimination of that expense. It is apparent from examining overall expenditure figures, however, that the society has maintained relatively level expenditures since a large increase in 2002 and smaller increase subsequent to the 2004 addition of Trimborn Farm. This indicates that, on the whole, increases in personnel costs have been offset by decreases in other budget categories.

Milwaukee County Historical Society Revenue

The society's actual annual revenues for 2000-2007 are shown in **Table 3**, while **Table 4** shows 2008 budgeted revenues. Total non-property tax revenue increased \$917,458, or 292%, on an actual basis between 2000 and 2007. **Graph 4** shows the climb in real and inflation-adjusted dollars.

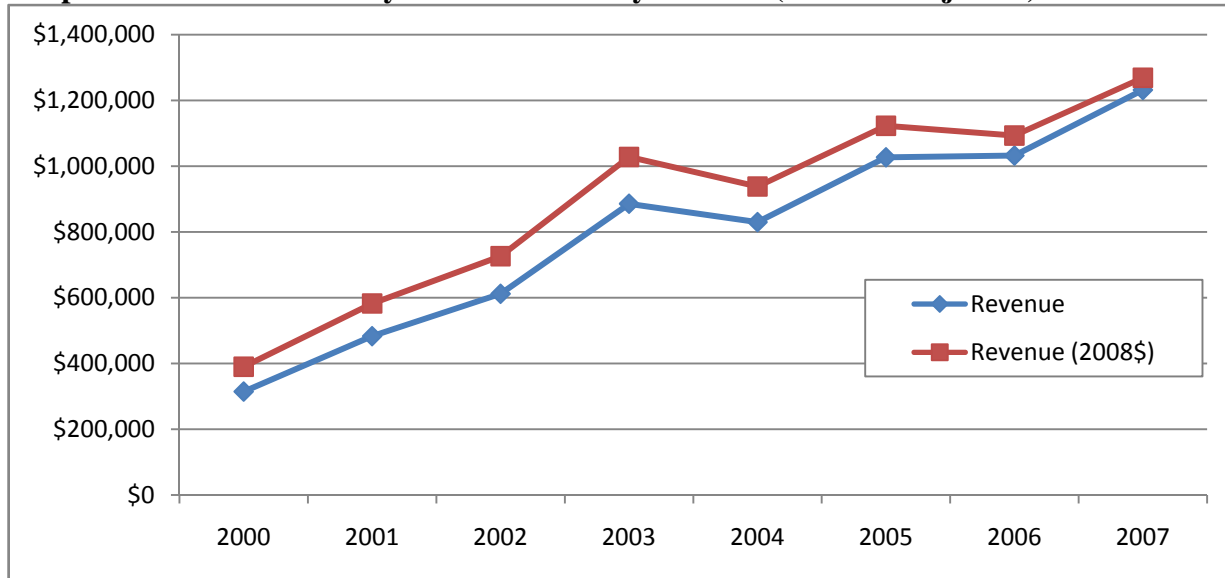
Table 3: Milwaukee County Historical Society revenue (2000-2007 actual), in real dollars

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual
Contributions	\$212,958	\$421,189	\$584,489	\$748,281	\$510,090	\$704,454	\$711,589	\$681,393
Membership	\$0	\$0	\$0	\$0	\$39,598	\$33,478	\$40,806	\$35,495
Program Revenue	\$11,951	\$23,868	\$19,084	\$36,910	\$158,905	\$160,175	\$113,499	\$287,330
Interest & Investments	\$26,512	\$7,063	-\$29,085	\$57,094	\$32,073	\$35,165	\$51,540	\$50,620
Special Events	-\$614	\$220	\$1,447	\$13,900	\$82,331	\$76,371	\$54,066	\$39,199
Sales Income	\$53,517	\$20,310	\$23,408	\$13,502	\$7,058	\$17,494	\$60,841	\$137,971
Other Revenue	\$10,226	\$10,482	\$12,711	\$16,191	\$0	\$0	\$0	\$0
Revenue	\$314,550	\$483,132	\$612,054	\$885,878	\$830,055	\$1,027,137	\$1,032,341	\$1,232,008
Levy	\$307,481	\$307,481	\$307,481	\$276,733	\$242,550	\$242,550	\$242,550	\$242,550

Table 4: Milwaukee County Historical Society revenue (2008 budgeted)

	2008 Budget
Contributions	\$20,000
Grants/Fundraising	\$155,000
Membership	\$40,000
Program/Tours	\$57,500
Library Revenue	\$15,000
Interest, Div., & Invest.	\$2,000
Special Events	\$100,000
Sales Income	\$75,500
Trimborn	\$90,000
Other/Cobra	\$11,000
Fund Transfer	\$31,000
Revenue	\$597,000
Milwaukee County Levy	\$242,550

Graph 4: Milwaukee County Historical Society revenue (inflation-adjusted)

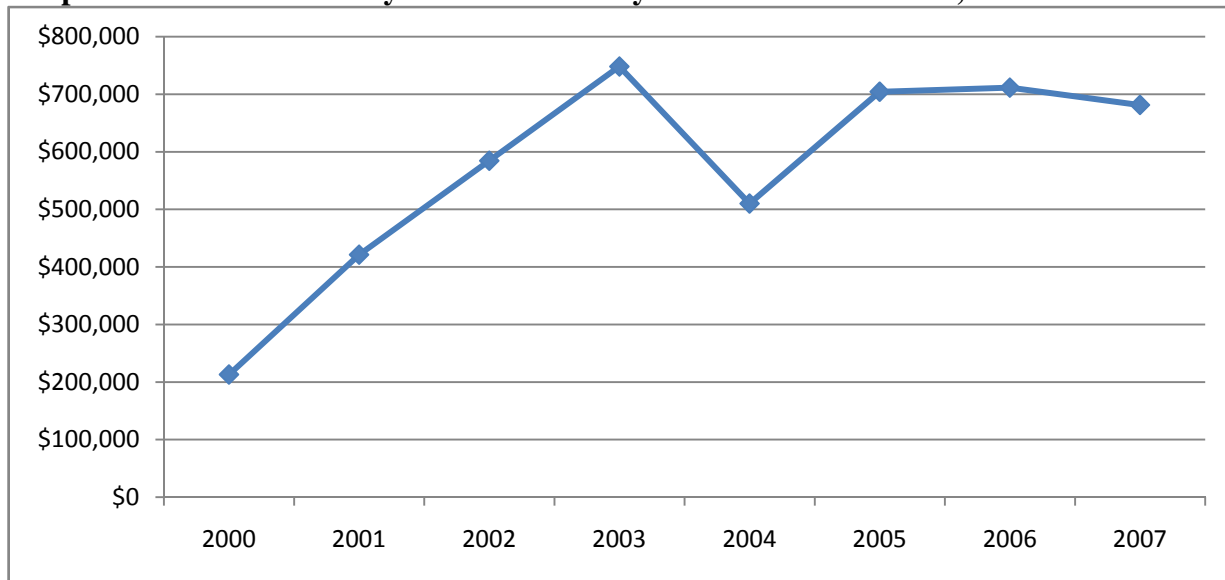


This dramatic increase was achieved largely due to a three-fold jump in contributions (depicted in **Graph 5**), a huge increase in program revenue (as shown in **Graph 6**) emanating mainly from the society's takeover of Trimborn Farm about four years ago, and a near-tripling of sales income.

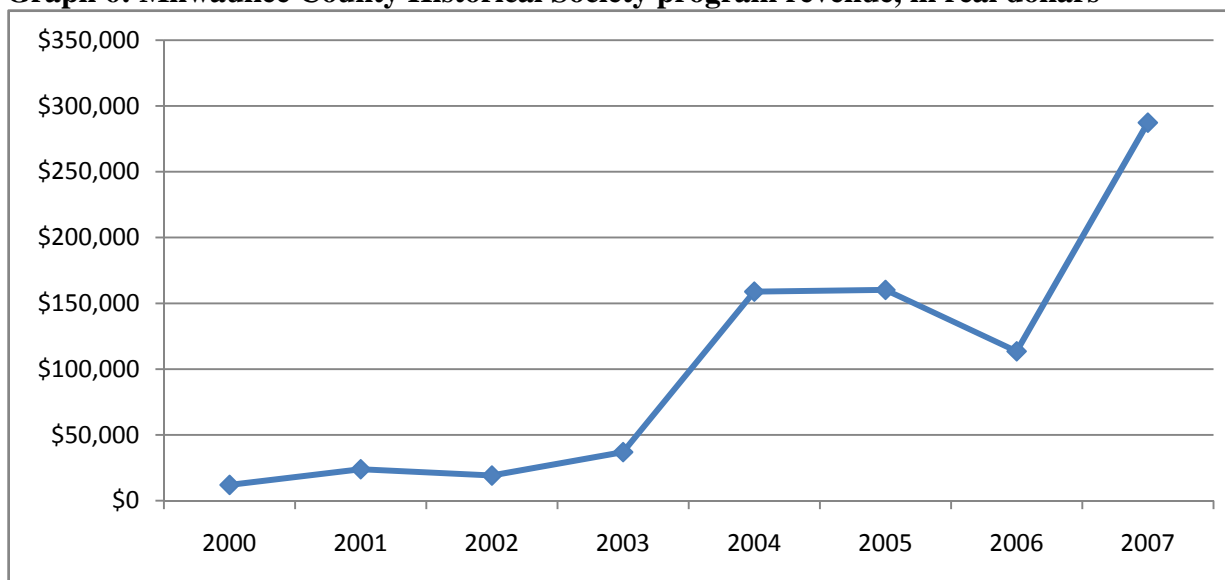
The increase in contributions resulted from gifts and pledges to the capital campaign associated with the museum building restoration. These contributions, and funds transferred to the county for building restoration, appear as part of the operating budget but will disappear once the project is completed.

Program revenue increased with the addition of Trimborn Farm, especially its Harvest of Arts and Crafts, which generates \$40,000 to \$50,000 annually. Meanwhile, the big jumps in sales revenue were due to the publication of the third edition of John Gurda's *Making of Milwaukee* in 2006 in conjunction with the release of the video series by Milwaukee Public Television, and the publication in 2007 of *Milwaukee at Mid-Century: The Photographs of Lyle Oberwise*, which sold 3,100 copies during the last six weeks of the year.

Graph 5: Milwaukee County Historical Society contributions revenue, in real dollars



Graph 6: Milwaukee County Historical Society program revenue, in real dollars

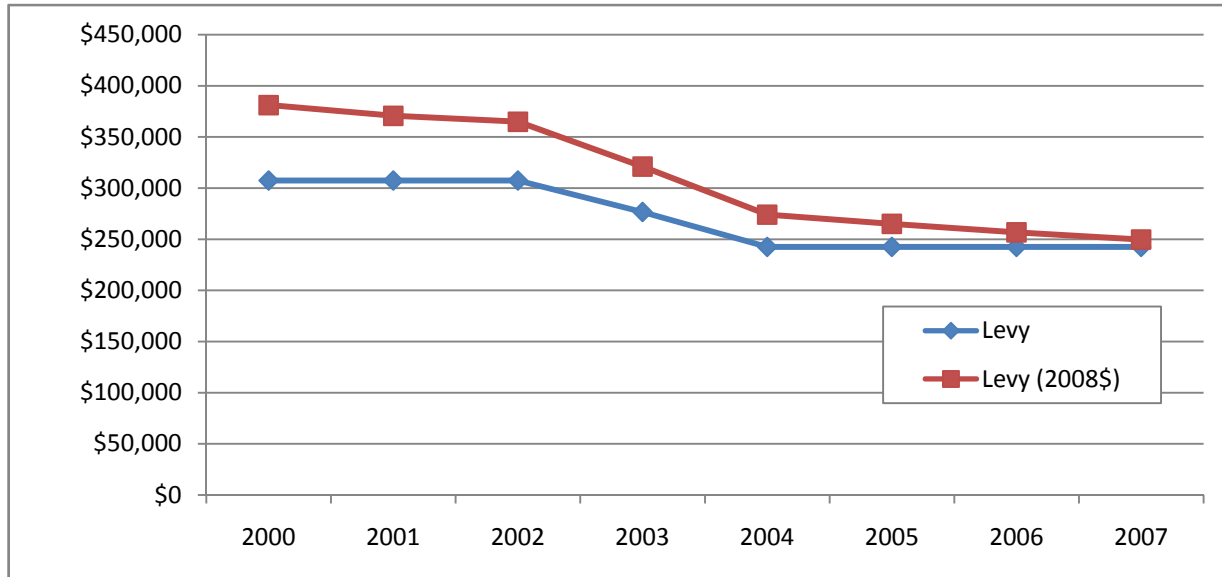


One new source of revenue this year was the surprise booking of the museum headquarters for *Public Enemies*. Producers offered \$25,000 to reserve the building for a planned February-March photo shoot, but paid \$59,074 more when film-making was delayed until June. Museum officials predict this income will more than compensate for lost business while the museum building is closed for renovations.

The Historical Society's success in growing outside revenue sources has allowed it to more than offset the loss of county property tax levy. At the start of this decade, Milwaukee County property taxes supplied roughly half of the society's budget – a \$307,481 levy contribution versus \$314,550 in outside revenue. In 2007, county property taxes made up only 19.7% of the

revenue budget. **Graph 8** shows that the county’s levy contribution dropped to \$276,733 in 2003 and to \$242,550 in 2004, where it has remained. In the meantime, growth in outside revenue has grown significantly.

Graph 8: Milwaukee County tax levy support of Milwaukee County Historical Society, in real dollars



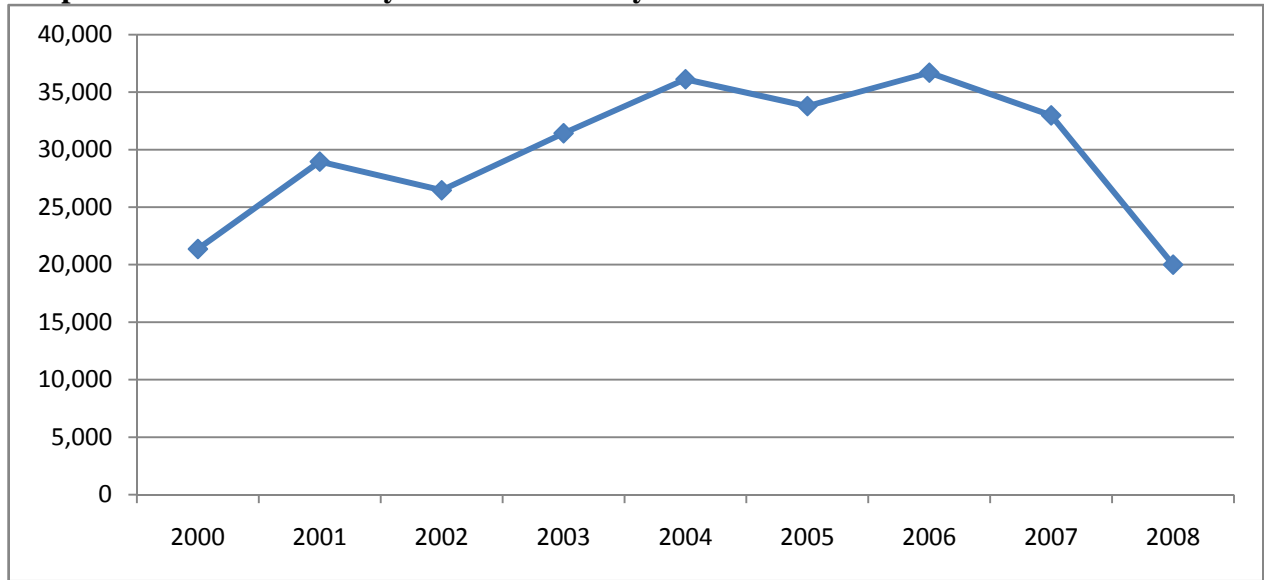
The society has no formal endowment, but receives \$25,000 to \$30,000 annually via the Leslie T. Bruhnke Fund at the Greater Milwaukee Foundation, which distributes 50% of its investment interest to the society and 50% to other historical societies in the state.

The society has \$1,452,567 in total net assets, with a \$269,254 decrease in unrestricted net assets in 2007.

Milwaukee County Historical Society Attendance

Despite its prized location along downtown Milwaukee’s riverfront, the society is relatively obscure. **Graph 9** shows that in most years this decade, the society drew fewer than 35,000 visitors at its downtown and other locations. The decade’s peak attendance was 36,692 in 2006, when its new exterior lighting was installed and the museum hosted two popular exhibitions, *Miss Annie Mae's Hats: Church Hats from the Black Community* and *Billie the Brownie: a 75th Anniversary Celebration*. This year’s projected audience of 20,000 will be the low point, reflecting the museum’s closure during renovations. Higher patronage is expected when the beautified museum re-opens in spring 2009. Society officials also hope to heighten public awareness via the museum’s web site, which now gets 250,000 visits per year.

Graph 9: Milwaukee County Historical Society attendance



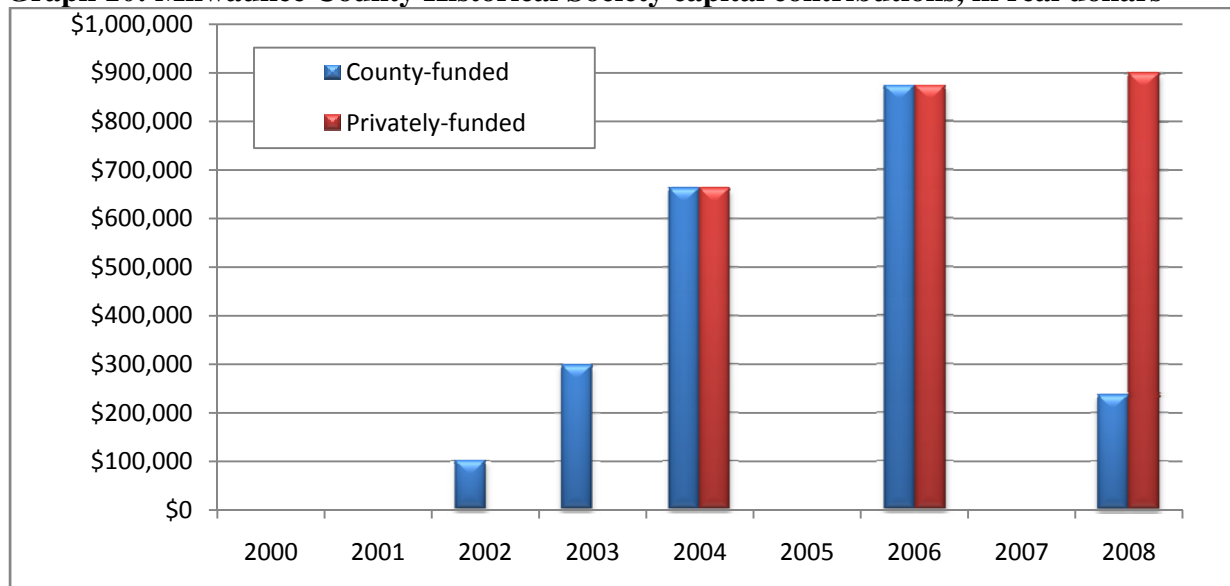
Milwaukee County Historical Society Operating Budget Projections

Three-year operating budget projections for the Milwaukee County Historical Society are not included in this report for two reasons: the difficulty in analyzing historical trends in most expenditure and revenue categories due to insufficient data; and the absence of final plans for new revenue-generating activities associated with the restored headquarters building. However, the executive director foresees a continuation of the society's eight-year record of budget stability, assuming no drastic and immediate cuts in county support.

Milwaukee County Historical Society Capital Budget

Graph 10 shows the society's capital spending from 2000-2008, which encompasses the first two phases (and beginning of a third) of a multi-year remodel of the museum building. This comprehensive project, which ultimately is expected to cost close to \$7.5 million, is being split evenly between the county and private funds raised by the society.

Graph 10: Milwaukee County Historical Society capital contributions, in real dollars



The museum renovation's first phase, which consisted of \$1.3 million in window restoration, was completed in 2005. It included the repair, re-glazing, and repainting of the 27 cast iron windows surrounding the exterior of the historical center. Phase II of the restoration project replaced the wheelchair lift with a full service elevator, relocated the stairwell connecting the main level to the second floor, and renovated the lower level restroom facilities to meet federal Americans with Disabilities Act requirements.

Phase III renovations will address mechanical improvements and will seek to eliminate all major interior deficiencies. Mechanical improvements will include replacement of the electrical system to meet building code requirements, replacement of the HVAC system, replacement of water piping and related fixtures, and installation of light fixtures that are suitable for exhibition and general use purposes. A series of functional improvements, including expansion of the research library and consolidation of the administrative offices, also are planned. More than \$1.1 million in interior work is planned for this year, which necessitated a building shutdown and temporary staff move to 2202 W. Clybourn St. - an expense paid by Northwestern Mutual Life Insurance Company.

The 2008 appropriation for Phase III is \$1,136,480, with an additional appropriation of \$2,799,000 slated for future years. For 2008, the society agreed to provide financing for \$900,000 of the project costs, with the understanding that the following year the county will provide more than 50 percent of the financing and eventually achieve the even split. Phase III plus repair of deteriorating cornices near the building's roof will complete the museum's capital needs for the foreseeable future, according to the society's executive director.

Conclusion

The Milwaukee County Historical Society has successfully navigated cuts in county support by increasing non-county revenue streams, and now stands on the threshold of greater potential self-sufficiency due to the major renovation of its downtown headquarters. Its executive director hopes that restoring the building and creating better display space may boost the museum's standing as a tourist attraction and event venue, putting it on a firmer financial footing with greater potential for rental income. Booking at least two special events per month could boost the museum's earned income by an estimated \$100,000 annually and seems workable given current staffing.

Brisk sales in history books and historic photos have provided a new revenue stream which, together with higher rentals and attendance, might be sufficient to maintain the society's financial stability in the event of further dips in county aid, its officials say. They worry, however, about the challenges of fund-raising and grant-writing, both of which are made more difficult by patrons' preference to fund new items rather than sustain existing ones.

In all, the Historical Society appears to be looking at a rosier future, though economic stability may hinge on the society's ability to win long-term donor commitments. That was an uphill battle when the building was in disrepair, but an upgraded, dramatically lit building could wield great fund-raising appeal. An estimated 85% of society members are at least 65 years old, a prime audience for a sustained-giving campaign, according to the executive director. Meanwhile, the museum's heightened public profile and enhanced good looks could draw in the younger generations and corporate crowd, paving the way for future success.

CHARLES ALLIS/VILLA TERRACE ART MUSEUMS

Milwaukee’s pair of decorative art museums, Charles Allis Museum and Villa Terrace Decorative Art Museum (together known as CAVT), are early 20th century homes built for industrial titans of that era.

The 1911 Charles Allis mansion, built for the first president of the Allis-Chalmers Corporation, was designed by Alexander Eschweiler and bequeathed to Milwaukee County as an art museum in 1979. The 1923 Villa Terrace estate was the David Adler-designed home of A. O. Smith Corporation President Lloyd Smith and was deeded by his heirs to the county in 1966.

The two antique-filled museums are run by one executive director using three budgets. Milwaukee County's budget is the primary one, supplemented by privately-funded budgets from two arts support groups – the Friends of Villa Terrace and the Friends of Charles Allis. These budgets are not integrated and their funds have proved insufficient in recent years to meet operating needs and – according to supporters – to achieve maximum revenue potential. Both museums function under the auspices of the Milwaukee County War Memorial Corporation (see War Memorial Center section for more on the War Memorial Corporation).

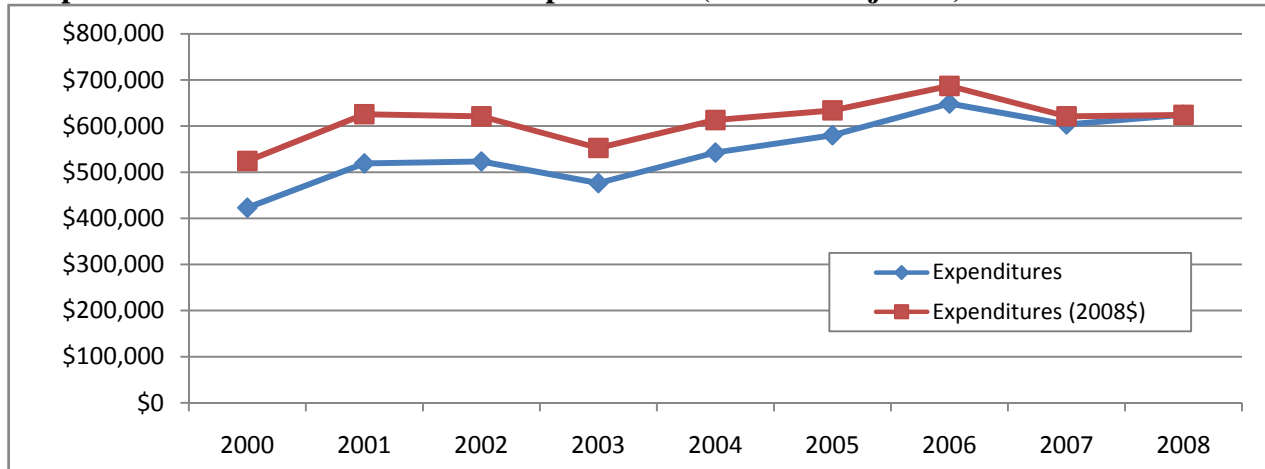
Charles Allis-Villa Terrace Operating Budget

Table 1 and **Chart 1** summarize CAVT's operating expenditure budget from 2000 to 2008. They show total expenditures increased 48% in real dollars, or about \$201,000, this decade. The inflation-adjusted increase is 19.1%.

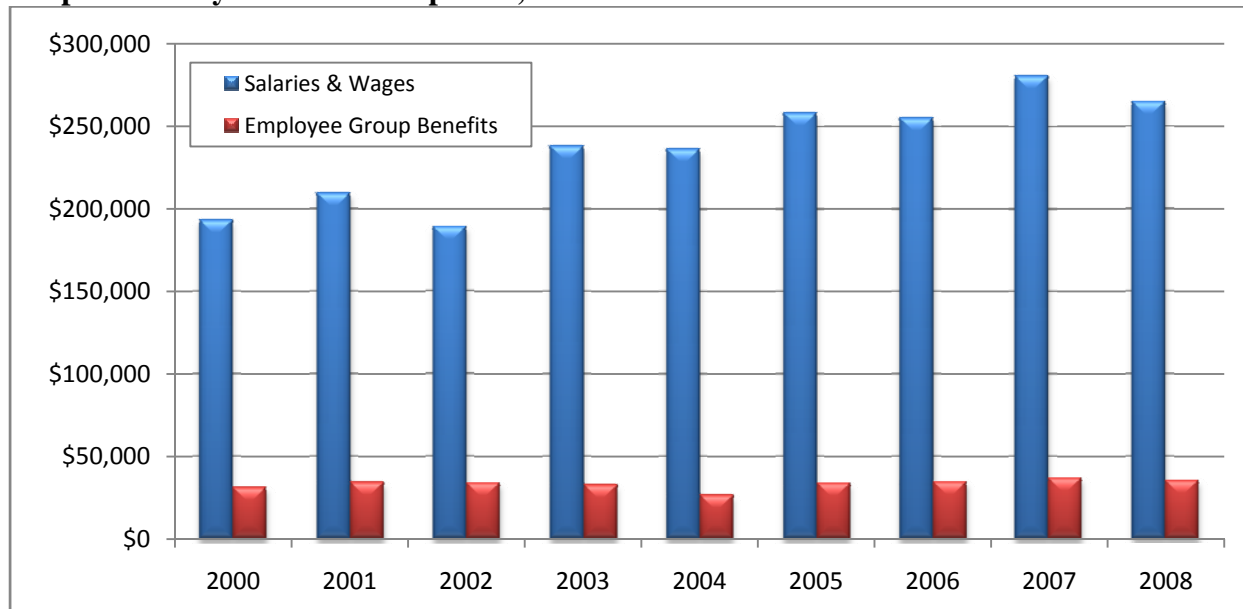
Table 1: 2000-2008 Charles Allis/Villa Terrace operating expenditures, in real dollars

Expenditures	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Personnel Services	\$241,129	\$262,973	\$240,908	\$293,033	\$286,158	\$316,994	\$315,655	\$345,813	\$328,460
Professional Fees	\$39,108	\$87,501	\$83,049	\$48,528	\$65,416	\$69,024	\$74,222	\$66,828	\$74,950
Adv & Promotion	\$25,384	\$18,264	\$40,874	\$38,751	\$69,242	\$44,787	\$73,076	\$47,195	\$47,000
Auto Allowance	\$287	\$632	\$355	\$695	\$1,263	\$610	\$400	\$441	\$610
Space & Utilities	\$95,943	\$125,033	\$115,385	\$77,881	\$106,731	\$113,895	\$134,994	\$116,227	\$134,200
Office & Admin Supplies	\$21,083	\$14,726	\$17,564	\$13,731	\$10,175	\$29,411	\$31,623	\$19,596	\$21,100
Major Maintenance	\$0	\$10,000	\$25,170	\$3,656	\$3,482	\$5,323	\$18,805	\$7,182	\$18,000
Total Expenses	\$422,934	\$519,129	\$523,305	\$476,275	\$542,466	\$580,044	\$648,775	\$603,280	\$624,320

Graph 1: Charles Allis/Villa Terrace expenditures (inflation-adjusted)

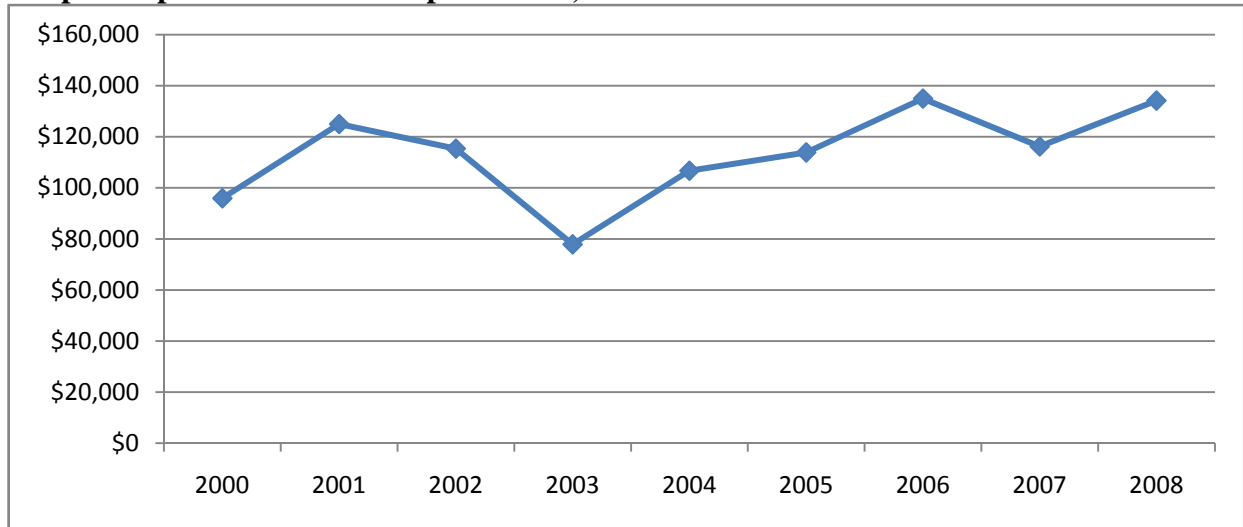


Graph 2: Salary and benefit expenses, in real dollars



Personnel expenses, which account for more than half the budget, have climbed 36%, or about \$87,000, since 2000. **Graph 2** shows the breakdown in personnel expenses between salaries/wages and employee benefits. Salaries and wages were up 37%, while employee benefits rose 15%.

Graph 3: Space and utilities expenditures, in real dollars



Graph 3 shows the second largest expenditure category in the CAVT operating budget, space and utilities expenditures. These items increased 40%, or about \$38,000, between 2000 and 2008, accounting for 21% of the 2008 budget.

Two major drivers in the space and utilities budget are electricity and gas. Electricity costs have more than tripled – from \$3,653 to \$14,000 – and gas prices have about doubled – from about \$14,300 to \$27,200.

These sharp increases in space and utilities expenses and the steady climb in personnel costs this decade coincided with flat county revenue, making it difficult to adequately maintain the two facilities. Compounding these problems was high management turnover. The museums have had three executive directors in the last two years, with no one in the job for weeks until Elly Pick started in May 2008. Pick left two months later, in mid-July. As of late October, the museums still were without an executive director.

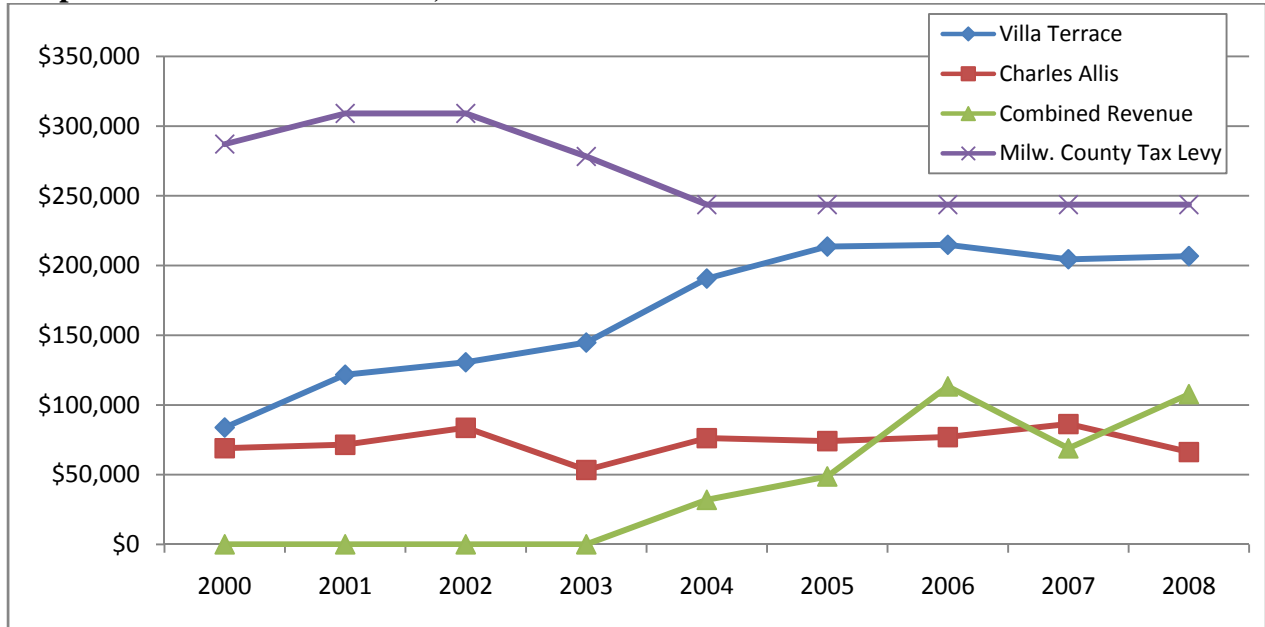
Charles Allis-Villa Terrace Revenue

The museums' overall revenue picture for 2000-2008 is shown in **Table 2**. **Graph 4** shows trends in the major funding sources.

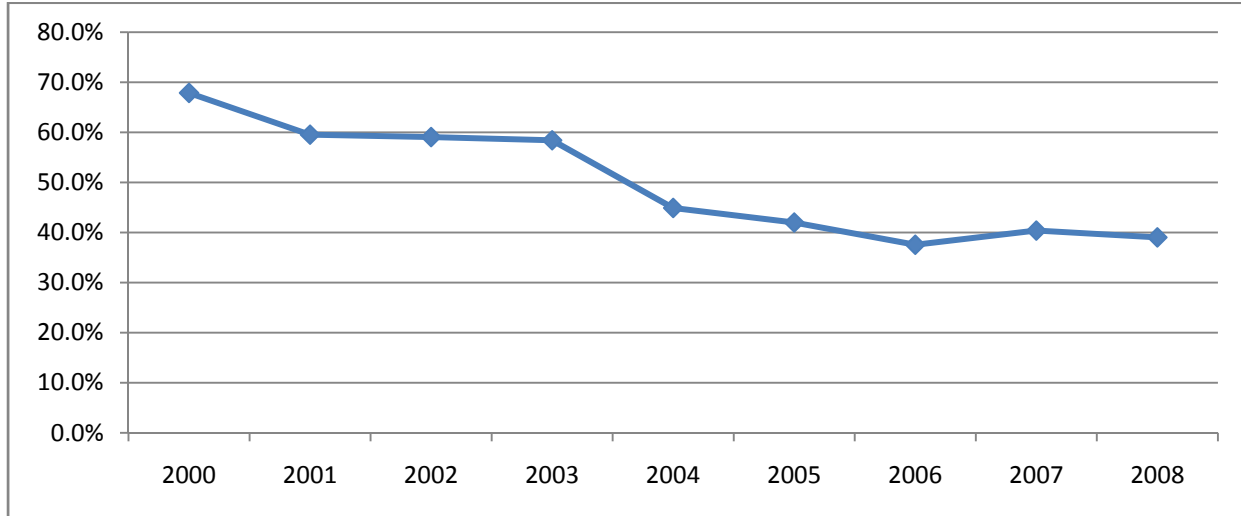
Table 2: 2000-2008 Charles Allis/Villa Terrace operating revenues, in real dollars

Revenues	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Villa Terrace Revenue									
FOVT Direct Support	\$0	\$25,181	\$0	\$10,864	\$30,843	\$16,868	\$19,124	\$15,373	\$15,770
Garden Support	\$0	\$0	\$0	\$16,831	\$17,741	\$16,711	\$11,268	\$15,526	\$15,000
General Revenue	\$61,497	\$75,538	\$114,924	\$95,414	\$112,993	\$156,007	\$162,748	\$152,224	\$155,000
Admission Revenue	\$22,304	\$20,948	\$15,669	\$21,628	\$29,121	\$24,057	\$21,748	\$21,374	\$21,000
VT Revenue	\$83,800	\$121,667	\$130,593	\$144,737	\$190,698	\$213,643	\$214,888	\$204,498	\$206,770
Charles Allis Revenue									
FOCAL Direct Support	\$0	\$0	\$12,647	\$6,626	\$19,409	\$12,323	\$140	\$6,954	\$130
General Revenue	\$38,780	\$37,987	\$47,135	\$26,250	\$37,398	\$50,368	\$63,347	\$51,853	\$47,065
Admission Revenue	\$19,160	\$21,311	\$11,898	\$13,853	\$15,005	\$8,109	\$8,513	\$19,264	\$9,000
Interest Trust Account	\$10,977	\$12,142	\$11,912	\$6,601	\$4,395	\$3,241	\$4,929	\$8,217	\$9,965
CA Revenue	\$68,916	\$71,440	\$83,592	\$53,330	\$76,207	\$74,041	\$76,929	\$86,288	\$66,160
Combine Revenue									
Membership	\$0	\$0	\$0	\$0	\$0	\$0	\$33,956	\$39,600	\$40,000
Private Support	\$0	\$0	\$0	\$0	\$31,905	\$48,704	\$79,346	\$29,239	\$67,734
Combined Revenue	\$0	\$0	\$0	\$0	\$31,905	\$48,704	\$113,302	\$68,839	\$107,734
Total VT & CA Revenue	\$152,717	\$193,107	\$214,185	\$198,067	\$298,810	\$336,388	\$405,119	\$359,624	\$380,664
Transfer from (to) Reserve	-\$16,903	\$16,903	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Milwaukee County Tax Levy	\$287,120	\$309,120	\$309,120	\$278,208	\$243,656	\$243,656	\$243,656	\$243,656	\$243,656
Total Revenue	\$422,934	\$519,129	\$523,305	\$476,275	\$542,466	\$580,044	\$648,775	\$603,280	\$624,320

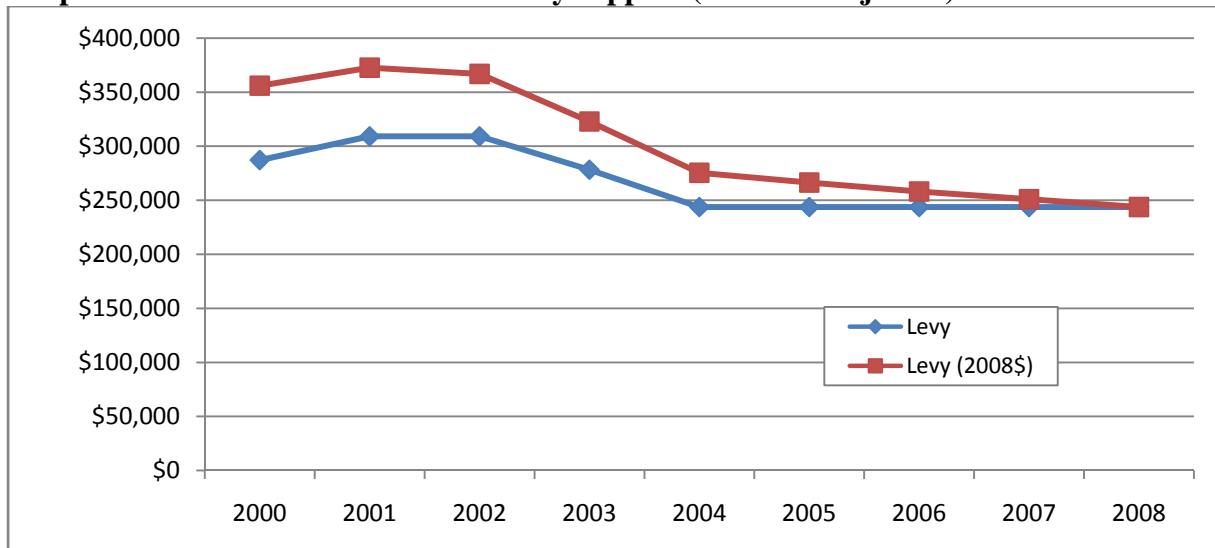
Graph 4: Revenue contributors, in real dollars



Graph 5: Milwaukee County tax levy as share of Charles Allis-Villa Terrace budget, in real dollars



Graph 6: Villa Terrace/Charles Allis levy support (inflation-adjusted)



Milwaukee County underwrites the museums’ \$624,000 budget with a \$243,000 property tax levy allocation that has not increased since 2003. **Graph 5** shows that as a result, Milwaukee County’s portion of museum funding has dropped from 68% of the overall budget in 2000 to 39% this year. **Graph 6** shows the county’s recent history of property tax levy support in both real terms and in inflation-adjusted dollars.

The museums – predominantly Villa Terrace and to a lesser extent Charles Allis – have generated a sizable increase in general revenue during the past eight years in order to offset reduced county aid. Rental income is the chief contributor, mainly due to summertime weddings and other social events. Rentals accounted for about \$200,000 of revenue in 2007. In contrast, admission fees provided about \$40,000.

The \$624,000 in expenditures and revenue shown in **Tables 1 and 2** and reported to Milwaukee County does not represent the museums' full financial picture, according to its most recent executive director. She estimated true operational costs at \$784,000. This gap is filled over the course of the year by two private entities, The Friends of Villa Terrace and the Friends of Charles Allis. Separate and sometimes competing entities, each provides a funding allocation as part of its individual budget. These contributions to the museums are restricted to designated items, with any additional requests subject to board approval.

The Friends of Villa Terrace, for instance, subsidize that historic home's lakeside bluff gardens, its spring and summer parties and half the \$30,000 salary of the institution's volunteer coordinator. Their budget for the museum is \$60,000, but special requests throughout the year have boosted that to about \$110,000. The Friends of Charles Allis provide about \$50,000 annually for items such as special event catalogues, computer equipment, display cases and replacement furnishings at the Prospect Avenue mansion.

Despite their merger several years ago, each friends group retained its financial reserve accounts, board of directors, and singular mission. Opinions about which institution gets which funds are so sharply divided that museum donation drives include three options – donate just to Charles Allis, donate just to Villa Terrace, or donate to the greatest need.

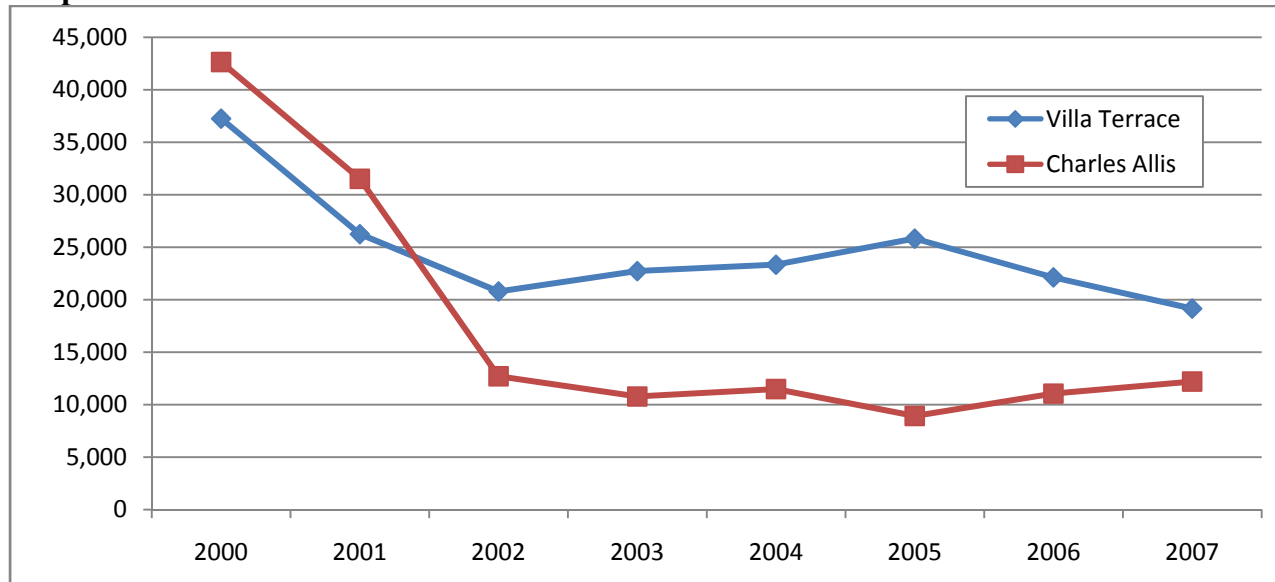
Filling the budget gap in this manner is a cumbersome and frustrating process, staff say. One solution, according to the most recent executive director, would be establishing a \$2 million endowment structured to generate about 15% of operating revenue. This could ease annual fund-raising pressures and improve the museums' ability to attract private donations and foundation grants.

The museums had \$125,022 in cash in restricted net assets last year, down from \$168,027 in 2006. There are no unrestricted net assets.

Charles Allis-Villa Terrace Attendance

Currently, attendance is running at less than half its pace in 2000. Back then, the museums drew 79,908 visitors. That dropped a few years later to the low- to mid-30,000s, where it remains. **Graph 7** shows the downward trend. Villa Terrace attendance declined 49%, from 37,257 in 2000 to 19,161 last year. Charles Allis attendance fell 71%, from 42,652 in 2000 to 12,205 last year.

Graph 7: Attendance at Villa Terrace/Charles Allis Art Museums



The Charles Allis museum's high attendance numbers early this decade were mainly due to the annual summertime Morning Glory Art Fair, which moved downtown in 2002. Several arts groups also held meetings and shows at the site in those years, also driving up attendance numbers. Unfortunately, those events did not benefit the museum directly, staff report, because art fair attendees rarely came inside and the arts groups paid nothing for their space. Today's crowds are smaller and must pay. General admission is \$5 per person.

Charles Allis-Villa Terrace Operating Budget Projections

Three-year operating budget projections for the Charles Allis and Villa Terrace museums are not included in this report due to the vacant executive director position, which makes it impossible to make assumptions regarding future staffing patterns, development plans, and other variables that are essential for such projections. However, the recently departed executive director did indicate her belief that the combined operating budget should be in the \$900,000 range (compared to the existing \$625,000) in order to provide the necessary resources to realize revenue generating potential and ensure fiscal stability in the face of either flat or diminishing county funding.

Charles Allis-Villa Terrace Capital Budget

The capital side of the equation for the Charles Allis and Villa Terrace museums also is quite challenging. In fact, there have been only two capital improvement projects this decade.

Frustrated that hillside bramble bushes were choking off the museum grounds, the Friends of Villa Terrace earlier this decade undertook a \$2 million capital campaign to restore the gardens. The county agreed to match that amount with more than \$1.4 million for interior renovations.

Another major capital improvement is on its way this year: the county's 2008 budget includes \$520,690 for electrical improvements at the Charles Allis Art Museum. The budget write-up

notes that “the existing electrical system is approximately 50-60 years old and is in need of updating in order to protect the public, the facility, and its contents...sparks have been seen at the light switches when the fixtures are turned on. There are concerns that a failure of the electrical distribution equipment could cause a fire.”

While this project therefore will address pressing electrical system needs, the recently departed executive director had a lengthy wish list of additional electrical improvements, many of which likely will not be accommodated within the funds allocated for this project. These include a security camera and intercom system, plus better lighting for the building’s \$4 million collection and unsecured yard. As of this summer, the museum had a lone bulb above its coach house and another above its main entrance. Its sign was dark, due to an errant snowplow knocking out the front yard spotlight last winter. Under the cover of darkness, homeless people slept on the porch.

The outgoing executive director hoped for sufficient capital investment to greatly improve accessibility, perhaps ushering in a full-time operation rather than the current schedule of 1 p.m. to 5 p.m. Wednesdays through Sundays. She spoke of developing a welcome center at Charles Allis, where a single staffer could greet guests, take reservations, book rentals, and oversee security. She also envisioned a day when visitors would sport wireless headphones that play an interactive recorded narrative about museum features. That next-generation touch would spark interest in the museum as a school field-trip destination, one promising area for attendance and revenue growth.

The county has not budgeted for these improvements in its five-year capital improvements program. The five-year program currently includes three projects for the two museums: at Villa Terrace, an \$88,000 drain pipe repair project and at Charles Allis, a \$151,000 roof and drain replacement project and a \$282,000 exterior façade repair project.

Conclusion

Both museums have significant growth opportunities according to supporters, but are hampered by undersized, restrictive budgets and limited hours. The most recent executive director envisioned better lighting, more parking, and a higher public profile ushering in an era of 10 a.m. to 5 p.m. Tuesday through Sunday operations.

These historic houses – Charles Allis with its basement bowling alley and billiard table, Villa Terrace with its Old World courtyard and picturesque gardens – could hold the promise of being a major local attraction, according to some. They could serve school groups in the morning, diners at lunchtime, and tourists in the afternoons. Small stores offering items like postcards, brochures, and period piece jewelry could boost revenue. Banners outside would announce the latest exhibition or special feature.

All this requires a bigger budget – likely about \$900,000, according to the former executive director. Before she left, she was mulling a private capital campaign to fill the gap and viewed a formal endowment as the best way to financially stabilize what she called “two under-utilized jewels in the necklace of Milwaukee museums.”

MILWAUKEE COUNTY CULTURAL ARTISTIC AND MUSICAL PROGRAMMING ADVISORY COUNCIL (CAMPAC)

The Milwaukee County Board of Supervisors created a public arts fund in 1986 in an effort to ensure that arts and cultural events are not only an amenity for the privileged, but also would be available to benefit the quality of life of all county residents.

This fund distributes annual grant awards among 30 or so performing arts groups and underwrites community cultural events catering to minority and other underserved populations. It also helps subsidize summer concerts in county parks and a springtime theater workshop for area high school students. According to the county website, more than one million people attend these publicly underwritten programs and events each year.

To oversee fund activities and assure that the county backs a mix of new, emerging and established performing arts groups, the county created a non-departmental adjunct called the Milwaukee County Cultural Artistic and Musical Programming Advisory Council, or CAMPAC. The council's only paid staff is a part-time administrator, who is assisted by a nine-member volunteer advisory council appointed by the county board. The council's annual property tax allotment has been its sole support since 2004.

CAMPAC's heyday was the 1980s, when its budget exceeded \$1 million. Starting in the 1990s, however, CAMPAC saw funding cuts of 5% or more each budget cycle, which diminished its budget to \$525,000 as of 2000. In recent years, in light of the county's mounting fiscal challenges, CAMPAC's allocation has shrunk further, resulting in elimination of some grant categories and the loss of matching funds from the Wisconsin Arts Board.

Milwaukee County CAMPAC Operating Budget

Table 1 shows the council's expenditures from 2000 to 2008, an era of mostly shrinking spending. The peak was \$550,000 in 2001, with expenditures dipping slowly before a \$113,750 drop in 2004. Expenditures have edged up slightly since 2005 to a projected \$377,688 this year.

Table 1: Milwaukee County CAMPAC operating expenditures, in real dollars

	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget
Matching Grants	\$427,320	\$439,167	\$446,555	\$410,000	\$313,785	\$288,372	\$289,502	\$288,188	\$288,188
Community Cultural Events	\$30,000	\$37,000	\$29,500	\$32,000	\$22,465	\$21,626	\$21,221	\$22,500	\$22,500
Concerts in the Parks	\$22,680	\$25,833	\$13,445	\$25,000	\$25,000	\$25,000	\$50,000	\$50,000	\$50,000
HS Theater Workshop	\$0	\$0	\$5,000	\$5,000	\$5,000	\$4,000	\$2,500	\$2,500	\$2,500
Administration	\$35,000	\$33,000	\$38,000	\$38,000	\$30,000	\$25,690	\$5,271	\$12,825	\$14,500
Individual Artists Program	\$10,000	\$15,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$525,000	\$550,000	\$542,500	\$510,000	\$396,250	\$364,688	\$368,494	\$376,013	\$377,688

Matching grants to organizations represented the biggest outlay in every year, ranging from a high of \$446,555 in 2002 to a low of \$288,188 in 2007 and 2008. Administration was the second

biggest spending category in 2003, at \$38,000, but fell the next two years, hitting a low of \$5,271 in 2006 – the year the former administrator departed, replaced that autumn by outside contractor Sarah Schwab. This year, administration expenses are projected to be \$14,500.

The council's Concerts in the Parks program, administered by the Milwaukee County Parks Department, is the only spending category that grew: from \$25,000 in 2003-2005 to \$50,000 per year since 2006. This doubling came at the order of the Milwaukee County Board of Supervisors, which directed that more parks be included in the summer music program.

CAMPAC spending on the High School Theater Workshop program, which provides high school students with a concentrated learning course at the University of Wisconsin-Milwaukee (UWM), has dropped from \$5,000 in 2003 and 2004 to \$4,000 in 2005 and \$2,500 per year since then. The program was saved by UWM officials, who agreed to pick up the extra cost. One program that did not survive cost cutting was a grants program for individual artists, which was eliminated in 2003.

Spending on the Community Cultural Events program, which is directed to performances in under-served markets by Ko-Thi Dance Company, Latino Arts Inc., Milwaukee Public Theatre, African-American Children's Theatre and Walker's Point Center for the Arts, dropped from \$32,000 in 2003 to \$22,500 this year.

CAMPAC's financial strain is felt in varying degrees by its beneficiary groups, which have a collective \$49.5 million budget. Among the smallest, whose performers include unpaid volunteers, CAMPAC funds represent a sizable subsidy – \$5,907 of the African American Children's Theatre's \$89,208 annual budget, for instance, and \$2,257 of DanceCircus' \$43,953 budget. County funds represent a smaller revenue source for bigger arts groups – \$11,237 of Wisconsin Conservatory of Music's \$2 million-plus budget and \$35,035 of Milwaukee Repertory Theater's nearly \$9.1 million budget.

Some years, the council distributed somewhat less than its levy allocation – namely in 2002, 2006, and 2007. From 2003 through 2005, however, it spent somewhat more than its levy share. These inconsistencies are largely due to timing on the flow of funds in and out of CAMPAC coffers, officials say.

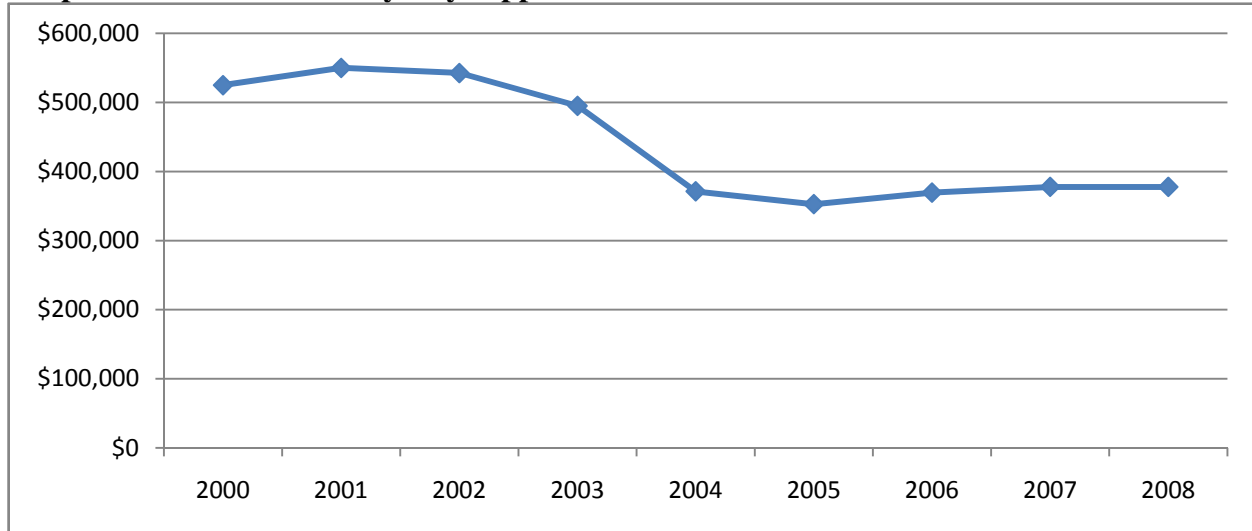
Milwaukee County CAMPAC Revenue

Table 2 shows Milwaukee County property levy support for the council, its only revenue source. **Graph 1** shows how that support has dwindled since peaking at \$550,000 in 2001. The most significant reduction came in the 2004 budget, when the county's property tax levy allocation was reduced by \$123,750, or 25%.

Table 2: Milwaukee County levy support of CAMPAC, in real dollars

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Milwaukee County Levy	\$525,000	\$550,000	\$542,500	\$495,000	\$371,250	\$352,688	\$369,459	\$377,688	\$377,688

Graph 1: Milwaukee County levy support of CAMPAC



Amid dwindling county funding, CAMPAC in 2004 lost eligibility for matching money from The Wisconsin Arts Board. Its allocation, which had been \$15,000 in 2003, has since been awarded to the City of Milwaukee Arts Board.

Conclusion

CAMPAC has experienced proportionately greater funding reductions than other county-funded parks and culture programs this decade, creating an uncertain future. Council officials say additional funding cuts may force elimination of community cultural programming and the high school theater workshop program, leaving only matching grants, concerts in the parks and administration.

CAMPAC supporters have two other ideas for fostering financial equilibrium: private support could be sought to supplement county support, and CAMPAC-funded groups could agree to share some administrative and marketing services, a cost-efficiency concept that has been employed successfully in other non-profit sectors.

Most Milwaukee County citizens aren't aware of CAMPAC's community activities, much less its fiscal problems. "If they see a Milwaukee Children's Choir concert, I don't think they realize the production is partly county-funded," said administrator Sarah Schwab. "People pay for their ticket and think that's all that's needed."

The council's fate may rest on how strong a case advocates can make about its community importance. The administrator is not allowed to advocate for her own organization.

MILWAUKEE COUNTY ZOO

The nationally renowned Milwaukee County Zoo is a 200-acre wooded expanse near the city's western border that is home to more than 2,500 animals.

From its humble beginnings in 1882 as a small mammal and bird display at Milwaukee's Washington Park, the zoo has grown steadily in scope and service. Today, it provides 300-plus species of creatures with more space and better care while offering 1.3 million annual visitors an interactive experience in a peaceful setting.

The zoo is a major tourist destination and a leader in the worldwide campaign to conserve and propagate endangered species. This year, it sports a new entrance – a 29,500 square-foot atrium on its eastern edge called US Bank Gathering Place that includes an improved restaurant and upscale coffee bar. A summertime touch-and-feed shark and sting ray exhibit, introduced last year as an extra-fee feature, enjoyed a return engagement.

Despite these trappings of success, zoo officials have grave concerns about the institution's future. Unlike other county-owned cultural institutions, which are run by private non-profit entities and employ non-county workers, the zoo functions as a county department, similar to the Milwaukee County Parks. That means it is impacted even more by the county's larger fiscal woes, which not only jeopardize the county's annual property tax contribution, but also subject the zoo to annual increases in personnel costs and county internal service charges that have been increasingly difficult to absorb.

Furthermore, the county's caps on annual debt issuance and its other vast capital improvement needs have limited expenditures on zoo infrastructure repairs, creating a significant backlog. Zoo officials are concerned that a fiscal environment that prevents sufficient investment in upkeep and maintenance of existing exhibits – let alone new cutting edge attractions – will detract from the zoo experience and prevent them from competing successfully for the region's finite entertainment dollars.

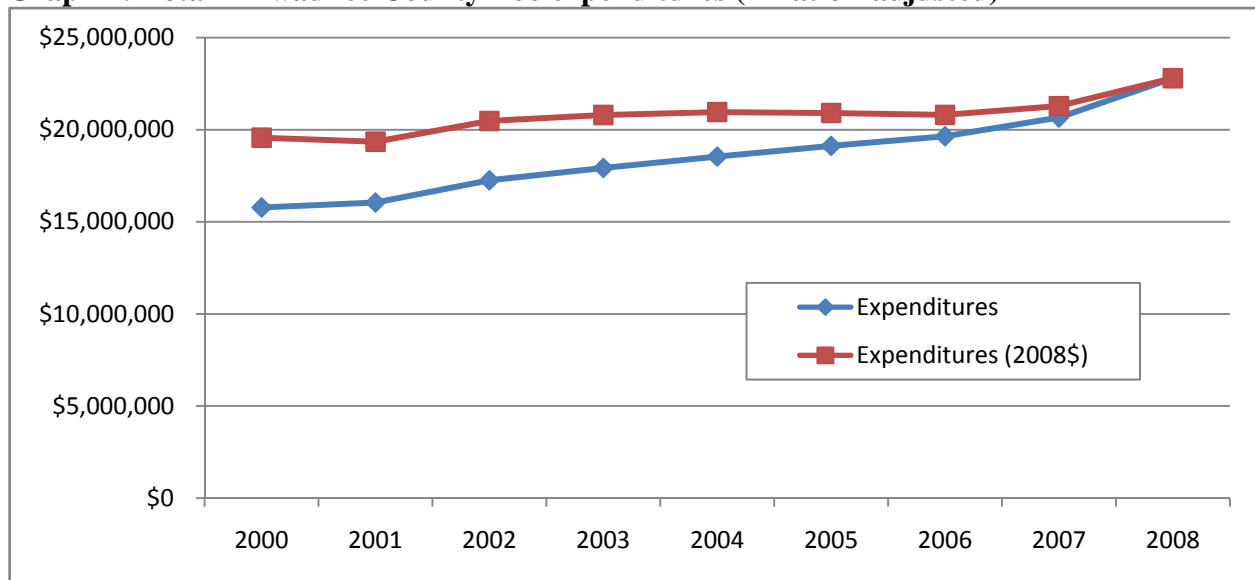
Milwaukee County Zoo Operating Budget

Table 1 summarizes the zoo's operating expenditure budget from 2000 to 2008. It shows that total expenditures grew 38.5% during that period, from \$15.8 million to \$21.9 million. **Graph 1** indicates that measured in 2008 dollars, zoo expenditures increased about \$3 million.

Table 1: 2000-2008 Milwaukee County Zoo operating expenditures, in real dollars

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Personal Services	\$8,526,523	\$8,570,853	\$9,386,686	\$9,852,330	\$10,308,855	\$10,646,860	\$10,724,933	\$11,958,081	\$12,398,745
Services	\$3,792,289	\$4,078,553	\$4,089,317	\$4,467,796	\$4,719,855	\$4,686,199	\$5,119,786	\$4,655,765	\$5,232,869
Commodities	\$2,506,736	\$2,549,308	\$2,728,961	\$2,562,385	\$2,610,739	\$2,692,882	\$2,688,637	\$2,919,192	\$3,032,730
Other Charges	\$9,833	\$2,221	\$2,873	\$0	\$0	\$0	\$0	\$0	\$0
Capital Outlay	\$409,621	\$319,740	\$435,366	\$175,137	\$50,224	\$153,833	\$212,041	\$172,452	\$271,415
Crosscharges - Service Chgs	\$1,131,849	\$1,170,558	\$1,356,103	\$1,726,946	\$1,778,642	\$1,931,212	\$2,146,707	\$1,974,511	\$1,891,471
Crosscharges - Abatements	(\$597,932)	(\$643,780)	(\$746,701)	(\$857,875)	(\$923,998)	(\$985,684)	(\$1,246,043)	(\$1,013,950)	(\$967,139)
Total Expenditures	\$15,778,918	\$16,047,453	\$17,252,605	\$17,926,718	\$18,544,317	\$19,125,303	\$19,646,061	\$20,666,051	\$21,860,091

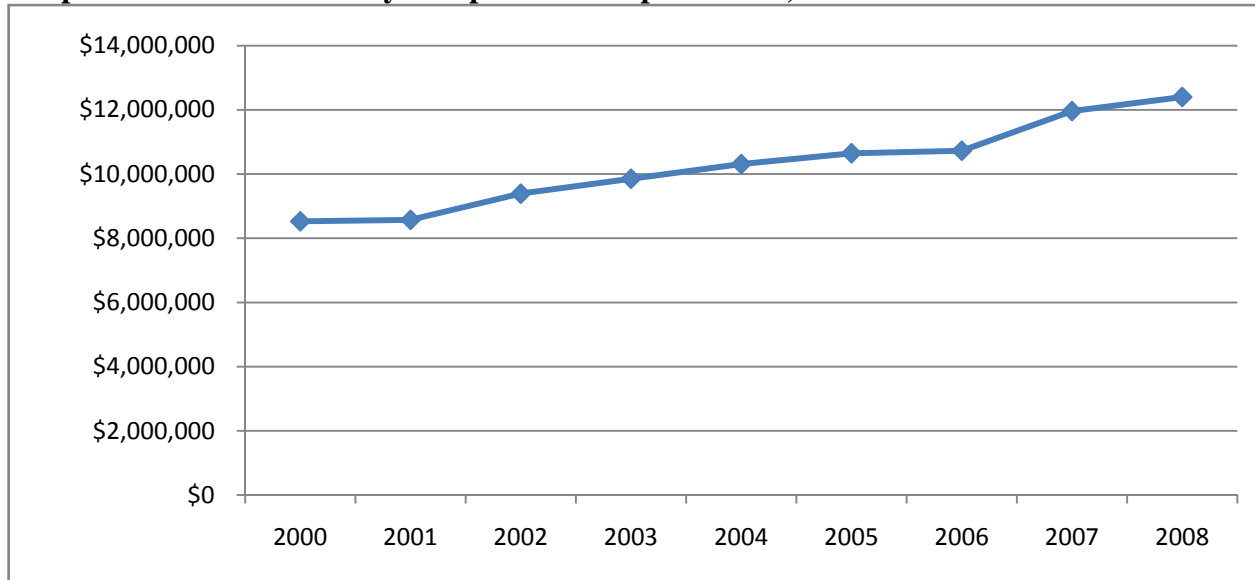
Graph 1: Total Milwaukee County Zoo expenditures (inflation-adjusted)



Personnel expenditures comprise the largest share of the zoo’s operating budget, accounting for more than half (57%) of the total budget in 2008. As indicated in **Graph 2**, personnel expenses increased 45% since the start of this decade, from \$8.5 million in 2000 to \$12.4 million this year, which also accounts for more than half the increase in overall annual expenditures during the period.

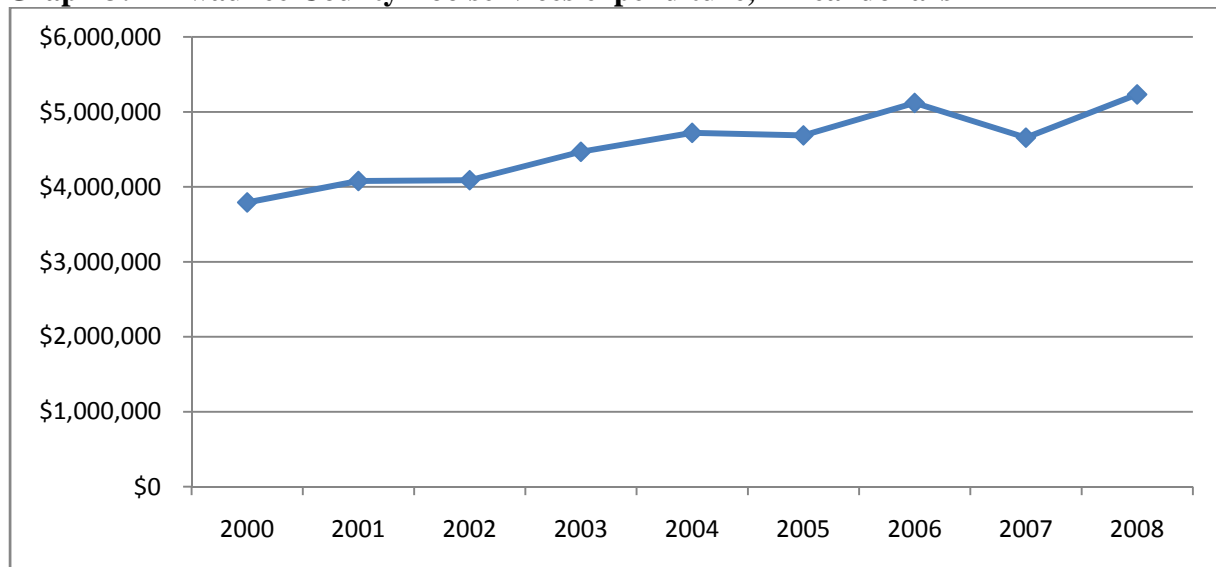
A significant portion of this increase in personnel costs is attributable to the escalation of fringe benefit expenditures in all county departments caused by escalating pension fund and employee/retiree health care costs. Those increases are distributed to each county department based on the size of its workforce and the salaries of its workers. The zoo’s fringe benefit expenditures increased 240% during the period, from \$1.2 million in 2000 to \$4.1 million in the 2008 budget.

Graph 2: Milwaukee County Zoo personnel expenditures, in real dollars

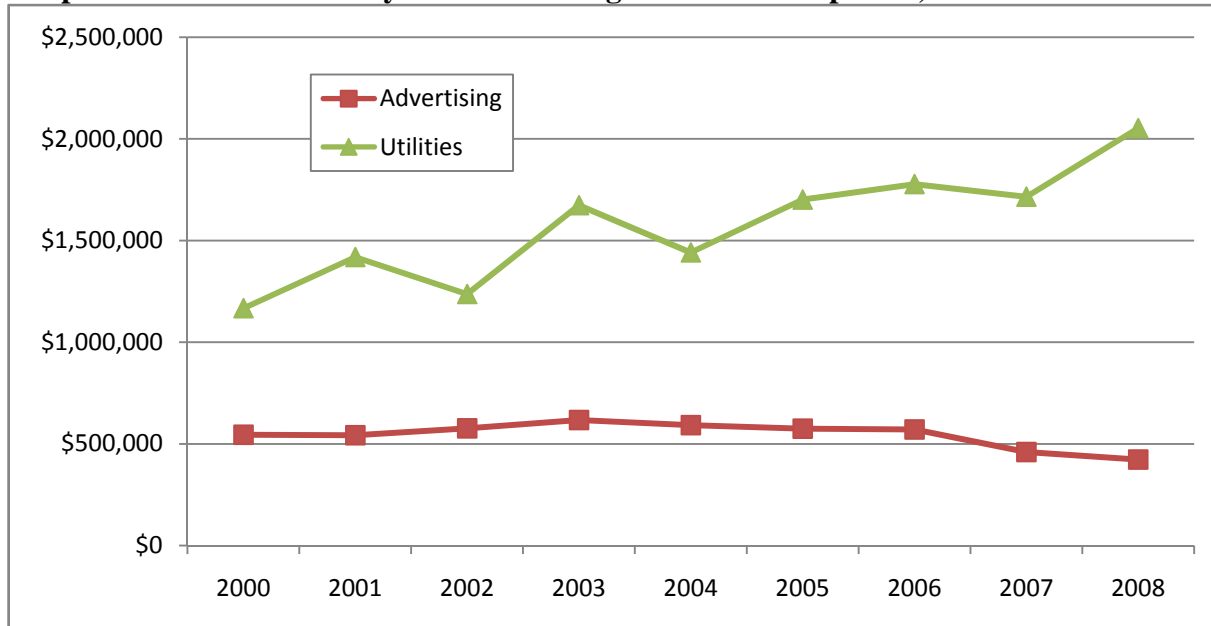


Graph 3 shows expenditures on services, which is the second largest expenditure category in the zoo budget, while **Graph 4** shows two of the major components of that budget, advertising and utilities. Expenditures on services increased 38% since 2000, from \$3.8 million to \$5.2 million budgeted this year. The largest component of the services budget is utilities, which increased almost \$900,000 during the period, from \$1.2 million to \$2.1 million. The services budget also includes expenditures on advertising, which decreased \$122,000, from \$545,000 to \$423,000. According to zoo officials, cuts in the advertising budget were a necessary byproduct of increases in fixed costs like utilities and fringe benefits – made reluctantly despite the potential negative impact on attendance.

Graph 3: Milwaukee County Zoo services expenditure, in real dollars



Graph 4: Milwaukee County Zoo advertising and utilities expenses, in real dollars



Another notable trend in the zoo’s operating budget involves the capital outlay category, in which actual spending fell 58%, from \$409,621 to \$172,452. This category includes major maintenance, replacement equipment and similar infrastructure-related items that are not eligible for bond financing in the capital improvements budget. This decrease in spending reflects the zoo’s growing budget uncertainty throughout the period, as zoo officials say expenditures on maintenance-related items typically are not made until late in the year – or possibly not at all – depending on whether the remainder of the budget is balanced. This contributes to a growing list of deferred maintenance items.

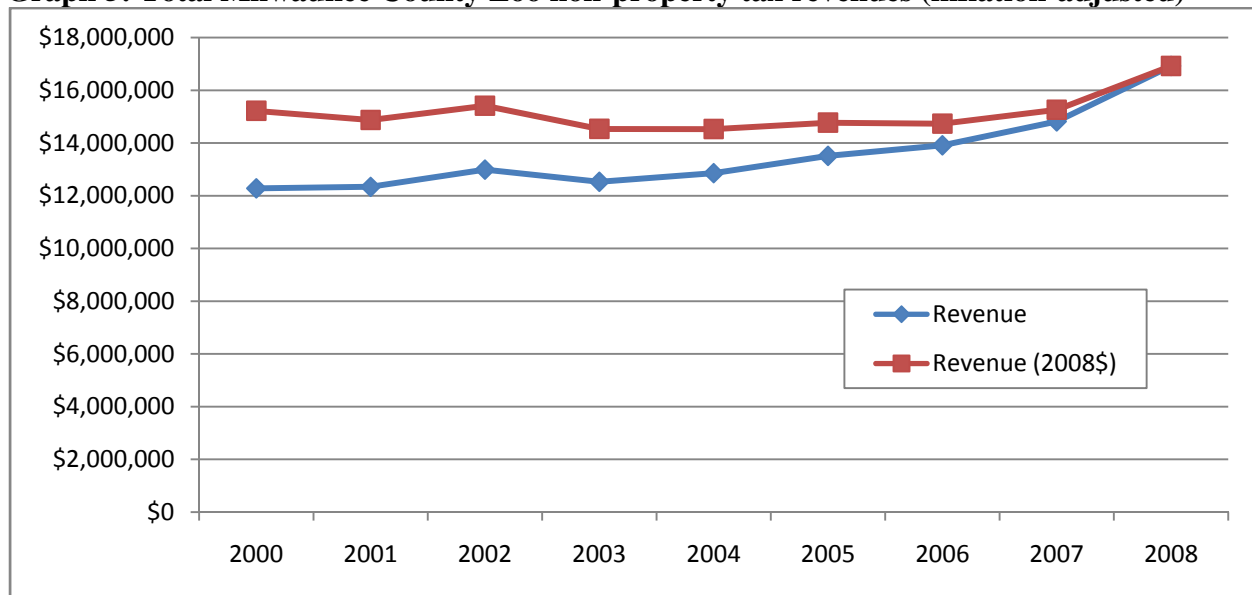
Milwaukee County Zoo Revenue

The zoo’s overall revenue picture for 2000-2008 (including the county’s property tax contribution) is shown in **Table 2**. Total non-property tax revenues have increased 37.8%, or \$4.6 million, during this period. **Graph 5** shows non-property tax revenue growth in 2008 dollars.

Table 2: 2000-2008 Milwaukee County Zoo revenue, in real dollars

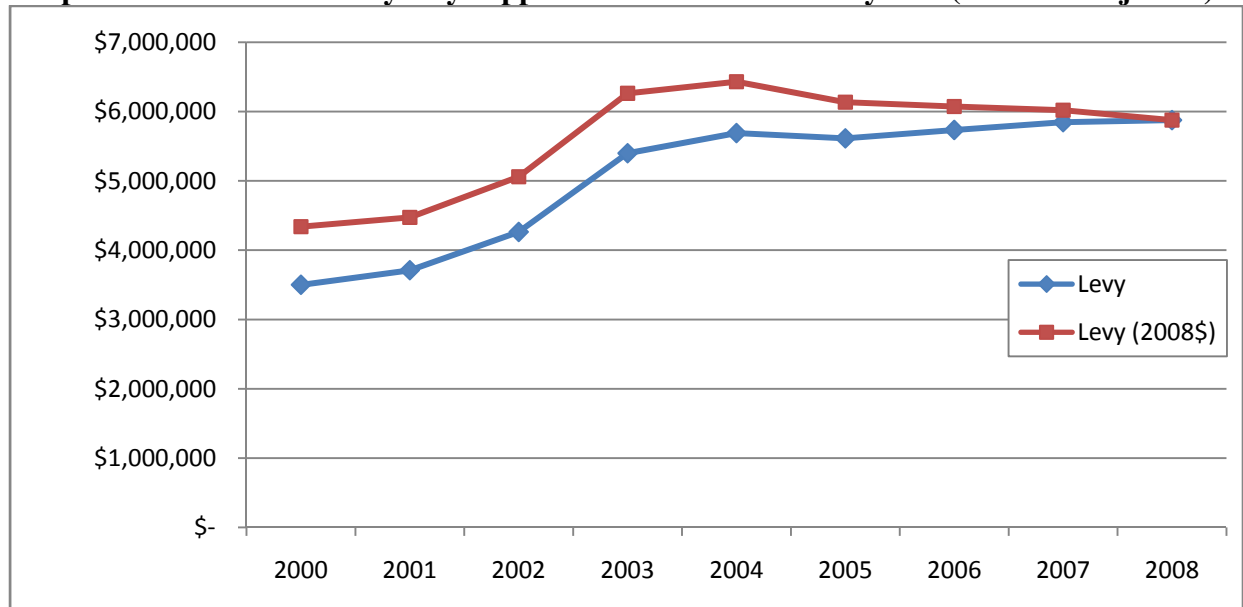
Revenue	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Parking Fees	\$1,119,893	\$1,279,160	\$1,388,429	\$1,616,692	\$1,594,084	\$1,899,099	\$1,891,632	\$2,249,780	\$2,466,948
Rides	\$209,966	\$220,603	\$219,814	\$145,227	\$244,590	\$369,709	\$425,008	\$430,156	\$510,000
Private/Special Events	\$729,287	\$713,939	\$789,570	\$726,859	\$806,358	\$768,066	\$877,903	\$729,058	\$880,500
Sea Lion Show	\$128,661	\$114,881	\$109,849	\$104,844	\$112,009	\$176,287	\$144,370	\$154,043	\$182,018
Admission Fees	\$3,953,793	\$3,937,355	\$4,301,844	\$3,782,019	\$4,016,929	\$4,041,983	\$4,099,916	\$4,495,694	\$5,361,858
Novelty Sales	\$1,875,943	\$1,824,805	\$1,977,782	\$1,802,370	\$1,845,822	\$1,860,542	\$1,823,397	\$1,837,095	\$1,926,128
Concession Sales	\$3,160,064	\$3,071,904	\$3,315,584	\$3,319,346	\$3,377,663	\$3,633,156	\$3,720,374	\$3,630,615	\$3,911,898
Vending Machines	\$212,412	\$219,253	\$218,152	\$215,195	\$227,274	\$247,455	\$245,109	\$251,905	\$313,400
Gifts/Donations	\$855,708	\$905,514	\$680,201	\$717,465	\$532,595	\$528,704	\$536,757	\$708,918	\$1,137,615
All Other	\$32,614	\$49,105	-\$11,989	\$98,671	\$97,139	-\$12,764	\$147,118	\$332,715	\$235,167
Total Revenue	\$12,278,341	\$12,336,519	\$12,989,236	\$12,528,688	\$12,854,463	\$13,512,237	\$13,911,583	\$14,819,978	\$16,925,532
Milwaukee Co Tax Levy	\$ 3,500,577	\$ 3,710,934	\$ 4,263,369	\$ 5,398,030	\$ 5,689,854	\$ 5,613,066	\$ 5,734,478	\$ 5,846,073	\$ 5,876,698

Graph 5: Total Milwaukee County Zoo non-property tax revenues (inflation-adjusted)



Milwaukee County's property tax levy support has waxed and waned this decade, budget figures show (see **Graph 6**). Its property tax levy provided \$3.5 million of the zoo's \$15.8 million budget in 2000 and increased to more than \$5.6 million in 2004 as the zoo budget grew to \$19.1 million. Since then, county support has remained relatively level in the \$5.8 million range.

Graph 6: Milwaukee County levy support of Milwaukee County Zoo (inflation-adjusted)



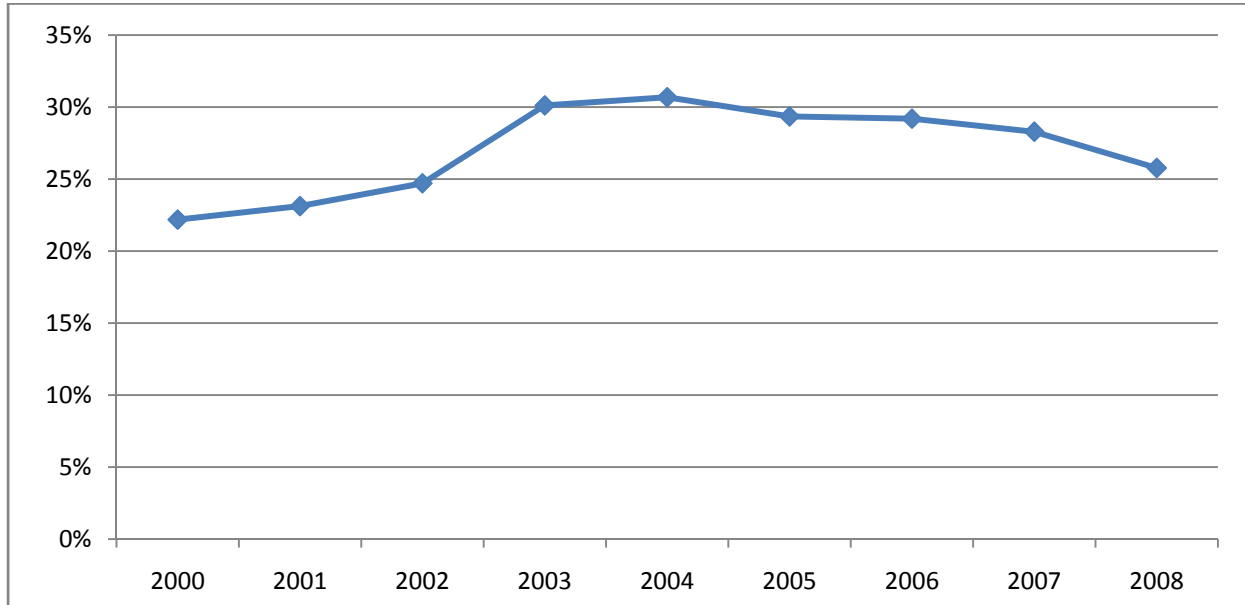
In July 1999, the Milwaukee County Board of Supervisors adopted a long-range fiscal plan for the zoo that committed specific, escalating amounts of operating and capital funding support through 2004. The centerpiece of the plan was a \$29.6 million capital improvement plan to be funded equally by the county and the Zoological Society of Milwaukee.

The society is a nonprofit organization with nearly 50,000 members that was founded in 1910 as an animal-buying and fund-raising venture. Today, the society's mission is to help conserve wildlife and endangered species, in part by helping maintain what it considers Wisconsin's premier educational and cultural facility. In 1989, its longstanding alliance with the county was formalized with a partnership agreement. That public-private agreement, renewed in 1996 and 1999, trades the society's long-term financial commitment to the zoo for the county's provision of free office space and staff parking on zoo grounds, plus free admission for all society members.

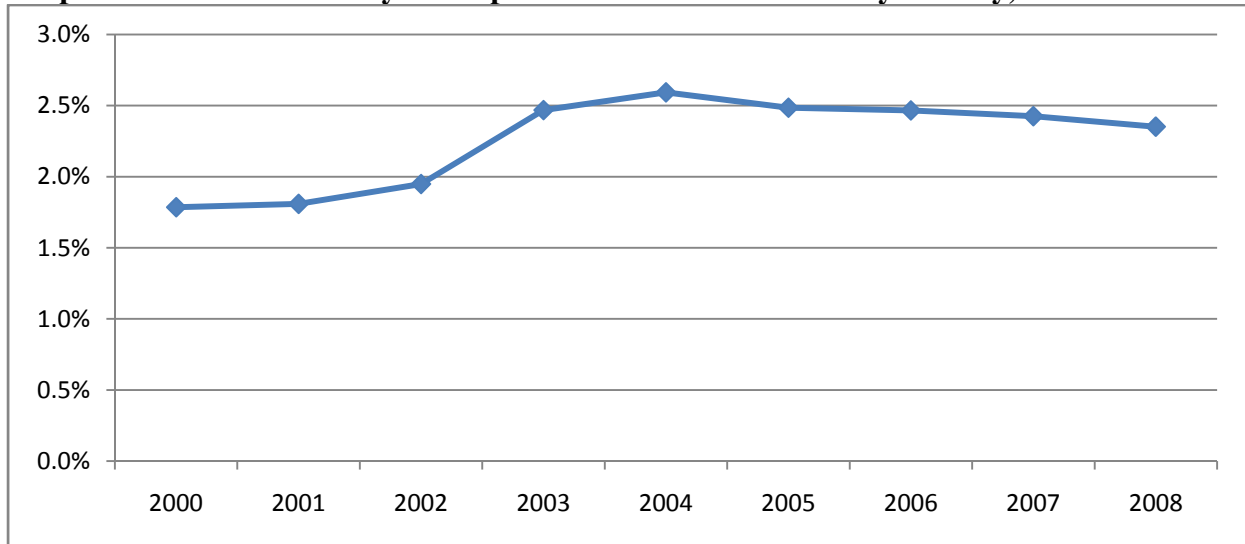
As part of the long-range fiscal plan, the society and the county agreed that if efforts were to be undertaken to raise nearly \$15 million in private funds for zoo physical improvements, then the county must make a commitment not only to match the capital dollars raised, but also to provide sufficient operating support while the improvements were pursued. Consequently, the plan called for a \$500,000 boost in the county's direct property tax levy support in 2000 and another \$350,000 increase between 2001 and 2004.

Whether the county lived up to that commitment is a matter of interpretation. While the raw numbers indicate that the county's property tax levy contribution (both direct and indirect) grew from \$3.5 million in 2000 to nearly \$5.7 million in 2004, it could be argued that the growth in fringe benefits consumed a significant percentage of that increase, and that the county therefore increased its property tax levy contribution to pay for its own legacy costs, and not to improve the zoo. Since 2004, when the agreement expired, the county's actual property tax levy contribution increased \$156,219, or less than 1% per year.

Graph 7: Milwaukee County share of Milwaukee County Zoo annual budget, in real dollars



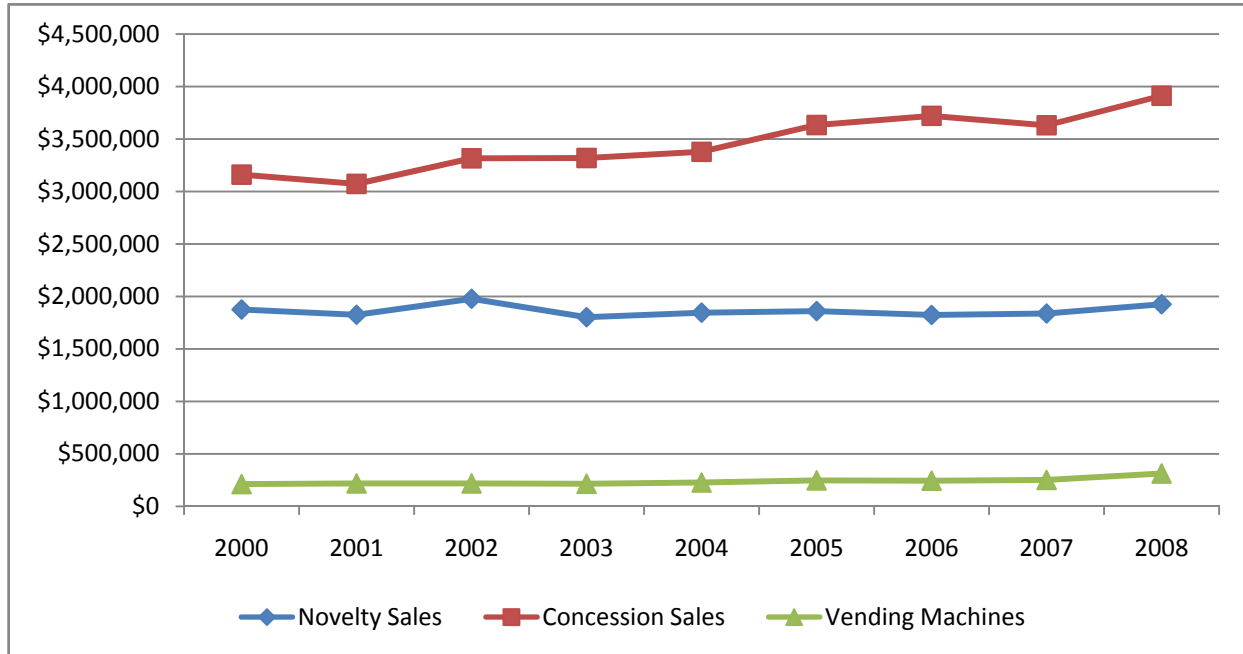
Graph 8: Milwaukee County Zoo's portion of Milwaukee County tax levy, in real dollars



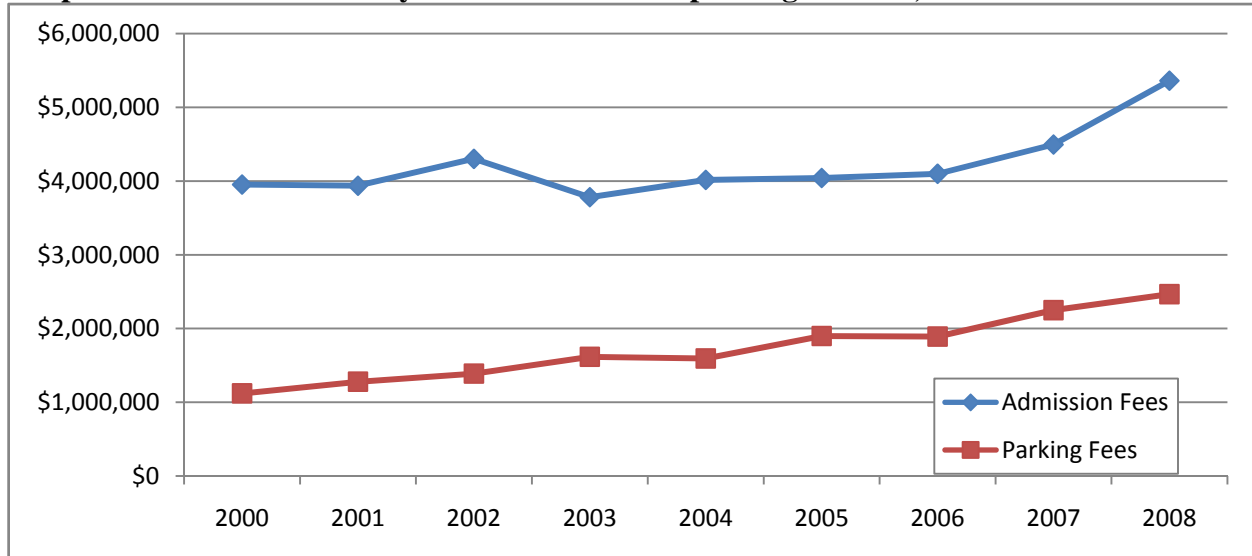
Graph 7 indicates that the county property tax share of the zoo's overall budget similarly peaked in 2003 and 2004 at more than 30%, and now stands at 25.8%. Meanwhile, as **Graph 8** indicates, the zoo's portion of the total Milwaukee County tax levy equaled 1.8% in 2000, while today it is 2.4%. Hence, while it could be argued that county support has not kept up with the zoo's operating needs, it has grown at a greater rate than the county's overall property tax levy, showing the priority that county policymakers have given to funding the zoo in the face of other severe fiscal challenges.

The zoo has demonstrated success in increasing other forms of outside revenue during this period. For example, it added surcharge items, including a sky ride and carousel, which have resulted in a 143% increase in ride revenue since the start of the decade (\$210,000 in 2000 compared to \$510,000 budgeted in 2008). The zoo also has added several types of vending machines and new food offerings, leading to a 23.8% increase in concession sales. **Graph 9** shows revenue increases during the period for concessions, novelty and vending machine sales.

Graph 9: Milwaukee County concession, novelty and vending machine sales revenue, in real dollars



Graph 10: Milwaukee County Zoo admission and parking revenue, in real dollars



In an effort to boost admissions, the zoo has landed lucrative temporary special exhibits such as robotic dinosaurs and sharks and sting rays. The zoo also has increased admission and parking fees to grow revenue in those areas. As **Graph 10** indicates, revenue from zoo admissions, which are now up to \$11.25 for an adult visiting between April and October (and which are proposed to increase another \$1.00 in 2009), has increased about 36% since the start of the decade. Parking revenue, meanwhile, has more than doubled – to a projected \$2.6 million-plus this year from about \$1.12 million in 2000. The zoo lot now costs \$10 per passenger vehicle.

The admission and parking revenue figures do not tell the entire story of zoo attendance, however, as Zoological Society members receive free zoo admission and a discounted parking rate. In exchange, the Zoological Society provides substantial operating revenue support for the zoo. **Table 3** shows the society's direct support to the zoo's operating budget this decade. After two years of direct support in the \$700,000 range in 2000 and 2001 per the long-range fiscal plan, the society's direct support decreased during the following years (in part because of the end of special spring and summer exhibits), until escalating sharply again in the 2008 budget to more than \$958,000. The society's agreement to contribute an additional \$424,865 in 2008 averted significant budget cuts that zoo officials say would have taken a heavy toll on maintenance and staffing. The society also pays for more than \$1 million annually for services at the zoo that are not included in the zoo's budget, including educational programming, a veterinarian internship program, conservation/research programs, and new and replacement graphics.

Table 3: Zoological Society support of Milwaukee County Zoo, in real dollars

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating Budget									
Sponsorships*	\$273,275	\$251,500	\$239,333	\$289,210	\$217,776	\$237,399	\$260,515	\$369,281	\$365,750
Reimbursement for Zoo Tickets**	\$186,380	\$152,688	\$85,892	\$56,248	\$65,179	\$74,287	\$63,094	\$88,996	\$74,288
Added Support	\$89,507	\$0	-\$145,828	\$41,553	\$70,639	\$38,017	\$34,134	\$44,366	\$93,712
Spring Exhibit	\$54,266	\$75,644	\$98,600	\$148,455	\$0	\$0	\$0	\$0	\$0
Summer Exhibit	\$90,030	\$278,132	\$217,748	\$0	\$0	\$0	\$0	\$0	\$0
2008 Add't Support	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$424,865
Total Operating Budget	\$693,458	\$757,964	\$495,745	\$535,466	\$353,594	\$349,703	\$357,743	\$502,643	\$958,615
Parking Plus Fees***	\$0	\$263,052	\$539,351	\$698,343	\$672,777	\$885,866	\$922,648	\$1,101,424	\$1,179,378
Trust Fund sponsorships*	\$0	\$0	\$0	\$21,000	\$21,000	\$41,647	\$51,000	\$50,675	\$50,675

* *Sponsorships - Society staff and the Zoo's Public Affairs & Services Director work together to secure sponsorships from various companies for special events.*

** *Reimbursement for Zoo Tickets - Society gives coupons out to their members for free or discounted tickets for Zoo rides, shows and special exhibits. After the members redeem the coupons, the Zoo bills the society at a discounted rate.*

*** *Parking Plus Program - Society members receive free parking at the Zoo with the parking plus membership. The Zoo charges the society the parking rate less \$1 for each visit.*

While zoo director Charles Wikenhauser readily acknowledges the society's critical role in direct and indirect support of the zoo, and while he maintains the relationship between the two parties currently is strong, that relationship has been contentious in the past. That has stemmed, in part, from the existence and definition of the society's Zoo Pass and Zoo Pass Plus. These allow individuals and families to purchase passes that enable them to visit the zoo multiple times each

year for a fixed price. For example, a family can purchase an annual Zoo Pass from the society for \$59 and receive free admission to the zoo plus discounts for special exhibits. For another \$36, a Zoo Pass Plus entitles the family to free parking. The revenue from the basic pass stays with the society, while the zoo receives the extra parking proceeds from the Zoo Pass Plus.

This arrangement is designed to benefit both the zoo and the society. The society benefits from the direct revenue provided by the passes, while the zoo benefits from the attraction of families and individuals who might not otherwise visit the zoo as frequently or at all. While the society keeps the admission portion, pass holders who visit on multiple occasions spend money on concessions, novelties, and special exhibits, thereby bringing in additional revenue for the zoo that it otherwise might not receive. Also, the society gives back to the zoo a substantial portion of its proceeds from the pass in direct and indirect support.

Still, zoo officials note that nearly 50% of visitors today are society pass holders, up from the 20% range in the early 1990s, which calls into question the benefit of the relationship to the zoo. There also has been squabbling over the years regarding whether some society activities truly benefit the zoo (as opposed only to the society), and over the treatment of the Zoo Pass Plus parking revenue, which society officials have suggested should be a substitute for direct support.

For its part, the society contends that it honored its commitments in the five-year plan but the county fell short. Society officials say the county still is contributing less than expected to basic maintenance and upkeep of the zoo, leaving the society to pick up the slack. They also say the society often has had to scramble to alter its own budget to plug holes in the zoo budget with little advance notice from the county.

Regardless of one's perspective on those issues, it appears that the county's ability to extract significant additional contributions from the society to stave off an operating budget crisis – as it did in 2008 – may be exhausted. In addition, zoo officials are concerned that added-fee exhibits and general prices likely have hit the limit the public will bear (notwithstanding the proposed \$1 general admission increase for 2009), leaving few available options to increase revenue.

One potential new revenue source involves an 8.3-acre tract of land near Blue Mound and Mayfair Roads. This site at the zoo's western edge is proposed for lease to a private developer for construction of a hotel complex, which officials hope could boost attendance and produce a steady stream of lease revenue that could be used for maintenance. The proposal was delayed by the need to clean up ground pollution, then by a study for a potential water park and now, by the state's possible land condemnation for proposed reconfiguration of the Zoo Interchange. This condemnation would not include the tract on which the hotel complex would be located, but it may require utilization of that tract to replace parking and other structures that would be eliminated due to interchange expansion. State highway officials have promised a decision on Zoo Interchange plans in spring 2009.

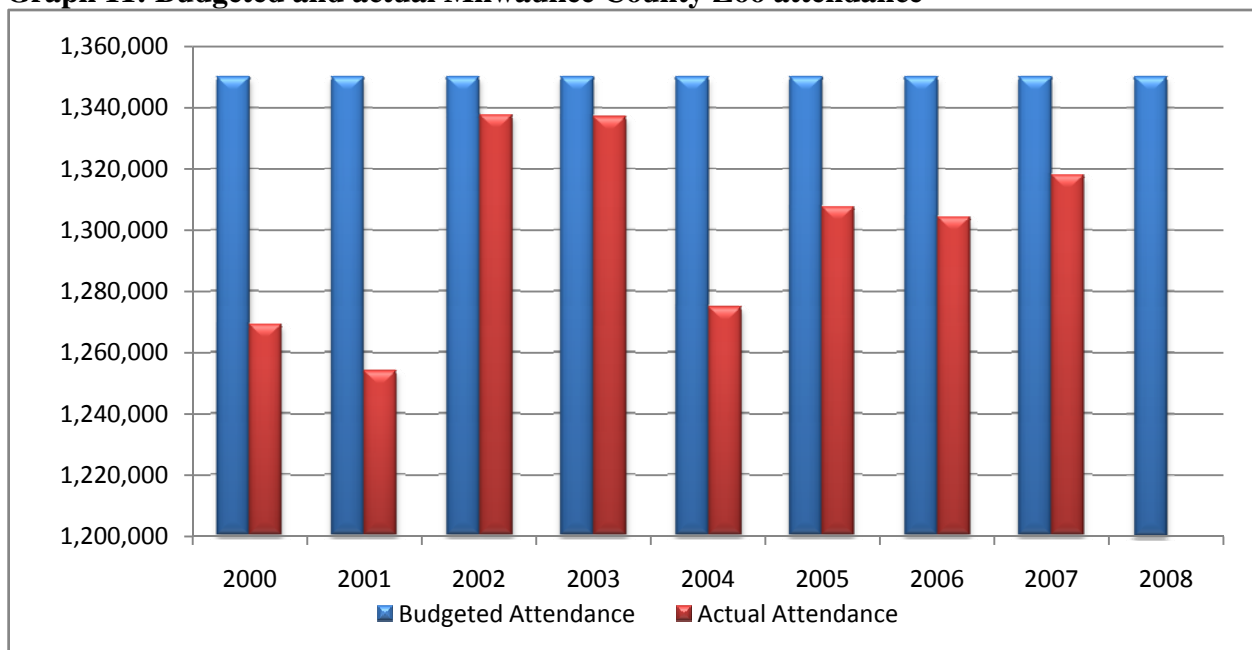
While potentially posing a huge challenge for the zoo by requiring the condemnation of land housing the Zoofari Conference Center and parking, it is also possible that the interchange project will present a significant opportunity. If the ultimate Zoo Interchange design plan

requires the purchase of zoo land and buildings, the State could reimburse the county for the full cost of replacement facilities, thus allowing the zoo to replace and upgrade deteriorating infrastructure for free.

Milwaukee County Zoo Attendance

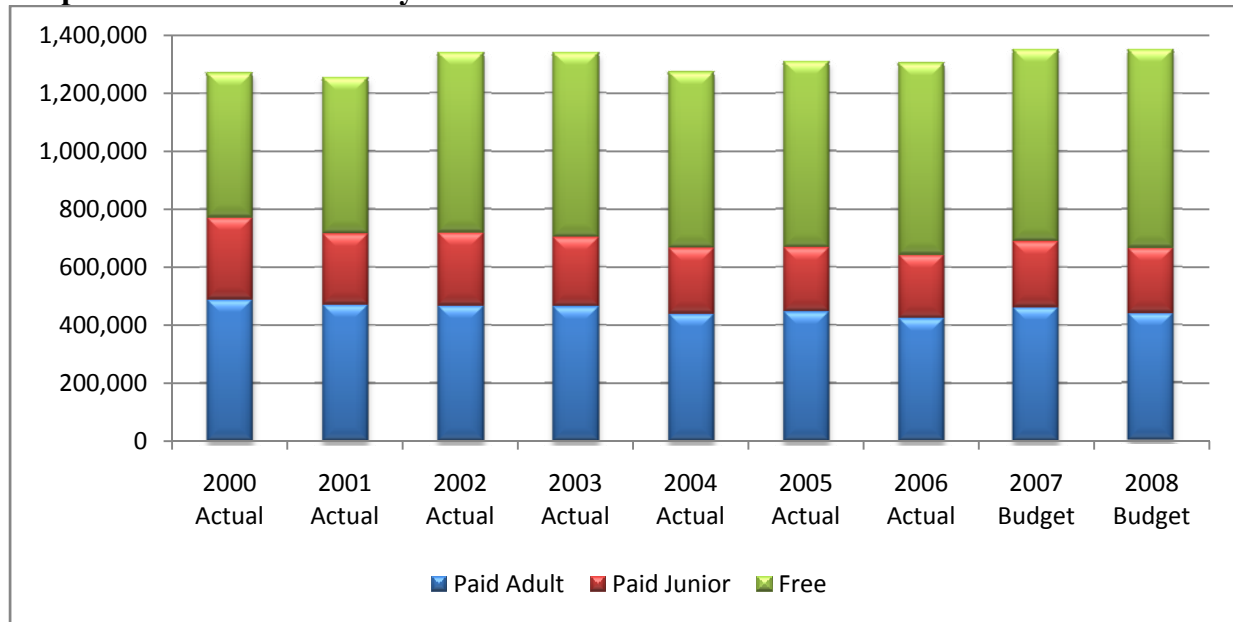
Every year this decade, zoo officials planned for 1.35 million visitors but fell short. **Graph 11** shows budgeted and actual attendance from 2000 to 2008. Attendance peaked near 1.34 million in 2002, then dropped, hovering around 1.31 million in recent years. Zoo officials credit the 2002 attendance boost to the *SBC's Dinosaur Island* show featuring 20 full-sized robotic dinosaurs and a higher-than-average turnout for the annual Zoo a la Carte food and music festival. Special shows on crocodiles and butterflies accounted for the big crowds in 2003, according to zoo officials. Weather conditions always have a significant impact on annual attendance.

Graph 11: Budgeted and actual Milwaukee County Zoo attendance



Zoo officials blame the many new recreational and cultural facilities that have joined the regional scene since the 1990s for flat attendance. The zoo has attempted to hold its own against competitors, they say, by freshening its offerings, but they remain concerned about their ability to keep pace with other major attractions.

Graph 12: Milwaukee County Zoo attendance



As noted earlier, about half of the budgeted attendance in 2008 consists of free admissions due to Zoological Society memberships. Paying adults make up 32.5% of the total attendance, while paying juniors make up 16.7%. **Graph 12** shows the breakdown.

Milwaukee County Zoo Operating Budget Projections

In an effort to quantify the potential operating budget challenges facing the zoo during the next three years, we projected both expenditure and revenue utilizing the following basic assumptions:

- County property tax levy remains flat.
- Revenue from gifts and donations remains flat, reflecting the significant increase in the society’s direct operating support contribution in 2008, which casts doubt on additional increases in the near-term.
- Revenue from admissions remains flat, reflecting the 75-cent increase in 2008 and the sentiment of zoo officials that additional increases in the near-term will harm attendance, and also reflecting flat attendance figures during the past several years.
- Revenue from parking fees increases only 2% per year, reflecting the \$1.00 increase in 2008 and the sentiment of zoo officials that additional increases in the near-term will harm attendance.
- Other major revenue categories increase 3% per year, reflecting the zoo’s recent success in boosting revenue in these categories.
- Expenditures on personal services increase 4% per year, which is below the 5.5% average over the period in recognition of the county’s recent progress in controlling the growth in fringe benefit costs.
- Expenditures in other categories increase 2% per year per inflation.

Table 4 shows the projections based on those assumptions. The zoo is projected to face a \$494,000 deficit in 2009, which could grow to more than \$1 million by 2011. This projection does not take into account the significant maintenance backlog facing the zoo, which could require significant funding increases in both the operating and capital budgets.

Table 4: Milwaukee County Zoo operating budget projections (2009-2011)

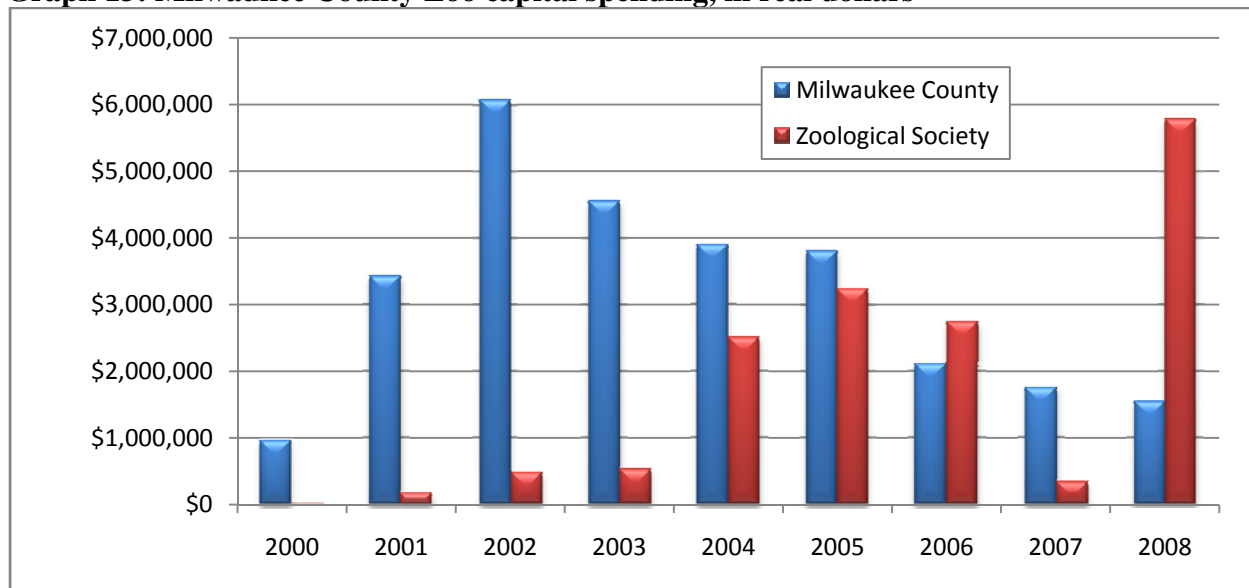
	2008 Budget	2009 Projected	2010 Projected	2011 Projected
Personal Services	\$12,398,745	\$12,894,695	\$13,281,536	\$13,679,982
Services	\$5,232,869	\$5,389,855	\$5,497,652	\$5,607,605
Commodities	\$3,032,730	\$3,093,385	\$3,155,252	\$3,218,357
Other Charges	\$0	\$0	\$0	\$0
Capital Outlay	\$271,415	\$276,843	\$282,380	\$288,028
Crosscharges - Service Chgs	\$1,891,471	\$1,929,300	\$1,967,886	\$2,007,244
Crosscharges - Abatements	-\$25,000	\$0	\$0	\$0
Total Expenditures	\$22,802,230	\$23,584,078	\$24,184,707	\$24,801,216
Parking Fees	\$2,466,948	\$2,516,287	\$2,591,776	\$2,669,529
Rides	\$510,000	\$525,300	\$541,059	\$557,291
Private/Special Events	\$880,500	\$906,915	\$934,122	\$962,146
Sea Lion Show	\$182,018	\$187,479	\$193,103	\$198,896
Admission Fees	\$5,361,858	\$5,361,858	\$5,361,858	\$5,361,858
Novelty Sales	\$1,926,128	\$1,983,912	\$2,043,429	\$2,104,732
Concession Sales	\$3,911,898	\$4,029,255	\$4,150,133	\$4,274,637
Vending Machines	\$313,400	\$322,802	\$332,486	\$342,461
Gifts/Donations	\$1,137,615	\$1,137,615	\$1,137,615	\$1,137,615
All Other	\$235,167	\$242,222	\$249,489	\$256,973
Total Revenue	\$16,925,532	\$17,213,644	\$17,535,069	\$17,866,137
Milwaukee Co Tax Levy	\$5,876,698	\$5,876,698	\$5,876,698	\$5,876,698
Net Loss/Gain	\$0	(\$493,736)	(\$772,939)	(\$1,058,381)

Milwaukee County Zoo Capital Budget

Graph 13 shows capital spending from 2000 to 2008.⁶ It reflects a spending buildup resulting from the \$29.6 million, nine-year capital campaign initiated in 1999. The plan was funded equally by the county and private support secured by the Zoological Society, which has been a devoted and successful fund-raiser for capital improvements at the zoo. As part of the deal, the county also agreed to boost its annual capital expenditures for basic zoo infrastructure repairs to \$1.5 million annually for the initial five-year period (2000-2004). As the nine-year period comes to a close, it turns out that both the county and the society exceeded their committed amounts.

⁶ This graph depicts actual capital spending in capital budget categories specifically classified by the county as zoo-related. The zoo also received capital allocations for new vehicles and equipment during this period under a separate county-wide fleet equipment acquisition account.

Graph 13: Milwaukee County Zoo capital spending, in real dollars



The capital plan originally was designed to add new and improved exhibits and amenities deemed critical to the zoo’s ability to compete for entertainment dollars in the face of growing competition, including a soon-to-be-constructed Miller Park baseball stadium. This plan resulted in several noticeable improvements, including the Monkey Island exhibit; the 4000 square-foot Heritage Farm children’s play area; a flamingo exhibit; renovations to the African exhibits, feline building and pachyderm area; a gift shop addition; a new and improved animal hospital; and the new atrium entrance.

County capital spending peaked at nearly \$6.1 million in 2002, which is consistent with the plan’s philosophy that county-funded projects should be completed during the early phases of the plan in order to demonstrate the county’s commitment to private donors and provide more time for private fundraising. In addition, planners deliberately earmarked county support for less visible (yet much needed) renovation projects, and private support for more exciting projects that would be attractive to donors.

This year projects the smallest county capital outlay since 2000 (though the county has committed to a contractual relationship with Johnson Controls under which a variety of fixtures and equipment will be replaced with new energy- and water-efficient models). In recent years, the county’s contribution to major zoo capital projects understandably has diminished in keeping with the framework of the nine-year plan. In fact, recent capital projects budgeted by the county outside of the nine-year plan essentially have consisted of improvements generated by necessity – such as an electrical distribution system upgrade and replacement of deteriorated cladding on the walls of the Apes of Africa exhibit.

At the same time, it is notable that the county’s commitment to basic infrastructure repairs has waned. The \$1.5 million annual commitment to basic infrastructure expired in 2004, and during the next four years the county budgeted an average of \$993,000 annually.

This apparent diminished capacity of the county to support basic infrastructure repairs – evident by diminished appropriations in both the zoo infrastructure capital account and the capital outlays account in the operating budget – is of concern in light of a lengthy list of deferred maintenance, infrastructure repairs and capital improvement projects compiled by zoo officials. Some of the items on the list fall into the category of “desperately needed,” while others fall more under the “dare to dream” category. **Table 5** summarizes the list prepared by the zoo only for its animal division (there are separate lists totaling \$3 million for operations and public affairs/services).

Table 5: Animal division major maintenance/infrastructure/capital request totals

	Future capital requests
Maintenance	\$1,416,480
Painting	\$249,000
Infrastructure	\$3,809,500
Masterplanning	\$400,000
Capital Improvements	\$130,650,000

The \$130.7 million in capital improvements includes far-reaching items like a \$35 million elephant exhibit project, a \$22 million holarctic exhibit, and \$25 million in renovations to existing pachyderm exhibits. While it is difficult to imagine the county initiating these items in the near future in light of competing needs, zoo officials believe such comprehensive upgrades are essential to maintaining attendance and a sense of excitement regarding the zoo. Consequently, a relatively inexpensive but key item on the list is a \$400,000 initiative to develop an updated capital master plan for the zoo, including a potential strategy for again securing significant private sector support.

Another key item on the zoo’s capital improvements wish list is a \$1,050,000 project to replace the zoo’s information technology system that registers and tracks sales of concessions, novelty items, etc. Zoo officials say a new system is critical to their ability to properly track, project and improve revenue-generating facilities, but the request previously has been unable to compete successfully for funding when matched against other countywide capital improvement needs.

Conclusion

The Milwaukee County Zoo is at a crossroads, as rising fixed costs can no longer be accommodated by similar growth in revenue streams, including the county’s property tax levy. The key strategies utilized to fill budget gaps during the past decade – increases in admissions and parking fees and increased Zoological Society support – appear to be nearly exhausted. There is no certainty about county funding, given other significant fiscal pressures facing the county. Consequently, the zoo needs either to secure new and more stable revenue streams, or downsize its operation.

Zoo officials clearly prefer the first option, although one hope, a hotel complex, appears in limbo. The only way to responsibly downsize a zoo, according to Director Wikenhauser, is to

eliminate exhibits. That requires finding a new home for the animals involved. Assuming it could be done, the move might trigger bad publicity and public alienation, further reducing revenue.

An official from the Zoological Society argues that the zoo needs something more to draw visitors in this very competitive tourism climate; the proposed on-site hotel could boost attendance and provide economic stability, but that will not be enough. The zoo must constantly refresh itself, says the official, preferably with two special exhibits per year, to maintain attendance.

This scenario may force consideration of a different type of governance for the zoo. Officials suggest that county “crosscharges” for risk management, information technology, accounting and other support services are exorbitant, and they attest they would fare better purchasing such services from the private sector. Also, there is speculation that private sector support would be easier to generate with a private operator given the reluctance of prospective donors to contribute to government departments.

There have been rumblings in the past of spinning off a non-profit entity to operate the zoo, under a model similar to that employed for the Milwaukee Public Museum. While the public museum’s severe fiscal and management problems earlier this decade call that model into question, the only remaining options appear to be either to increase the county’s property tax levy contribution, identify other new tax revenue sources, downsize the zoo, or explore more cost-effective operational models.

IV. PARKS DEPARTMENT

Few issues involving local government have captured more attention in recent months than the perceived deterioration of the Milwaukee County parks system. In July of this year, a report by the Trust for Public Land comparing parks funding in major metropolitan areas landed on the front page of the Milwaukee Journal Sentinel, with a headline declaring “Milwaukee lags behind on parks spending.” That was followed a week later with a report from Parks Director Sue Black detailing the poor condition of park bathrooms. Finally, after years of discussion regarding the need for dedicated funding for the parks, the Milwaukee County Board of Supervisors voted to place a referendum on the November ballot calling for a 1% sales tax to support the parks and other county functions.

In the meantime, Milwaukee County continues to run one of the most comprehensive urban parks systems in the country. That system includes approximately 15,000 acres of parkland, 150 parks and parkways, 15 golf courses, two community/recreation centers, two indoor pools, nine outdoor pools, two family aquatic centers, dozens of small splash pads and wading pools, five beaches, 117 tennis courts, 178 picnic areas, 23 major pavilions and more than 178 athletic fields. The county’s Parks, Recreation and Culture Department also is responsible for the 108-mile Oak Leaf Trail and a variety of additional nature trails, as well as the Mitchell Park Domes, Boerner Botanical Gardens, McKinley Marina and Wehr Nature Center.

This breadth and magnitude of offerings is in part responsible for the issues facing Milwaukee County’s parks. The need to properly staff and maintain such a wide variety of amenities has run head-on into the other major challenges facing the county, including skyrocketing fringe benefit costs, flat intergovernmental revenue and stiff competition from other county programs and services, many of which are mandated by state or federal government.

The consequences associated with this set of circumstances include a huge backlog in needed infrastructure repairs and improvements, a significant reduction in full-time staffing, and an increasing public perception that the parks system is dilapidated and poorly maintained. As a June 2006 Journal Sentinel editorial put it, “The parks are already showing the signs of a starvation diet...the community must do something fast to prevent the parks from deteriorating any further.”

The Public Policy Forum called attention to the challenges facing the parks in a comprehensive analysis released in December 2002. The following are key findings from that report:

- The county’s financial commitment to parks, recreation and culture was two-thirds of what it was in the 1970s, after adjusting for inflation. Spending for these functions peaked in 1975 at \$77 million and reached a low point of \$43 million 20 years later.
- In current dollars, tax levy support for parks was \$30.6 million in 2000, less than half the \$65.8 million in 1975. The tax levy supported 47% of park spending in 2000, down from 78% in the 1980s. The difference was made up by other sources of revenue, including

privatized park functions and increased user fees. This outside revenue nearly doubled between 1975 and 2000, to more than \$16 million.

- County park employment declined from 1,195 full-time equivalent positions in 1985 to 802 budgeted for 2002, a 33% decline. Yet parks department salaries as a percentage of total spending had increased from below 50% in 1985 to about 60% in 2000.

Despite these findings, the December 2002 report also refuted the notion that the parks system was “failing the residents of the county,” instead concluding that “we still have an attractive system of open spaces – a system that with the proper attention and financial commitment can thrive. It will never be confused for a country club, but neither should it be compared with a blighted ghetto.”

In the pages that follow, we provide an updated perspective on the fiscal condition of the Milwaukee County parks system by conducting an analysis covering the 2000-2008 period, and by examining the infrastructure needs of the parks department and its future fiscal challenges.

Milwaukee County Parks Department Operating Budget

Table 1 summarizes the parks department’s operating expenditures for the 2000-2008 period (actual figures are utilized for 2000-2007 and budgeted figures for 2008). This information indicates that actual expenditures decreased \$1.6 million from 2000 to 2007. **Graph 1** shows that when measured using 2008 dollars, there was an even sharper decrease in actual expenditures from the high of \$49.4 million in 2000 to the low of \$38.4 million in 2007.

Table 1: Milwaukee County Parks Department expenditures (in real dollars)

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Personal Services	\$28,845,275	\$29,704,442	\$29,638,075	\$28,640,843	\$23,410,904	\$22,026,066	\$24,424,797	\$26,264,894	\$29,747,092
Services	\$4,772,352	\$5,340,061	\$4,895,308	\$5,259,028	\$5,174,950	\$5,151,099	\$4,981,484	\$5,208,162	\$6,375,368
Commodities	\$3,749,189	\$3,440,612	\$3,222,008	\$2,630,946	\$2,173,125	\$2,111,029	\$2,294,356	\$2,725,653	\$2,716,082
Other Charges	\$2,880	\$54,550	\$42,916	\$36,912	\$105,579	\$17,308	\$12,000	\$18,589	\$12,750
Capital Outlays	\$789,595	\$510,213	\$387,535	\$231,680	\$243,457	\$264,127	\$228,112	\$576,866	\$1,346,773
Other Charges	\$0	\$0	\$0	\$0	\$118,532	\$0	\$0	\$0	\$0
Crosscharges	\$12,416,368	\$12,187,395	\$12,393,438	\$12,413,059	\$9,703,928	\$8,962,325	\$8,853,349	\$9,336,707	\$8,167,738
Abatement	-\$9,575,938	-\$9,272,237	-\$9,101,467	-\$9,256,993	-\$4,342,313	-\$2,005,807	-\$3,824,902	-\$5,733,737	-\$3,076,838
Total Expenses	\$40,999,720	\$41,965,035	\$41,477,812	\$39,955,475	\$36,588,163	\$36,526,148	\$36,969,197	\$38,397,133	\$45,288,965

Graph 1: Milwaukee County Parks Department expenditures (inflation-adjusted)

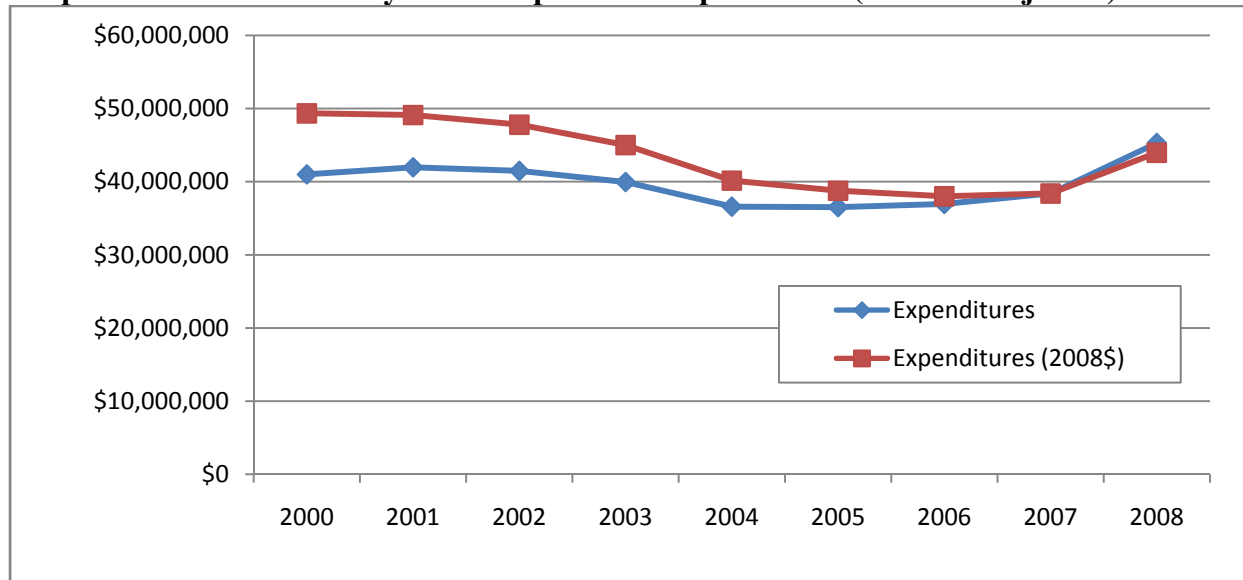


Table 1 also shows a significant increase in budgeted expenditures for 2008, which is in part due to a County Board initiative to fund additional maintenance worker positions and the creation of 14 new forestry worker positions, but which also is skewed by an accounting change that results in the inclusion of indirect costs in the department's budget in 2008. In fact, there are a number of complicating factors and county budget nuances that make it difficult to accurately compare parks spending on a year-to-year basis. For example:

- In 2002, the county transferred staff and contractual dollars related to programming for persons with disabilities at county parks from the Parks Department to the Office for Persons with Disabilities. In addition, responsibility for the Rose, Kelly and Wilson Senior Centers was transferred from Parks to the Department on Aging.
- In 2004, the county merged the parks department with the Department of Public Works (DPW) to create a new Department of Parks and Public Infrastructure. The parks department retained its own separate budget, but the transfer of responsibilities created some budget anomalies. For example, several skilled trades workers, landscape architects and mechanics positions that were still linked to parks were transferred to public works divisions, which significantly reduced the parks department's personnel budget in that year. The elimination of 22 management positions as part of the merger also contributed to the significant reduction in personnel expenditures that year.
- In 2006, the parks-public works merger was reversed, resulting in the transfer of a few positions back to the parks department. The next year, 27 parks maintenance skilled trades positions were transferred back to parks from DPW, adding a significant amount back to the parks department's personnel budget.
- In 2007, the County's contribution to its employee retirement system increased by almost \$22 million. That increase – combined with a change in the methodology utilized by the

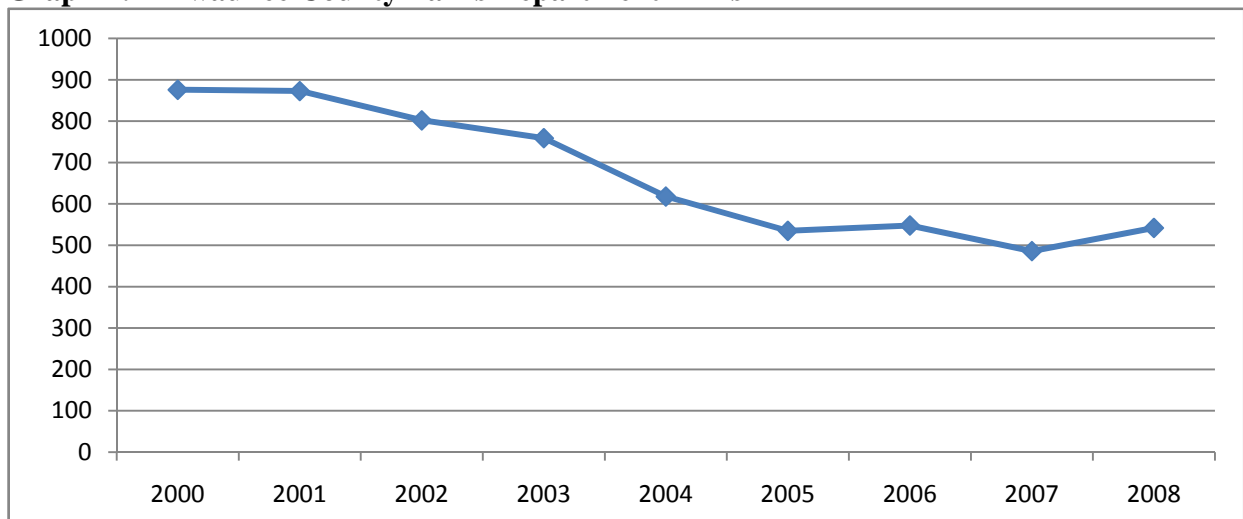
central budget office to allocate fringe benefit costs to county departments – caused budgeted fringe benefits expenditures to grow by more than \$3.5 million in the parks department’s budget, creating an impression of increased expenditures that in reality had nothing to do with parks-related services. *In fact, during the 2000-2008 period, the department’s fringe benefits expenditures grew from \$3.5 million to nearly \$9.5 million. If fringe benefits spending is removed from the overall personnel services budget, then budgeted personnel spending in 2008 actually was considerably lower than actual spending in 2000.*

- Annual expenditure amounts in several parks spending categories are impacted by the strategies utilized by fiscal managers to address the volatility of the department’s revenue budget. Parks revenue estimates in key areas like golf and pools are highly dependent upon the weather, and a failure to hit revenue targets in a year with bad weather often can result in decisions to defer certain expenditures in order to balance the budget.

Because an analysis of overall expenditure amounts does not paint an entirely accurate picture of parks department spending during the period, it is instructive to dig deeper into certain key sub-categories of the department’s budget. The key areas we have selected are personnel, advertising, electricity/natural gas, repairs/maintenance and machinery/equipment.

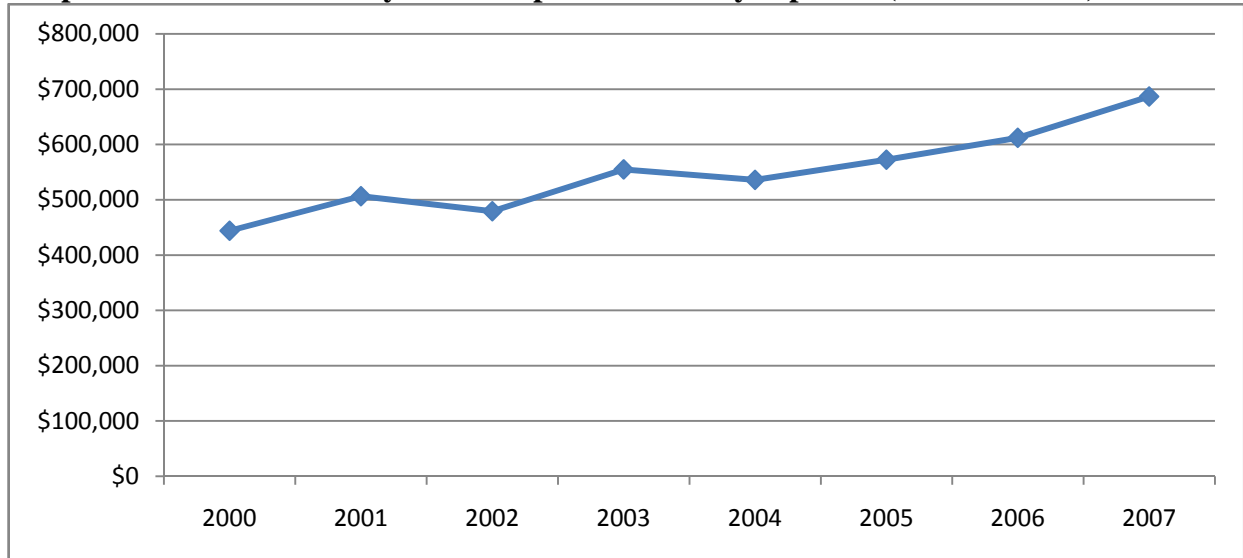
With regard to personnel, the significant decrease in personnel spending (minus fringe benefits) suggests that staff has been cut considerably during the period. An analysis of budgeted full-time equivalent employees (FTEs) during the period is captured in **Graph 2**, which indicates that budgeted FTEs indeed did decrease sharply – from 876 in 2000 to 542 in 2008 (a 38% decline). As noted above, certain employees performing park maintenance-related activities who were housed in the parks department at the beginning of the decade now are housed in public works, and this and some of the other budgetary anomalies cited above prevent the development of precise year-by-year comparisons. Nevertheless, it is certainly accurate to say that the parks department is utilizing a significantly smaller full-time workforce today than it did in 2000, and the Forum’s 2002 study documented that even in 2000, the number of FTEs represented a reduction of more than 33% from full-time staffing levels in the mid 1980s.

Graph 2: Milwaukee County Parks Department FTEs

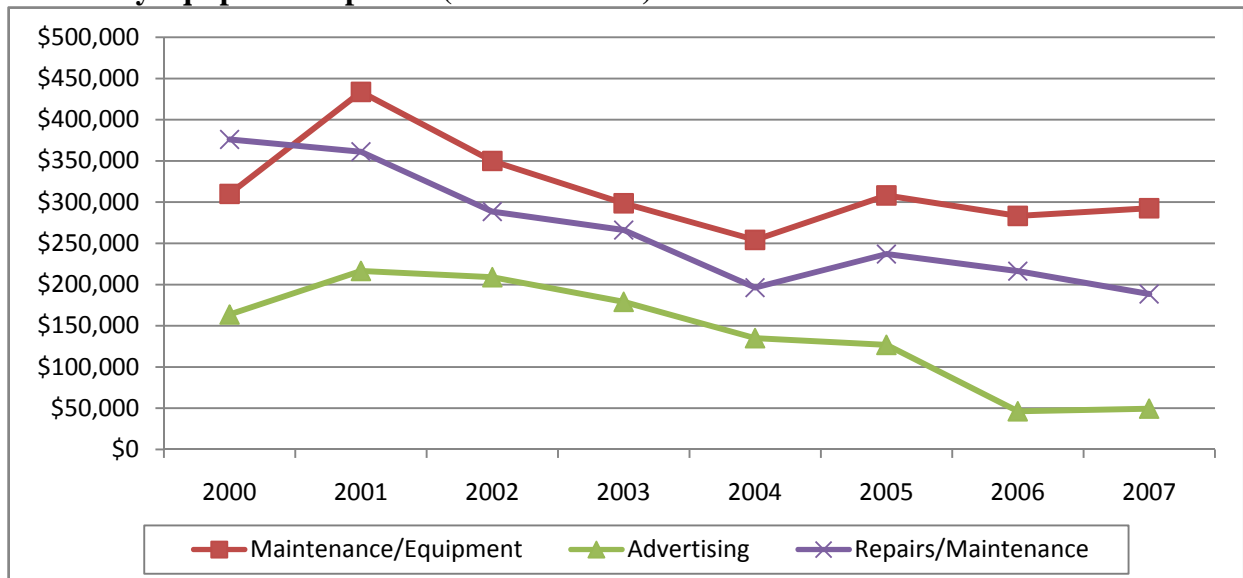


Graph 3 shows actual spending on electricity/natural gas increased during the period, while **Graph 4** shows actual spending on advertising, repairs/maintenance and machinery/equipment. (Note: we look only at actual expenditures from 2000 to 2007 and exclude 2008 budgeted amounts because the department's actual spending totals often differ significantly from budgeted amounts.) This analysis shows that expenditures on utilities increased sharply during the period, while expenditures on the other three categories decreased.

Graph 3: Milwaukee County Parks Department utility expenses (in real dollars)



Graph 4: Milwaukee County Parks Department advertising, repairs/maintenance, and machinery/equipment expenses (in real dollars)



Graphs 2, 3 and 4 suggest that the parks department, facing annual increases in fixed costs (e.g. employee benefits and utilities), has tried to control its expenditure budget in part by cutting the number of full-time staff and reducing expenditures on advertising, maintenance and equipment. Such strategies, of course, can have a negative impact on the revenue side of the equation by diminishing the appearance, promotion, and functioning of parks, parkways, golf courses, pools, and beaches, which are the very products the department is trying to sell.

Parks officials also note that their inability to control or seek cheaper alternatives to county “crosscharges,” (i.e. the payments they make to other county departments for services such as fleet maintenance, legal, risk management, and accounting that are dictated to the department by the central budget office) have forced them to cut other areas of the budget that are more directly related to revenue-generating functions. While **Table 1** indicates that spending on crosscharges decreased 25% between 2000 and 2007, that decrease is disproportionate to the 38% decrease in FTEs, which is the main criterion used by the county budget office to distribute crosscharges to departments.

Milwaukee County Parks Department Revenues

Table 2 shows the revenue picture for the parks department from 2000 to 2008, including the county’s property tax levy contribution. Most telling is the rapid decline in property tax levy support between 2003 and 2006, followed by a rebound in 2007 and 2008 (though it should be noted that the 2008 accounting change discussed above accounts for approximately \$1.6 million of the 2008 increase). Non-property tax revenue sources – consisting largely of user fees, admissions, concessions, and rental revenue – generally have declined or remained flat since early in the decade, with the exception of rental revenue, which has increased significantly.

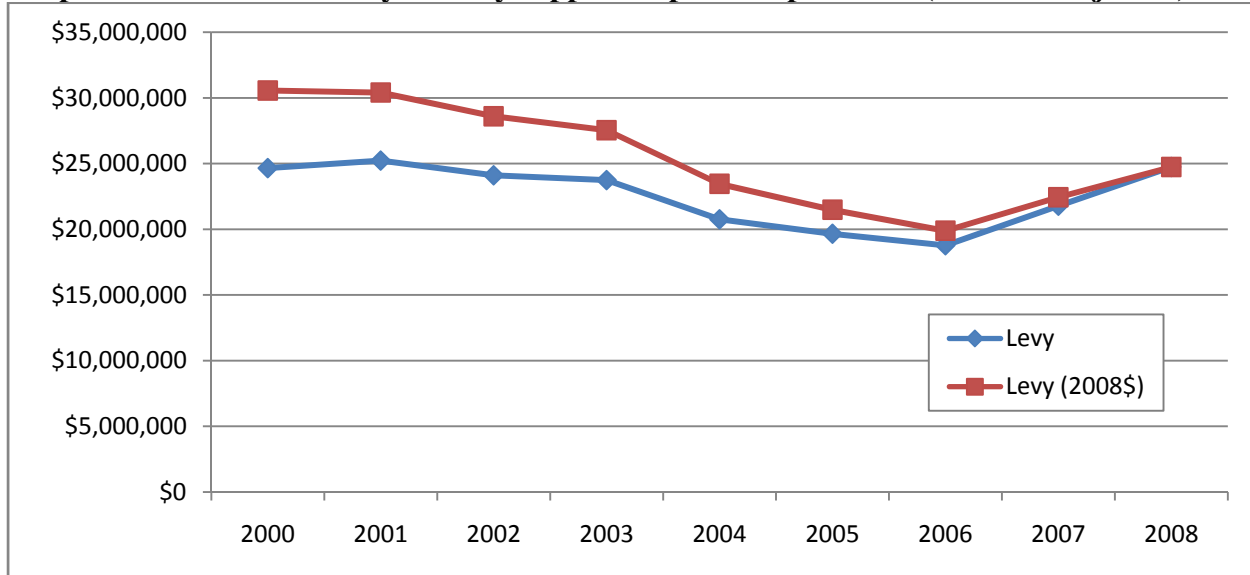
Table 2: Milwaukee County Parks Department revenue (in real dollars)

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Budget
Licenses & Permits	\$30,113	\$17,351	\$31,450	\$51,313	\$45,622	\$57,225	\$249,457	\$184,332	\$610,115
State Funding	\$172,873	\$187,727	\$211,226	\$272,835	\$55,910	\$36,436	\$49,342	\$58,600	\$38,500
Federal Funding	\$54,117	\$32,315	\$11,627	\$17,939	\$106,664	\$31,911	\$11,300	\$0	\$22,000
Other Intergov't Revenue	\$85,490	\$63,436	\$34,094	\$36,502	\$6,000	\$55,260	\$19,667	\$25,853	\$0
Service Fees & Charges	\$1,460,284	\$1,869,285	\$1,821,460	\$2,423,589	\$2,222,418	\$2,233,073	\$2,148,053	\$2,017,582	\$2,363,826
Rental Revenue	\$2,492,165	\$2,525,609	\$3,032,274	\$2,619,659	\$3,143,129	\$3,579,473	\$3,673,046	\$3,707,842	\$3,407,045
Internal Services Provided	\$62,151	\$50,426	\$31,217	\$23,229	\$9,131	\$9,131	\$1,652,690	\$22,979	\$21,706
Admission & Rec Revenue	\$9,461,137	\$9,364,516	\$9,306,822	\$8,624,931	\$8,260,037	\$8,463,278	\$7,945,124	\$8,111,849	\$9,619,120
Concession Revenue	\$2,177,544	\$2,209,041	\$2,267,013	\$1,909,850	\$1,781,709	\$2,122,867	\$2,052,453	\$2,158,759	\$2,269,345
Potawatomoni Revenue	\$0	\$75,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$353,047	\$344,924	\$630,068	\$240,797	\$204,145	\$296,707	\$392,525	\$325,195	\$1,642,621
Total Revenues	\$16,348,922	\$16,739,631	\$17,377,250	\$16,220,643	\$15,834,765	\$16,876,231	\$18,193,656	\$16,612,989	\$19,994,278
Milwaukee Co Levy	\$24,650,799	\$25,225,404	\$24,100,563	\$23,734,832	\$20,753,398	\$19,649,917	\$18,775,540	\$21,784,144	\$24,738,719

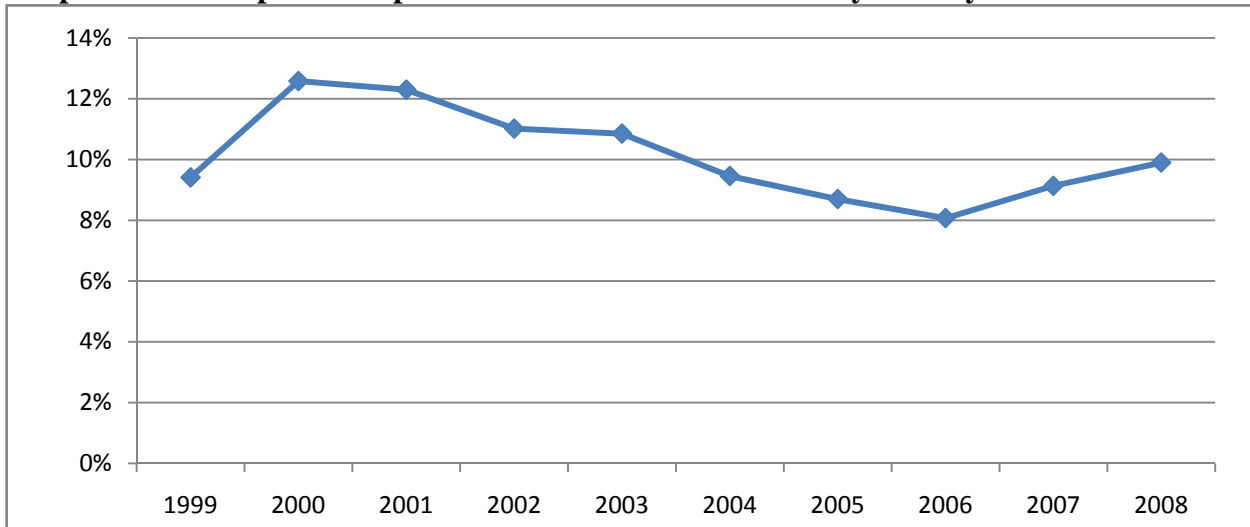
Parks advocates and others have placed considerable scrutiny on the county’s diminished property tax levy commitment to the parks, which decreased from a high of \$30.9 million in 1986 to the \$20 million range by the middle of this decade. When measured in inflation-adjusted dollars, the county’s property tax levy contribution in 1976 was almost triple its budgeted

contribution in 2008. **Graph 5** shows the extent to which the sharp downturn in inflation-adjusted tax levy contribution continued during the first six years of the decade before starting to increase. **Graph 6** shows the decline in county property tax levy support as a percentage of the county's overall levy during this decade. The low point of 8.1% in 2006 is less than a quarter of the high of 35.5% in 1980.

Graph 5: Milwaukee County tax levy support of parks department (inflation-adjusted)



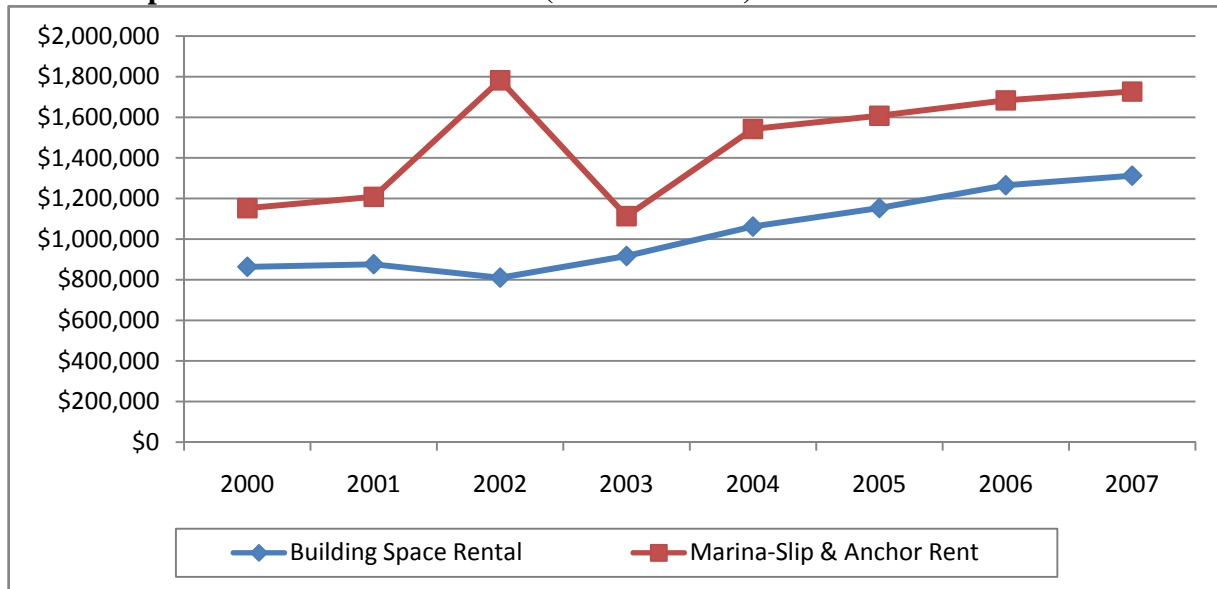
Graph 6: Parks department portion of total Milwaukee County tax levy



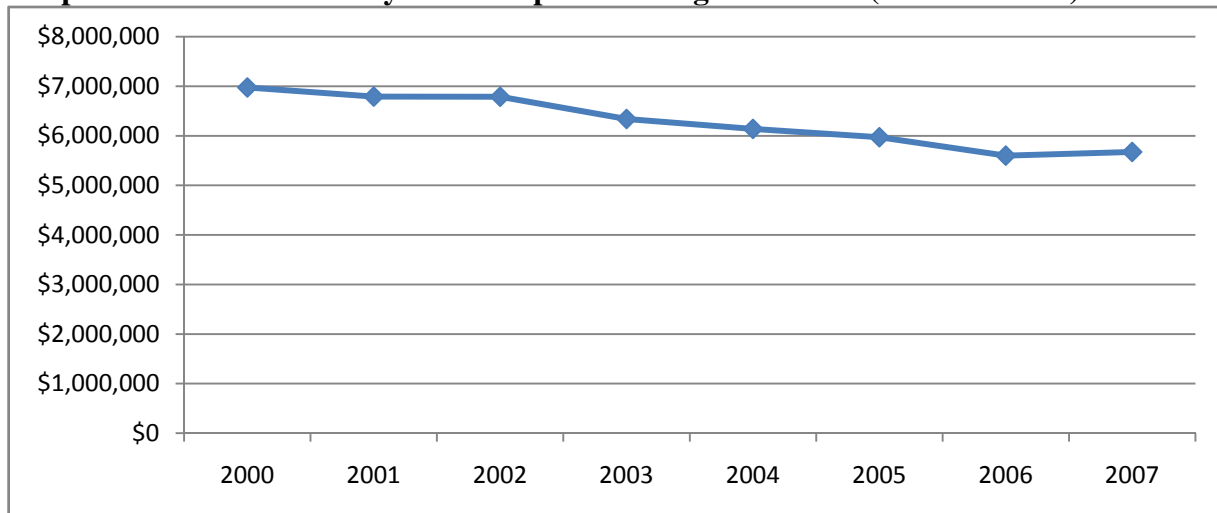
Other county-owned cultural and recreational institutions also have faced significant declines in property tax levy support this decade, but have been able to offset the losses – at least to some extent – by increasing other major revenue sources and/or making up the difference with private support for general operations. The parks department, however, has been largely unable to do so, at least when it comes to its major revenue sources.

Graphs 7, 8, and 9 track the seven revenue sources that exceeded \$500,000 in actual revenue in the department's 2000 budget. **Graph 7** indicates that only two revenue sources – building space rental and McKinley Marina slip and anchor rental revenue – collected more revenue last year than at the start of the decade. Meanwhile, major revenue sources such as golf (**Graph 8**), restaurant/beverage concessions and pools (**Graph 9**) now collect less revenue than they did in 2000.

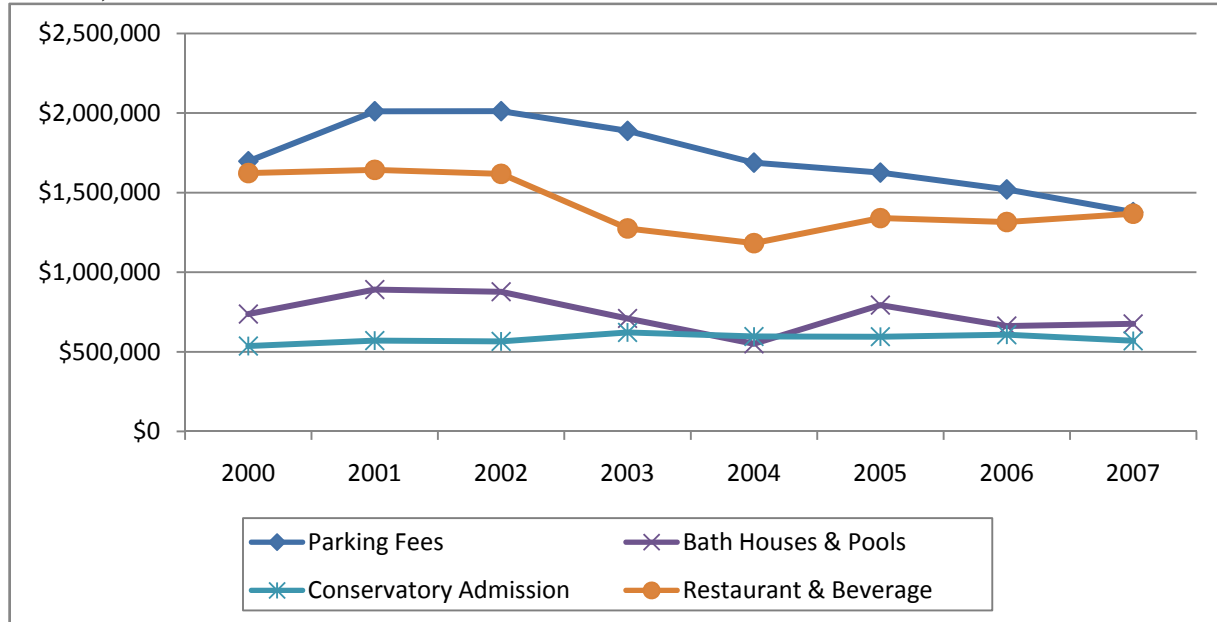
Graph 7: Milwaukee County Parks Department – building space rental and McKinley Marina slip and anchor rental revenue (in real dollars)



Graph 8: Milwaukee County Parks Department – golf revenue (in real dollars)



Graph 9: Milwaukee County Parks Department – other major revenue sources (in real dollars)



The failure of golf and pool revenue to keep up with costs has led to considerable debate among county policymakers regarding new business models. In 2006, the county executive proposed closing many lap pools and all wading pools due to low attendance and high maintenance costs, and creating an updated system of regional pools, water parks and new neighborhood splash pads. This proposal was largely rejected by the County Board, though the county is proceeding with a handful of new splash pads and a new water park at Lincoln Park. Also, the operation of the Hales Corners pool is now fully supported by a private friends group and that model is anticipated for Hoyt Pool when it re-opens. With regard to golf, the privatization of certain county golf courses and the potential closure of some or all of the par three courses have been discussed, but no action has been taken.

Faced with decreasing property tax levy support and diminished revenue from pools and golf courses, parks department officials have focused on enhancing smaller revenue streams, including increased rentals of park land to private enterprises, now a \$269,000 revenue category; increased reimbursement for utilities and space rental generated by better management of the 160 contracts the department holds with outside entities who utilize parks facilities; and enhanced efforts to pursue insurance claims for vandalism, storm damage and other damage to facilities, which brought in \$222,000 in 2007.

The department also prides itself on recent innovations that have converted money-losing activities into revenue generators. One concrete example is the Milwaukee County Sports Complex in Franklin, a cost center the county was trying to shed five years ago, but that is now generating a net profit of \$180,000 annually with a full schedule of roller derby, senior walking clubs, sports and league rentals and other activities. The complex also realizes significant concessions revenues through sports programs and special events.

Another example is the department’s construction of three Frisbee golf courses on previously underutilized parkland. Milwaukee County now has a national reputation for its Frisbee golf offerings and recently hosted the Frisbee golf world championship.

Despite these tangible successes, revenue generation from users remains a significant challenge, which has prompted considerable debate about the fee structure utilized by the parks. In December 2006, Parks Director Black released a fee study showing that the county parks system’s user fees are considerably lower than those charged by other Wisconsin and national parks systems. Black attempted to revamp the system’s fee schedule – proposing a plan that would charge considerably more for Boerner Botanical Garden admissions, picnic permits and team sports leagues – but her plan was rejected by the County Board, which instead capped her discretion to raise annual fees at 10% and required board approval for anything above that level. During the past two years, the department has abided by that restriction, though one new fee has been added (a 50-cent golf course enhancement fee added to each 9-hole round of golf).

Finally, it has become clear that private funding from local businesses, philanthropists and friends groups – while unlikely to be donated for general operating purposes and while typically not a stable source of funding – may need to be a major part of the department’s revenue picture in the years ahead. The department recently has achieved impressive success in soliciting major gifts from private donors to address specific needs. For example, this year alone, Miller Brewing has committed \$500,000 over five years for clean-up efforts and algae removal at Bradford Beach, businessman and philanthropist Sheldon Lubar contributed \$65,000 to pay for lifeguards at Bradford Beach, and philanthropists Chris Abele and Michael Cudahy (plus a third unnamed donor) have committed \$550,000 for a new project to upgrade lighting of the Mitchell Park Domes.

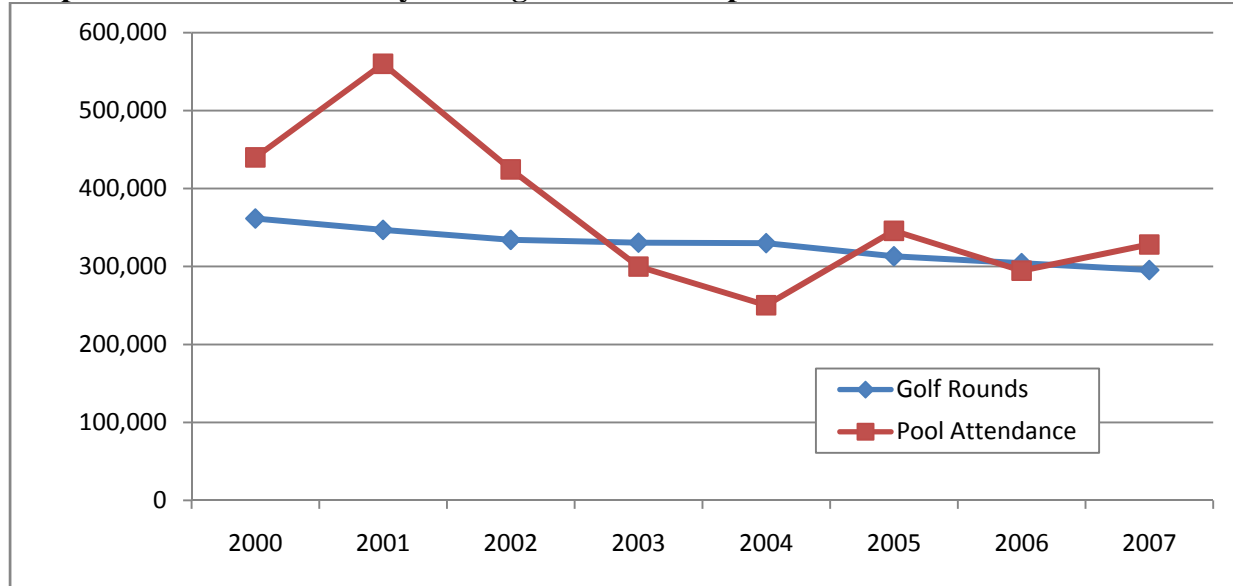
Milwaukee County Parks Department Attendance

Table 4 and **Graph 9** show 2000-2007 data on golf rounds and pool attendance provided by the parks department. Attendance information on other parks facilities and attractions was unavailable.

Table 4: Milwaukee County Parks golf course and pool attendance

Year	Golf Rounds	% Change	Pool Attendance	% Change
2000	361,558		440,056	
2001	346,954	-4.0%	560,091	27.3%
2002	334,155	-3.7%	424,582	-24.2%
2003	330,518	-1.1%	299,908	-29.4%
2004	330,007	-0.2%	250,304	-16.5%
2005	313,068	-5.1%	345,729	38.1%
2006	304,286	-2.8%	294,720	-14.8%
2007	295,440	-2.9%	328,234	11.4%

Graph 10: Milwaukee County Parks golf course and pool attendance



This information shows significantly reduced usage of both golf courses and pools since the start of the decade. Golf rounds exhibited a steady decline, while pool usage wavered after a significant drop between 2001 and 2003. It should be noted that weather plays a significant role in usage of both golf courses and pools, and that pool attendance was impacted by the closure of Moody and Madison pools in 2002 and Hoyt pool in 2003. Still, this information helps explain the diminishing revenue figures illustrated in **Graphs 8** and **9** and reinforces the significant challenges faced by parks officials if they wish to offset decreased property tax revenue with increased earned revenue.

Milwaukee County Parks Department Operating Budget Projections

In an effort to quantify the potential operating budget challenges facing the parks department during the next three years, we projected expenditures and revenues utilizing the following basic assumptions, which were reviewed by the department's fiscal director:

- County property tax levy remains flat.
- State, federal and other intergovernmental revenue remain at 2008 budgeted levels.
- All other revenue categories increase 2% per year per inflation with the exception of service fees/charges and rental revenue, which increase 3% based on recent experience.
- Expenditures on personal services increase 3% per year, which is slightly above the 2.6% average over the period but is considered conservative in light of recent negotiated salary increases for union employees and expected growth in fringe benefit costs.
- Expenditures on services and commodities increase 3% per year, which may be conservative in light of the fact that these categories include expenditures on utilities, gasoline, building and roadway materials and similar items that recently have increased significantly.

- Expenditures in other categories increase 2% per year per inflation.

Table 5 lays out the projections based on those basic assumptions. This information indicates that the department would face an \$814,000 deficit in 2009, which would grow to more than \$1.7 million by 2011. This projection does not take into account the significant maintenance backlog facing the department, which could require significant funding increases in both the operating and capital budgets.

Table 5: Milwaukee County parks department budget projections, in real dollars (2008-11)

	2008 Budget	2009 Projected	2010 Projected	2011 Projected
Personal Services	\$29,747,092	\$30,639,505	\$31,558,690	\$32,505,451
Services	\$5,079,583	\$5,231,970	\$5,388,930	\$5,550,597
Commodities	\$2,653,348	\$2,732,948	\$2,814,937	\$2,899,385
Other Charges	\$12,750	\$13,005	\$13,265	\$13,530
Capital Outlays	\$918,021	\$936,381	\$955,109	\$974,211
Other Charges	\$0	\$0	\$0	\$0
Crosscharges	\$8,167,738	\$8,331,093	\$8,497,715	\$8,667,669
Abatement	-\$3,076,838	-\$3,138,375	-\$3,201,142	-\$3,265,165
Total Expenses	\$43,501,694	\$44,746,528	\$45,641,459	\$46,554,288
Licenses & Permits	\$610,115	\$622,317	\$634,764	\$647,459
State Funding	\$38,500	\$38,500	\$38,500	\$38,500
Federal Funding	\$22,000	\$22,000	\$22,000	\$22,000
Other Intergov't Revenue	\$0	\$0	\$0	\$0
Service Fees & Charges	\$2,363,826	\$2,434,741	\$2,507,783	\$2,583,016
Rental Revenue	\$3,407,045	\$3,509,256	\$3,614,534	\$3,722,970
Internal Services Provided	\$21,706	\$21,706	\$21,706	\$21,706
Admission & Rec Revenue	\$9,619,120	\$9,811,502	\$10,007,732	\$10,207,887
Concession Revenue	\$2,269,345	\$2,314,732	\$2,361,027	\$2,408,247
Potawatomi Revenue	\$0	\$0	\$0	\$0
Other Revenue	\$411,317	\$419,543	\$427,934	\$436,493
Total Revenues	\$18,762,974	\$19,194,298	\$19,635,980	\$20,088,279
Milwaukee Co Levy	\$24,738,719	\$24,738,719	\$24,738,719	\$24,738,719
Surplus/Deficit	\$0	(\$813,511)	(\$1,266,760)	(\$1,727,290)

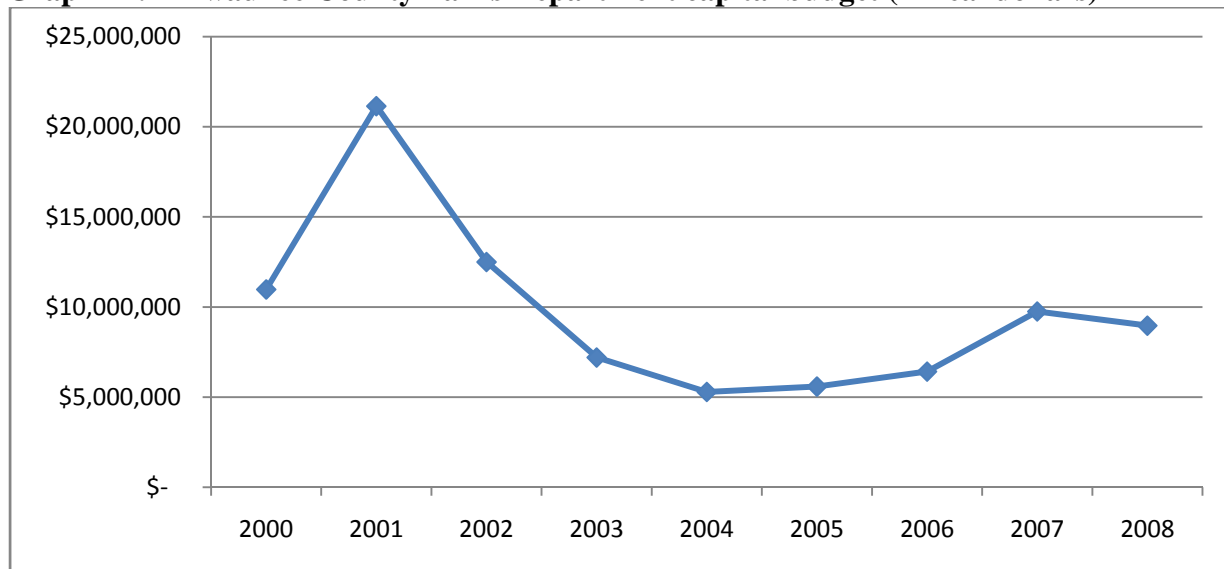
Obviously, the key variable is whether county property tax levy will remain flat. Whether other strategies could be implemented to potentially increase non-property tax revenue sources to a greater extent than projected also is important. Hence, these projections might best be viewed as an illustration of the department's annual "cost to continue," the magnitude of which creates significant challenges for county policymakers in light of similar demands for property tax resources from other departments.

Milwaukee County Parks Department Capital Budget

Graph 11 shows the county's annual budgeted capital spending for the Department of Parks, Recreation and Culture from 2000 to 2008. It is important to note several caveats regarding the numbers utilized to prepare this graph:

- Budgeted capital expenditures – as opposed to actual expenditures – are used in this analysis. Throughout the years, several capital projects within the parks have been budgeted, but not implemented. Utilizing budgeted capital expenditures better reflects the county’s intent to fund capital improvements in the parks, which is the focus of this analysis.
- The capital budget figures include all projects categorized by the county as falling under the Department of Parks, Recreation and Culture’s purview. The parks department also received vehicles and equipment in a separate fleet equipment acquisition capital budget and under a state trust fund loan, and some parks roads were repaired under a countywide access road improvement projects account.
- This analysis only shows the capital dollars budgeted by Milwaukee County in parks projects during the period. Parks projects also received considerable funding from outside entities, including grants from state and federal sources and matching funds from friends groups and private donors for specific projects.

Graph 11: Milwaukee County Parks Department capital budget (in real dollars)



The graph indicates a significant decline in the county’s commitment to capital improvements in the parks in the middle of the decade, consistent with its decision to place strict limits on future annual debt issuance after its 2003 debt refinancing initiative. That trend was reversed somewhat, however, during the past two years.

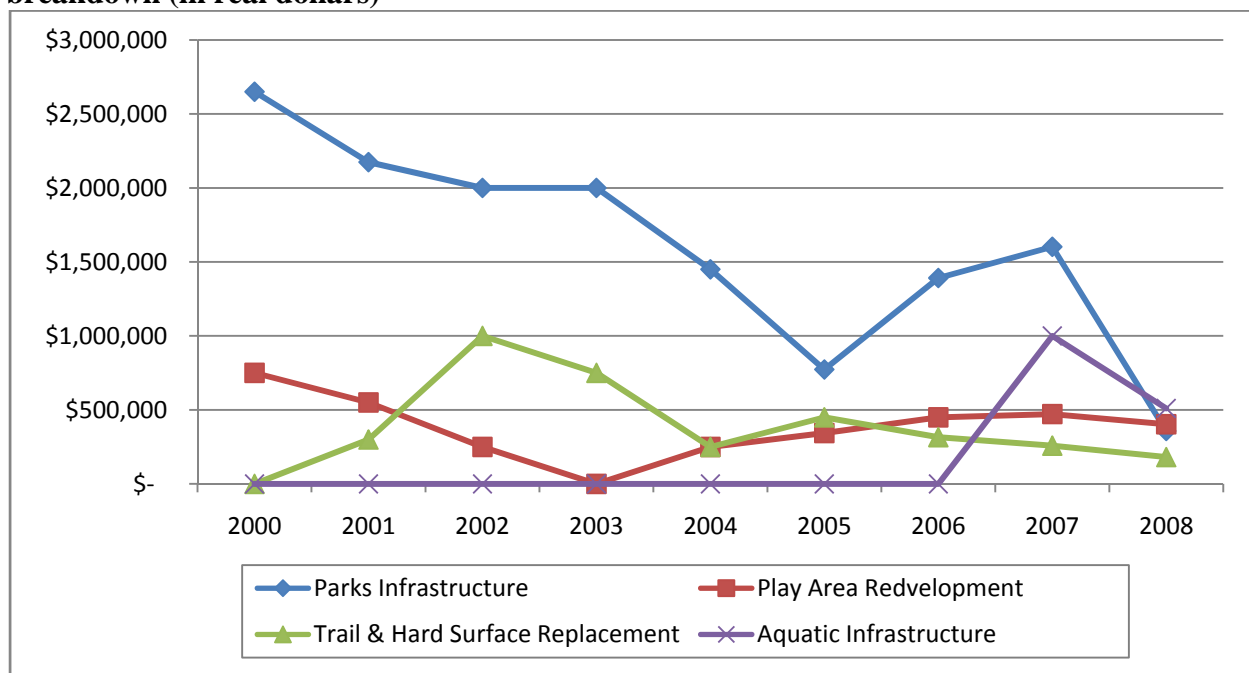
A closer look at parks capital budgeting shows that county funding for both basic infrastructure repairs and more visible initiatives, such as construction of new water parks, park pavilions, and visitor centers, has diminished in recent years.

Parks funding early in the decade was dominated by large projects such as the Boerner Botanical Gardens Visitor Center (funded with \$3.1 million of county funds and \$7.2 million raised by Friends of the Boerner Botanical Gardens), reconstruction and beautification of Lincoln

Memorial Drive, and major improvement projects in Gordon Park, Grant Park, Washington Park and McKinley Marina. By contrast, the last five years have seen only one county-funded project that could be deemed of similar magnitude: construction of a new water park at Lincoln Park.

As **Graph 12** demonstrates, capital funding for basic parks infrastructure, play area improvements, trail and hard surface replacement, and aquatic infrastructure also dissipated as the overall level of county bonding shrunk after 2003. In fact, the average annual budgeted funding level for these core infrastructure areas was \$3.1 million per year from 2000-2003; for the next five years, the average was \$2.1 million per year. The smallest allocation for the period for these infrastructure categories came in 2008.

Graph 12: Milwaukee County Parks Department – infrastructure capital budget breakdown (in real dollars)



The downturn in budgeted capital improvement spending on parks infrastructure items is particularly alarming given the infrastructure needs in the parks. A report prepared by the parks director in September 2006 following a detailed review of infrastructure requirements identified \$157.7 million in maintenance/replacement needs for parks system assets. An updated assessment prepared by the department in September 2008 made adjustments for inflation and increased costs for asphalt, materials, etc., but did not re-evaluate the condition of each piece of infrastructure. That assessment now calculates the maintenance/replacement need as \$276.6 million (see **Table 6**). The biggest area of need is park roads, vehicular bridges and parking lots, which comprise \$85.3 million (30.8%) of the total. Other major components include \$37 million for buildings, \$6.4 million for pools, \$3.3 million for playgrounds, \$14.2 million for golf courses, \$20.7 million for athletic fields, basketball courts and tennis courts, \$6.1 million for beaches, and \$7.1 million for ponds and lagoons.

Table 6: Milwaukee County Parks infrastructure maintenance/replacement needs

Type	2006	2008
Building Needs	\$19,143,039	\$36,953,800
Walkways		\$3,813,040
Vehicle Bridges	\$17,755,664	\$35,511,328
Pedestrian Bridges	N/A	\$1,400,000
Dams	\$760,000	\$1,140,000
Wading Pool and Swimming Pool Needs	\$4,258,000	\$6,387,000
Playgrounds	\$2,934,531	\$3,267,000
Boat Launches	\$892,000	\$1,338,000
Park Roads	\$44,396,700	\$66,595,050
Parks Parking Lots	\$23,130,698	\$31,422,000
Park Roads & Walkway Lighting	N/A	\$7,500,000
Bike Trails	\$1,821,600	\$2,732,400
Hiking Trails	N/A	\$1,500,000
Parks Service Yards	\$2,118,732	\$3,281,784
Golf Course Needs	\$9,444,500	\$14,166,750
Basketball Courts		\$5,740,000
Tennis Courts		\$5,230,000
Athletic Fields	\$5,773,000	\$8,659,500
Beaches	\$6,060,750	\$6,060,750
Lake Michigan Shoreline, Bluff and Breakwater Needs	\$10,590,000	\$15,885,000
Streambanks	\$2,250,000	\$3,375,000
Ponds/Lagoons	\$4,725,000	\$7,087,500
Sanitary & Storm Sewers	N/A	\$5,000,000
Signs	\$1,600,000	\$1,600,000
Total	\$157,654,214	\$275,645,902

This level of infrastructure need obviously will be extremely difficult to address in light of the county's operating budget challenges and capital budget caps. Parks Director Black believes the problem would not be as daunting, however, if policymakers would agree to strategically prioritize capital improvement needs. She argues, for example, that several bathrooms, tennis courts, and other facilities are in such disrepair and receive so little usage that they should be torn down, with the land upon which they sit turned into green space. The focus, she says, should be on repairing and improving the facilities that have the greatest potential for usage and revenue generation. She emphasizes this does not mean the county should relinquish parkland, but rather that it make better use of the land it has, by properly maintaining its most heavily utilized structures and facilities and forsaking those that it cannot afford to fix and does not truly need.

For example, the department recently decided to tear down the Coast Guard station on the lakefront (rather than invest millions on repairs) and replaced it with a small pavilion and green space. This philosophy was also behind the pools proposal presented by Black and the county executive in 2006, which focused on closing several under-utilized pools and replacing them with a smaller number of regional pools and water parks.

This approach to managing the department's infrastructure backlog largely has been rejected so far by the County Board. Part of the problem lies in the fact that defining a parks facility as underutilized and unneeded can be a difficult and subjective task. Much of this difficulty can be attributed to the argument that the lack of use of an amenity might be *caused* by the facility's

existing state of disrepair. Also, policymakers often have focused on equitable geographic distribution of parks amenities, which has discouraged a system-wide approach based on need.

The executive and legislative branches at least have agreed to schedule playground repairs based on level of need (i.e. each receives a condition grade of A to F, with a focus first on the F's and D's). A similar approach is being utilized or planned for roadways, bathrooms, ball diamonds, and other assets. Still, the lack of consensus on an overall strategy for addressing the department's infrastructure backlog begs for some concerted master planning.

Conclusion

With an estimated \$277 million backlog of infrastructure maintenance and repairs, declining attendance at pools and golf courses, and dependence on a property tax levy funding source that has diminished by two-thirds during the past 30 years, it is clear that the Milwaukee County Department of Parks, Recreation and Culture faces huge challenges.

Despite the bleak outlook, however, there are signs of hope. The department's success in turning around the Milwaukee County Sports Complex, and its impressive efforts (with the help of private contributions) to recreate Bradford Beach as a premier summer destination, show that creative management and successful private fundraising can make a big difference. Also, a recent public opinion survey conducted by the Public Policy Forum indicates that despite the poor physical condition of many parks system assets, county residents generally remain pleased with the parks.

The parks director argues that while additional resources likely are necessary, additional independence would be even better. In fact, she says she would welcome a multi-year guarantee of level tax levy support for operations (similar to the 10-year commitment to the Milwaukee Public Museum), if it were accompanied by the authority to lease and manage her own fleet; hire and pay for her own legal, human resources and information technology staff; and privatize concessions and other functions where it would be profitable to do so.

On the capital side, meanwhile, she acknowledges the need for increased investment, but prefers that such investment be limited exclusively to projects that will enhance revenue-generating capacity, which would further her ability to manage with flat property tax levy funding. She adds that private sector support for parks infrastructure repairs and improvements would be much easier to come by if the parks system were housed outside of county government.

Consideration of a change in governance – such as an independent or regional parks district – already has been controversial and would necessitate resolving several complicated issues, including treatment of legacy costs for retired and active department employees, debt service on previously-funded parks capital projects, and funding in general. Barring such a change, the key question will become whether Milwaukee County officials and taxpayers have the financial wherewithal and desire to repair, maintain, and keep all of the department's existing facilities, amenities, and offerings, or whether potential downsizing or privatization of certain assets may be in order.

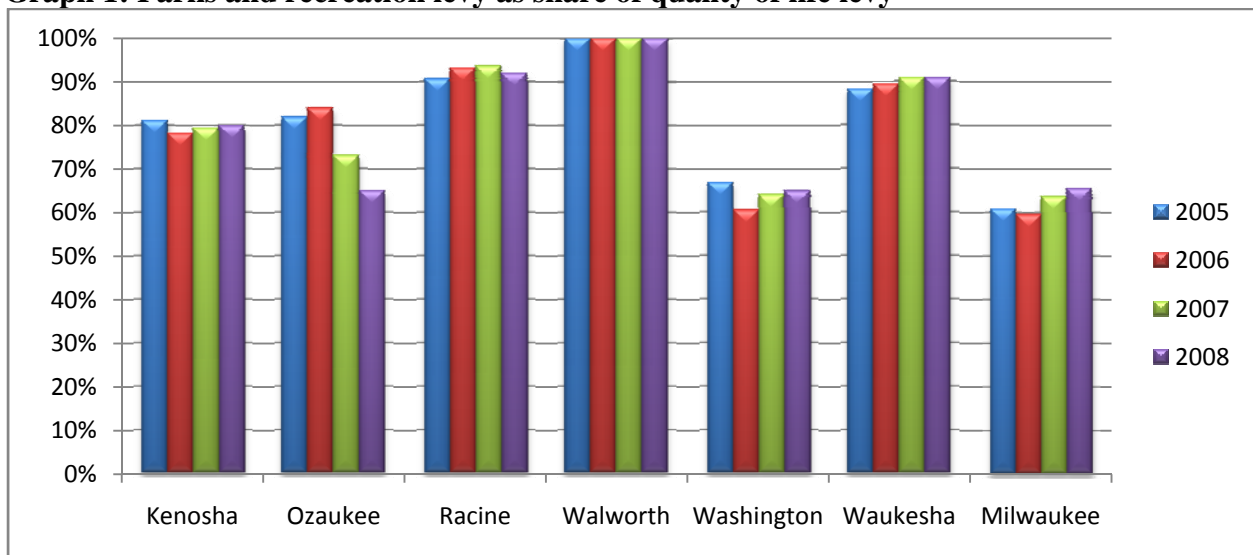
V. QUALITY OF LIFE EXPENDITURES IN SOUTHEASTERN WISCONSIN: A COUNTY-BY-COUNTY COMPARISON

The preceding pages analyze fiscal trends and outlooks for Milwaukee County-funded “quality of life” departments and institutions. In order to provide more context to this analysis, we examined recent county government spending for quality of life functions in the other six southeast Wisconsin counties. The purpose not only was to examine whether trends observed in Milwaukee County also exist in these other counties, but also to compare quality of life spending among the counties in order to determine varying levels of commitment.

The appendix to this section contains a table for each county breaking down the types and amounts of quality of life expenditures made by each during the past four years (actual figures are used for 2005-06 and budgeted figures for 2007-08). This information provides the following insights:

- All but one of the seven counties (Walworth County) provides some form of funding for golf courses, but only Milwaukee County includes golf course operations in its regular parks department budget. The other five list their golf course operations separately and all aim to at least break even in their golf course operations.
- Parks and recreation accounts for the bulk of quality of life property tax levy expenditures in the seven counties, though all but Walworth County also provide tax levy for other quality of life activities, such as museums, historical societies, etc. **Graph 1** below shows parks and recreation tax levy expenditures as a percentage of overall quality of life property tax levy expenditures in each county. This graph indicates that Milwaukee County provides a smaller proportion of its quality of life property tax levy funding for parks and recreation (i.e. it provides a much greater proportion for other quality of life activities) than the other counties (with the exception of Washington County, which is about equal).

Graph 1: Parks and recreation levy as share of quality of life levy



- With regard to the types of non-parks and recreation quality of life property tax levy expenditures made by the other counties during the past four years, five of the seven have provided funding for historical societies; two of the seven have provided funding for zoos; three have provided funding for museums and/or arts centers; and three have funded fair parks, fairs or expo centers.

Table 1: Total levy contributions for quality of life activities, in real dollars

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Walworth	\$39,973	\$77,650	\$76,440	\$52,617
Ozaukee	\$477,222	\$505,497	\$265,789	\$204,512
Kenosha	\$1,319,823	\$1,494,640	\$1,213,963	\$1,245,446
Racine	\$2,170,999	\$1,504,786	\$1,393,322	\$1,425,534
Washington	\$1,764,746	\$1,531,110	\$1,732,354	\$1,841,511
Waukesha	\$3,377,675	\$3,143,263	\$3,449,577	\$3,401,229
Milwaukee	\$32,275,806	\$31,539,952	\$34,623,020	\$37,766,281

Table 1 aggregates total property tax levy expenditures for quality of life activities for each county during this period. The only clear pattern is variation across the four years within each county. In no county has spending consistently increased or decreased each year from 2005 to 2008.

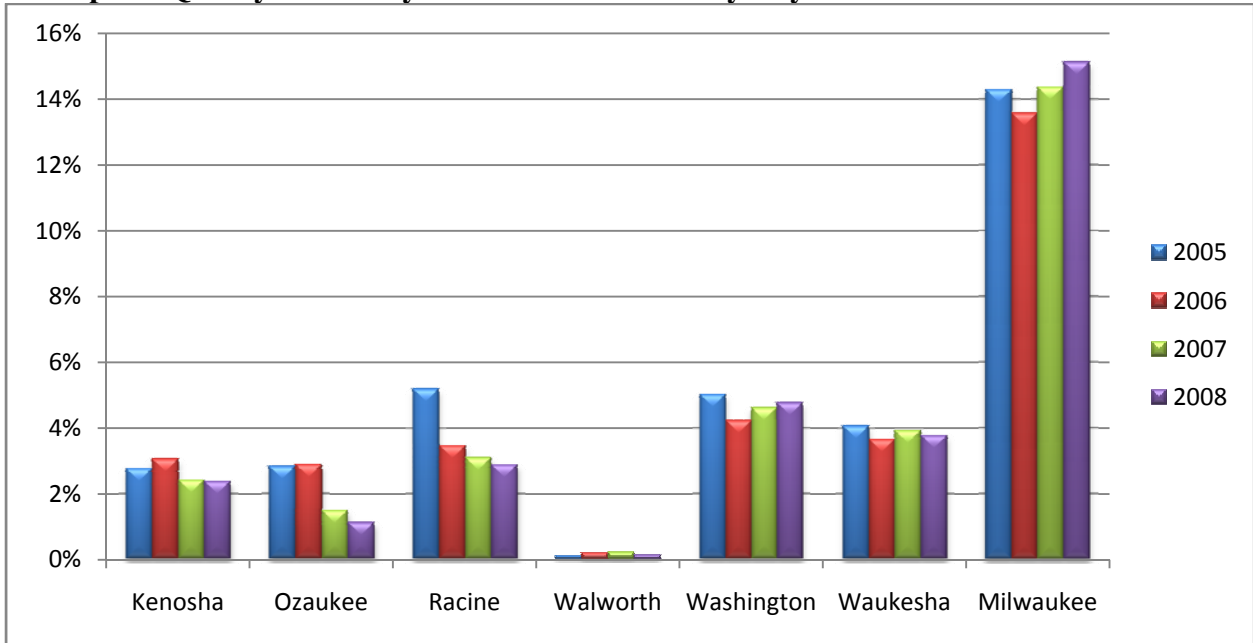
Milwaukee, Walworth, and Washington are the only counties to have budgeted more property tax levy for the quality of life function in 2008 than they spent in 2005. For Milwaukee and Washington, the budgeted 2008 dollars are the most they will have spent in four years.

It should be noted, however, that virtually all of the increase in Milwaukee County can be attributed to the Parks Department. A significant portion of this increase can in turn be attributed to the department's increased share of county-wide fringe benefits expenditures and an accounting change that artificially inflated the department's tax levy by approximately \$1.6 million in 2008. Nevertheless, this comparison indicates that Milwaukee County generally has been more successful than the other southeast Wisconsin counties in preserving property tax levy allocations to the quality of life function during the past four years.

Table 2: Quality of life levy as share of total county levy

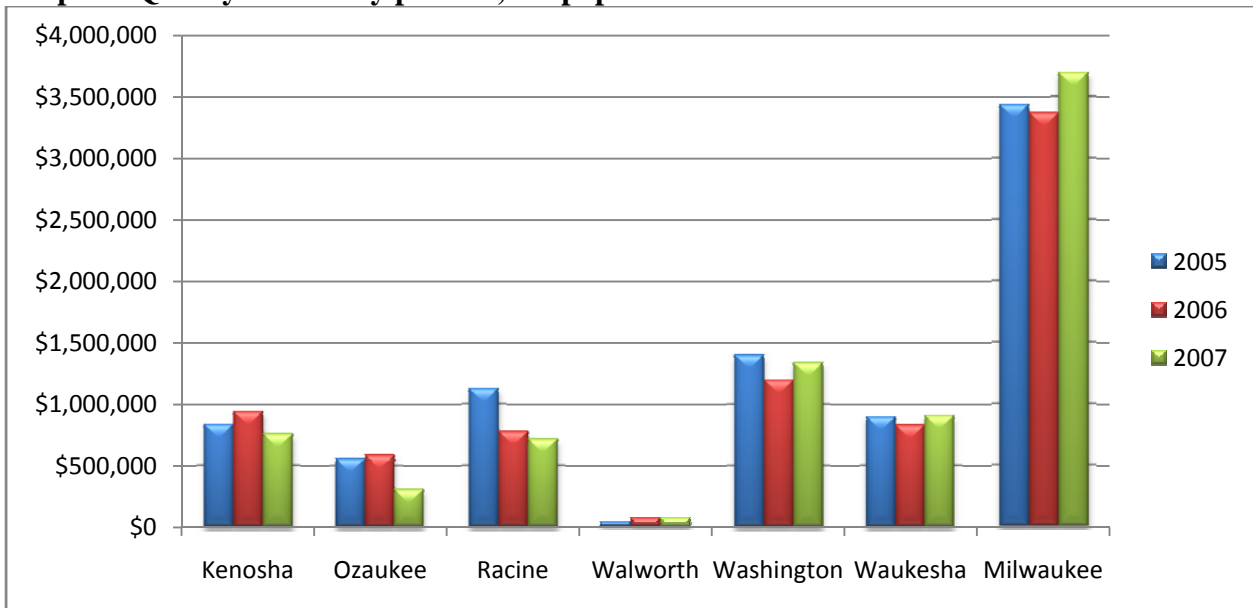
	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Kenosha	2.8%	3.1%	2.4%	2.4%
Ozaukee	2.8%	2.9%	1.5%	1.1%
Racine	5.2%	3.5%	3.1%	2.9%
Walworth	0.1%	0.2%	0.2%	0.1%
Washington	5.0%	4.2%	4.6%	4.8%
Waukesha	4.1%	3.7%	3.9%	3.8%
Milwaukee	14.3%	13.6%	14.4%	15.1%

Graph 2: Quality of life levy as share of total county levy



This finding is reinforced by an examination of each county’s quality of life property tax levy as a percentage of its total property tax levy. **Table 2** shows that only in Milwaukee County has that percentage increased between 2005 and 2008. When this data is graphed (**Graph 2**), it is clear that Milwaukee County has allocated a greater percentage of its property tax levy to quality of life functions during the past four years, and also spends a much greater percentage of its overall property tax levy on the quality of life function than other counties in the region.

Graph 3: Quality of life levy per 100,000 population



We also examined quality of life property tax levy expenditures in the context of population by calculating quality of life levy per 100,000 citizens in each county. **Graph 3** shows that again, Milwaukee County's quality of life property tax levy contribution exceeds those of other counties when measured on this basis.

Several different conclusions might be drawn from this information. One is that it is not surprising that Milwaukee County would devote so much additional levy to quality of life functions than the other southeast Wisconsin counties, given Milwaukee's role as the first class city and economic engine of the state. However, the magnitude of this difference may strike some as unfair, given that a significant percentage of attendees at venues such as the Marcus Center and Milwaukee County Zoo live in other southeast Wisconsin counties. Hence, some may see this information as reason to renew calls for a regional funding source. Some also may see a need for greater state support for Milwaukee County quality of life attractions, given the statewide importance of maintaining Milwaukee's economic vitality.

A contradictory conclusion might be that Milwaukee County simply spends too much property tax levy to support too many quality of life entities. If none of the county-supported organizations can forgo public funds, then perhaps that suggests that the metro Milwaukee market is saturated with too many such cultural entities and some are not sustainable.

Whatever conclusion is drawn from this comparative information, the region's overall public support for parks and cultural institutions must be considered alongside any deliberations regarding alternative funding sources for those institutions in either Milwaukee County or the region as a whole.

County-by-county quality of life spending

Milwaukee County

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$36,526,148	\$36,969,197	\$40,143,659	\$43,501,693
Operations Revenue	\$16,807,883	\$18,133,014	\$18,069,001	\$18,702,474
State and Fed Aid	\$68,347	\$60,642	\$60,500	\$60,500
Net Operations Cost	\$19,649,917	\$18,775,541	\$22,014,158	\$24,738,719
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Parks & Rec	\$19,649,917	\$18,775,541	\$22,014,158	\$24,738,719
Zoo				
Operations Expense	\$19,125,303	\$19,646,061	\$21,407,340	\$22,802,230
Operations Revenue	\$13,512,237	\$13,911,583	\$15,774,223	\$16,925,532
Net Operations Cost	\$5,613,066	\$5,734,478	\$5,633,117	\$5,876,698
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Zoo	\$5,613,066	\$5,734,478	\$5,633,117	\$5,876,698
Non-profit support				
Milwaukee Cnty Hist Society	\$242,550	\$242,550	\$242,550	\$242,550
War Memorial	\$1,311,636	\$1,433,462	\$1,504,594	\$1,504,594
Villa Terrace/Charles Allis	\$243,656	\$243,656	\$243,656	\$243,656
Marcus Center	\$1,303,000	\$1,280,000	\$1,280,000	\$1,280,000
CAMPAC	\$364,689	\$368,494	\$377,688	\$377,688
Milwaukee Public Museum	\$3,547,292	\$3,461,772	\$3,327,257	\$3,502,376
Total Support	\$7,012,823	\$7,029,934	\$6,975,745	\$7,150,864
Total Net	\$32,275,806	\$31,539,952	\$34,623,020	\$37,766,281

Waukesha County

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$3,927,664	\$3,912,330	\$4,154,949	\$4,146,812
Operations Revenue	\$1,010,800	\$1,206,715	\$1,070,100	\$1,145,600
Net Operations Cost	\$2,916,864	\$2,705,615	\$3,084,849	\$3,001,212
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Parks & Rec	\$2,916,864	\$2,705,615	\$3,084,849	\$3,001,212
Ice Arenas				
Operations Expense	\$1,031,701	\$1,021,435	\$1,069,086	\$1,076,494
Operations Revenue	\$910,415	\$905,090	\$936,000	\$944,000
Net Operations Cost	\$121,286	\$116,345	\$133,086	\$132,494
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Ice Arenas	\$121,286	\$116,345	\$133,086	\$132,494
Golf Course				
Operations Expense	\$3,104,733	\$3,021,048	\$3,310,946	\$3,377,523
Operations Revenue	\$3,163,269	\$3,033,380	\$3,398,000	\$3,420,000
Net Operations Cost	-\$58,536	-\$12,332	-\$87,054	-\$42,477
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Golf	-\$58,536	-\$12,332	-\$87,054	-\$42,477
Non-profit support				
Wauk Cty Hist Soc	\$373,061	\$308,627	\$294,000	\$285,000
Expo Center Net Support	\$25,000	\$25,008	\$24,696	\$25,000
Total Support	\$398,061	\$333,635	\$318,696	\$310,000
Total Net	\$3,377,675	\$3,143,263	\$3,449,577	\$3,401,229

Washington County

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$1,351,676	\$1,208,378	\$1,382,619	\$1,514,410
Operations Revenue	\$174,888	\$284,338	\$274,213	\$320,004
Net Operations Cost	\$1,176,788	\$924,040	\$1,108,406	\$1,194,406
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Parks & Rec	\$1,176,788	\$924,040	\$1,108,406	\$1,194,406
Golf Course				
Operations Expense	\$1,238,538	\$1,326,443	\$1,268,879	\$1,345,652
Operations Revenue	\$1,238,538	\$1,326,443	\$1,268,879	\$1,345,652
Net Operations Cost	\$0	\$0	\$0	\$0
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Golf	\$0	\$0	\$0	\$0
Non-profit support				
Convention & Visitors				
Bur	\$35,625	\$35,625	\$35,625	\$35,625
Historical Society	\$337,333	\$366,445	\$383,323	\$406,480
Fair Park	\$215,000	\$205,000	\$205,000	\$205,000
Total Support	\$587,958	\$607,070	\$623,948	\$647,105
Total Net	\$1,764,746	\$1,531,110	\$1,732,354	\$1,841,511

Racine County

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$1,818,091	\$1,811,665	\$1,824,667	\$1,834,379
Operations Revenue	\$493,061	\$505,667	\$521,345	\$523,845
Net Operations Cost	\$1,325,030	\$1,305,998	\$1,303,322	\$1,310,534
Capital Expense	\$487,115	\$152,871	\$120,000	\$190,000
Capital Revenue	\$275,419	\$150,270	\$120,000	\$190,000
Net Capital Cost	\$211,696	\$2,601	\$0	\$0
Total Net Parks & Rec	\$1,536,726	\$1,308,599	\$1,303,322	\$1,310,534
Golf Course				
Operations Expense	\$0	\$0	\$0	\$0
Operations Revenue	\$0	\$0	\$0	\$0
Net Operations Cost	\$0	\$0	\$0	\$0
Capital Expense	\$432,335	\$93,687	\$115,000	\$120,000
Capital Revenue	\$0	\$0	\$115,000	\$120,000
Net Capital Cost	\$432,335	\$93,687	\$0	\$0
Total Net Golf	\$432,335	\$93,687	\$0	\$0
Non-profit support				
Zoo	\$75,000	\$0	\$0	\$15,000
Hertiage Museum	\$126,938	\$102,500	\$90,000	\$100,000
Total Support	\$201,938	\$102,500	\$90,000	\$115,000
Total Net	\$2,170,999	\$1,504,786	\$1,393,322	\$1,425,534

Kenosha County

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$1,219,508	\$1,272,038	\$1,351,188	\$1,392,671
Operations Revenue	\$197,675	\$166,776	\$387,225	\$397,225
Net Operations Cost	\$1,021,833	\$1,105,262	\$963,963	\$995,446
Capital Expense	\$69,726	\$20,809	\$152,500	\$243,480
Capital Revenue	\$0	\$75,000	\$152,500	\$243,480
Net Capital Cost	\$69,726	-\$54,191	\$0	\$0
Total Net Parks & Rec	\$1,091,559	\$1,051,071	\$963,963	\$995,446
Golf Course				
Operations Expense	\$2,714,730	\$2,752,170	\$3,131,951	\$3,257,541
Operations Revenue	\$3,051,817	\$2,946,863	\$3,256,751	\$3,568,241
Net Operations Cost	-\$337,087	-\$194,693	-\$124,800	-\$310,700
Capital Expense	\$315,351	\$313,262	\$124,800	\$310,700
Capital Revenue	\$0	\$0	\$0	\$0
Net Capital Cost	\$315,351	\$313,262	\$124,800	\$310,700
Total Net Golf	-\$21,736	\$118,569	\$0	\$0
Non-profit support				
Kemper Center	\$150,000	\$225,000	\$150,000	\$150,000
Historical Society	\$100,000	\$100,000	\$100,000	\$100,000
Total Support	\$250,000	\$325,000	\$250,000	\$250,000
Total Net	\$1,319,823	\$1,494,640	\$1,213,963	\$1,245,446

Ozaukee County

	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$334,480	\$283,125	\$306,121	\$392,626
Operations Revenue	\$200,882	\$101,443	\$108,100	\$173,146
Tax Levy				
Net Operations Cost	\$133,598	\$181,682	\$198,021	\$219,480
Capital Expense	\$0	\$0	\$0	\$0
Capital Revenue	\$0	\$0	\$0	\$0
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Parks & Rec	\$133,598	\$181,682	\$198,021	\$219,480
Golf Course				
Operations Expense	\$1,929,839	\$1,923,421	\$1,838,768	\$1,640,532
Operations Revenue	\$1,672,715	\$1,681,106	\$1,842,500	\$1,727,000
Tax Levy				
Net Operations Cost	\$257,124	\$242,315	-\$3,732	-\$86,468
Capital Expense				
Capital Revenue				
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Golf	\$257,124	\$242,315	-\$3,732	-\$86,468
Non-profit support				
Historical Society-Oper	\$28,000	\$28,000	\$28,000	\$28,000
Historical Society-Capital	\$12,500	\$12,500	\$12,500	\$12,500
Ozaukee Art Center	\$2,000	\$0	\$0	\$0
Ozaukee County Fair	\$25,000	\$25,000	\$25,000	\$25,000
WI Ethnic Settlement Trail	\$1,000	\$1,000	\$1,000	\$1,000
Cedarburg Cultural Center	\$3,000	\$0	\$0	\$0
Hist Society Interurban				
Dept	\$10,000	\$10,000	\$0	\$0
National Flag Day Fdn	\$5,000	\$5,000	\$5,000	\$5,000
Total Non-profit	\$86,500	\$81,500	\$71,500	\$71,500
Total Net	\$477,222	\$505,497	\$265,789	\$204,512

Walworth County

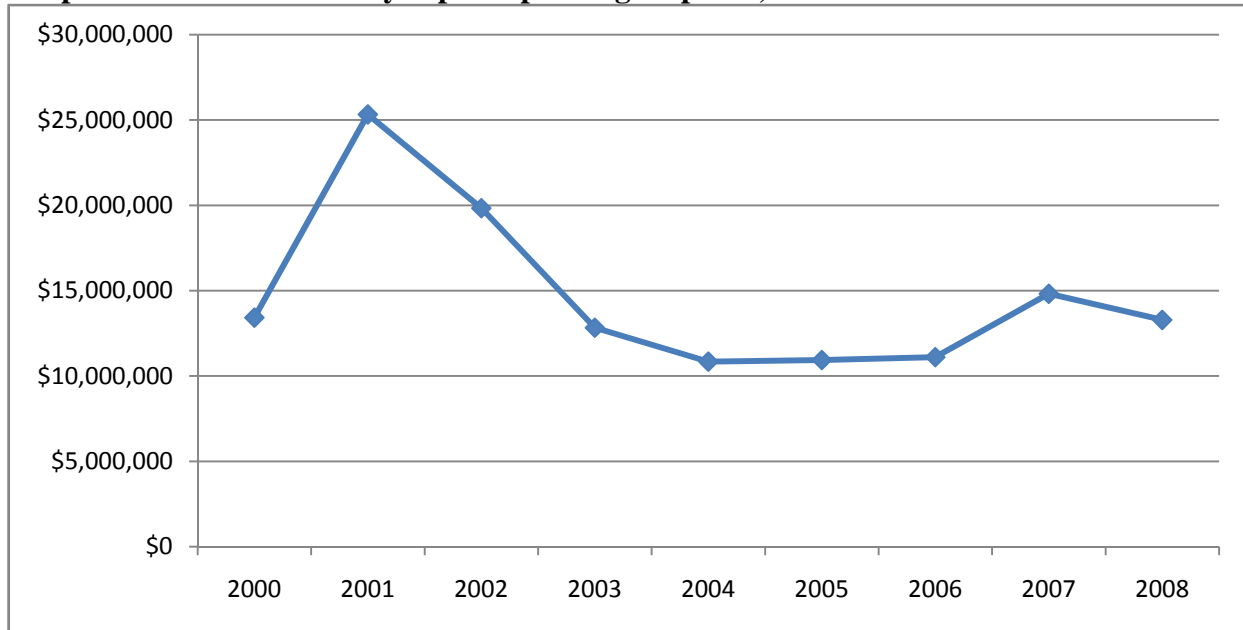
	2005 Actual	2006 Actual	2007 Budget	2008 Budget
Parks & Recreation				
Operations Expense	\$81,630	\$91,684	\$87,720	\$63,897
Operations Revenue	\$41,657	\$14,034	\$11,280	\$11,280
Net Operations Cost	\$39,973	\$77,650	\$76,440	\$52,617
Capital Expense	\$0	\$0	\$0	\$0
Capital Revenue	\$0	\$0	\$0	\$0
Net Capital Cost	\$0	\$0	\$0	\$0
Total Net Parks & Rec	\$39,973	\$77,650	\$76,440	\$52,617
Total Net	\$39,973	\$77,650	\$76,440	\$52,617

VI. CONCLUSION

Our analysis of the fiscal condition of Milwaukee County-owned and funded cultural institutions and departments found some commonality in terms of the challenges faced by each, though different success rates in responding to those challenges. While the general condition of each entity is distinct, several common themes did emerge:

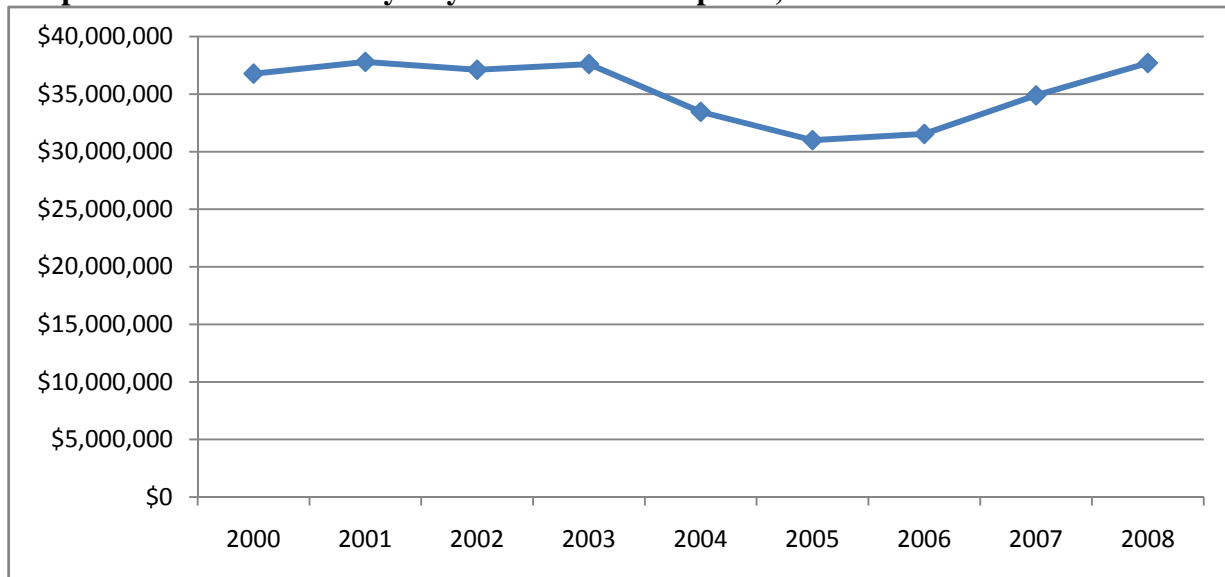
- Major maintenance and basic infrastructure repair needs are significant and growing at each of the county-owned institutions and at the parks and zoo, with the exception of the Historical Society headquarters, which is in the final stages of a major renovation. Maintenance and capital improvement needs are greatest at the two entities that are not only owned but operated by Milwaukee County (the Milwaukee County Zoo and the parks), though the Milwaukee Public Museum and War Memorial Center also face significant deferred infrastructure needs.
- The combination of flat or declining county support and growing personnel and utilities costs has forced most of the institutions to reluctantly make cuts in expenditure areas that impact revenue generation, such as advertising/promotions and basic maintenance (which impacts the appearance of the building and/or exhibits). Those that have been most successful in minimizing such cuts are those that have been most successful in identifying new or enhanced forms of outside or earned revenue.
- Milwaukee County's budgeted contributions to capital improvements for the parks, recreation and culture function were significantly diminished for three consecutive years following establishment of new policies in 2003 capping annual bond issuances (see **Graph 1**). These new policies were established in order to tightly control future debt obligations after a debt restructuring initiative front-loaded savings for the first few years but created a growing debt service burden in future years. Our analysis reveals that a consequence of the new policies was reduced investment in both basic infrastructure repairs and in new capital improvements at parks and cultural facilities. While rebounding somewhat during the past two years, capital spending for this function is still well below spending levels in 2001-02.

Graph 1: Milwaukee County capital spending on parks, recreation and culture



- Milwaukee County property tax levy contributions to parks, recreation and culture diminished in congruence with a sharp increase in pension and employee health care costs that began in 2003 and escalated in the middle years of the decade (see **Graph 2**). The two county departments – parks and zoo – suffered the double whammy of decreased county levy support and increased personnel costs resulting from the increased cost of fringe benefits. Tax levy contributions rebounded to levels experienced earlier in the decade in 2008, but still lag behind those levels when factoring in the impact of inflation and – in the parks and zoo – the impact of substantially higher fringe benefit costs and accounting changes.

Graph 2: Milwaukee County levy contributions to parks, recreation and culture



- Each of the institutions and county departments has faced annual structural deficits in operating budgets, generally caused by fixed costs that are growing faster than existing revenue streams (including flat or declining county property tax levy contributions). Responses have included increased private sector contributions, implementation of new operating efficiencies, initiation of new earned revenue strategies and cuts in advertising and maintenance budgets. Barring regular increases in county property tax levy support, we project annual structural deficit challenges to continue for each institution and the two departments, putting increased pressure on each to significantly build endowments and/or develop creative new revenue-generating strategies.
- The institutions and the parks have faced considerable challenges in attempting to maintain and enhance attendance. Attendance has decreased considerably during the decade at the Marcus Center, War Memorial, Charles Allis/Villa Terrace and at parks department pools and golf courses. The zoo has seen an increase since 2000 but a decrease since 2003, while the Historical Society was the one entity to experience a significant increase until this year's headquarters closure due to reconstruction. Public Museum attendance plummeted from 2005-2007 before rebounding dramatically in 2008 due to *Body Worlds*, demonstrating perhaps that the region's finite entertainment dollars are not an insurmountable obstacle to increased usage/attendance with the right excitement and investment.
- While Milwaukee County's property tax levy expenditures on its quality of life function decreased in real terms during the decade, a comparison to the other six southeast Wisconsin counties indicates that Milwaukee County spends far more on a per capita basis and as a percentage of its overall property tax levy. Our analysis also suggests that the six other counties may be struggling as much or even more than Milwaukee County to maintain their property tax levy commitment to quality of life functions.

While the circumstances that created fiscal challenges are similar for each of the Milwaukee County entities analyzed in this report, the ability of each to address those challenges differed. In general, each of the cultural institutions was able to secure new sources of revenue or enhance existing sources to offset diminished county support, thus in some respects bearing out the notion that each had the capacity to become less reliant on taxpayer funding and simply needed a push to do so.

Success at boosting earned revenue sources (such as admissions/user fees, concessions, etc.) was uneven, however, and many of the institutions are extremely concerned that their efforts to enhance such revenue have been largely exhausted. It is perhaps not surprising that in general, those institutions that were most successful in securing capital improvements to their facilities (e.g. Marcus Center, Historical Society) are most optimistic about their ability to maintain or enhance earned revenue, while those that were least successful in securing county and/or outside funding for capital improvements (e.g. War Memorial Center) are most concerned about the future.

Our analysis also provides policymakers with information that may be useful as they continue to struggle with the question of how best to govern Milwaukee County's parks and cultural institutions. When it erupted three years ago, the Milwaukee Public Museum's fiscal crisis was

seen as evidence that the public-private model was not all it was cracked up to be, as lax oversight by the private sector-dominated Museum Board was blamed, in part, for the problems. Now that the museum appears to have turned a corner, however, the advantage of that model also appears apparent, as it enabled newly installed museum leaders to reduce personnel costs and leverage private sector contributions in a manner that may not have been possible were it a government-run entity.

In general, the two county-run entities (parks and zoo) have struggled more than the privately run entities to control skyrocketing personnel costs, keep on top of minor and major maintenance and fund basic infrastructure repairs. The leaders of both entities also cite their inability to manage overhead expenditures that are dictated to them by the county as a key detriment to their business planning, and both suggest that an alternative governance model that would provide them with greater certainty with regard to annual expenditure and revenue budgets and greater flexibility to manage within the confines of those budgets would be beneficial. They also assert that their ability to generate private funding for capital improvements would be improved if they were not part of county government.

That is not to say, however, that each of the privately run entities is enjoying similar success. In general, those entities that enjoy the greatest attendance and community stature – the Marcus Center and Public Museum – have fared the best in terms of securing level operating funding and needed capital improvement dollars from the county, as well as private sector support. It likely does not hurt that the leaders of both institutions served in elected office and are well equipped to navigate the nuances of the county’s budget process, and that they are well known in the donor community.

Our analysis paints an overall picture of county-funded parks and cultural assets in Milwaukee County that face significant long-term fiscal challenges and that have experienced varying degrees of success in developing strategic plans and securing capital resources to address those challenges. Significant maintenance and infrastructure backlogs and diminished attendance suggest the need for increased capital commitments and, at minimum, level operating contributions from the county, but whether that will be possible in light of the county’s precarious fiscal situation certainly is questionable.