

CULTURAL INSTITUTIONS

INTRODUCTION

Milwaukee County government plays a significant role in the community's cultural scene as owner and financial contributor to several cultural institutions, as well as owner and operator of the Milwaukee County Zoo. Cultural facilities owned but not operated by the county include the Milwaukee Public Museum, Milwaukee County War Memorial, Marcus Center for the Performing Arts, Milwaukee County Historical Society headquarters, Villa Terrace Decorative Arts Museum and the Charles Allis Museum. The county provides annual operating assistance to the non-profit organizations that administer each of those entities and also pays for some or all capital improvements, typically under a memorandum of understanding. The Milwaukee County Zoo, meanwhile, is administered as a typical county department, which means that its employees are county employees and it is subject to the same internal services and charges, budgeting processes, oversight by the county board, etc.

The county also provides lesser amounts of funding to several additional cultural/educational organizations that it does not own, including the Federated Library System, UW Extension, VISIT Milwaukee and the Milwaukee County Fund for the Performing Arts. **Table 17** shows the county property tax levy devoted to each cultural entity in the county's 2009 adopted budget.

Table 17: 2009 Budgeted Tax Levy Allocations to Cultural Entities

Cultural entity	2009 Budgeted tax levy
Zoological Department	\$5,455,950
Milwaukee Public Museum	\$3,502,376
War Memorial	\$1,504,594
Marcus Center for the Performing Arts	\$1,280,000
Fund for the Performing Arts	\$377,688
UW Extension	\$373,729
Villa Terrace/Charles Allis	\$243,656
Historical Society	\$242,550
Federated Library System	\$66,650
VISIT Milwaukee	\$25,000
TOTAL	\$13,072,193

The county's ownership, operation and/or financial contributions to these cultural entities are not statutorily mandated. State statutes contain provisions indicating that the county *may* own, acquire or appropriate monies to museums, university extensions, historical societies, war memorials, etc., but there is no requirement that they do so.

Milwaukee County's relationships with cultural institutions generally trace back several decades, though many have evolved over time. The War Memorial Corporation, for example, was established as an independent non-profit organization shortly after World War II, and it partnered with the county to secure the county-owned land on the lakefront on which the War Memorial Center was built in the 1950s. Since that time, the Corporation has added the Performing Arts Center, Villa Terrace and Charles Allis Museum under its umbrella; each of the buildings was

deeded to the county as a public trust, but each of the entities is overseen by both the War Memorial Corporation and its own board of directors.

The Milwaukee Public Museum, meanwhile, originally was operated as a county department after ownership was shifted to the county from the City of Milwaukee in 1976. In 1992, the county established a private non-profit organization to assume administration of museum operations, in part as an effort to wean it from dependence on county property tax levy.

The cultural entities' dependence on county funding also differs. As a county department, the zoo is heavily dependent upon county funding for its operations, with a \$6.4 million property tax levy contribution in 2008 accounting for 27% of its revenue. The zoo also receives a direct contribution of more than \$400,000 from the Zoological Society of Milwaukee County, as well as an additional \$2.4 million from the Society from parking revenues associated with the Zoo Pass Plus membership, corporate sponsorships, and other funds.

With regard to the county-owned but privately operated cultural institutions, the War Memorial relies on the county's \$1.5 million property tax levy contribution for nearly 70% of its operating budget. The Milwaukee Public Museum's annual funding of \$3.5 million from the county comprised about 18% of its revenue budget in 2008, while the Marcus Center's \$1.3 million county contribution comprised about 28% of its operating budget. The \$624,000 combined budget of the Villa Terrace/Charles Allis Museum in 2008 counted on county tax levy for approximately 39% of its budget, while the Historical Society's \$838,000 budget was reliant on levy support for about 29% of its budget.

Capital funding is an equally important consideration for the county-owned institutions, which depend upon new and improved exhibits and other amenities to maintain or expand earned income. As owner of the buildings, the county generally has taken responsibility for capital repairs and major maintenance, while expecting the private operators to address minor maintenance issues in their operating budgets. Major capital improvements, meanwhile, like the Historical Society headquarters renovation, the Public Museum's butterfly exhibit, and the Marcus Center's mid-1990s facility renovation, generally have involved private sector and county funding and/or county financing that is repaid by the non-profit operator over the life of county-issued bonds. Even the county-owned and operated zoo has seen significant private sector participation in capital improvements, with the county and Zoological Society splitting the cost of a multi-year, \$30 million capital improvements program launched earlier this decade.

During the past several years, significant public attention has been devoted to the physical condition of several of the county-owned institutions. In its November 2008 comprehensive evaluation of the fiscal condition of the cultural institutions (which can be accessed at <http://www.publicpolicyforum.org/pdfs/Parks&Culture.final.pdf>), the Forum noted that "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."

The total amount of budgeted county expenditures on cultural institutions in 2009 was \$31.6 million. Of that total, the zoological department accounted for \$23.8 million, while the other cultural entities accounted for \$7.8 million. The zoological department's 2009 budgeted

property tax levy was \$5.5 million. Other key revenue sources are admissions fees, parking fees, concessions revenue and the contribution from the Zoological Society. The zoo was the sixth largest organizational unit in the county in 2009 in terms of its number of employees, with 252 FTEs in the 2009 budget.

Virtually all of the \$7.8 million contributed by the county to the other cultural entities was property tax levy (the county share of the UW Extension budget also includes about \$120,000 of direct revenue). As discussed above, the \$7.8 million county expenditure represents only a fraction of the total budgets of those entities. Those total budgets are not included in the county's overall budget because the entities are operated by non-county entities that are not county departments.

BUDGET BREAKDOWN

The budget breakdown included in other subsections is limited in this section to the zoological department, which is the only cultural institution operated by the county, and therefore is the only one impacted by legacy costs.¹⁷ **Table 18** breaks down the zoological department's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the department spent \$1.8 million on central service charges from other county departments, \$12.4 million on its own personnel, and \$9.6 million on non-personnel expenditures, including services and commodities such as advertising, fuel and utilities.

The analysis also shows that \$179,000 of the zoo's central service charges and \$2 million of its personnel expenditures were not directly connected to the cost of running the zoo, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have operated the zoo for \$2.1 million less if it was not responsible for the zoo's share of the county's legacy costs.**

In addition, the analysis shows that if legacy costs had been distributed to the zoological department on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled \$1.8 million. This \$1.8 million figure represents the approximate annual county legacy obligation held by the zoological department. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

¹⁷ The one exception is the Milwaukee Public Museum, to which the county still attributes approximately \$564,000 in legacy costs annually for retired county employees who worked for the Museum when it was a county department. Under the allocation methodology utilized by the county, however, which is based on number of departmental employees, there are no legacy costs included in the portion of the Museum budget that is reflected in the county budget.

Finally, in terms of the department's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is \$31.5 million, while its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is \$9.9 million. In addition, the total General Obligation debt on zoo facilities is \$32.4 million, which either would have to be picked up by the receiving entity or assumed by county taxpayers if the zoo was transferred elsewhere.

Table 18: Breakdown of Zoo 2008 Actual Expenditures and Revenues and Legacy Costs

Zoo	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using 2008 fringe allocation method*	Based on retiree history**
Administrative	\$1,047,432	\$945,192	\$102,240	\$99,179
Information technology	\$479,781	\$432,949	\$46,832	\$45,429
Legal counsel	\$0	\$0	\$0	\$0
Facility management	\$101,880	\$91,935	\$9,945	\$9,647
Fleet management	\$205,368	\$185,322	\$20,046	\$19,446
Central charges/overhead	\$1,834,461	\$1,655,399	\$179,062	\$173,701
Salary and wages	\$7,868,347	\$7,868,347	\$0	\$0
Social security	\$450,218	\$450,218	\$0	\$0
Employee healthcare	\$1,564,050	\$1,564,050	\$0	\$0
Employee pension	\$772,249	\$772,249	\$0	\$0
Retiree healthcare	\$1,564,050	\$0	\$1,564,050	\$1,365,790
Retiree pension	\$386,124	\$0	\$386,124	\$278,746
Other	-\$243,381	-\$243,381	\$0	\$0
Personnel costs	\$12,361,656	\$10,411,482	\$1,950,174	\$1,644,536
Non-personnel expenditures	\$9,584,741	\$9,584,741	\$0	\$0
TOTAL EXPENDITURES	\$23,780,858	\$21,651,622	\$2,129,236	\$1,818,237
State revenue	\$0	\$0	\$0	\$0
Federal revenue	\$0	\$0	\$0	\$0
Other revenue	\$17,359,729	\$17,359,729	\$0	\$0
TOTAL REVENUES	\$17,359,729	\$17,359,729	\$0	\$0
TOTAL LEVY	\$6,421,129	\$4,291,893	\$2,129,236	\$1,818,237
Unfunded OPEB liability ***	\$31,519,847	\$31,519,847	\$31,519,847	\$31,519,847
Unfunded pension liability***	\$9,918,994	\$9,918,994	\$9,918,994	\$9,918,994
Outstanding debt and interest	\$32,438,429	\$32,438,429	\$32,438,429	\$32,438,429
TOTAL LONG-TERM DEBT	\$73,877,270	\$73,877,270	\$73,877,270	\$73,877,270

* In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.

** This method distributes legacy costs according to a department's retiree history.

*** Estimated liability allocated to department is based on the department's retiree history.

POTENTIAL ALTERNATIVE SERVICE PROVIDER

If county government was eliminated, an obvious alternative approach for governing the county-owned but independently operated cultural institutions would be simply to give or sell the properties and buildings to the non-profit organizations that operate them. In the case of the Milwaukee County Zoo, a new not-for-profit corporation could be created per the concept suggested by the county executive in his 2010 recommended budget, and the zoo property and buildings could be gifted or sold to that entity.

Such an approach is problematic, however, for two primary reasons: 1) several of the properties have been deeded to the county as a public trust, which means that optimally some other type of public entity should take control of them; and 2) each institution is heavily dependent upon taxpayer assistance and would have great difficulty surviving without such assistance.

Alternatively, the institutions could be transferred to the state or City of Milwaukee, but both of those governments have pressing fiscal problems and likely would be extremely reluctant to assume the county's funding commitment. Another option might be to transfer administrative control and ownership of the institutions to the Wisconsin Convention Center District or Stadium districts, which are public entities with limited local taxation authority, though those districts have their own funding challenges as well.

A final option, which we explore in greater detail, is the possibility of creating a separate district that would be responsible for owning and administering both parks and cultural institutions. The concept is similar to that discussed in a later section on parks, but with a few additional nuances. The following provides a brief analysis of that option.

Discussion

Special purpose governments have proliferated across the country in order to meet community needs ranging from sewage treatment and cemetery plots to airport governance and transportation planning. Special districts to govern both parks and cultural facilities are among the least common, but we have uncovered two: the Scientific and Cultural Facilities District of metropolitan Denver and, on a smaller scale, the Rockford Parks District. Each of these districts incorporates cultural and art functions with its provision of park and open space areas.

Created in 1989, the Scientific and Cultural Facilities District (SCFD) of metropolitan Denver was designed to financially support, at least in part, cultural, artistic, and outdoor institutions in the greater Denver region. Prior to the creation of the district, the State of Colorado provided significant funding to cultural institutions in Denver and around the state. However, in 1982, the state removed its funding from these organizations. Cultural institutions, particularly the large museums and botanical gardens in Denver, began to struggle financially without state support.¹⁸

¹⁸ Scientific and Cultural Facilities District. 2007. "History"; <http://www.scfd.org/?page=about&sub=1>. 2 September 2009.

While the City of Denver provided funds to its cultural institutions, many visitors were from surrounding suburbs. Consequently, key officials from Denver and its neighboring suburbs backed state legislation that allowed for the creation of a regional culture district that would support Denver's major institutions but also benefit suburban facilities and organizations. Voters in a seven-county region surrounding Denver agreed and passed a 0.1% sales and use tax to fund the district.¹⁹ The district is now the primary source of funding for several major institutions in the City of Denver and provides supplemental revenue to a wide variety of groups, organizations and cultural landmarks within the region.

There are two aspects of this special purpose district that are particularly unique. First, the regional cooperation utilized to create and maintain the district generally is not common among other urban areas (especially for a seven-county region). Second, the district supports cultural, arts, zoological and botanical facilities, as opposed solely to parks.

The Rockford Park District, meanwhile, was formed in 1909. In contrast to the many park districts within the State of Illinois, but similar to the SCFD of metropolitan Denver, the Rockford special district also encompasses a variety of museums and cultural facilities. The district is associated with five museums and one museum "park area." In several cases, the museums are located on district land, which makes the funding and operations of these facilities somewhat of a natural combination.²⁰

The district also oversees the operation and maintenance of parks and facilities outside of the city's boundaries. These service areas include three neighboring cities and a variety of adjacent unincorporated land. This also makes the Rockford Park District unique among Illinois districts because most others generally are confined to more limited boundaries.

The following are profiles of the SCFD of metropolitan Denver and the Rockford Park District. The SCFD of metropolitan Denver provides an example of a large, relatively recent regional district, while the Rockford Park District represents a smaller regional district that has remained viable for a long period of time. While their structure, operations, and scope certainly are different, their overall goals of providing art, culture and park facilities are similar.

¹⁹ Following the 1988 vote, the tax was re-approved by voters in 1994 and 2004.

²⁰ Rockford Park District. 2009. "About Us." <http://www.rockfordparkdistrict.org/home/aboutus/aboutus.cmsx>. 2 September 2009.

**Table 19: A profile of the Scientific and Cultural Facilities District (SCFD)
Denver Metropolitan Region, Colorado**

Establishment	In 1982 the State of Colorado cut its funding for cultural institutions around the state. In 1989, as a response to reduced funding, the citizens of metropolitan Denver overwhelmingly voted (3-1 ratio) to increase sales taxes to support arts and culture organizations through a regional cultural asset district.
Property	Through its taxing authority the district provides financial support to over 300 regional organizations. However, receiving over 65% percent of the financial resources are five institutions: the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Nature and Science, the Denver Zoo, and The Denver Center for the Performing Arts. Medium to small organizations share the remainder of the funding.
Population served	Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties Population (Combined): 2,438,842
Governance	The SCFD Board of Directors is comprised of eleven members. Board members are chosen by county commissioners in each participating county (city councils in Denver and Broomfield). In addition, four members are appointed by the governor. The executive director reports to the board of directors and oversees the distributions and work of the district staff. Each county has a board to represent constituents and distribute small funding amounts.
Budget process	The SCFD executive director and district staff prepare an annual budget which is subject to review and approval by the SCFD Board of Directors.
Financial planning	The SCFC Board of Directors considers and documents long-term planning and financing options. In 2008, this was accomplished by board retreat focused on long-term planning options. Financial reserves were enough to cover six months of operations in 2008.
Revenue	The SCFD is funded by a sales and use tax of 0.1% that is applied to the seven counties listed above. The tax was approved overwhelmingly in 1988, 1994, and 2004. Because of the number and scope of groups supported by the SCFC, supported institutions must also generate other sources of revenue from grants, fees and sales, or donations in order to completely cover total expenditures.

**Table 20: A profile of Rockford Park District
Rockford, Illinois**

Establishment	The Rockford Park District was formed in 1909 as a special purpose government with the primary objective of establishing and maintaining public park and recreation facilities for district residents.
Property	There are 175 park sites within the Rockford Park District, containing 4,833 acres of land covering 125 square miles. Included in the parks are two community centers, skateboard and bike areas, a disc golf course, walking/bike paths, three golf courses, an ice arena, and a green house. Cultural facilities include: the Burpee Museum of Natural History, the Discovery Center Museum, Midway Village Museum, Riverfront Park Museum, Rockford Art Museum, and the Tinker Swiss Cottage Museum.
Population served	The cities of Rockford, Loves Park, Cherry Valley, New Milford and adjacent unincorporated areas in Boone and Winnebago Counties. Population (Approx. Combined): 172,891
Governance	The Rockford Park District is governed by an elected five-member board of commissioners that serve six-year terms without compensation. Reporting to the commissioners is an executive director and a group of specialized deputy directors.
Budget process	The budget is prepared and presented to the district commissioners by the executive director and the chief financial officer. The board of commissioners examines and approves the budget.
Financial planning	The board of commissioners develops a series of priorities that provide staff with a general direction concerning financial, staff and other resources.
Revenue	The property tax rate was 71.27 cents per \$100 of assessed value in 2008. Property taxes from homeowners and businesses make up half of the revenue of the operating funds for the Park District (51%). Fees paid for services (e.g. golf, ice skating, swimming, camps, etc.) make up 36%. The remainder (13%) comes from other sources such as grants, donations, sponsorships, and advertising.

In Milwaukee County, combining the county's parks and recreational facilities has been discussed most prominently in the context of discussion about a dedicated funding source. A November 2008 advisory referendum on a potential 1% sales tax in Milwaukee County included both parks and cultural institutions under the list of functions that would receive sales tax proceeds and end reliance on property tax levy. Neither the referendum nor subsequent legislative initiatives at the state level to implement the tax have spelled out the percentage of the sales tax proceeds that would be directed to either function, however, nor have these initiatives specified which specific cultural institutions would receive sales tax proceeds and how much each would receive individually. Also, while the notion of combining cultural institutions with the parks in a separate district has been discussed by some park district proponents, the sales tax referendum did not envision that option.

A potential parks and culture district in Milwaukee County could be organized in many different ways. The following discussion of pros, cons and logistical issues focuses on the general concept and does so solely from the perspective of the cultural institutions, as a similar discussion on parks is presented in the next section of this report.

Key pros

- Creation of a parks and culture district with its own dedicated funding source would remove the cultural institutions from competition with other county functions for annual operating assistance, and would end the necessary prioritization of mandated county functions over those institutions. It also could provide greater certainty about funding, which is essential for long-term planning for each of the institutions.
- If the new district is regional in nature, it would allow cultural institutions that are enjoyed by visitors from throughout southeast Wisconsin to receive financial support from that larger tax base.
- Transferring ownership of the institutions to a new authority perhaps would be even more beneficial on the capital side, as the institutions currently struggle to access needed capital dollars from the county even for fundamental physical repairs that – when left unaddressed – impact attendance and other sources of earned revenue. It is also extremely difficult for some of the institutions to develop business plans and raise private dollars without knowing how they will fare in the steep competition for county support for physical improvements.
- For the zoo, being part of an independent district could allow it to function more efficiently, because it would be freed from having to utilize county internal services (e.g. facilities, fiscal, human resources and legal). The Forum's 2008 report on the county-owned parks and cultural institutions cited an official from the Zoological Society who argued that the zoo needs to "constantly refresh itself" with new exhibits to draw visitors in the area's very competitive tourism climate, but that the county's bureaucratic climate and high overhead costs impeded it from doing so.

- Transferring ownership of the cultural institutions to a separate authority could heighten prospects for non-public funding for capital improvements from foundations and other sources.

Key cons

- Housing the cultural institutions in a separate district could lead to a significant increase in taxing and spending on the institutions because of lack of competition with other locally funded services, which forces policymakers to prioritize among a wide variety of programs and services and make difficult spending choices.
- The non-county-operated cultural institutions fare well under administration of the War Memorial Corporation and/or separate boards of directors with little interference from county officials. It is possible that the board of a new parks and culture district could become more involved in operational oversight in a non-constructive manner.
- Several of the institutions have benefited from county ownership by being able to take advantage of county financing for capital improvements and county financial assistance in instances of emergency (e.g. the county's critical role in helping the Milwaukee Public Museum get back on track after its fiscal crisis earlier this decade). A separate district may not possess the capacity to be as helpful in that regard.
- Creation of a regional arts and culture district could engender significant opposition from policymakers and taxpayers in surrounding counties, who may contest paying taxes to support institutions that are located in Milwaukee County.
- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new parks and culture district simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- The zoo has significant legacy liabilities amounting to \$1.8 million annually for the cost of health care and pensions for its retirees, and more than \$32 million in outstanding debt on zoo facilities and infrastructure. The other county-owned cultural facilities also have more than \$35 million in outstanding debt that is currently being paid by the county. In developing legislation authorizing creation of a parks and culture district in Milwaukee County, the state would need to determine whether the new authority would assume responsibility for the zoo's legacy liabilities and the outstanding debt on the zoo and other cultural facilities.
- In a memorandum prepared by county board and administrative services staff for the county's Intergovernmental Relations Committee in December 2007, concern was expressed over the transfer of equipment and infrastructure to a proposed park district without a similar transfer of debt service, as the county would remain responsible for paying debt service for equipment it no longer owned. This same concern would arise for the zoo and would need to be addressed in authorizing legislation.

- Some of the zoo's assets have been donated to the county, and legal attention would be required to determine if those could be turned over to another entity.
- Significant legal questions regarding the transfer of ownership from the county to a newly established authority and the status and potential continuation of existing memoranda of understanding between the county and the institutions would need to be researched and resolved.