



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** JUNE 15, 2021

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** STEVE DANLEY, ACTING CITY MANAGER

**PREPARED BY:** CHRISTA JOHNSON, INTERIM DEPUTY CITY MANAGER  
ALICE LOYA, DEPUTY DIRECTOR OF PARKS AND RECREATION

**SUBJECT:** REQUEST FOR CITY SUPPORT FROM THE FULLERTON MUSEUM CENTER ASSOCIATION

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### **SUMMARY**

City Council previously directed staff to work with the Fullerton Museum Center Association (FMCA) to re-open the Fullerton Museum Center (Museum). The FMCA requests financial support from the City to open the Museum for a minimum of three days a week.

### **RECOMMENDATION**

1. Consider the Fullerton Museum Center Association's request for a grant to manage and operate the Fullerton Museum Center and provide direction on the amount and funding source.
2. If the City Council desires to provide a grant to the Fullerton Museum Center Association or continue to operate the Museum as a City function, then approve necessary budget adjustments in the amount of the grant from funding sources to be determined by the City Council.
3. Authorize the reimbursement of \$51,771 to the Fullerton Museum Center Association from the Parks & Recreation Department's Fiscal Year 2020-21 budget for the organization's costs incurred during COVID-19 quarantine.

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statement/s:

- None

## FISCAL IMPACT

There is no funding in the adopted Fiscal Year (FY) 2021-22 budget for the purpose of operating the Museum, either as a City function nor via a grant to the FMCA. If the City Council desires to re-open the Museum there will be a fiscal impact dependent on the amount of City funding that is granted to the FMCA.

The FMCA is requesting \$320,000 in City funding in their "Option 2" request (see Attachment 1) to re-open the Museum, under their management and staffing, three days a week for one year starting July 1, 2021. The City's adopted FY 2021-22 budget includes \$113,712 in General Fund support to maintain the Museum building, provide custodial service and pay the Museum's utilities costs. The budgeted amount does not include building and liability insurance costs of \$56,703, which is included in the Parks & Recreation overhead. Thus, should City Council provide direction to provide the requested grant to FMCA, the estimated budget appropriation needed to open the Museum three days a week per FMCA's Option 2 is \$205,288 (\$320,000 – \$113,712) of new appropriations.

There is also capacity from cost reduction measures in the current FY 2020-21 budget to reimburse the FMCA \$51,771 in costs incurred during the COVID-19 closure due to the State's shelter in place order.

## BACKGROUND

The City has operated the Fullerton Museum Center in partnership with the Fullerton Museum Center Association since 1975. The Museum was closed in March 2020 in response to the COVID-19 quarantine. As part of the City's efforts to address its financial deficit, the Museum was identified for reduction due to the amount of annual General Fund support of over \$600,000 needed for management, staffing, maintenance, and operations. This amount does not include administrative overhead costs from Parks & Recreation administration and the Administrative Services Department. At the same time, also due to the City's financial deficit, the City's Parks & Recreation Department also had to cancel programs, close facilities, and reduce staffing. These staffing reductions included several full-time staff and over 100 part-time staff, including two full-time staff that were assigned to the Museum operations and part-time staff that assisted in Museum operations.

To continue providing programs to the community, City staff began seeking partners for the facilities that were closed with the goal of reducing the impact on the General Fund. This included approaching the FMCA to take over the management and operation of the Fullerton Museum Center.

The existing Museum agreement with the FMCA makes the City financially responsible for all staffing, management, operations and maintenance of the Museum. The FMCA is responsible for selecting and funding the exhibits and educational costs above City funding through fundraising. The FMCA's fundraising efforts include museum

memberships, the Museum gift shop, and the beer garden at the Thursday market. Since the City is responsible for staffing, the gift shop and Beer Garden have been staffed by City employees. The agreement requires the FMCA to share 25%, approximately \$39,000, of their revenue from membership and gift shop sales to offset the City's costs. In addition to the prior annual City budget of \$600,000 to fund museum operations, the FMCA separately incurs costs of approximately \$160,000 per year. Therefore, the total annual cost to operate the Museum under pre-COVID conditions is approximately \$760,000 per year.

Due to the City's financial deficit, the City's initial goal was to work with the FMCA to operate the Museum without City financial assistance (see Attachment 2 City Council agenda report, page 3, dated February 2, 2021). Accordingly, last year, while the Museum was closed, City staff worked with the FMCA Board to draft an agreement to transfer the management of the Museum from the City to the FMCA. These efforts did not result in an agreement that was mutually approved by the City and the FMCA. This outcome was not unexpected as the volunteer FMCA Board has never been involved in the daily operations of the Museum. As such, it is reasonable to expect a transition period before the FMCA can assume full management of the Museum.

City staff was then given direction by the City Council at the February 2, 2021 meeting to assist the FMCA Board with re-opening the Museum three days a week (Thursday – Saturday) by April 15, 2021. The FMCA Board, however, was not currently in a position to re-open the Museum on April 15<sup>th</sup>. This was communicated to City Council at their March 16, 2021 City Council meeting, where the FMCA Board stated it was not ready to re-open the Museum until June or July of 2021 (see Attachment 3 March 9, 2021 email from FMCA). At that time, the FMCA requested time to create a transition plan to allow them access to the Museum, inventory their collection and gift shop, evaluate their Beer Garden operations, plan their first exhibit and create an operating and funding plan to re-open the Museum. City Council then directed staff to continue this item to April 20, 2021. Subsequently, the City Manager's Office notified the City Council that the FMCA would not be ready to present a plan to City Council at the April 20<sup>th</sup> meeting.

## DISCUSSION

The majority of museums in the United States are managed and operated by nonprofit organizations. Nationally, 4% of museums' funding comes from cities according to the Association of Art Museum Directors. City of Fullerton Parks & Recreation staff completed research on funding and management of Orange County museums. Of the 15 museums they researched, 13 of the museums are managed and operated by nonprofit museum foundations. Four of the museums receive some funding from cities, such as transit occupancy taxes and grants, and funding from universities and state and federal government agencies. Only the Brea Museum is staffed and operated by the city. 14 of the 15 museums are primarily funded from donations, grants, and other fundraising efforts by the museums' nonprofit boards.

The FMCA has completed its analysis and has submitted funding options for the City Council to consider. The FMCA-identified funding options are included in the April 27, 2021 email from the FMCA Board (see Attachment 1 – funding request email).

The options outlined below include FMCA's Option 2 (bullet point c.) and other options for City Council consideration:

- a. Status quo: keep the Museum closed in FY 21-22. Costs are: \$156,306 to include \$88,603 to maintain the building; \$11,000 for utilities; and \$56,703 to insure the building (included in Parks & Recreation administration budget). This option is included in the FY 21-22 adopted budget.
- b. Previous Model: City to operate the museum with annual costs of over \$600,000 in City funding for direct costs and management. Given the City's General Fund financial constraints, this option is not recommended as it would be fiscally unsustainable without further reductions to other currently minimally provided City services. Costs could be slightly reduced if the Museum's operating hours are reduced, however, the savings would be minimal.
- c. Provide a \$205,288 grant to the FMCA with the City responsible for utilities, custodial services, and building maintenance estimated at \$113,712. FMCA will operate the Museum in FY 21-22 with this grant from the City and with its own funds. No City staff would be involved in the operation of the Museum. FMCA has stated they can operate the Museum three days a week for \$320,000. The FMCA would utilize this grant amount to retain and pay for a director, part time staffing, operation costs and building costs. The City has already budgeted \$113,712 in the adopted FY 21-22 budget for utilities, custodial service, and building maintenance. The remaining amount of \$205,288, is not available in the FY 21-22 adopted budget and would require a new appropriation from Council.
- d. Provide a grant to the Museum in an amount determined by the City Council. FMCA would decide if it is able to operate the Museum in FY 21-22 with this grant from the City supplemented with its own funds. No city staff would be involved in the operation of the Museum.

### Funding Options

If the City Council wishes to either continue to operate the Museum as a City function or provide grants to the FMCA to operate the Museum (Options B, C or D above), City Council direction is needed on how to fund the option. Staff has identified the following potential funding sources for City Council's consideration should it determine to fund and/or staff the Museum.

Council could realize savings by approving the cancellation of the following community events or utilizing Contingency Reserve funds. The events that could be considered for cancellation with corresponding Parks and Recreation savings from the General Fund include:

- First Night Fullerton event = \$90,924
- Summer Concerts = \$35,999
- Fishing Derby = \$2,350
- 2022 4<sup>th</sup> of July fireworks and festival = \$72,465
- Downtown Fullerton Farmers Market = \$79,573

- General Fund Contingency Reserve: amount to be determined

#### One-time Reimbursement Request

Included in the March 16, 2021, City Council report was a recommendation to reimburse the FMCA in the amount of \$51,770 for non-refundable exhibit deposits and guitar shipping fees incurred from closing the Museum due to the State shelter in place order. With the assistance of the FMCA's attorneys, the FMCA was unsuccessful in attempting to reverse the penalties. Funding for the reimbursement will come from savings available in the Parks & Recreation Department's current fiscal year (FY 20-21) budget.

#### Next Steps:

At City Council direction, staff will continue to work with the FMCA during this first year to assist in a long-term plan that will allow the FMCA to become self-sustaining and enter into a longer term agreement to manage and operate the Museum. During this time, staff and the FMCA will explore an option to work with a third-party community partner, such as Fullerton College or CSUF, to achieve this goal. Staff will also continue to support the FMCA in submitting grants through the federal CARES Act and ARPA COVID-19 federal relief funding intended to support museums and galleries that had to close during quarantine.

The FMCA booked a "Green Book" exhibit that is currently scheduled to open on July 1, 2021. To open the Museum by July 1<sup>st</sup>, the following tasks will need to be completed: design the exhibit layout for the gallery spaces; create exhibit labels and educational signs; unload the exhibit pieces and catalog them upon arrival; prepare the gallery spaces (painting walls, building display cases, etc.); and install the exhibit. These tasks will take three to four weeks to complete and require three to four people, including a museum professional such as a curator or museum director. There is no available staffing the Parks & Recreation Department to perform these tasks without taking them from critical parks operational functions.

#### Attachments:

- Attachment 1 – FMCA Funding Request Email
- Attachment 2 – Museum Update City Council Agenda February 3, 2020
- Attachment 3 – City Council Minutes March 2, 2021
- Attachment 4 – Museum Update City Council Agenda March 16, 2021