



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of City Council
FROM: Thomas Frutchey, City Manager
MEETING DATE: November 18, 2015
SUBJECT: City Financial Contribution to the Museum of Natural History Partnership
CEQA: Does not Constitute a "Project" per California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATION

Make no change at this time to City financial support of the Museum of Natural History, but remain open to reconsider that commitment in the future, if City finances warrant, applying criteria consistent with those applied to other City programs supported, at least in part, by General Fund dollars.

DISCUSSION

Prior to the Great Recession, the Pacific Grove Museum of Natural History was a City-owned, City-operated cultural institution. In FY 2007-8, the approved budget for the Museum was \$282,981, or 1.83% of the City's General Fund budget.

During the Recession, City support of the Museum was threatened, such that the Museum was at risk of being shuttered. Instead, a small group of citizens was brought together to fashion a public-private partnership that would allow the Museum to remain open. In June, 2009, the City signed an agreement with the newly formed Museum Foundation of Pacific Grove, Inc. The partnership agreement called for an annual contribution from the City equal to 1.01% of the City's annual General Fund budget. For FY 2015-6, this equals \$186,695.

The agreement has been amended three times in the last six years, one time with the explicit direction from the Council to the City's negotiators to seek a reduction in the City's annual financial commitment. No change in this provision has occurred.

The City's financial contribution has four primary purposes:

- ❖ Assisting the Foundation in achieving a balanced budget, in order to keep the Museum open.
- ❖ Demonstrating and continuing the City and community's commitment to the Museum as one of the City's primary cultural institutions.
- ❖ Meeting criteria set by the American Alliance of Museums, in order to receive and retain accreditation.
- ❖ Meeting criteria necessary for the Foundation to apply for grants, bequests, and other donations.

Reducing the City's contribution could have a significant negative impact in all four of those areas.

The Foundation has invested significant funds each year in maintaining and upgrading the collection (which is owned by the City on behalf of the community) and the building (also owned by the City). Both of these ongoing investments, which correspond to a substantial portion of the City's annual financial contribution, increase the value of the City's assets. Thus, there is actually a fifth way in which the City is receiving a return on its investment, even though not one of the original four purposes.

The Foundation has increased its non-City revenues significantly; in FY 2015-6, the adopted budget is \$905,210. Thus, to reduce the City's contributions now, based on a rationale that the Foundation doesn't need it, would penalize the Foundation for being successful. In addition, several multi-year grants obtained by the Foundation, including the initial establishment grant from the Packard Foundation, are winding down. As a result, the City's continued financial contribution may be even more critical in the future.

The City is entering a difficult period financially; it is not currently clear how the City will achieve a balanced budget in the out years of the Fiscal Forecast. It is very possible that consideration of reducing the City's annual financial contribution to the Museum Foundation will have to be undertaken in the very near future. At that time, however, such an action would be considered as part of consideration being given to all programs supported by the General Fund, based on comprehensive and consistent criteria. Given that the City's current level of contribution is cost-effective, it would not be appropriate to decrease contributions to just one program now, in isolation of that comprehensive consideration. In addition, the money saved now would not significantly reduce the overall reductions that will be necessary then, if no augmenting revenue sources are located. Even then, some of the likely criteria (e.g., return on investment) may well show that the City's contribution to the Museum budget has a higher payoff for the community than do expenditures in other areas.

OPTIONS

1. Do nothing.
2. Provide alternative direction to staff.

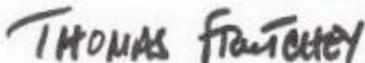
FISCAL IMPACT

City expenditures would be decreased by whatever reduction in contribution could be negotiated.

ATTACHMENTS

None.

RESPECTFULLY SUBMITTED,



Thomas Frutchey
City Manager