



AGENDA MEMORANDUM

Future Item for the City Council Meeting of August 14, 2012

Action Item for the City Council Meeting of August 21, 2012

DATE: August 2, 2012

TO: Ronald L. Olson, City Manager

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Professional Services Management Agreement for Corpus Christi Museum of Science and History.

CAPTION:

Motion authorizing the City Manager or his designee to execute a twenty four month agreement with Corpus Christi Museum Joint Venture (CCMJV) to operate and manage the Corpus Christi Museum of Science and History (Museum).

PURPOSE:

The Corpus Christi Museum of Science and History has been operating under management and funding models that have proven unsustainable. City staff has developed a proposal for an alternative business model with the intention of improving the museum's current performance and serving as a new template museum management across the country.

BACKGROUND AND FINDINGS:

Over the last 12 years, paid Museum attendance has decreased approximately 65%, while budget cuts have resulted in fewer resources for the museum. In an effort to improve museum performance and to create a new business model for museum management, staff recommends the transfer of museum operations through a two-year management agreement to a group called Corpus Christi Museum Joint Venture (CCMJV), a subsidiary of Durrill Properties. The goal of management agreement includes:

- To create a more engaging museum experience while maintaining the museum's science and history mission;
- To ensure the museum's integrity by maintaining its accreditation through the American Association of Museums and its certification as an archeological repository through the Texas Historical Commission;
- To preserve public access to museum collections;
- To move toward a long-term management agreement;
- To modernize (redesign/remodel) the interior and exterior of the building.

CCMJV proposes to use their extensive business experience to improve operational efficiency and to use their expertise in event planning, promotion, enhancing food and beverage service, and fund raising to increase the museum's attendance and revenue. Additionally, with a long history of providing both civic and monetary contributions to the Corpus Christi community, the Durrill's have a philanthropic interest in seeing the museum succeed.

Process

Staff engaged in an extensive process to ensure that the proposed agreement would both protect the interests of the museum and allow CCMJV the flexibility necessary to operate the museum successfully. The process included the following:

- The creation of a taskforce made up of representatives from each of the three museum support groups (Museum Advisory Committee, Friends of the Museum, and Museum Auxiliary) to provide input regarding the concept. All three museum support groups passed motions of support for the proposed management structure and all three groups will largely maintain their current roles in support of the museum (the lone exception being that the Museum Auxiliary will transition management of the museum gift shop to CCMJV).
- Constant communication with museum employees through group meetings and an employee selected working group to ensure that employees were informed of the progress being made regarding the concept and how they might be impacted through a transition from City to private management.
- The formation of a City negotiating team made up of representatives from the City Manager's Office, Museum, Legal, Human Resources, Finance, Management and Budget departments to cover any potential issues that would require consideration under a new management agreement.
- Staff used the previously agreed to Memorandum of Understanding (MOU) as the foundation of the proposed management model and worked diligently to ensure that every major point from the MOU was appropriately addressed in the new management agreement
- The City has engaged Strategic Government Resources (an Executive Search Firm) to conduct a national search for a new Museum Director. The search is currently underway with a new director projected to be start work in October of 2012.

Timeline

The timeline for this proposed management agreement is a period of 24 months starting September 1, 2012 and running until August 31, 2014. During the two-year timeframe CCMJV will be required to provide to the City performance reports on a monthly and quarterly basis. Important milestones of the agreement include the following:

- Selection and hiring of a new Museum Director (1st Quarter of the Agreement)
- Employee Transition [See Museum Personnel section below] (six months after the effective date of the agreement)
- Submission of a long-term business plan by CCMJV (18 months after effective date of the agreement). The long-term business plan will serve as a guide to make one of three decisions: 1) enter into a long-term extension; 2) enter into a short-term extension; or 3) terminate the agreement upon its expiration date. The final six months of the agreement will allow for implantation of whatever decision is agreed to.

Deal Points

The key deal points in this agreement are as follows:

- The City shall retain ownership of all museum land, buildings & collections (*Recitals*).
- The City shall provide a flat budget (relative to Fiscal Year 2012) for Fiscal Years 2013 & 2014 (*Article 5.3*).
- CCMJV shall maintain the museum's mission, certification, & accreditation (*Articles 5.1, 5.2, 7.1*).
- CCMJV shall maintain citizen support & oversight of museum (*Articles 20.1, 22.4*).
- CCMJV shall preserve public access to museum collections (*Article 5.2*).
- A revenue sharing arrangement provides incentives for both facility improvements and improved financial performance. A diagram of the revenue sharing model is attached to this agenda item. (*Articles 25, 26*).

Facility Improvements – *Articles 10, 13, 14 & 25*

The management agreement provides for a mechanism that encourages investment in the improvement of the museum facilities. The following is the process for handling proposed facility improvements:

- 1) CCMJV will submit a Facility Improvement Plan (FIP) shortly after execution of the management agreement. The Facility Improvement Plan sets the threshold for facility improvement reimbursements. (*Article 13.2, 25*).
- 2) The FIP is presented to Museum Advisory Board, who then provides a recommendation to the City Manager [or designee] (*Article 13.3*).
- 3) The City Manager (or designee) approves or disapproves the FIP (*Article 13.1, 13.3*).
- 4) If the FIP is approved, the first phase of implementation begins (*Article 13.3*).
- 5) The CCMJV General Manager and Museum Director will develop timeline for phased construction to mitigate disruption of operations (*Article 13.3*).
- 6) Once completed, improvements are accepted by City Manager (or designee). If improvements are not accepted, corrections will be made to make improvements acceptable (*Article 13.3*).
- 7) Per the management agreement, CCMJV can be reimbursed up to the amount approved in the FIP contingent upon generating revenue that exceeds the benchmark for covering annual operating expenses (*Article 13.3, 25.1*).
- 8) Any amount not reimbursed in the current fiscal year may be rolled over to the following fiscal year for reimbursement (*Article 25.1*).
- 9) Any amount not reimbursed at the end of the agreement due to revenues failing to exceed the revenue benchmarks identified in the management agreement will not be reimbursed unless otherwise agreed to as part of an extension of the agreement (*Article 25.4*).
- 10) Any increase in the costs of operations, programming, and maintenance as a result of new facilities and exhibits will be the responsibility of CCMJV (*Article 10*)

Museum Personnel - Articles 18, 19, 20 & 21

- Museum Staff will remain employees of the City for the first 6 months. During this period staff will decide if they would like to remain with the City or transition to CCMJV employment; CCMJV will evaluate staff performance to determine which employees they would like to retain (*Article 18*).
- At the end of the 6 month period, museum staff may elect to: 1) transition to CCMJV employment; 2) be placed in an existing vacancy within the City per the City's Reduction in Force Policy; or 3) seek other employment opportunities independent of either the CCMJV or the City (*Article 18.1*).
- A detailed Employee Transition Plan will be presented for Council approval by August 31, 2012; this plan will govern how the transition will take place (*Article 18.4*).
- CCMJV is required to maintain 8 positions which shall be staffed by museum professionals. These positions include: Museum Director, Collection Manager, Registrar, Librarian, Educator, Education Assistant, Science Exhibit Project Manager and History Exhibit Project Manager (*Article 21.1*).
- Professional staffing positions can only be modified by the Museum Director with approval of the City Manager (*Article 21.2*).

ALTERNATIVES:

- 1) One alternative is to maintain the museum's existing management and funding models. However, this is not recommended because the status quo is not the highest and best use of City resources nor is it sustainable in the long run.

OTHER CONSIDERATIONS:

Not applicable.

CONFORMITY TO CITY POLICY:

This management agreement conforms to the guidelines that govern the use of professional services agreements. The management agreement also maintains the mission of the Corpus Christi Museum of Science and History.

EMERGENCY / NON-EMERGENCY:

Not applicable.

DEPARTMENTAL CLEARANCES:

Museum
Museum Advisory Committee
Friends of the Museum

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2012-2013	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		1,450,304		1,450,304
Encumbered / Expended Amount				
This item		1,450,304		1,450,304
BALANCE		0		0

Fund(s): General Fund - Museum

Comments: The line item budget for museum operations for fiscal years 2013 and 2014 will be maintained at the approved fiscal year 2012 level. The management agreement requires CCMJV to cover over \$1.2 million dollars in operational expenses. The remaining expense is associated with the City's self-insurance obligations to cover City property and will be the responsibility of the City.

RECOMMENDATION:

Staff recommends entering into a management agreement with Corpus Christi Museum Joint Ventures for 24 months.

LIST OF SUPPORTING DOCUMENTS:

Contract
Exhibit – Museum Management Agreement Cash Flow Diagram