City of Troy

CITY COUNCIL AGENDA ITEM

January 4, 2011

RECEIVED
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CITY OF TROY
CITY MANAGER'S OFFICE

To: The Honorable Mayor and City Council Members

From: John Szerlag, City Manager
John M. Lamerato, Assistant City Manager/Finance & Administration
Cathleen A. Russ, Library Director
Loraine M. Campbell, Troy Historical Museum Manager

Subject: Troy Historical Society request for "seed money"

Background

On Tuesday, January 4, 2011, City staff met with representatives from the Troy Historical Society to discuss the Society's request for seed money to support its efforts to assume operational management of the Troy Museum & Historic Village.

John Lavender and Ward Randol of THS explained the rationale for the funding request and how the funds will be used.

Representatives from the Troy Historical Society will be present at the city council meeting on Monday, January 10, 2011, to answer any questions members of council may have.

Recommendation

City staff recommends that the Troy Historical Society be granted funds not to exceed $50,000 to support its efforts to assume operational management of the Troy Museum & Historic Village.

Fund Availability

If approved, these funds will be charged to the Museum budget and a budget amendment will be prepared at a later date.

CR/AgendaItems/THSseedmoney/cc1.10.11

Troy Historical Society
Troy Museum & Historic Village
60 W. Wattles Road
Troy Michigan, 48098

248-524-3570

December 22, 2010

Mr. John Lamerato
Asst. City Manager, Finance and Administration
500 W. Big Beaver Road
Troy MI, 48084

Dear Mr. Lamerato:

The Troy Historical Society requests "seed money" not to exceed $50,000 to support its efforts to assume operational management of the Troy Museum & Historic Village. These funds will be used to retain consultants, as outlined in the attached spreadsheet, and to purchase equipment that will support the Museum's transition from City support. Additional costs referenced in the spreadsheet will be paid by the Troy Historical Society.

Members of the THS Transition Team and Museum Manager Loraine Campbell have documented cost ranges for these services through conversations with other nonprofit financial executives, the Michigan Nonprofit Association and the consultants that they recommended. The THS will provide the City of Troy with the actual specifications, proposals and quotes to perform the outlined activities prior to the receipt of any seed money.

The Troy Historical Society appreciates its forty-year public-private partnership with the City of Troy and will work diligently, using this support, to usher the Museum to programmatic and fiscal sustainability.

Sincerely,

Ward Randol

Ward Randol
THS/Museum Transition Team

Preserving the light since 1966

Troy Historical Society
Allocation of "Seed Money"

The Troy Historical Society seeks "seed money" to support critical steps for the Museum's operational transition. We have collected the following cost ranges through direct conversations with representatives from the Learning Circle for Nonprofit Financial Exectutives, the Michigan Nonprofit Assn. and the Cultural Alliance of Southeastern Michigan. The Transition Team has also spoken with consultants suggested by these groups. Cost ranges are provided as detailed RFPs have not been completed at this time. The Transition Team believes, however, that these are realistic costs for professional assistance that will enable the THS to move the Troy Museum & Historic Village to programmatic and fiscal sustainabliity.

Service or Purchase:	**Cost Range**	
	Low	**High**
Consultant services to investigate expanded services/products and regional markets, using focus groups, surveys and concept tests	$30,000	$45,000
Facilitator to develop coordinated strategic and business plans	$3,000	$5,000
Consultant to complete a regional Development and Community Relations Plan	$5,000	$6,000
Board of Directors orientation and training	$1,000	$1,500
Website development and optimization	$6,000	$10,000
Purchase equipment and supplies	$5,000	$6,000
Totals:	$50,000	$73,500

Troy Historical Society
Troy Museum & Historic Village
60 W. Wattles Road
Troy Michigan, 48098

248-524-3570

December 8, 2010

Mr. John Lamerato
Asst. City Manager, Finance and Administration
500 W. Big Beaver Road
Troy MI, 48084

Dear Mr. Lamerato:

The Troy Historical Society (THS) has been working, since Troy adopted the current three-year budget, to find a way to keep the Troy Museum & Historic Village (Museum) open to the public after the end of operating funds from Troy on June 30, 2011.

The THS now believes that it can operate and manage the Museum after that date, if authorized by Troy, at its current level of public hours (Tuesday, Wednesday and Thursday 10 am-3 pm) and staffing. However, THS will need help from consultants to (1) ensure that such operation is financially sustainable and (2) find ways to grow the Museum's revenue for the long term. THS will request seed money from Troy to pay consultants for this purpose, and to purchase equipment and materials required for the transition.

For the information of City Council pending the Society's request for seed money, we have enclosed:

1. Elements of a proposed agreement between the THS and Troy for the operation of the Museum effective July 1, 2011. These elements are based on other agreements developed for Michigan municipalities that transferred operational control of their museums to nonprofit organizations.

2. A one page chart, Impact and Revenue Strategies, that lists the current core activities of the Museum, how they support the Museum's mission and their revenue sources.

3. The costs, profitability, mission impact of each core activity in a table and graph format.

We will submit THS' request for seed money for specific consultants and equipment in advance of the January 10, 2011 City Council meeting.

Sincerely,

Ward Randol

Ward Randol
THS/Museum Transition Team

Preserving the light since 1966

December 8, 2010

Elements of a Proposed Agreement
Between the Troy Historical Society and the City of Troy
Regarding the Troy Museum & Historic Village

1. The Troy Historical Society (THS) is a Michigan nonprofit corporation exempt from tax under Sec. 501 (c)(3) of the Internal Revenue Code. These proposed agreement elements have been approved by the THS Board of Trustees, and, with support from City Council, will be incorporated into an Agreement for adoption by both the City of Troy (Troy) and the THS.
2. The City of Troy, a Michigan municipal corporation, owns the Troy Museum & Historic Village (Museum) located at 60 W. Wattles Road, Troy, Michigan, which is a locally designated Historic District that includes the following structures:
   - Troy Township Hall, built on site in 1927, currently houses Museum offices, THS Museum Store and records, Pioneer Room for classes and meetings, reference library, and collections storage areas;
   - Log cabin, built circa 1840 in Monroe County, Michigan;
   - Caswell House, which is included on the National Register of Historic Places, was built in 1832 in Troy, moved to the Museum and furnished as an 1865 Greek revival home;
   - Poppleton School, a one-room, red brick schoolhouse built in 1877 in Troy, and moved to the Museum;
   - A replica of Cutting's General Store, originally located at Troy Corners, two miles north of the Museum, resembles its appearance in 1918. The Museum Archive is located on the second floor.
   - The Village Print Shop, an on-site, rebuilt water testing station, appointed to 1910, containing two turn-of-the-century printing presses;

- Wagon Shop, built at Troy Corners circa 1870, containing a functioning blacksmith's forge and woodworking shop;
- Troy Parsonage, built at Troy Corners circa 1880 and appointed to 1912, also has a collections workshop in the basement;
- Troy Historic Church (originally United Methodist Church of Troy), built at Troy Corners in 1837;
- Town Hall, built circa 1864 in Troy, and moved to the Museum, this one-room school now functions as an interactive learning area;
- Gazebo, replica of a nineteenth century structure, serves as a focal point for music and activities in the Village;
- Niles-Barnard House, built in 1837 at Troy Corners, now awaits interior restoration.
- The residence at 109 Lange St., purchased for future Museum expansion and presently used by City and Museum for storage.

Troy also owns the Museum's collections, which include the following: historic furnishings, exhibited in the buildings listed above; documentary and photographic artifacts (archives); domestic and agricultural implements, textiles and clothing, vehicles and other objects indicative of the lifestyles, customs, dress and resources of the residents, businesses, and government of the area. Items not exhibited are stored in designated areas on site.

3. Troy has operated the Museum since its founding in 1968. In the intervening years, the Museum has become a regional cultural destination, with 80% of its visitors coming from outside of Troy. After June 30, 2011, Troy will no longer be financially able to keep the Museum open to the public, although Troy still desires that it be kept open. Therefore, effective July 1, 2011, Troy will authorize THS to manage and operate the Museum. THS will agree to manage and operate the

Museum faithfully and diligently, without any duty by Troy to compensate THS for such services, except as provided in the Agreement.

4. THS is an independent contractor, having full authority and responsibility to render these services. Since the Museum's founding, THS has supported the Museum with volunteer services and financial donations, to assist Troy in moving structures to the Museum and restoring them. Since 2005, THS has raised over $750,000 and spent it on expanding and improving the Museum.
5. In managing and operating the Museum, beginning July 1, 2011, THS intends to continue to provide citizens of Troy along with the region's residents and visitors, a wide range of affordable, outstanding educational and enrichment opportunities and programs. THS intends to expand the Museum's mission, vision, collections scope, programs, institutional identity, name and brand to reflect a regional focus that will increase programmatic and financial sustainability.
6. THS shall not materially reduce Museum staffing and public hours of operation that became effective July 1, 2010:
    a. Unless adequate funding to maintain such staffing and hours is unavailable; and
    b. Without consultation with Troy.
7. Subject to the foregoing, THS will have sole discretion and authority in operating the Museum, including day to day operations and retaining staff and volunteers. THS will determine:
    a. Days and hours of operation
    b. Customer service performance standards
    c. Admission rates
    d. Collections, human resources, and other operational policies and procedures
    e. Exhibits presented

f. Programs, products and interpretive services delivered

g. Care, preservation and use of Museum collections and historic buildings, in compliance with standards set by the American Association of Museums and the U.S. Department of Interior Standards for Historic Rehabilitation, consistent with current Museum policies.

h. Care, use and cleaning of Museum assets including, but not limited to, office furnishings and equipment.

8. In retaining a Museum Director, curator, archivist, interpreters or other professional staff, THS will endeavor to select individuals with history, museum studies, archival and/or other appropriate qualifications.

9. THS in its sole discretion may enter into partnerships, collaborations, or other relationships with entities other than Troy to enhance the Museum's mission-focused visitor experience, enhance operations, diversify sources of private or public funding, reduce costs, or realize other benefits or operational efficiencies.

10. THS will retain all revenues earned from the Museum's operations, including, but not limited to: admission fees; program revenues; facilities or property rentals for private functions or use; revenues provided, or funds received, from federal, state or county sources; and all other revenues, funds, grants, donations or pledges, in cash or in kind (such as donations of property or securities) from any private or public source. Further, any revenues related to artifact or collections-related activities shall accrue to the THS. THS will continue to maintain and operate a Museum store and keep THS files and financial records at the Museum. All funds received by THS from Museum operations will be used to further and promote the general welfare and interests of the Museum.

11. THS and Troy recognize that Museum archives and collections are not financial assets and will adhere to the American Association of Museums Code of Ethics (1991) regarding the acquisition,

accessioning, deaccessioning, and disposal of collections materials. New accessions will be added as property of Troy, and any proceeds from the sale of deaccessioned materials will be used only for the acquisition of new artifacts, or archival materials, or for the care of existing collections. The Museum Director, in semi-annual reports to the Museum's governing board and Troy, will request Troy to confirm acceptance of any new acquisitions or approval of any deaccessions.

12. To insure the continued integrity of the Museum assets, buildings and collections, whether or not the Museum is open to the public, and in recognition of Troy's continued ownership of all Museum assets and collections, Troy will provide an annual operations appropriation to THS, which will be allocated for the following costs:

    a. Utilities to all buildings, including heat, electricity and water;

    b. Security, including telephone lines and equipment;

    c. Liability insurance;

    d. Building maintenance;

    e. Grounds maintenance, including mowing, snow removal, and fall clean-up;

    f. Maintenance of Museum collections electronic database (PastPerfect).

    The remaining costs of managing and operating the Museum will be borne by THS.

13. Troy will provide a separate capital fund, through the annual budget process, to insure that the Museum grounds and all buildings, which are included in a locally designated Historic District, are maintained in compliance with Chapter 13, the local preservation ordinance, State of Michigan law and the U.S. Department of Interior Standards for Historic Rehabilitation. All appropriations to the fund will be used by the THS to make repairs and improvements, as approved by the Historic District Commission and in consultation with Troy. The fund will be

renewed each year to a minimum balance of $50,000, with any fund balance remaining at year's end carried over to the next year.

14. THS will provide regular periodic reports to Troy. The reporting schedule and content will be detailed in the completed Agreement.
15. Troy and the THS will maintain appropriate liability insurance coverage, and will indemnify each other against liabilities, as specified in the Agreement.
16. THS will consult with members of the Historical Commission, which has been eliminated as a City-appointed commission, to establish an interim governing board composed of THS and former commission members. The terms of office and duties of this governing board will be formulated in the Agreement.
17. The changes in operating procedures, as contemplated by the Agreement, will result in the elimination of all Museum employee positions from Troy's payroll after June 30, 2011. While Troy will be responsible for determining the employment status, termination or transfer of its employees, the THS will have discretion on how Museum positions eliminated by Troy are to be restructured or replaced. THS will expend its best efforts to provide continued employment to current Museum employees at a comparable level within THS.
18. The initial term of the Agreement shall commence on July 1, 2011 and will run through June 30, 2016. The Agreement will renew for successive five (5) year terms, unless notice of termination is provided by Troy at least six (6) months prior to the date of renewal.
19. If THS determines that it is not economically feasible to continue its operation of the Museum pursuant to the Agreement, THS may terminate the Agreement and shall provide six (6) months notice of its intention to exercise early termination. In such event, Troy may elect to continue operation of the Museum, whereupon Troy expressly assumes the risk of, and accepts responsibility for, the operation of the Museum after the date of termination, pursuant to this

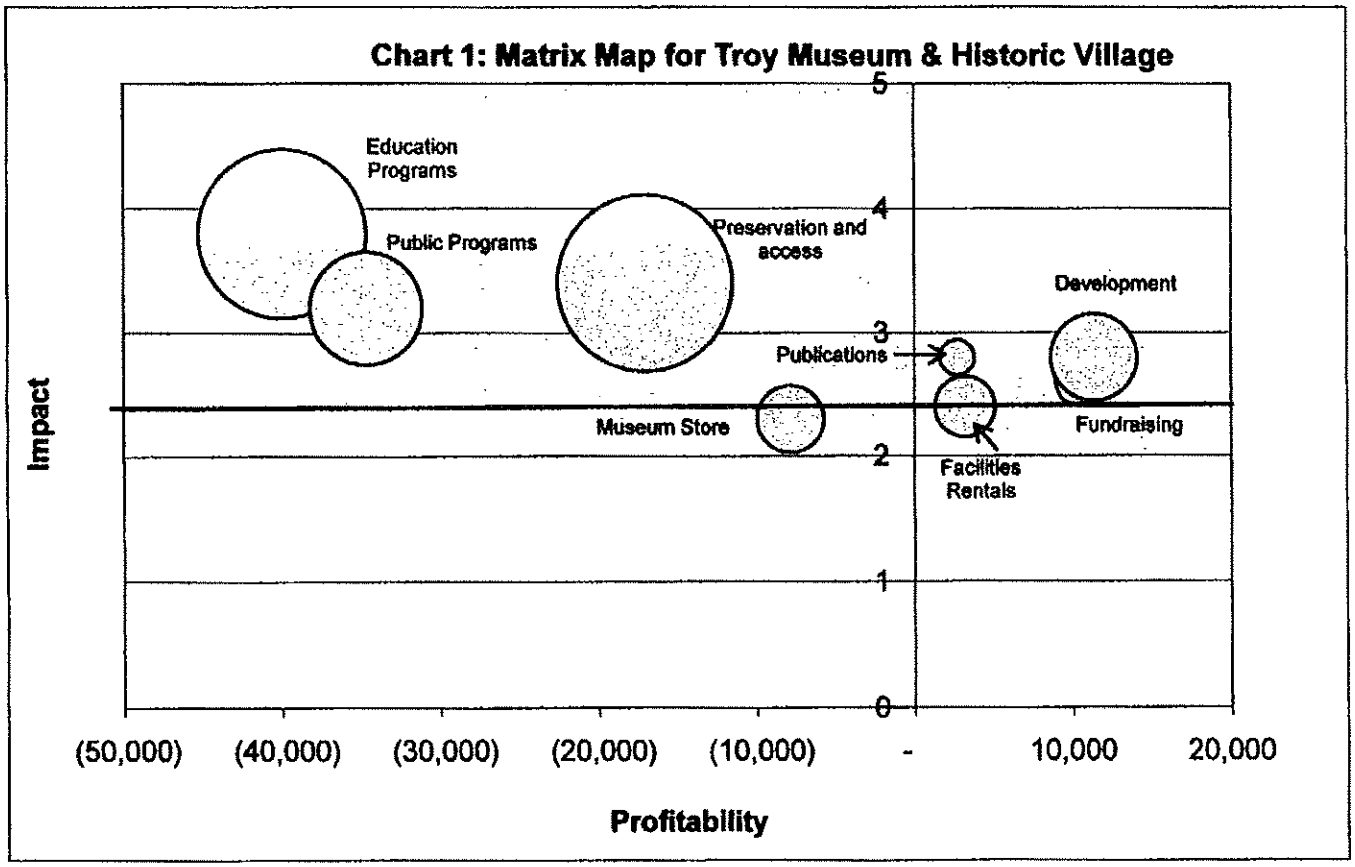
provision. If Troy elects to shut down the Museum to the public, Troy assumes the risk of, and accepts responsibility for, all costs and expenses which may occur as a result of that shutdown. Further, Troy will release from liability the THS, its officers, directors, agents, representatives, heirs and employees for the cost of such shutdown and the Agreement shall terminate.

Table 1: Impact and Revenue Strategies for Troy Museum and Historic Village

Core Activities	Impact Strategy	Revenue Strategy
Education Programs	Interactive, grade level appropriate education programs that meet Grade Level Content Expectations (GLCES), currently offered to grades K-5 and 8	Student and chaperone fees
Public Programs	Less structured education and enrichment programs for families, scouts, and adults. Programs are offered primarily on weekends, during the summer, and through evening lectures	Program fees and season tickets to "Teas"
Preservation of and access to Historic Village and Museum collections	The furnished buildings in the Village are collectively the permanent exhibit of the Museum. Self-guided tours and self-directed activities are are provided to the public.	General Admission City appropriation
Facilities Rentals	Use of Old Troy Church and other buildings and the grounds for weddings, meetings, and receptions	Rental fees
Publications	Books related to Troy's history and heritage researched and developed by staff and volunteers	Donations to cover publications costs Direct sales and royalties
Museum Store	Mission-focused cards, books, candy, old-fashioned toys and related gift items sold to genral public and in prepackaged gift bags for student visitors	Classroom orders, in-store and on-line sales
Fundraising Events	Car Show, Antiques Collectibles and Appraisal Fair and other small events	Sponsorships, car registration fees, and appraisal fees
Development= Memberships, annual appeal, donations and grants	THS memberships provide access to Museum as a benefit	Direct and indirect solicitation

Table 2: Profitability and Impact Scoring, Troy Museum

Business Line	Profit or Loss	Mission Impact	Cost
Education Programs	(39,983)	3.80	97,983
Public Programs	(34,690)	3.20	44,190
Preservation and Access	(17,064)	3.40	107,864
Facilities Rentals	3,194	2.40	12,806
Publications	2,705	2.80	4,295
Museum Store	(7,873)	2.30	15,873
Fundraising Events	10,471	2.60	8,329
Membership and Development	11,340	2.80	26,260
Total	(71,900)		317,600



NOTE: The size of each bubble is proportional to cost