TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER
DEPARTMENT: CITY MANAGER’S OFFICE

DATE: JULY 15, 2002 CMR: 340:02

SUBJECT: MEMORANDUM OF UNDERSTANDING WITH ART CENTER FOUNDATION TO CREATE THE ART CENTER CHALLENGE GRANT PROGRAM

RECOMMENDATION

Staff recommends that the City Council approve the Memorandum of Understanding for a public/private partnership with the Art Center Foundation to renovate and expand the Art Center.

BACKGROUND

At the June 17 City Council meeting, as part of the Council discussion of options for a November bond measure, staff was asked to return to the Council with additional information on two issues related to the City’s proposed commitment of matching funding to the Art Center renovation and expansion project. The first involved options for disbursing the City’s matching contribution to the Art Center to facilitate incremental progress on the project; the second was a request for additional information on how the City would provide the $5 million in matching funds.

DISCUSSION

Attachment 1 is the Memorandum of Understanding between the City of Palo Alto and the Palo Alto Art Center Foundation which establishes the “Art Center Challenge Grant Program.” The MOU stipulates that the City will match deposits made into the fund created by the City on a dollar-for-dollar basis. The City will appropriate $1.0 million per fiscal year, which will be transferred into the fund periodically, to match funds deposited by the Art Center Foundation. The City has the option of contributing more than $1.0 million in a given year. The City and Art Foundation have the option, should
circumstances warrant, of renegotiating the agreement if, for example, the City’s financial position makes the $1.0 million annual appropriation difficult in a particular year or if the fundraising campaign extends beyond 5 years. The City and the Art Center Foundation will jointly agree on any project disbursements that will be made from the fund.

Staff previously indicated that $2.3 million could be reallocated from the Infrastructure Reserve to serve as matching funds. This money represents rehabilitation costs in the ten-year Infrastructure Management Plan for Mitchell Park Library, Mitchell Park Community Center, Children’s Library and the Art Center. The Art Center Foundation has expressed concern about using the $858,000 in the IMP as part of the funding for the renovation and expansion project since the money was intended to be used for basic repairs for the entire facility, including parts of the facility that may not be involved in the Art Foundation’s renovation and expansion plans. If the amount re-allocated from the Infrastructure Reserve is reduced by $858,000, this would leave approximately $1.5 million to be committed to the public/private partnership.

The remaining $3.5 million to make up the $5 million commitment to the public/private partnership can be made available by reallocating other funds in IMP. The IMP included $21.6 million for street work. Of this, $800,000 per year was allocated from the General Fund as part of the commitment related to passage of the Utility Users Tax and the remainder was to come from the Infrastructure Reserve. Over the past 3 years of the Infrastructure Plan implementation, the City’s annual commitment to street repair and resurfacing has been substantially augmented by one-time funding from Measure A&B monies ($2.5 million) and County TEA-21 funds ($1 million). That additional outside funding has enabled the City to significantly accelerate the work that has been done for street repair. Staff believes it is appropriate to recognize the $3.5 million in street work paid for by state and county dollars as part of the overall commitment to citywide infrastructure work for streets and to re-allocate the $3.5 million within the IMP from street repair to the Art Center commitment.

The combination of the re-allocated rehabilitation costs for the community facilities that will be debt financed if the bond measure is successful and the street repair funds provided by other agencies will offset the $5 million matching commitment to the Art Center Foundation.

**POLICY IMPLICATIONS**
This recommendation is consistent with existing City policy.
Prepared By: ____________________________
Emily Harrison, Assistant City Manager

City Manager Approval: ____________________________
Frank Benest, City Manager

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