

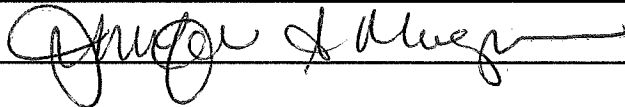
Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

**SUBJECT: HISTORY SAN JOSE
OPERATIONS AND
MAINTENANCE AGREEMENT**

DATE: April 2, 2018

Approved  Date 4-10-18

COUNCIL DISTRICT: 3 & 7

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute an Agreement with History San José (HSJ), from July 1, 2018 to June 30, 2038, for the operations and maintenance of the City-owned historical facilities within History Park at Kelly Park and the Peralta Adobe - Fallon House Historic Site, as well as management of the City's historic collections for an annual amount not to exceed \$784,000, subject to annual appropriations as approved by City Council.

OUTCOME

The outcome of Council's action will result in the finalization of the operations and maintenance (O&M) agreement with HSJ for a period of 20 years.

BACKGROUND

HSJ is a City-owned cultural facility which includes three sites: History Park, the Peralta, Adobe - Fallon House Historic Site, and the Collection Center/Research Library & Archives. Over 120,000 visitors attend exhibits and events at these sites each year.

History Park, located in Kelley Park, is a 14-acre town-like assemblage of 32 original and reconstructed homes, businesses, and landmarks highlighting the culture and history of San José and Santa Clara Valley. History Park is also home to 21 community partner organizations who each provide exhibits and programming that showcase their constituencies and contributions to San José and the Santa Clara Valley.

The Peralta Adobe - Fallon House Historic Site is located in historic San Pedro Square at 175 West St. John Street. The 1855 Victorian Fallon House showcases 15 furnished period rooms. Across the street, the Peralta Adobe, built in 1797, is San José's oldest surviving address, and is the only structure remaining from El Pueblo de San José de Guadalupe.

The Collection Center is located at the City's Central Service Yard at 1661 Senter Road, just across from History Park. It houses the largest collection of regional artifacts in California. Researchers from throughout the state, nation, and from at least 28 countries use the Research Library & Archives, further promoting the importance of San José and the Santa Clara Valley.

The City provides operating subsidies to the nonprofit organizations operating six City-owned cultural facilities, one of which is HSJ. These subsidies are provided in accordance with the O&M agreements that were developed with each of the operators, usually as the facilities came online. Most are long-term agreements, ranging from 15 to 50 years. The original O&M agreement with HSJ began on April 1, 1998.

On June 23, 2009, the City Council authorized the City Manager to negotiate and execute an amended and restated O&M agreement with HSJ for the operations and maintenance of the City-owned historical facilities within History Park at Kelly Park and the Peralta Adobe - Fallon House Historic Site, as well as management of the City's historic collections. The term of the amended agreement was from July 1, 2009 through March 31, 2018. On February 13, 2018, City Council approved an amendment to extend the original term through June 30, 2018 to align the term of agreement with the City's and HSJ's fiscal year.

ANALYSIS

The recommended O&M agreement will be based on the current agreement with HSJ, which terminates on June 30, 2018, with revisions as appropriate. The recommended agreement includes the following key considerations:

- Effective on July 1, 2018, the term is 20 years with an option to extend the term for an additional 10 years ("Extension Period").
- HSJ is responsible for the day-to-day management, curation, and operations of History Park, the Peralta Adobe - Fallon House Historic Site, and the Collection Center. Management and operations of these facilities include developing fundraising and corporate support.
- HSJ will provide professional quality and accessible programs consistent with the standards established by the American Alliance of Museums for accredited museums.
- The level of annual O&M subsidy is \$784,000, contingent upon City Council approval and appropriation. This amount is consistent with the annual O&M subsidy since FY 2011-12. City support of HSJ operations and maintenance has ranged over time since FY 2009-10 from \$875,000 to \$784,000 annually.

HSJ Governance

Since becoming a California nonprofit corporation in 1998, HSJ has maintained a capable, experienced, and professional staff to operate the museum in a first-class manner consistent with the standards established by the American Alliance of Museums for accredited museums. HSJ staff and a large corps of volunteers have over 20 years of experience managing museum education programs, events, festivals, collections, and exhibits. HSJ has a nine-member board of directors that oversees all programming and governance of the organization.

HSJ Maintenance and Capital Repairs

HSJ is currently maintained in good condition. Ensuring that the City-owned asset remains in this condition and maintains its status as a regional destination, the City and HSJ agree to be collaborative stewards of HSJ. Through the term of the agreement with HSJ, significant capital maintenance needs will arise. It is important to note that, as with all of the City-owned cultural facilities, the needs typically far outweigh the available funds. Under the proposed agreement, HSJ will submit a proposed list of capital improvements in priority order including estimated costs for design, materials, construction and the proposed contingency for each identified capital improvement based on HSJ's knowledge of the museum and related construction and its costs, knowledge of revenue-enhancing strategies, and HSJ's role in maintaining the quality of the museum. The HSJ capital improvement requests will be considered by the City in conjunction with the City's review of the overall Capital Improvement Program for the City of San José and will be contingent upon approval by the City and the availability of funds. If the balance of City funding is insufficient to fund needed capital replacements, HSJ and the City agree to work collaboratively to develop alternative funding strategies.

EVALUATION AND FOLLOW-UP

HSJ will be monitored on a regular basis to ensure that their activities and governance are compliant with the requirements of the O&M agreement. HSJ will submit an annual financial audit to the City and post the audit on its public website.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the April 24, 2018 Council agenda.

COORDINATION

This memorandum was coordinated with the Department of Public Works, the Department of Parks, Recreation and Neighborhood Services, the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item was not heard by the Arts Commission, as approvals for operation and maintenance agreements with operators of City-owned cultural facilities do not fall under the functions, powers, and duties of the Commission delineated in Section 2.08.850 of the San José Municipal Code.

FISCAL/POLICY ALIGNMENT

The recommendation aligns with the goals and strategies of the Council-adopted *Cultural Connection: City of San José's Cultural Plan from 2011-2020*, which has the strategic goals of supporting the availability of diverse cultural spaces and places throughout the community, stewarding the sustainability of City-owned cultural facilities, and expanding residents' access to arts and cultural learning opportunities.

The item also aligns with the Arts and Cultural Development goals of *Envision San José 2040*, which state "integrate arts and cultural activities into San José's neighborhoods and foster a thriving arts community citywide."

COST SUMMARY/IMPLICATIONS

Contingent upon annual City Council approval and appropriation, this recommendation will result in up to \$784,000 in annual support for the O&M agreement. The amount is consistent with the amount allocated in the 2017-2018 Adopted Budget and was included in the 2018-2019 City Manager's Budget Request and 2019-2023 Five-Year Forecast and Revenue Projections.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
KIM WALES
Deputy City Manager
Director of Economic Development

For questions, contact Kerry Adams Hapner, Director of Cultural Affairs, at (408) 793-4333.