

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council

From: Michael K. Rock, City Manager
John Cotti, City Attorney

Subject: Transfer of California Oil Museum and Operations to the California Oil
Museum Foundation

Date: September 18, 2017

RECOMMENDATION:

Staff recommends that the City Council:

- (1) Receive this report.
- (2) Authorize the City Manager to execute the attached Lease Assignment Agreement and Memorandum of Agreement Transferring Operation of the California Oil Museum to the California Oil Museum Foundation.
- (3) Take such additional, related action that may be desirable.

Presented by: John Cotti, City Attorney

BACKGROUND:

Since the early 1990's the City has operated the California Oil Museum ("Museum"). The City leases the property housing the Museum (1001-1003 East Main Street in the City of Santa Paula) from Chevron U.S.A. Inc. ("Chevron) which became the owner of the property after merging with Unocal Corp. In the past, the City has relied on a variety of funding sources to operate the Museum (Redevelopment Agency funds, grant awards, fundraising and private donations, membership's fees, admission/ tour fees, store revenues, *etc.*) and has provided in-kind services such as building maintenance and insurance. Due to concerns about a sustainable budget and a strain on staff resources, transfer of: (i) the City's lease for the property housing the Museum; and (ii) current operational funds to the California Oil Museum Foundation, a non-profit entity, will relieve the City from all operational responsibilities and allow the California Oil Museum Foundation to strengthen the Museum's fundraising efforts to ensure continued financial stability for the Museum.

For the Regular Meeting of City Council on September 18, 2017

Agenda Item # 1.12.A

Attached to this memorandum is an Assignment and Assumption of Lease Agreement which, if executed, would transfer the City's rights and obligations under its current lease agreement with Chevron to the California Oil Museum Foundation. Originally executed in 1993, the City's lease agreement with Chevron requires the property and exhibits located at 1001-1003 East Main Street in the City of Santa Paula to be used for museum purposes only. Additionally, this lease agreement allows the City to assign the lease agreement to a non-profit entity formed for the purpose of operating and maintaining the museum and calls for Chevron to consent to such an assignment. The California Oil Museum Foundation is a non-profit entity formed for such purposes and discussions with Chevron indicate a willingness to consent to the Assignment and Assumption of Lease Agreement.

Also attached to the memorandum is a Memorandum of Agreement Transferring Operation of the Museum to the California Oil Museum Foundation. This agreement memorializes that the California Oil Museum Foundation will take over all operations and costs associated with running the Museum and that the City will transfer to the California Oil Museum Foundation all of the funds allocated for the Museum. As of the date of this report, the amount of funds available in the Museum Endowment fund is \$211,920.74. An Endowment fund by definition is where "resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs." Therefore, per the resolution establishing the Museum Endowment, 10% of all interest earned remains with the fund and 90% is used towards the Museum operations. The Foundation will also reimburse the City for the expenditures incurred for services and supplies up to 30 days following transfer. As of 9/8/17 the balance in the museum fund is a negative \$8,661.15. The funds transferred to the California Oil Museum Foundation can only be used for the operation and related purposes of the Museum and in the event the California Oil Museum Foundation uses the funds for another purpose, all of the remaining funds shall be transferred back to the City. To ensure compliance with this use of funds requirement, the City, upon 48 hours written notice, shall be allowed to review all of the California Oil Museum Foundation's financial records. Additionally, the California Oil Museum Foundation shall hire the current Museum Administrator as an employee of the California Oil Museum Foundation.

FISCAL IMPACTS:

Approval of the recommended action will transfer of funds dedicated to operation of the California Oil Museum to the California Oil Museum Foundation for the same purpose.

PERSONNEL IMPACTS:

The Museum Administrator position will no longer continue as an employee of the City; rather, the Museum Administrator will be hired by the California Oil Museum Foundation.

OPTIONS:

1. Receive the report
2. Provide other direction to staff

ATTACHMENTS:

Lease Assignment to California Oil Museum Foundation
Memorandum of Agreement to Transfer Funds to California Oil Museum Foundation