



**Date of Council Meeting:** June 13, 2016

**TOWN OF LEESBURG  
TOWN COUNCIL WORK SESSION  
Information Memo**

**Subject:** Loudoun Museum Update

**Staff Contact:** Keith Markel, Deputy Town Manager

**Council Action Requested:** Information only. No action is required by Council at this time.

**Staff Recommendation:** Information only. No staff recommendation at this time.

**Commission Recommendation:** Not applicable.

**Fiscal Impact:** The Town currently leases 16 Loudoun Street, 20 Wirt Street, and the Log Cabin to the Loudoun Museum at no cost. The approximate annual rental value of this space is \$70,000 using a \$17 per square foot ratio.

**Work Plan Impact:** Not applicable.

**Executive Summary:** At their meeting on May 19, 2016, the Loudoun County Board of Supervisors agreed to a funding allocation for the Loudoun Museum in the amount of \$156,000 for Fiscal Year 2017. The funds are to support the museum's regular operating expenditures and the cost of hiring a development manager. The County is in the process of developing a Memorandum of Agreement with the Museum that would include, according to the County's staff report, "specific terms and conditions of the arrangement." The Town has been invited to be a partner in this agreement because of the Town's lease agreement with the museum. The Deputy Town Manager has been assigned to serve as the Town's representative with this work group, and will report to the Town Council at the appropriate time.

**Background:**

The Loudoun Museum was established in 1967, and operates Town owned buildings located at 16 Loudoun Street, 20 Wirt Street, and the log cabin that is adjacent to Mervin Jackson Park. The Museum's collection is composed of approximately 8,000 items that focus on the history of Leesburg and Loudoun County. The Museum currently has one full-time staff member, and one part-time staff member while relying on volunteer support to maintain its programs.

The annual operating budget for Fiscal Year 2016 is approximately \$109,000. The largest portion of these funds comes from Loudoun County with additional funds from private donations. The Museum staff is fairly certain that financial support from both Loudoun County and the Town of Leesburg started with the Museum's founding in 1967.

Since 2009, the Town has not provided any direct cash contribution to the Museum, but has supported the Museum by allowing the organization to use the three structures at the corner of Loudoun and Wirt Streets rent free. Based on a hypothetical rent rate of \$17 per square foot for

the approximate 4,144 square feet of space, the Town's annual donation to the Loudoun Museum is in the range of \$70,000 plus some building maintenance.

Over the past decade, the Loudoun County Government significantly reduced its funding of the Museum causing significant financial strain on the organization. At its peak in Fiscal Year 2006, the County contributed \$464,482. These funds allowed the Museum to be open to the public six days a week, and to provide a full time staff of five employees. At that time, the Museum also had the support of 70 active volunteers.

In Fiscal Year 2011, the County's support dropped to \$70,000 sending the Museum into significant financial hardship. In 2012, the Museum presented a "Turn Around Business Plan", a Resource Development Plan, and a Three-year Implementation Budget to the County in an effort to maintain some level of County funding support.

In June of 2015, the County approved a Fiscal Year 2016 contribution of \$36,007 to the Museum. Due to this significant funding reduction, the Museum was forced to consider dissolving and dispersing the collection. At the Board of Supervisor's meeting on July 15, 2015, the County agreed to contribute an additional \$55,000 bringing the total contribution for the fiscal year to \$91,007.

As part of this approval, the Board of Supervisors directed County staff to convene a working group with Museum staff and Board of Trustee members to discuss the long-term financial and operational future of the Museum. The group provided three options to the County's Finance/Government Operations and Economic Development Committee for consideration as follows:

Option 1: County to provide financial support to the museum to cover operating expenses, and to hire a contractual development and fundraising service to increase museum revenue.

Option 2: County management of the museum collection.

Option 3: Museum operation by a third party.

The Committee recommended in favor of Option 1, and that option was ultimately approved by the Board of Supervisors on May 19, 2016. The \$156,000 in support will come from the County's Restricted Transient Occupancy Tax Funds. The next step is to develop a detailed Memorandum of Agreement between Loudoun County, the Museum, and the Town. This agreement will spell out specific operational changes, lease agreement for the use of the buildings, and overall governance of the museum as an independent non-profit.

**Attachments:**

1. County Action Item Staff Report dated May 19, 2016
2. Extract from Board of Supervisors' meeting minutes dated May 19, 2016

Date of Meeting: May 19, 2016

#8i

**BOARD OF SUPERVISORS  
BUSINESS MEETING  
ACTION ITEM**

**SUBJECT:** **FINANCE/GOVERNMENT OPERATIONS AND  
ECONOMIC DEVELOPMENT COMMITTEE  
REPORT: Loudoun Museum**

**ELECTION DISTRICT:** Leesburg

**CRITICAL ACTION DATE:** May 19, 2016

**STAFF CONTACTS:** Julie Grandfield, County Administration  
Megan Bourke, Management and Budget

**PURPOSE:** The purpose of this item is to update the Board of Supervisors on the ongoing collaboration between County staff and the Loudoun Museum and present options to move forward.

**RECOMMENDATIONS:**

**Finance/Government Operations and Economic Development Committee (FGOEDC):** At its May 10, 2016 Meeting the FGOEDC voted (3-0-1-1, Chairman Letourneau abstained and Chair Randall absent for the vote) to recommend the Board of Supervisors approve Option 1; Use of Contractual Development Services and direct staff to develop a Memorandum of Understanding with the Loudoun Museum that will be returned to the Board of Supervisors at a later date for action. The Committee further directed staff to include performance metrics and benchmarks as part of the MOU with the option for annual renewals. The Committee also discussed the appropriateness of funding Option 1 with Restricted Transient Occupancy Tax (TOT) funds.

**Staff:** Staff concurs with the recommendation of the FGOEDC.

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**BACKGROUND:** In July 2015, the Board of Supervisors approved a supplemental funding allocation to the Loudoun Museum for a total FY 2016 contribution of \$91,007. The Loudoun Museum shared with the Board that without this funding, it would have to begin the process of dissolution. The Board directed staff to return in December 2015 with a plan for the long-term financial future of the Museum.

Between July and December 2015, County staff met frequently with the Loudoun Museum staff and trustees as well as other community stakeholders (“Museum working group”) to discuss the

future outlook of the Museum. The overriding goal of these discussions was to offer solutions that would enable the Loudoun Museum to continue to operate as an independent, non-profit organization. These discussions yielded a recommendation, approved by the Board on December 16, 2015, to program funds for the hiring of a development manager, to establish and execute a development plan and to establish an Executive Oversight Committee. The FY 2017 Adopted Budget includes \$156,000 for Loudoun Museum, which included funding for regular operating expenditures and the cost of hiring a development manager.

Since December, County staff and Museum trustees have discussed how to move forward with the Board's recommendation. Through joint discussions, County staff and Museum trustees have agreed to move forward with a slightly amended plan than what was approved in December; this proposal will accomplish the same goals as the prior motion, while allowing the Loudoun Museum to maintain its autonomy and its 501(c)(3) status.

Three options were presented to the Finance/Government Operations and Economic Development Committee for consideration.

***Option 1: Use of Contractual Development Services***

County staff would develop a scope of services and then, through a Request for Quotation (RFQ) procurement process, select a vendor to provide development services to the Museum. The County would control the contract and offer the development services to the Museum through a Memorandum of Understanding that would contain specific terms and conditions of the arrangement.

In this Option, the County would continue to store the majority of the Museum's collection, which is the current arrangement, and the Museum would be expected to continue operations.

Funding for Option 1 is included in the FY 2017 Budget. Those funds, budgeted at \$156,000, would be subject to terms established within an MOU and would fund the cost of contractual development and fundraising services as well as regular operating expenditures of the Museum. This process is estimated to take approximately two to three months to develop, issue, evaluate, and award the RFQ.

***Option 2: County Management of the Collection***

The County would take over the storage and, if the Museum desires, the display of Museum artifacts in County facilities. This could be a temporary solution, allowing Museum staff and trustees to concentrate on fundraising and creating financial sustainability for itself moving forward, or a permanent solution. Notwithstanding, the County would agree to act as a "custodian trustee" to the Museum to store the collection in the event the Museum fails financially. This would remain in effect until such time as the Museum has the ability to re-constitute itself. This Option would address a primary concern of the Board and the community in that this Option would preserve the collection. The cost of storage of the collection, as well as display in County facilities, would be the borne by the County.

Under Option 2, the Museum would not operate and there would be no transfer of the \$156,000 to the Museum.

***Option 3: Museum Operations by a Third Party***

Under this Option, the County would issue a Request for Proposal (RFP) on behalf of the Museum for the operations and curation of the Museum and its artifacts. Interested parties may include other museums or universities if they so choose. This process is estimated to take approximately six to nine months to develop, issue, evaluate, and award the RFP as well as to transition the operations to a third party.

Under this Option, the County would provide some level of seed money (possibly decreasing tiered multi-year contributions) to the third party during the first few years of transitioning to Museum operations. The exact amounts would be negotiated in developing a Memorandum of Understanding (MOU).

Under this Option, the Museum would be expected to operate until a third party takes over. Therefore, staff suggests funding the Museum so it can continue operations in the interim. In the event the Museum fails financially, the County would agree to act as a “custodian trustee” to the Museum to store the collection.

The Loudoun Museum Board of Trustees supports Option 1. Staff is also supportive of Option 1 because it keeps the management of the Museum and its collection within the control of Loudoun Museum staff and addresses the source of the Museum’s chronic problem of lack of operating dollars by dedicating resources to set up a robust fundraising/development operation. It will also institute certain controls through terms on the MOU that must be met if renewal of the contract is expected.

Should Option 1 be supported by the Board of Supervisors, staff will develop a Memorandum of Understanding (MOU) with the Museum to ensure the funds programmed in the FY 2017 Budget accomplish the goal of financial sustainability for the Museum’s future. The MOU will include performance metrics/benchmarks, annual renewal options, and a termination clause.

**ISSUES:** An MOU will be executed to formally establish the terms of the agreement and to ensure the funds budgeted for the Loudoun Museum are used in a way the Board of Supervisors supports.

Staff proposes the following terms for the MOU under Option 1:

1. One-year MOU term with options for renewal
2. Fundraising benchmarks to include annual development figures and an established percentage of funds raised from private corporations
3. Expectations of Museum Board of Trustee fundraising efforts (“Give or Get”)
4. Termination clause
5. Scheduled oversight and progress reporting with County staff

**FISCAL IMPACT:** The FY 2017 Adopted Budget for the General Fund includes funding in the amount of \$156,000 for the Loudoun Museum. Alternately, the Board could choose to utilize unallocated Restricted Transient Occupancy Tax (TOT) revenue in FY 2017 to fund the needs of the Museum. A balance of approximately \$1.4 million exists in the Restricted TOT Fund. According to the Board's Restricted TOT Funding Policy, "Core Tourism Services to sustain Loudoun's tourism base and competitively position Loudoun County to attract visitors" is one of the two stated priorities for use of Restricted TOT funding. The Museum is intended to be a visitor attraction and therefore could reasonably meet the criteria established by the Board for use of these funds.

**DRAFT MOTIONS:**

1. I move the recommendation of the Finance/Government Operations and Economic Development that the Board of Supervisors **approve** Option 1 as detailed above and direct staff to develop a Memorandum of Understanding with the Loudoun Museum that will be returned to the Board of Supervisors at a later date for action.

OR

2. I move the recommendation of the Finance/Government Operations and Economic Development that the Board of Supervisors **approve** Option 1 as detailed above and direct staff to develop a Memorandum of Understanding with the Loudoun museum that will be returned to the Board of Supervisors at a later date for action.

I further move that the Board of Supervisors appropriate Restricted Transient Occupancy Tax funds in the amount of \$156,000 for purposes of funding Option 1.

OR

3. I move an alternate motion.



Loudoun County, Virginia

[www.loudoun.gov](http://www.loudoun.gov)

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At a business meeting of the Board of Supervisors of Loudoun County, Virginia, held in the County Government Center, Board of Supervisors' Meeting Room, 1 Harrison Street, S.E., Leesburg, Virginia, on Thursday, May 19, 2016 at 5:00 p.m.

IN RE: FINANCE/GOVERNMENT OPERATIONS AND ECONOMIC DEVELOPMENT COMMITTEE REPORT: Loudoun Museum (Leesburg)

Supervisor Letourneau moved the recommendation of the Finance/Government Operations and Economic Development that the Board of Supervisors approve Option 1 as detailed in the Action Item for the May 19, 2016 Business Meeting and direct staff to develop a Memorandum of Understanding with the Loudoun museum that will be returned to the Board of Supervisors at a later date for action.

Supervisor Letourneau further moved that the Board of Supervisors appropriate Restricted Transient Occupancy Tax funds in the amount of \$156,000 for purposes of funding Option 1.

Seconded by Supervisor Umstattd.

Vice Chairman Buona requested to divide the motion.

Vice Chairman Buona moved a Substitute Motion to part 2 of the motion as follows: Vice Chairman Buona moved that the Board of Supervisors use the already appropriated FY 2017 General Fund amounts for purposes of funding Option 1.

Seconded by Supervisor Saines.

Voting on the First Motion: Supervisors Buffington, Buona, Higgins, Letourneau, Saines, and Umstattd – Yes; Supervisors Meyer and Volpe – No; Chairman Randall – Absent for the Vote.

Voting on the Substitute Motion: Supervisors Buona, Higgins, and Saines – Yes; Supervisors Buffington, Letourneau, Meyer, Umstattd, and Volpe - No; Chairman Randall - Absent for the vote.

Vice Chairman Buona moved that the Board of Supervisors appropriate Restricted Transient Occupancy Tax funds in the amount of \$156,000 for purposes of funding Option 1.

Seconded by Supervisor Buffington.

Voting on the Motion: Supervisors Buffington, Buona, Higgins, Letourneau, Saines, and Umstattd – Yes; Supervisors Meyer and Volpe – No; Chairman Randall – Absent for the Vote.

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DEPUTY CLERK TO THE LOUDOUN COUNTY  
BOARD OF SUPERVISORS

(Item # 8i, Loudoun Museum)

future outlook of the Museum. The overriding goal of these discussions was to offer solutions that would enable the Loudoun Museum to continue to operate as an independent, non-profit organization. These discussions yielded a recommendation, approved by the Board on December 16, 2015, to program funds for the hiring of a development manager, to establish and execute a development plan and to establish an Executive Oversight Committee. The FY 2017 Adopted Budget includes \$156,000 for Loudoun Museum, which included funding for regular operating expenditures and the cost of hiring a development manager.

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