



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

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Third District

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Fifth District

December 23, 2008

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## LOS ANGELES COUNTY MUSEUM OF ART – MEASURE R

On November 25, 2008, your Board instructed this Office to review the operating agreement between the Los Angeles County Museum of Art (LACMA) and the County to determine if additional funding is necessary to operate the facility in light of the \$900,000 provided by LACMA to the Measure R campaign.

The Funding Agreement between the County and the Museum Associates (Associates) obligates the County to budget an annual fixed sum which is to be used to pay the cost of maintaining and operating LACMA and for no other purpose. The County's annual contribution covers a portion of the total operating cost for LACMA. The remaining operating costs are funded through revenues received from membership dues, admissions, investment income, and various gifts and grants. The attached Fiscal Year (FY) 2008-09 Budget report, prepared by LACMA, provides more detail.

In May 2008, your Board approved Amendment No. 1 to the Funding Agreement between the County and the Associates regarding the mutual funding obligations of the parties for the LACMA. The Amended Funding Agreement was requested by the Associates in recognition of the increased costs to manage, operate and maintain newly completed and upcoming expansion of the facilities and programs being undertaken by the Associates as a part of its "Transformation Campaign". The goal of the Transformation Campaign is to unify the Museum's campus of buildings and grounds, including refurbishing and expanding galleries to allow for an increase in access and

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programming for the community. The Amended Funding Agreement provides for a staged increase in the annual fixed sum of operating funds the County provides for LACMA operation and maintenance for three fiscal years beginning in FY 2008-09. The first annual increase was approved by your Board in the FY 2008-09 Budget.

As stated in the attached letter from Melody Kanschat, President of LACMA, the funding used in support of Measure R was private funding raised by the Associates. This funding is unrestricted and is used to support the Transformation Campaign goals which include real estate purchases and development, construction, planning, and lobbying related to the Transformation project. The Associates felt Measure R would benefit the Museum by increasing accessibility to the LACMA campus, thereby increasing attendance and tourism for the Museum.

If you have any questions regarding this memorandum, please contact me or your staff may contact Rochelle Goff at (213) 893-1217, or via email at [rgoff@ceo.lacounty.gov](mailto:rgoff@ceo.lacounty.gov).

WTF:LS  
RG:MD:kd

Attachment

c: Executive Officer, Board of Supervisors  
County Counsel  
President of the Museum of Art

LACMA

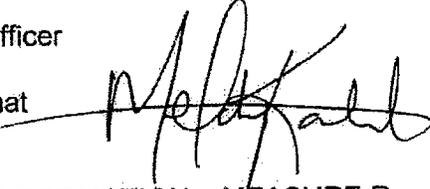
LOS ANGELES COUNTY MUSEUM OF ART  
5905 WILSHIRE BOULEVARD  
LOS ANGELES CALIFORNIA 90036

MELODY KANSCHAT

PRESIDENT  
T 323 857 7605  
F 323 857 7648  
E MELODYK@LACMA.ORG

December 16, 2008

To: William T Fujioka  
Chief Executive Officer

From: Melody D. Kanschat  
President 

Subject: REQUEST FOR INFORMATION – MEASURE R

Pursuant to your request of December 10, enclosed is the Museum of Art's Fiscal 2008-09 operating budget. This report reflects the annual operating expenses for the museum, plus expenditures above budget for art acquisitions (offset by gift revenues above budget), year-to-date. Final expenses may be less than this amount, as we are reviewing ways to lower expenditures in light of the impact of the economy on revenues. However, even after possible decreases in expenditure, the ratio of County support to regular annual expenses will not exceed 35.2%.

As you and I have discussed previously, the additional \$6 million in County support we requested and the Board approved on May 20, 2008 is vital to continued programming and operation of LACMA. The request for the increase in base funding was premised on increased annual costs for the museum due to its expanded campus and programs, and that the County percentage of annual support had dropped from what it was when the operating contract was established. The goal was to bring County support closer to the 35.2% support of annual costs that it represented in 1994.

The museum has upheld its part of the agreement for FY08-09 as follows:

- It will spend approximately \$92,530,000, including art acquisitions.
- County support, with the increase of \$2 million (in year one of the 3 year roll out of a base \$6 million increase) is \$22,517,000—24.3%, well below the 35.2% measure.
- Without the additional \$2 million, the museum would have had to scale back its basic programs by a like amount.
- Such a reduction would have had a major impact on its service to the public.

The funds expended by the museum in support of Measure R are in addition to, and were spent outside of, the annual operating expenses of the museum. This support came from funds raised for our Transformation Capital Campaign. The money is held and tracked separately from County operating support or other funds used for annual operating expenses. Only private funds were used to fund the museum's support of Measure R.

The capital campaign has raised \$230 million in unrestricted funding through November 30, 2008. These funds are not intended for annual operating expenses of the museum. They are

REQUEST FOR INFORMATION – MEASURE R

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used to support campaign goals including real estate purchase and development, construction, planning, and lobbying related to our transformation project. As you can imagine, a subway stop integrated into the museum campus would fundamentally contribute towards the museum's goals of increasing accessibility, attendance, and tourism.

We feel it would have been terribly short-sighted not to support Measure R, which benefits not only the museum, but the entire community. If you or the Supervisors have any questions or would like further detail of the museum's operations, please let me know.

MDK:MAM:kh

Enclosure

**LOS ANGELES COUNTY MUSEUM OF ART  
FISCAL YEAR 2008-2009 BUDGET**

Revenue & Support:

Associates Core Activities Revenues:

Membership dues	8,200,000
Admissions	1,750,722
Investment income, net	17,816,432
County operating contract	22,517,000
All other	3,160,061
 Total Associates Core Revenues	 <u>53,444,215</u>

Associates Support:

Unrestricted:

Trustee gifts	4,000,000
Other gifts	2,175,000

Restricted:

Government grants	350,320
Gifts (including use of residual funds)	31,097,219

Total Associates Support	<u>37,622,539</u>
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Total Combined Operating Revenues & Support	 <u><u>91,066,755</u></u>
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Expenses:

Permanent collection, conservation, collections management	9,588,829
Curatorial	6,589,325
Exhibitions, education, & public programs	10,377,868
Marketing & communications	5,730,726
Operations	24,581,813
General & administrative	9,036,164
Development	3,006,762
Art Acquisitions & Other Activities	23,619,396

Total Expenses	<u>92,530,883</u>
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Total Operating Surplus (Gap)	<u><u>(1,464,129)</u></u>
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Carry-forward from prior year	1,464,128
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Total Operating Carry-forward(Gap) after transfers	<u><u>0</u></u>
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