

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 7, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #42 : CAPITAL INVESTMENT AT THE TORPEDO FACTORY

This memorandum is provided in response to Councilman Krupicka's question about potential capital investments at the Torpedo Factory to improve the overall facility condition and appearance. Also requested but not included in this memo is information about how best to support the start-up efforts of the Torpedo Factory Art Center Board. Staff's response to the question regarding funding support to the Board is addressed in Docket Item #20 scheduled for City Council consideration on April 12, which is attached.

The General Services Department maintains a capital account for maintenance and repair of the Torpedo Factory. These funds have previously been allocated by City Council and are available for use as needs arise. The current balance of the capital account is approximately \$600,000.

General Services' work plan at the Torpedo Factory calls for several facility maintenance and repair projects to be accomplished in FY 2012. These include:

- Replacement of exterior doors \$ 75,000
 - Exterior brick and window repairs \$ 72,500
 - Exterior railing and step repairs \$ 23,000
 - Replacement RTU (roof top unit) \$ 90,000
- Total \$260,500

General Services also anticipates replacement of the Torpedo Factory roof in FY 2014. Funding for this project is requested in the Proposed FY 2012 – FY 2021 Capital Improvement Program currently being reviewed by City Council.

In addition to the previously planned work described above, the Torpedo Factory Art Center Board (TFACB) and the Torpedo Factory Artist Association (TFAA) has recently requested that General Services provide funding from the allocated capital account for upgrades to the

building's façade, including new banners and signage and enhanced exterior lighting. The estimated total cost of these improvements is \$46,500, of which \$21,100 is expected to be provided from non-City sources. The City would provide the balance (\$25,400) from the available allocated account balance. A breakdown of funding source is as follows:

Banners and Signage

State Grant	\$ 6,000
TFAA	\$14,500
Friends of the Torpedo Factory	\$ 500
The Art League	\$ 100
City Funding	\$16,900
Total	\$38,000

Exterior Lighting

City Funding	\$ 8,500
Grand Total	\$46,500

Since monies retained in the capital account coupled with funds proposed in the CIP are sufficient to meet identified needs, City Council does not need to authorize additional funding at this time.

Attachments:

Torpedo Factory Funding Request – April 12, 2011 Docket Memo (Item #20)

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 30, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: CONSIDERATION OF ALLOCATION OF ONE-TIME, INITIAL OPERATING FUNDING FOR THE TORPEDO FACTORY ART CENTER BOARD

ISSUE: Consideration of a funding request from the Torpedo Factory Art Center Board (TFACB) to provide one-time, initial operating funding for administrative, planning, marketing and fund raising efforts.

RECOMMENDATION: That City Council consider the allocation of \$38,100 from Council contingent reserves to the Torpedo Factory Art Center Board to fund the administrative and operational needs of the Board prior to the transition of financial responsibility from the Torpedo Factory Artists Association (TFAA) to the Board on or about July 1, 2011. The requested appropriation provides for:

- (1) Governance and Financial Management, \$12,250 - acquisition of Directors and Officers Liability Insurance for Board members, trademark filings, purchase of computer hardware and software necessary for accounting and records management, and technology consultant services to set up, initialize and train system users;
- (2) Staff Leadership, \$20,000 – contractual services of a human resource/executive search firm providing job description review, salary range analysis for Chief Executive Officer position, candidate identification, pre-screening, and coordination of selection process. Funding also includes interim CEO funding for approximately three months pending selection of a permanent CEO; and
- (3) Resource Development, \$5,850 – mail campaign to attract funding, website content development for on-line donation option, and fundraising open house events. Outreach efforts to incorporate a contribution designation to partner organizations including Friends of the Torpedo Factory, the Art League, Target Gallery, and Friends of Alexandria Archaeology.

DISCUSSION: The Torpedo Factory Art Center Board (TFACB) was established by City Council on October 26, 2010 as a non-profit entity charged with the operation, management and oversight of the Torpedo Factory Art Center. The Board held its initial meeting on January 5, 2011. Board officers were elected February 16, 2011.

At the direction of the Board officers, a plan for the transition of facility management from the Torpedo Factory Artist Association (TFAA) has been developed. Several TFACB committees have been formed and preparations are underway for the TFACB to assume full responsibility for the Center on or about July 1, 2011. The July 1, 2011 timeframe is consistent with the expiration of the current lease agreement between the City and the TFAA.

Torpedo Factory operating expenses, which cover staffing costs, utilities, and programming are provided for through a variety of revenue sources. The primary source of Torpedo Factory revenue is studio rental payments. These payments account for approximately \$500,000 in annual revenue, or slightly more than 50% of all annual revenue currently realized. The balance of revenue is achieved through special events facilities rentals, gift shop merchandise sales, gallery operations and miscellaneous other sources. The TFAA retains all revenue generated through operation of the Torpedo Factory until their lease agreement with the City expires. Until such time as the TFACB becomes the lessee of the building and in turn executes a sublease agreement with the TFAA, the TFACB has no source of income with which to retain staff, manage special events, sell merchandise or generally carry out the revenue generating activities of the Center.

The recommended \$38,100 in funds, while significantly less than the \$74,900 requested by the TFACB, will still allow the Board to prepare for the anticipated July 1, 2011 transition date. Funding will ensure the administrative infrastructure is in place to migrate the finances of the Art Center to Board oversight and that the process of securing a CEO/Executive Director to assist the Board in the daily management of operations is underway. The recommended commitment of funds also provides a nominal amount of monies to jumpstart fund raising efforts and for the first time bring several non-profit organizations together in a joint fund raising appeal. Friends of the Torpedo Factory, the Art League, Friends of Alexandria Archaeology and others who share a common interest in the promotion and enhancement of the Torpedo Factory will be included in the fund raising initiative.

Staff has discussed with the TFACB Board the proposed amount and use of funds as outlined above. The Board is supportive of this recommendation. Staff has also specifically advised the TFACB Board members that the funding recommended for Council consideration should be considered a one-time investment of the City in recognition of the City's responsibility to assist in the development of this start-up, non-profit organization. It is the TFACB's intention, per Council direction, to ensure future operating needs are met from sources of funds internal to the Torpedo Factory facility, fundraising, and appropriate grants.

TFACB Board members and officers will be available during presentation of this docket item to Council to answer questions and provide further discussion.

FISCAL IMPACT:

\$38,100 in one-time, start-up funds to support the Torpedo Factory Art Center Board's efforts prior to full transition of financial and management responsibilities on or about July 1, 2011. The current undesignated balance of the Contingent Reserves Account is \$498,314.

ATTACHMENT:

Attachment 1: March 14, 2011 request from the Torpedo Factory Art Center Board

STAFF:

Tom Gates, Assistant City Manager



Advancing art therapy to restore and enhance lives

March 14, 2011

The Honorable Mayor William D. Euille
& Members of the Alexandria City Council
City Hall
Room 2300
Alexandria, Va. 22314

CITY MANAGER'S OFFICE
ALEXANDRIA, VA
2011 MAR 17 A 10:43

Dear Mayor Euille,

Thank you for taking time to meet with Marian Van Landingham and me today to discuss the financial requirements of the Torpedo Factory Art Center Board as it transitions the management of the Torpedo Factory Art Center from the Artists Association on July 1, 2011. The Transition and Revitalization Plan which is being undertaken by the Torpedo Factory Art Center Board is attached. Please note the budget for critical expenses totally \$74,900 for those activities is also included.

As President of the Board I am requesting consideration of our Transition and Revitalization Plan funding request. As the funds are needed as soon as possible, potentially the request could be accommodated through existing funds held aside by the City for Torpedo Factory Art Center expenses or it could be taken from another pool for funds that could be used for the purposes outlined.

The Board and I appreciate your consideration of this important funding request which will enable us to undertake the transition as visualized when the Torpedo Factory Art Center Board was established.

Sincerely,

Susan Corrigan
Executive Director
American Art Therapy Association
225 North Fairfax Street
Alexandria, VA 22314
Direct 703-548-5866
SCorrigan@ArtTherapy.org; www.AmericanArtTherapyAssociation.org

Cc: Tom Gates

225 North Fairfax Street Alexandria, Virginia 22314 1-888-290-0878 (703)548-5860
(703)783-8468 (fax) www.americanarttherapyassociation.org

Management Transition and Revitalization of the Torpedo Factory Art Center

The City of Alexandria appointed a new Board of Directors to increase the scope of experience and resources that could help strengthen the Art Center and enhance its growth and recognition in the community and around the world. The newly created entity has applied for 501 (c) 3 tax status. The Articles of Incorporation and Bylaws detail the purposes of the Art Center.

In summary the goals of the newly created governance structure are to:

- Enrich the enjoyment and understanding of the visual arts by a diverse group of people of all ages,
- Enhance ‘hands on’ exposure to art through increased use by the greater community of the educational programs such as artists on site, The Art League programs, various mentor programs, lectures, gallery exhibits and other educational programs provided year round through the Art Center,
- Revitalize the Art Center facility so as to attract growing interest in art by visitors from around the world,
- Encourage on-going use of the educational and cultural programs and events at the Art Center by a growing number of people from all backgrounds.
- Promote the Torpedo Factory Art Center as an outstanding visitor’s destination and learning center for the visual arts located within in the City of Alexandria within the greater Washington DC area.
- Provide strategic direction and management to the operations to ensure long term viability of as a renowned and dynamic art center.

Requirement:

The management and oversight of the Center transitions fully from the Artist Association to the new Board of Directors of the 501(c)3 not for profit organization as of June 30, 2011.

The initial management and functions that must begin to be transitioned effectively include:

- Establish governance structure and financial management and reporting systems and processes to ensure financial viability, accountability and organizational stability.
- Build the staff leadership and composition under a new Chief Executive Officer to be recruited by the Board by June 1, 2011.
- Enhance the communications, marketing, brand development and promotions efforts so as to deepen the existing communications programs and attract a growing number of visitors to the Art Center each year.
- Develop outcomes measures and implement on-going monitoring systems that enable a baseline for future reporting of progress and impact of the Art Center.
- Launch resource development activities that expand the current funding streams and maintain revenue to support the Art Center in its developmental stage. A three year *Resource Development*

Plan must be determined and undertaken by the volunteer Board leadership in collaboration with groups such as the Friends of the Torpedo Factory, and other key partners.

- As part of its overall policy role, the Board must initiate a Three Year Strategic Plan process beginning with the vision, goals and objections for the Art Center.

Proposal:

This plan outlines the requirements under each of the management and functional areas essential to the effective transition of the governance and management oversight and basic functions of the Torpedo Factory Art Center by June 30, 2011 to The Torpedo Factory Art Center Board and to enable the Art Center to continue to expand its presence in the Greater Washington area as a leading national Art Center through the initial transition and beyond.

- I. **Establish governance and financial management and reporting systems and processes so as to ensure financial viability and organizational stability.**

A number of key initial governance actions must be undertaken by the Board including:

- Secure Directors & Officers Liability Insurance and other required insurance coverage after review of current coverage.
- Election of the Officers, establishment of standing Committees and appointment of the chairs by the Board President, and other structural matters.
- Development of the record retention process including the recording of the Minutes and Board actions, as well as a secure record storage process for all future governance and historic information of the Art Center.
- Review of the current policies and procedures to insure fundamental business practices such as the diversity, green management, and human resources policies and other essential policies are in place and integrated in the operations of the Center.
- Review for the technology systems and resources that support the current information technology management; develop a plan to update and build a secure IT system and generate the equipment and expertise required.

In addition financial management must be initiated. Currently a 6 months budget for 2011 exists and is being managed by the Artists Association. The 2011 Budget and the most recent audit financial statements are included under Attachment B. The financial statements and revenue streams for the prior year and budget for the first half of 2011 have been reviewed by the Board. Some areas for increased revenue generation have been identified which include sponsorships, foundation support, membership development, gift shop sales and special events revenue.

The Board must undertake the following actions rapidly in the next 4 months:

1. Conduct a financial management pre-audit to identify controls that could be improved and to identify initial financial savings which might be achieved through for example, improved banking systems, full electronic financial systems implementation for all transactions, greater collaboration in fundraising activities, and other means.

2. The current financial services company will be reviewed with other local financial services firms to determine the best approach moving forward. An RFP process will be used to select the firm to be identified by February 15, 2011.
3. The accounting software, data security, bank and transaction processes will be reviewed by the board. Review of the financial software and its interface with the banking system and income sources must be completed by February 25, 2011 in conjunction with the financial services company chosen to manage this function moving forward.
4. The 2011 Consolidated Budget must be developed to accurately reflect projected costs for the full year by March 15, 2011. (To attract additional funding for 2011 from foundations and others.)
5. A more comprehensive, volunteer lead Resource Development Plan must be developed and implemented to provide balance to the existing funding streams and ensure long term viability for the Center. *(Committee of the Board.)*

II. Build the staff leadership and composition under a new Chief Executive Officer to be recruited by the Board by June 1, 2011.

The Center has been fortunate over many years to have a dedicated staff, some of whom are part time and others who work beyond a normal work day. They provide staff support as their current jobs outline and for which some processes have been developed.

An outstanding, highly experienced Chief Executive Officer must be recruited to manage the daily operations of the Center and to actively participate in growing the national prominence and use of the Torpedo Factory Art Center.

The CEO's role includes:

- Analysis the staffing requirements, job descriptions and procedures, and develop state of the practice Human Resources Policies and Procedures for the Art Center.
- Management of the staff operations.
- Oversee the operational and financial management functions and report to the Board.
- Work in partnership with the volunteer Board to enhance the recognition of the Center and its growth.
- Promote the Center to the greater community and with community partners such as the Convention & Visitors Bureau; various Business Associations; Museum and Landmarks Associations; national, local and regional media; Hotel Association of Greater Washington, the Restaurant Association of Greater Washington; Designers Groups; Educational entities; community groups and others. Develop an annual promotions, communications and media plan and oversee implementation.
- Implement a plan to growth the Torpedo Factory Brand.
- Continually improve the website as a vehicle for promotion and information that entices visitors to explore and register for special events, membership, and other services of the Center.
- Develop the future operational improvement plans and the supporting resource development plans; work with the Board to attract resources needed to continually improve the Center.
- Track progress against goals and objectives set by the Board through the Three Year Strategic Plan process. Help lead the strategic plan process and develop the annual work plan and budget to

support long term goals. Use surveys, visitor data collected and other methods to track and report progress.

- Report to the Alexandria City Council annually and to the Board monthly.
- Seek creative solutions to problems and opportunities for growth and improvement.

The Board must recruit the new Executive Director using the following steps:

1. Develop the job description, compensation package, and other job requirements by April 1, 2011.
2. Identify and work through a management search firm to post the position through the most applicable job search boards, and to screen the top 7-10 candidates. The management search firm will coordinate the interview process to begin by no later than April 30.
3. The search firm will conduct a salary compensation study to determine the most appropriate and competitive compensation package.
4. Hire and contract the CEO beginning June 1, 2011.
5. Develop and provided training to enable the CEO to rapidly undertake all aspects of the position.
6. Develop the Annual CEO Review Goals and process for a timely review by the Board.

III. Enhance the communications, marketing, brand development and promotions efforts so as to deepen the existing communications programs and attract a growing number of visitors to the Art Center.

Within the next three months a comprehensive marketing, communications and promotional plan must be integrate with existing community communications vehicles and expand to other vehicles as required. In addition, related trademarks, copyright, and memorandum of understanding with all existing parties must be reviewed by the Board.

Most importantly the board must effectively communicate to the greater community and key partners throughout this time of transition so as to signal progress and forward momentum.

In the interim until the employment of the new ED, the Board must:

- Identify key actions that could require communications and develop the draft press release format for the new Board/entity; in addition, an experienced media person to manage the interim effort should be contracted.
- Identify the lead spokespersons, key messages and provide media training to the spokespersons and the Board;
- Expand the media center on the website to log coverage.
- Establish a media tracking service in the fall of 2011 to track and report future coverage and to be used as a success measure for the Art Center.

IV. Develop outcomes measures and implement on-going monitoring systems that enable a consistent system for future reporting of progress and the impact of the Art Center.

The Center has the opportunity to grow to be the premiere Art Center in the US and must develop measures that are consistent in tracking viability of an Art Center to serve as benchmarks with other groups. The expected outcomes over the next three years and beyond must be identified and tracked.

The Board must establish methodologies and electronic report systems to track;

- Visitors and related demographics
- Purchases made at the Center as a result of Center promotions
- Website usage
- Communications and other exposure
- Educational opportunities provided
- Facilities usage including traffic on floors, galleries, studios, and entrances and egress for monthly reporting, and
- Other outcomes measures.

Some tracking could be accomplished through promotion code tracking, door monitoring system, zip code sign in and so forth. A variety of options used by art centers and museums will be reviewed.

An ad hoc Committee should be established to initiate this process.

- V. **Launch resource development activities that expand the current funding streams and maintain revenue to support the Art Center in its developmental stage. A three year Resource Development Plan must be determined and undertaken by the volunteer Board leadership in collaboration with groups such as the Friends of the Torpedo Factory, and other key partners.**

A comprehensive, volunteer lead resource development plan for resource development for 2011 is being developed to provide balance to the existing funding streams and ensure long term viability for the Center. (*Resource Development Committee of the Board.*) The initial approach will be for unrestricted funds to support general operating costs.

A variety of foundations, corporations and groups such as Alexandria Community Trust and others will be approached to gain planning grants to provide the funding necessary to conduct the initial work of the Board until funding begins to be generated through the TFACB. The three year Resource Development Plan must be undertaken in collaboration with groups such as the Friends of the Torpedo Factory and other current fund raising efforts.

- VI. **As part of its overall policy role, the Board must initiate a Three Year Strategic Plan beginning with the vision, goals and objections.**

A long term vision for the future of the Center should be developed by the Board over the next 4 months. The vision and related goals and objectives should be used to develop the Three Year Strategic Plan in conjunction with the CEO and other key groups over the next 9 months. The plan will serve as the focus of related annual work plans and to support marketing, communications and other activities.

Transition and Revitalization of the Torpedo Factory Art Center

March- August 2011 Essential Budget

I. Governance and financial management and reporting to ensure financial viability and organizational stability.

1. Secure Director's & Officers Liability Insurance and other required General Liability Insurance for the new entity. **\$4,500.**
2. Development of the record retention process including the recording of the Minutes and Board actions, as well as a secure record storage process for all future governance and historic information of the Art Center.
3. Review of the current policies and procedures to insure fundamental business practices are in place such as the diversity, green management, and human resources policies and review others policies currently in place, and integrated them all in the operations of the Center.
4. Review for the technology systems and resources that support the current information technology management; develop a plan to update and build a secure IT system and generate the equipment and expertise required.
\$7,500 and in-kind support
5. Conduct a financial management pre-audit to identify controls that could be improved and to identify initial financial savings which might be achieved through for example, improved banking systems, full electronic financial systems implementation for all transactions, greater collaboration in fundraising activities, and other means. **\$1,500**
6. The current financial services/banking company will be reviewed with other local financial services firms to determine the best approach moving forward. An RFP process will be used to select the firm to be identified by April 15, 2011. **\$ 350**
7. The accounting software, date security, bank and transaction processes will be reviewed by the board. Review of the financial software and its interface with the banking system and income sources must be completed by April 25, 2011 in conjunction with the financial services company chosen to manage this function moving forward.
8. The 2011 Consolidated Budget must be developed to accurately reflect projected costs for the full year by April 15, 2011. (To attract additional funding for 2011 from foundations and others.) **\$500**

Sub Total: \$14,350

II. Staff leadership and composition under a new Chief Executive Officer to be recruited by the Board.

1. Develop the job description, compensation package, and other job requirements Board and search firm complete. **\$500 drafts reviewed by search firm**
2. Identify and work through a HR services firm to post the position through the most applicable job search boards, and to screen to the top 5-7 candidates. The firm will coordinate the interview process to begin by no later than April 30.

\$4,500 includes RFP search process and work by the HR firm.

3. Hire and contract the CEO beginning June 1, 2011. Recommendations of salary and compensation through search firm analysis. Draft compensation and benefits projected at \$13,500 per month. Expectation is for the CEO to be in place by June 1, 2011. **\$27,000**
4. Develop and provided training to enable the CEO to rapidly undertake all aspects of the position in collaboration with the HR firm. **\$1,000**
5. Develop the Annual CEO Review Goals and process for a timely review by the Board.

Sub Total: \$33,000

III. Communications, marketing, brand development and promotions efforts that deepen the existing communications programs and attract a growing number of visitors to the Art Center.

1. Identify key actions that could require communications and develop the draft press release format for the new Board/entity, and the media person (*contract*) to manage the effort; **\$2,000**
 2. Identify the lead spokespersons, key messages and provide media training to the spokespersons and the Board; Expand the media center on the website to log coverage and join the American Association of Museums for technical assistance and discounts. **\$3,000**
 3. Establish a media tracking service in the fall of 2011 to track and report future coverage. **\$1,200**
 4. Review brand related trademarks and copyrights, and initiate a more comprehensive brand package in consultation with legal counsel. **\$5,500**
- \$11,700**

Resource development activities that expand the current funding streams and maintain revenue to support the Art Center is its development stage. A three year Resource Development Plan must be developed and under taken with volunteer Board leadership in collaboration with groups such as the Friends of the Torpedo Factory and the current fund raising efforts.

1. Foundation Center membership to identify potential funder
2. Mailing campaign, Collectors Club event, Open House event, website Donate Now on-line donations system, and other resource development activities, mail list purchases **\$5,850**
3. Contract with a registered fund raising firm/person to submit successful grant applications with government funders, private and corporate foundations, corporate and private sponsors, and also to establish a robust membership and benefactors program. **\$10,000**

Total: \$15,850

Transition Total: \$74,900