



# STAFF REPORT

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May 22, 2024

File Number 0600-10; A-3508

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## SUBJECT

**OPERATION AND MANAGEMENT AGREEMENT BETWEEN THE CITY OF ESCONDIDO AND THE CALIFORNIA CENTER FOR THE ARTS, ESCONDIDO FOUNDATION FOR FISCAL YEAR 2025**

## DEPARTMENT

City Manager's Office

## RECOMMENDATION

Request the City Council adopt Resolution No. 2024-58 authorizing the Mayor to execute the proposed Operations and Management Agreement ("Agreement") between the City of Escondido ("City") and the California Center for the Arts, Escondido Foundation.

Staff Recommendation: Approval (City Manager's Office: Christopher W. McKinney, Deputy City Manager / Director of Utilities)

Presenter: Christopher W. McKinney, Deputy City Manager / Director of Utilities

**ESSENTIAL SERVICE** – No

**COUNCIL PRIORITY** – Eliminate Structural Deficit

## FISCAL ANALYSIS

In January 2024, the City Council approved an allocation plan for funding received through the American Recovery Plan Act ("ARPA"). This plan for expending ARPA funding included an allocation of \$1,837,330 to the California Center for the Arts, Escondido ("CCA") for management and operation by the CCAE Foundation ("CCAEF") during Fiscal Year ("FY") 2025. This funding is intended to cover cost of managing the center as specified in the proposed Agreement (\$660,000 for FY 2025, or \$330,000 semi-annually), the cost of insurance, and the cost of energy purchases from San Diego Gas and Electric ("SDGE") (natural gas and electricity).

The CCAE campus at 340 North Escondido Boulevard is property owned by the City. The CCAEF operates the CCAE under the terms of the existing fifteen-month Operation and Management Agreement which expires on June 30, 2024. If the City Council authorizes the new proposed Management Agreement, the management fee will remain \$660,000 per year. The City will pay the money from ARPA funding in two equal payments of \$918,665, with the first occurring on or about July 5, 2024 and the second occurring on or about January 6, 2025.



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The total management fees paid in FY2024 under the terms of the proposed agreement will be \$660,000. The proposed agreement provides that 100% of the premiums for insurance required by the agreement will be paid by the CCAEF from ARPA funding allocated for operation and maintenance of the CCAE.

### PREVIOUS ACTION

On March 22, 2023, the City Council approved a Management Agreement with a fifteen-month term, beginning April 1, 2023, and terminating on June 30, 2024. The City and the CCAEF executed this agreement on March 31, 2023.

### BACKGROUND

The CCAE opened in 1994 in its current City-owned facilities located at 340 North Escondido Boulevard in Escondido. The CCAEF formed to operate and manage the facility on behalf of the City under the terms of a Management Agreement, which grew into three separate agreements. Through mutual agreement, the City and the CCAEF consolidated these agreements in 2014 into a single agreement with a five-year term. The CCAEF and City worked under the 2014 agreement on a month-to-month basis from its expiration in 2019 through March 31, 2023. The CCAEF and City mutually agreed to the existing fifteen-month agreement that took effect on April 1, 2024 and will terminate on June 30, 2024.

The proposed Agreement has a term of 12 months beginning on July 1, 2024 and ending on June 30, 2025. Within 3 months of the Agreement's termination, the City and the CCAEF may agree to extend the Agreement by one year, until June 30, 2026. After that extension, the Agreement may continue on a month-to-month basis if neither the City nor the CCAEF take further action.

The proposed Agreement is attached to Resolution No. 2024-58 as Exhibit "A". The following paragraphs detail some important terms of potential public interest that are continuing from the existing agreement, as well as the changes to the existing agreement that are recommended in the proposed Agreement. Several sections are of particular interest as the proposed Agreement is considered. Some of these sections change or add significant terms when compared to past Management Agreements between the City and the CCAEF, while others are noteworthy simply because they specify important responsibilities of the City and the CCAEF. These sections are:

Section 3 (*Unchanged from the existing agreement*) – Requires the CCAEF to remain a non-profit organization in good standing with the State of California, and to notify the City of amendments to any of its formation documents (e.g., Articles of Incorporation and Bylaws).

Section 4 (*Unchanged from the existing agreement*) – Grants the CCAEF exclusive rights to produce and present activities at the CCAE, with the understanding that the CCAE facilities are for



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the benefit of the public. Allows the CCAEF to produce its own “in-house” programming and to lease the premises to outside entities. Gives the City access to the Conference Center for a limited number of days each year at no cost.

Section 11 (*Unchanged from the existing agreement*) – Specifies that the CCAEF must obtain permits through the City’s regular process for events on the Great Green of Grape Day Park, but the City will charge no permit fee.

Section 12 – (*Unchanged from the existing agreement*) Requires the CCAEF to continue to provide production and exhibition assistance to non-profit and community groups, including production, promotional, and technical assistance, as long as the CCAE facilities remain available.

Section 21 (*Change from the existing agreement*) – Updates and specifies requirements for insurance coverage for the CCAE facility and operations. Specifies that the CCAEF shall pay 100% of all premiums, with funding to come from the allocation of ARPA monies to the CCAEF by the City.

Section 27 (*Change from the existing agreement*) – Provides that the City will continue to pay the CCAEF a Management Fee for the services it provides, with a Management Fee of \$660,000 per year over the twelve-month term of the agreement (\$330,000 semi-annually). The CCAEF continues to agree to designate \$100,000 annually of this Management Fee to fund several community events: (1) Annual 4<sup>th</sup> of July (Independence Day) Celebration, (2) Día de los Muertos, (3) Música en la Plaza, and (4) Winter Wonderland. Funding for the Management Fee, the costs of energy payments to SDGE, and Liability Insurance as required in Section 21 will come from the allocation of ARPA monies to the CCAEF by the City.

The CCAEF Board of Trustees is expected to consider and approve the proposed Agreement at its regular meeting on June 6, 2024. The resolution authorizes the Mayor to execute the attached Agreement after the CCAEF Board of Trustees approves the Agreement, or an agreement with revisions that do not materially change the terms of the attached Agreement.

### RESOLUTIONS

- A. Resolution 2024-58
- B. Resolution No. 2024-58 Exhibit “A”- Agreement