

Appendix 2 – Wellington Museums Trust Revised Proposal (February 2008, by Email)

The Board understands the situation that Council faces and wants to work with Council to find the best way forward, for all concerned. It noted that the Council had already set aside an additional \$100K for the Gallery which effectively means that the total Trust bid should be adjusted to \$1.1 million.

It considered the suggestion regarding year one of the phasing and not surprisingly considers that \$300K [in 2009/10] would be insufficient for a number of reasons as follows:

Projects that Increase Operating Costs

City Gallery

The proposed increase for the Gallery is \$450K per annum and assumes a full year operation. Phasing the increased funding in possible because the Gallery will not be open to the public until 1 October and gearing up for some programming can be delayed. Taking these factors into consideration we can probably save \$150k off the original budget in 09/10 and phase in the rest over 10/11 and 11/12. Noting the following:

- International exhibitions including the opening show will cost more given the drop in the value of the NZD against the USD and the Euro.
- The Gallery faces stiff competition from Te Papa in terms of salary rates for curators in particular, and our salary estimates are below current Wgtn. Market may fall short.

Collection Store

The proposed increase for the storage of heritage collections is \$195K per annum. Given the uncertainty around the relocation project, the Trust has secured an extension to the existing lease. However, we expect to have to meet additional rent costs to remain in the current accommodation. In addition the Trust would like to use the delay by undertaking a review of the collection. To do this it will need to acquire additional collection management expertise and temporary accommodation as the current collection store could not accommodate this process. Taking these factors into consideration we can probably save \$95K in 09/10 but require the full amount in 10/11 and in subsequent years.

Plimmer's Ark Timbers

Given the delay in Wellington Waterfront's plans, this project does not need to occur in 09/10 and subject to the Council's decision costs may be incurred in 10/11 and in subsequent years.

Operating Infrastructure Investment

Revenue Generation

The proposed increase in funding to improve Trust revenue generating capability is \$240K. Ideally and because this is intended to set the Trust up for the future it would be desirable to retain the 09/10 investment at this level however, given the financial constraints, halving the proposed increase in 09/10 to \$120K would enable the Trust to at least gear-up during 09/10 with a particular focus on strategic fundraising and retail. The full amount to be reached by 11/12.

Refreshment of the Visitor Experience – Museums Wellington

The proposed increase in funding is \$150K and is to lay the foundation of the refreshment programme by engaging curatorial staff is an essential ingredient in ensuring to fulfill the Trust's vision of vibrant, fresh visitor attractions. Through timing and delaying full implementation, the Trust could save up to \$75K in the first year but require the full allocation in 2010/11.

Trust Education

This Infrastructural investment could be delayed until 10/11 will implementation of over two years 2010/11 and 2011/12.

Inflation

The Trust has absorbed cost increases during 07/08 and 08/09 amounting to approximately \$300,000. Immediate full funding of the proposal would have allowed the Trust to absorb these increases into 09/10. However, without the full allocation the Trust will be exposed and it is recommended that Council adjust the Trust's existing base line funding for inflation on the basis of 80% of 3.1% being the 31/12/08 inflation rate, which would add \$112k to the Trust's current base line funding

Summary

| | 09/10 | 10/11 | 11/12 |
|---|----------------|---|---|
| City Gallery | 300,000 | 400,000 | 450,000 |
| Collections | 100,000 | 195,000 ¹ | 195,000 ¹ |
| Plimmer's Ark | - | 15,000 ² | 15,000 ² |
| Revenue Generation | 140,000 | 180,000 | 240,000 |
| Museum VE | 75,000 | 150,000 | 150,000 |
| Trust Education | - | 75,000 | 150,000 |
| Sub Total | 615,000 | 1,015,000 | 1,200,000 |
| Inflation adjustment as at 30 June 2009 | 120,000 | 120,000 +80% of 311209 inflation rate | 120,000 +80% of 311209 inflation rate |
| Sub Total | 735,000 | 1,135,000 | 1,320,000 |
| Less funding increase already allocated | -100,000 | -100,000 | -100,000 |
| Total | 635,000 | 1,035,000³ | 1,220,000³ |

¹ Will also require one-off funding of \$200,000.

² Will also require one-off funding of \$83,000.

³ Excludes inflation adjustment at 80% of CPI as at 30 December 2009 and 2010 respectively

Depreciation

The Trust proposes to use at least part of its depreciation in 09/10 to refurbish Gallery toilets, replacing cabling and repairing floors, and to upgrade its telephone system. The latter will have been deferred from 08/09 due to the need to cover projected revenue shortfall (rents/fundraising). And given that the Trust already uses its depreciation to remain solvent it believes it cannot be used as a substitute funding increase.

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