

DATE: October 19, 2018

TO: Montgomery County Planning Board and Parks Commission

VIA: Michael F. Riley, Director of Parks *MR*
 Mitra Pedoeem, Deputy Director of Administration *Mitra Pedoeem*
 John Nissel, Deputy Director of Operations

FROM: James Poore, Division Chief, Facilities Management Division
 Lynn Lewis, Senior Administrative Specialist, Facilities Management Division
 Michael Ma, Division Chief, Park Development Division
 David Tobin, Public-Private Partnerships Manager, Park Development Division

SUBJECT: Request to increase admission fees at the National Capital Trolley Museum

Staff Recommendation: Approve the Museum’s request for an increase in the admission fees.

Background:

Ken Rucker, President of the National Capital Trolley Museum has made a request to Montgomery Parks staff to increase the Museum’s admission fees beginning November 1, 2018. In accordance with the Museum’s lease agreement with the Commission, they are seeking approval from the Planning Board for this fee increase. Mr. Rucker cited increases in expenses and the need to increase operational self-reliance for its operations as the motivation for this request. The Museum has maintained the same admission fees since 2009. Below is a table of current and proposed fees:

TABLE OF ADMISSION FEES		
Ticket	Current	Proposed
Full Fare Adult	\$7.00	\$10.00
Reduced Fare Child/Senior	\$5.00	\$8.00
Special (School Fare)	\$4.00	\$5.00

The Museum is a private non-profit organization operated by the National Capital Historical Museum of Transportation, Inc., a District of Columbia corporation. The Museum’s mission is to preserve, operate and display the historical streetcars and electric and interurban railways of Washington, DC for the benefit of

present and future citizens of the Washington, DC metro area. In partnership with Montgomery Parks, the Museum has been situated on Park property since 1969. They are located in Northwest Branch Recreational Park (the “Park”) at 1313 Bonifant Rd., Silver Spring, MD, which is their second location within this Park. In 2009, they were relocated to the current site to accommodate construction of the ICC.

The Museum’s facility includes a visitor’s center, exhibit hall, car display barn and a collection of 16 historical streetcars, some of which are operated on a mile-long demonstration railway in the Park. They offer a variety of programs, including structured educational programs for children ages 4-11, trolley rides, docent-led tours of the museum, party room rental and a museum shop. They are open to the public each Saturday and Sunday from 12:00 pm – 5:00 pm and on Thursdays and Fridays for school programs.

Financials:

Revenue

The Museum’s revenue sources include Museum membership dues, donations and grants, admission fees, educational programs, museum shop sales and party room rental income. In the coming years, the Museum’s goal is to decrease their reliance on grants and gifts by primarily increasing their support from more predictable and controllable sources such as admission fees. The Museum’s FY19 Arts & Humanities Council of Montgomery County (AHCMC) grant application was denied, in part due to their heavy reliance on grants, donations and gifts to fund their operations. They will lose approximately \$21,000 in grant funds from this organization for FY/CY19. The request to increase their fees is a measure to offset this loss in grant funding and to reach a goal of having their admission fees comprise at least 60% of their total annual revenue. For the three fiscal years (ending October 31) of 2015-2017, fees have steadily comprised 40% of total annual revenue, while grants, donations and gifts have comprised 48% - 50% of total revenue. **(See Attachment A - Revenue for Fiscal Years Ending October 31, 2016 and 2017)**

Expenses.

The Museum’s expenses include, among other things, depreciation, collection care, insurance, office expenses, salary and wages, accounting and utilities. Across 12 reported expense categories, 8 categories experienced year-to-year increases from fiscal years 2015 – 2017.

Utility costs, including water and sewer, electricity and telephone services, rose by 8% from 2015 to 2016 and by 6% from 2016 to 2017. Water and sewer accounted for the largest utility increase. Expenses for the Museum’s collection care increased more dramatically by 42% and 142% for the same fiscal periods, respectively. The aging infrastructure of the Museum’s facilities will continue to lead to higher costs. In 2020, the Museum will again tackle the 5-year replacement cycle of its demonstration railway’s failing crossties and switch timbers. As they have already depleted their supply of ties and switch timber, they will have to purchase 100 new ties and 15 switch timbers for the 2020 replacement cycle, at an estimated cost of \$150 per tie for installation.

The Museum is also bracing for continuing increases in its salary expenses due to the new Montgomery County minimum wage laws and their plan to increase their number of paid employees to enhance worker reliability. Wages for their cashiers have already risen from \$8 per hour to \$12.25 and will increase yearly as per law. The Museum had already experienced 14% annual increases in wages from both 2015 to 2016 and 2016 to 2017. **(See Attachment B - Expenses for Fiscal Years Ending October 31, 2016 and 2017)**

Revenue Less Expenses.

The Museum's average revenue less expenses was \$22,480 for fiscal years 2015-2017, which approximates the pending grant loss of \$21,000 for FY19. Also, while total revenue increased by only 4.5% from 2016 to 2017, total expenses increased by 12%.

STAFF RECOMMENDATION:

Staff recommends the Planning Board approve the National Capital Trolley Museum's request to increase its admission fees as proposed in the Table of Admission Fees above. The Museum is facing rising expenses due to utility rate hikes, aging infrastructure requiring repair or replacement in the near future and ongoing mandatory increases in salary rates, among other things. In addition, during the 2017 fiscal year, the Museum saw an increase in total expenses outpace an increase in total revenue by 7.5% from the prior year. Also, the \$21,000 loss in grant funds for FY19 will have a considerable negative impact on the organization's expenses/revenue ratio (81% - 88% for FY15-17) if replacement revenue is not adequately generated from other sources.

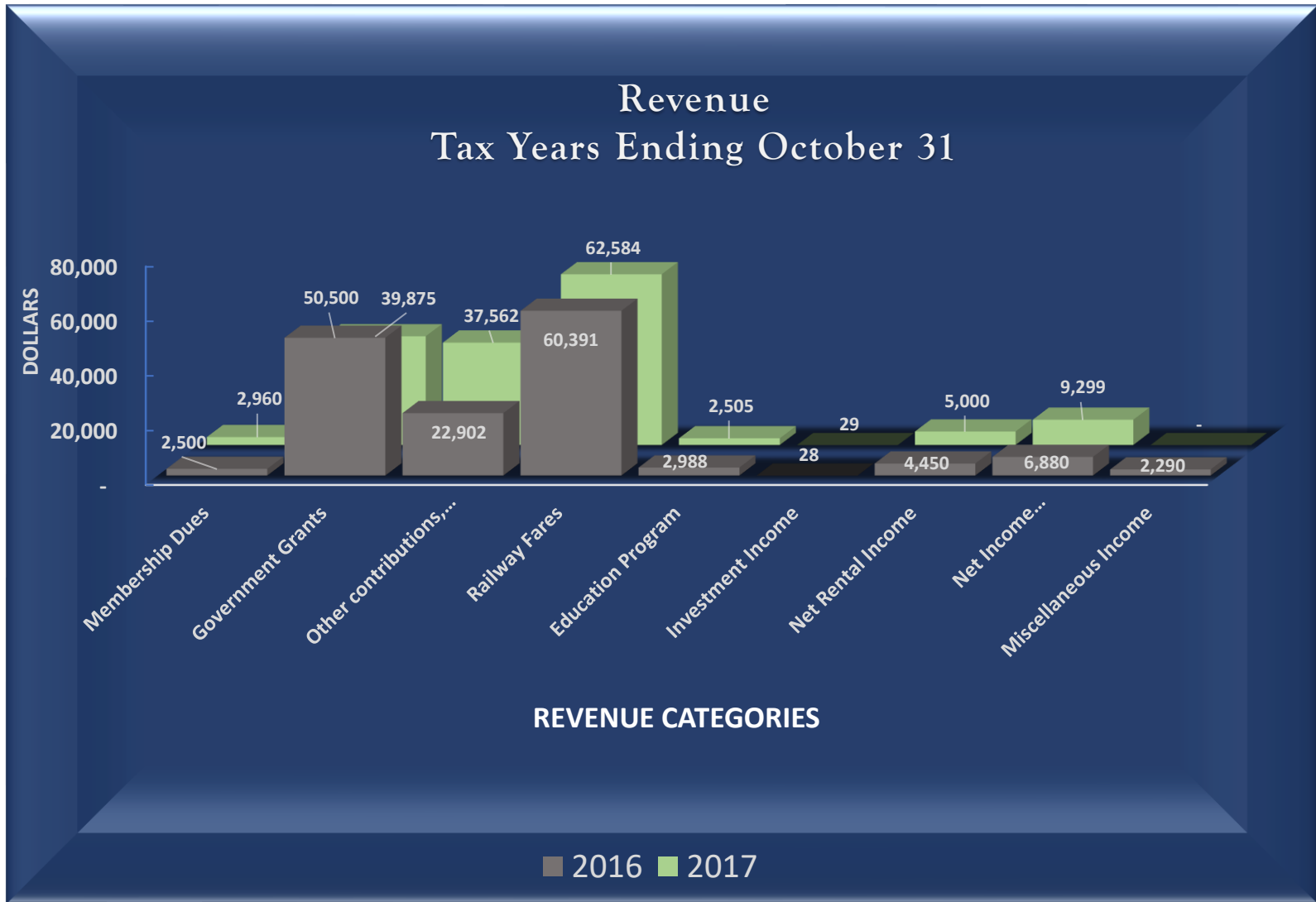
Attachments:

Attachment A – Revenue for Fiscal Years 2016 and 2017 (ending October 31)

Attachment B – Expenses for Fiscal Years 2016 and 2017 (ending October 31)

ATTACHMENT A

Revenue for Fiscal Years Ending October 31, 2016 and 2017



ATTACHMENT B

Expenses for Fiscal Years Ending October 31, 2016 and 2017

