



Inter-Departmental Communication

DATE: April 7, 2003
TO: Councilmember Teresa Loar
FROM: Mark Funkhouser, City Auditor
SUBJECT: Kansas City Museum

Based on a constituent complaint you asked us to review how Union Station Kansas City, Inc. spends museum levy money on the Kansas City Museum.

Conclusion

Union Station Kansas City allocates the museum levy to the Kansas City Museum. It appears that the use of museum levy money is consistent with the state requirement that spending be for museum purposes only.

Work Performed

We interviewed city staff, staff at Union Station Kansas City, Inc., and a constituent concerned about museum spending; reviewed Kansas City Museum monthly statements of revenue and expenses; reviewed the contract between the city and the Kansas City Museum Association; and reviewed Missouri Revised Statutes¹.

Background

The Kansas City Museum is housed in Corinthian Hall. The museum features displays of regional history, natural history dioramas, and a 50-seat planetarium. The museum was managed by Kansas City Museum Association before December 2000. In December 2000, the Kansas City Museum Association and the Union Station Assistance Corporation merged into Union Station Kansas City, Inc. Union Station Kansas City, Inc. operates the Kansas City Museum at Corinthian Hall, Union Station, and Science City at Union Station.

The Kansas City Museum is supported through a special museum property tax levy of \$0.02 per \$100 of assessed valuation on real estate personal property. The proceeds of

¹ Mo. Rev. Stat. §92.035 and 92.036.

the tax are to be used for the operation, improvement or construction expansion of museum facilities. In 2002, the total proceeds from the museum levy were \$1,084,000.

The museum levy makes up nearly all of the museum's revenue. Admissions for the museum and the planetarium, grants and contributions, and concession revenues are other sources of revenue for the museum.

The city contracts with the Union Station Kansas City, Inc. to operate the Kansas City Museum. The city entered into the contract in June 1987. The contract, which is currently administered by the Finance Department, sets a schedule for the city to pay the proceeds of the museum levy, designates the Kansas City Museum Association to operate the museum, and requires the Kansas City Museum Association to provide monthly and annual financial reports to the city.

Analysis

State statute restricts use of the levy to museum purposes, such as operation, improvement or construction expansion of facilities. Union Station Kansas City, Inc. allocates the museum levy money to the Kansas City Museum. Museum expenses appear consistent with the requirements.

Statute Restricts Use of Levy to Museum Purposes

Missouri Revised Statutes on the use of the museum levy is broad. It states that the levy money can be used for the operation, improvement or construction expansion of museum facilities. The levy has to be spent on museum purposes.

In addition to placing restrictions on expenditures, the statute established the levy, requires free admission, and places residency requirements for the museum director and board. The levy rate can't exceed ten cents on each \$100 of assessed valuation. To increase the rate beyond the current rate of \$0.02 requires approval by voters. State law requires the museum to be free and open to city residents. The director of the museum and a majority of the board of governors must be Missouri residents and taxpayers of Kansas City.

Museum Expenses Appear Consistent with Requirements

Based on our review of monthly statements of revenue and expenses, and interviews with city and Union Station Kansas City, Inc. staff, the use of museum levy money appears consistent with the requirement that spending be for museum purposes. Union Station Kansas City, Inc. allocates the museum levy to Kansas City Museum. The largest expense items are Kansas City Museum staff salaries and facility and vehicle expenses. Some expenses incurred at Union Station are allocated to the Kansas City Museum, such as employees' salaries for finance, information technology, human resources, management, marketing, and program delivery. In addition, Union Station Kansas City,

Inc. also charges the museum rent based on office and collection storage facilities located at Union Station.

Other Issues

Several questions were raised during our work that would require additional work to answer:

Who owns the artifacts of Kansas City Museum? The contract between the city and the Kansas City Museum states “that all of the exhibits and equipment heretofore and hereafter acquired, except those on loan and except those specifically given to the Museum Association as such, are the personal property of the City.”² However, according to the staff at Union Station Kansas City, Inc., the Museum Association owned all the artifacts in the museum before the merger. Therefore, since Kansas City Museum merged to form Union Station Kansas City, Inc., Union Station Kansas City, Inc. owns the artifacts.

Do the levy and museum revenues generate enough money to operate the museum? The constituent complained that there weren’t many activities going on at the Kansas City Museum. The revenues for the Museum, including the levy, contributions and admissions, totaled about \$1.2 million in 2001. The museum’s expenses were over \$1.5 million. To increase the levy rates, voters’ approval is required.

cc: Mayor Kay Barnes
Members of the City Council
Rich Noll, Interim City Manager
Kevin Riper, Director of Finance
Bud Jeffress, Chief Financial Officer, Union Station Kansas City, Inc.

² Contract between Kansas City, Missouri and the Kansas City Museum Association.