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CITY OF SACRAMENTO

DEPARTMENT OF PARKS AND COMMUNITY SERVICES

ROBERT P. THOMAS
Director

G. ERLING LINGGI
Assistant Director

CROCKER ART MUSEUM DIVISION
GOLF DIVISION
METROPOLITAN ARTS DIVISION
MUSEUM AND HISTORY DIVISION
RECREATION DIVISION
PARKS DIVISION
ZOO DIVISION

September 9, 1986

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Year-End Status of the Sacramento History Center Operations

SUMMARY

This report provides information requested at the March 11, 1986 City Council meeting regarding the status of the Sacramento History Center operations at the conclusion of the 1985-86 fiscal year. This report recommends that the lease between the City and Sacramento History Center, Inc. be terminated and that the City urge all Sacramento History Center support groups to create a single support organization.

BACKGROUND INFORMATION

The planning for a center depicting Sacramento history began in 1954 under the direction of the Sacramento Museum and History Commission. The responsibility for this planning process was transferred by agreement to Sacramento History Center, Inc., a nonprofit corporation, in 1981. The nine-member Board of Trustees for Sacramento History Center, Inc. was established with two members appointed by each the City and County of Sacramento. On September 15, 1981, the City and County of Sacramento entered into a tri-party agreement with Sacramento History Center, Inc. for the construction of the Sacramento History Center building and initial exhibits. One year later, on September 13, 1982, the City entered into a 20 year lease agreement with Sacramento History Center, Inc. for the operation of the Sacramento History Center in which the SHC, Inc. would be responsible for the facility and its operations.

In an effort to standardize City facility operations, the City and SHC, Inc. executed a second operational agreement in October 1984 specifying services which would be provided by the City, funded first by admissions and any operational deficit to be funded by SHC, Inc. The facility operates under terms of this agreement whereby the City provides staffing, maintenance and

exhibit changes and collects admission fees to offset costs. The total cost of the operations and maintenance of the History Center is the responsibility of SHC, Inc.

The initial concept for the History Center project was organized around the proposal that the City and County of Sacramento would construct the Center building estimated at \$2.7 million and that the newly formed corporation, SHC, Inc. would supply funding of the exhibits estimated at \$1.2 million and eventually costing \$1.5 million. As the plan evolved, SHC, Inc.'s role increased to include a \$740,000 cash and \$10,000 in-kind contribution toward the building construction; and operation and maintenance responsibilities for the building. The City role increased in providing contract staff for the operation of the History Center reimbursed by History Center, Inc.

Sacramento History Center, Inc., under the Board of Trustees' direction, has succeeded in raising the \$740,000 toward the building construction; secured over \$1.5 million for exhibits; covered their internal operational costs of approximately \$100,000 annually; and has funded three staff positions valued at nearly \$90,000 to support the Sacramento History Center facility and the Sacramento Museum and History Division.

The Sacramento History Center opened in August 1985. (See Attachment A.) During the first ten and one-half months of operation, the Center served over 74,000 visitors, and it is conservatively projected that by the end of the first year, 84,000 people will have visited the Center. This figure includes over 16,500 school children. During the spring of 1986 months, the Center operated at 95% capacity for school tours.

Marketing Study Implementation

A marketing study was conducted by Cunningham Associates in conjunction with the Museum and History Division staff in fall of 1985. This research-based study contained specific recommendations to improve exhibit labeling, suggestions to program and promote facility, and complete exhibits with the overall goal of increasing the Center's self-sufficiency.

Staff and Sacramento History Center, Inc. have begun to address and implement many of the marketing study's recommendations with particular emphasis on dynamic programming both inside and outside of the History Center. The two summer sessions of "Sacramento Kids", a History Center day care program in Old Sacramento, are filled to capacity. Currently, an agreement is being sought with the California State Department of Parks and Recreation to permit History Center programming on the State-owned land surrounding the Center. A joint ticket with Crocker Art Museum and three state museums, including the Railroad Museum, is currently being developed and will be transmitted to City Council under a separate report. Exhibit labeling is being improved in response to visitor feedback. Staff is striving to repair, complete and modify those exhibits not completed by the exhibit fabricator. Negotiations with the exhibit fabricator, who failed to complete the contracted exhibits and who left

the job site, have resulted in the delivery of a truckload of exhibit components previously paid for but never received. Installation of these items will significantly advance the exhibits toward completion.

The Friends of the Sacramento History Center, the nonprofit support group, has increased its membership by approximately 33% since the Center's August 1985 opening and has implemented an aggressive membership campaign. The Friends have underwritten and co-sponsored various special events, have assumed responsibility for gift shop operations, and have contributed both financial and human resources.

History Center docents have increased from 140 in August 1985 to the present 250. A September 1986 training class will further increase the number of volunteers. The docents, who are committed to two years of volunteer service at eight hours per month, have contributed over 4,000 hours of public service to date.

Year-End Status of History Center Operations

The report of March 11, 1986 to the City Council and that of March 4, 1986 to the Board of Supervisors indicated that the Sacramento History Center was not anticipating revenue equal to expenditures. It was projected that revenue would be \$100,519 and expenditures would be \$321,591. The report also indicated that Sacramento History Center, Inc. would not, per its contract with the City, be able to make up the difference of \$221,072. The County of Sacramento allocated \$100,000 from Transient Occupancy Tax funds to Sacramento History Center, Inc. It was projected that Sacramento History Center, Inc. could secure another \$10,000 from sources available to them, leaving a shortfall of \$111,072 to be covered by the City.

These projections indicate that the History Center is approximately 33% self-sufficient in terms of earned income. A survey of other California museums (Attachment B) revealed that the average self-sufficiency level is 7.6% and that none of the museums surveyed were over 20% self-sufficient. In comparison, the History Center's current level of self-sufficiency far exceeds the norm. Furthermore, the History Center marketing study indicates that over a five year period with targeted aggressive marketing, the Sacramento History Center could achieve 50% self-sufficiency in earned income.

The year end figures (Attachment C) show an FY 1985-86 operations shortfall of \$101,532, which is approximately \$10,000 less than the March 1986 projection. This shortfall is summarized as follows:

Expenditures

Salaries	\$137,601*
Services and Supplies	156,215
Management Costs	<u>13,978</u>
	<u>\$307,794</u>

Shortfall Summarization (Cont'd)

Income

Admissions	\$ 94,262
Rental	<u>2,000</u>
	<u>\$ 96,262</u>
Expenditures Over Income	\$211,532
Less County of Sacramento TO Appropriation	\$100,000
Less SHC, Inc. Contribution	<u>10,000</u>
FY 1985-86 Shortfall	<u>\$101,532</u>

*Does not include History Center Supervisor or Program Coordinator positions (Sacramento History Center, Inc. funded).

According to the marketing study, it is apparent that the continued development and accomplishments of both the History Center and the nonprofit support groups will in the long term reduce the shortfall. However, these efforts will not have a short term impact to the extent that the level of self-sufficiency and related operational shortfall will not be measurably decreased within the immediate future.

The Sacramento History Center's support groups have had a significant positive impact on the History Center's financial operations including, but not limited to, cash contributions and the funding of three staff persons. The existence of nonprofit support groups for a City facility is consistent with the Department's efforts to strengthen public-private partnerships. This model of cooperation has proven effective at both the Sacramento Zoo and the Crocker Art Museum, enabling each facility to grow and to increase the level of public service. The History Center has and will continue to benefit from the existence of organized nonprofit support. However, the current situation, whereby the History Center is supported by History Center, Inc.; Friends of the History Center; and the docent organization has required staff to liaison with three separate and distinct nonprofit organizations. Staff proposes that the History Center's nonprofit support would be as effective and more efficient were the three groups to reorganize as a single support group. This reorganization must be precluded by the City and County first withdrawing their appointment to the Board of Trustees of Sacramento History Center, Inc. Furthermore, the current contract between the City and SHC, Inc. for History Center operations is beyond the current capability of SHC, Inc. Should it remain in force, it would cause irreversible financial damage directly to SHC, Inc. and indirectly to the History Center itself insofar as it would preclude the dissolving of SHC, Inc. and subsequent blending of all support groups into one new organization. Consequently, it is recommended this lease (City

Agreement 82023) be terminated effective July 1, 1986. SHC, Inc. supports this recommendation. (See Attachment E.)

The existing City/County reciprocal ordinance which governs the Museum and History Commission (City Code 2.72 and County Resolution #72-1148) already provides that the Commission develop and maintain the Sacramento History Center. This annually renewed contract provides for joint support of the Museum and History Commission.

It is proposed that absent an agreement between the History Center and SHC, Inc. for center operations, the City/County appointed Museum and History Commission would then recommend policy changes on the History Center to the Board of Supervisors and the City Council. It is recommended that the City and County equally share in the portion of the Sacramento History Center operating budget not supported by earned income. As the Sacramento History Center becomes more self-sufficient, this remaining balance, currently 67% of the Sacramento History Center budget, will decrease. It is anticipated that within five years, the combined City and County support to the History Center will not exceed 50% of the History Center's budget. All revenue generated by the History Center will be deposited in the General Fund.

FINANCIAL DATA

The approved FY 1986-87 Maintenance and Operations budget for the Sacramento History Center is \$375,000 to be offset by a \$123,400 contribution from the City and County each and \$128,200 in admissions and gift shop sales.

The Sacramento History Center's FY 1985-86 operations shortfall has the effect of reducing the available beginning City General Fund balance for FY 1986-87 by \$101,532. This shortfall and its subsequent effect on the City General Fund balance was reduced to the current level due to a \$100,000 appropriation from the County of Sacramento and the \$10,000 appropriation from Sacramento History Center, Inc.

RECOMMENDATION

It is recommended that the Budget and Finance Committee approve this report and refer it to the full City Council for action. Further, it is recommended that the City Council approve, by resolution:

1. The lease between the City and Sacramento History Center, Inc. be terminated effective July 1, 1986; and

Budget and Finance Committee
September 9, 1986
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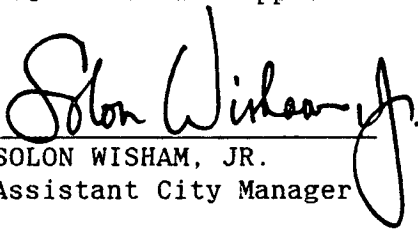
2. All Sacramento History Center support groups be urged to merge into a single support organization.

Respectfully submitted,



ROBERT P. THOMAS, Director
Parks and Community Services

Recommendation Approved:



SOLON WISHAM, JR.
Assistant City Manager

RPT:ja

September 23, 1986
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AUTHORIZING THE TERMINATION OF A LEASE
BETWEEN THE CITY OF SACRAMENTO AND SACRAMENTO HISTORY
CENTER, INC. AND URGING ALL SACRAMENTO HISTORY CENTER
SUPPORT GROUPS TO CREATE A SINGLE SUPPORT ORGANIZATION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Manager is hereby authorized and directed to terminate, on behalf of the City of Sacramento, City Agreement #82-023 between the City of Sacramento and the Sacramento History Center, Inc.
2. That all Sacramento History Center support groups are hereby urged to create a single support organization.

MAYOR

ATTEST:

CITY CLERK

ATTACHMENT A

<u>Total:</u>	<u>Admissions</u>	<u>Fees Collected</u>
	August - 11,058*	\$21,550.50*
	September - 5,109	9,236.50
	October - 5,086	6,798.00
	November - 5,377	8,127.50
	December - 4,019	4,306.75
	January - 6,028	6,773.75
	February - 5,461	6,499.75
	March - 6,706	7,853.50
	April - 7,708	8,188.50
	May - 7,028	6,085.75
	June - <u>10,709</u>	<u>8,841.50</u>
	74,287	\$94,262.00

*Reflects one half of a month

Average

Monthly attendance:	6,754
Paying adults:	2,631
Free adults:	1,147
Paying child:	733
Free child:	1,504
Senior citizen:	698
New members:	41
Monthly administrative fees:	\$8,569

Paid Admissions

	<u>Adults</u>	<u>Children</u>	<u>Senior Citizen</u>
August	6,776	1,769	1,399
September	2,920	380	911
October	2,053	242	890
November	2,678	510	769
December	1,429	347	322
January	2,194	549	629
February	2,105	798	504
March	2,527	828	712
April	2,681	963	664
May	1,993	912	525
June	<u>1,582</u>	<u>762</u>	<u>356</u>
Grand Totals	28,938	8,060	7,681

Fee-Exempt Admissions

	<u>Adults</u>	<u>Children</u>	<u>Members</u>
August	261	782	71
September	498	380	40
October	798	1,052	51
November	557	806	57
December	1,188	709	24
January	1,181	1,446	29
February	659	1,333	62
March	838	1,756	45
April	687	2,658	55
May	961	2,625	12
June	<u>4,993</u>	<u>3,006</u>	<u>10</u>
Grand Totals	12,621	16,533	456

EARNED INCOME FOR CALIFORNIA MUSEUMS

	<u>% of Budget Earned from Admissions</u>	<u>% of Budget Subsidized</u>
California Academy of Science	*	*
California Museum of Science and Industry	0% (1)	100.0%
Crocker Art Museum	6.8%	93.2
DeYoung Museum	*	*
Fresno Metropolitan Museum of Art, History and Science	15.0	85.0
Haggin Gallery and Art Museum	0 (1)	100.0
Junipero Sierra Museum	*	*
Kern County Museum	20.0	80.0
Oakland Museum	4.0 (1)	96.0
San Jose Historical Museum	*	*
 Average of reporting institutions, percentages of earned income and subsidized budget	 7.6%	 92.4%
 SACRAMENTO HISTORY CENTER	 32.0%	 68.0%

* Would not/could not disclose or did not respond
(1) Free admission; minor or no earned income

	July	August	September	October	November	December	January	February	March	April	May-June 13	June 14	TOTAL
Salaries	10,279.84	14,352.79	13,290.80	12,780.51	10,484.28	7,617.09	10,560.36	15,896.66	5,971.72	13,095.00	13,494.77	9,769.79	137,601.41
SERVICES, Supplies & Equip	16,661.52	10,318.10	3,388.03	29,604.83	12,799.88	3,311.91	7,874.09	10,221.10	2,684.98	30,547.95	21,136.78	13,887.49	156,214.56
Reimburse (4651)	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	13,977.96
TOTAL EXPENDITURES	28,106.19	25,835.72	17,821.46	43,550.27	24,448.79	12,093.83	13,407.28	27,282.59	9,821.53	44,807.78	35,796.38	24,822.11	307,793.83
SIC Revenue													
Amortizations	0.00	21,550.50	9,238.50	6,798.00	8,127.50	4,306.75	6,773.75	6,499.75	7,853.50	8,188.50	6,085.75	8,841.50	94,282.00
Rldg Rental	0.00	0.00	0.00	500.00	500.00	0.00	0.00	500.00	500.00	0.00	0.00	0.00	2,000.00
Gift Shop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	0.00	21,550.50	9,238.50	7,298.00	8,627.50	4,306.75	6,773.75	6,999.75	8,353.50	8,188.50	6,085.75	8,841.50	96,282.00
BALANCE	(28,106.19)	(4,285.22)	(8,584.96)	(36,252.27)	(15,821.29)	(7,787.08)	(6,633.53)	(20,282.84)	(1,468.03)	(36,619.28)	(29,710.63)	(15,980.61)	(211,531.83)

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Balance Due City by SIC Inc.	28,106.19	4,285.22	8,584.96	36,252.27	15,821.29	7,787.08	6,633.53	20,282.84	1,468.03	36,619.28	29,710.63	15,980.61	211,531.83
SIC Inc Quarterly Reimbursement Due			40,976.37			59,860.64			28,384.40			82,310.52	211,531.83
Indirect Cost Due City			4,970.13			4,471.11			4,841.39			4,641.39	18,724.02
Total Due City Quarterly			45,946.50			64,331.75			33,025.79			86,951.91	230,255.95
SIC Inc Quarterly Reimbursement Paid			0.00			0.00			0.00	0.00	0.00	110,000.00	110,000.00
												Balance of Reimbursements Due	120,255.95

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
SIC, Inc. Operating Expenses for SIC:													
Salary expenses	6,063.37	8,881.18	7,779.81	6,946.29	5,193.98	9,378.84	5,189.80	8,669.68	7,976.31	8,829.64	8,829.64	7,735.01	87,641.55
Services & Supplies	1,269.82	288.32	1,218.18	183.51	873.81	2,880.22	1,882.11	944.84	858.16	32.47	1,382.50	84.65	12,024.79
Marketing & Promo	0.00	288.71	219.25	179.53	854.81	4,220.38	1,562.12	8,000.00	377.78	900.00	26.45	5,034.89	21,041.80
Gift Shop	0.00	0.00	0.00	33.00	1,000.00	12,337.29	2,812.71	0.00	0.00	0.00	0.00	0.00	15,983.00
Reimbursable expenses	5,125.10	2,491.24	385.80	1,118.11	1,800.00	288.33	0.00	828.33	0.00	90.00	708.78	75.00	12,508.77
Exhibit Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contingency	500.00	0.00	21.79	0.00	7.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	529.59
Janitorial	0.00	200.00	3,550.00	2,250.00	0.00	2,225.00	4,480.00	2,150.00	2,285.00	2,130.00	2,125.00	2,150.00	23,565.00
Fund raising	0.00	29.68	1,541.32	1,126.63	0.00	0.00	11.20	0.00	950.00	0.00	701.05	200.00	4,559.88
Quarterly Payment to Sac City			0.00			0.00			0.00	0.00	0.00	110,000.00	110,000.00
SIC, Inc. - Exhibit & Bldg Expenses													
Exhibit Fabrication & Install. Exp.	289,827.00	85,772.53	75,109.80	24,844.10	0.00	18,386.00	222.90	18,407.81	2,480.87	1,352.40	6,116.00	0.00	488,504.00
TOTAL EXPENSES	272,765.39	97,907.75	89,826.15	38,681.17	9,530.30	47,824.14	15,875.84	36,798.46	14,905.82	10,854.81	17,989.40	125,289.65	776,358.38
SIC, Inc. Income													
Chk Hk Bal 6/30/85	90,119.68												90,119.68
Endowment Interest	4,315.00	2,548.00	35,829.00	0.00	0.00	0.00	8,885.78	2,300.00	0.00	0.00	4,800.00	0.00	58,587.78
Friends of SIC	0.00	0.00	0.00	0.00	0.00	0.00	3,000.00	0.00	0.00	3,000.00	0.00	4,000.00	10,000.00
Fund Raising	0.00	0.00	12,678.81	7,560.00	0.00	320.00	150.00	0.00	2,960.00	0.00	0.00	1,325.00	24,983.81
Other	0.00	500.00	10,000.00	10.00	0.00	1,000.00	28,393.40	27,842.00	0.00	0.00	935.00	2,560.09	69,240.49
Pledges, Ac. for Exhibits	26,012.00	3,248.87	85,882.47	16,000.00	7,591.67	2,188.00	12,871.87	1,926.68	7,025.00	0.00	41.87	0.00	162,654.83
Sacto. T.O. Tax								0.00	0.00	0.00	0.00	100,000.00	100,000.00
Janitorial Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reimbursable Income	344.35	250.00	0.00	0.00	1,000.00	0.00	350.00	250.00	0.00	0.00	774.00	809.70	3,578.05
State of California	247,500.00											27,500.00	275,000.00
TOTAL INCOME	368,291.01	6,546.87	144,190.28	23,570.00	8,591.67	3,475.00	51,860.85	32,318.68	9,975.00	3,000.00	6,350.67	135,994.79	794,164.62
CUMULATIVE BALANCE	85,525.82	(91,361.08)	54,364.13	(13,111.17)	(938.63)	(44,349.14)	35,885.21	(4,479.78)	(4,930.82)	(7,854.81)	(11,848.73)	10,705.14	17,806.24
MONTHLY BALANCE	85,525.82	4,184.54	58,528.67	45,417.50	44,478.87	129.73	38,014.94	31,535.16	28,604.34	18,749.83	7,101.10	17,806.24	

**Time/amount dependent on date outside of this spreadsheet.

***Reflected in Services and Supplies above

Balance	17,806.24
Exhibit Completion	64,000.00 **
Potential Balance	(46,193.76)



SACRAMENTO
HISTORY
CENTER

June 16, 1986

CITY OF SACRAMENTO

JUN 16 1986

SACRAMENTO
HISTORY
CENTER, INC.

101 I STREET
OLD SACRAMENTO
BUSINESS ADDRESS
1930 J STREET
SACRAMENTO
CA 95814
916 449-2072

Mr. Robert P. Thomas, Director
Department of Parks and
Community Services
1231 I Street
Sacramento, California 95814

Dear Bob:

As you are aware, the City of Sacramento and Sacramento History Center, Inc. (SHC, Inc.) have an agreement for the operation of the Sacramento History Center. Under that agreement the City advanced funds to SHC, Inc. for each year of Sacramento History Center operations. The City was then to be paid back quarterly through earned income (primarily admissions). Should earned income not meet the approved budget, SHC, Inc. would make up the balance from other sources of income.

BOARD OF TRUSTEES

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James E. Henley

As we entered into this agreement, we all felt the admissions would more nearly approximate the cost of operations. It appears that the operation income of the Sacramento History Center will be \$231,100 short of actual expenses for fiscal year 1985-86. On approximately July 1, 1986 SHC, Inc. will be able to deliver \$110,000 toward the 1985-86 operations (\$100,000 from Sacramento County and \$10,000 from other SHC, Inc. resources).

I have read a draft of your report to the Sacramento City Council and the County Board of Supervisors and believe you have reflected the true condition of the Sacramento History Center and SHC, Inc.

SHC, Inc. has made significant contributions to the development of the History Center. They include but are not limited to securing \$740,000 for the construction of the Center, \$1.5 million for construction of exhibits, a \$300,000 endowment fund and funding three staff positions associated with the Sacramento History Center and the Sacramento Museum and History Division. In addition


Robert P. Thomas
June 16, 1986
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SHC, Inc. has developed a significant link between the History Center and the business and corporate community as well as the general public, including one additional full-time privately paid staff position.

SHC, Inc. is proud of the Sacramento History Center and of its work on behalf of the Center. SHC, Inc. is looking forward to continuing that support and strengthening their efforts. As your Council/Supervisor report suggests, that may include merging all of the Sacramento History Center support groups, aggressively marketing the Center, enhancing membership and volunteer activities and, of course, fund development.

In this spirit, SHC, Inc. concurs with your status report. We think it is appropriate to modify our existing agreement and to redefine our respective roles and those of our additional support groups. SHC, Inc. is happy to work with the City to ensure the successful operation of the Sacramento History Center.

Sincerely,



Thomas J. Hammer, Jr.
President

TJH/shr