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DEPARTMENT OF PARKS
AND COMMUNITY SERVICES

CITY OF SACRAMENTO
CALIFORNIA

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ROBERT P. THOMAS
DIRECTOR

October 9, 1987

916-449-5200

G. ERLING LINGGI
ASSISTANT DIRECTOR

DIVISIONS:

Budget and Finance Committee
Sacramento, California

CROCKER ART MUSEUM
GOLF
METROPOLITAN ARTS
MUSEUM & HISTORY
PARKS
RECREATION
ZOO

Honorable Members in Session:

SUBJECT: Golden Era Handicrafts - Report Back

SUMMARY

This report provides information regarding the feasibility of financial and administrative support of Golden Era Handicrafts, as requested by City Council at the April 22, 1987 meeting. Further, this report recommends that City Council, by resolution, approve the concept of City operation of the Golden Era program at a new site with the condition that the program be re-evaluated at the end of three years.

Staff will report back to Council by December 15, 1987 with the year-to-date status of the Golden Era Program at which time it will be possible to recommend the budget amendments necessary to implement this program.

BACKGROUND INFORMATION

On April 12, 1987, the Sacramento Housing and Redevelopment Agency (SHRA) requested funding from the City of Sacramento for the continuation of the Golden Era Handicraft program. Budget and Finance Committee members directed the Department of Parks and Community Services to report back on the feasibility of continued operation of the program and the appropriateness of the Department of Parks and Community Services assuming responsibility for this program.

Department staff have extensively analyzed the SHRA request for funding and produced alternative methods of operation, including projected five-year financial scenarios for each alternative. This report presents the recommended alternative, developed by Department staff and approved by the Sacramento Housing and Redevelopment Commission at its August 18, 1987 meeting. A brief history of the Golden Era Handicraft Program is provided below.

History of Golden Era

Golden Era Handicrafts is a senior citizens nonprofit crafts cooperative with divergent goals of: (1) serving as a social service program which demonstrates the productive abilities of seniors; and (2) providing income for program participants through a self-sufficient business enterprise.

Golden Era was established in 1975 and sponsored by the SHRA with Title III funding support from the Area 4 Agency on Aging. The program has involved over 1,300 senior artisans and craftspersons over the past 11 years. During 1982, changes in Federal guidelines resulted in the loss of Title III support. Since 1982, the project has operated through project income, artist guild membership fees, private sector contributions and Payment In Lieu Of Taxes (PILOT) support from the Agency.

Golden Era, now located in the McDowell Building (Exhibit A) adjacent to the Eagle Theater, was originally housed in the Morse Building located at 1029 Second Street in Old Sacramento. Located directly next to the Visitor and Information Center, the location provided high visibility and business foot traffic. The sale of the Morse Building in 1980 forced Golden Era to move, but through a joint venture begun in 1981, the City of Sacramento, State Department of Parks and Recreation, SHRA, Sacramento Job Corps, and local businesses and trade unions, the McDowell Building was reconstructed in 1983. The City contributed funding in the amount of \$80,000 for the building materials for this canvas and wood-frame replica.

The move to the McDowell Building, an area of low pedestrian traffic volume, has had a negative impact on sales. A summary of annual sales for the last 11 years is attached as Exhibit B. Golden Era's sales declined 60% when the project temporarily left Old Sacramento in 1981 and in six years, the project has been able to recover only 11% of its previous level of sales. Additionally, the loss of Title III funds in 1983 resulted in the loss of a full-time manager. Program direction and day-to-day operational supervision were lost.

SHRA Request for Funding

In April 1987, SHRA requested an \$8,000 subsidy from the City to be matched by \$8,000 from the County of Sacramento to hire a manager for the Golden Era Handicraft program.

On April 22, 1987, the Budget and Finance Committee directed Parks and Community Services staff to report on the feasibility of Department operation and/or giving limited financial and administrative support for three years to Golden Era. Extensive review by staff of the history and financial data indicates that Golden Era's potential for operational self-sufficiency is clearly tied to two major factors: (1) a need for a visible location with high level foot traffic; and (2) the need for qualified managerial support, particularly in marketing, new product and membership development, and promotion.

Current Program Description

Currently, there are 162 members of the Golden Era artists' guild. Golden Era Handicrafts is operated by paid part-time staff and items for sale are accepted on consignment. While this arrangement demonstrates the productive abilities of seniors and provides income for those seniors whose items are sold, the program does not meet its goal of operating as a cooperative.

Presently, there are two part-time Public Service employees employed by SHRA to serve as co-supervisors and who supervise seven part-time staff positions (sales clerks, a bookkeeper, intake coordinator, and clerk typist). Support for these staff positions is provided by the U.S. Labor Department, Title V-funded Senior Community Service Employment Program (SCSEP). In addition, guild members and participants in the Retired Senior Volunteer Program (RSVP) provide volunteer support at the shop and for special events. Should funding for the seven SCSEP staff be discontinued, an additional source of local funding of up to \$34,164 annually would be required to continue these positions. All alternatives developed by staff assume continued funding of these federally funded positions. If these Federal funds become unavailable, the City would discontinue support of the Golden Era program.

SHRA's request for qualified managerial support is necessary for Golden Era to continue as a business entity in Old Sacramento. A manager would provide direction, initiate a marketing and promotion program, establish merchandise quality control and new product development, increase the membership of the Golden Era Guild and monitor the operating budget. This position is crucial to the success of Golden Era if it is to remain in Old Sacramento.

Recommended Program

Even under the direction of SHRA, with the financial support of SCSEP as well as SHRA and a favorable lease with State Parks and Recreation, Golden Era has been unable to return to its former level of self-sufficiency as a crafts cooperative. However, Parks and Community Services staff feel that Golden Era provides a valuable creative and productive outlet for Sacramento area seniors and opportunities for seniors for earned income.

A number of alternatives for operating and financing Golden Era were developed by staff. Detailed budgets and financial scenarios for four of the most viable options were developed. Exhibit C provides a financial summary for each of the unrecommended alternatives considered by staff. Staff's recommended proposal is presented below.

Staff recommends:

1. Transfer the Golden Era Handicrafts program to the auspices of Department of Parks and Community Services Old Sacramento Management section beginning in January 1988. The location of the Golden Era program in Old Sacramento makes it cost effective for waterfront staff to give immediate attention to the program. Additionally, Waterfront staff can provide the expertise in seniors programming and marketing necessary for Golden Era to successfully continue in Old Sacramento.

2. Move the program sales area to the B. F. Hastings Building - an area with a greater volume of foot traffic (Exhibit A).
3. Employ a program manager to oversee the program.
4. Allocate a promotional budget.
5. Re-evaluate the program for costs and benefits to the community at the end of the FY 1989-90.

The B. F. Hastings Building, a 570 square foot site owned by State Parks and Recreation, is located at 130 J Street. On the basis of past experiences of high traffic retail locations, an increase in sales can be expected by moving sales from the McDowell Building to the B. F. Hastings Building. Exhibit B shows the history of gross sales by site (1975-1986), as well as gross profit from the project while located in the McDowell Building.

The B. F. Hastings site would increase Golden Era's capability to utilize outside displays. Improvements to the interior, estimated at \$19,533 and including painting, carpet, merchandise display equipment, lighting and fans, will project a more business-like image, adding to Golden Era's ability to effectively market crafts items. The move and construction of tenant improvements is expected to take three months. Sales could begin at the B. F. Hastings building by April 1, 1988.

Current tenants of the B. F. Hastings Building, the Old Sacramento Citizens and Merchants Association (OSCMA) and a U.S. Postal office, are willing to relocate. There is basement storage available at the B. F. Hastings Building, but the walkways and stairs are not safe for seniors. Staff recommends that Golden Era maintain the lease for the McDowell Building for offices and storage space and share the building with OSCMA. This arrangement, whereby sales are located in the B. F. Hastings Building and storage and offices are located in the McDowell Building, will allow for diversification and expansion of Golden Era's products.

State Parks and Recreation has indicated that rental terms at the B. F. Hastings Building will include eleven-month renewable terms, a rental charge of \$25 per month and ten percent of monthly gross receipts. Based upon 1986 sales plus the estimated twenty and thirty percent increase in sales expected at this location, annual rent at the B. F. Hastings Building will be approximately \$5,500. Rent, maintenance and operation costs will be the responsibility of Golden Era. Should either the McDowell or B. F. Hastings Building become unavailable, Golden Era could expect to pay the current fair market price for retail space, approximately \$2.00 per square foot (\$41,665 annually) for similar facilities in Old Sacramento.

City operation of this program at the new site will reduce the subsidy level required to support Golden Era and has potential for long-range (five to ten years) self-sufficiency. It requires an initial investment of relocation costs (\$19,533) and continued subsidy in the \$5,000-\$15,000 range. Exhibit D shows a three-year financial projection and detailed budget.

In April 1987, SHRA requested funding for Golden Era Handicrafts of \$8,000 each from the City and the County, and would contribute \$4,048 from Agency PILOT funds. SHRA has now indicated it will allocate \$12,000, \$8,000 and \$4,000 in PILOT funds for each of the next three years to support the program. In addition, SHRA will provide a \$15,000 interest-free loan to offset the first-year program deficit. The City will repay the loan starting with FY 1988-89 by paying to SHRA 50% of City program gross profit revenue in excess of \$50,000 until the \$15,000 principal is repaid to the Agency. No repayment will be required until City program gross profit revenue exceeds \$50,000. If Golden Era does not reach self-sufficiency as a business enterprise or if gross profit from the program does not reach \$50,000, the City is under no obligation to repay the loan.

The Golden Era Handicrafts program will come under the auspices of the Department of Parks and Community Services' Old Sacramento Waterfront Management Section in January 1988. Staff will report back to Council by December 1, 1987 with a year-to-date report on the status of the Golden Era program, at which time it will be possible to recommend the specific budget amendments necessary to implement this program.

FINANCIAL DATA

The FY 1987-88 appropriation by the City will be approximately \$58,699. The estimated total cost and offset for the proposed City commitment to the Golden Era program is as follows:

	<u>FY 1987-88</u>	<u>FY 1988-89</u>	<u>FY 1989-90</u>
Program operation cost: (Waterfront Management)	\$58,699*	\$41,125*	\$43,180*
Program offset:			
PILOT (SHRA)	\$12,000	\$ 8,000**	\$ 4,000**
County (approved August 18, 1987)	8,000	8,000**	8,000**
Program revenue:	\$15,040	\$19,919	\$25,198
SHRA loan:	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>
	\$50,040	\$35,919	\$37,198
Estimated net general fund subsidy:	\$ 8,659	\$ 5,206	\$ 5,982

* Annual appropriation by the City

**Support to be requested each year

Funds for the Golden Era Handicrafts program will be deposited to the General Fund and utilized to offset costs of the program. The Golden Era program will be re-evaluated for costs and benefits to the community after the third year of City operation (FY 1989-90).

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 City Council, by resolution, approve the concept of City operation of the Golden Era program by the Recreation Division Waterfront Management section at a new site, the B. F. Hastings Building, with the condition that the program be re-evaluated at the end of FY 1989-90.

Respectfully submitted,

for - G. Eling Lings
ROBERT P. THOMAS, Director
Parks and Community Services

William H. Edgar
WILLIAM H. EDGAR, Director
Sacramento Housing & Redevelopment Agency

Recommendation Approved:

Jack R. Crist
JACK R. CRIST,
Deputy City Manager

RPT:ja

October 27, 1987
District No. 1

RESOLUTION No.

Adopted by The Sacramento City Council on date of

**A RESOLUTION APPROVING THE CONCEPT OF CITY
OPERATION OF THE GOLDEN ERA HANDICRAFTS PROGRAM**

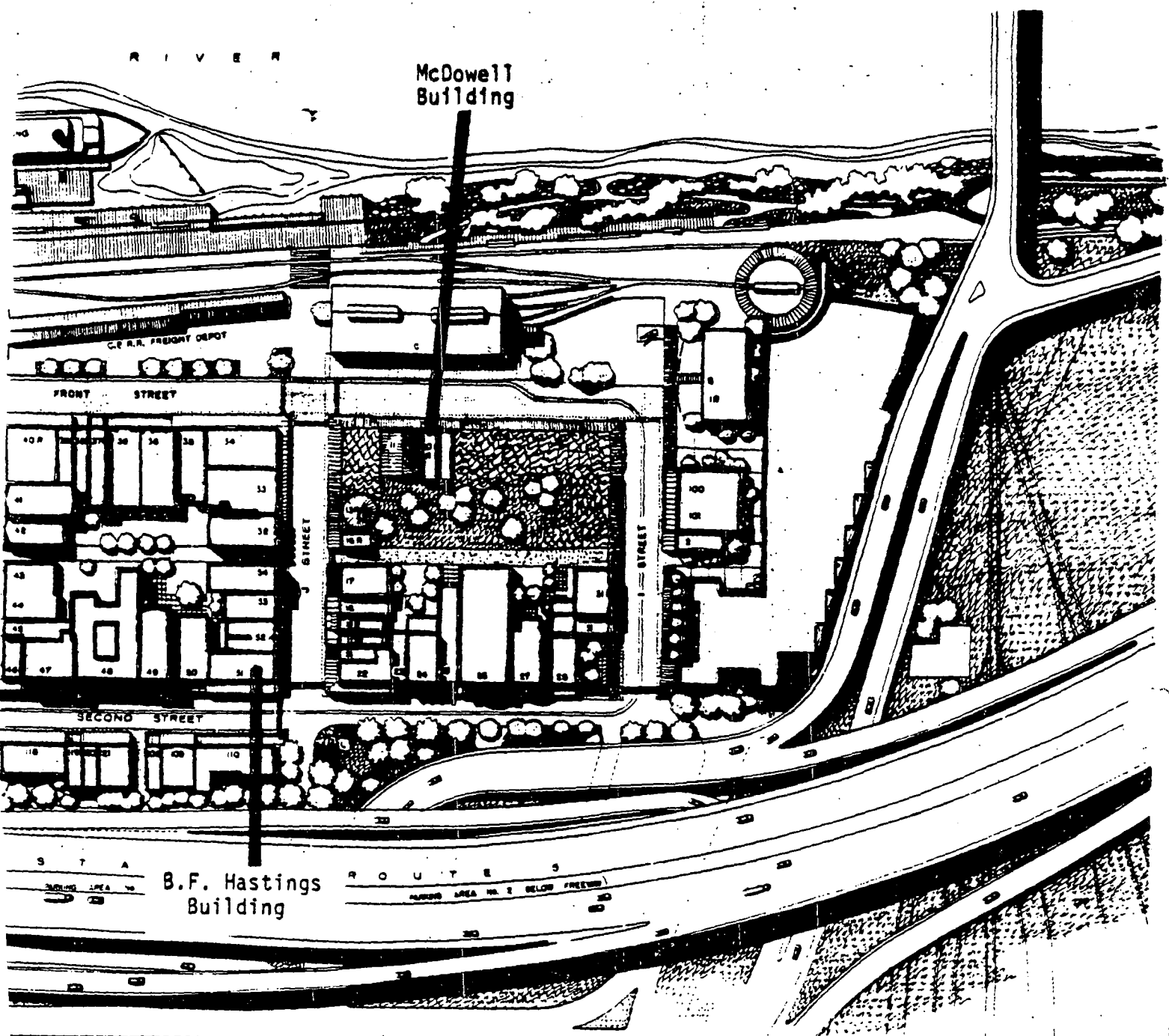
BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the concept of City operation of the Golden Era program by the Department of Parks and Community Services' Waterfront Management section is hereby approved with the condition that the program be re-evaluated at the end of FY 1989-90.

MAYOR

ATTEST:

CITY CLERK



SPED BY STATE DEPT. OF PARKS AND RECREATION

- L 29 SMITH BUILDING
- WERS WAREHOUSE 110 HEYWOOD BUILDING
- 16 111
- 16 112
- 1310 113 E P FIBB
- 114
- 1 115 RALTO BUILDING
- 1 116 MORSE BUILDING
- 0 119 ST CHARLES STORE
- 20 CARPENTER BUILDING
- 16 21 SADDLE ROCK RESTAURANT
- 6 214
- 0 122 FASHION SALOON
- 1310 123 DAMB SALOON
- 6 CO.
- 100 BUILDING



1" = 100'

- A CALIFORNIA STATE RAILROAD MUSEUM HISTORY BUILDING
- B CITY, COUNTY HISTORICAL MUSEUM
- C CSRR ARCADE PASSENGER STATION MUSEUM
- D CENTRAL PACIFIC FREIGHT DEPOT
- E STEAM NAVIGATION BUILDING
- F
- G HISTORIC STREET CAR BARR
- H SOUTH PARKING GARAGE
- I HISTORIC SCHOOL MUSEUM
- J THEODORE JUDAH MONUMENT AND PLAZA
- K PEDESTRIAN UNDERPASS TO DOWNTOWN PLAZA AND K ST MALL
- L SOPHIE COMSTOCK FORTY EXPRESS MONUMENT AND PLAZA
- M CSNG / CPRR WORKSHOP - WAREHOUSE
- N CSNG / CPRR STEAMBOAT OFFICE

OLD SACRAMENTO

A REGISTERED NATIONAL HISTORIC LANDMARK

PICTORIAL PLAN

SACRAMENTO HOUSING and REDEVELOPMENT AGENCY

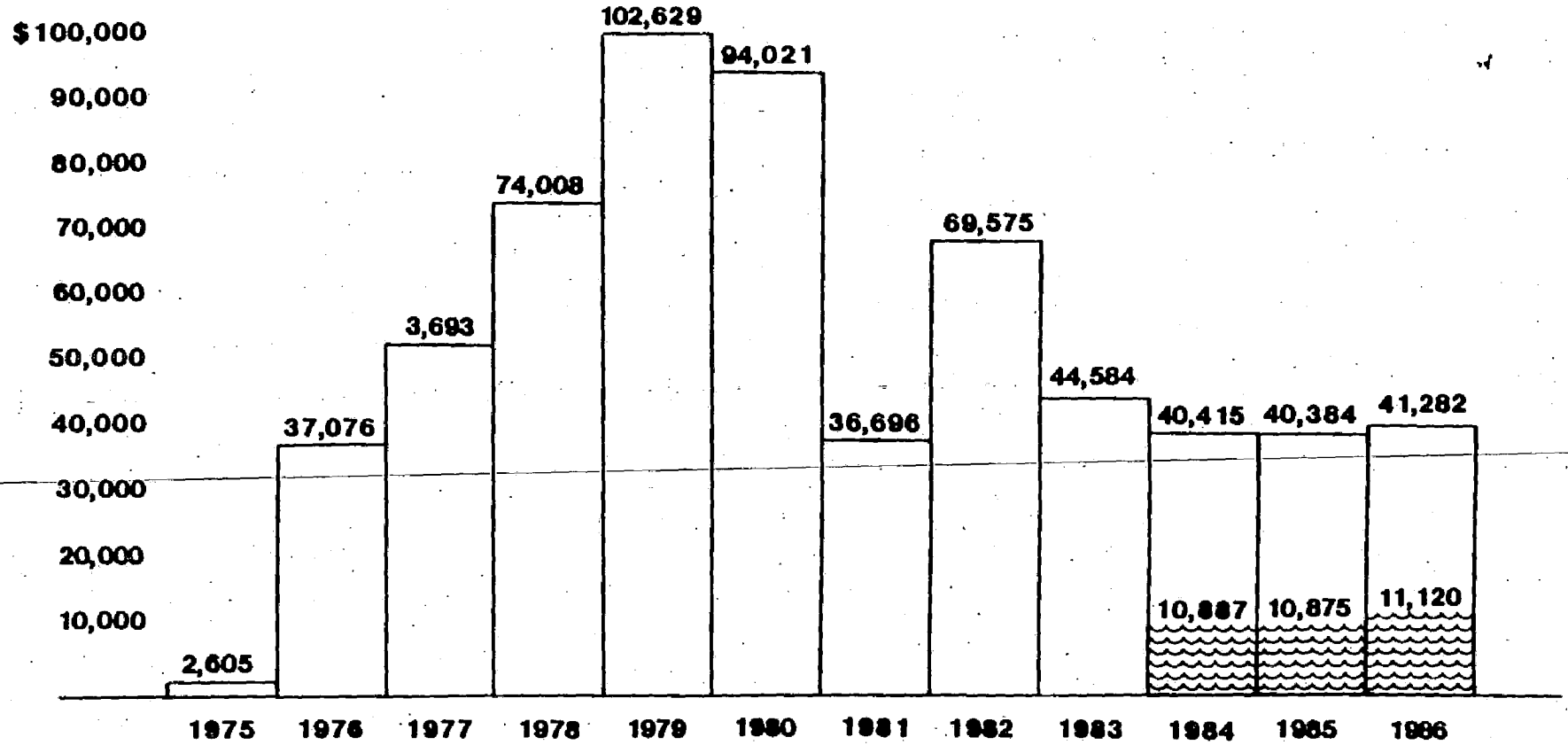
NA NYFA ARCHITECTS, INC.

DATE: MAY 21, 1979
 REVISION: OCT. 16, 1979
 REVISION: MARCH 16, 1987



GOLDEN ERA HANDICRAFTS

SUMMARY OF SALES



|-----Morse Building-----|-----315 "K" Street-----|-----McDowell Building-----|
 1029 Second Street
 917 Front Street
 Loss of Managerial Support

 **Gross Profit**

ALTERNATIVES DETAILED

Alternative 1 - SHRA's Request (Current Location)

	<u>FY 1987-88</u>	<u>FY 88-89</u>	<u>FY 89-90</u>	<u>FY 90-91</u>	<u>FY 91-92</u>
Participants	162 \$5 each	202 (25%) \$5 each	253 (25%) \$5 each	303 (20%) \$5 each	343 (15%) \$5 each
Program Revenue:					
Membership fees (and raffles)	\$ 810	\$ 1,010	\$ 1,265	\$ 1,515	\$ 1,740
Raffles	1,390	1,390	1,390	1,390	1,390
Program revenue (5%)	<u>13,200</u>	<u>13,860</u>	<u>14,553</u>	<u>15,281</u>	<u>16,045</u>
Total revenue	\$15,400	\$16,260	\$17,208	\$18,186	\$19,175
Expenditures:					
Employee services (5%)	\$19,236	\$20,198	\$21,208	\$22,268	\$23,381
Operating costs (5%)	8,732	9,169	9,627	10,108	10,613
Indirect costs (42%)	7,480	<u>8,079</u>	<u>8,483</u>	<u>8,907</u>	<u>9,356</u>
Canvas replacement	<u>6,700</u>				
Total expenditures	\$42,148	\$37,446	\$39,318	\$41,283	\$43,346
Program deficit	[\$26,748]	[\$21,186]	[\$22,110]	[\$23,097]	[\$24,171]
Other funding					
PILOT (SHRA)	\$12,000	\$ 8,000	\$ 4,000	\$ -0-	\$ -0-
County (proposed)	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-0-</u>	<u>-0-</u>
	\$20,000	\$16,000	\$12,000	\$ -0-	\$ -0-
D) Net General Fund Subsidy:	\$ 6,748	\$ 5,186	\$10,110	\$23,097	\$24,171

Alternative 2 - City Operation (Existing Site)

	<u>FY 1987-88</u>	<u>FY 88-89</u>	<u>FY 89-90</u>	<u>FY 90-91</u>	<u>FY 91-92</u>
Participants	162 \$5 each	202 (25%) \$10 each	253 (25%) \$10 each	303 (20%) \$10 each	343 (15%) \$10 each
Program Revenue:					
Membership	\$ 810	\$ 2,020	\$ 2,530	\$ 3,030	\$ 3,480
Special events	2,000	2,000	2,000	2,000	2,000
Program revenue (10%)	<u>12,100</u>	<u>13,310</u>	<u>14,641</u>	<u>16,105</u>	<u>17,716</u>
Total revenue	\$14,910	\$17,330	\$19,171	\$21,135	\$23,196
Expenditures:					
Employee services (5%)	\$21,815	\$22,906	\$24,051	\$25,254	\$26,516
Operating costs (5%)	11,325	11,891	12,486	13,110	13,766
Tenant improvements	<u>8,700</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total expenditures	\$41,840	\$34,797	\$36,537	\$38,364	\$40,282
Program deficit	[\$26,930]	[\$17,467]	[\$17,366]	[\$17,229]	[\$17,086]
Other funding:					
PILOT (SHRA)	\$12,000	\$ 8,000	\$ 4,000	\$ -0-	\$ -0-
County (proposed)	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-0-</u>	<u>-0-</u>
	\$20,000	\$16,000	\$12,000	\$ -0-	\$ -0-
D) Net General Fund Subsidy:	\$ 6,930	\$ 1,467	\$ 5,366	\$17,229	\$17,086

Alternative 3 - Mobile Department Recreation Program

	<u>FY 1987-88</u>	<u>FY 88-89</u>	<u>FY 89-90</u>
Participants	162 \$5 each	202 (25%) \$10 each	253 (25%) \$10 each
Program revenue:			
Membership	\$ 810	\$ 2,020	\$ 2,530
Special events	2,000	2,000	2,000
Program revenue	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total revenue	\$12,810	\$14,020	\$14,350
Expenditures:			
Employee services (5%)	\$ 9,975	\$10,474	\$10,998
Operating costs (5%)	<u>14,435</u>	<u>15,157</u>	<u>15,915</u>
Total expenditures	\$24,410	\$25,631	\$26,913
Program deficit	[\$11,600]	[\$11,611]	[\$12,563]
Funding:			
PILOT (SHRA)	\$ 5,000	\$ 5,000	\$ 5,000
County (proposed)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	\$10,000	\$10,000	\$10,000
Net general fund subsidy:	\$ 1,600	\$ 1,611	\$ 2,563

Financial Projection - Recommended Program

	<u>FY 1987-88</u>	<u>FY 88-89</u>	<u>FY 89-90</u>
Participants	162 \$5 each	202 (25%) \$10 each	253 (25%) \$10 each
Program Revenue:			
Membership fees	\$ 810	\$ 2,020	\$ 2,530
Special events	2,000	2,000	2,000
Program revenue (30%)	<u>12,230</u>	<u>15,899</u>	<u>20,668</u>
Total revenue	\$15,040	\$19,919	\$25,198
Expenditures:			
Employee services (5%)	\$21,815	\$22,906	\$24,051
Operating costs	17,351	18,219	19,129
Tenant improvements/ moving (one time)	<u>19,533</u>	<u>-----</u>	<u>-----</u>
Total expenditures	\$58,699	\$41,125	\$43,180
Program deficit	[\$43,659]	[\$21,206]	[\$17,982]
Other funding:			
PILOT (SHRA)	\$12,000	\$ 8,000	\$ 4,000
County (approved 8/18/87)	8,000	8,000	8,000
SHRA loan	<u>\$15,000</u>	<u>-0-</u>	<u>-0-</u>
	\$35,000	\$16,000	\$12,000
Estimated net general fund subsidy:	\$ 8,659	\$ 5,206	\$ 5,982

Assumptions:

- Move sales area to Hastings Building, significantly more foot traffic.
- Program manager (19 hours per week), plus 2 part-time PSE's. SCSEP employees (7 part-time) continue with Federal funding.
- Funds allocated toward promotion and advertising.
- Shared cost of McDowell Building (1/3 cost).
- Revenue increases 20% first year and 30% annually in following years due to managerial assistance and location change (\$11,000), base year 1986.
- Moving and TI are included in first year costs.
- Indirect costs are not charged to program (would range from \$5,554 to \$6,750 each year).
- Participants increase fees and membership as shown above.

Detail Budget (FY 1987-88) - Recommended ProgramEmployee Services

Program Manager (19 hours/week + 15% benefits)	\$ 9,975
Support Aides (2) (19 hours/week each + 15% benefits)	11,839

TOTAL EMPLOYEE SERVICES:	<u>\$21,815</u>
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Other Supplies and Services

Postage	\$ 75
Telephone	1,300
Printing and Binding	2,460
Utilities	690
Rental Real Property (rent)	4,500
Transportation	600
Registration and Tuition	35
Office Supplies	600
Photo Supplies	25
Advertising	4,000
Insurance - Liability	580
Insurance - Property	645

TOTAL SERVICES AND SUPPLIES:	<u>\$15,810</u>
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1/3 of Costs of McDowell Building	\$ <u>1,541</u>
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TOTAL OPERATING BUDGET:	<u>\$17,351</u>
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Capital Costs (Tenant Improvements)

Replace canvas of McDowell	\$ 2,233 (1/3 cost)
Lights/fans	1,000
Mailing expenses	250
Merchandise equipment	5,000
New sign	1,000
Telephone lines	1,500
T.I. \$15 x 570 (painting/carpet/moving stove/ door changes)	8,550

TOTAL TENANT IMPROVEMENTS:	<u>\$19,533</u>
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TOTAL BUDGET:	<u>\$58,699</u>
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