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January 8, 1991

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HISTORY AND SCIENCE
METROPOLITAN ARTS
SACRAMENTO ZOO
PARKS AND RECREATION
• NORTH
• SOUTH
• CITY-WIDE

Budget and Finance Committee
Sacramento, California

Honorable Members in Session

SUBJECT: SACRAMENTO SCIENCE CENTER STATUS REPORT

SUMMARY

This report is in response to a request by the City Council and the County Board of Supervisors on April 24, 1990 to provide an update on the continued serious financial needs of the Sacramento Science Center (SSC). This update includes the Center's financial status and a plan for the Center's reorganization. This report further recommends that the City Council: 1) recognize \$80,218 from the County and augment the Center's FY 90-91 budget (4654); 2) approve the addition of four City staff positions for the SSC, contingent upon a 3.7 FTE staff reduction by the SSC's nonprofit; 3) approve the first year reorganization effort of the attached proposed three year plan; 4) appoint a "blue ribbon" committee of citizens to review the operations and provide recommendations regarding the future of the SSC; 5) authorize the City Manager to execute an agreement with Sacramento County which will allow the County to transfer \$31,291 which was approved in April 1990 to the City for assistance with the Science Center's FY 89-90 debts.

BACKGROUND

This report was heard and approved by the Board of Supervisors on August 23, 1990, as part of the County 1990-91 budget hearings.

The Sacramento Science Center was originally operated by a private nonprofit corporation since its inception in 1951. In 1986, the nonprofit entered into a partnership agreement with the City and County of Sacramento. The City has 5.6 FTE employees responsible for the administration and support of the Center. The nonprofit currently provides approximately 20 employees, representing 14.4 FTE. Since the inception of the partnership overall funding

has been approximately two-thirds nonprofit, one-sixth City and one-sixth County. Currently (FY90-91), the operating budget of the combined partnership is \$309,000 (nonprofit) and \$310,718 (City/County). The nonprofit's unpredictable revenues now make the current budget approximately 50/50.

The nonprofit for several years has had increasing fiscal problems. These problems were the root factor in establishing the City/County/nonprofit partnership. Problems persisted and in late 1989 the City advanced \$17,700 to the nonprofit to meet staff payroll. The City assembled a staff task force, including an internal auditor, to review the nonprofit operations and records. The taskforce established three areas of investigation: 1) one-time debt; 2) continuing operational debts; 3) nonprofit organization and operations.

An audit of the fiscal records revealed serious debt issues. Even after significant changes and action by the nonprofit a one-time debt of \$46,300 was identified. The County allocated \$23,150 to reduce that debt. The City also allocated a total of \$23,150.

The task force also identified organizational and operational problems with the nonprofit. Fiscal controls were inadequate, membership was small, successful programs were suffering from the overhead costs of less successful efforts, and staff compensation was not competitive. The nonprofit had a 60% staff turnover in 15 months. All employees were directly responsible to the administrator and the nonprofit board was large and unbalanced. It was further determined that the Center has operated without the benefit of a professionally prepared master plan.

Staff was directed to report back to the Council and Supervisors with an action plan for the continued restructuring of the Science Center's operations.

As the fiscal year 89-90 closed a great deal of progress had been made addressing identified problems but the nonprofit was not yet financially stable. Additional City and County support was approved (\$38,346 each by the City and County). In addition one additional staff position to work primarily with fiscal reporting and control issues was approved.

In terms of its service to the region, fiscal year 1989-90 was a banner year for the Sacramento Science Center. General admissions, for example, were up 206% over the previous year. Nevertheless, long-standing fiscal difficulties once again manifested themselves and the nonprofit corporation responsible for the Center's operation was forced to seek emergency assistance from the City and County as mentioned above.

Supplemental funding from the City and County, as well as actions by the corporation to turn the few remaining assets into cash has eliminated the nonprofit's overlaying debts and thus the Center has been able to remain open to date. With City and County intervention the nonprofit has entered the current FY debt-free but the root cause of the past financial difficulties remains:

the nonprofit does not have adequate, reliable revenues to support baseline services at the Science Center. Relying on grants and other non-predictable funding resources to meet basic operational needs is not advisable. Without a change in the method of operation at the Science Center a lack of adequate staff and resources will result in continued stagnation and decline and eventually the closing of the Center.

Projected nonprofit revenues for fiscal year 1990-91 are predicted to be \$172,000 less (down 36%) than last year. The primary factors in this decline in revenues are: (1) The Institute of Museum Services (IMS) general operating support grant of \$65,692 awarded in the last fiscal year was not awarded to the Center in the current fiscal year; (2) A \$50,000 Sierra Foundation grant which culminated in the "Body Wonderful" exhibition and associated programs will not be duplicated in FY 1990-91; and (3) the unique cash flow for the nonprofit generated by the "Dinosaurs" exhibition will not reoccur in FY 1990-91.

The Science Center served almost 200,000 people last year placing it second only to the zoo among other similar cultural institutions in the region in terms of people served. Among those institutions, the Science Center receives the lowest amount of local government support both in terms of total dollars and percentage of overall operating budget. The Science Center is the only institution where the nonprofit is the operator. At current levels of support from the City and County the Science Center remains in jeopardy of eventual bankruptcy.

Proposed three year reorganization plan

Staff has prepared a draft reorganization plan that would reverse the budget and staff ratio between the City/County and the nonprofit. This plan would place the Center's operational responsibility with the City and the nonprofit would be restructured into a support organization. This would offer stability to the Science Center, but at greater expense to the City and County. The proposed reorganization would cost the City and County \$80,218 each in FY 90-91, in addition to the base budget approved by the City Council. Year two and three would have increases of \$62,666 and \$56,975 each. The proposed three year plan is attachment I.

1990-91 operational deficiency

Without further intervention the Science Center will have revenue deficiency of \$112,000 over the period of October 1990- June 1991. Attachment II is a chart of revenue and expenditures. It is apparent that any program cuts necessary to achieve the goal of closing the gap between revenue and expenditures will close or eliminate the Science Center as it is currently recognized.

A full understanding of the solutions necessary at the Science Center is complex with many hard decisions to be defined and answered. If funding is approved for year one of the three year plan the Council and Board could

appoint a blue ribbon citizens committee to review the full range of fiscal and political issues surrounding the Science Center and advise the City and County upon a course of action.

FINANCIAL DATA

The City and County must each contribute \$80,218 to the Science Center to fund the existing operation through the balance of the year. The County has already approved an appropriation for this purpose. It is recommended that the Council recognize this revenue and augment the Science Center budget for this amount as outlined in the attached resolution. The City's share will be absorbed by the Department of Parks and Community Services at least until the 1990-91 midyear review is completed. During the Committee's hearings on the midyear review, staff will advise Council as to whether the Department can absorb this added expense, or if an appropriation from the General Fund Contingency is necessary.

POLICY MATTERS

The Sacramento Science Center faces eventual closure unless a change in the current method of operations is implemented. Currently, the Sacramento Science Center receives the lowest amount of local government support in terms of total dollars and percentage of overall operating budget when compared to other similar institutions. The Science Center is the only institution where the nonprofit is the operator. The proposed recommendations will shift the role of the Science Center's nonprofit from an operator to a support group. The City and County will assume the role of operator.

MBE/WBE EFFORTS

No impact

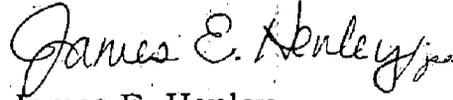
RECOMMENDATIONS

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

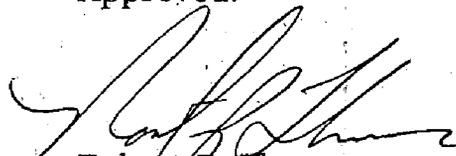
1. Approve the augmentation of \$80,218 to the Center's FY 90-91 operating budget to be appropriated by the County of Sacramento.
2. Approve the addition of 4.0 FTE positions.
3. Authorize the City Manager to execute an agreement with Sacramento County which will allow the County to transfer \$31,291 to the City for assistance with the Science Center's FY 89-90 debts.

4. Appoint a blue ribbon citizens advisory committee. Appointments to be made by the Mayor and Chairman of the Board of Supervisors.
5. Approve the first year reorganization effort of the attached proposed three year plan.

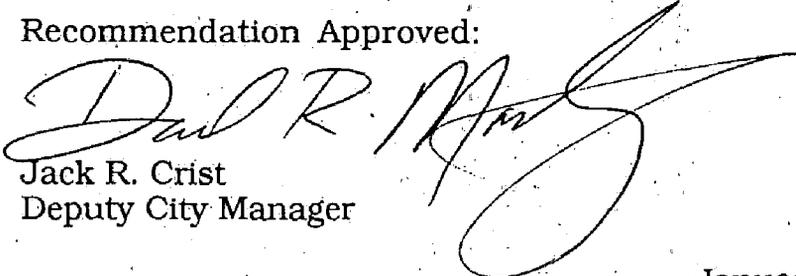
Respectfully Submitted,


James E. Henley
Manager

Approved:


Robert P. Thomas
Director of Parks & Community
Services

Recommendation Approved:


Jack R. Crist
Deputy City Manager

January 3, 1991
All Districts

Contact person: Dave Stuart
Science Center Administrator
449-2057

RESOLUTION AMENDING THE FY 1990-91 BUDGET FOR THE SACRAMENTO SCIENCE CENTER, APPROVING ADDITIONAL STAFF, AND ESTABLISHING A CITY/COUNTY CITIZENS COMMITTEE TO DEVELOP RECOMMENDATIONS FOR THE SCIENCE CENTER'S FUTURE

WHEREAS, the Sacramento Science Center is operated by the Sacramento Science Center, Inc. in partnership with the City and County; and

WHEREAS, the Sacramento Science Center has and is experiencing fiscal and operational difficulties; and

WHEREAS, the Sacramento Science Center, Inc. has expressed to the City and County the need for assistance; and

WHEREAS, the Sacramento Science Center performs a valuable community service:

NOW THEREFORE, BE IT RESOLVED that the City Council hereby:

1. Approve year one of Sacramento Science Center three year transition plan.
2. Approve five new positions for Sacramento Science Center, equaling 4.0 FTE.
3. Increase General Fund Revenue and Contingency by \$80,218 to be received from the County.

1-101-450-4654-3xxx		[\$80,218]
1-101-710-7012-4999		+\$80,218
4. Approve the transfer of \$80,218 from the General Fund Administrative Contingency to the Sacramento Science Center operating budget as follows:

1-710-710-7012-4999		[\$80,218]
1-101-450-4654-4101		
1.0 FTE Zoo Attendant II	\$9,488	
benefits	3,605	
1.0 FTE Zoo Attendant I	8,780	
benefits	3,336	
1.0 FTE Exhibit Coordinator	9,275	
benefits	3,525	
1.0 FTE; two .50 positions, Exhibit Fabricator	8,785	
benefits	<u>3,338</u>	50,132
1-101-450-4654-4258		18,250
1-101-450-4654-4455		11,836
5. Authorize City Manager to execute an agreement with County to receive \$31,291 to assist Sacramento Science Center with its FY 1989-90 debts.
6. Mayor to appoint a blue ribbon committee, in conjunction with the Chairman of the Board of Supervisors, to review Sacramento Science Center.

MAYOR

ATTEST:

Attachment I

**SACRAMENTO SCIENCE CENTER
THREE YEAR TRANSITION PLAN**

OVERVIEW

In terms of its service to the region, fiscal year 1989-90 was a banner year for the Sacramento Science Center. General admissions, for example, were up 206% over the previous year. Nevertheless, long standing fiscal difficulties once again manifested themselves and the nonprofit corporation responsible for the Center's operation was forced to seek emergency assistance from the City and County.

Detailed analyses of existing (incomplete) records by City and County staff and the nonprofit's current Board of Directors have revealed that for at least the last ten years the nonprofit corporation's revenues have varied significantly from year to year and the nonprofit was only partially successful in predicting those variations for budget purposes.

In several years basic services could not be provided without drawing upon reserves such as the endowment, and other restricted funds. With those funds being inadequate, the corporation and individuals indebted themselves to continue programs. As a result, last fall the nonprofit found itself in debt, with no reserves, few assets, and an insufficient cash flow to continue operating.

Supplemental funding from the City and County, as well as actions by the corporation to turn the few remaining assets into cash, has eliminated the nonprofit's overlying debts, thus the Center has been able to remain open to date.

However, projected revenues for FY 1990-91 are \$172,000 less (down 36%) than last year. The primary factors in this predicated decline in revenues are: 1) the Institute of Museum Services (IMS) general operating support grant of \$65,692 awarded in the last fiscal year was not awarded to the Center in the current fiscal year; 2) a \$50,000 Sierra Foundation grant which culminated in the "Body Wonderful" exhibition and associated programs will not be duplicated in FY 1990-91; and 3) the unique cash flow for the nonprofit generated by the "Dinosaurs" exhibition will not reoccur in FY 1990-91.

The nonprofit has entered the current fiscal year debt-free but the root cause of the past financial difficulties remains: the nonprofit does not have adequate, reliable revenues to support baseline services at the Science Center. Relying on grants and other non-predictable funding resources to meet basic operational needs is not advisable. Indeed, without a change in the method of operation at the Science Center, a lack of adequate, trained staff and resources will result in continued stagnation and decline and the eventual closing of the Center.

The nonprofit entered into a partnership agreement with the City and County in 1986. Since that time the City and County have supported approximately one-third (one-sixth each) of the Science Center's operating budget. The Science Center served almost 200,000 people last year, placing it second only to the zoo among other cul-

tural institutions in the region in terms of people served. Among those institutions, the Science Center receives the lowest amount of local government support both in terms of total dollars and percentage of overall operating budget. The Science Center is the only institution where the nonprofit is the operator.

Problem:

The Sacramento Science Center (SSC) is experiencing operational and fiscal instability. The nonprofit has responsibilities for the basic operation of the SSC that exceed its fiscal ability at this time. The SSC is not able to generate and sustain attractions. Without a change in operations, the lack of staff and resources will result in stagnation and continued decline of the Science Center.

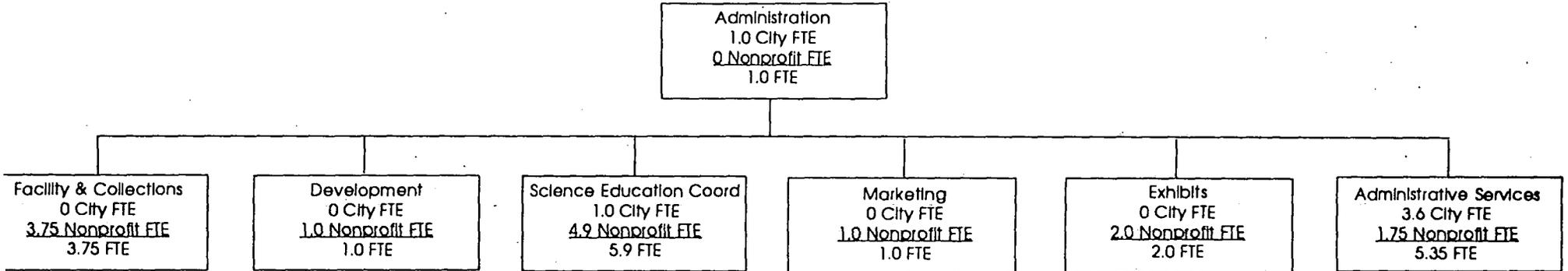
Goal:

Reverse the role of Sacramento Science Center's nonprofit from operator to a support group. Stabilize the SSC through operation by the City and County and focus the nonprofit on the support of the Center. The nonprofit's resources should be utilized for marketing, fund development, exhibits, and capital projects.

Sacramento Science Center

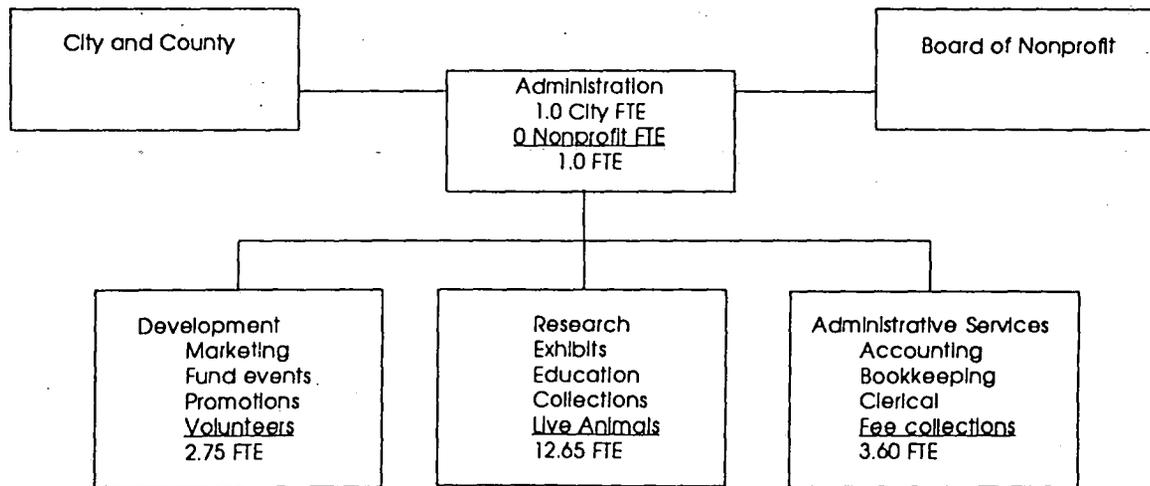
Current Function (FY 91)

City/County:	FTE 5.6	Funds \$310,000
Nonprofit:	FTE 14.4	Funds \$350,000 (estimate)
	20.0	\$660,000



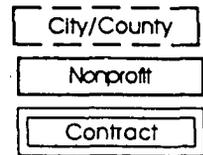
Proposed Functional Reorganization by City and County

City/County:	FTE 14.60
Nonprofit:	FTE 5.40
	20.00



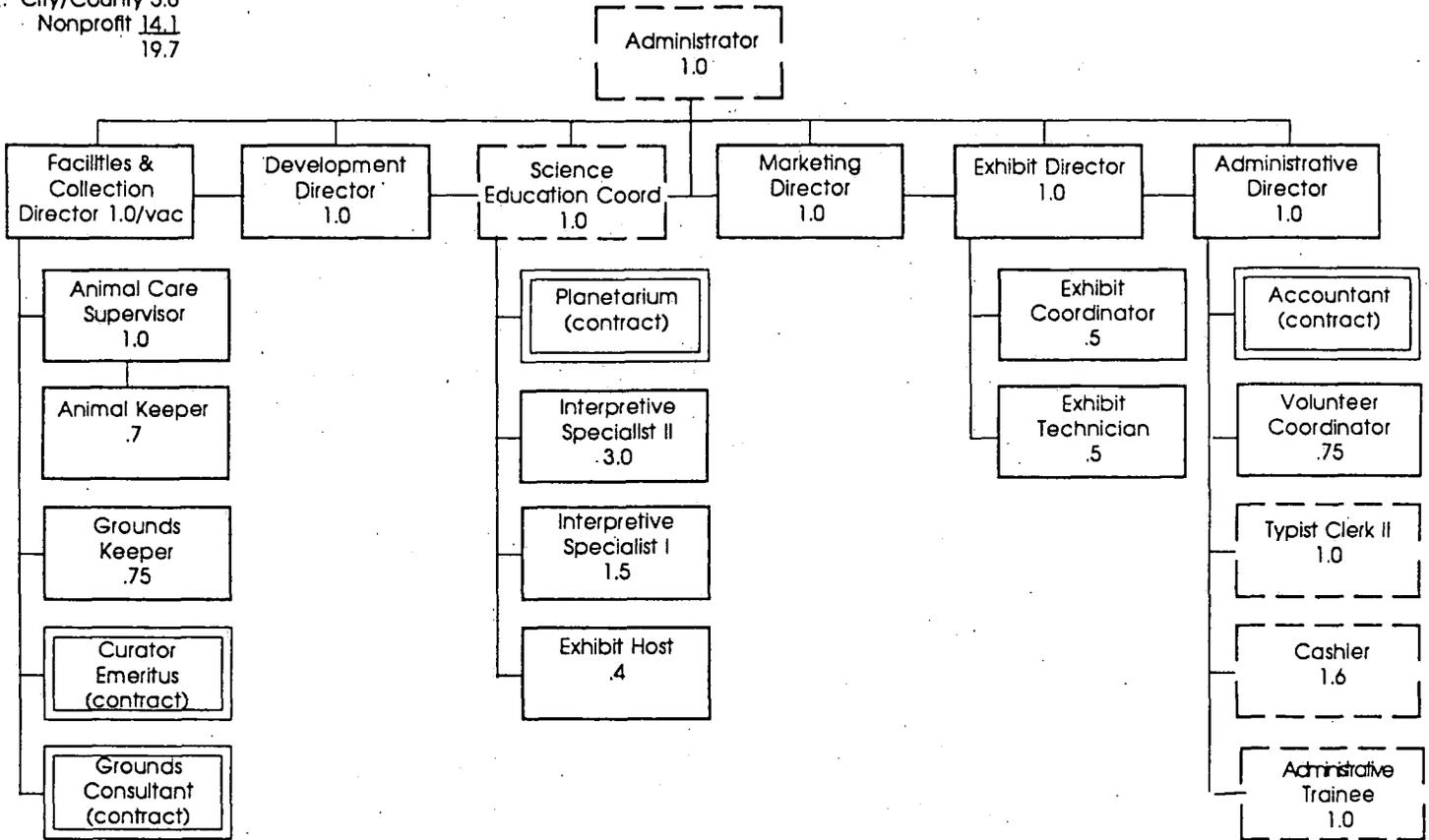
Sacramento Science Center Organization Charts FY 91 thru 93

Type of Employee:



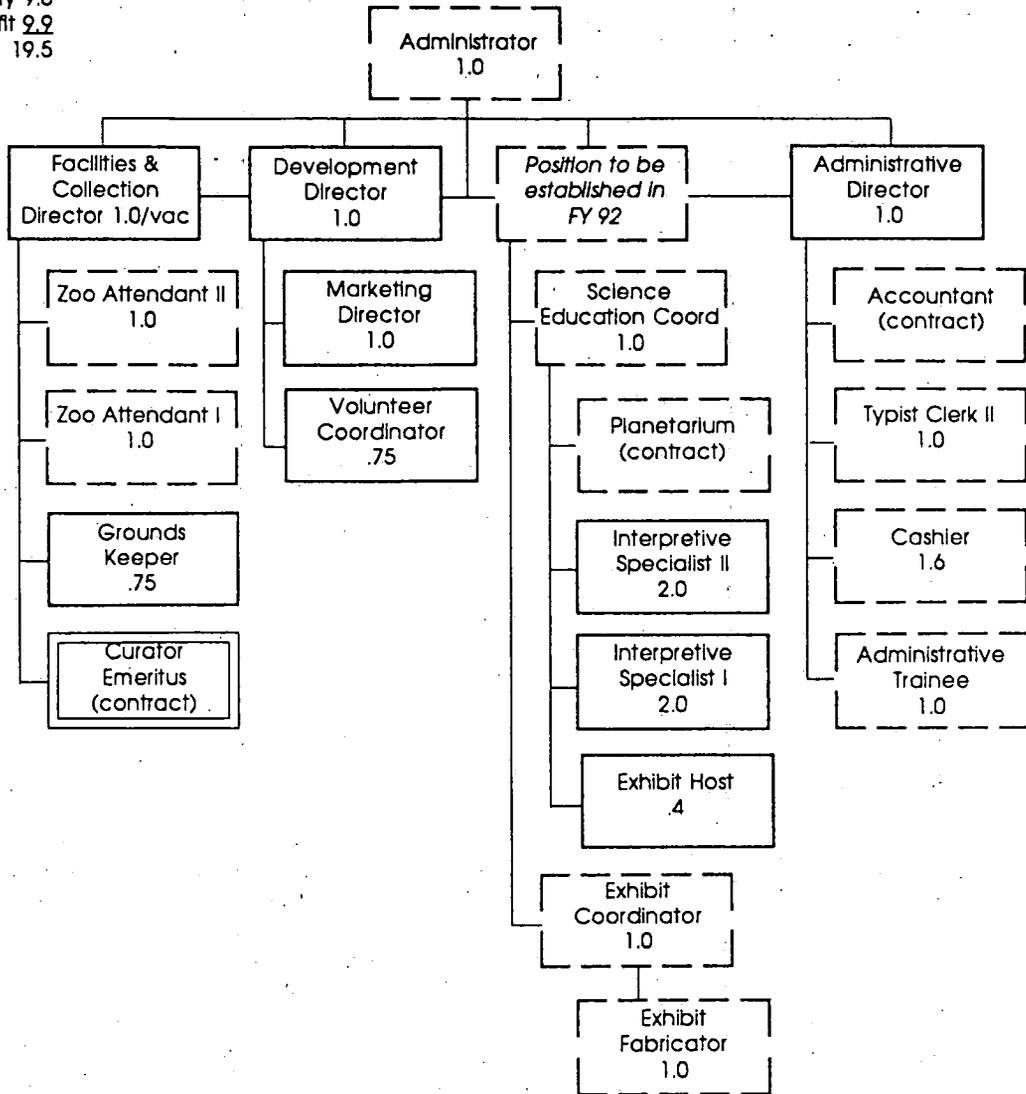
CURRENT STATUS

FTE: City/County 5.6
Nonprofit 14.1
19.7



FY 91 AUGMENTATION

FTE: City/County 9.6
 Nonprofit 9.9
 19.5

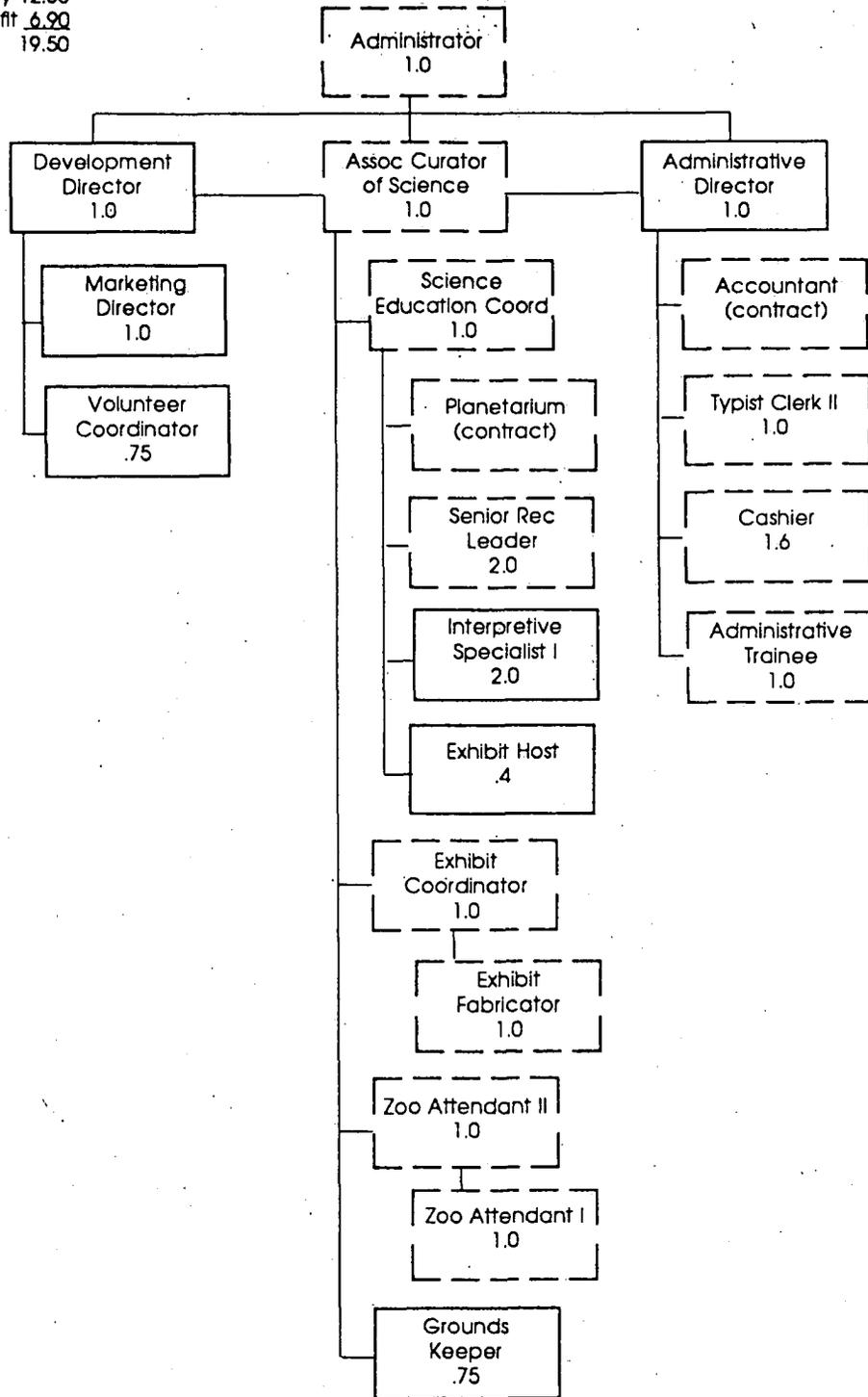


New City/County funded positions:

- 1 - Zoo Attendant II
- 1 - Zoo Attendant I
- 1 - Exhibit Coordinator
- 2 - .5 FTE Exhibit Fabricator
- 5 - positions 4.0 FTE increase

FY 92

FTE: City/County 12.60
Nonprofit 6.90
19.50



New City/County funded positions:
1 - Assoc Curator of Science
2 - Sr. Rec Leader
3 - positions 3.0 FTE increase

FY 92 - Year Two

Goal
Continued transfer of responsibilities and support would allow the nonprofit to focus upon marketing, membership development, and fundraising. Minority/disadvantaged outreach programs would also be developed. Staff training would be provided.

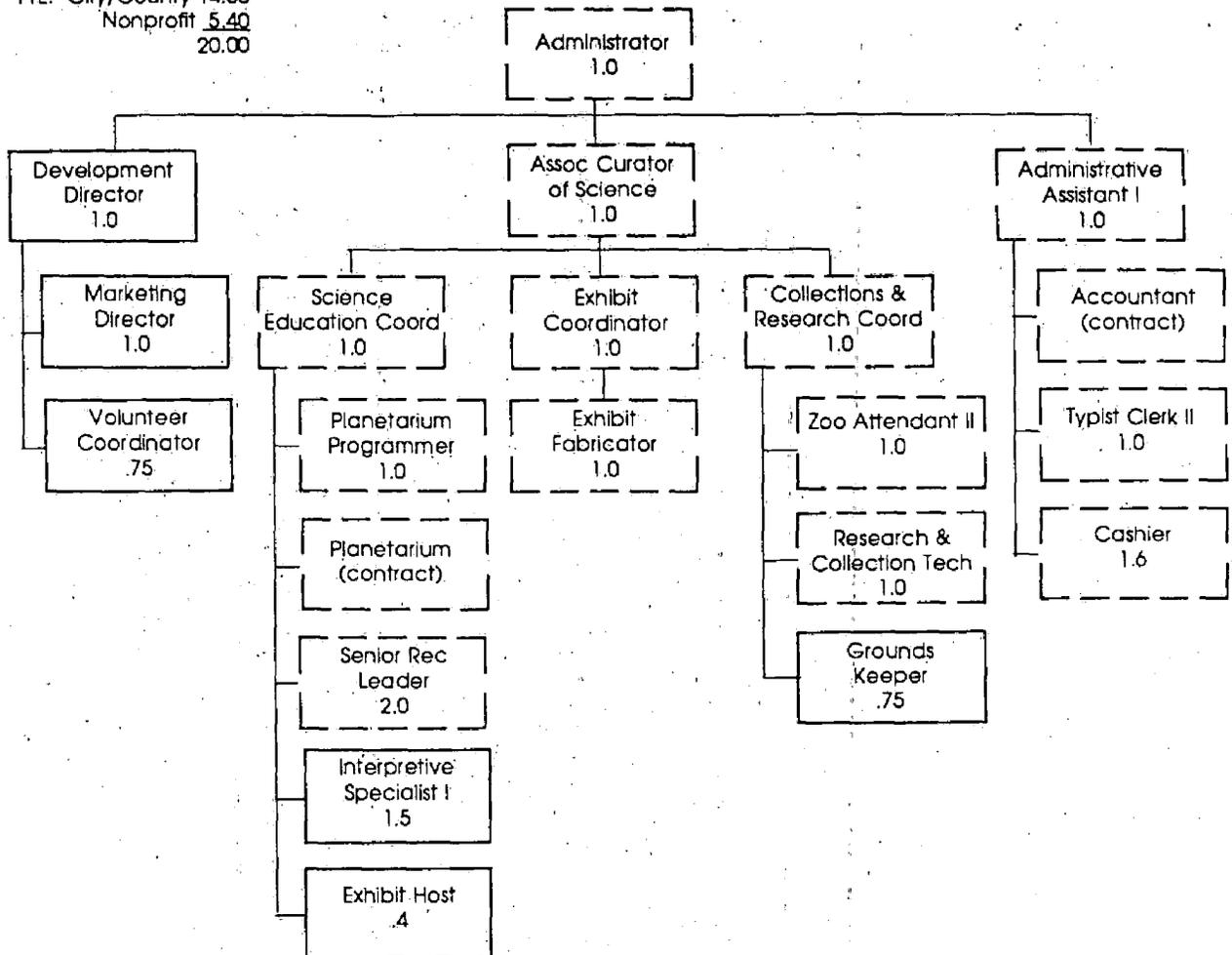
Notes

- salaries calculated as per year one, but for 12 months

<u>SSC expenditure relief</u>		<u>Expenditure assumed by City/County</u>	
1.0 Facilities Manager		1.0 Associate Curator of	
vacant	0	Science	\$29,268
benefits	0	benefits	11,122
2.0 Interpreter II	\$34,840	2.0 Sr. Rec Leader	36,190
benefits	3,414	benefits	13,752
Exhibition materials		Exhibition materials	
and supplies	<u>30,000</u>	and supplies	30,000
	\$68,254	Staff training	<u>5,000</u>
			\$125,332

FY 93

FTE: City/County 14.60
Nonprofit 5.40
20.00



New City/County funded positions:

- 1 - Administrative Assistant I
- 1 - Research & Collections Tech
- 2 positions added, 1 removed = 1.5 FTE increase

FY 93 - Year Three

Goal

The third and final year of the transition plan would complete the transfer of baseline services into City/County control. Portions of existing nonprofit revenue centers would also be transferred. The nonprofit would increase its support of membership development and marketing/promotions. Staff reorganization into an organizational pattern typical of museums would be complete.

Notes

- revenue from school programs to City: \$77,600/year
- salaries as per year two

<u>SSC expenditure relief</u>		<u>Expenditure assumed by City/County</u>	
1.0 Admin. Director	\$29,124	1.0 Administrative	
<i>benefits</i>	2,854	Assistant I	\$29,496
0.5 Exhibit Tech	6,066	<i>benefits</i>	11,208
<i>benefits</i>	594	1.0 (Research &	
Promo/advertising	30,000	Collections Tech)	17,570
Print production	12,000	<i>benefits</i>	6,676
Ed. program supplies	<u>7,000</u>	Promo/advertising	30,000
	\$87,638	Print production	12,000
		Ed. program supplies	<u>7,000</u>
			\$113,950

ANALYSIS OF FINANCIAL IMPACT ON NONPROFIT

YEAR ONE

Nonprofit operating budget would be reduced by \$115,000. Revenue and expenses will balance

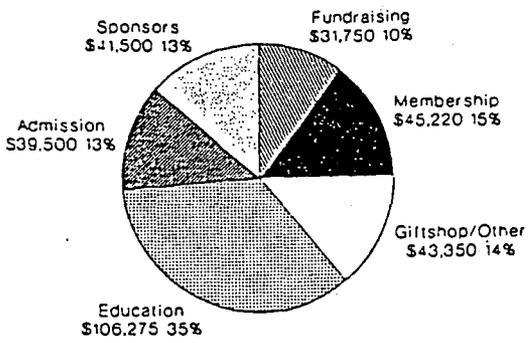
YEAR TWO

Operating budget would further be reduced by \$68,000. With status quo in other areas there would be a budget surplus of \$11,000 which could be applied to marketing, fund development, exhibits, capital projects, unmet need, or to partially offset increased City and County expenses

YEAR THREE

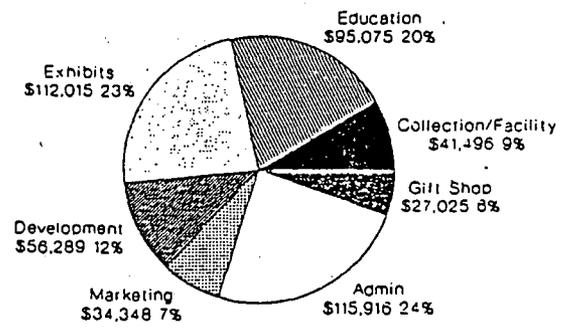
Operating budget would further be reduced by \$87,000. Revenues from educational programs would go to City for a nonprofit revenue reduction of \$77,600. With status quo there would be a budget surplus of \$21,000 which could be applied to marketing, fund development, exhibits, capital projects, unmet need, or to partially offset increased City and County expenses

Science Center
Non-Profit Revenues



Total Revenues \$309,995

Science Center
Non-Profit Expenditures



Total: \$482,174