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# CITY OF SACRAMENTO -- COUNTY OF SACRAMENTO



April 26, 2000

**APPROVED**

**MAY 2 - 2000**

OFFICE OF THE  
CITY CLERK

To: Mayor, Members of the Sacramento City Council  
Sacramento County Board of Supervisors

From: Robert P. Thomas, City Manager  
Terry Schutten, County Executive

**SUBJECT: AGREEMENT FOR FUNDING FOR THE SACRAMENTO OPERA**

**LOCATION AND COUNCIL DISTRICT:** City of Sacramento, All Council Districts  
County of Sacramento, All Supervisorial  
Districts

**RECOMMENDATION:**

It is recommended that the Sacramento City Council and Sacramento County Board of Supervisors adopt a resolution to:

- (1) Approve an agreement between the City of Sacramento, County of Sacramento and the Sacramento Opera Association for a grant not to exceed \$75,000 each from the City and County for short-term financial stabilization for the Sacramento Opera.
- (2) Designate the payment as a grant and not subject to repayment if the Sacramento Opera meets the following conditions:
  - (a) The Sacramento Opera will work with the Metropolitan Arts Commission and National Arts Stabilization Inc. to identify critical financial issues and complete a long-term stabilization plan that contains, but is not limited to, the following:

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- Verification of financial need by an independent accountant.
- Plan to address accumulated debt.
- Plan to address shortfalls.
- Financial plan for the next three years that decreases reliance on deferred income, eradicates debt, creates cash reserves, rebuilds endowment and invests in infrastructure.
- Completion of financial audit
- Plan for community outreach.

(b) The Opera is committed to establish a trust account to deposit season ticket revenues to be used exclusively for opera production expenses.

Failure to meet the above conditions would result in the grant being considered a loan and subject to repayment.

(3) Approve an agreement between the City of Sacramento and County of Sacramento whereby the County would guarantee 25 percent of the outstanding debt, not to exceed \$25,355, owed to the City by the Sacramento Opera. The current outstanding City loan balance is \$76,781 and balance due the Community Center Theater is \$24,638 for a total of \$101,419. Twenty-five percent of that total is \$25,355.

**CONTACT PERSON:** Michelle Walker, Metro Arts Manager, 264-5577  
Barbara Bonebrake, Downtown Department Manager, 264-7733  
Paul Hahn, County Economic Development Director, 874-5889

**FOR MEETING OF:** May 2, 2000

**SUMMARY:**

This report recommends approval of up to \$75,000 from the City of Sacramento and up to \$75,000 from the County of Sacramento to the Sacramento Opera to meet short-term operating and production expenses. These funds would be considered a "grant" if the Sacramento Opera meets certain conditions to address critical financial issues. The report also recommends approval of an agreement between the City and County whereby the County guarantees 25 percent of the current Sacramento Opera debt owed to the City, not to exceed \$25,355.

**COMMITTEE/COMMISSION ACTION:**

None.

## **BACKGROUND INFORMATION:**

### Current Situation

- The Sacramento Opera was founded in 1947. It has an annual operating budget of \$837,116, an administrative staff of 2.50 FTE and a 24-member Board of Directors (9 current vacancies). The Opera has 2,460 season ticket subscribers and in a typical year produces two operas.
- The Sacramento Opera has experienced severe financial and organizational instability in recent years that threatens its continued viability. Like some local arts organizations, the problems facing the Opera include: (1) use of deferred revenue, (2) borrowing from boards and endowments, (3) high accumulated debt, (4) no cash reserves or method to deal with annual cash flow shortages, and (5) no financial planning or plan to invest in its infrastructure.
- The City of Sacramento has provided loans to the Sacramento Opera or carried balances due to the Community Center Theater. The current outstanding loan balance is \$76,781 and balance due the Theater is \$24,638 for a total of \$101,419.
- In August 1998, the City Council approved a \$335,000 short-term arts stabilization plan for the Sacramento Ballet, Sacramento Opera and Sacramento Theater Company. The plan included (1) monthly grants to the Ballet and Theater Company to deal with critical cash-flow deficits; (2) a one-year deferral of repayment for City, SHRA and County loans, and (3) a contract with National Arts Stabilization Inc. to provide a major technical assistance program to these groups for financial and organization planning. At that time, the Sacramento Opera did not identify a projected shortfall, so no funding was provided. Due to staff turnover and incomplete financial statements dating back to 1996, the Opera did not have the infrastructure to complete a short-term stabilization plan.
- In March 1999, the City Council and County Board of Supervisors approved a Long-Term Arts Stabilization Program. This included a three-year extension of deferred loan payments for the Sacramento Ballet and Sacramento Opera, with repayment resuming in FY 2003.
- In February 2000, the Sacramento Metropolitan Arts Commission approved a Bridge Loan of \$15,200 and a \$3,000 grant to the Sacramento Opera for temporary cash flow needs. The Opera's 2000 Cultural Awards Grant guarantees the loan. For each of the next two years, the Opera will receive an additional \$15,200 in Cultural Awards Grants for a total of \$30,400.

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Recommended Action

The recommended actions address both short-term stabilization for the Sacramento Opera and long-term sustainability.

- Approve a grant of up to \$75,000 each from the City and County for short-term operational and production expenses. The grants would be disbursed under the schedule shown below and would represent 93 percent of the Opera's projected deficit for May and June of this year based on their most recent cash flow projections. Total City/County funding would not exceed \$150,000.

Payment 1	\$85,850	no later than May 15, 2000
Payment 2	\$32,075	no late than June 15, 2000
Payment 3	\$32,075	no later than June 25, 2000

- The Sacramento Opera will work with the Metropolitan Arts Commission and National Arts Stabilization to identify critical financial issues and complete a long-term stabilization plan that contains, but is not limited to, the following:
  - Verification of financial need by an independent accountant.
  - Plan to address accumulated debt.
  - Plan to address shortfalls.
  - Financial plan for the next three years that decreases reliance on deferred income, eradicates debt, creates cash reserves, rebuilds endowment and invests in infrastructure.
  - Completion of financial audit
  - Plan for community outreach.
- The Sacramento Opera is committed to establish a trust account for the deposit of season ticket revenues for all future seasons. These revenues would only be used for production expenses.
- The County of Sacramento will guarantee 25 percent of the outstanding balance owed the City by the Sacramento Opera, not to exceed \$25,355.
- On April 25, 2000, the Board of Directors of the Sacramento Opera Association approved a resolution (Exhibit A) accepting the Agreement for the proposed grant funding.

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**FINANCIAL CONSIDERATIONS:**

Based upon their most recent cash flow projections, the Sacramento Opera will have an operating deficit of approximately \$162,000 on June 30, 2000. Total recommended City/County grant funding would be \$150,000—approximately 93 percent of the total. The Opera would address the remaining shortfall through expense reductions and/or additional fundraising. It is recommended that the City's \$75,000 in grant funding would come from unallocated General Fund revenues set-aside for arts programming. The County's \$75,000 grant funding would come from unallocated reserves in the Transient Occupancy Tax Fund.

Funding for the Sacramento Opera's independent verification of financial need, financial audit and consultation by National Arts Stabilization Inc., all conditions of the grant, will come from existing General Fund revenue set-aside for arts stabilization.

If approved, the County would guarantee 25 percent of the current Sacramento Opera debt owed the City. The current outstanding City loan balance is \$76,781 and balance due the Community Center Theater is \$24,638 for a total of \$101,419. Twenty-five percent of that total is \$25,355.

**ENVIRONMENTAL CONSIDERATIONS:** None

**POLICY CONSIDERATIONS:**

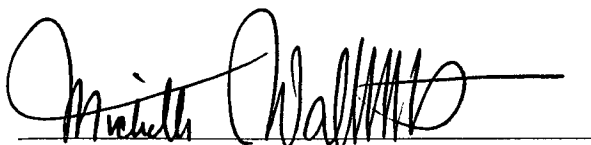
This recommended actions are consistent with the following City/County policies:

- Promoting excellence in arts programming;
- Enhancing stability and development of Sacramento's arts organizations;
- Enhancing the role of the arts in economic development.

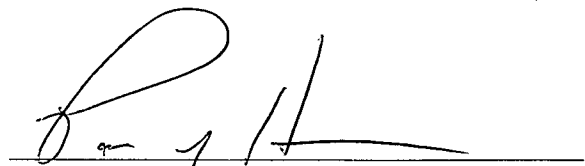
**ESBD CONSIDERATIONS:**

None.

Respectfully submitted,




Michelle Walker, Executive Director  
Sacramento Metropolitan Arts Commission

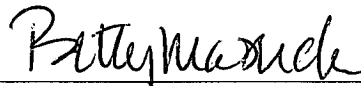


Paul Hahn, Economic Development Director  
County of Sacramento

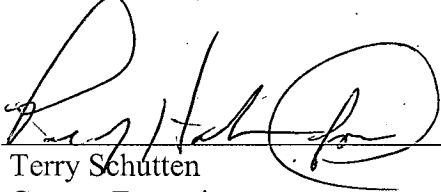
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Barbara Bonebrake, Downtown Dept Manager  
City of Sacramento

RECOMMENDATION APPROVED

  
Robert P. Thomas  
City Manager

RECOMMENDATION APPROVED

  
Terry Schütten  
County Executive

Attachment: Exhibit A



MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE  
SACRAMENTO OPERA ASSOCIATION

A special meeting of the Board of Directors of the Sacramento Opera Association was held on Tuesday April 25, 2000 at the home of Mary Wesley. Proper notice was given for the meeting and a quorum was present.

The following directors of the Sacramento Opera Association were present at this meeting: Nina Ankele -- president, Michael Nelson -- vice president, Joanne Bodine -- Secretary/Treasurer, Phyllis Anthony, Thelma Bratlien, Katherine Cole, Carol Buchman, Douglas Enoch, Sue E. Miller, Judith B. Osen, Mary Wesley; George Sinclair -- executive director.

Resolution Concerning Financial Assistance  
and Consultation Services

WHEREAS, the Sacramento Opera Association is committed to producing excellent regional opera for the benefit of the Sacramento community and is in need of technical and financial assistance to achieve its goals and objectives;

WHEREAS, the Sacramento Metropolitan Arts Commission has developed a plan to provide financial and other assistance to the Sacramento Opera Association and its sister organizations to promote the stability and growth of the performing arts in the Sacramento community;

WHEREAS, the Sacramento Metropolitan Arts Commission has offered to provide professional business consultation services and financial assistance to the Sacramento Opera Association; and

WHEREAS, the Board of Directors believes it to be in the best interests of the Sacramento Opera Association to accept the terms proposed by the Sacramento Metropolitan Arts Commission for receipt of these benefits;


NOW, THEREFORE BE IT RESOLVED, that:

1. The Sacramento Opera Association accepts, with sincere appreciation, the terms proposed by the Sacramento Metropolitan Arts Commission to obtain the benefits of the business-consultation services and financial assistance offered by the Sacramento Metropolitan Arts Commission; and


2. The Sacramento Opera Association further agrees to exercise good faith, reasonable efforts to cooperate with the Sacramento Metropolitan Arts Commission and its sister organizations for the betterment of the performing arts in Sacramento.

There being no further business to come before the Board of Directors, on the motion duly made, seconded and carried by the unanimous vote of the Board of Directors, the meeting was adjourned.

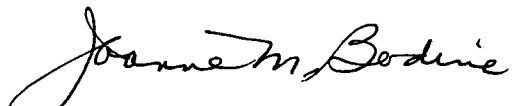
The Sacramento Opera Association Board of Directors by unanimous vote of all members present adopt the resolution detailed above and affix our signatures to this document in support of the resolution.



Nina Ankele, President



Michael Nelson, Vice President



Joanne Bodine, Secretary



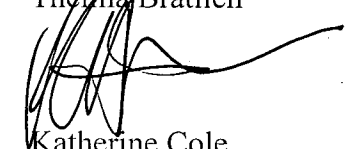
Phyllis Anthony



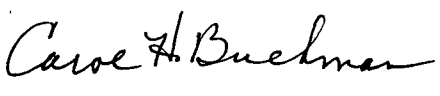
Anthony Arostegui



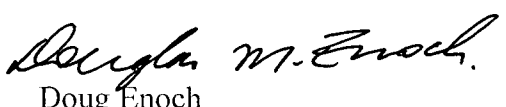
Thelma Bratlien



Katherine Cole



Carol Buchman

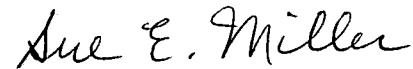


Doug Enoch


Dr. Peter Flagg

Maria Kaufmann

Christa Kaufman




Sue Miller



Judith B. Osen

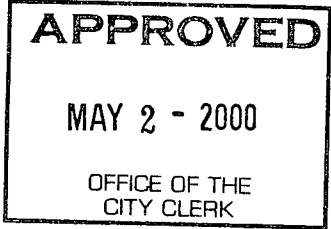
Charles Roberts

Cindy Stephenson



Mary Wesley





**RESOLUTION NO.** 2000-196

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**IMPLEMENTATION OF ARTS STABILIZATION PROGRAM  
FOR THE SACRAMENTO OPERA, INCLUDING \$75,000 GRANT  
AND COUNTY GUARANTEE OF PORTION OF CITY OPERA DEBT**

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

1. The City Manager is authorized to execute an Agreement between the City of Sacramento, County of Sacramento and the Sacramento Opera to provide a grant of up to \$75,000 to the Sacramento Opera, subject to the conditions specified in the Agreement.
2. The City Manager is authorized to execute an agreement between the City of Sacramento and the County of Sacramento whereby the County would guarantee 25 percent of the outstanding debt owed to the City by the Sacramento Opera, not to exceed \$25,355.

\_\_\_\_\_  
MAYOR

**ATTEST:**

\_\_\_\_\_  
CITY CLERK

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**FOR CITY CLERK USE ONLY**

**RESOLUTION NO.:** \_\_\_\_\_

**DATE ADOPTED:** \_\_\_\_\_