



CITY OF SACRAMENTO

DEPARTMENT OF PARKS AND COMMUNITY SERVICES

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

October 28, 1985

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Deferment of \$300,000 Loan Payment of History Center, Inc.

SUMMARY

This report provides information on the current operation of the Sacramento History Center. It also recommends that a decision on the terms of the loan payment of \$300,000 from History Center, Inc. to the City of Sacramento be deferred until July 1, 1986.

BACKGROUND INFORMATION

In September 1984, the City Council approved a loan agreement of \$300,000 to History Center, Inc. to complete the exhibit installation at the Sacramento History Center. The terms of the loan agreement required History Center, Inc. to pay the City 10% interest on the loan. The repayment schedule required two equal payments of one hundred and seventy-two thousand eight hundred fifty seven dollars and fourteen cents (\$172,857.14) each, due and payable on October 1, 1985 and October 1, 1986.

The City Council also approved an operational and management agreement for the History Center with History Center, Inc. This operational agreement required History Center, Inc. to pay the total operation and maintenance costs of operating the History Center. Basic provisions of the operational and management agreement are:

1. The City shall be responsible for the collection of entrance fees, interior and exterior maintenance, janitorial and security services, installation and changing of exhibits and the maintenance and repair and replacement of all exhibits and software. The level of paid personnel and resources necessary to provide the service shall be determined by the City after consultation with Sacramento History Center, Inc.
2. Management services for the Sacramento History Center shall be provided by the City. The management employees of the Museum and History Division shall be appointed by the City Manager after consultation with Sacramento History Center, Inc.

3. City shall collect all admission fees at the History Center and cause them to be deposited into the "History Center account" administered by the City Treasurer.
4. City shall be reimbursed for the cost of providing the operation and management services described in the agreement. In addition to the direct costs, History Center, Inc. shall pay 25% of the cost of the Director of the Museum Division, 50% of the cost of the History Center Manager, and a reasonable administrative overhead fee established by the Department of Finance.
5. In the event the History Center account is insufficient to reimburse the City for the City's cost of operation and management, Sacramento History Center, Inc. shall pay to the the City the difference from its other sources of revenue.
6. The term of the agreement is for 20 years.

Presently, the History Center paid attendance is running 35-40% behind projections. The reason for this deficiency is twofold: (1) The History Center opening was delayed beyond the prime tourist season instead of the original date of June 1, 1985; and (2) there has not been a strong marketing and promotion plan implemented to draw visitors to the museum.

An overview of the attendance and revenue since the opening of the History Center is as follows:

	<u>August</u>	<u>September</u>	<u>October</u> (through 20th)
Revenue	\$24,161.58	\$10,358.06	-----
Paid attendance	9,944.00	4,211.00	2,257.00
Free admissions	1,141.00	898.00	1,238.00

Based upon preliminary estimates on attendance and revenue at the History Center, History Center, Inc. had anticipated paying back the loan from revenue derived from admissions and fundraisers.

As is evident from the revised revenue and expenditures spread sheet (Attachment A), History Center, Inc. is in a position to reimburse the City for the first quarter operation of the Center, which is \$98,509.00. However, based upon preliminary conservative projections, History Center, Inc. should be in a position to reimburse the City for approximately 90% of operation and maintenance costs of the Center. Due to lower than expected paid admissions, History Center, Inc. is not in a position to make the first loan payment to the City of \$172,857.14.

Staff is therefore recommending that a decision on the method of repaying the loan be deferred until History Center, Inc. has one year experience at the

Center and has seen the results of the marketing and promotion plan currently in progress. By July 1986, a more accurate picture of the operational costs and revenue will be available. Options for the loan payback to be considered at that time include, but are not limited to:

1. Payment of the October 1985 obligation in July 1986.
2. Defer payment by one year with two equal payments to be made in October 1986 and October 1987.
3. Spread the payback over a longer period of time.

Efforts to improve the Center attendance are beginning. Sacramento History Center, Inc. has allocated \$30,000 toward promotion of the Center and activities are in progress. Activities include:

1. Development of a professional, long-term, marketing and promotion plan.
2. Public awareness activities such as:
 - a. Discount coupons distribution.
 - b. Exterior signage.
 - c. Media promotion.
 - d. Promotion of group tours through local organizations and convention center.
 - e. Holiday special events.
3. Gift shop improvements.
4. Promotion through professional publications.
5. Pursuit of joint ticketing with Railroad Museum.

Sacramento History Center, Inc. has contributed over \$1,940,000 toward the Sacramento History Center. They are actively pursuing measures to correct attendance and their continued support is invaluable. Deferment of the loan decision is reasonable in light of their past contributions and further value to the Center. The Sacramento History Center, Inc. Board has recommended this course of action.

FINANCIAL DATA

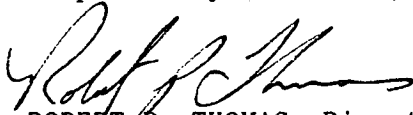
Decision on the financial impact will be deferred until July 1986.

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RECOMMENDATION

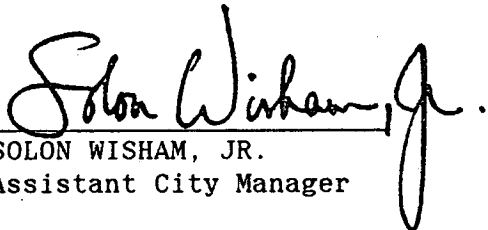
It is recommended that the Budget and Finance Committee approve staff recommendations to defer the decision on the method of Sacramento History Center, Inc. repaying the \$300,000 loan until July 1, 1986 and forward this report to the full City Council for approval.

Respectfully submitted,



ROBERT P. THOMAS, Director
Parks and Community Services

Recommendation Approved:



SOLON WISHAM, JR.
Assistant City Manager

RPT:ja

November 6, 1985
All Districts

SACRAMENTO HISTORY CENTER OPERATIONS CASH FLOW PROJECTION

Category	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL PROJECTED	BUDGET	VARIANCE	UNPAID BALANCE
BEGINNING BALANCE	\$0	\$349,654	\$337,076	\$255,372	\$337,536	\$319,628	\$203,112	\$183,504	\$180,718	\$73,552	\$68,816	\$59,258				
RESOURCES																
Gen. Fund Appropriation	\$362,125	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$362,125	\$362,125	.00%	
Revenue	2,548	24,599	54,966	125,948	15,048	31,548	14,948	32,648	27,648	27,798	23,348	35,548	416,595	749,426	-44.41%	
TOTAL RESOURCES	\$364,673	\$24,599	\$54,966	\$125,948	\$15,048	\$31,548	\$14,948	\$32,648	\$27,648	\$27,798	\$23,348	\$35,548	\$778,720	\$1,168,168	-33.34%	
EXPENSES																
City	5,387	25,671	26,814	23,536	21,708	36,307	21,308	22,336	21,208	21,936	22,308	23,154	271,673	348,732	-22.10%	
Sac. History Center, Inc.	9,632	11,506	11,348	20,248	11,248	13,248	13,248	13,098	15,098	10,598	10,598	10,598	150,468	151,300	-.55%	
General Fund Reimbursement*			98,509			98,509			98,509			61,053	356,579	394,034	-9.51%	37,456
Loan Repayment to City**				0									0	172,857	-100.00%	172,857
TOTAL EXPENSES	\$15,019	\$37,177	\$136,671	\$43,784	\$32,956	\$148,064	\$34,556	\$35,434	\$134,815	\$32,534	\$32,906	\$94,805	\$778,720	\$1,505,243	-48.27%	
BALANCE	\$349,654	\$337,076	\$255,372	\$337,536	\$319,628	\$203,112	\$183,504	\$180,718	\$73,552	\$68,816	\$59,258	\$1	\$1	\$-337,075	-100.00%	\$210,313

* Quarterly transfer from History Center, Inc. (through Operating Grants) comprised of City appropriations (\$362,125), City administrative fee (12% of City employee services, plus 12% of 1/4 of Exec. Director's salary: \$24,135), and 25% of Exec. Director's salary (\$13,978).

** Repayment of \$300,000 loan from the City to History Center, Inc., plus interest, payable in two annual payments on October 30, 1985 and 1986.