



APPROVED  
BY THE CITY COUNCIL

JAN 28 1997

OFFICE OF THE  
CITY CLERK

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OFFICE OF THE  
CITY TREASURER

THOMAS P. FRIERY  
TREASURER

CITY OF SACRAMENTO  
CALIFORNIA

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January 23, 1997  
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City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: General Fund Investment In Discovery Museum's Challenger Project**

**LOCATION AND COUNCIL DISTRICT: Citywide**

**RECOMMENDATION:**

This report recommends that City Council adopt the attached Resolution approving a General Fund investment to provide a bridge loan to the Discovery Museum's Challenger Project, and authorizing the City Manager to execute the necessary loan documents. It is also recommended that the City's investment be contingent on similar financial assistance in the amount of \$175,000 being provided by the County of Sacramento.

**CONTACT PERSON:** Thomas P. Friery, City Treasurer 264-5168

**FOR COUNCIL MEETING OF:** January 28, 1997

**SUMMARY**

The City Manager's Office and City Treasurer Office believe that the Challenger Project is a highly deserving program in view of the educational enhancements this program offers. The financing mechanism, terms and security structure recommended have been designed to minimize General Fund risk and budget implications. The City's action would be contingent on the County taking action to fund one-half of the \$350,000 needed.

**BACKGROUND**

In November 1996, representatives of the Discovery Museum's Board of Directors (Board) approached the City seeking a guarantee for a loan the Board was arranging through a local

bank. Analysis of the proposed loan revealed that the guarantee being requested of the City would be similar to a direct loan. It was also determined that, from a business perspective, a prudent investment could be made that minimizes the City's risk and affords a positive rate of return.

The loan would permit the implementation of the Challenger Project (Project). The Project is virtually identical to twenty-five similar Challenger Projects nationwide which provide a space-shuttle flight simulation experience for junior-high and high school students. Educators have identified a diminished interest in science and mathematical careers in this age group. The Projects have been credited with stimulating a renewed interest in scientific and mathematical careers by providing an exciting, hands-on experience for students incorporating scientific and mathematical skills. Existing Projects have been well received and are self-supporting by fees paid by school districts who send their student to the programs. The Sacramento Project has been in the planning stage for several years. Following an ambitious local fund raising effort, the Discovery Museum has raised donations and pledges totaling more than \$900,000 for the capital cost of this project. Because several of the pledges are payable over the course of several years (primarily from corporate sponsors), the Discovery Museum is unable to complete the capital acquisition of the hardware and construction. The corporate sponsors' pledges for the Center indicate broad financial support from the community for this program and the likelihood of receiving the pledges due in future years is good.

## **FINANCIAL CONSIDERATIONS**

The cash-flow financing assistance requested by the Discovery Museum to complete the capital acquisition/construction costs for the Center totals \$350,000. The City Manager and County Executive's Office recommended that the County and City share the financing assistance equally. The recommended financing assistance for the City is \$175,000. The interest rate would be established based on an average like term Treasury Note. It is anticipated that the County Executive's Office will recommend that County approval be contingent on similar financing provided by the City.

The City's proposed investment mechanism provides for the bridge loan to be made from the City's General Fund. The loan to the Discovery Museum would involve a similar level of security as the County loan to ensure the repayment is received, as follows:

- A security interest in the Sacramento Museum of History, Science & Technology's Trust Fund administered by the City, and
- A security interest (lien) against the Simulator hardware/software components and furnishings until the loan is repaid, and
- A security interest (lien) against several specific corporate pledges for sponsorship of the Center project until the loan is repaid, as well as a requirement that revenue from these pledges shall be used to repay the loan and shall not be commingled with other revenues of the Discovery Museum,

- A right of offset to collect any delinquent payment(s) against the funds the Discovery Museum would otherwise have provided it from the City's General Fund or any other appropriate source.

The terms of the loan agreement would require the Discovery Museum to make annual payments beginning one year after the disbursement date (anticipated to be April 1997). Annual payments would consist of principal and interest, with final payment due in April 2001.

### POLICY CONSIDERATIONS

The policy of providing a bridge loan investment to provide and enhance education to area youth is consistent with City Council priorities.

### ENVIRONMENTAL CONSIDERATIONS

Ongoing administrative and maintenance activities which are not for purposes of a public works construction project do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA). CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3).

### MBE / WBE EFFORTS

Because this transaction does not involve the purchase of goods or services for the City, M/WBE efforts are not applicable.

Respectfully submitted,



THOMAS P. FRIERY  
City Treasurer

  
DAVID MARTINEZ  
Deputy City Manager

RECOMMENDATION APPROVED:

  
WILLIAM H. EDGAR  
City Manager

*En:*

APPROVED  
BY THE CITY COUNCIL

JAN 28 1997

**RESOLUTION NO. 97-044**

OFFICE OF THE  
CITY CLERK

ADOPTED BY THE SACRAMENTO CITY COUNCIL

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

**RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE LOAN DOCUMENTS TO PROVIDE A CASH FLOW INVESTMENT IN THE DISCOVERY MUSEUM'S CHALLENGER PROJECT**

**WHEREAS**, it is in the City's interest to invest in a short-term bridge loan for educational purposes in the community, and

**WHEREAS**, the \$175,000 proposed to be invested by the City will be used to fund the capital construction portion of the Discovery Museum's Challenger Project, and

**WHEREAS**, the security structure recommended by the City Treasurer minimizes General Fund risk and budget impacts.

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

1. The City Treasurer is authorized to invest in the Discovery Museum's Challenger Project, and the City Manager is authorized to execute necessary loan documents consisting of:
  - a. A loan agreement;
  - b. A security agreement;
  - c. A form UCC-1 or other appropriate form for perfection of the City's security interest;
  - d. An intercreditor agreement with the County of Sacramento, and
  - e. Any other documents required by the City Attorney, and
2. The loan funds shall not be advanced until all of the required documents have been executed by the City Manager and approved by the City Attorney, and provided that the City's investment is contingent on similar financial assistance in the amount of \$175,000 being provided by the County of Sacramento.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

\_\_\_\_\_  
Mayor

Attest:

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

\_\_\_\_\_  
City Clerk

**FOR CITY CLERK USE ONLY**

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

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