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CITY OF SACRAMENTO

DEPARTMENT OF PARKS AND COMMUNITY SERVICES

ROBERT P. THOMAS
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CROCKER ART MUSEUM DIVISION
GOLF DIVISION
METROPOLITAN ARTS DIVISION
MUSEUM AND HISTORY DIVISION
RECREATION DIVISION
PARKS DIVISION
ZOO DIVISION

February 21, 1986

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Status of the Sacramento History Center Operations

SUMMARY

This report provides information relating to the operations of the Sacramento History Center and includes a proposal before the Sacramento County Board of Supervisors. It also presents the results of the recent marketing study conducted on behalf of the Center. It is recommended that a staffing change be approved immediately and that staff report back to the Committee and Council by June 1986 on the status of the Center operations.

BACKGROUND INFORMATION

The planning for a center depicting Sacramento history began in 1954 under the direction of the Sacramento Museum and History Commission. The responsibility for this planning process was transferred by agreement to Sacramento History Center, Inc., a non-profit corporation, in 1981. The nine-member Board of Trustees for Sacramento History Center, Inc. was established with two members appointed by each the City and County of Sacramento. On September 15, 1981, the City and County of Sacramento entered into a tri-party agreement with Sacramento History Center, Inc. for the construction of the Sacramento History Center building and initial exhibits. One year later, on September 13, 1982, the City entered into a 20 year lease agreement with Sacramento History Center, Inc. for the operation of the Sacramento History Center in which the SHC, Inc. would be responsible for the facility and its operations.

In an effort to standardize City facility operations, the City and SHC, Inc. executed a second operational agreement in October 1984 specifying services which would be provided by the City, funded first by admissions and any operational deficit to be funded by SHC, Inc. The facility operates under terms of this agreement whereby the City provides staffing, maintenance and exhibit changes and collects admission fees to offset costs. The total cost of the operations and maintenance of the History Center is the responsibility of SHC, Inc.

The initial concept for the History Center project was organized around the proposal that the City and County of Sacramento would construct the Center building estimated at \$2.7 million and that the newly formed corporation, SHC, Inc. would supply funding of the exhibits estimated at \$1.2 million and eventually costing \$1.5 million. As the plan evolved, SHC, Inc.'s role increased to include a \$740,000 cash and \$10,000 in-kind contribution toward the building construction; and operation and maintenance responsibilities for the building. The City role increased in providing contract staff for the operation of the History Center reimbursed by History Center, Inc.

Sacramento History Center, Inc., under the Board of Trustees' direction, has succeeded in raising the \$740,000 toward the building construction; secured over \$1.5 million for exhibits; covered their internal operational costs of over \$100,000 annually; and has funded three staff positions valued at over \$100,000 to support the Sacramento History Center facility and the Sacramento Museum and History Division.

STATUS OF THE SACRAMENTO HISTORY CENTER OPERATIONS

The Sacramento History Center opened in August 1985, and has served over 34,550 visitors including over 4,400 school children between August and January. The program for school groups is very successful with nearly 100% of available school tour times filled through the end of this school year. It is estimated that 14,000 school children will visit the Center by June 30, 1986.

The original operational plan for the Center projected that earned income for the annual operations would exceed annual expenditures. However, due to the seasonally late opening, continued delay in exhibit completion, and lower than anticipated attendance, the Center's expenditures have far exceeded the annual revenue. Actual Center operational income and expenditures to date, as well as conservative projections through the end of this fiscal year are shown on Exhibit A and are summarized below:

	<u>FY 1985-86</u>
INCOME	
Admissions	\$ 92,019
Rental	5,000
Gift Shop Sales	<u>3,500</u>
	<u>\$100,519</u>
EXPENDITURES	
Salaries	\$142,055*
Services & Supplies	165,558
Management Costs	<u>13,978</u>
	<u>\$321,591</u>
Expenditures over Income	<u>\$221,072</u>
Indirect Costs	<u>\$ 18,724</u>
	<u>\$239,796</u>

*Does not include History Center Supervisor or Program Coordinator positions.

The above fiscal year 1985-86 financial picture, based on six months actual and a six month projection, depicts a \$239,796 shortfall for the facility operations. The County of Sacramento has appropriated \$100,000 for the SHC, Inc. Concurrent with this report, the County of Sacramento is being asked to designate this \$100,000 in Transient Occupancy Tax toward this fiscal year's operations of the Center in addition to a \$10,000 payment from SHC, Inc., which would bring this year's estimated shortfall to \$129,796.

The exhibit fabricator caused several difficulties and expenses including a delay in the start of installation of exhibits; failure to complete exhibits before the peak summer months of June and July of 1985; and walking off the job leaving several exhibits incomplete, which resulted in publicity which seriously affected fundraising efforts. SHC, Inc. has filed suit against the fabricator. The suit will take considerable time and leaves the date of exhibit completion in question.

SHC, Inc. is responsible, by agreement, for the facility operations. However, a review of their financial situation suggests that the organization is financially sound for its own operation, but may not be able to meet the facility operational shortfall of \$129,796. SHC, Inc.'s operations include a full-time Development Officer, Archivist, and Secretary. Following is a summary, details as shown on Exhibit B, of SHC, Inc.'s financial situation for fiscal year 1985-86, based on six months actual and six months estimated budget projections:

	<u>FY 1985-86</u>
INCOME	
Check Book Balance	\$ 90,120
Endowment Interest	64,428
Friends of SHC	10,000
Fund Raising	55,709
Other	65,223
Pledges for Exhibits	168,220
Sacto. County TO tax	100,000
Janitorial Reimb.	13,480
Reimburseble Income	1,944
State Grant	<u>275,000</u>
TOTAL INCOME	<u>\$844,124</u>
EXPENSES	
Salary	\$ 85,263
Services & Supplies	11,354
Marketing & Promotion	15,576
Gift Shop	17,483
Reimburseble Exp.	11,009
Exhibit Changes	6,000
Contingency	10,715
Janitorial Serv.	23,995
Fund Raising	2,708
Payment to City	110,000
Exhibit Fabrication	<u>469,845</u>
TOTAL EXPENSES	<u>\$763,909</u>
EXHIBIT RESERVE	[64,000]
BALANCE - June 30, 1986	<u>\$ 16,215</u>

With respect to the current fiscal year projections for both the history facility and SHC, Inc., it is anticipated that SHC, Inc. may be unable to support the operating cost of the Center facility. SHC, Inc. should be encouraged to find additional sources of revenue to make the Sacramento History Center facility self-sufficient in accordance with their agreement with the City and County of Sacramento.

MARKETING STUDY RESULTS

The marketing study conducted by Cunningham Associates in conjunction with the Museum and History Division staff began in October 1985 and concluded in January. The study was research based and the research results point to specific recommendations. Following are a list of critical points identified in the study:

Product

- o Provide dynamic programming of Center
- o Explore Gold Rush theme to attract broader audience
- o Add exhibit labeling
- o Present regularly scheduled times
- o Admission fees are competitive
- o Joint ticketing with Railroad Museum should be explored

Place

- o Create external visibility through programs/signage
- o Improve access to museum

Promotion

- o Promotion with local media
- o Dedicate resources to local media
- o Dedicate staff to marketing and promotion

Objectives

- o Achieve self-sufficiency by 1991-92
- o Devote 10% of History Center operating budget to marketing and promotion
- o Implement promotional staff and special events

The study very clearly identifies immediate action required to improve exhibit labeling, suggestions to program and promote facility, and complete exhibits.

SACRAMENTO HISTORY CENTER OUTLOOK

While the current status of the Sacramento History Center operations does not meet original expectations, several steps are planned and being implemented to improve the operations. Briefly, the plans include increased fund raising activities; new grant requests from the National Endowment for the Humanities; and implementation of the marketing plan.

The Center's three support groups: SHC, Inc.; Friends of the Sacramento History Center; and the Docents of the Sacramento History Center have made significant contributions to this community. Membership has continued to grow with the Friends increasing from 285 in 1982 to 900 members and the Docents increasing from 140 to 250 members in one year. The efficiency of these groups may be improved by better defining the roles as recommended in the marketing study or reorganizing into one large support organization. In the next few months, these groups will explore the idea of merging their support for Center programs and operations into one nonprofit support group.

Implementation of critical factors identified in the marketing study should improve the Center and its operations. The completion of exhibit labeling, hiring appropriate staff (Program Coordinator) to implement programs and promotional opportunities, resolution to legal issues relating to the exhibit fabrication, and assessment of the support groups' roles are of major importance to the future of the Sacramento History Center. SHC, Inc. has identified funds to complete the exhibit labeling estimated to cost \$15,000 and staff recommends that the vacant Custodian I position be substituted by a Program Coordinator position. Custodial services are presently being provided more efficiently by contractual services. The Program Coordinator position is necessary to develop media relations, coordinate programs and special events, and implement marketing study strategies.

SHC, Inc. should be encouraged to find additional sources of revenue to make the Sacramento History Center facility self-sufficient in accordance with their agreement. Should SHC, Inc. be unable, by June 1, to show substantial progress in securing additional revenue, the County and the City will need to reconsider the need to support the operation of the Sacramento History Center and address the existing lease with SHC, Inc. for the Center operations.

FINANCIAL DATA

This report is for information. The City has appropriated \$354,492 from the History Center Fund for the History Center operations based upon current revenue projections. The operation may have a \$129,796 revenue shortfall, which would require a General Fund appropriation. Specific financial data will be provided in a report back in June 1986.

As of this date, the approved History Center Supervisor position has not been filled due to the lower than anticipated admission revenue. In order to provide adequate management of the facility, the City/County-funded Curator of History employee has been assigned to manage the facility. Neither the vacant History Center Supervisor nor Program Coordinator position will be filled until the History Center admission revenue reflects a substantial increase.

RECOMMENDATION

This report provides information on the status of the Sacramento History Center operations. A report back will be prepared for June 1, 1986.

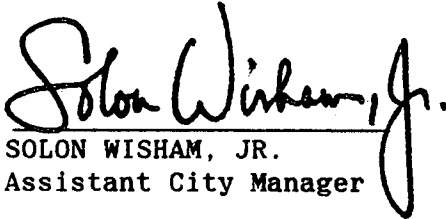
It is recommended that the Budget and Finance Committee approve amending the FY 1985-86 budget for the Museum and History Division to delete the vacant Custodian I position and add a Recreation Program Coordinator position. Funding may be available from salaries appropriated for the Custodian I position.

Respectfully submitted,



ROBERT P. THOMAS, Director
Parks and Community Services

Recommendation Approved:



SOLON WISHAM, JR.
Assistant City Manager

RPT:ja

March 4, 1986
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AMENDING THE FY 1985-86 OPERATING BUDGET
FOR THE DEPARTMENT OF PARKS AND COMMUNITY SERVICES,
MUSEUM AND HISTORY DIVISION

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

That the FY 1985-86 Operating Budget for the Department of Parks and Community Services, Museum and History Division, is hereby amended by deleting the vacant Custodian I position and adding 1.0 FTE Recreation Program Coordinator position to budget number 1-01-4653.

MAYOR

ATTEST:

CITY CLERK

SIC Operation (4653)

SCHEDULE FOR 7/85 - 6/86

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	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Salaries	10,279.84	14,352.79	13,290.60	12,780.51	10,484.28	10,500.00	11,727.91	11,727.91	11,727.91	11,727.91	11,727.91	11,727.91	142,055.48
Services, Supplies & Equip	11,798.78	12,019.74	5,627.03	31,865.83	15,060.68	4,864.88	20,898.00	9,780.00	22,053.00	16,530.00	7,530.00	7,530.00	165,558.04
Reimburse (4651)	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	1,164.83	13,977.96
TOTAL EXPENDITURES	23,243.45	27,537.36	20,082.46	45,811.27	26,709.79	16,529.71	33,790.74	22,672.74	34,945.74	29,422.74	20,422.74	20,422.74	321,591.48
SIC Revenue													
Admissions	0.00	21,550.50	9,236.50	6,798.00	8,127.50	4,306.75	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	92,019.25
Rldg Rental	0.00	0.00	0.00	500.00	500.00	0.00	500.00	500.00	500.00	500.00	1,000.00	1,000.00	5,000.00
Gift Shop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,500.00	3,500.00
TOTAL REVENUES	0.00	21,550.50	9,236.50	7,298.00	8,627.50	4,306.75	7,500.00	7,500.00	7,500.00	7,500.00	8,000.00	11,500.00	100,519.25
BALANCE	(23,243.45)	(5,986.86)	(10,845.96)	(38,513.27)	(18,082.29)	(12,222.96)	(26,290.74)	(15,172.74)	(27,445.74)	(21,922.74)	(12,422.74)	(8,922.74)	(221,072.23)

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Balance Due City by SIC Inc.	23,243.45	5,986.86	10,845.96	38,513.27	18,082.29	12,222.96	26,290.74	15,172.74	27,445.74	21,922.74	12,422.74	8,922.74	221,072.23
SIC Inc Quarterly Reimbursement Due			40,076.27			68,818.52			68,909.22			43,268.22	221,072.23
Indirect Cost Due City			4,970.13			4,471.11			4,641.39			4,641.39	18,724.02
Total Due City Quarterly			48,046.40			73,289.63			73,550.61			47,909.61	239,796.25
SIC Inc. Quarterly Reimbursement Paid			0.00			0.00			110,000.00			0.00	110,000.00
Balance of Reimbursements Due													129,796.25

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
SAC, Inc. Operating Expenses for SHC													
Salary expenses	6,053.37	8,861.18	7,779.91	6,946.29	5,193.99	9,376.94	5,189.60	7,172.38	7,172.38	7,172.38	7,172.38	7,172.38	85,263.17
Services & Supplies	1,259.82	286.32	1,218.18	183.51	873.91	2,990.22	1,802.11	530.00	530.00	530.00	530.00	530.00	11,354.17
Marketing & Promn	0.00	266.71	219.25	179.53	854.61	4,220.36	1,562.12	8,273.00	0.00	0.00	0.00	0.00	15,575.58
Gift Shop	0.00	0.00	0.00	33.00	1,000.00	12,377.29	2,612.71	0.00	1,500.00	0.00	0.00	0.00	17,483.00
Reimbursable expenses	5,125.10	2,491.34	395.60	1,118.11	1,600.00	288.33	0.00	0.00	0.00	0.00	0.00	0.00	11,008.68
Exhibit Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	6,000.00
Contingency	500.00	0.00	21.79	0.00	7.80	0.00	0.00	2,037.17	2,037.17	2,037.17	2,037.17	2,037.17	10,715.44
Janitorial	0.00	200.00	3,550.00	2,250.00	0.00	2,225.00	4,480.00	2,250.00	2,250.00	2,250.00	2,250.00	2,250.00	23,955.00
Fund raising	0.00	29.68	1,541.32	1,126.63	0.00	0.00	11.20	0.00	0.00	0.00	0.00	0.00	2,708.83
Quarterly Payment to Sac City			0.00			0.00			110,000.00				110,000.00
SAC, Inc. - Exhibit & Bldg Expenses													
Exhibit Fabrication & Install. Exp.	259,827.00	85,772.52	75,109.90	24,844.10	0.00	18,986.00	227.90	7,677.98	0.00	0.00	0.00	0.00	469,845.38
TOTAL EXPENSES	272,765.39	97,907.75	89,826.15	36,681.17	9,530.30	47,824.14	15,975.64	29,140.51	124,689.55	13,189.55	13,189.55	13,189.55	763,909.25
SAC, Inc. Income													
Chk Bk Bal 6/30/85	90,119.66												90,119.66
Endowment Interest	4,315.00	2,548.00	35,829.00	0.00	0.00	0.00	8,965.78	2,548.00	2,548.00	2,548.00	2,548.00	2,548.00	84,427.78
Friends of SAC	0.00	0.00	0.00	0.00	0.00	0.00	3,000.00	0.00	3,000.00	0.00	0.00	4,000.00	10,000.00
Fund Raising	0.00	0.00	12,678.81	7,560.00	0.00	380.00	150.00	0.00	15,000.00	15,000.00	5,000.00	0.00	55,708.81
Other	0.00	800.00	10,000.00	10.00	0.00	1,000.00	26,383.40	27,320.00	0.00	0.00	0.00	0.00	65,223.40
Pledges, Ac. for Exhibits	26,012.00	3,248.87	85,682.47	16,000.00	7,591.67	2,155.00	12,971.67	11,475.00	2,041.67	1,000.00	0.00	41.67	168,219.82
Sacto. T.O. Tax								100,000.00					100,000.00
Janitorial Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,480.00	2,250.00	2,250.00	2,250.00	2,250.00	13,480.00
Reimbursable Income	344.35	250.00	0.00	0.00	1,000.00	0.00	350.00						1,944.35
State of California	247,500.00											27,500.00	275,000.00
TOTAL INCOME	368,291.01	6,546.67	144,190.28	23,870.00	8,591.67	3,475.00	51,860.85	145,823.00	24,839.67	20,798.00	9,798.00	36,339.67	844,123.82
MONTHLY BALANCE	95,525.62	(91,361.06)	54,364.13	(13,111.17)	(938.63)	(44,349.14)	35,885.21	116,682.49	(99,849.88)	7,608.45	(3,391.55)	23,150.12	80,214.57
CUMULATIVE BALANCE	95,525.62	4,164.54	58,528.67	45,417.50	44,478.67	129.73	36,014.94	152,697.43	52,847.55	60,456.00	57,064.45	80,214.57	

**Time/amount dependent on date outside of this spreadsheet.
 ***Reflected in Services and Supplies above

Balance 80,214.57
 Exhibit Completion 64,000.00 **
 Potential Balance 16,214.57