



# REPORT TO COUNCIL

## City of Sacramento

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915 I Street, Sacramento, CA 95814-2604  
www. CityofSacramento.org

Consent  
February 9, 2010

Honorable Mayor and  
Members of the City Council

**Title: Third Amendment to City Agreement 97-007 – Powerhouse Science Center (formerly Sacramento Museum of History, Science and Technology) Loan Repayment**

**Location/Council District:** District 2

**Recommendation:** Adopt a **Resolution**; 1) approving and authorizing the City Manager or his designee to execute the Third Amendment to City Agreement 97-007 with the Powerhouse Science Center (formerly the Sacramento Museum of History, Science and Technology) to extend the repayment of the Challenger Learning Center loan.

**Contact:** Karolyn Pelka, Administrative Officer, 808-5898;  
Barbara E. Bonebrake, Director, Convention, Culture & Leisure, 808-8225

**Presenters:** Not Applicable

**Department:** Convention, Culture and Leisure

**Division:** Discovery Museum

**Organization No:** 17001951

### **Description/Analysis**

**Issue:** In 1997, the City Council approved Agreement 97-007 with the Sacramento Museum of History, Science and Technology (“Discovery Museum” or “Museum”) that provided a General Fund loan of \$175,000 for development of the Challenger Learning Center. At the same time, Discovery Museum executed a promissory note, identified as City Agreement number 97-007-1 (“Note”). The Note called for repayment of the loan by Fiscal Year (“FY”) 2000/01.

In 1999, the First Amendment to the Note was approved by the City Council (identified as City Agreement number 97-001-1) to restructure the loan to defer further interest payments and extend the terms of repayment to FY 2008/09. From 2001 to April 2007, the Discovery Museum made annual payments of \$12,029.93.

In 2008, the Second Amendment to the Note was approved by City Council (identified as City Agreement number 97-001-2), deferring the last two payments of \$12,029.93 each from April 2008 and April 2009 to April 2009 and April 2010, with two corresponding interest payments of \$324.91, for a total amount due of \$24,709.68.

Due to budget challenges in FY 2008/09, the April 2009 payment was not made to the City and the Museum is requesting another extension.

Staff is recommending the approval of the Third Amendment to City Agreement 97-007, deferring the last two payments over the next four years, making annual payments, with interest, beginning April 2010 and ending April 2013.

**Policy Considerations:** The recommended action is consistent with the City's goals to achieve sustainability and enhance livability in the community as well as reflecting the values of teamwork and fiscal responsibility.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed activity is not subject to environmental review under the California Environmental Quality Act ("CEQA"), California Code of Regulations, title 14, section 15060 because it is not a project under CEQA.

**Sustainability Considerations:** Not Applicable.

**Other:** Not Applicable.

**Commission/Committee Action:** Not Applicable


**Rationale for Recommendation:** Approval of the recommended action is necessary to assist the Discovery Museum in the current economic climate and demonstrates the City's commitment to be supportive of our non-profit partners.


**Financial Considerations:** The City currently contributes \$184,877 to the Museum to support operations.

The Museum currently owes the City two principal payments of \$12,029.93 and two interest payments of \$324.91, for a total of \$24,709.68. This amount is the principle amount in the revised payment schedule and will be repaid, with interest, in four annual payments, beginning April 1, 2010. The interest rate on the principal balance will be 2.37%. See Exhibit A to Attachment 1 for a complete payment schedule.

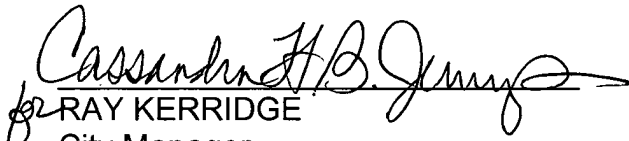
Staff recommends deducting the annual loan payment from the Museum's fourth quarter City contribution payment each year. Staff will then transfer the loan payment from the Museum's operating budget to the appropriate funding for payment. Additionally, if the City's contribution is ever less than the loan payment, the Museum is responsible for paying the difference.

**Emerging Small Business Development (ESBD):** None. No goods or services are being purchased.

Respectfully Submitted by:   
KAROLYN PELKA  
Administrative Officer  
Convention, Culture and Leisure Department

Approved by:   
BARBARA E. BONEBRAKE  
Director  
Convention, Culture and Leisure Department

Recommendation Approved:

  
RAY KERRIDGE  
City Manager

**Table of Contents:**

Report	Pg. 1
<b>Attachments</b>	
1 Resolution	Pg. 4
Exhibit A	Third Amendment to Promissory Note

**Attachment 1**

**RESOLUTION NO. 2010-**

Adopted by the Sacramento City Council

**THIRD AMENDMENT TO CITY AGREEMENT 97-007  
WITH POWERHOUSE SCIENCE CENTER  
(FORMERLY SACRAMENTO MUSEUM OF HISTORY SCIENCE & TECHNOLOGY)**

**BACKGROUND**

- A. In 1997, the City Council approved Agreement 97-007 with the Sacramento Museum of History Science & Technology (“Discovery Museum” or “Museum”) to provide a General Fund loan of \$175,000 for development of the Challenger Learning Center on Auburn Boulevard. The loan was due for repayment in 2001.
- B. In 1999, to help the Museum with cash flow issues, the City Council approved the First Amendment to Agreement 97-007 that deferred further interest payments and extended repayment of the loan until 2009.
- C. In January 2008, the City deferred the final two loan repayments for one year through the Second Amendment to Agreement 97-007 due to uncertainties in cash flow resulting from the split of the Discovery Museum into separate History Museum and Science Center operations.
- D. In December 2009 the Discovery Museum requested another deferment of the last two repayments over the next four years. It also changed its name to the “Powerhouse Science Center”.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL  
RESOLVES AS FOLLOWS:**

Section 1. The Third Amendment to City Agreement number 97-007 with the Sacramento Museum of History, Science and Technology is approved and the City Manager or his designee is authorized to execute the Amendment.

Section 2. Exhibit A is part of this Resolution.

**Exhibit A**

**THIRD AMENDMENT TO PROMISSORY NOTE**

This Third Amendment to the Promissory Note, City Agreement number 1997-007-1, dated on or about July 30, 1997, is entered into by and between the Powerhouse Science Center (formerly the Sacramento Museum of History, Science and Technology), a California non-profit corporation (“Payor”), and the CITY OF SACRAMENTO (“Payee” or “City”).

- A. On or about July 30, 1997, Payor executed a loan agreement with Payee identified as City Agreement Number 97-007, (“Loan Agreement”) and a promissory note payable to Payee in the amount of \$175,000.00, identified as City Agreement 97-007-1 (“Note”). The terms of the Note were incorporated by reference into the Loan Agreement.
- B. On or about November 16, 1999, the parties amended the terms of the Note (identified as City Agreement number 97-001-1) to provide that effective April 1, 1999, Payor would no longer be required to pay interest on the outstanding Note principal and that repayment of the remaining principal would be made in ten annual payments of \$12,029.93 each, beginning on April 1, 2000 and continuing through April 1, 2009.
- C. On July 28, 2008, the parties amended the terms of the Note (identified as City Agreement number 97-001-2), to provide that the last two remaining payments due on April 1, 2008 and April 1, 2009 would be deferred to April 1, 2009 and April 1, 2010 and interest would be added to the principal balance during the period of deferment.
- D. In December 2009, the Discovery Museum requested another deferment of the last two payments over the next four years. It also changed its name to the Powerhouse Science Center.
- E. Payee is willing to agree to this deferment, provided that each payment by Payor include an interest payment equal to the value of the interest that the City would have received if the last two payments had been made when due.
- F. The parties intend that in lieu of payments by Payor, Payee will deduct payments owed by Payor from the City’s annual contribution to the Discovery Museum Science & Space Center; and that if City’s annual contribution is less than the payment amount, the Payor will pay the difference on the corresponding payment date.

NOW, THEREFORE, Payor and Payee agree as follows:

1. Payor shall pay to Payee principle and interest payments as follows:

**PAYMENT SCHEDULE**

<b>Pmt No.</b>	<b>Payment Date</b>	<b>Beginning Balance</b>	<b>Scheduled Payment</b>	<b>Total Payment</b>	<b>Principal</b>	<b>Interest</b>	<b>Ending Balance</b>
1	4/1/2010	\$24,709.68	\$ 6,547.72	\$6,547.72	\$ 5,962.10	\$ 585.62	\$18,747.58
2	4/1/2011	18,747.58	6,547.72	6,547.72	6,103.40	444.32	12,644.18
3	4/1/2012	12,644.18	6,547.72	6,547.72	6,248.05	299.67	6,396.13
4	4/1/2013	6,396.13	6,547.72	6,396.13	6,244.54	151.59	0.00

2. In lieu of payments by Payor, City may deduct payments owed by Payor from the City's annual contribution to Payor. In the event City's annual contribution is less than the payment owed by Payor, Payor shall pay the difference on or before the corresponding payment due date.
3. All other terms and conditions of the Note not inconsistent with this Third Amendment to Note shall remain in full force and effect, including all provisions with respect to security provided to Payee in connection with the Note. This Third Amendment to Note shall not affect City's priority status as a secured party with a security interest in those assets of Payor described in the UCC-1 financing statement executed by Payor and filed with the Secretary of State on August 27, 1997.
4. Payee agrees that it shall not transfer or assign the Note to any third party, because the Note does not reflect the amended terms set forth in this Third Amendment to Note.

DATED: \_\_\_\_\_ CITY OF SACRAMENTO

By: \_\_\_\_\_  
Ray Kerridge, City Manager

DATED: \_\_\_\_\_ POWERHOUSE SCIENCE CENTER

By: \_\_\_\_\_  
Chairman, Board of Directors

By: \_\_\_\_\_  
Secretary, Board of Directors

ATTEST:

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

\_\_\_\_\_  
Dated

APPROVED AS TO FORM:

\_\_\_\_\_  
DEPUTY CITY ATTORNEY

\_\_\_\_\_  
Dated