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APPROVED  
BY THE CITY COUNCIL

SEP 16 1997

CITY HALL  
101  
STREET  
SACRAMENTO, CA  
95814-2684

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OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

September 5, 1997

City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: APPROVAL TO EXECUTE FAIRYTALE TOWN PARTNERING  
AGREEMENT**

**LOCATION AND COUNCIL DISTRICT: Four**

**RECOMMENDATION:**

It is recommended that Council, by resolution, authorize the City Manager to execute a five-year partnership agreement between the City and the Friends of Fairytale Town for the management and operation of Fairytale Town.

**CONTACT PERSON:** Betty Masuoka, Deputy City Manager, 264-5704  
Barbara Bonebrake, Management Officer, 264-7733

**FOR COUNCIL MEETING OF:** September 16, 1997

**SUMMARY:**

This report provides information on the significant terms of the proposed operating partnership agreement between the City of Sacramento and the Friends of Fairytale Town, and requests Council approval to execute a five-year agreement between the City and the Friends of Fairytale Town for the management and operation of Fairytale Town.

**COMMITTEE/COMMISSION ACTION:**

None.

**BACKGROUND INFORMATION:**

Fairytale Town was established in 1956 for the purpose of providing entertainment and education to children using miniature sets based on nursery rhymes. The original 1957 agreement between the City and Fairytale Town, Inc. provides that the Fairytale Town Board develops new sets and the City operates and maintains the facility. The proposed agreement will replace the existing agreement. Competition, reduced programming, and a lack of marketing has resulted in a 50% decline in attendance over a five-year period. The City Council approved, at its June 10, 1997 meeting, the negotiation of a partnering agreement with the Fairytale Town Board, known as the Friends of Fairytale Town (FFTT) for the operation of Fairytale Town. The proposed partnering arrangement, patterned after the recently approved agreement between the City of Sacramento and the Sacramento Zoological Society, will allow more flexibility, greater efficiencies and cost savings. It has been the intent for the last 15 years that Fairytale Town operate with revenues generated from admissions and food and beverage sales. However, for four of the last five years, Fairytale Town has required General Fund support ranging from \$8,700 to \$117,000 annually, or a total of more than \$387,000 over five years. This agreement will provide for \$200,000 in transition funding over the next four years. There are presently no career City staff employed at Fairytale Town. Under the proposed partnership, all Fairytale Town staff will be employed by FFTT.

The following are the steps which have been taken in investigating the feasibility of such a partnership.

June, 1996: FFTT held a retreat to examine various alternatives to streamline the Fairytale Town operation, to maximize its financial potential, and to reduce its reliance on City support.

In August, 1996, Council approved a Fairytale Town fee increase in an attempt to balance the Fairytale Town Fund.

In December, 1996, the City engaged Fund Development Associates, a private consulting firm for a two-phase analysis. In Phase I, the consultant collected input from the community and FFTT on the relationship of Fairytale Town and FFTT to the City and its organizational structure. Additionally, the consultant evaluated the potential for marketing, funding, management and governance of Fairytale Town.

Phase II of the consultant's report will provide assistance with a transition plan, new mission and vision statements for Fairytale Town, a staffing assessment, as well as marketing, fundraising and board development plans. FFTT is prepared to operate the Fairytale Town facility. The benefits to the community include:

- Reduced General fund support
- Improved programming

**INTENT TO NEGOTIATE FAIRYTALE TOWN PARTNERING AGREEMENT**

- Improved marketing
- Fund development opportunities

The significant terms of the proposed agreement include:

1. The term of the agreement is five years, beginning October 1, 1997 through June 30, 2002. The agreement includes 3 additional five-year terms by mutual agreement;
2. The City will retain ownership of the facility and the animal collection, but ownership of equipment and vehicles will be transferred to FFTT;
3. FFTT accepts responsibility for funding and management of operations, maintenance (except specific major maintenance) supplies, equipment, labor, marketing, veterinary services, utilities, and capital improvements;
4. City and FFTT will maintain insurance on the property each retains;
5. City will provide transition funding of a total of \$200,000 General Fund support over the first four years (FY 1998 - 2001).

FISCAL YEAR	CITY FUNDING
1997-98	\$75,000
1998-99	\$50,000
1999-2000	\$50,000
2000-2001	\$25,000
2001-2002	\$ 0

6. City will provide major maintenance to real property: roofs, major HVAC systems, and below ground systems (water, sewer, irrigation, electrical, gas and telephone lines).
7. Transfer to FTT of the responsibility to determine Fairytale Town fees with the concurrence of the City Manager. Dedication of all admission and other fees to FFTT for Fairytale Town operations.

**FINANCIAL CONSIDERATIONS:**

Although the Fairytale Town fund was intended to be self-sufficient, lower than projected revenues have resulted in the necessity of General Fund subsidies of from \$8,700 to \$117,000 over the last five years. It is the intent of this agreement to reduce, and eventually eliminate the subsidy required from the General Fund. During the first four years of the proposed agreement, General Fund subsidies will decline from \$75,000 in 1997-98 to \$50,000 in years two and three, and \$25,000 in the fourth year. The

**INTENT TO NEGOTIATE FAIRYTALE TOWN PARTNERING AGREEMENT**

agreement calls for no General Fund subsidy in the fifth year and beyond. All admissions revenue will be retained by the Fairytale Town operation, and all expenses will be the responsibility of the Fairytale Town Board, including maintenance and operations, capital improvement improvements (CIP's) and any debt service payments. Specific major infrastructure maintenance will continue to be the City's responsibility, managed by the City's Facility Maintenance Division.

Funds are available in the General Fund Administrative Contingency Fund.

**ENVIRONMENTAL CONSIDERATIONS:**

This agreement is not subject to CEQA review, pursuant to CEQA Section 15378(b)(3), "General policy and procedure making", however, any future capital improvement actions associated with this agreement will be subject to CEQA review, and will follow appropriate CEQA guidelines.

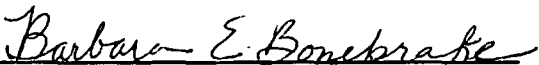
**POLICY CONSIDERATIONS:**

The execution of the proposed partnering agreement between the City and the FFTT for the operation of Fairytale Town is consistent with the City's policy of encouraging public and private partnerships to effect more efficient and economical provision of public services.


**MBE/WBE:**

None. No goods or services are being purchased.


Respectfully submitted,

  
Barbara Bonebrake,  
Management Officer

**RECOMMENDATION APPROVED:**

  
\_\_\_\_\_  
William H. Edgar  
City Manager

**APPROVED:**

  
\_\_\_\_\_  
Betty Masuoka,  
Deputy City Manager

APPROVED  
BY THE CITY COUNCIL  
SEP 16 1997  
OFFICE OF THE  
CITY CLERK

RESOLUTION NO. 97-524  
ADOPTED BY THE SACRAMENTO CITY COUNCIL  
ON DATE OF \_\_\_\_\_

**APPROVAL TO EXECUTE FAIRYTALE TOWN PARTNERING AGREEMENT**

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

1. The City Manager is directed to execute the attached partnership agreement between the City and the Friends of Fairytale Town for the management and operation of Fairytale Town.
2. That the Fiscal Year 1997-98 operating budget for Fairytale Town (101-430-4220-4258) is hereby amended by an increase of \$75,000 from the General Fund Administrative Contingency Fund.
3. That the existing operating agreement between the City and Fairytale Town, Inc., dated July 18, 1957 (Resolution Number 606), for the operation of Fairytale Town, is hereby terminated.

\_\_\_\_\_  
MAYOR

ATTEST:

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

FOR CITY CLERK USE ONLY

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

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

4.1

DATE: September 10, 1997

TO: City Clerk

FROM: Kristin Elder, Downtown Dept.; Mailcode: 4310; Phone, 264-7360

SUBJECT: ~~FAIRYTALE TOWN COUNCIL REPORT~~ (for September 16, 1997, 2 pm)

Attached are three copies of the signed agreement for the Fairytale Town Partnership and the replacement Resolution for the staff report which you requested yesterday. I have attached a copy of the front page of the staff report for your convenience. Will you please substitute the attached Reso. for the one in the report you already have? (You stated that the original reso. was formatted incorrectly).

After Council approves the agreement on Sept. 16, will you please execute and return my copies to me at mailcode 4310? I will send a copy to Fairytale Town.

If you have any questions, please call me at 264-7360.

Thank you.



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**COMMITTEE/COMMISSION ACTION:**

None.

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

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MAYOR

**ATTEST:**

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CITY CLERK

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FOR CITY CLERK USE ONLY

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

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