



**APPROVED**

NOV 19 1999

OFFICE OF THE  
CITY CLERK

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THOMAS V. LEE  
DEPUTY CITY MANAGER  
DOWNTOWN DEPARTMENT

CITY OF SACRAMENTO  
CALIFORNIA

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November 9, 1999

City Council  
Sacramento, CA

Honorable Members in Session

**SUBJECT: Challenger Learning Center Loan Restructuring**

**LOCATION AND DISTRICT:** Discovery Museum  
3615 Auburn Boulevard  
District 2

**RECOMMENDATION:**

This report recommends that the City Council, by Resolution, approve the First Amendment to City Agreements 97-007 (Loan Agreement) and 97-007-1 (Promissory Note) between the City of Sacramento and the Sacramento Museum of History, Science and Technology (a.k.a. Discovery Museum) for the Challenger Learning Center.

**CONTACT PERSON:** Evangeline Higgenbotham  
Discovery Museum Manager, 264-7057

**FOR COUNCIL MEETING OF:** November 16, 1999

**SUMMARY:**

This proposal would extend the payment period and defer further interest on the remaining balance of the 1997 loan from the City of Sacramento to the Discovery Museum for the Challenger Learning Center. The loan restructuring would allow the Discovery Museum to generate a more positive cash flow and allocate more resources towards its education programs and exhibits at minimal cost to the General Fund.

**COMMITTEE/COMMISSION ACTION:**

The Board of Directors of the Discovery Museum has approved entering into negotiations with the City to restructure the existing loan agreement.

**BACKGROUND INFORMATION:**

In January 1997, the City Council approved Agreements 97-007 and 97-007-1 to provide a General Fund loan of \$175,000 to the Discovery Museum to complete the capital acquisition and construction for the Challenge Learning Center at the Museum's Auburn Boulevard location. The Learning Center provides a space shuttle flight simulation experience for junior high and high school students and other interested individuals. An additional \$175,000 was provided by the County of Sacramento for a total cost of \$350,000.

The original term of the loan was for four years with annual payments of principal and interest beginning in April 1998 and ending in April 2001.

**FINANCIAL CONSIDERATIONS:**

The Discovery Museum has made the currently required principal and interest loan repayments for 1998 and 1999, totaling \$72,605.61. The outstanding principal for the remaining two years of the loan is \$120,299.25 with estimated interest payments of \$11,000.

Under the recommended restructuring (Table 1), payments would be extended out for an additional 10 years and interest payments would be deferred. If interest were deferred, estimated annual payments would be \$12,029.93, beginning in 2000 and ending in 2009. Based upon estimates from the City Treasurer's Office, and using a flat interest rate of 5.73 % (average annual Pool A rate) the General Fund would be deferring approximately \$40,000 in interest payments over the 10-year period.

**ENVIRONMENTAL CONSIDERATIONS:**

None.


**POLICY CONSIDERATIONS:**

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

**ESBD CONSIDERATIONS:**

None.

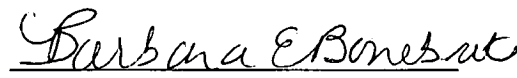
Respectfully submitted,



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Evangeline Higginbotham  
Discovery Museum Director

Approved By:



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Barbara E. Bonebrake  
Downtown Department Manager  
Economic Development and  
Regional Enterprise Agency



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Thomas V. Lee  
Deputy City Manager  
Economic Development and  
Regional Enterprise Agency

**RECOMMENDATION APPROVED:**



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Robert P. Thomas  
City Manager

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**SACRAMENTO MUSEUM OF HISTORY  
CHALLENGER PROJECT LOAN  
DEBT SERVICE SCHEDULE**

<b>DATE</b>	<b>RATE</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL DEBT SERVICE</b>	<b>PRINCIPAL REMAINING</b>
1-May-97	6.500%		0.00	0.00	175,000.00
1-Apr-98		0.00	7,583.36	7,583.36	175,000.00
1-Apr-99	5.588%	54,700.75	10,321.50	65,022.25	120,299.25
1-Apr-00	0.000%	12,029.93	0.00	12,029.93	108,269.33
1-Apr-01		12,029.93	0.00	12,029.93	96,239.40
1-Apr-02		12,029.93	0.00	12,029.93	84,209.48
1-Apr-03		12,029.93	0.00	12,029.93	72,179.55
1-Apr-04		12,029.93	0.00	12,029.93	60,149.63
1-Apr-05		12,029.93	0.00	12,029.93	48,119.70
1-Apr-06		12,029.93	0.00	12,029.93	36,089.78
1-Apr-07		12,029.93	0.00	12,029.93	24,059.85
1-Apr-08		12,029.93	0.00	12,029.93	12,029.93
1-Apr-09		12,029.93	0.00	12,029.93	(0.00)
		<b>175,000.00</b>	<b>17,904.86</b>	<b>192,904.86</b>	

The Discovery Museum, Challenger Project loan was based on the average term Treasury Note interest rate with an initial rate of 6.5%.



**RESOLUTION NO. 99-651**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

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

**FIRST AMENDMENT TO CITY AGREEMENTS 97-007 AND 97-007-1 BETWEEN THE CITY OF SACRAMENTO AND THE SACRAMENTO MUSEUM OF HISTORY, SCIENCE AND TECHNOLOGY FOR THE CHALLENGER LEARNING CENTER**

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

The City Manager is authorized to execute the First Amendment to City Agreements 97-007 and 97-007-1 between the City of Sacramento and the Sacramento Museum of History, Science and Technology for the Challenger Learning Center.

\_\_\_\_\_  
MAYOR

ATTEST:

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

FOR CITY CLERK USE ONLY

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

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

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MAY 19 1964  
U.S. AIR FORCE