



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
[www. CityofSacramento.org](http://www.CityofSacramento.org)

CONSENT
July 22, 2008

**Honorable Mayor and
 Members of the City Council**

Title: Second Amendment to City Agreement 97-007 with Discovery Museum

Location/Council District: Discovery Museum, 3615 Auburn Boulevard, District 2

Recommendation: Adopt a **Resolution**, authorizing the City Manager, or the City Manager's designee, to approve and execute the Second Amendment to City Agreement 97-007 (Promissory Note) between the City of Sacramento and the Sacramento Museum of History, Science and Technology (a.k.a. Discovery Museum) related to the operation of the Challenger Learning Center.

Contact: Celeste Chin, President, Discovery Museum Board of Directors; Cary Jung, Administrative Officer, 808-5898

Presenters: Not Applicable

Department: Convention, Culture and Leisure

Division: Administration

Organization No: 17001011

Description/Analysis

Issue: This report recommends a one-year deferral for each of the final two repayments of a 1997 loan to the Discovery Museum by the City of Sacramento for the Challenger Learning Center on Auburn Boulevard. As a condition of the deferral, the Discovery Museum agrees to pay an amount, in each of the next two years, equal to the interest the City would have generated from the funds if the repayments had been made as planned.

In 1997, the City Council approved Agreement 97-007 with the Discovery Museum that provided a General Fund loan of \$175,000 for development of the Challenger Learning Center. The Agreement called for repayment of the loan by fiscal year (FY) 2000/01.

In 1999, to help the Museum deal with cash flow issues, Amendment 1 was approved by the City Council to restructure the loan to defer further interest payments and extend the terms of repayment to 2009. Since then, the Museum has made annual payments

of \$12,000 and has two payments remaining, due on April 1, 2008, and April 1, 2009.

Earlier this year, the City received a letter from the Discovery Museum in which the Discovery Museum requested a deferral of the final two payments by one year each.

Policy Considerations: The recommended action demonstrates the City's ongoing commitment to build strong relationships with its non-profit partners.

Environmental Considerations:

California Environmental Quality Act (CEQA): This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA), CEQA Guidelines section 15378(b)(2).

Sustainability Considerations: None

Rationale for Recommendation: The recommended action allows the Discovery Museum to deal with important cash flow issues and demonstrates the City's commitment to be supportive of our non-profit partners.

Financial Considerations: The current outstanding loan balance is \$24,059.86. Half of that amount (\$12,029.93) was due on April 1, 2008 and the balance on April 1, 2009. If the recommendation is approved each of these dates will be pushed back one year and the Discovery Museum will make an interest payment of \$324.91 this year upon execution of the amendment and on April 1, 2009, that reflects the earnings the City would have received on the funds if they had been deposited as scheduled, using the current Pool A interest rate.

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by:


Cary Jung
Administrative Officer

Approved by:


Barbara E. Bonebrake
Director, Convention, Culture and Leisure Department

Recommendation Approved:

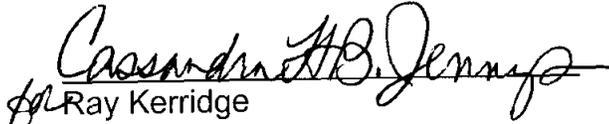

Ray Kerridge
City Manager

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RESOLUTION NO. 2008-

Adopted by the Sacramento City Council

**SECOND AMENDMENT TO CITY AGREEMENT 97-007
WITH DISCOVERY MUSEUM**

BACKGROUND

- A. In 1997, the City Council approved Agreement 97-007 with the Discovery 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 Supplemental No. 1 to Agreement 97-007 that deferred further interest payments and extended repayment of the loan until 2009. Since then, the Museum has made annual repayments of the loan according to the current repayment schedule.
- C. In January 2008, the City received a request from the Discovery Museum to defer for one year each of the final two loan repayments.

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

Section 1. The City Manager or his designee is authorized to approve and execute THE Second Amendment to City Agreement 97-007 (Promissory Note) between the City of Sacramento and the Sacramento Museum of History, Science and Technology (a.k.a. Discovery Museum) related to the operation of the Challenger Learning Center.

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Exhibit A- Second Amendment to Promissory Note

Exhibit A**SECOND AMENDMENT TO PROMISSORY NOTE**

This Second 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 SACRAMENTO MUSEUM OF HISTORY, SCIENCE AND TECHNOLOGY, dba DISCOVERY MUSEUM, INC., a California non-profit corporation ("Payor"), and the CITY OF SACRAMENTO ("Payee").

- 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 Number 97-007-1, ("Note").
- B. On or about November 16, 1999, the parties amended the terms of the Note 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. Payor has made its annual payments and has two payments remaining, due on April 1, 2008 and April 1, 2009. Payor would like to defer each of the final two payments by one year, making the 2008 payment due in 2009 and the 2009 payment due in 2010.
- D. Payee is willing to agree to this deferment, subject to the payment by Payor in July 2008 and April 2009 equal to the value of the interest that the city would have received if the last two payments had been made when due.
- E. It is the intention of the parties that this Second Amendment to the Note shall not affect City's priority status as a secured party with a security interest in those assets of Payor described in a UCC-1 financing statement executed by Payor and filed with the Secretary of State on August 27, 1997.

NOW, THEREFORE, Payor and Payee agree as follows:

1. Payor shall pay to Payee interest in the amount of \$324.91 upon execution of this Second Amendment to Note. Payor shall pay to Payee interest in the amount of \$324.91 on April 1, 2009.
2. Payor shall pay to Payee the principal amount of \$12,029.93 on or before April 1, 2009. Payor shall pay to Payee the principal amount of \$12,029.93 on or before April 1, 2010.
3. All other terms and conditions of the Note, and all terms of the Loan Agreement not inconsistent with this Second 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 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 a UCC-1 financing statement executed by Payor and filed with the Secretary of State in 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 Second Amendment to Note.

DATED: _____ CITY OF SACRAMENTO

by: _____
Ray Kerridge, City Manager

DATED: _____ SACRAMENTO MUSEUM OF HISTORY
SCIENCE AND TECHNOLOGY

by: _____
Chairman, Board of Directors

by: _____
Secretary, Board of Directors

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

DEPUTY CITY ATTORNEY

