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**DEPARTMENT OF  
FINANCE**

**CITY OF SACRAMENTO  
CALIFORNIA**

CITY HALL  
ROOM 100  
915 I STREET  
SACRAMENTO, CA  
95814-2685

BETTY MASUOKA  
DIRECTOR

October 8, 1991

PH. 916-449-5736  
FAX 916-449-8618

City Council  
Sacramento, California

DIVISIONS:  
ACCOUNTING  
BUDGET  
FINANCIAL SYSTEMS  
REVENUE  
RISK MANAGEMENT

Honorable Members in Session:

**SUBJECT: Settlement of Capitol City Ballet Promissory Note**

**LOCATION**

All Districts

**SUMMARY**

The Capitol City Ballet is in the process of dissolving. This non-profit organization is unable to fully repay a promissory note to the City of Sacramento. The Capitol City Ballet wishes to transfer their remaining cash balances to the Sacramento Ballet to establish a ballet school in lieu of partial payment of the promissory note.

**APPROVED**  
BY THE CITY COUNCIL

OCT 15 1991

OFFICE OF THE  
CITY CLERK

**STAFF RECOMMENDATION**

It is recommended that City Council adopt the attached resolution which authorize the Director of Finance to accept \$11,020 as payment in full from the Capitol Ballet as repayment of a \$20,000 promissory note. It is further recommended that the request for funding for a ballet school be directed to the City's arts regranting program for formal review.

**BACKGROUND**

In May 1990, the Capitol City Ballet signed a \$20,000 interest free promissory note due to the City of Sacramento. This note was to be repaid in ten annual equal installments of \$2,000.

Currently, the Ballet is in the process of dissolving. In order for the Capitol City Ballet to dissolve, the Ballet must show all obligations have been resolved. If there is a dispute, court action would be required to settle the distribution of the remaining assets. If all claims are satisfied and assets still remain, the Capitol City Ballet must transfer these assets to a similar non-profit organization. The Capitol City Ballet has resolved all obligations except the City's note and a similar note with the Sacramento Regional Foundation for \$10,000. The Ballet's cash balance totals approximately \$16,000.

The Capitol City Ballet's Board of Directors believes the community will derive significant value if the remaining assets are transferred in a lump sum to the Sacramento Ballet for its school, rather than partially repay the City and the Sacramento Regional Foundation. The Board believes that the ballet school would substantially achieve the goals of both the Foundation and the City in extending their original loans to the Capitol City Ballet (See attached letter).

## FINANCIAL

The original value of the note is \$20,000 from the General Fund. No payments have been made to reduce the loan. Disbursing the remaining cash balance of the Capitol City Ballet proportionally to the City and the Sacramento Regional Foundation would return approximately half of the outstanding balances of each loan (\$11,020, \$5,510 respectively).

## POLICY CONSIDERATIONS

The Council has two basic options relative to the promissory note:

- o Agree with the Capitol City Ballet's Board of Directors by authorizing the City to write off the promissory note. This action would allow the Capitol City Ballet to disburse any remaining funds to a similar non-profit organization.
- o Accept a proportional split of the remaining cash assets of the ballet with the Sacramento Regional Foundation, and direct any funding request for a ballet school to the Arts Commission to be prioritized against the various requests of the arts community.

City Council  
Capitol City Ballet Note  
September xx, 1991

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The recommendation by staff attempts to provide consistency in the collection of outstanding balances due the City. In addition, the recommendation provides for the Arts Commission to review the ballet school relative to the needs and priorities in the arts community.

MBE/WBE

Not applicable.

Respectfully submitted,



Betty Masuoka  
Director of Finance

Recommendation Approved



Walter J. Slife  
City Manager

Contact Person:  
Michael D. McGrane  
Sr Management Analyst, 449-5845

For Council Meeting on October 15, 1991

**RESOLUTION NO. 91-823**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

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

**APPROVED**  
BY THE CITY COUNCIL  
**OCT 15 1991**  
OFFICE OF THE  
CITY CLERK

**RESOLUTION AUTHORIZING SETTLEMENT OF  
PROMISSORY NOTE WITH THE CAPITOL CITY BALLET**

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

1. The Director of Finance is authorized to accept \$11,020 from the Capitol City Ballet as repayment of the May 1990 promissory note for \$20,000.
2. Staff is directed to forward the request for funding of a ballet school to the Arts Commission for consideration for possible regranting funds.

\_\_\_\_\_  
MAYOR

ATTEST:

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

**FOR CITY CLERK USE ONLY**

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

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

CAPITOL CITY BALLET  
2791 Twenty-fourth Street  
Sacramento, California 95818

September 10, 1991

Jack Crist  
Assistant City Manager  
Sacramento City Hall  
1231 I Street  
Sacramento, California 95814

David Hess  
Executive Director  
Sacramento Regional Foundation  
1420 River Park Drive  
Suite 140  
Sacramento, California 95815

Re: Capitol City Ballet

Gentlemen:

As you are aware, Capitol City Ballet ("CCB") disbanded its performing company and closed its school of dance more than a year ago. Since that time, the CCB Board of Directors has been in the process of dissolving the non-profit corporation.

CCB hopes to be able to wind up its affairs without going through a court-supervised process, and to do so it must, among other things, ascertain its creditors and make such arrangements or provisions as it can so that there are no outstanding claims at the time CCB proceeds with its dissolution.

To date vendors and contributors of CCB have forgiven nearly \$20,000 of obligations relating to goods, services, and contributions for specific purposes. In each case, they expressed their disappointment at the community's loss of CCB as a cultural resource.

At this point, CCB has only two remaining unresolved claims: It owes \$10,000 to Sacramento Regional Foundation (the "Foundation") to repay a non-interest bearing loan it received from the Foundation in 1988, and it owes the City of Sacramento (the "City") \$20,000 to repay a loan extended by the City in 1989.

CCB's assets are insufficient to satisfy these claims. At present CCB's assets consist of a bank account containing \$16,531.06, and other physical assets such as a copier, an old personal computer, a dance floor, large mirrors used for dance practice, and other ballet props, supplies and equipment. CCB

expects to sell the personal computer and dance floor at market value, which will be nominal.

On September 4, 1991, I and other members of the CCB Board of Directors and our counsel met with Alice Sykes, representing the Foundation, and Michael McGrane, representing the City. We discussed how the claims of both the City and the Foundation must be discharged if CCB is to avoid the expenditure of time and money involved in a court-supervised dissolution proceeding.

At that meeting, CCB proposed that both the City and Foundation forgive CCB's obligations, which would permit CCB to transfer its cash to the Sacramento Ballet Company, which would use the money to establish a ballet school.

Attached is a letter prepared by the Sacramento Ballet regarding the status of its ballet school. Sacramento Ballet expects the costs of its first year of school operations, including certain start-up costs, to be approximately \$22,400 in excess of revenues.

Sacramento Ballet will not commence operation of its ballet school until it can finance this expected shortfall from the transfer of CCB's assets or other sources. Sacramento Ballet previously received a \$5,000 grant which it was unable to apply to the school due to lack of additional funding. If Sacramento Ballet can duplicate this prior \$5,000 grant, distribution of CCB's assets to Sacramento Ballet would be nearly enough to fund the expected shortfall.

Based on CCB's experience, CCB believes that once the ballet school was established, it would be self-sustaining.

CCB's Board of Directors believes the community will derive significant value if CCB's remaining assets are transferred in a lump sum to Sacramento Ballet for its school, rather than divided between the City and the Foundation. Such a use would substantially achieve the goals of both the Foundation and the City in extending their original loans to CCB.


For that reason, we request that both the City and the Foundation forgive CCB's outstanding indebtedness, so that CCB may conduct its dissolution in a way that will leave a tangible legacy benefitting the community it served for so many years.

If you desire any further information, I would be glad to meet with you or anyone from your organization.

On behalf of the CCB Board of Directors, I thank you for your kindness and generosity to CCB, both present and past, and I thank you for your assistance in this matter.

Very truly yours,

CAPITOL CITY BALLET

A handwritten signature in cursive script that reads "Joseph Archer".

Joseph Archer, Chairman, Board of Directors

# SACRAMENTO BALLET

2791 - 24TH STREET, SUITE 16 • SACRAMENTO, CA 95818 • (916) 736-2860

Ron Cunningham, Artistic Director



September 9, 1991

Mr. Joseph Archer  
President  
Capitol City Ballet  
2791 Twenty-Fourth Street  
Sacramento, CA 95818

Dear Joe,

We appreciate the dedication which the Capitol City Ballet Board has displayed over the distinguished history of the company, and we are pleased that with the dissolution of Capitol City Ballet, several members of your Board have elected to join the Sacramento Ballet Board of Directors. Their support for the artistic legacy of Capitol City Ballet through the Sacramento Ballet and our prospective Sacramento Ballet School will be increasingly important in the years to come.

I am aware that Capitol City Ballet has certain cash assets remaining which may become available to Sacramento Ballet for the purpose of starting our School. As you know, our Board has been studying the possibility of founding a Sacramento Ballet School for over a year, and but for the availability of funding, we would have had a school in operation now. To review our current school situation:

## SCHOOL OPERATING PLAN AND BUDGET

The School Committee of the Sacramento Ballet Association Board of Directors began its work in August, 1990, and, with the help of Capitol City Ballet Board members, the Committee was able to formulate a basic operating plan by February, 1991. The objective was to inaugurate the Sacramento Ballet School at the Sierra II facility that had previously been occupied by the Capitol City Ballet School. To this end, the school operating budget was incorporated into the Fiscal Year 1991-92 Association budget as a separate line item.

The plan as budgeted called for total expenses of \$72,400 in the first year of operation (September, 1991-June, 1992) and total revenue of \$60,000 from class tuition. Non-capital start-up costs for the school program would be incurred before the start of the class year. These costs would total approximately \$10,000 in additional expenses for a total loss of \$22,400 in the first year.



Recognizing the unsettled financial condition of the Ballet Association, the Board directed that the School would begin operation only if two conditions were met: 1) that the renovation costs for the Sierra II studios could not be borne by the Association, 2) that the projected operating deficit in the first year would be funded by separate non-operating contributed income.

Although the Association was successful in securing a \$5,000 grant from the Arata Brothers' Trust for school purposes, other grants did not materialize. When it became clear that the Association could not achieve the September, 1991, inauguration date, the Arata Brothers grant for 1991 was transferred to another project and the School project was postponed for one year.

#### PROJECTED SCHOOL PROJECT TIMELINE

The topic of school inauguration will be taken up at the Sacramento Ballet Board's annual retreat on Saturday, September 12, 1991. The financial conditions under which the school project could move forward are still in place. However, at this time, the plan is to announce the opening for a School Director in early 1992, announce classes in early spring, 1992, and to commence instruction in September, 1992.

Although concrete plans have not been finalized with Sierra II management, the Association is at present planning on presenting the Sacramento Ballet School program at Sierra II Center for the Arts and Community.

#### FUNDING THE START-UP COSTS AND FIRST-YEAR INCOME GAP

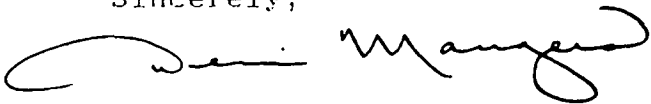
Although the first-year loss is projected at \$22,400, the history of the Capitol City Ballet School indicates that it will be possible to operate the Sacramento Ballet School at break-even or better after a relatively short period of operation. The Capitol City Ballet Board has also indicated their willingness to provide Sacramento Ballet with the names of former students, and we believe that the name of Sacramento Ballet will be very attractive to serious dance students in the Sacramento area.

Members of the Capitol City Ballet Board have indicated to us that as much as \$17,000 may be available for Sacramento Ballet School purposes. In addition, we would be contacting the Arata Brothers' Trust and other funders to provide the balance. In any case, we would not be moving ahead until the money was in place.

IN CONCLUSION

We believe that the contribution which Capitol City Ballet made to the cultural life of Sacramento was substantial, particularly the contribution it made to thousands of area children who studied at its school. We believe that no better testament could be made to this contribution than providing what would in essence be the founding grant of the Sacramento Ballet School.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dennis Mangers". The signature is written in dark ink and is positioned above the typed name.

Dennis Mangers  
President  
Board of Directors  
Sacramento Ballet Association

cc. Richard K. Wertz, School Committee Chair, Sacramento Ballet  
Association  
Lisa Bacchini, Director, Sacramento Ballet Association  
Peggy Russo, Director, Sacramento Ballet Association  
Rita Ruecker, Director, Sacramento Ballet Association