



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: January 28, 2014

To: Council Member Lisa Goodman, Chair, Community Development and
Regulatory Services Committee

Subject: **Receive MacPhail Center for Music 2013 Annual Report and approve
the continued operation of the Governmental Program at the MacPhail
Center for Music for 2014.**

Recommendation:

1. Approve budget and governmental program as attached;
2. Approve resolution as attached

Previous Directives:

1. On September 22, 2006, the City Council authorized the execution of an amendment to the Ground Lease Agreement with MacPhail Center for Music to allow new terms that compensates MacPhail if the City chooses not to renew the Operating Lease.
2. On July 21, 2006, the City Council adopted a resolution establishing the governmental program to be achieved through the construction and operation of MacPhail Center for Music; accepted a \$5,000,000 grant from the State of Minnesota for the project; authorized City officials to execute a grant agreement with the State of Minnesota, a use/lease agreement with MacPhail, a ground lease with MacPhail, a disbursing agreement with the title company and other funders; and amended the 2006 General Appropriation Resolution to increase the appropriation in Fund 0600-890-8933 (state grants and loan programs) by \$5,000,000.
3. On February 14, 2004, the MCDA Board of Commissioners authorized an extension of MacPhail Center for Music's 100 percent funding requirement deadline to June 30, 2006, and associated contract modifications.
4. On December 14, 2001, the City Council and MCDA Board of Commissioners approved the Parcel C redevelopment and TIF plans.

5. Also on December 14, 2001, the Board of Commissioners approved redevelopment contract terms and authorized the land sale to CSM Investors II, Inc.

Prepared by: Garrie Flack, Sr. Project Coordinator, 673-5010
Approved by: Catherine A. Polasky, Economic Development Director
Approved by: Charles J. Lutz, Deputy Director of CPED
Presented in Compliance: Garrie Flack, Sr. Project Coordinator, 673-5010

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification - The MacPhail Center for Music project has been presented on several occasions to the Downtown Minneapolis Neighborhood Association. This specific action does not trigger neighborhood notification.
- City Goals - Jobs and Economic Vitality; Livable Communities, Healthy Lives; Many People, One Minneapolis; A City that Works
- Comprehensive Plan - The redevelopment of this parcel for mixed use in the Mill District is consistent with a number of goals in the Comprehensive Plan. In addition, the project is consistent with the Historic Mills District Master Plan and Update.
- Zoning Code - The City Planning Commission approved the actions needed for the MacPhail Center for Music development project March 27, 2006.

Supporting Information

In 2006, the City of Minneapolis received a \$5 million general obligation bond financing grant from the State of Minnesota for the construction of the MacPhail Center for Music project. A condition of receiving the State bond financing grant is that the City own the land and the building comprising the MacPhail Center for Music project and operate an eligible governmental program at the project. The City entered into a Bond Grant Agreement with the Department of Education for the disbursement of the State bond funds. The City, as Lessor, also entered into a Ground Lease Agreement and a Use Lease Agreement with MacPhail Center for Music, as Lessee, for the construction of a facility comprising the project and the operation of a Governmental Program at the project.

The Governmental Program is a music education center that includes studios, classrooms, and a performance hall, together with educational programming, other cultural performances, and related and ancillary uses of the MacPhail Center for Music, all of which shall achieve the goals of supporting and improving the cultural fabric of the region and promoting economic development and tourism.

Annual Reporting Requirements

Annually, the City of Minneapolis is required to report to the State of Minnesota on the operation of the facility and approve its continued use for the Governmental Program. Pursuant to Section 2.03 of the Bond Grant Agreement, the City may enter into a Use Agreement with a third party entity, like MacPhail Center for Music (MacPhail), to operate the facility and the Governmental Program at the project. In its annual report to the State, the City is also required to certify that (i) MacPhail has the ability to fund the Governmental Program; (ii) MacPhail submits an annual Program budget showing that MacPhail will have enough funds to operate the Program for the next fiscal year with forecast revenues equal to or exceeding forecast expenses; and (iii) the City has reviewed, made findings and

approved by resolution the Program budget submitted by MacPhail showing that the operation of the Program will be equal to or greater than the budget forecast for the next fiscal year. Section 9 of the Use Lease Agreement requires MacPhail to (a) report on its major Program activities during its current fiscal year; (b) submit to the City an annual Program budget for the current fiscal year that shows forecast Program revenues will be equal to or exceed the forecast Program expenses; and (c) submit to the City a projected Program budget for the next three fiscal years showing forecast Program revenues will be equal to or greater than forecast Program expenses.

Findings

In accordance with the terms of the Use Lease Agreement, MacPhail Center for Music has submitted the required Program budgets to the City (summaries attached). City staff has reviewed MacPhail's audited financial statements and the annual and projected Program budgets as submitted by MacPhail. City staff has also analyzed the Governmental Program operated by MacPhail at the project and believes that MacPhail Center for Music is in compliance with carrying out the Governmental Program at the project pursuant to the requirements of the Bond Grant Agreement and the Use Lease Agreement. As further required by the Use Lease Agreement, the CPED Director or authorized delegate has reviewed and approved the Program budgets submitted by MacPhail to the City and found (i) that the current Program budget forecast for the 2013-2014 fiscal year shows Program revenues that are equal to or exceed Program expenses; (ii) that the projected Program budgets for the next three fiscal years (2014, 2015 and 2016) forecast Program revenues that are equal to or exceed forecast Program expenses; and (iii) that the operation of the facility by MacPhail continues to meet the requirements of the Governmental Program.

RESOLUTION
of the
CITY OF MINNEAPOLIS

By _____

Approving the governmental program and annual budget for the operation of the MacPhail Center for Music facility in Minneapolis for fiscal year 2013-2014.

WHEREAS, Minnesota Laws 2006, Chapter 258, Article 1, Section 4, Subdivision 4, authorizes the City of Minneapolis to undertake the design, construction and operation of the MacPhail Center for Music facility; to establish the MacPhail Center for Music facility as a governmental program providing music education, music therapy, and music education programming in public and private schools and in partnership with other organizations; and to appropriate funds for such purposes; and

WHEREAS, in 2006 the City accepted a \$5,000,000 bond grant from the State of Minnesota to design, construct, furnish and equip the MacPhail Center for Music facility in the City of Minneapolis; and

WHEREAS, to satisfy conditions of the State bond grant, the City must own or ground lease the MacPhail Center for Music facility, and enter into a use/lease agreement with MacPhail Center for Music under which it will take on the responsibility for the operation of the musical institution and the governmental program at the facility; and

WHEREAS, on July 21, 2006, the City Council adopted the governmental program to be achieved by the City's sponsorship of the MacPhail Center for Music facility to construct, equip and operate a music education center that includes studios, classrooms, and a performance hall, together with education programming, other cultural performances, and related and ancillary uses in the City of Minneapolis, pursuant to which the City expects to support cultural participation and encourage economic development and tourism; and

WHEREAS, pursuant to the State bond grant the City is required to annually report to the State on the operation of the MacPhail Center for Music facility and approve its continued use for the governmental program; and

WHEREAS, pursuant to the use/lease agreement MacPhail Center for Music has submitted annual current and projected budgets for the operation of the governmental program at the MacPhail Center for Music facility to the City; and

WHEREAS, the City's Department of Community Planning and Economic Development (CPED Department) Director or authorized designee has reviewed and approved the budgets for the operation of the governmental program at the MacPhail Center for Music facility submitted by MacPhail Center for Music to the City and found (i) that the current governmental program budget forecast for the 2013-2014 fiscal year shows revenues that are equal to or exceed expenses; (ii) that the projected governmental program budgets for the next 3 fiscal years (2014-2015, 2014-2016 and 2016-2017) forecast revenues that are equal to or exceed forecast expenses; and (iii) that the operation

of the MacPhail Center for Music facility by MacPhail Center for Music continues to meet the requirements of the governmental program.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. **THAT** based on the reports and documents submitted by MacPhail Center for Music, the review performed by City staff and the findings of the CPED Department Director, the City Council finds (i) that the current MacPhail Center for Music facility governmental program budget forecast for the 2013-2014 fiscal year shows revenues that are equal to or exceed expenses; (ii) that the projected MacPhail Center for Music facility governmental program budgets for the next 3 fiscal years (2014-2015, 2015-2016 and 2016-2017) forecast revenues that are equal to or exceed forecast expenses; and (iii) that the operation of the MacPhail Center for Music facility by MacPhail Center for Music continues to meet the requirements of the governmental program.

2. **BE IT FURTHER RESOLVED THAT** the City Council hereby approves and authorizes the continued use of the governmental program at the MacPhail Center for Music facility by MacPhail Center for Music for the fiscal year 2013-2014.

3. **BE IT FURTHER RESOLVED THAT** this resolution shall be in full force and effect from and after its passage.

In the 2012-2013 academic year, MacPhail Center For Music served 11,600 total students — a 14% increase over the previous year. Other accomplishments in 2012-2013 include:

Early Childhood Music: With a strong reputation for providing engaging, developmentally appropriate classes for children, the MacPhail Early Childhood Music program experienced significant growth of 20% in both registration based and community partnership enrollment. Through a competitive review process, MacPhail was selected as one of two preferred providers of early childhood music classes at New Horizon Academy Early Childhood Development Center locations throughout the state. MacPhail began offering classes at nine New Horizon locations in spring 2013 and will add an additional 13 by year end.

MacPhail Music for Life™: MacPhail expanded its service to older adults through an innovative new partnership with Lyngblomsten, a nonprofit that provides quality care to seniors. As part of Lyngblomsten's program, "The Gathering," three MacPhail teaching artists — all board-certified music therapists — provide participatory music making classes to 80 seniors with memory loss at various locations across the Twin Cities metro area. The Gathering Coordinator Carolyn Klaver has noted that MacPhail classes have added a level of cognitive activity and dignity to the program that is satisfying for participants, their caregivers, and program volunteers.

Online School Partnerships: In 2013, MacPhail's Online School Partnerships continued to grow, serving over 500 student musicians in greater Minnesota. As part of an overall organizational goal of MacPhail that includes technology integration throughout programming, MacPhail faculty give live classes and workshops in specific instrument areas or genres to students through an online interface. Many music instructors in rural areas must teach a range of musical instruments and styles, even if they are not experts in a particular area. Participating OSP school music teachers and students value MacPhail as a resource and are grateful for this type of specialized support.

Artist Support for MacPhail Faculty

1. MacPhail Artist Grants are designed to help faculty pursue the next step in their artistic development. These grants spring from a commitment to foster the creativity

and artistic achievement of the individual artist. Five \$2,500 grants were awarded in FY13.

2. **Commissioning of New Works** - Five \$1,000 commissions were awarded to create new works by MacPhail faculty in FY13.
3. **Faculty Performances** - There was an increase from eight to 15 performing opportunities for faculty within and beyond MacPhail. The roster for FY14 (current grant year) includes:
 - Four MacPhail Spotlight Series Concerts
 - Four Faculty Concerts
 - Four Collaborative Concerts with University of Minnesota School of Music
 - Three Faculty Recitals held at Minneapolis Institute of Arts (to begin in January 2014)

	Approved Budget FY2008	Approved Budget FY2010	Approved Budget FY2011	Approved Budget FY2012	Approved Budget FY2013	Preliminary Budget	Preliminary Budget
REVENUES							
Early Childhood	\$415,302	\$444,742	\$683,218	\$521,412	\$492,573	\$713,404	\$806,140
Suzuki	1,009,763	1,074,584	1,117,762	1,115,666	1,217,809	1,421,657	1,478,420
Individual Instruction	2,561,282	2,573,288	2,844,482	2,548,430	2,651,542	2,726,271	2,807,029
Group Instruction	475,273	460,908	498,408	490,984	526,481	529,810	540,100
Program Services	104,780	117,400	98,065	180,900	211,500	210,000	215,000
Community Partnerships	294,287	368,835	417,760	505,040	514,352	776,847	852,531
Music Therapy/Special Needs	246,518	200,751	187,960	246,577	270,181	284,328	304,350
Tuition Assistance	(350,000)	(382,500)	(415,000)	(471,813)	(575,783)	(598,625)	(648,625)
Access Site #1 - Apple Valley	289,471	280,711	309,883	389,805	448,341	552,808	606,067
Access Site #2 - White Bear Lake	242,215	198,200	208,472	217,068	228,616	184,758	203,996
Access Site #3 - Chanhassen						502,551	552,808
Access Site #4 - New MacPhail Online				294,750	119,952	247,673	375,000
						140,008	280,000
Miscellaneous Revenue	73,000	58,000	25,050	19,300	17,200	13,500	18,000
Capital Campaign Expense Transfer	200,000	150,000	300,000	0	0	0	0
Investment Income	20,000	20,000	10,000	10,000	2,000	1,000	500
Contributions - General	2,000,000	2,060,000	2,383,087	2,698,850	2,480,000	2,500,000	3,100,000
Campaign \$6.0mm	0	0	0	0	1,086,260	1,450,000	1,100,000
Advancement Funding	200,000	0	0	0	0	0	0
Contributions - Scholarships	25,000	25,000	30,000	40,000	40,000	40,000	40,000
Contributions - Non Cash	26,200	36,000	49,778	20,000	0	0	0
EXPENSES							
Early Childhood	\$312,755	\$305,143	\$394,749	\$423,334	\$359,775	\$532,105	\$600,819
Suzuki Talent Education	656,283	654,715	681,269	679,827	729,145	846,775	870,689
Individual Instruction	1,442,677	1,469,090	1,282,172	1,515,110	1,506,549	1,644,322	1,684,867
Group Instruction	334,352	314,548	350,522	388,497	393,290	401,314	410,808
Program Support	786,269	686,951	789,208	685,469	745,892	787,717	813,071
Community Partnerships	305,820	355,110	539,484	539,484	626,794	732,354	771,981
Music Therapy/Special Needs	240,188	205,628	192,347	199,225	219,971	218,468	237,772
McKnight Program	145,500	145,500	158,800	158,800	162,700	160,600	160,600
Access Site #1 - Apple Valley	187,484	291,795	310,099	363,429	439,813	466,377	499,725
Access Site #2 - White Bear Lake	184,586	188,712	186,709	197,222	196,218	179,589	186,811
Access Site #3 - Chanhassen						281,157	362,155
Access Site #4 - New MacPhail Online				338,889	65,000	244,751	276,000
						222,032	270,190
Management and General	787,060	720,599	817,119	836,228	979,544	987,147	1,039,988
Information Services	262,313	247,494	250,450	278,047	437,378	405,173	412,278
Marketing	377,941	397,618	378,644	382,971	503,327	481,244	641,459
Development	489,564	456,958	479,549	492,070	661,090	636,980	762,311
Total Fringe Benefits and Payroll Taxes	834,177	873,308	958,315	972,937	1,103,481	1,145,401	1,342,783
Facility - Operations	376,325	365,355	370,899	365,215	362,808	406,889	415,037