



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

Date: February 17, 2015

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

Subject: **Receive MacPhail Center for Music 2014 Annual Report and approve
the continued operation of the Governmental Program at the MacPhail
Center for Music for 2015.**

Recommendation:

1. Approve budget and governmental program as attached;
2. Approve resolution as attached;
3. Approve submission of annual report to the State of Minnesota.

Previous Directives:

1. 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; and authorized City officials to execute a grant agreement with the State of Minnesota, a use/lease agreement with MacPhail, and a ground lease with MacPhail.

Prepared by: Emily Stern, Sr. Project Coordinator, 673-5191

Approved by: D. Craig Taylor, Executive Director, CPED _____

Presenter in Committee: Emily Stern, Sr. Project Coordinator, 673-5191

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 – Living Well; One Minneapolis; A Hub of Economic Activity and Innovation; Great Places; 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 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 2014-2015 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 (2015, 2016 and 2017) 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.

Some Program highlights from FY 2014 include: 13,200 students were served in MacPhail's regular programs, representing a 14% increase over FY 2013 enrollment (another 643 students participated in MacPhail summer camp programs in FY 2013); 7,780 students received financial aid or other community support in FY 2014 (a 7% increase over the 2013). More detail about MacPhail's Governmental Program performance is attached.

One note regarding the attached budget: MacPhail had a net surplus of over \$600,000 in fiscal year 2014. This surplus is substantially higher than either 2013 or projected future year surpluses around \$200,000, because MacPhail launched a new capital campaign during the year that raised revenues but did not yet have corresponding expenses. Future budget forecasts show more moderate surplus levels.

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 2014-2015.

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 2014-2015 fiscal year shows revenues that are equal to or exceed expenses; (ii) that the projected governmental program budgets for the next 3 fiscal years (2015-2016, 2016-2017 and 2017-2018) 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 2014-2015 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 (2015-2016, 2016-2017 and 2017-2018) 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 2014-2015.

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

MacPhail Center for Music

2013-2014 Annual Report for the City of Minneapolis

In the 2013-2014 fiscal year, MacPhail Center For Music served 13,200 total students — a 14% increase over the previous year. More than \$900,000 was awarded in financial aid, scholarships and Community Partnership subsidy, making access to MacPhail programs possible for 7,780 students. Program highlights include:

Successful Opening of MacPhail Chanhassen

In January 2014, MacPhail began operations at 470 W 78th Street in Chanhassen, MN. A collaboration with the Eastern Carver County Schools and community members throughout the southwest metro helped MacPhail exceed its enrollment goal of 250 students by 48%, enrolling 368. MacPhail – Chanhassen joins similar suburban sites offering MacPhail core programs in Apple Valley and White Bear Lake.

Early Childhood Music Research Project

With support from the MacPhail 6.0 investment campaign, MacPhail launched a three-year longitudinal study on the impact of early childhood music classes for children with low-income. Led by Dr. Eleanor (Ellie) Brown of West Chester University, the research project examines how the Early Childhood Music program relates to school readiness within and across three preschools in St. Paul serving children from similar backgrounds. Results from the first year of the project will be available in fall 2014.

MacPhail Online

Since 2012, MacPhail has been testing live online offerings in partnership with middle and high schools in Greater Minnesota as well as one-to-one lessons with students within and beyond Minnesota. A key accomplishment of MacPhail Online this year was the successful launch of a community-wide (ages 3 – adult) online partnership with the cities and towns served by the Kerkhoven-Murdock-Sunberg school district in southwestern Minnesota. Two MacPhail programs were taught live online for the first time in FY14: Early Childhood Music for preschool students and interdisciplinary classes designed to complement core school curriculum for students in grade K-4. MacPhail online programs served 1,500 students from 17 school districts across Minnesota and 76 individual lesson students within and beyond Minnesota.