

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 9/27/2016
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Lisa Passus, Associate Contract Administrator
Presented by: Lisa Passus
File Type: Resolution
Subcategory: Development Project

Subject:

MacPhail Center for Music Annual Report

Description:

Passage of Resolution approving the budget and the continued operation of the Governmental Program at the MacPhail Center for Music for 2016.

Previous Actions:

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.

Ward/Address:

Ward 3
501 2nd St. S.

Background/Analysis:

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

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. 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. 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 has submitted 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 2015-2016 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 (2016, 2017 and 2018) 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 2015 include: 14,500 students were served in MacPhail's regular programs, representing a 10% increase over FY 2014 enrollment; 8,900 students received financial aid, scholarships or other support in FY 2015 (a 14% increase over FY 2014). More detail about MacPhail's Governmental Program performance is attached.

Financial Review:

Select financial statement.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

1. MacPhail Center for Music Annual Report
2. Governmental Program Performance for the MacPhail Center Grant
3. MacPhail Center for Music Operating Budget FY2011 – FY2018
4. Resolution