



**Request for City Council Committee Action  
From the Department of  
City Coordinator**

**Date:** September 25, 2008

**To:** The Honorable Lisa Goodman  
**Committee:** Chair, Community Development

**Prepared or Submitted by:** Frank Parisi      **Phone:** 673-2516

**Approved by:** Steven Bosacker, City Coordinator

**Subject:** Minnesota Planetarium and Space Discovery Center

**Presenters in Committee**

Frank Parisi, Director, Strategic Partnerships  
Patrick Born, Chief Financial Officer

**Recommendation**

Staff recommends that the City Council adopt the attached resolution pledging \$5 million in Urban Development Action Grant (UDAG) funds to an endowment fund for the Minnesota Planetarium and Space Discovery Center.

**Financial Impact** (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain):

Request provided to the Budget Office when provided to the Committee Coordinator

**Background/Supporting Information**

See attached report.

The City of Minneapolis transferred responsibility for the proposed Minnesota Planetarium and Space Discovery Center and the \$22 million in State-approved bonding authority to Hennepin County as part of the 2007 legislation enabling the merger of the two library systems.

The Minnesota Planetarium Society's most recent Business Plan for the Planetarium calls for annual operating support from government sources of about 22 percent of its annual operating budget. Hennepin County, for purposes of planning, assumes that sum would total approximately \$750,000 annually, which it proposes to share with the City and other sources.

On September 23, 2008 Hennepin County Commissioners approved the recommendations of the County's Planetarium Work Group, which included Commissioners Stenglein (co-chair), Dorfman (co-chair) and Opat. The Work Group also included Councilmember Benson, Frank Parisi, representatives from the downtown business community, arts community and members of the Minnesota Planetarium Society. The Work Group recommended that the County proceed with plans to build a new Planetarium as the fifth and sixth floors of the Central Library, **provided that the following conditions are met:**

- The County secures other public-sector annual operating support.
- The Minnesota Planetarium Society commits to raise the remaining necessary capital funds, including \$4 million dedicated to an endowment fund.
- The Minneapolis City Council approves funding approximately one-third of the annual public sector-sourced operating funds called for in the Planetarium Business Plan or, roughly, \$250,000 per year, which is equal or greater than the amount contributed annually by Hennepin County.
- The County – with City of Minneapolis support – secures approval to extend the availability of the \$22 million bonding authority beyond the current 12/31/10 expiration date.

In response to the third item in Hennepin County's list of conditions, staff is recommending that the City make a one-time contribution to the Planetarium's endowment fund that would cover all of the City's future annual operating obligations. The best sources for this contribution are certain Urban Development Action Grant (UDAG) loan repayments, which may be used for any lawful purpose as determined by the City Council. NRP has no claim on any UDAG funds of the City.

If the City were to contribute \$5 million to Hennepin County for an operating endowment, the income from this source, depending on the investment results and preferences, could range from \$150,000 to \$250,000 per year. The intention is that this one-time dedication of UDAG funds would constitute the total

City-share of annual support needed for as long as the Planetarium is in operation.

In an agreement with Hennepin County codifying this commitment, the City could stipulate that the original principal -- \$5 million – could not be touched in the endowment fund. And the City could further stipulate that, if the Planetarium were to cease operation within some specified period of time, the City could secure the return of the original \$5 million. Staff is proposing 20 years as an appropriate time period. If Hennepin County operates the Planetarium beyond the specified 20 year time period, the City would release the funds.

Staff recommends approving this pledge of available UDAG funds to Hennepin County for a Planetarium endowment fund as further described in the attached resolution.

Staff further recommends approving a transfer of the current income from these funds to the Minnesota Planetarium Society for operating purposes prior to the construction of the facility. The Minnesota Planetarium Society intends to conduct a two to three-year capital campaign for the Planetarium to satisfy the second item in Hennepin County's list of conditions. It needs operating support for that endeavor. The proposed support is intended to raise sufficient funds to construct and operate the Planetarium, which will be a governmental program that benefits the community as a whole. The type of public expenditure, moreover, is specifically authorized by Minnesota Statutes, section 469.191. Note, however, that state law only allows a city to donate "not more than \$50,000 annually to any incorporated development society or organization of the state for promoting, advertising, improving or developing the economic and agricultural resources of the city." If the City intended to donate more than \$50,000 annually, it would need to find express or implied authority in other statutes or the charter.

**RESOLUTION 2008R-  
By Goodman, Benson**

**Pledging \$5 million in UDAG funds to the Minnesota Planetarium and  
Space Discovery Center's Endowment Fund**

Resolved by the City Council of the City of Minneapolis:

- a) That the City approves contribution of \$5 million in available UDAG funds to Hennepin County for an endowment fund for the Minnesota Planetarium and Space Discovery Center (the "Planetarium").
- b) That the City will authorize Hennepin County to use the annual income but not the principal of these one-time funds to fully and completely cover the City's commitment to provide an annual operating contribution during Hennepin County's ownership and operation of the Planetarium.
- c) That the City will make this contribution to the Planetarium endowment fund contingent upon the commitment by Hennepin County to proceed with construction of the Planetarium as the fifth and sixth floors of the Central Library in Minneapolis. The City will agree to transfer the funds upon completion of construction of the Planetarium.
- d) That a stipulation to the City's commitment will be that if Hennepin County does not complete construction of the Planetarium or ceases operation of the Planetarium within 20 years after commencement of operations, the City's \$5 million endowment fund contribution must be returned to the City. If, however, Hennepin County operates the Planetarium for 20 years, the City will release its interest in the endowment fund.
- e) That the City approves interim advances to the Minnesota Planetarium Society of revenues earned on the \$5 million UDAG funds between the time of approval of this resolution and the beginning of construction of the Planetarium, provided, however, that this support of the Society's operations shall not exceed \$50,000 annually or extend beyond December 31, 2011.
- f) That while the City supports the efforts above, the City will not seek and does not desire legislative authority to issue general obligation debt for the Planetarium in the event that private fundraising efforts fall short.
- g) That the City authorizes appropriate City staff to adjust appropriations, transfer funds and enter into agreements as necessary to implement

this resolution and further directs staff to work with Hennepin County to secure extension of the \$22 million State bonding authority beyond 2010 and to pursue annual operating support for the Planetarium from the State of Minnesota.