



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

Date: December 13, 2011

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Receive MacPhail Center for Music 2011 Annual Report and approve the continued operation of the Governmental Program at the MacPhail Center for Music for 2012.

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: Carrie Flack, Sr. Project Coordinator, 673-5010

Approved by: Catherine A. Polasky, Economic Development Director _____

Approved by: Charles T. Lutz, Deputy Director of CPED _____

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.
- 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 has approved the actions needed for the MacPhail Center for Music project.

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 2011-2012 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 (2012, 2013 and 2014) 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 2011-2012.

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 2011-2012 fiscal year shows revenues that are equal to or exceed expenses; (ii) that the projected governmental program budgets for the next 3 fiscal years (2012-2013, 2013-2014 and 2014-2015) 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 2010-2011 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 (2012-2013, 2013-2014 and 2014-2015) 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 2011-2012.

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

In the 2010-2011 academic year, MacPhail Center For Music served #9,000 total students — a 7% increase over the previous year. Other accomplishments in 2010-2011 include:

- **Increased representation of diversity at MacPhail:** the most recent MacPhail demographic survey shows an increase of non-white students – from 21% in 2009 to 30% in 2011. MacPhail continues to focus on fostering a culture of diversity and inclusion throughout all aspects of its operations.
- **Growth in both adult and teen engagement:**
Teens: With new offerings and a teen advisory council (MacTAC), MacPhail is investing in the community leaders of the future by providing opportunities for creative expression and meaningful input in MacPhail offerings.
Adults: Voices of Experience, a choir for adults aged 55 and older, was launched as a partnership between MacPhail and the Minnesota Chorale, illustrating an increase in adult participation at MacPhail. The percentage of adult students has increased by 5% since 2009 with 26% of students now being 19 years or older.
- **Early Childhood Music world language curriculum:** through consultation and collaboration with community members of the Hmong, Somali and Latino cultures, MacPhail developed world language lesson plans for use in free Sing, Play, Learn workshops presented at libraries throughout the seven county metropolitan area.
- **Completion of a successful pilot for MacPhail Online:** in spring 2011, MacPhail made significant progress in the development of its online music lesson and clinic programming. MacPhail Online will increase access for students who are unable to engage with MacPhail due to their geographic location, transportation barriers, and scheduling challenges. MacPhail tested an online application to provide one-on-one lessons with 12 students and five clinics delivered to 80 middle and high school music students in greater Minnesota (Kerkhoven and Nevis, MN).
- **MacPhail's Community Partnerships:** Partnership programs grew from #64 locations serving #4,158 students to #66 locations serving #4,679 students. Over half of the partnerships are for students and community members in Minneapolis.
- **MELSA Partnership continued:** Through an innovative partnership with the Metropolitan Library Services Agency (MELSA), MacPhail's Early Childhood Music Program is provided numerous opportunities to educate children and their families, and librarians across the seven county metro area about music and literacy reaching over 10,000 people during the past year. In addition, a new CD for children and their families called "Sing, Play, Learn" was released featuring a wide array of genres performed by MacPhail teaching artists.

GOVERNMENTAL PROGRAM PERFORMANCE FOR MACPHAIL CENTER GRANT

for the year ending August 31,

	2008		2009		2010		2011		2012	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change	Amount	Change
STUDENT & CLIENT ENROLLMENT										
Personalized music instruction	4,125	1%	4,150	1%	4,300	4%	4,500	5%		
Early childhood music	1,527	10%	1,678	10%	1,896	13%	2,444	29%		
Music therapy clients	750	28%	962	28%	966	0%	707	-27%		
Total # of enrolled students	7,750	6%	8,200	6%	8,400	2%	9,000	7%		
Hours of music instruction services provided	400,000	3%	410,000	3%	425,000	4%	450,000	6%		
Summer camp programs										
Number of camps	35	11%	39	11%	37	-5%	37	0%		
Number of students	600	3%	620	3%	631	2%	592	-6%		
FACULTY EMPLOYMENT										
Number of musicians/artists employed	172	2%	175	2%	174	-1%	170	-2%		
MUSIC PERFORMANCE										
*Number of concerts, events, and workshops	400	0%	400	0%	450	---	702	56%		
**Total audience	27,000	0%	27,000	0%	28,000	---	34,000	21%		
COMMUNITY ACCESS										
Students supported through community support and financial aid programs	3,580	21%	4,338	21%	4,745	9%	5,125	8%		
Tuition Assistance										
Amount of tuition assistance awarded	\$225,000	19%	\$267,618	19%	\$325,559	22%	\$367,354	13%		
Number of students receiving assistance	246	98%	488	98%	426	-13%	446	5%		
Average income level of assisted families	\$27,700	1%	\$28,000	1%	25,642	-8%	39,813	55%		

*Prior to 2011, this figure represented concerts and events only; workshops were added in 2011

OPERATING BUDGET FY2009 - FY2014

MacPhail Center for Music

	Approved Budget FY2009	Approved Budget FY2010	Approved Budget FY2011	Approved Budget FY2012	Preliminary Budget FY2013	Preliminary Budget FY2014
REVENUES						
Early Childhood	\$415,302	\$444,742	\$563,218	\$521,412	\$593,284	\$670,701
Suzuki	1,009,793	1,074,584	1,117,762	1,115,566	1,159,033	1,193,804
Individual Instruction	2,561,262	2,573,296	2,344,492	2,548,430	2,669,399	2,766,093
Group Instruction	475,273	460,608	496,406	490,684	505,591	520,647
Program Services	104,780	117,400	99,065	180,900	193,563	207,112
Community Partnerships	294,287	363,835	417,760	505,040	594,040	693,180
Music Therapy/Special Needs	246,518	200,751	187,990	246,577	271,905	300,282
Tuition Assistance	(350,000)	(382,500)	(415,000)	(471,913)	(481,351)	(490,978)
Access Site #1 - Apple Valley	269,471	290,711	309,663	399,805	493,976	577,952
Access Site #2 - White Bear Lake	242,215	199,200	209,472	217,068	230,000	230,000
Access Site #3 - New						175,000
E-Learning Initiative				264,750	570,000	978,050
Subtotal - Tuition & Fees	\$5,268,901	\$5,342,627	\$5,330,828	\$6,018,319	\$6,799,440	\$7,821,843
Miscellaneous Revenue	73,000	58,000	25,050	19,300	18,000	18,000
Capital Campaign Expense Transfer	200,000	150,000	300,000	0	0	0
Investment Income	20,000	20,000	10,000	10,000	15,000	20,000
Contributions - General	2,000,000	2,050,000	2,383,067	2,696,850	3,207,350	3,807,350
Advancement Funding	200,000	0	0	0	0	0
Contributions - Scholarships	25,000	25,000	30,000	40,000	30,000	30,000
Contributions - Non Cash	25,200	36,000	43,776	20,000	20,000	20,000
Total Revenues	\$7,812,101	\$7,681,627	\$8,122,721	\$8,804,469	\$10,089,790	\$11,717,193
EXPENSES						
Early Childhood	\$312,755	\$305,143	\$394,749	\$428,334	\$457,512	\$516,536
Suzuki Talent Education	656,283	654,715	681,259	679,827	728,423	742,952
Individual Instruction	1,442,577	1,469,090	1,282,172	1,515,110	1,546,970	1,616,409
Group Instruction	334,352	314,549	350,522	388,497	419,267	432,632
Program Support	785,259	688,651	793,208	665,469	809,954	851,153
Community Partnerships	305,620	355,110	520,386	539,464	597,859	663,216
Music Therapy/Special Needs	240,196	205,629	192,347	199,225	209,061	218,222
McKnight Program	145,500	145,500	145,500	158,800	160,500	160,500
Access Site #1 - Apple Valley	197,484	291,795	310,099	363,429	437,343	494,442
Access Site #2 - White Bear Lake	194,586	188,712	195,709	197,222	202,040	202,468
Access Site #3 - New						197,800
E-Learning Initiative				338,689	535,010	908,450
Subtotal - Program Expenses	\$4,614,612	\$4,618,894	\$4,865,951	\$5,474,066	\$6,103,939	\$7,004,780
Management and General	767,060	720,539	817,119	838,223	891,992	909,832
Information Services	252,313	247,464	250,450	278,047	283,608	289,280
Marketing	377,941	397,618	378,544	382,971	445,759	532,779
Development	489,554	455,956	479,549	492,070	662,761	755,389
Total Fringe Benefits and Payroll Taxes	934,177	873,308	958,315	972,937	1,205,710	1,329,892
Facility - Operations	376,325	365,358	370,899	365,215	372,519	379,970
Total Expenses	\$7,811,982	\$7,679,137	\$8,120,827	\$8,803,529	\$9,966,288	\$11,201,922
Revenues Over / (Under) Expenses	\$119	\$2,490	\$1,894	\$940	\$123,502	\$515,271
Investment Gain / (Loss)	0	0	0	0	0	0
Net Surplus / (Deficit)	\$119	\$2,490	\$1,894	\$940	\$123,502	\$515,271