



Minneapolis
City of Lakes

**Community Planning &
Economic Development**

105 5th Avenue South – Suite 200
Minneapolis MN 55401-2534

Office 612 673-5095
Fax 612 673-5100
TTY 612 673-5154

December 6, 2013

Sent via email

Michael Henson
Minnesota Orchestral Association
1111 Nicollet Mall
Minneapolis, MN 55403

Dear Mr. Henson:

We have received and started the review of your first annual report as required under the Lease/Use Agreement related to the State grant for your Orchestra Hall renovation project. Thank you.

In order to assure an adequate review of the report, we have some initial questions and requests for additional information (see below). We would appreciate a timely response to our request so that we can complete our review in a timely manner to be able to provide our required annual report to the State of Minnesota. Since the Lease/Use Agreement only gives us 45 days to review your report, please provide this additional information to us by Friday, December 20. If we do not receive the information, we will conduct our review based solely on the information provided in your December 2 report.

As a threshold matter, we would like to address two issues that were raised in your submission. First, please note that as required by Section 9(b)(1)(A) of the Lease/Use Agreement, we are expecting your report to fully cover the major activities at the Hall for the MOA's current fiscal year, which ends September, 2014, not just the limited year to date. Second, pursuant to Section 10(l) of the Lease/Use Agreement, the Orchestra is required to furnish satisfactory evidence regarding the representations, warranties and covenants contained in the Lease/Use Agreement as may be required by the City or the State of Minnesota and requested in writing from time-to-time. The City is aware that the State of Minnesota is expecting a report from the City on the Governmental Program compliance well in advance of December, 2014.

Clear identification of performing arts events to be held in Hall despite the continuation of a lockout:

The schedule of events in the report apparently does not include information about the additional non-Orchestra events that have occurred or that are now being planned (and that you highlight as evidence that you are providing an adequate "Governmental Program"). Please provide us with a program schedule that lists all of the non-Orchestra events, including those that have already occurred and those that are planned or in the works, with dates



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and the names of the performers. For each event also include the primary purpose of the event and whether the performance was/will be the primary reason for the event or served the purpose of side entertainment. For future events, please note which performances, if any, are confirmed even if the lockout continues.

Budget that assumes no resolution of labor dispute:

The FY2014 budget reflects a scenario in which a theoretical musicians' contract had been in place so that the performance season could have proceeded as originally planned. Clearly, even if a contract is agreed to partway through the year, this budget will not apply. Please submit a FY2014 budget that shows the other extreme, i.e., that assumes there is no musicians' contract in place during all of FY2014, so that we can determine if the projected revenues in that scenario will support the projected expenses.

Clarify maintenance budget assumptions:

It is not clear from the report whether the maintenance budget shown assumes a full orchestral performance schedule or a year in which there were no orchestral performances at all. Please clarify. If it assumes the latter (and thus may be lower than what the budget will be if the Hall begins to be more actively used), please submit a maintenance budget that assumes that a contract will be reached and performances resume in the fairly near future, say early 2014. If the maintenance budget shown already assumes a full program schedule, then no further information is needed beyond that clarification.

Clarify 2015 negative balance:

We note that FY2015 shows negative net operations of \$2,000. As you know, our State grant requires that you be able to show that projected expenses will be supported by projected revenues. We recognize that this negative amount is negligible, but please explain how you would plan to revise that year's budget to show either a break even or slightly positive net amount.

Please feel free to contact Ann Calvert of my staff if you have any questions about the additional information being requested. We look forward to receiving your responses so that we can complete our review.

Sincerely



Jeremy Hanson Willis
Director