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OFFICE OF THE CITY MANAGER

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LETTER TO COMMISSION

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TO: Mayor David Dermer and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: August 28, 2007

SUBJECT: SoBe Music Institute - Carl Fisher Clubhouse

This Letter to Commission is intended to provide you with a status update on the use of the Carl Fisher Clubhouse (Clubhouse) by SoBe Music Institute (SoBe). Prior to October 2006, the Carl Fisher Clubhouse had remained vacant as the City prepares for proposed renovations to that facility, as well as the adjacent Little Acorn Theater and the space surrounding the two buildings. Last Spring, SoBe met with various commissioners and the administration regarding the use of the vacant Clubhouse for a summer program, during those hours/days when it was not occupied by the Jewish Community Services' (JCS) Senior Meals Program. As per our agreement with the JCS, JCS was relocated to the Clubhouse in October 2006 while their space at the South Shore Community Center is under renovation. The JCS uses the Clubhouse until approximately 12:30 p.m. Monday through Friday with occupancy through December of 2007 at which time the South Shore Community Center renovations will be completed.

SoBe's proposal was to provide a summer music immersion program for seniors, children and adults in the Clubhouse. The programming consisted of music lessons for seniors, children and adults, to include both instrumental and vocal training. The instruction is provided by professional musicians in a group or private setting. As initially proposed by SoBe, the programming for seniors was to be provided at no cost to participants. Programming for children was to be provided free and programming for adults and private lessons were to be provided at cost. The programming was scheduled around the availability of the Clubhouse. SoBe committed to fundraising to defray the costs of the programming (*NOTE: While initially SoBe indicated that they would waive fees for children's programming, only children enrolled in the school lunch program were eligible for the free programming; all other children paid a participation fee of 18% of the actual cost*).

In light of the underutilization of the Clubhouse, the proposed short duration of the program (summer), and the benefit that the programming could provide to the residents of our community, following a review of the organization's capability to provide the proposed services, a Letter Agreement was executed with SoBe Music Institute for the summer program. This Letter Agreement required SoBe to share in the prorated utility costs of the facility, and established a concession fee payment requirement. All costs of the programming were to be borne by the program; the City did not pay SoBe to provide the program.

In August, SoBe approached the administration regarding the possibility of offering an after-school program at the vacant facility for the new school year. In order to consider this request, the City's Asset Management Department had to establish whether or not the facility would be available to SoBe for that period of time, as the Clubhouse has also been identified as the temporary location for programming from the JCS program at the Jewish Community Center (JCC) that might be displaced due to renovations at that facility. Pursuant to the agreement with JCS, JCS was provided the first right of use of the Clubhouse should renovations on the JCC site begin prior to the time that the renovations at the South Shore Community Center were concluded. Based on the current renovation schedule for South Shore, it appears that the Senior Meals program would vacate the Clubhouse prior to the groundbreaking of the JCC renovations. However, we did not receive confirmation from the JCS that they would not exercise their option to utilize the Clubhouse in the afternoons until approximately a week ago.

Concurrent with Asset Management's determination regarding the availability of the location for SoBe, the City began a due diligence review of the program, the services offered, the participation levels, the fees charged, the income and expenses of the program, and the capacity of the organization to continue to offer programming at this site. The City requested and received documentation from SoBe that was subsequently reviewed by our Asset Management and Audit and Management Divisions. The review reflected utilization of the program by a wide range of children, of which the majority were provided fully subsidized lessons (i.e. 81 total participants, 65% received full subsidy). SoBe Music provided instruments for sale at cost or rent to students, and offered presentations and lectures throughout the summer that were open to the general public. Parents indicated satisfaction with the program. No issues were reported with the use of the facility, especially by the JCS program.

The financial review was conducted over the first 45 day period of the summer program, as per the agreed process for submittal of financial documentation. Additionally, financials for the spring were submitted to provide reference to prior activity. The review reflected five paid "staff" positions, as well as payments to the instructors. At present, all employees and the instructors are treated as contract employees. The majority of the income to cover expenses was derived from fundraising. Questions/issues were identified in the financial review, such as the salaries paid to key employees, a loan made to staff, the role of the Board, the instrument sale/rental program and other expenses reflected in the financials. These questions were discussed with SoBe staff, and SoBe staff was advised that certain adjustments to their processes would be necessary if the City executed any additional use agreement with the organization.

In considering SoBe's request for the use of the facility for the nine-month period of the school year, and the availability of this programming to our community, there are several issues considered by City staff, such as the current renovation schedule. At this time, the renovation program is being reviewed and it has been determined that in no case is it expected that the renovations would begin prior to the end of the school year. As such, the facility is available for use by SoBe Music Institute until that time. However, until such time as the renovation schedule for the facility is finalized, no commitment will be made further than the end of the school year. Within the next few months the administration will review the renovation schedule and should it be determined that renovations will not begin in the next year, we will recommend the appropriate next steps.

The administration is preparing a Letter Agreement for SoBe Music Institute for the nine-month period. This Letter Agreement will be similar to the Letter Agreement for the summer, with the exception that there will be a flat use fee to cover any Common Area Maintenance (CAM), similar to the agreements with other non-profit organizations occupying City-owned facilities, in lieu of a concession fee. In addition, following the conclusion of renovations at South Shore, JCS will no longer use the Clubhouse in the mornings; SoBe has indicated that they would utilize the morning hours for other programming should that space become available. Should that occur, the Letter Agreement and fee would be modified accordingly.

In light of the current start of the school year, and the continued interest by SoBe Music Institute to provide this programming to the community, City staff believes that the Letter Agreement provides the best mechanism for the programming to be made available as soon as possible. As indicated, any additional use of the facility, based on the renovation schedule, would be determined through a process later this fall, once the schedule is better defined.

As always, please feel free to contact me should you have any questions or require additional information.

JMG\HF

c: Hilda Fernandez, Assistant City Manager
Max A. Sklar, Tourism and Cultural Development Director
Ana Cecilia Velasco, Asset Manager