

Lake Superior Center Authority
353 Harbor Drive
Duluth, Minnesota 55802

Consolidated Annual Reports
1997, 1998, 1999

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Background:

The Lake Superior Center Authority was created by the 1990 session of the Minnesota Legislature to work with Lake Superior Center, a 501 (c) (3) non-profit, to construct and operate a public education facility. The 1992 bonding bill included \$2 million for the Authority. Governor Carlson activated the Authority with appointments in June 1992. The legislation creating the Authority and the language of the 1992 bonding bill both require annual reporting. The Legislature appropriated an additional \$4 million in bonding in 1994 and an additional \$10 million in bonding in 1996. Each of the bonding appropriations had matching requirements.

Reporting:

The legislation creating the Authority requires annual reporting to the Governor, the Senate Economic Development and Housing Committee and the House Economic Development Committee. The 1992 Bonding Bill language requires reporting to the Senate Finance Committee and the House Appropriations Committee and their Environment and Natural Resources divisions. Further, reports are to be filed in accordance with Minnesota Statutes, section 3.195.

The Lake Superior Center Authority has not submitted annual reports for the calendar years 1997, 1998 and 1999. In this area, we – and particularly me as chair – have been remiss. With the press of events and lack of Authority staff, this responsibility slipped through the cracks. It will not happen again while I am chair. It is the goal of this consolidated report to reflect the activities of the Authority for these prior years, as well as touch upon the calendar year 2000. This will take the reporting through the development of construction documents to the construction and successful opening of the Great Lakes Aquarium on July 29, 2000.

Activities:

As reported in 1996, the Authority completed a review of the physical scope of the project to ensure that it would be built within budgetary guidelines. The priority guiding this effort was to ensure that the facility would offer engaging, interesting exhibitry in the permanent exhibits to help fulfill its educational mission. Other building considerations were given much lower priority.

In 1997, the Authority further refined the project through construction documents, issued a contract for exhibit design and development and hired a construction manager to oversee the work on the project. The contract with the second architectural firm for the project was finalized. In addition, the Authority received from the non-profit Lake Superior Center a revised projection on the attendance figures predicted for the facility.

In 1998, the Authority and the non-profit Lake Superior Center took several joint and independent steps toward development of the project. These steps included:

- Development and approval of local financial support from the City of Duluth and the Duluth Economic Development Authority in the form of grants and bonds. Approval of the local public financing package occurred in April 1998. Legal agreements among all of the parties were completed in June.
- Review and approval by the State of Minnesota of the non-profit Lake Superior Center's wherewithal to complete its obligations to the project.
- Groundbreaking for the facility and demolition of the existing building on the site, which occurred on June 29.
- Letting of the bid package, which began in June, and review and value engineering, which continued through August.
- Completion and execution of a use agreement between the Authority and the non-profit Lake Superior Center, which occurred in July, and provided that the Authority retains ownership of the building and contracts with the non-profit for its operation and maintenance.
- Completion of the non-profit Lake Superior Center's business plan in August and its presentation to a major foundation. In November, the Bush Foundation approved a \$400,000 challenge grant, in part based upon the business plan presented earlier.
- Signing of all construction contracts, except for pile driving, in November.
- Completion of a gap or bridge financing, which occurred in December. The nonprofit signed a loan agreement with US Bank to help fill the gap that existed between the total project cost of \$33.8 million, including some operational support, and the amount of existing pledges, grants, bonds and other contributions to the project. This gap or bridge financing was necessary to allow for the release of state bond funds.

In 1999, construction began in earnest at the facility, commencing with the driving of piles in January 28 and continuing throughout the year. In addition, the non-profit Lake Superior Center spent much of the year overseeing fundraising activities and the development of policies designed to ensure sound operation of the facility upon opening. Additional sourcing of live specimens also continued throughout the year.

It should be noted that construction of the building and exhibitry continued until the successful opening of the facility on July 29, 2000. Since this successful opening, more than 210,000 people have passed through the aquarium's doors. Additional information and detail will be provided in the 2000 annual report, which will be submitted by February 1, 2001.

The 1990 legislation creating the Authority outlines additional content for the report:

1. Description of programs undertaken during the year.

No programs were initiated during 1997, 1998 or 1999. Since opening on July 29, 2000, considerable programming has taken place via the aquarium's exhibitry, fulfilling its governmental program purpose. The details of this programming will be included in the 2000 annual report, which will be submitted by February 1, 2001.

2. Identification of funding from all sources.

State of Minnesota Grant	16,000,000.000
Land Value	1,857,000.00
Duluth Economic Development Authority Grant #1	2,500,000.00
Duluth Economic Development Authority Grant #2	4,440,000.00
City of Duluth Grant #1	2,900,000.00
Restricted Gifts	263,406
U.S. Bank Irrevocable Line of Credit	1,040,000.00
City of Duluth Bond Sale	1,920,000.00
Unrestricted Cash	25,668
Total Available for Construction	30,946,074

In addition, the management agreement between the non-profit Lake Superior Center and the Authority provides \$10,000 annually in management services.

3. Description of administrative expenses.

Legal counsel, financial audits, letterhead, postage and liability insurance for officers and directors.

4. *Listing of assets and liabilities at year end.*

The Authority changed its reporting of financial activity from the state's fiscal year to a calendar year to be consistent with its non-profit partner, Lake Superior Center.

As of the end of 1999, through State/Non-State Draw #12, \$18,673,302 in a combination of state and non-state funds had been expended on the project, leaving a balance to pay on construction of \$12,272,772. (State/Non-State Draw is a state-approved means of identifying construction costs and identifying the state funds and non-state funds used to pay those costs.)

5. *Descriptions of changes to operational plan.*

There have been no changes in the operational plan of the Authority. It continued working with the non-profit Lake Superior Center to raise the funds, design and build the facility throughout 1997, 1998, 1999 and 2000. There were no alterations to the grant agreement between the Department of Administration or the Department of Trade and Economic Development.

6. *Description of changes in bylaws, policies, rules or program.*

There were no changes in bylaws, policies, rules or program for the Authority for the years 1996 through 2000.

Other findings:

None.

Future Activities:

Procedures are being developed with the non-profit Lake Superior Center to address annual reporting requirements upon opening of the facility. The two areas to establish procedures are an appropriate evaluation reporting process of the programs and exhibitry constituting the Governmental Program and a review of long- and short-term capital needs of the Aquarium.