

Lake Superior Center Authority

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Duluth, Minnesota 55802

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2000 ANNUAL REPORT

This report contains information from calendar year 2000 through January 2001.

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.

Activities:

The first half of calendar year 2000 focused on the final stages of construction of the 62,000-square-foot educational facility and tourist attraction. In all, 23 contractors and sub-contractors were involved in the facility, and more than 450 workers contributed their talents to the project.

The Great Lakes Aquarium opened on July 29, 2000, and more than 211,000 people visited through December 31, 2000 – matching projected attendance for that time frame.

By the end of 2000, all major construction items were essentially complete, with some minor exceptions where fine-tuning was necessary.

On average, 75 full- and part-time employees of the non-profit Lake Superior Center will keep the Great Lakes Aquarium operating with an annual wage and benefit package of about \$2.4 million estimated for 2001. In all, the Aquarium is expected to pump more than \$4.4 million into the local economy in the form of purchases, wages and benefits.

The annual impact of increased tourism on the county is expected to be nearly \$5.5 million, not including the increase in city sales and other taxes.

The Great Lakes Aquarium hosts five major habitat exhibits:

- The fast-moving trout stream as depicted in the Baptism River exhibit;
- A slow-moving sports-fishing river, as represented in the St. Louis River exhibit;
- A wetland environment, depicted in the Kakagon Slough exhibit that adjoins the Pictured Rocks aviary;
- Otter Cove, a waterfall environment recreated from a habitat in Canada that is home to the facility's live otters; and
- Isle Royale, a three-tank, two-story exhibit that depicts Lake Superior as it is today and as it would have been 150 years ago.

Nineteen satellite tanks displaying everything from paddlefish to turtles to American eels and 31 interactive exhibits tell the visiting public the stories of the world's great lakes and Lake Superior in particular. Interactive exhibits include a Great Lakes water table, which gives children the opportunity to pilot a boat through the Great Lakes and the locks that connect them, a conference table where participants can wrestle with public policy issues like lakeshore development and struggle to come to consensus or a submersible that gives visitors a virtual tour of the depths of the Lake, complete with narration by a science officer.

In order to keep the visitor experience fresh, the Great Lakes Aquarium created a changing exhibit hall to host traveling exhibits. The first traveling exhibit, *Hunters of the Sky*, will premier in May of 2001. This traveling exhibit – and future traveling exhibits – will be developed, designed and financed by the non-profit Lake Superior Center.

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

1. Description of programs undertaken during the year.

While the state-created authority undertook no programs during 2000, the non-profit Lake Superior Center developed and delivered many programs. As an educational institution, the Great Lakes Aquarium offers a wide range of educational programming designed to make the best use of the facility and to reach students of all ages – from pre-schoolers to a class from Elderhostel. (Prior to opening in the new facility, more than 50,000 school children had participated in programming provided by the non-profit Lake Superior Center.)

From a self-guided tour, to an age-appropriate hour-long class, to a daylong educational experience, the education programs at the Great Lakes Aquarium cover topics from sustainable development to limnology to habitat exploration. Aquarium-sponsored day trips and longer field adventures take advantage of the classrooms provided by the natural environment. In addition, the education staff also provides teacher workshops and school-

based residency programs to round out our educational offerings. While educational programs are focused on the school calendar year, programming staff provides enhanced interpretation of exhibitry and other programs throughout the summer.

From the July opening through December 31, 2000, more than 2,850 students participated in one of the educational packages developed by the staff such as Creature Feature, Habitat Tracker and Incredible Journey, or experienced water activities in the Lake Lab and Sustainable lake programs.

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

Because state law requires that all sources of funding for a project's completion be identified prior to the release of bonding dollars for construction, the Great Lakes Aquarium needed to secure funds for the entire construction budget essentially at one time, and that is what the above accounting represents.

More than \$4 million in contributions has been raised to date and a portion has been used to pay down the bank loans, which were secured with pledges. Additional contributions and operating revenues will be used to reimburse the City of Duluth for \$1,920,000 in bonds issued for the project. The Duluth Economic Development Authority will participate in a revenue sharing agreement for the \$4,440,000 in bonds issued for the project.

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.

As of the end of 2000, through State/Non-State Draw #22, 30,561,493.352 in a combination of state and non-state funds had been expended on the project, leaving a balance to pay on construction of \$634,723.75. The State/Non-State Draw process has been approved by the State of Minnesota, City of Duluth, the Duluth Economic Development Authority (DEDA) and U.S. Bank as a means of requesting payment of specific construction costs and allocating the state funds and non-state funds used to pay those costs in the proportions required by the bonding match requirements. Liability for repayment of any portion of debt utilized in construction of the project is the responsibility of the Great Lakes Aquarium and is not reflected in this report.

Invoices from vendors and pay requests from the construction manager are sent to the Authority's project manager for approval. The project manager inspects the pay request and invoices and attests that the requested amounts are consistent with the construction contract plus any change orders. The approved invoices and pay request are forwarded to the finance director of the Great Lakes Aquarium, who assembles them into a draw request. Provided as part of the request are: documentation that state matching requirements have been proportionally met on each request, bank-required documentation that sufficient funds remain to complete the project, and two bank-required certifications that the project is in compliance with all eleven agreements that involve the City, State, U. S. Bank and DEDA.

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 through July 29, 2000.

There were no alterations to the grant agreement between the Department of Administration or the Department of Trade and Economic Development.

It should be noted that on January 12, 2001, the Authority met to review the members' status as ex officio members of the non-profit Lake Superior Center board of directors. (In 1996, the non-profit board invited the Authority members to serve as ex officio members to reduce duplication of meetings and to increase communication between the two. Attorneys for each body reviewed the request and found no legal obstacles to such an arrangement. From June 1996 throughout construction, the Authority members served as ex officio members of the non-profit board, although the Authority met regularly on its own to fulfill its separate duties.) The Authority decided that since construction had been successful and since the need for regular interaction with the non-profit had been eliminated, it was an appropriate time for the Authority to focus solely on its role as landlord of the facility. The Authority members voted on January 12, 2001, to cease

participating on the non-profit board. The Authority chairman provided a letter to that effect at the January 17, 2001, meeting of the non-profit board of directors. The non-profit board accepted the resignations and passed a resolution acknowledging that the Authority members were stepping down and thanking them for their service.

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

There were no changes in bylaws, policies, rules or program for the Authority for 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.