

Lake Superior Center Authority
353 Harbor Drive
Duluth, Minnesota 55802

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January 25, 2002

The Honorable Jesse Ventura
Governor
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Sen. Ellen Anderson, Committee Chair
Jobs, Energy and Community Development
120 State Capitol
St. Paul, Minnesota 55155

Sen. Douglas Johnson, Committee Chair
Finance Committee
Room 205 State Capitol
St. Paul, Minnesota 55155

Sen. Len Price, Committee Chair
Environment and Agriculture Budget
Division
235 State Capitol
St. Paul, Minnesota 55155

Rep. Arlon Lindner, Committee Chair
Commerce, Jobs and Economic
Development Policy
Room 549 State Office Building
St. Paul, Minnesota 55155

Rep. Dave Bishop, Committee Chair
Ways and Means
Room 453 State Office Building
St. Paul, Minnesota 55155

Rep. Mark Holsten, Committee Chair
Environment and Natural Resources Finance
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Dear State Officials:

I am pleased to submit the 2001 Annual Report for the Lake Superior Center Authority. The Authority is required to submit this report to you under the 1990 legislation that created it.

Thank you for your consideration.

Sincerely,



Ann Glumac
Administrator,
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Lake Superior Center Authority
353 Harbor Drive
Duluth, Minnesota 55802

2001 ANNUAL REPORT

This report contains information from calendar year 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. The latter two bonding appropriations had matching requirements that were met before money was released.

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 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 nonprofit Lake Superior Center, doing business as the Great Lakes Aquarium and hereinafter referred to as the Great Lakes Aquarium, hosted more than 275,000 visitors during 2001, including more than 18,000 school children.

The Great Lakes Aquarium building 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 two 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 explain the world's great lakes and Lake Superior in particular. Many interactive exhibits also enhance the visitor's learning experience.

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*, premiered in May 2001 and ran through September. Traveling exhibits are financed and/or designed by the Great Lakes Aquarium. As this report was being developed, construction work had begun on the next traveling exhibit, on Africa's Lake Victoria, which will open in April 2002 and run through October 2003.)

In addition to *Hunters of the Sky*, the Great Lakes Aquarium significantly added to and/or improved the building and exhibitry during 2001. These improvements include:

- Changing the location of exhibits or other fixtures to facilitate crowd movement;
- Improving the Origins video theater by transforming it from a floor-based, circular screen to an upright, movie-style screen;
- Adding new species, as well as increasing the number of animals in the exhibits;
- Improving the interactive nature of the iron ore carrier pilot house exhibit;
- Adding new interactive computer kiosks to the stewardship area;
- Reworking the Conference Table to allow fewer participants to play;
- Adding a Bald Eagle to the live collection and planning for a new eagle exhibit that will be built in the winter of 2002;
- Adding the Benthic Explorer model/video to the main exhibit floor;
- Adding "behind the scenes" cameras and text to show how the facility is run;
- Increasing the fixtures in the Learning Labs;
- Sealing the floor beneath the Great Lakes Water Table to prevent leaks;
- Adding a concrete pad to facilitate entrance to the building;
- Adding outdoor sculpture;
- Installing additional sprinklers;
- Engraving the exterior donor wall; and
- Replanting areas of vegetation/trees that didn't survive the winter.

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 2001, the non-profit Great Lakes Aquarium developed and delivered many. 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-school to Elderhostel. Students have the option of a self-guided tour, to an age-appropriate class, to a daylong educational experience on 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 provides teacher workshops and school-based

residency programs to round out educational offerings. Staff also provides interpretive programs on the floor throughout the day and can help guests interpret the exhibits.

The nonprofit also reached out to the local community to provide access to individuals who might not be able to afford admission through three separate programs:

- Passes were available at the three branches of the Duluth Public Library, allowing up to four people to attend for free, as long as one visitor is an adult.
- Up to 400 guest passes per month during the school year were provided to agencies serving at-risk or low-income youth and families and senior centers.
- Free passes were provided at the community Thanksgiving dinner.

2. Identification of funding from all sources.

Construction of the Great Lakes Aquarium building was completed substantially upon the July 29, 2000, opening. Construction financing for the project is detailed below.

State of Minnesota Grant	16,000,000.00
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
Capital Foundation Gift	250,103.00
Unrestricted Cash	25,668
Total Available for Construction	31,196,177.00

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 was raised by December 31, 2000, and a portion used to pay down the bank loans secured by 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 2001, through State/Non-State Draw #23, 30,734,194.03 in a combination of state and non-state funds had been expended on the project, leaving a balance to pay on construction of \$462,023.07. 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.

The draw process is as follows: 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 requests 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.

As of December 31, 2001, there were two material, outstanding issues yet to be resolved:

1. In the fall of 2000, a steel contractor on the facility filed a \$148,000 lien against the project. In order to keep payment of other contractors moving forward, the nonprofit Great Lakes Aquarium placed a like amount in escrow. As of this writing, negotiations continue toward resolution.
2. In February 2001, a concrete contractor filed a \$952,000 lien against the project. Preparation for mediation and arbitration continued from that point through early November 2001, at which point the contractor offered a settlement amount of \$465,000. (The settlement was achieved on January 25, 2002.)

5. Descriptions of changes to operational plan.

There have been no changes in the operational plan of the Authority. However, since the building was completed substantially at the beginning of 2001, the role of the Authority transitioned from one of working with the non-profit Lake Superior Center to raise the funds, design and build the facility through opening, to one of oversight of the state-owned building.

It also 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 also 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.

The Authority voted to change its bylaws to reflect a fiscal year that runs concurrently with the calendar year. This was done to complement the fiscal year of the nonprofit Great Lakes Aquarium, which also operates on a calendar year. The change was voted upon in November and was published in the State Register on January 7, 2002.

Other findings:

None.

Future Activities:

The Authority has expressed to the nonprofit Great Lakes Aquarium its desire to see resource set aside for the long- and short-term capital needs of the Aquarium. The Great Lakes Aquarium will explore with Duluth Economic Development Authority a way to establish appropriate reserves for maintenance, given the terms of the agreement between the nonprofit and the Duluth Economic Development Authority.