

RECEIVED

FEB 06 2003

LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

Lake Superior Center Authority

353 Harbor Drive Duluth MN 55802

January 30, 2003

The Honorable Tim Pawlenty
Governor
Room 130 State Capitol
St. Paul, MN 55155

Sen. Linda Scheid, Committee Chair
Jobs, Housing and Community Development
Room 120 State Capitol
St. Paul, MN 55155

Sen. Richard J. Cohen, Committee Chair
Finance Committee
Room 205 State Capitol
St. Paul MN 55155

Sen. Dallas C. Sams, Committee Chair
Environment and Agriculture Budget
Division
Room 235 State Capitol
St. Paul, MN 55155

Rep. Gregory Davids, Committee Chair
Commerce, Jobs and Economic
Development Policy
Room 549 State Office Bldg
St. Paul, MN 55155

Rep. Jim Knoblach, Committee Chair
Ways and Means
Room 453 State Office Bldg
St. Paul, MN 55155

Rep. Dennis Ozment, Committee Chair
Environment and Natural
Resources Finance
Room 381 State Office Bldg
St. Paul, MN 55155

Legislative Reference Library
Acquisitions Department
Room 645 State Office Bldg
St. Paul, MN 55155

Dear State Officials:

This is the 2002 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,



Cynthia Marshall Hayden
Chair
Lake Superior Center Authority

Lake Superior Center Authority

2002 Annual Report

Background:

The Lake Superior Center Authority was created during the 1990 session of the Minnesota Legislature to work with the 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 five-member 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 of 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 Economic and Natural Resources divisions. Further, reports are to be filed in accordance with Minnesota Statutes, section 3.195.

Facility Established:

The state bonds and additional funds from the City of Duluth and private fundraising resulted in the \$33 million Great Lakes Aquarium located on the waterfront in Duluth. This facility opened to the public on July 29, 2000. The Annual Report filed for 2001 details the funding for this facility from all sources as well as the programs and exhibits designed specifically to carry out the freshwater education mission.

The Authority entered in to a management agreement with the Lake Superior Center non-profit on November 8, 1998. The non-profit is responsible for all operating and fund raising aspects of the facility. Upon completion of the construction, the primary responsibilities of the Lake Superior Center Authority are to ensure the building is used for the purpose of a Freshwater Education Center as directed by the legislation and to ensure the maintenance of the building.

Activities:

As a start-up organization that missed the first two months of peak summer traffic in 2000 due to construction problems, the Aquarium has continued to experience a number of difficulties and cash flow challenges leading to staff reductions and the inability to repay debt. Litigation regarding some of the construction problems is underway and will hopefully be resolved in the not too distant future.

The Aquarium is the highest paid-attendance facility in Duluth with nearly 200,000 visitors in 2002. The Aquarium operated on a full 7-day per week schedule up until November 3, 2002. However, because attendance has continued to fall well below budgeted projections, the Aquarium continued to experience operating shortfalls. On November 3, 2002, the City of Duluth assumed an active role in the management and planning for the future of the Aquarium, as provided for in the financing agreements between the City, the Authority and Lake Superior Center. Management and operating staff was reduced from nearly 30 to 9 people who are primarily responsible for attending to the animal collection and safety of the facility.

The City continues to make up operating shortfalls and the facility has been open on weekends since November. A management committee consisting of the City of Duluth Finance Director, the President of the Duluth Economic Development Authority and the President of the Lake Superior Center non-profit Board has been overseeing the facility and working to develop long-term solutions to the situation. The Authority is supporting the efforts of this management team.

Mayor Gary Doty had already appointed a task force in September to seek methods to place the Aquarium on sound financial footing. The Authority was represented on this task force. That Task Force report was provided to the Mayor and boards on January 16, 2003 and reaffirms the mission of the facility. The non-profit board is actively pursuing several management options with the goal being to return to a full schedule in time for the summer high visitation season.

State Audit:

One bright spot of the year was the audit conducted for the Authority by the State Auditor's Office for the years 2000 and 2001. The opinion was "unqualified" although there were several positive suggestions for improvement to the operation, some of which have been resolved; others will need to wait for new management to proceed.

Request for extension to provide further information:

The above is the situation as of late-January, 2003. As of this date, the final numbers and expenses of the Lake Superior Center Authority and Lake Superior Center are not compiled due to the change in management in November making this report incomplete. It is the Authority's plan to provide an amended Annual Report later this year as decisions are made and details become available.

Authority Staff and Members:

The Authority has never had any paid staff. Staff functions have previously been carried out by the Lake Superior Center staff on behalf of the Authority.

For further information, please contact one of the three current Authority members:

Chair – Cynthia Marshall Hayden
Lake Superior Magazine
218-722-5002

Vice Chair – Dr. Robert Carlson
UMD Dept. of Chemistry
218-726-7231

Secretary-Treasurer – John Guenther
Minnesota DNR Regional Director
218-327-4402