

MAGIC FUND

ECONOMIC IMPACT SUMMARY REPORT

1997



COMPILED FOR THE CITY OF MINOT BY:
MSU's BUSINESS & COMMUNITY ASSISTANCE CENTER
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MINOT, ND 58703
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city of Minot

April 1998

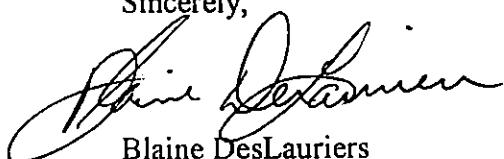
The Minot Area Growth by Investment and Cooperation (MAGIC) Fund is pleased to present their 1997 annual economic impact report. The MAGIC Fund prides itself on providing financing incentives to businesses that will create new jobs, save existing jobs, expand the local tax base, increase capital investment, improve the entrepreneurial climate of the region, and to generally expand the primary sector financial base of the area.

Highlights for 1997 include the Minot Milling Company and Prairie Truck Equipment. These are two of many companies that are working to provide jobs in the Minot trade area.

On behalf of the MAGIC Fund Committee and the City of Minot, I wish to extend our appreciation to the economic development volunteers and professionals for another productive year. They have all worked diligently to strengthen our economic base.

We also wish to express a sincere thank you to the many dedicated entrepreneurs who are working hard to establish their businesses in our marketplace. The MAGIC Fund owes their success in part to these dedicated individuals.

Sincerely,

A handwritten signature in black ink, appearing to read "Blaine DesLauriers".

Blaine DesLauriers
MAGIC Fund Chairman

ACKNOWLEDGEMENTS

Special thanks are extended to the following for preparation assistance, reporting, and editing:

*Businesses funded by the MAGIC Fund
City of Minot Administrative Staff
Minot Area Development Corporation
Minot State University
Small Business Development Center
Souris Basin Planning Council*

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PREFACE

Inception

The Minot Area Growth by Investment and Cooperation (MAGIC) Fund was established in 1990 when Minot voters approved a one percent city sales tax. Forty percent of the sales tax is designated for economic and industrial development. Project funding assessment and recommendations are conducted by the MAGIC Fund committee members, who are appointed by the Mayor and confirmed by the City Council.

1997 Committee Members

Blaine DesLauriers, Chairman
First International Bank & Trust
Financial Sector
(Appointed 5/93)

Ken Erhardt
Souris River Telephone
Labor Sector
(Appointed 6/97)

Colleen Anderson
KMOT - TV
Business Sector
(Appointed 6/97)

John Samuelson
Samuelson Shoes - Retired
Business Sector
(Appointed 6/94)

Bruce Carlson
Verendrye Electric
Trade Area
(Appointed 6/97)

Jim Thompson, Vice Chairman
Eide Helmeke
Professional Sector
(Appointed 6/97)

Scott Tranby
Mowbray Plumbing & Heating
Labor Sector
(Appointed 6/94)

Past Committee Members

Orlin Backes, Past Chairman
McGee, Hankla, Backes
Professional Sector
(6/90-6/93)

Jim Jensen, Past Chairman
Signal Management Corporation
Business Sector
(6/90-6/94)

Dick Bergstad
IBEW
Labor Sector
(6/90-6/94)

John Hoeven, Past Vice-Chairman
First Western Bank
Finance Sector
(6/90-5/93)

Karen Czaplewski
Vision Energy
Business Sector
(6/90-6/93)

John Petrik
Pringle, Herigstad Law Firm
Professional Sector
(6/93-6/97)

Wanda Emerson
Mayor of Mohall
Trade Area
(6/93-6/97)

Ron Rauschenberger
Kenmare Clothing
Trade Area
(6/90-6/93)

Monte Espe
Northern States Power
Labor Sector
(6/93-6/97)

Ernie Selland, Past Vice-Chairman
Minot Telephone Company
Business Sector
(6/93-6/97)

Robert Thom
Minot Public Schools
Labor Sector
(6/90-6/93)

Role

The MAGIC Fund's role in the financial packaging of business startups, expansions, or retentions is to provide "gap" financing and/or relocation incentives. Funds are to be used to leverage related financing through primary lenders, venture capitalists, and others. The MAGIC Fund offers substantial flexibility in structuring financial terms to meet each individual project's needs in this role.

Process

Applicants contact one of the following service providers to assist them in submitting a proposal:

Minot Area Development Corp.
1020 20th Ave SW
PO Box 940
Minot, ND 58702
852-1075

Small Business Development Center
900 North Broadway, Suite 301
Minot, ND 58703
852-8861

Business & Community Assistance Ctr.
Minot State University
900 North Broadway, Suite 301
Minot, ND 58703
858-3825 or 800-777-0750, ext. 3825

Souris Basin Planning Council
4215 Burdick Expressway East
Minot, ND 58701
839-6641

Requests for funding involve a two step process. A project proposal is submitted for review, providing the MAGIC Fund Committee an opportunity to communicate concerns, request specific information, and/or offer valuable suggestions. If the proposal falls within MAGIC Fund guidelines and merits further consideration, the committee votes to invite an application. Approval is based on the impact the business has on the region's economy, the number of jobs created/retained, and the quality of jobs. For five years after the year of funding, the MAGIC Fund requests a report of actual jobs created/retained and actual wages paid from the funded companies.

Business Friends

The MAGIC Fund understands that assisting a business to start, expand, or relocate in northwestern North Dakota is only the first step. Recognizing the risks that an entrepreneur faces in this uncertain and fast-paced global arena, the Minot community wants to do more than simply provide financial assistance. It wants to foster a long-term, profitable, and continuing community partnership through its Business Friends program.

The Business Friends program is designed to:

- ✓ Extend a hand of friendship from the Minot community to the business
- ✓ Offer assistance by providing relevant information and support
- ✓ Encourage collaboration and provide the link to locate desired resources for expanded support
- ✓ Contact the business periodically to gather required MAGIC Fund employment data

Public Support

The public perception of the MAGIC Fund's contribution to improved quality of life in Minot was put to the test at the Minot polls in 1995. By a margin of 8.4 to 1, voters overwhelmingly supported a continuation of the one percent city sales tax, of which 40 percent is designated for economic and industrial development through June 30, 2006.

Annual Report

The MAGIC Fund General Policy Guidelines, as approved by the Minot City Council, require an annual economic impact report of the activities of the MAGIC Fund. This economic impact report is compiled by the Minot State University's Business and Community Assistance Center (BCAC). Questions or comments regarding the annual report should be directed to the BCAC at (701) 858-3825 or (800) 777-0750, ext. 3825.

Methodology

Businesses that have received funds from the MAGIC Fund within the last 5 years, are asked to complete a report of the number of jobs created or retained. This report also includes information on wages and benefits paid by the business. A copy of this form is found in Appendix B2.

The number of jobs reported is the total number of full-time equivalent jobs at year-end, unless the business has seasonal employment in which the average number of jobs is used. The total wages are divided by the average number of jobs to arrive at the average hourly wage, rather than the number of jobs at year-end.

Limitations

Of the 76 businesses surveyed for the number of jobs and wage impact, there were 7 companies that did not respond. In these cases, we relied on verbal estimations from the local economic developers and extrapolations from previous years' reports. Percentages were rounded to the nearest whole unless otherwise noted. In the case of job retention, the entire number of local jobs and wages were reported. In the case of expansion, only the incremental jobs and wages were measured unless otherwise specified by the application. The accuracy of this report is dependent on the accuracy of the information reported by the companies.

The amount of actual job creation attributable to each partner in the financing and economic development support is difficult to measure. Information on how many of the economic development projects would have been undertaken in absence of the MAGIC Fund is not known. Various projects may have begun at a later date or on a smaller scale and some may have substituted another source of funding.

1997 ECONOMIC IMPACT REPORT

1997 Projects Approved and Jobs Projected

Fifteen proposals were brought to the MAGIC Fund Committee in 1997. All of these were invited to submit a full application. Eleven of these have submitted applications to the committee to date. All eleven applications were approved. These applicants intend to create 636 jobs as a result of the funded business projects totaling \$3,964,216.

BUSINESS (APPLICANT)	JOBS PROJECTED	MAGIC FUND INVESTMENT	DATE FUNDED
Dakota Marketing and Research	254	500,000	Feb. 1997
Mandaree Electronics Corporation	21	30,000	March 1997
Midwest Telemark Intl. Inc. (<i>Kenmare EDC</i>)	40	3,432	July 1997
Hyper Corporation (<i>City of Noonan</i>)	18	2,500	July 1997
The Connection (<i>Rugby JDA</i>)	80	80,000	July 1997
Creative Cabinetry (<i>MB Associates, LLP</i>)	16	24,000	Aug. 1997
Gates Manufacturing (<i>Lansford CBE</i>)	13	10,000	Aug. 1997
MedVision, Inc.	90	3,000,000	Sept. 1997
Philadelphia Macaroni Co. (<i>Minot Milling Co.</i>)	0	250,000	Sept. 1997
Prairie Truck Equipment	34	62,000	Nov. 1997
Midwest Telemark Intl., Inc. (<i>Bottineau EDC</i>)	45	2,284	Dec. 1997
TOTAL JOBS	611	\$3,964,216	

Past Years' Investment and Projected Jobs

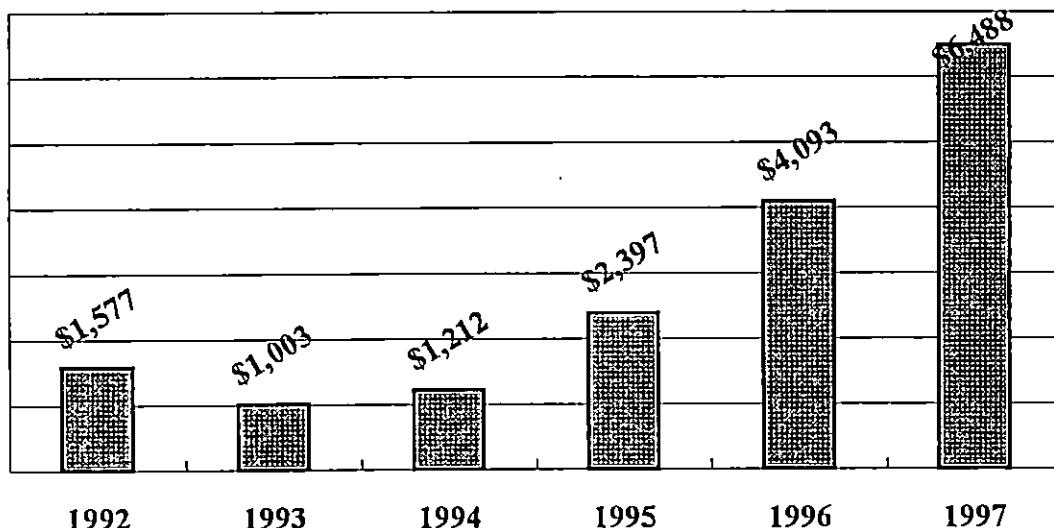
Since the MAGIC Fund's inception in 1990, a total of \$13,275,016 has been obligated to 147 job creation or retention projects in 37 communities. These businesses have indicated an intent to provide a total of 4615 full-time equivalent (FTE) jobs by the year 2000. The following numbers have been adjusted for projects withdrawn after funds were approved. Some businesses have been funded in two or more different years and their projections may differ between funding application.

YEAR	FTE JOBS PROJECTED	MAGIC FUND INVESTMENT
1990 and 1991	618	1,621,870
1992	733	1,155,976
1993	627	629,016
1994	587	711,205
1995	410	982,883
1996	1029	4,209,850
1997	611	3,962,416
GRAND TOTAL:	4615	\$13,275,016

Yearly Job Creation Costs

The MAGIC Fund invested \$3,964,216 in 1997 to assist in the creation and retention of 611 projected jobs. Based on these numbers, the average cost per job is \$6,488.

We are pleased to report that the increased investment per job in 1997 has resulted in an increased projected average hourly wage of \$11.27 per hour for those projects that were funded in 1997 (*note: hourly wage projections were not available for one of these projects*). This is 43% higher than the average wage of \$7.90 per hour in previous years.



Actual Jobs Created/Retained vs. Projected Jobs Created/Retained

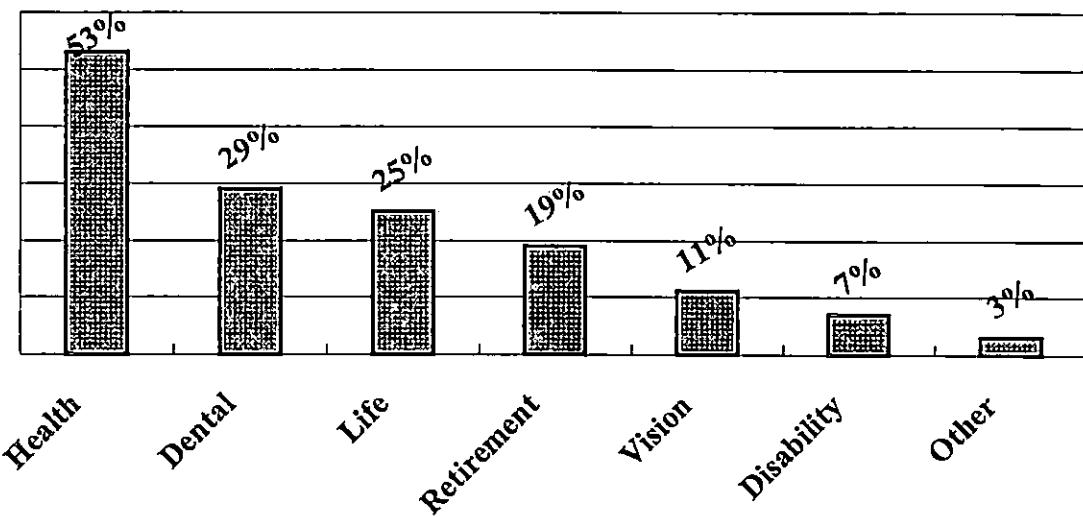
The number of actual jobs created or retained for *all* projects funded by the MAGIC Fund from 1992 through 1997 was 2940.50 as of December 31, 1997. This figure represents 83% of the jobs which were projected to be created or retained by 1997. 30% (873.75) of these jobs are from the rural areas and 70% (2066.75) are located in Minot.

Actual Wages vs. Projected Wages

The actual average wage for *all* projects funded by the MAGIC Fund from 1992 through 1997 was \$7.11 per hour as of December 31, 1997. Businesses that have closed and would have an hourly wage of \$0 are included in this average. The average projected wages for *all* projects during this same time frame was \$8.36 per hour. Based on these wage figures, actual wages were 85% of what was projected.

Fringe Benefits Provided for Funded Jobs

Fringe benefits were provided for the employees of 56% of existing businesses who were funded by the MAGIC Fund between 1992 and 1997. In other words, 41 of the 75 businesses surveyed provide benefits to their employees. These 41 businesses also paid 61% of the cost of the fringe benefits for their employees. The following chart shows the types of benefits that were provided and the percentage of existing companies that provided each type.



Economic Impact

Based on the following chart, \$14.50 in wages were paid for every \$1.00 of MAGIC Funds invested between 1992 and 1997. The MAGIC Fund's impact on our economy is only partially measured by job creation and wages. Various other economic factors also need to be considered. Capital investment, diversification of our economic base, and quality of jobs are also influenced by MAGIC Fund investments.

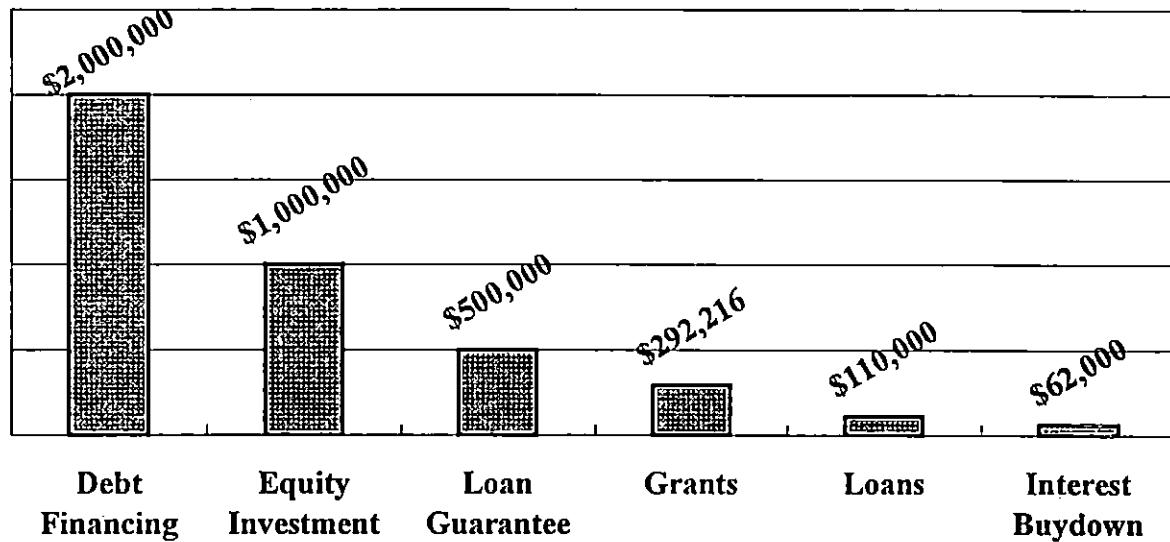
YEAR	WAGE PAID	MAGIC FUND INVESTMENT
1992	9,900,000	1,155,976
1993	20,600,000	629,016
1994	29,700,000	711,205
1995	37,100,000	982,883
1996	35,700,000	4,209,850
1997	36,023,107	3,964,216
GRAND TOTAL:	\$169,023,107	\$11,653,146

Leverage and Types of Assistance

The MAGIC Fund committee has been able to spread the risk of investment by leveraging various funding sources. From 1992 through 1997 the MAGIC Fund provided an average of 13.00% of the capital on projects in which it participated leveraging \$6.69 for each dollar invested.

The MAGIC Fund's success is due in part to its willingness to create unique, flexible, ample financial agreements and terms. There is a sincere desire to give each business the best opportunity to achieve its goals and create additional jobs. Following is a summary of the types of funding provided in 1997.

These statistics strongly support the tremendous value of a community based growth fund for gap and incentive financing. This allows a community to leverage their funds for maximum benefit.



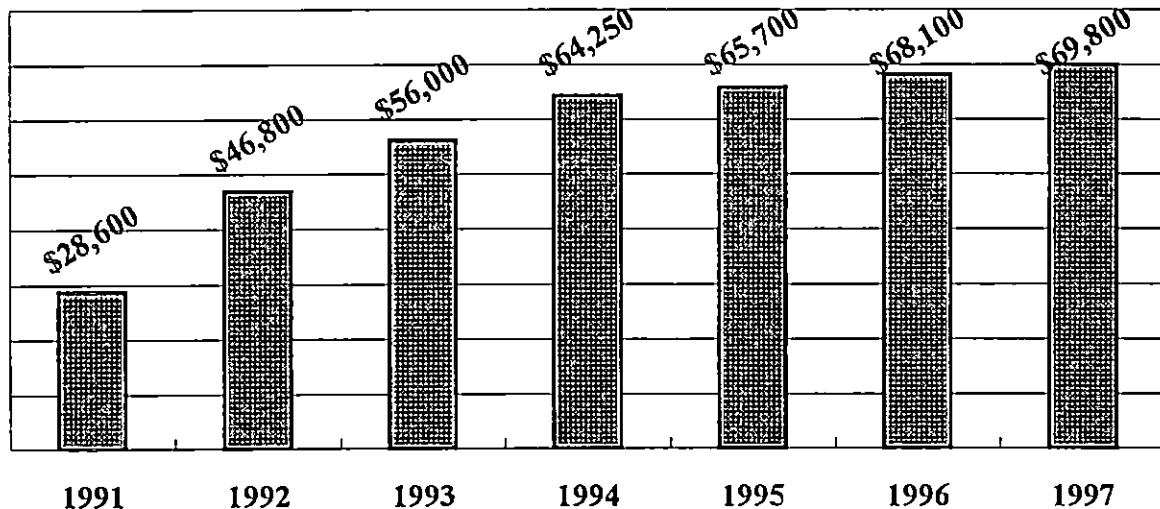
Marketing Match

The MAGIC Fund contributed to the economic development efforts of northwestern North Dakota by providing \$500 to \$2,000 in marketing funds directly to 47 communities. A total of \$69,800 was approved and was matched by at least \$92,237 in funds from the communities.

The MAGIC Fund committee adopted the following funding formula in 1992. A community's distance from Minot and population determine the dollar amount awarded with \$2,000 being the maximum.

POPULATION	0 TO 60 MILES AWAY	61 TO 90 MILES AWAY	91 OR MORE MILES AWAY
1 TO 499	\$1,500 (75.0%)	\$1,250 (62.5%)	\$1,000 (50.0%)
500 TO 999	\$1,750 (87.5%)	\$1,500 (75.0%)	\$1,250 (62.5%)
1000 AND HIGHER	\$2,000 (100.0%)	\$1,750 (87.5%)	\$1,500 (75.0%)

The following table shows the yearly totals that have contributed through the Marketing Match program.



Rural Impact

The MAGIC Fund has supported surrounding rural communities in their economic development efforts since its inception. The MAGIC Fund encourages surrounding rural communities to propose projects and apply for economic development funds. Minot recognizes that the surrounding communities have a significant impact on Minot's economy. When surrounding rural communities prosper, so does Minot.

In 1997 the MAGIC Fund provided direct job creation assistance to 6 projects in 6 rural communities obligating \$128,216 in funds for 217 projected jobs. This results in a cost per job of \$591.

From 1992 through 1997 a total of \$1,230,317 has been obligated to rural job creation/retention projects.

City of Minot Impact

The progressive trends in economic indicators, such as lower unemployment rates and increased taxable sales in Minot and Ward County, have been favorable. According to North Dakota Job Service, the unemployment rate in Ward County for December 1997 was 2.1%, which is well below the national average of 4.7% for the same time period. The 1997 average unemployment rate was 2.3% in Ward County. This is the lowest annual average for Ward County since 1974. According to the State Tax Commissioner's office, taxable sales and purchases in Ward County were approximately \$541,325,451 in 1997. This is an increase of 1.94% from \$531,021,525 in 1996. Business expansion and lower unemployment rates result in increased dollars circulating in the community, benefiting all.

In 1997 the MAGIC Fund provided direct job creation assistance to 5 companies within the City of Minot obligating \$3,836,000 in funds for 394 projected jobs. This resulted in a cost per job of \$9,155. The increased cost per job resulted in a substantial increase in average wages also.

From 1992 through 1997 a total of \$10,051,770 has been obligated to job creation/retention projects within the City of Minot.

Souris Basin Planning Council Revolving Loan Fund Program

To assist in the creation of permanent, private sector jobs by providing loans to qualifying businesses, the Souris Basin Planning Council obtained funding to capitalize the Souris Basin Revolving Loan Fund Program. The Souris Basin Revolving Loan Fund (SBRLF) program has been capitalized with grants totalling \$775,000 from the Economic Development Administration (EDA) Title IX program, which was matched by grants totaling \$270,000 from the Minot MAGIC Fund. Combined with the revolved monies, the Souris Basin Revolving Loan Fund now totals \$1,485,581.

To date, the Souris Basin Revolving Loan Fund has awarded 27 loans totaling \$1,217,916. In 1997 the SBRLF reviewed 13 applications, of which six were approved for funding totaling \$413,500. The SBRLF has assisted in creating and retaining 240 jobs in this region at a cost of \$4,377 per job.

Souris Basin Planning Council Intermediary Relending Program

In 1996 the Souris Basin Planning Council capitalized the Souris Basin Intermediary Relending Program (SBIRP) with a \$500,000 USDA Rural Development loan, which was matched with a \$25,000 equity grant from the Minot MAGIC Fund. The purpose of this loan program is to provide for the creation and retention of permanent private sector jobs, to expand the area's economic base, and to enable local governments to improve infrastructure and public facilities to maintain and improve the quality of live. In 1997 one application was reviewed and funded totaling \$34,674 to the City of Drake for an infrastructure improvement project.

Conclusion

The MAGIC Fund continues to serve as a major force in shaping the economic potential of the region. Job creation efforts have centered around employment opportunities that target jobs providing a full range of competitive salaries and benefit packages. The success of the complimentary relationships with other communities is particularly noteworthy. The MAGIC Fund continues to prove the wisdom of the community in founding a tax based job creation fund that proactively focuses on developing high quality jobs to strengthen the economic base of northwestern North Dakota.