

**MAGIC FUND
ECONOMIC IMPACT REPORT
2000**



Melco | SaurerGroup



Compiled for the City of Minot by:
College of Business/Minot State University
500 University Avenue West
Minot, ND 58707
701-858-3110
1-800-777-0750, Ext. 3110

City of Minot

April 2001

The Minot Area Growth by Investment and Cooperation (MAGIC) Fund presents the 2000 annual economic impact report. As you will see, from the report, the sales tax dollars have continued to provide incentives and opportunities for Northwestern North Dakota.

We face a new challenge as we enter the year 2001. We must look for ways to replenish the fund. I encourage you to get involved and support the mayor's committee in their attempt to find a solution to our funding shortfalls. In order to maintain the momentum that has been created we will need to match our excellent work force with new employment opportunities that can only be created by having and deploying financial resources. There continues to be a number of very good projects available to Minot and Northwest North Dakota.

On behalf of the MAGIC Fund Committee and the City of Minot, I wish to extend our appreciation to the many volunteers and economic development professionals who have worked so hard to get us where we are today. "The Minot Factor" has served us well and will challenge each of us to continue to improve our community.

Sincerely,



Jim Thompson
MAGIC Fund Chairman

The Magic City

515 2nd Ave. SW • Minot, North Dakota 58701-3739 • (701) 857-4750 • Fax (701) 857-4751

ACKNOWLEDGEMENTS

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City of Minot Administrative Staff
Minot Area Development Corporation
Minot State University
Business Information Center
Souris Basin Planning Council*

TABLE OF CONTENTS

Letter from MAGIC fund Chairman—Jim Thompson	
Acknowledgements	
Table of Contents	

PREFACE

Inception	1
2000 Committee Members.....	1
Past Committee Members	2
Role.....	3
Process	3
Support.....	3
Public Support.....	4
Annual Report.....	4
Methodology	4
Limitations	5

2000 ECONOMIC IMPACT REPORT

2000 Projects Approved and Jobs Projected.....	6
Past Year's Investment and Projected Jobs	7
Yearly Job Creation Costs	8
Actual Jobs Created/Retained vs. Projected Jobs Created/Retained ..	8
Actual Wages vs. Projected Wages	9
Fringe Benefits Provided for Funded Jobs.....	9
Benefits Paid by Company.....	10
Economic Impact	11
Leverage and Types of Assistance.....	12
Marketing Match.....	13
Rural Impact.....	14
City of Minot Impact	14
Souris Basin Planning Council Revolving Loan Refund Program...	15
Souris Basin Planning Council Revolving Loan Refund Program...	15
Conclusion	15

APPENDIX A

Listing of Approved Job Creation/Retention projects to date	16
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APPENDIX B

Employer's actual and Projected Full-Time Equivalent	22
(FTE) Jobs Created/Retained	

APPENDIX C

Marketing Match Funding Level	26
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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.

2000 Committee Members

Jim Thompson
Chairman
Eide Bailly, LLP
Professional Sector
(Appointed 6/97)

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

Steve Blasing
Westlie Motors
Business Sector
(Appointed 6/98)

Richard Campbell
First Western Bank
Finance Sector
(Appointed 6/98)

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

Mark Hager
NW Electric
Labor Sector
(Appointed 6/98)

Buzz Syria
Preferred Travel
Business Sector
(Appointed 10/98)

Past Committee Members

Colleen Anderson
KMOT - TV
Business Sector
(6/97-9/98)

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

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

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

Blaine DesLauriers, Past Chairman
First International Bank & Trust
Financial Sector
(5/93-6/98)

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

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

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

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

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

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

John Samuelson
Samuelson Shoes - Retired
Business Sector
(6/94-6/98)

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)

Scott Tranby
Mowbray Plumbing & Heating
Labor Sector
(6/94-6/98)

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
2201 15th St SW
Minot, ND 58701
857-8211

Business Information Center
2201 15th St SW
Minot, ND 58701
857-8227

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 and benefits paid from the funded companies.

Support

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.

Many services are found at the Business Information Center (BIC) whose address, phone number, and fax number can be found above. The Small business Development Center (SBDC) provides quality, confidential, management counseling to North Dakota businesses at no cost; applied research and technical assistance; and business education and training programs.

The Small Business Management (SBM) program, also housed at BIC, offers distinct one-year educational programs. SBM provides information and support to small business owners and managers through group and customized private individual instruction.

Northwest North Dakota Workforce Training has partnered with Minot State University and MSU Bottineau to meet the workforce training needs of area businesses and industries. Through these partnerships they are able to provide education and training programs customized to fit a business' specific need.

These various agencies, along with the College of Business at Minot State University, encourage collaborative efforts and linkages that will foster successful business endeavors in our region.

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 Minot State University's College of Business. Questions or comments regarding the annual report should be directed to the College of Business at (701) 858-3110 or (800) 777-0750, ext. 3110.

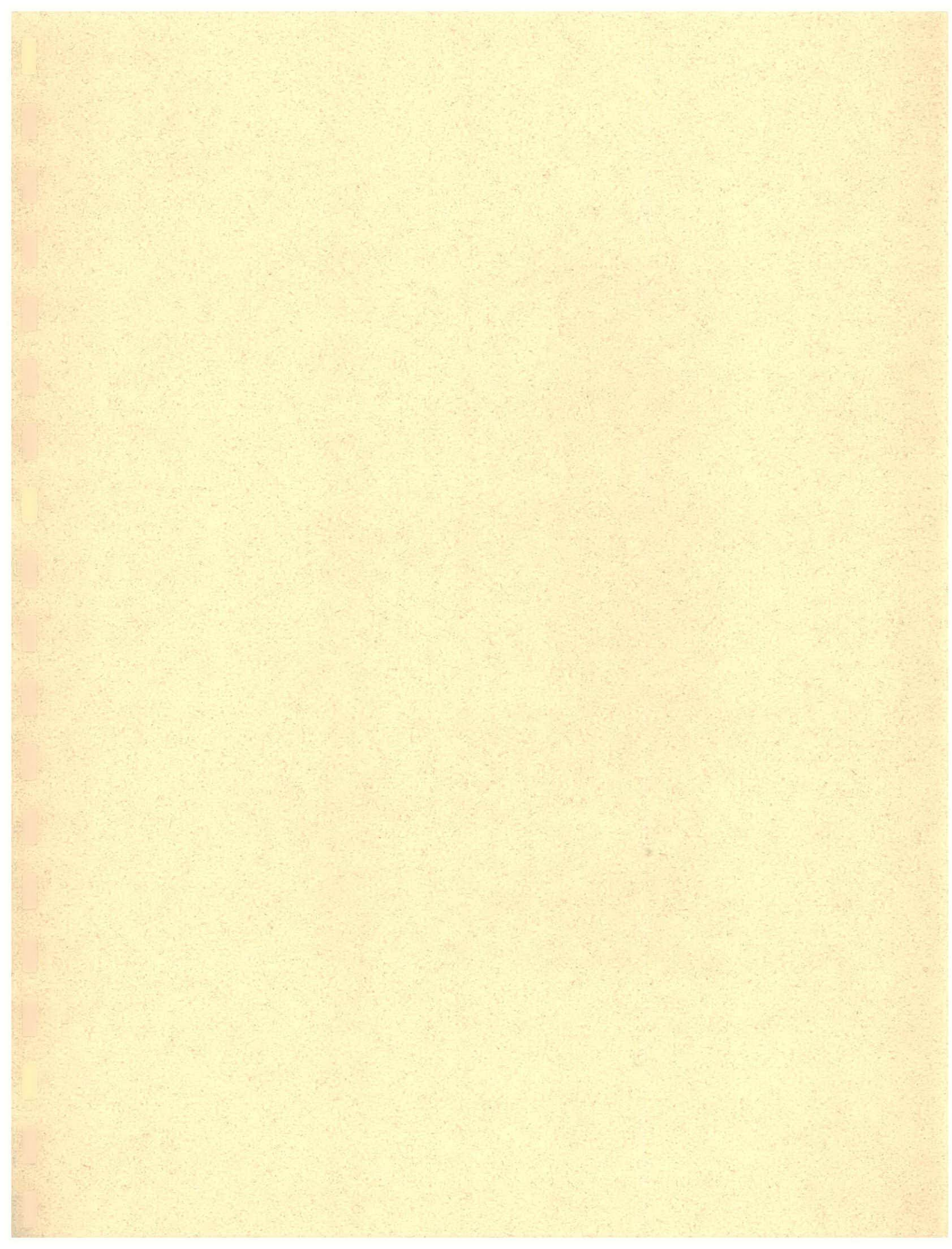
Methodology

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. This report is found in Appendix B.

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 59 businesses surveyed for the number of jobs and wage impact, there were 2 companies that did not respond. In this case, 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.



2000 ECONOMIC IMPACT REPORT

2000 Projects Approved and Jobs Projected

Sixteen proposals were brought to the MAGIC Fund Committee in 2000, and all sixteen were invited to submit a full application. Fifteen applications were submitted to the committee, with one to be submitted at the January 2001 meeting. Fifteen applications were approved. These applicants intend to create 768 jobs as a result of the funded business projects totaling \$1,664,515. (Detailed information from years 1995 through 2000 are provided in Appendix A and B)

BUSINESS (APPLICANT)	JOBS PROJECTED	MAGIC FUND INVESTMENT	DATE FUNDED
ING/ReliaStar	150	\$ 625,000	March 2000
D-R-L Tire Sales & Service (Stanley EDC)	5	3,750	April 2000
Lighted Impressions (Northwest JDA)	20	30,000	April 2000
Dakota Halal Processing (Harvey AEDC)	19	50,000	May 2000
WebSmart Interactive, Inc.	150	230,000	August 2000
Antler Creek Specialist	4	4,000	August 2000
Small Business Development Center	*0	10,000	August 2000
Body Menders International (Garrison AIA)	10	20,000	Sept. 2000
Z-Tel Technologies, Inc.	340	500,000	Sept. 2000
Melco Industries, Inc.	5	10,000	Oct. 2000
Punkin Patch Pheasant Ranch	3	7,500	Oct. 2000
Superior Grains, Inc.	12	60,000	Nov. 2000
Commercial Vegetable Growers Task Force	**0	10,000	Dec. 2000
Rugby Manufacturing, Inc. (Rugby JDA)	50	104,265	Dec. 2000
TOTAL JOBS	768	\$1,664,515	

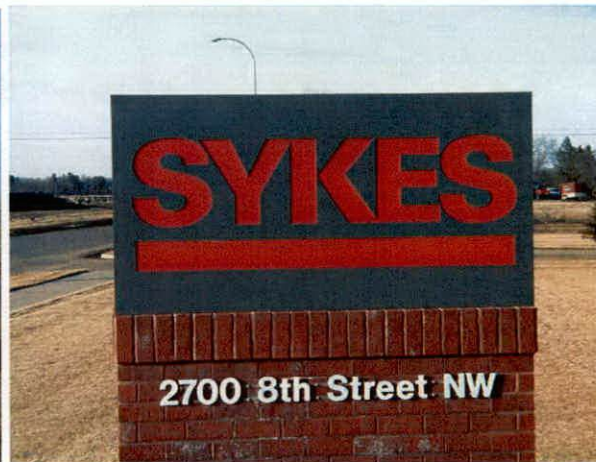
* Business Information Center (BIC) equipment grant

** Hiring of marketing consultant

Past Years' Investment and Projected Jobs

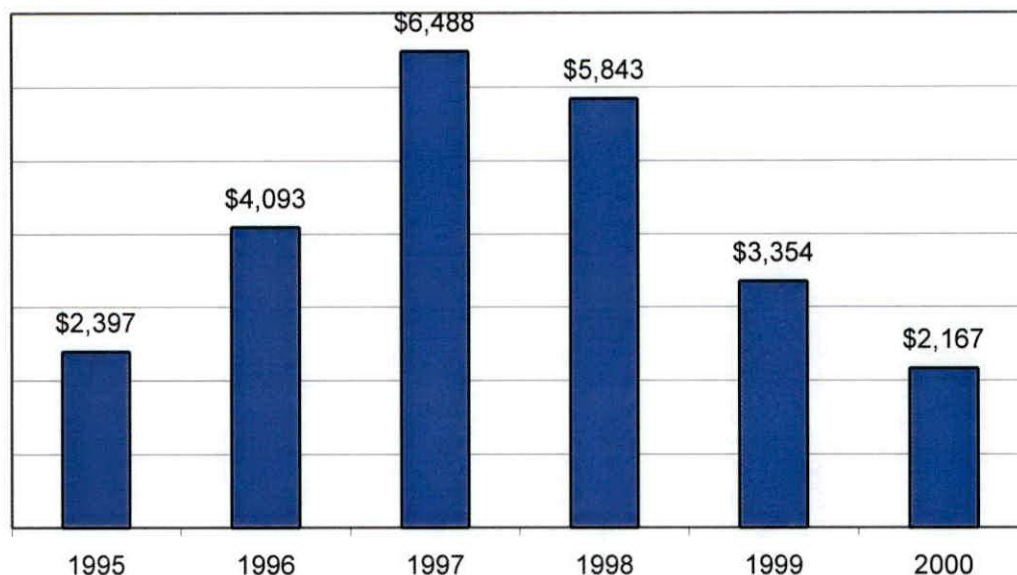
Since the MAGIC Fund's inception in 1990, a total of \$23,467,631 has been obligated to 186 job creation or retention projects in 44 communities. These businesses have indicated an intent to provide a total of 7,226.5 full-time equivalent (FTE) jobs by the year 2001. The following numbers have been adjusted 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. *(Detailed information from years 1995 through 2000 are provided in Appendix A and B)*

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	1,029	4,209,850
1997	611	3,962,416
1998	704	4,707,500
1999	1,139.5	3,822,400
2000	768	1,664,515
GRAND TOTAL:	7,226.5	\$23,467,631



Yearly Job Creation Costs

The MAGIC Fund invested \$1,664,515 in 2000 to assist in the creation and retention of 768 projected jobs. Based on these numbers, the average cost per job is \$2,167. We are pleased to report that the investment per job in 2000 has resulted in a projected average hourly wage of \$9.05 per hour for those projects that were funded in 2000.



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 1995 through 2000 was 4,241.50 as of December 31, 2000. This figure represents 140% of the jobs, which were projected to be created or retained by 2000. 36% (1,540) of these jobs are from the rural areas and 64% (2,701.50) are located in Minot. *(Detailed information from years 1995 through 2000 are provided in Appendix B)*

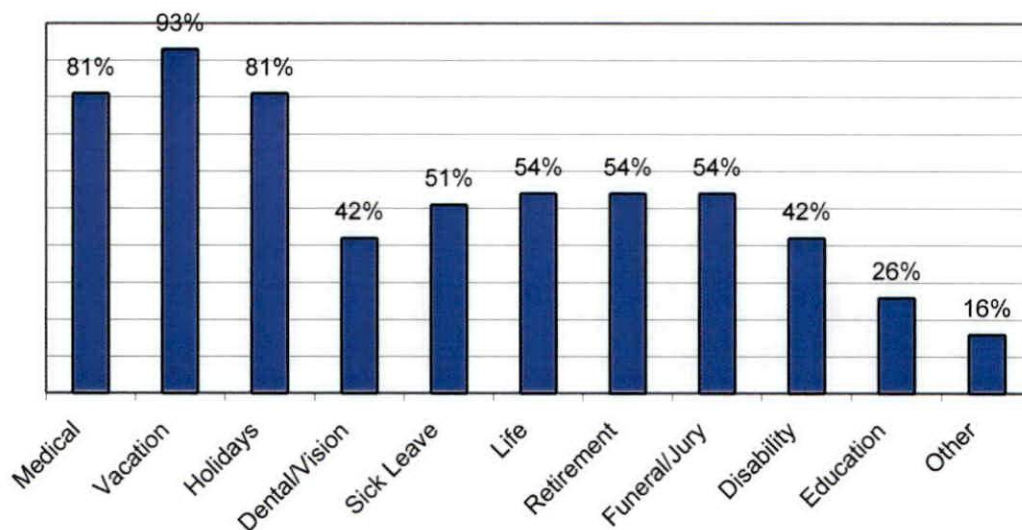
Actual Wages vs. Projected Wages

The actual average wage for all projects funded by the MAGIC Fund from 1995 through 2000 was \$8.9402 per hour as of December 31, 2000. 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 \$9.18 per hour. Based on these wage figures, actual wages were 97.4% of what was projected. (One business did not return the survey.)

Fringe Benefits Provided for Funded Jobs

Fringe benefits were provided for the employees of 77% of existing and/or reporting businesses who were funded by the MAGIC Fund between 1995-2000. In other words, 43 businesses provided benefits of one kind or another to their employees and paid for them.

The table below shows the types of benefits that were provided and the percentage of reporting companies that provided each type.



Benefits that were provided and listed in the "Other" category were cafeteria plans, uniform allowances (shoes and clothing), and company stock options, to name some of those most often cited.

Benefits Paid by Company

	0%	1-25%	26-50%	51-75%	76-100%
Vacation	16 (29%)	1 (2%)	0	1 (2%)	38 (68%)
Holidays	21 (38%)	2 (4%)	0	0	33 (59%)
Retirement (401K)	33 (59%)	14 (25%)	3 (5%)	0	6 (11%)
Sick or Family Lv	34 (61%)	1 (2%)	0	2 (4%)	19 (34%)
Funeral Leave	32 (57%)	1 (2%)	0	0	23 (41%)
Jury Duty Leave	32 (57%)	1 (2%)	1 (2%)	2 (4%)	20 (36%)
Medical Insurance	22 (39%)	1 (2%)	8 (14%)	9 (16%)	16 (29%)
Vision Care Insur	40 (71%)	1 (2%)	1 (2%)	7 (13%)	7 (13%)
Dental Insurance	36 (64%)	0	1 (2%)	9 (16%)	10 (18%)
Life Insurance	33 (59%)	2 (4%)	1 (2%)	4 (7%)	16 (29%)
Disability Insur	38 (68%)	0	4 (7%)	1 (2%)	13 (23%)
Education	47 (84%)	0	0	0	9 (16%)
Child Care	56 (100%)	0	0	0	0

None of the respondents provided child care benefits. Educational benefits ranged from full tuition reimbursement for job-related training to little or no support.

As for "flextime", 20% (11) of the respondents allow their employees to choose working hours within established parameters. One company indicated that it was available only to salaried personnel while another provided the option to part-time personnel only.

As for part-time employees, fringe benefits are available in 27% (15) of the companies responding. One respondent indicated that the benefit package was prorated while another offers it only if the employee is working half time or more.

Hourly personnel: Of the businesses reporting that full-time hourly personnel are eligible for fringe benefits, 7 (18%) indicated the benefits start with the first day of employment. Five (13%) have a 60-day probation period, 18 (46%) have a 90-day probation period, and 2 (1%) have a six-month probation period after which benefits become available.

Salaried personnel: Of the businesses reporting that salaried personnel are eligible for fringe benefits, 11 (32%) indicated the benefits start with the first day of employment. Ten (29%) have a 90-day probationary period after which benefits become available.

Economic Impact

Based on the following chart, \$15.53 in wages were paid for every \$1.00 of MAGIC Funds invested between 1995 and 2000. 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, indirect job creation, and quality of jobs are also influenced by MAGIC Fund investments.

YEAR	WAGE PAID	MAGIC FUND INVESTMENT
1995	37,100,000	982,883
1996	35,700,000	4,209,850
1997	36,023,107	3,964,216
1998	60,786,194	4,707,500
1999	64,812,170	3,822,400
2000	66,135,408	1,664,515
GRAND TOTAL:	\$300,556,879	\$19,351,364

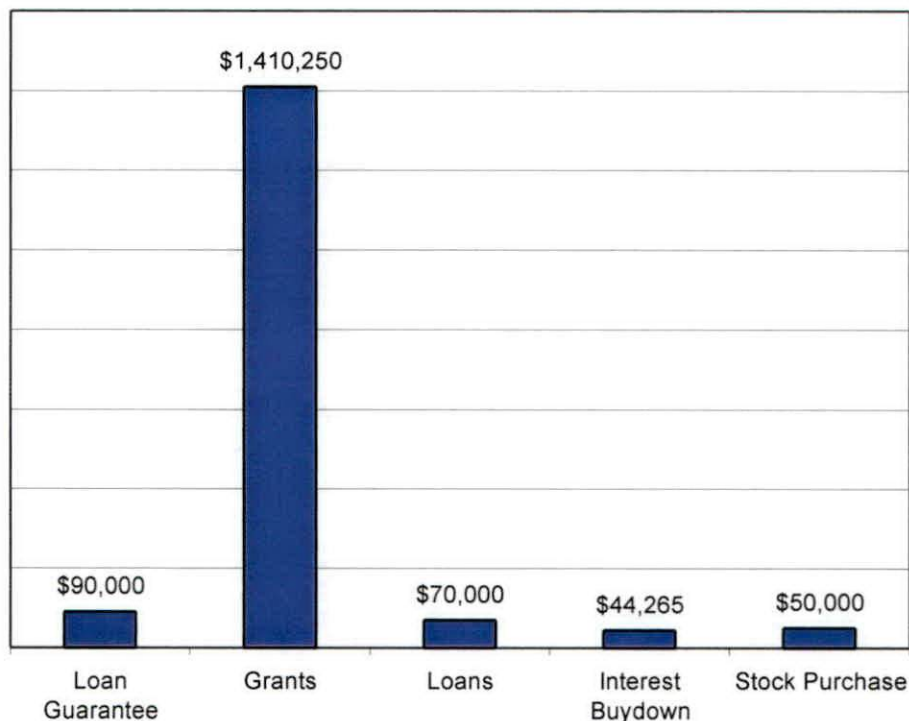


Leverage and Types of Assistance

The MAGIC Fund Committee has been able to spread the risk of investment by leveraging various funding sources. From 1995 through 2000 the MAGIC Fund provided an average of 17.53% of the capital on projects in which it participated leveraging \$4.71 for each dollar invested. Appendix A shows how the individual investments were leveraged in detail.

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 2000.

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

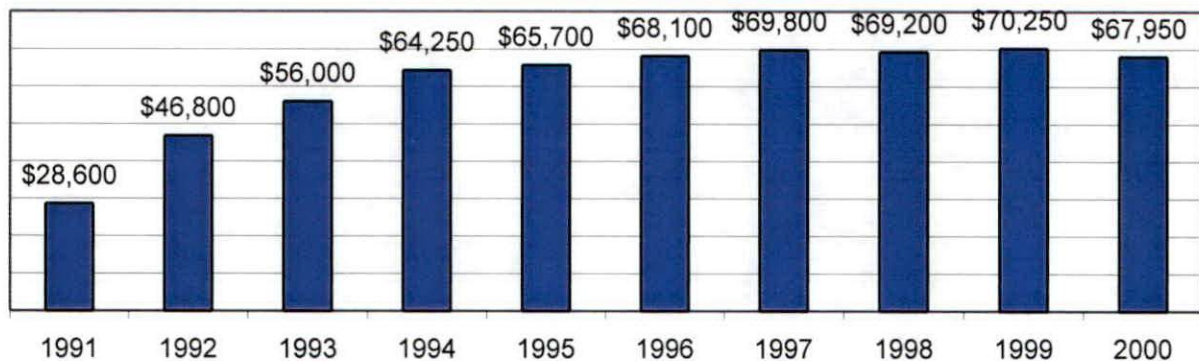
The MAGIC Fund contributed to the economic development efforts of northwestern North Dakota by providing \$1,000 to \$2,000 in marketing funds directly to 45 communities. A total of \$67,950 was approved and was matched by at least \$78,505* in funds from the communities. Appendix C shows how each community utilized and matched their funds. *(Detailed information from years 1995 through 2000 are provided in Appendix C)*

*At time of printing, ten had failed to report.

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	(A) 0 TO 60 MILES AWAY	(B) 61 TO 90 MILES AWAY	(C) 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 been 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 2000 the MAGIC Fund provided direct job creation assistance to 9 projects in 9 rural communities obligating \$289,515 in funds for 128 projected jobs. This results in a cost per job of \$2,261.84.

From 1995 through 2000 a total of \$1,507,331 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 2000 was 2.8%, which is well below the national average of 4% for the same time period. The 2000 average unemployment rate was 3% in Ward County. According to the State Tax Commissioner's Office, taxable sales and purchases in Ward County were approximately \$554,244,386 in 2000. This is an increase of 1.56% from \$545,734,600 in 1999.

In 2000 the MAGIC Fund provided direct job creation assistance to 3 companies within the City of Minot obligating \$1,355,000 in funds for 640 projected jobs. This resulted in a cost per job of \$2,117.19.

From 1995 through 2000 a total of \$17,245,033 has been obligated to job creation/retention projects within the City of Minot.



Souris Basin 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 (SBRLF) Program. The SBRLF Program has been capitalized with grants totaling \$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, as of December 31, 2000, totals \$2,310,276.

To date, the SBRLF has awarded fifty four (54) loans totaling \$2,277,299. In 2000 the SBRLF reviewed seventeen (17) applications, of which thirteen (13) were approved for funding totaling \$389,233.

Souris Basin 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 life. Combined with the revolved monies, the Souris Basin Intermediary Relending Program, as of December 31, 2000, totals \$565,905.

To date the SBIRP has awarded nine (9) loans totaling \$555,000.

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.

