

MAGIC FUND

Annual Compliance

Report

2002 & 2003



**Compiled by the City of Minot
Finance Department
515 2nd Ave SW
Minot, ND 58701
710-857-4784**

Annual Report of

MINOT AREA GROWTH BY INVESTMENT AND
COOPERATION
(The "Magic Fund")

to

City Council of Minot

Date: May 3, 2004

David Hogue, Chairman

INTRODUCTION

In 1990, the voters of the city of Minot approved a one-cent city sales tax. Revenue from the sales tax provides for improvements to city infrastructure, property tax relief, and economic development. Forty percent of the one-cent sales tax—the percentage allocated to economic development efforts—is accumulated in a city fund called the Minot Area Growth by Investment and Cooperation Fund (the "Magic Fund").

An advisory citizen committee supervises disbursement of Magic Fund revenue. The mayor, with the consent of the Minot City Council ("Council"), appoints members to the Magic Fund Screening Committee (the "Committee"). The current Committee members are:

Steve Blasing (term expires June 2004)

Rich Campbell (term expires June 2004)

Alan Engh (term expires June 2005)

John Doubeck (term expires June 2006)

Mark Hager (term expires 2004)

David Hogue (term expires June 2005)

Dick White (term expires June 2006)

Historically, the Committee's role was to evaluate applications submitted by organizations requesting Magic Fund revenue. In 2001-2003, the Magic Fund's financial performance, and the Committee's operating procedure, became the subject of public debate.

The Council engaged the North Dakota State Auditor to review and audit the Magic Fund. A representative of the State Auditor reported to the Council September 5, 2002. Later, in 2003, the Council engaged an Illinois consulting firm to conduct a performance audit of the Magic Fund. Both audits made recommendations about monitoring the finances of the Magic Fund and tracking the performance of job creation assurances made by Magic Fund applicants.

In addition to the two audits, the Council formed a "Magic Fund Study Committee" to recommend improvements to the way the Magic Fund Committee handles applications. The Study Committee held public meetings, invited public input during its meetings and drafted new guidelines for the Magic Fund Committee.

On June 2, 2003, the Council approved new written policy guidelines for the Magic Fund Committee. The adopted guidelines require the chairman of the Committee to submit a written report, with a contemporaneous oral report to the Council. The written report should include:

- I. An independent financial accounting for all tax money spent during the reporting period. This portion of the report must include Magic Fund balance information;
- II. An assessment of the performance of the current job development and retention contracts, using the "project tracking" guidance in the policy;
- III. An assessment of the performance of "supporting service" contracts;

IV. A listing of all applications that were not approved by the Committee;

V. An assessment of the financial and management health of the Magic Fund, including matters recommended for policy change.

The undersigned, as chairman of the Committee, makes this written report as required by the Magic Fund General Policy Guidelines.

I.

**ACCOUNTING FOR MONEY SPENT DURING THE REPORTING PERIOD;
MAGIC FUND BALANCE INFORMATION.**

As the report from the city of Minot Finance Department notes, there were no fund commitments during 2002 or 2003. The report is attached as Appendix 1. The Finance Department report contains 2002 audited and 2003 unaudited balance sheets, and statements of revenues, expenditures, and changes in Fund balance for the fiscal years ended December 31, 2002, and December 31, 2003.

As the Council may note, in the two financial statements, the deficit position of the Magic Fund continues to decline. The Magic Fund went from a deficit cash balance of \$1,686,161 at the end of 2002, to a deficit cash balance of \$544,397.00 at the end of 2003.

The best available information concerning the future balance of the Fund comes from the comptroller of the city of Minot, Jean Senger. Ms. Senger estimates that the Fund will have available approximately \$990,000.00 for use by the Committee through June of 2006. This estimate is described as

conservative, because it assumes no growth of sales tax revenue from now until June of 2006.

II.

ASSESSMENT OF PERFORMANCE OF JOB DEVELOPMENT AGREEMENTS.

Appendix 1, the Finance Department's report dated May 3, 2004, provides the Council with the raw data concerning the number of jobs and total wages paid by Magic Fund recipients. For 2002, the total number of employees, category, and total wages are reported as follows:

MAGIC Fund Job and Wage Comparison – 2002

Summary		
In the year 2002, 3 companies had 1,165 total committed jobs per their contracts or promissory notes. Only two of the three companies responded with actual jobs totaling 1,116.8. In addition, 25 other companies reported 1,478 jobs were in place with the following employment and wage totals per category:		
Total Employees	Category	Total Wages
18.8	Daycare-	\$255,099
2,299.0	Line & Staff-	\$38,284,923
128.0	Supervisor-	\$3,219,542
124.0	Management-	\$4,674,755
25.0	Executive-	\$1,178,818
2,594.8		\$47,613,047

For 2003, the same information was reported as follows:

MAGIC Fund Job and Wage Comparison – 2003

Summary		
In the year 2003, 4 companies had 1,197 total committed jobs per their contracts or promissory notes. Three of the four companies responded with actual jobs totaling 1,093.8. In addition, 26 other companies reported 1,402 jobs were in place with the following employment and wage totals per category:		
Total Employees	Category	Total Wages
23.8	Daycare-	\$261,288
2,171.0	Line & Staff-	\$37,287,426
141.0	Supervisor-	\$3,933,644
128.0	Management-	\$4,942,349
32.0	Executive-	\$1,694,700
2,495.8		\$48,119,407

An overall assessment of the performance of contracts between the city of Minot and Magic Fund applicants must begin with ING, the company with the largest commitment for new jobs (750), and the largest recipient of Magic Fund revenue (approximately \$5.1 million in four years). As the City report indicates, at the end of fiscal year 2003, ING reported 762.8 jobs with a total payroll of \$16,143,000.

The Magic Fund has made a substantial investment in the ING Project, and that investment continues to provide a high rate of return for the Minot economy. Assessment of the ING Project can only be regarded as highly successful.

Assessment of agreements with Choice Hotels, Sykes and MLT are likewise regarded as highly successful. While Sykes and Choice Hotels experienced a decline in employees and payroll from 2002 to 2003, all three companies remain in the top ten private sector employers (based on number of

employees) within the city of Minot. At the end of 2003, those companies reported employees of 325 (Choice Hotels), 381 (Sykes), and 343 (MLT).

Combined, ING, MLT, Choice Hotels, and Sykes employ 1,811.8 employees with an annual payroll of approximately \$33.8 million. The Magic Fund's investment in creating these jobs is approximately \$11.4 million.

Clearly the Magic Fund has experienced several project setbacks, notable among them are Web Smart (\$230,000) and Abacus (\$100,000). But the Magic Fund's success must be measured by the sum total of all its activities, not by a single project.

The Magic Fund is invested in a diverse group of local employers, much like a stock mutual fund is invested in publicly traded companies across different sectors of the economy. The mutual fund's value, and its performance, are measured by the sum total of all of the stock in the mutual fund. The hypothetical mutual fund yields a single rate of return based on the weighted average of the returns of all stock within the mutual fund.

Like a stock mutual fund, the Magic Fund's success is fairly measured in the aggregate. So measured, it becomes increasingly difficult—even for the Magic Fund's harshest critics—to suggest the Magic Fund is an ineffective economic development tool.

III. ASSESSMENT OF PERFORMANCE OF SUPPORTING SERVICES

CONTRACTS

The Magic Fund continues to support Minot Area Development Corporation ("MADC"). For 2003, the Magic Fund provided MADC \$230,700 of support to assist MADC in recruiting new businesses to the Minot trade area.

MADC actively recruits new businesses to the Minot trade area. MADC has two full-time employees. The bulk of MADC's expenses relate to payroll and marketing/trade missions. MADC's board members serve without compensation.

MADC partners with the city of Minot, Ward County, the Minot Chamber of Commerce, its dues paying members, among others, to conduct a unified effort at attracting new business to the Minot trade area. At two recent meetings, MADC arranged for new company representatives to meet with local leaders in business, education, telecommunications, and municipal government.

In sum, the city of Minot's investment in MADC continues to be an efficient method of recruiting new businesses. No other supporting entities received funding in 2003.

IV.

DENIED APPLICATIONS.

For the reporting period of 2002-2003, no applications were denied.

V.

AN ASSESSMENT OF THE FINANCIAL AND MANAGEMENT HEALTH OF THE MAGIC FUND AND RECOMMENDED POLICY CHANGE.

The financial position of the Magic Fund is described in the city finance department's report at Appendix 1. During recent public discourse about the

management of the Magic Fund, some have pointed to the Magic Fund's negative balance as an objective indication of mismanagement. In 1998-99 for example, the Fund obligated approximately \$8.1 million. This sum exceeded revenues for that same period by a 2 to 1 margin.

Unlike most municipal expenses, economic opportunities requiring Magic Fund expenditure do not arrive in predictable, evenly spaced intervals of time. The business of economic development involves entrepreneurial risk. Communities compete for new employers like private business competes for customers. In the 1998-99 time frame, Minot beat its municipal competitors at attracting new, large employers. Choice Hotels, ING, and MLT all sought Magic Fund assistance in 1998-99 and relocated to Minot after receiving an assurance the Magic Fund would provide assistance.

The present status of these large employers in Minot demonstrates that, the decisions made six years ago--to leverage future Magic Fund revenue to attract large employers in 1998-99--were prudent, calculated risks which continue to enhance the local economy with permanent jobs. So, while the Magic Fund currently has a negative balance, that fact was an accepted consequence of the decisions made by the Magic Fund several years ago.

SUGGESTED POLICY CHANGES.

With respect to recommended changes to the Magic Fund guidelines, I offer the following suggestions:

A. AUDITED FINANCIAL STATEMENTS.

The guidelines require submission to the Council of audited financial statements. Procuring audited financial statements by the May deadline provided for in the guidelines is difficult. I recommend that this reporting requirement to the Council be moved back to September to provide adequate time for the Committee to present audited financial data.

B. MEASURING MAGIC FUND SUCCESS/FAILURE.

The Council commissioned two audits and formed a study committee to suggest improvements to the way the Magic Fund conducts its business and holds applicants accountable for the commitments made during the application process. Success on an individual basis is apparently measured by the applicant's substantial compliance with the terms of the agreement between the applicant and the city of Minot. How does one measure the overall success of the Magic Fund? Some members of the public evaluate the Magic Fund based on the success or failure of the most recently approved project. The Magic Fund needs an indicator that reflects the sum total of all of its decisions. A good baseball hitter may strike out and a successful mutual fund may hold Enron stock. A batting average indicates how well a baseball player is hitting throughout the year. A mutual fund rate of return summarizes the performance of all of the stocks within the fund.

These aggregate measurement tools give the baseball fan and investor needed perspective. The Magic Fund needs public support. Long-term public

support of the Magic Fund is contingent on providing perspective. An aggregate measuring tool will provide some perspective.

C. ENHANCED PUBLIC INPUT.

The new guidelines require a public meeting when the Magic Fund considers a project that, if funded, obligates Magic Fund revenue beyond the calendar year in which the application is approved. When the applicant seeks an interest buy down, a public hearing is not necessary. Unless this exception applies, all approved applications for 2004 and most of 2005 will require a public hearing.

The Committee should consider two tools that may engage the public and enhance public input. First, the application process should contain a packet of information that is generally available to the public. Material in this packet would not include sensitive information that the applicant is reluctant to provide the public. But if we want the public to provide meaningful input, the public must have some information about the applicant. Second, the Committee should provide for members of the public who cannot attend the public hearing to provide their input through another medium. Submitting comments by email or letter is an obvious choice. The Committee will explore the best way to receive public input and report back to the Council.

This year (2004) the Committee acted on only two applications. The Committee looks forward to processing more applications. Please do not hesitate to contact me if you have questions.

Dated: May 3, 2004



David Hogue
Chairman
Magic Fund

City of Minot

Finance Department

May 3, 2004

To: Mayor and City Council
From: City of Minot Finance Department
RE: MAGIC Fund Annual Compliance Report 2002 & 2003

This report includes information for both 2002 and 2003.

The section for MAGIC Fund Commitments shows the companies approved for funding during 1998-2003, the City in which the individual company is located, and the requirements to be met in order to receive funding. In addition to these companies, commitments were made for:

Churchs Ferry:

Burlington Northern Sante Fe	Grant-Raise Rails	\$15,000	2001
------------------------------	-------------------	----------	------

Jamestown:

Commercial Vegetable Growers	Grant-Marketing Director	\$10,000	2000
------------------------------	--------------------------	----------	------

Minot:

Minot State University	Grant-Marketing	\$50,000	1999
Souris Basin Planning Council	Grant-Relending Program	\$75,000	1999
Small Business Development Center	Grant-Infrastructure	\$10,000	2000

There were no commitments of funds during 2002 or 2003.

Total collections for the Economic Development portion of the one-cent sales tax from June 1990-December 2003 was \$21,821,816.

The section on MAGIC Fund Jobs and Wages Comparison reveals jobs committed per the development agreement or contract versus the actual jobs and wages as presented to us by the individual companies. All companies shown in the MAGIC Fund Commitments section for 1998-2003 are shown on this comparison, along with other companies that voluntarily shared their information with us.

The audited 2002 financial statements - including the Balance Sheet, the Statement of Revenues, Expenditures and Changes in Fund Balance, and the Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - as shown in the City of Minot CAFR and the unaudited 2003 financial statements are included. The audited statements for 2003 will be available later in the year. Additional financial statements include the outstanding loan activity for 2002 and 2003.

The Minot Area Growth by Investment and Cooperation General Guidelines and Operating Procedures are also included for your information.

★The Magic City★

TABLE OF CONTENTS

MAGIC Fund Commitments Report.....	1
Conditions of Agreements	4
MAGIC Fund Job and Wage Comparison - 2002	6
MAGIC Fund Job and Wage Comparison – 2003.....	12
Benefits Summary for MAGIC Fund Annual Report.....	18
Balance Sheet - 2002	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - 2002	20
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - 2002	21
Balance Sheet – 2003.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - 2003	23
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - 2003	24
MAGIC Fund Activity on Outstanding Loans – 2002.....	25
MAGIC Fund Activity on Outstanding Loans – 2003.....	26
MAGIC Fund General Policy Guidelines.....	27
MAGIC Fund Operating Procedures	38

MAGIC Fund Commitments 1998 - 2003

MAGIC Fund Report

Business	Year	Amount	Type of Funds	Contract Requirements---Comments
Belcourt				
Dynaband Telemarketing	1998	100,000	Loan	No Requirements--Assist in the financing of working capital.
Butte				
Mother of 8	1999	5,000 5,000	Grant Loan	Employment--Per the contract, the loan would become a grant if they employ 7 in 2003, 8 in 2004, 9 in 2005 and 10 in 2006. The obligations for 2003 were met.
Crosby				
Superior Grains	1999	40,000 60,000	Loan guarantee Loan guarantee	Must be used in equal amounts with the Crosby Spirit Fund.
Lighted Impressions	2000	30,000	Loan guarantee	No Requirements - Rremodeling of a former grade school building for the project.
Semolina Specialities/Bushel 42	2001	50,000 20,000 10,000	Stock Purchase Interest Buydown Grant	No Requirements - Stock equity investment. No Requirements - To support an interest buydown on a Pace loan. No Requirements - To cover operating expenses.
Dunseith				
Melco Industries	2000	10,000	Loan	No Requirements- Financing used for new molds.
Garrison				
Body Menders/Pigeon Products	2000	20,000	Grant	No Requirements- To assist in the buy-down, construction money and relocation money.
Lake Road Auto	1999	5,000	Loan	No Requirements
Lewis & Clark Bean & Pea	2001	30,000	Loan	Withdrawn
Harvey				
Dakota Halal	2000	50,000	Preferred Stock	Completion of a local fund drive and the stock be in the name of the City of Minot's.
Kenmare				
Commercial Group West	1999	65,000	Grant	No Requirements -Land purchase, Infrastructure cost and balance to help with a Pace Buydown.
Creative Industries	1999	13,000	Interest Buydown	No Requirements- Pace Buydown
Minot				
Albertson Consulting	2001	50,000 100,000	Grant Convertible Loan	Loan will convert to a grant if employment levels are met. 2002-15 employees, 20 in 2003, 25 in 2004 and 30 in 2005. The 2002 numbers were met, 2003 were not met & a payment was made to the City.
Central Machine & Pump	1999	36,000	Interest Buydown	No Requirements- Pace Buydown To assist in bld expansion and equip purchase.

MAGIC Fund Commitments 1998 - 2003

MAGIC Fund Report

Business	Year	Amount	Type of Funds	Contract Requirements--Comments
Minot				
Choice Hotels	1998	500,000	Grant	Employment-Per the contract, Choice is to maintain 325 FTE's in 1999, 350 FTE's in 2000, 375 FTE's in 2001, 400 FTE's in 2002 and 425 in 2003. The employment numbers were met for 1999, 2000, 2001, and 2002.
Dakota Drug	1998	250,000	Grant	Employment-\$50,000 paid annually for 5 years if 55 employees are on staff.
	1998	50,000	Loan	Paid back as a balloon payment at the end of the fifth year.
Designs in Stones	1998	36,000	Interest Buydown	No Requirements-Pace Buydown.
ING	1998	3,500,000	Grant	See Attached
	2000	625,000	Grant	See Attached
	2001	987,500	Grant	See Attached
MLT	1999	3,000,000	Grant	See Attached
Scherr's Cabinet & Doors	1998	7,000	Interest Buydown	No Requirements
TotalEmed/ Spheris	1999	300,000	Grant	See Attached
WebSmart	2000	30,000	Interest Buydown	See Attached
		200,000	Convertible Loan	
Mohall				
Midwest Telemark	2001	15,000	Grant	To assist in the acquisition and remodeling of another building to expand.
Mohall Supermarket	1998	5,000	Grant	No Requirements
New Town				
Northrop Grumman	1999	92,900	Grant	No Requirements--to assist in the purchase of high tech manufacturing equipment.
Russell				
Souris River Grain	1999	5,000	Interest Buydown	No Requirements--to assist in the expansion of their existing facility.
Parshall				
Northwest Dairy LLP	2001	50,000	Loan	The City is to have the security interest (Collateral) in two pieces of equipment. 1984 Payloader #41K11941 1976 IH 1086 #2610177U013373
Ray				
Medical Arts Press	1998	12,000	Grant	\$5,000 on the first day the business is open, and on the anniversary date the balance would be paid if there were 12 employees on staff.
	1999	15,000	Grant	Help with remodeling and the condition that the loan be paid in \$5,000-per-yr installments beginning in 2005.
		15,000	Loan	

MAGIC Fund Commitments 1998 - 2003

MAGIC Fund Report

Business	Year	Amount	Type of Funds	Contract Requirements--Comments
Ross				
West Dakota Feed & Seed	1998	12,500	Interest Buydown	Start-up money for the new business.
Rugby				
Rugby JDA (Rugby Manufacturing)	2000	44,265	Interest Buydown	No Requirements- to help with an interest buy-down and also for site improvements.
		60,000	Loan	
Sawyer				
Punkin Patch Pheasant	2000	7,500	Grant	This was subject to the other funding sources being in place before the grant is made. To help build a new hatchery facility. Verification is by a fax from SBPC.
Sherwood				
Sherwood Jack and Jill	1999	5,500	Grant	No requirements- to be used as a portion of the down payment to purchase the store
Stanley				
D-R-L Tire Sales	2000	3,750	Grant/Interest Buydown	No Requirements- to buy-down the loan.
Velva				
Agro-Tech	2001	6,800	Grant	No Requirements-Money used to assist in the expansion project.
Imscomm Software, Inc	2001	10,000	Grant	All other funding need to be in place before sending check. Verified by a letter from the Inscomm President.
Velva Area EDC	1999	10,000	Grant	No Requirements - Land Acquisition
Velva Drug	2001	5,000	Grant	No Requirements - Used for equity in the Company's down payment.
Watford City				
AmeriTech	1999	20,000	Grant	No Requirements - Assist in the purchase of a building.
Cross Consulting	1999	40,000	Loan Guarantee	Contingent on Approval of the Williston STAR Fund and the Watford Roughrider Fund & the guarantee be reduced each year by 1/3. No verification in the file.
Westhope				
Antler Creek	2000	4,000	Grant	No Requirements - Help company build up inventory.
Deva Lifewear	1999	25,000	Preferred Stock	The purchase of the stock is bases upon a review and approval by the City Attorney and that all shareholders have the same rights. A letter from the City Attorney is in the file.

Conditions of Agreements

ING- 2001 Grant

The City agrees to pay to the Company—

Payment of \$750,000 paid in three equal annual installments as set forth below:

1. \$250,000 upon completion of erection of steel for expansion
2. \$250,000 on the first anniversary of the initial payment as defined in #1
3. \$250,000 on the second anniversary of the initial payment as defined in #1

A payment of \$187,500 when the following conditions are met:

1. The Company (including the childcare center) employs 750 FTE employees in Minot.
2. Substantial completion and occupancy of the Expansion has occurred. If by the fourth anniversary of this Agreement the Company has not yet met the conditions set forth to receive the bonus, then no part of the bonus payment will be paid to the Company.

A payment of up to \$50,000 to the Company to reimburse the Company for infrastructure extension cost. (Sewer and Water, etc)

ING- 2000 Grant

Conditions of this payment were employments levels over and above the contemplated number of people employed.

ING- 1998 Grant

1. \$500,000 at initial site grading.
2. \$833,000 at the date of the Substantial Completion of the Service Center.
3. \$833,000 on the first anniversary of the Substantial Completion Date.
4. \$834,000 on the second anniversary of the Substantial Completion Date.

MLT Northwest Airlines

1. Lease the building for a term of no less than 10 years.
2. Invest not less than \$3,000,000 in remodeling and equipment in building.
3. Employment levels are to be met along with a specified average wage plus benefits.

Total Emed (Spheris)

1. \$100,000 at the signing of the agreement.
2. \$100,000 when a total of 82 employees are there.
3. \$100,000 when the total of 132 employees are there.

WebSmart

1. The building must be completed by December 1, 2000.
2. Invest not less than 1.35 million in building and equipment
3. Employment levels must be maintained for the loan to be converted to a grant as follows:
 - a. 40 employees on or before 8-7-2000; and
 - b. 30 additional employees on or before 8-7-2001; and
 - c. 30 additional employees on or before 8-7-2002; and
 - d. 25 additional employees on or before 8-7-2003; and
 - e. 25 additional employees on or before 8-7-2004.

MAGIC Fund Job And Wage Comparison -- 2002

2002 Jobs and Wages		Committed Jobs	Actual Jobs	Actual Wages
City	Company			
Belcourt	Dynaband Telemarketing	Did not respond		
Bottineau	MTI (Midwest Telemarketing Inc.)	0 Executive Management Supervisor Line & Staff	0 1 5 54	\$0 \$27,346 \$107,782 \$712,739
			Total	60 \$847,867
Butte	Mother of 8	Did not respond for year 2002		
Crosby	Superior Grains	0 Executive Management Supervisor Line & Staff	2 2 3 13	\$28,800 \$55,000 \$80,000 \$228,700
			Total	20 \$392,500
Crosby	Lighted Impressions	Did not respond/Closed		
Crosby	Semolina Specialities (Bushel - 42)	Did not respond/Closed		
Dunseith	Melco Industries	Did not respond		
Garrison	Lake Road Auto	Did not respond/Closed		
Garrison	Lewis & Clark Bean & Pea Grower	Did not respond/Withdrawn		
Garrison	Pigeon Products (Body Menders)	Owner run business		
Harvey	Dakota Halal Processing	Did not respond/Closed		
Kenmare	Commercial Group West	0 Executive Management Supervisor Line & Staff	2 1 6 33	\$77,000 \$47,530 \$151,267 \$230,074
			Total	42 \$505,871
Kenmare	Creative Industries, Inc.	0 Executive Management Supervisor Line & Staff	1 1 2 18	\$42,250 \$14,850 \$68,994 \$149,266
			Total	22 \$275,360
Kenmare	MTI (Midwest Telemarketing Inc.)	0 Executive Management Supervisor Line & Staff	0 1 6 65	\$0 \$31,090 \$154,163 \$827,750
			Total	72 \$1,013,003

MAGIC Fund Job And Wage Comparison -- 2002

2002 Jobs and Wages					
City	Company	Committed Jobs	Actual Jobs	Actual Wages	
Lansford	Gates Manufacturing	0	Executive	2	\$36,000
			Management	2	\$62,420
			Supervisor	0	\$0
			Line & Staff	12	\$255,986
			Total	16	\$354,406
Minot	Albertson Consulting	15	Did not respond		
Minot	Central Machine & Pump	0	Executive	2	\$199,999
			Management	3	\$84,181
			Supervisor	3	\$113,506
			Line & Staff	26	\$383,687
			Total	34	\$781,373
Minot	Choice Hotels	400	Executive	0	\$0
			Management	6	\$287,860
			Supervisor	23	\$697,305
			Line & Staff	356	\$5,134,637
			Total	385	\$6,119,802
Minot	Creative Cabintetry	0	Executive	1	\$46,000
			Management	1	\$35,000
			Supervisor	2	\$68,000
			Line & Staff	10	\$160,100
			Total	14	\$309,100
Minot	Dakota Drug	Did not respond			
Minot	Designs in Stone	Did not respond			
Minot	ING-2000 Grant	450	Executive	0	\$0
		750	Management	17	\$1,087,539
			Supervisor	41	\$806,616
			Line & Staff	655	\$12,729,004
			Day Care	18.8	\$255,009
			Total	731.8	\$14,878,168
Minot	Minot Milling	0	Executive	1	\$137,688
			Management	2	\$130,956
			Supervisor	3	\$113,246
			Line & Staff	21	\$607,065
			Total	27	\$988,955
Minot	MLT	0	Executive	0	\$0
			Management	14	\$554,184
			Supervisor	19	\$529,913
			Line & Staff	315	\$4,528,920
			Total	348	\$5,613,017

MAGIC Fund Job And Wage Comparison -- 2002

2002 Jobs and Wages

City	Company	Committed		Actual	
		Jobs	Jobs	Wages	
Minot	Scherrs Cabinet & Doors	0	Executive	2	\$101,983
			Management	0	\$0
			Supervisor	2	\$58,275
			Line & Staff	17	\$263,058
			Total	21	\$423,316
Minot	Sykes Enterprises, Inc.	0	Executive	0	0
			Management	35	\$1,057,108
			Supervisor	0	\$0
			Line & Staff	465	\$7,279,568
			Total	500	\$8,336,676
Minot	WebSmart	Did not respond/Closed			
Mohall	Midwest Telemarketing Inc.	0	Executive	4	\$280,000
			Management	13	\$326,500
			Supervisor	6	\$164,440
			Line & Staff	76	\$1,716,626
			Total	99	\$2,487,566
Mohall	Super Value	0	Executive	2	\$41,565
			Management	6	\$66,854
			Supervisor	0	\$0
			Line & Staff	5	\$16,365
			Total	13	\$124,784
New Town	Northrop Grumman	0	Executive	0	\$0
			Management	8	\$514,644
			Supervisor	0	\$0
			Line & Staff	94	\$2,717,000
			Total	102	\$3,231,644
Parshall	Northwestern Dairy	0	Executive	0	\$0
			Management	1	\$36,000
			Supervisor	0	\$0
			Line & Staff	17	\$69,957
			Total	18	\$105,957
Ray	Medical Arts Press	Did not respond			
Ross	West Dakota Feed & Seed	0	Executive	0	\$0
			Management	1	\$41,500
			Supervisor	1	\$23,944
			Line & Staff	5	\$9,948
			Total	7	\$75,392

MAGIC Fund Job And Wage Comparison -- 2002

2002 Jobs and Wages

City	Company	Committed Jobs	Actual Jobs	Actual Wages
Rugby	St. Michel Furniture	Did not respond for year 2002		
Rugby	Samsara Cues (Robodyne)	0	Executive Management Supervisor Line & Staff	2 1 0 2
				\$35,350 \$30,000 \$0 \$15,364
			Total	5 \$80,714
Russell	Souris River Grain	Did not respond		
Sawyer	Punkin Patch Pheasant Ranch	0	Executive Management Supervisor Line & Staff	0 1 1 5
				\$0 \$15,000 \$12,000 \$9,000
			Total	7 \$36,000
Sherwood	Sherwood Grocery	0	Executive Management Supervisor Line & Staff	1 1 1 2
				\$12,000 \$12,000 \$4,800 \$9,600
			Total	5 \$38,400
Stanley	DRL Tire Sales/ DBA Kens Tire	0	Executive Management Supervisor Line & Staff	0 1 0 2
				\$0 \$22,193 \$0 \$19,824
			Total	3 \$42,017
Velva	Agro-Tech, Inc	0	Executive Management Supervisor Line & Staff	1 1 1 3
				\$32,100 \$15,000 \$10,000 \$15,000
			Total	6 \$72,100
Velva	Inscomm Software Inc	0	Executive Management Supervisor Line & Staff	0 0 1 4
				\$0 \$0 \$21,092 \$26,680
			Total	5 \$47,772
Velva	Velva Drug	0	Executive Management Supervisor Line & Staff	2 0 0 3
				\$108,083 \$0 \$0 \$25,887
			Total	5 \$133,970
Velva	Velva EDC	Land Acquisition		

MAGIC Fund Job And Wage Comparison -- 2002

2002 Jobs and Wages

MAGIC Fund Job And Wage Comparison -- 2002

MAGIC Fund Job And Wage Comparison - 2003

2003 Jobs and Wages

City	Company	Committed Jobs	Actual Jobs	Wages	
Belcourt	Dynaband Telemarketing	Did not respond			
Bottineau	MTI (Midwest Telemarketing Inc.)	0 Management Supervisor Line & Staff	Executive Management Supervisor Line & Staff	0 1 5 56 Total 62	\$0 \$25,662 \$122,293 \$773,103 \$921,058
Butte	Mother of 8	7	Executive Management Supervisor Line & Staff	1 1 0 5 Total 7	\$10,000 \$9,600 \$0 \$36,000 \$55,600
Crosby	Superior Grains	0	Executive Management Supervisor Line & Staff	3 2 4 15 Total 24	\$104,900 \$82,000 \$108,600 \$187,694 \$483,194
Crosby	Lighted Impressions	Did not respond/Closed			
Crosby	Semolina Specialities (Bushel - 42)	Did not respond/Closed			
Dunseith	Melco Industries	Did not respond			
Garrison	Lake Road Auto	Did not respond/Closed			
Garrison	Lewis & Clark Bean & Pea Growers	Did not respond/Withdrawn			
Garrison	Pigeon Products (Body Menders)	Owner run business			
Harvey	Dakota Halal Processing	Did not respond/Closed			
Kenmare	Commercial Group West	0	Executive Management Supervisor Line & Staff	2 1 8 24 Total 35	\$104,000 \$35,600 \$120,626 \$117,851 \$378,077
Kenmare	Creative Industries, Inc.	0	Executive Management Supervisor Line & Staff	1 1 2 16 Total 20	\$43,900 \$15,816 \$73,917 \$126,441 \$260,074
Kenmare	MTI (Midwest Telemarketing Inc.)	0	Executive Management Supervisor Line & Staff	0 1 7 52 Total 60	\$0 \$31,090 \$175,020 \$687,531 \$893,641

MAGIC Fund Job And Wage Comparison - 2003

2003 Jobs and Wages

City	Company	Committed		Actual	
		Jobs	Jobs	Jobs	Wages
Lansford	Gates Manufacturing	0	Executive	2	\$36,000
			Management	2	\$65,902
			Supervisor	0	\$0
			Line & Staff	16	\$248,554
			Total	20	\$350,456
Minot	Albertson Consulting	15	Did not respond		
		0	Executive	2	\$176,730
			Management	3	\$86,832
			Supervisor	3	\$119,201
Minot	Central Machine & Pump		Line & Staff	23	\$397,524
			Total	31	\$780,287
		425	Executive	0	\$0
			Management	6	\$303,403
			Supervisor	23	\$737,413
Minot	Choice Hotels		Line & Staff	296	\$4,671,237
			Total	325	\$5,712,053
		0	Executive	2	\$48,000
			Management	1	\$35,000
			Supervisor	2	\$62,800
Minot	Creative Cabinetry		Line & Staff	14	\$163,900
			Total	19	\$309,700
		0	Did not respond		
Minot	Dakota Drug	Did not respond			
Minot	Designs in Stone	Did not respond			
Minot	ING-2000 Grant	450	Executive	1	\$70,000
		750	Management	16	\$868,677
			Supervisor	42	\$1,156,235
			Line & Staff	680	\$13,787,242
			Day Care	23.8	\$261,288
Minot	Minot Milling		Total	762.8	\$16,143,442
		0	Executive	1	\$143,348
			Management	2	\$135,056
			Supervisor	3	\$114,739
			Line & Staff	22	\$593,173
Minot	MLT		Total	28	\$986,316
		0	Executive	0	\$0
			Management	15	\$595,751
			Supervisor	24	\$625,650
			Line & Staff	304	\$4,201,630
Minot	Total		Total	343	\$5,423,031

MAGIC Fund Job And Wage Comparison - 2003

2003 Jobs and Wages

City	Company	Committed		Actual	
		Jobs	Jobs	Wages	Wages
Minot	Scherrs Cabinet & Doors	0	Executive	2	\$108,932
			Management	0	0
			Supervisor	2	\$62,879
			Line & Staff	15	\$241,646
			Total	19	\$413,457
Minot	Sykes Enterprises, Inc.	0	Executive	0	\$0
			Management	31	\$984,834
			Supervisor	0	\$0
			Line & Staff	350	\$5,587,192
			Total	381	\$6,572,026
Minot	Terhorst Mfg. Co	0	Executive	3	\$247,300
			Management	2	\$88,025
			Supervisor	4	\$198,828
			Line & Staff	57	\$875,058
			Total	66	\$1,409,211
Minot	WebSmart	Did not respond/Closed			
Mohall	Midwest Telemarketing Inc.	0	Executive	4	\$280,000
			Management	16	\$535,908
			Supervisor	5	\$108,697
			Line & Staff	61	\$1,150,891
			Total	86	\$2,075,496
Mohall	Super Value	0	Executive	2	\$43,890
			Management	5	\$86,646
			Supervisor	0	\$0
			Line & Staff	7	\$36,949
			Total	14	\$167,485
New Town	Northrop Grumman	0	Executive	0	\$0
			Management	9	\$577,824
			Supervisor	0	\$0
			Line & Staff	90	\$2,748,874
			Total	99	\$3,326,698
Parshall	Northwestern Dairy	0	Executive	0	\$0
			Management	1	\$36,000
			Supervisor	0	\$0
			Line & Staff	15	\$205,494
			Total	16	\$241,494
Ray	Medical Arts Press	Did not respond			
Ross	West Dakota Feed & Seed	0	Executive	0	\$0
			Management	1	\$42,000
			Supervisor	1	\$22,800
			Line & Staff	6	\$23,274
			Total	8	\$88,074

MAGIC Fund Job And Wage Comparison - 2003

2003 Jobs and Wages

City	Company	Committed		Actual	
		Jobs	Wages	Jobs	Wages
Rugby	St. Michel Furniture	0		Executive 1	\$36,000
				Management 3	\$107,723
				Supervisor 0	\$0
				Line & Staff 13	\$164,668
				Total 17	\$308,391
Rugby	Samsara Cues (Robodyne)	0		Executive 2	\$50,700
				Management 1	\$30,000
				Supervisor 0	\$0
				Line & Staff 3	\$40,842
				Total 6	\$121,542
Russell	Souris River Grain	Did not respond			
Sawyer	Punkin Patch Pheasant Ranch	0		Executive 0	\$0
				Management 1	\$16,000
				Supervisor 1	\$13,000
				Line & Staff 3	\$7,000
				Total 5	\$36,000
Sherwood	Sherwood Grocery	0		Executive 1	\$12,000
				Management 1	\$12,000
				Supervisor 1	\$4,800
				Line & Staff 2	\$9,600
				Total 5	\$38,400
Stanley	DRL Tire Sales/ DBA Kens Tire	Did not respond			
Velva	Agro-Tech, Inc	0		Executive 1	\$60,000
				Management 1	\$15,000
				Supervisor 1	\$60,000
				Line & Staff 3	\$15,000
				Total 6	\$150,000
Velva	Inscomm Software Inc	0		Executive 0	\$0
				Management 0	\$0
				Supervisor 1	\$12,751
				Line & Staff 1	\$3,897
				Total 2	\$16,648
Velva	Velva Drug	0		Executive 2	\$119,000
				Management 0	\$0
				Supervisor 0	\$0
				Line & Staff 3	\$33,601
				Total 5	\$152,601
Velva	Velva EDC	Land Acquisition			

MAGIC Fund Job And Wage Comparison - 2003

2003 Jobs and Wages

City	Company	Committed		Actual	
		Jobs	Wages	Jobs	Wages
Watford City	AmeriTech	Did not respond			
Watford City	Cross Consulting	Did not respond			
Westhope	Antler Creek Specialties Inc	Owner run business			
Westhope	Deva Lifewear, Inc	0	Executive	0	\$0
			Management	4	\$120,000
			Supervisor	2	\$33,395
			Line & Staff	19	\$151,560
			Total	25	\$304,955

MAGIC Fund Job And Wage Comparison - 2003

Benefits Summary for MAGIC Fund Annual Compliance Report

2002

Health Insurance-

Of the 27 companies that responded to the survey,

- 2 paid 100% of the premium for health insurance.
- 13 paid for 76-100% of the premium for health insurance.
- 4 paid for 51-75% of the premium for health insurance.
- 4 paid for 26-50% of the premium for health insurance.
- 1 paid for 1-25% of the premium for health insurance.
- 3 carried no health insurance.

2003

Health Insurance-

Of the 29 companies that responded to the survey,

- 2 paid 100% of the premium for health insurance.
- 13 paid for 76-100% of the premium for health insurance.
- 4 paid for 51-75% of the premium for health insurance.
- 4 paid for 26-50% of the premium for health insurance.
- 2 paid for 1-25% of the premium for health insurance.
- 4 carried no health insurance.

Pension Benefits-

Of the 27 companies that responded to the survey,

- 1 pay for 100% of the pension plan.
- 3 pay 76-100% for the pension plan.
- 9 pay 1-25% for the pension plan.
- 11 have no pension plan.
- 3 participate in a 401K plan.

18

Pension Benefits-

Of the 29 companies that responded to the survey,

- 1 pay for 100% of the pension plan.
- 3 pay 76-100% for the pension plan.
- 10 pay 1-25% for the pension plan.
- 12 have no pension plan.
- 3 participate in a 401K plan.

Vacation Benefits-

Of the 27 companies that responded to the survey,

- 14 companies do offer a vacation benefit.
- 13 companies do not offer any kind of vacation benefit.

Vacation Benefits-

Of the 29 companies that responded to the survey,

- 15 companies do offer a vacation benefit.
- 14 companies do not offer any kind of vacation benefit.

Other Tangible Benefits- (Sick Leave, Dental, Vision, Holiday Pay, etc.)

Of the 27 companies that responded to the survey,

- 12 companies do offer other benefits.
- 15 companies do not offer other benefits.

Other Tangible Benefits- (Sick Leave, Dental, Vision, Holiday Pay, etc.)

Of the 29 companies that responded to the survey,

- 13 companies do offer other benefits.
- 16 companies do not offer other benefits.

CITY OF MINOT, NORTH DAKOTA
BALANCE SHEET
SALES TAX ECONOMIC DEVELOPMENT FUND
DECEMBER 31, 2002

	SPECIAL REVENUE FUND
	SALES TAX
	ECONOMIC
	DEVELOPMENT
ASSETS	
Cash And Cash Equivalents	\$0
Investments	290,000
Taxes Receivable Deferred	-
Taxes Receivable Delinquent	-
Special Assessments Deferred	-
Special Assessments Delinquent	-
Accounts Receivable	-
Loans Receivable	1,159,284
Allowance For Loans Receivable	(590,401)
Accrued Interest Receivable	-
Advance To Other Funds	-
Due From Other Funds	-
Due From Other Agencies	203,951
Merchandise Inventory	-
TOTAL ASSETS	\$1,062,834
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$0
Retainage Payable	-
Advance From Other Funds	1,989,030
Due To Other Funds	1,686,161
Due To Other Agencies	-
Accrued Salaries Payable	-
Deferred Revenue	-
TOTAL LIABILITIES	3,675,191
 FUND BALANCE	
Reserved For Encumbrances	-
Reserved For Advances	-
Reserved For Merchandise Inventory	-
Reserved For Economic Development	290,000
Reserved For Property Tax Relief	-
Reserved For Capital Improvements	-
Reserved For Loans Receivable	568,883
Unreserved	
Designated	
Memorial	-
Maintenance and Operations	-
Debt Retirement	-
Undesignated	(3,471,240)
Undesignated-Nonmajor Funds	
Special Revenue Funds	-
Capital Project Funds	-
TOTAL FUND BALANCE (DEFICIT)	(2,612,357)
 TOTAL LIABILITIES AND FUND BALANCE	\$1,062,834

CITY OF MINOT, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SALES TAX ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

SPECIAL REVENUE FUND		
	SALES TAX	
	ECONOMIC	
	DEVELOPMENT	
REVENUES		
Property Tax Collections		\$0
Special Assessment Collections		-
Sales Tax Collections		1,900,969
Licenses and Permits		-
Intergovernmental		-
Charges For Services		-
Fines and Forfeits		-
Interest Income		164,556
Miscellaneous		16,988
TOTAL REVENUES		\$2,082,513
 EXPENDITURES		
Current		
General Government		-
Public Safety		-
Highways and Streets		-
Culture and Recreation		-
Economic Development		35,641
Capital Outlay		
Contracted Work		-
Equipment		-
Legal		-
Other		-
Architect		-
Acquisitions		-
Engineering		-
Debt Retirement		
Principal Retirement		2,560,800
Interest and Fiscal Charges		63,935
TOTAL EXPENDITURES		2,660,376
 Revenues Over (Under) Expenditures		 (577,863)
 OTHER FINANCING SOURCES (USES)		
Proceeds from G.O. Bonds		-
Refunding Bonds Issued		-
Premium (Discount) on Debt Issued		-
Payment to refunded bond escrow agent		-
Transfers IN		355,930
Transfers OUT		(50,000)
TOTAL OTHER FINANCING SOURCES (USES)		305,930
 Change in Fund Balance		 (271,933)
 FUND BALANCE(DEFICIT), JANUARY 1		 (2,340,424)
FUND BALANCE(DEFICIT), DECEMBER 31		 (\$2,612,357)

CITY OF MINOT, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL
SALES TAX ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

SALES TAX-ECONOMIC DEVELOPMENT			
VARIANCE			
	ORIGINAL AND		WITH
	FINAL		FINAL BUDGET
	BUDGETED	ACTUAL	POSITIVE
	AMOUNTS	AMOUNTS	(NEGATIVE)
REVENUES			
Sales Tax Collections	\$1,864,776	\$1,900,969	\$36,193
Interest Income	-	164,556	164,556
Miscellaneous	-	16,988	16,988
TOTAL REVENUES	1,864,776	2,082,513	217,737
EXPENDITURES			
Current			
General Government	-	-	-
Economic Development	2,120,746	35,641	2,085,105
Debt Retirement			
Principal Retirement	-	2,560,800	(2,560,800)
Interest and Fiscal Charges	-	63,935	(63,935)
Intergovernmental	-	-	-
TOTAL EXPENDITURES	2,120,746	2,660,376	(539,630)
Revenues Over (Under) Expenditures	(255,970)	(577,863)	321,893
OTHER FINANCING SOURCES (USES)			
Transfers In	305,970	355,930	49,960
Transfers Out	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES(USES)	255,970	305,930	49,960
Change in Fund Balance	\$0	(271,933)	
FUND BALANCE(DEFICIT), JANUARY 1		(2,340,424)	
FUND BALANCE(DEFICIT), DECEMBER 31		(\$2,612,357)	

**CITY OF MINOT, NORTH DAKOTA
BALANCE SHEET
SALES TAX ECONOMIC DEVELOPMENT FUND
DECEMBER 31, 2003**

UNAUDITED

SPECIAL REVENUE FUND	
	SALES TAX ECONOMIC DEVELOPMENT
ASSETS	
Cash And Cash Equivalents	\$0
Investments	290,000
Taxes Receivable Deferred	-
Taxes Receivable Delinquent	-
Special Assessments Deferred	-
Special Assessments Delinquent	-
Accounts Receivable	-
Loans Receivable	984,350
Allowance For Loans Receivable	(575,817)
Accrued Interest Receivable	-
Advance To Other Funds	-
Due From Other Funds	-
Due From Other Agencies	208,376
Merchandise Inventory	-
TOTAL ASSETS	\$906,909
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$0
Retainage Payable	-
Advance From Other Funds	1,684,030
Due To Other Funds	544,397
Due To Other Agencies	-
Accrued Salaries Payable	-
Deferred Revenue	-
TOTAL LIABILITIES	2,228,427
 FUND BALANCE	
Reserved For Encumbrances	7,500
Reserved For Advances	-
Reserved For Merchandise Inventory	-
Reserved For Economic Development	290,000
Reserved For Property Tax Relief	-
Reserved For Capital Improvements	-
Reserved For Loans Receivable	408,533
Unreserved	
Designated	
Memorial	-
Maintenance and Operations	-
Debt Retirement	-
Undesignated	(2,027,551)
Undesignated-Nonmajor Funds	
Special Revenue Funds	-
Capital Project Funds	-
TOTAL FUND BALANCE (DEFICIT)	(1,321,518)
 TOTAL LIABILITIES AND FUND BALANCE	\$906,909

CITY OF MINOT, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SALES TAX ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

UNAUDITED

	SPECIAL REVENUE FUND
	SALES TAX
	ECONOMIC
	DEVELOPMENT
REVENUES	
Property Tax Collections	\$0
Special Assessment Collections	-
Sales Tax Collections	1,907,531
Licenses and Permits	-
Intergovernmental	-
Charges For Services	-
Fines and Forfeits	-
Interest Income	16,628
Miscellaneous	29,663
TOTAL REVENUES	\$1,953,822
 EXPENDITURES	
Current	
General Government	-
Public Safety	-
Highways and Streets	-
Culture and Recreation	-
Economic Development	587,920
Capital Outlay	
Contracted Work	-
Equipment	-
Legal	-
Other	-
Architect	-
Acquisitions	-
Engineering	-
Debt Retirement	
Principal Retirement	-
Interest and Fiscal Charges	32,832
TOTAL EXPENDITURES	620,752
 Revenues Over (Under) Expenditures	1,333,070
 OTHER FINANCING SOURCES (USES)	
Proceeds from G.O. Bonds	-
Refunding Bonds Issued	-
Premium (Discount) on Debt Issued	-
Payment to refunded bond escrow agent	-
Transfers IN	182,832
Transfers OUT	(225,063)
TOTAL OTHER FINANCING SOURCES (USES)	(42,231)
 Change in Fund Balance	1,290,839
 FUND BALANCE(DEFICIT), JANUARY 1	(2,612,357)
FUND BALANCE(DEFICIT), DECEMBER 31	(\$1,321,518)

CITY OF MINOT, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL
SALES TAX ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

UNAUDITED

	SALES TAX-ECONOMIC DEVELOPMENT		
	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Sales Tax Collections	\$1,883,424	\$1,907,531	\$24,107
Interest Income	-	16,628	16,628
Miscellaneous	-	29,663	29,663
TOTAL REVENUES	1,883,424	1,953,822	70,398
EXPENDITURES			
Current			
General Government	-	-	-
Economic Development	2,162,704	587,920	1,574,784
Debt Retirement			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	32,832	(32,832)
Intergovernmental	-	-	-
TOTAL EXPENDITURES	2,162,704	620,752	1,541,952
Revenues Over (Under) Expenditures	(279,280)	1,333,070	(1,612,350)
OTHER FINANCING SOURCES (USES)			
Transfers In	329,280	182,832	(146,448)
Transfers Out	(50,000)	(225,063)	(175,063)
TOTAL OTHER FINANCING SOURCES(USES)	279,280	(42,231)	(321,511)
Change in Fund Balance	<u>\$0</u>	<u>1,290,839</u>	
FUND BALANCE(DEFICIT), JANUARY 1			<u>(2,612,357)</u>
FUND BALANCE(DEFICIT), DECEMBER 31			<u>(\$1,321,518)</u>

***Magic Fund Activity on Outstanding Loans
2002***

	Loan Balance as of Dec. 31, 2001	Payments 2002	2002 Adjustment	Loan Balance as of Dec. 31, 2002
Dakota Custom Furniture	\$ 749.70	\$ 749.70		\$ 0.00
Dental Healthway/Oral Logic	72,752.26	1,350.00		71,402.26
Robodyne/City of Rugby	82,333.04	13,000.08		69,332.96
Soaring Eagle Outerwear	50,000.00	-	(50,000.00) *	-
Abacus Accounting	39,988.00	-		39,988.00
Brite Flite Target	12,268.86	12,268.86	-	-
Heartland Products	4,690.68	4,690.68	-	-
Westhope EDC	5,225.00	2,612.50		2,612.50
Heartland Products	3,828.52	3,828.52	-	-
TRJ Enterprises	9,730.23	9,730.23	-	-
Northwest Molding	13,333.34	-		13,333.34
Leeds EDC Trust	30,000.00	-		30,000.00
Noble Games	55,217.85	-		55,217.85
Electronic Services	113,000.00	-		113,000.00
Med Vision	1,561,016.54	1,019,961.33	111,277.06 ***	429,778.15
Dynaband, LLC	36,666.54	20,000.04	-	16,666.50
Dakco Distributing	50,000.00	-		50,000.00
Ray EDC (Med Arts Press)	15,000.00	-		15,000.00
Mother of Eight	5,000.00	-		5,000.00
GAIA (Lake Road Auto Care	1,527.75	1,527.75	-	-
Melco Industries, Inc.	10,000.00	-		10,000.00
Rugby Job Development	52,840.15	8,038.32		44,801.83
Albertson Consulting	100,000.00	-	(25,000.00) *	75,000.00
Dakota Marketing-Eliance	-	3,495.79	121,646.65 **	118,150.86
	\$ 2,325,168.46	\$ 1,101,253.80	\$ 157,923.71	\$ 1,159,284.25

* Met Employment Criteria

** New Loan Added

*** Interest Reallocation as per Minnesota State Law

***Magic Fund Activity on Outstanding Loans
2003***

	Loan Balance as of Dec. 31, 2002	Payments 2003	2003 Adjustment	Loan Balance as of Dec. 31, 2003
Dakota Custom Furniture	\$ -	\$ -		\$ 0.00
Dental Healthway/Oral Logic	71,402.26			71,402.26
Robodyne/City of Rugby	69,332.96	13,000.08		56,332.88
Soaring Eagle Outerwear	-			-
Abacus Accounting	39,988.00	-		39,988.00
Brite Flite Target	-	-		-
Heartland Products	-	-		-
Westhope EDC	2,612.50	2,612.50		-
Heartland Products	-	-		-
TRJ Enterprises	-	-		-
Northwest Molding	13,333.34		(13,333.34) *	-
Leeds EDC Trust	30,000.00	10,000.00		20,000.00
Noble Games	55,217.85	-		55,217.85
Electronic Services	113,000.00	-		113,000.00
Med Vision	429,778.15	1,546.60		428,231.55
Dynaband, LLC	16,666.50	16,666.50		-
Dakco Distributing	50,000.00	50,000.00		-
Ray EDC (Med Arts Press)	15,000.00	-		15,000.00
Mother of Eight	5,000.00		(1,250.00) *	3,750.00
GAIA (Lake Road Auto Care)	-	-		-
Melco Industries, Inc.	10,000.00	-		10,000.00
Rugby Job Development	44,801.83	44,801.83		-
Albertson Consulting	75,000.00			75,000.00
Dakota Marketing-Eliance	118,150.86	21,723.10		96,427.76
	\$ 1,159,284.25	\$ 160,350.61	\$ (14,583.34)	\$ 984,350.30

* Met Employment Criteria

**MINOT AREA GROWTH BY INVESTMENT AND COOPERATION
MAGIC FUND
GENERAL POLICY GUIDELINES**

AS APPROVED BY THE CITY COUNCIL OF THE CITY OF MINOT ON:

June 2, 2003

CONTENTS

GENERAL PURPOSE	3
FUND USES AND FISCAL CONTROLS	4
MAGIC FUND SCREENING COMMITTEE	6
APPLICATION PROCESSES	7
APPLICATION REVIEW GUIDANCE	9
PROJECT TRACKING AND CONTRACTS	10

GENERAL PURPOSE

In 1990, the voters of the City of Minot approved a portion of the 1-percent City sales tax for use in economic and industrial development. The funds accumulated for this purpose shall be called the Minot Area Growth by Investment and Cooperation (MAGIC) Fund.

The MAGIC Fund is intended to provide financing incentives to businesses that desire to expand or locate in the greater Minot trade area. The primary purposes of this Fund are to create new jobs, save existing jobs, expand the local tax base, increase capital investment, improve the entrepreneurial climate of the region, and generally, expand the primary sector financial base of the area.

FUND USES AND FISCAL CONTROLS

A.

Funds available through the MAGIC Fund may be used to provide temporary or permanent financing of any business cost related to the relocation and/or establishment of a new business, or the expansion of an existing business. Generally, these funds will not be used for:

- (1) restructuring existing debt, unless it can be demonstrated that the restructuring will create new jobs or save existing jobs; or
- (2) establishing a retail activity within the City of Minot or any community where retail services/products of the new venture are already available.

Funds may be used to leverage related financing through venture capital funds, financial institutions, or other sources.

Non-profit organizations will be considered for these funds only under the most unusual circumstances, and only when it can be determined that the non-profit venture meets the general purpose for which the MAGIC Fund was established.

A portion of the funds may be appropriated annually to promote area economic and industrial development, administration of the program, and other types of marketing that have direct economic development implications.

When feasibility study funding is requested, the MAGIC Fund Screening Committee will assure that participation is limited to those studies that clearly document that:

- (1) risk is shared equitably among participants;
- (2) the study has a potential for direct economic impact upon the Minot trade area; and
- (3) MAGIC Fund Participation is limited to no more than the amount of the principal proposer's expenditure thereon.

As a matter of policy, financial assistance will not be approved for any new or existing business that gives the applying venture a business advantage over other like or similar businesses. Establishment of a business in a rural area similar to a business found within the City of Minot does not necessarily, in and of itself, constitute an unfair advantage.

A company that meets or exceeds its contractual job creation/retention obligations for previously received funding may be eligible for additional funding from the MAGIC Fund for new expansion initiatives.

B.

Any expenditure from the MAGIC Fund must be listed with the monthly bills approved by the City Council before payment is made. To the extent applicable to the features of a particular project, as part of such process, detailed invoices and receipts must be provided to the City.

With the exception of interest buy-downs, any proposal to obligate MAGIC Fund money beyond what is currently available, plus what is expected to accrue by the end of the current fiscal year, will be clearly stated to the public during a public hearing prior to City Council action.

Proposals to expend jobs development funds (from the 40-percent economic development share of the "first penny" sales tax) on infrastructure will be specifically addressed by, and communicated to, the City Council by the MAGIC Fund Screening Committee. A public hearing is required prior to City Council action on any such proposal.

MAGIC FUND SCREENING COMMITTEE

The MAGIC Fund Screening Committee, appointed by the Mayor and confirmed by the City Council, will have substantial flexibility in the types of financing tools available to it to pursue general economic and industrial development goals. Examples include, but are not limited to: unsecured loans, mortgages and other secured loans, equity positions, equipment and building purchase and lease-back, interest buy-downs, grants, and other financing vehicles as may be necessary and appropriate.

Members will be appointed to retain expertise on the Committee in the following areas:

Number	Expertise/Profession/Background
1	Professional
2	Labor
1	Business
1	Trade Area
2	Finance

No officer, director, member, or employee of the MAGIC Fund Screening Committee, Minot Area Development Corporation (MADC), City of Minot, or MADC or MAGIC Fund screening agency may have an ownership position in a business funded by the MAGIC Fund. Funding will not be considered until 12 months after an applicant's disability under this paragraph terminates.

The MAGIC Fund Screening Committee will make an annual written report to the City Council, which the Council may choose to be supplemented or superseded by a report prepared by an independent private consultant. The chairperson of the Committee will make an oral report to the Council and answer questions from both the Council and the public. The oral report will be made concurrent with the public release of the written report. The annual report shall include:

- (1) Independent financial accounting for all tax money spent during the reporting period from the jobs development portion of the 40-percent "first penny" tax, by category of spending. This portion of the report will include MAGIC Fund balance information as of the report closing date.
- (2) An assessment of the performance of the current jobs development/retention contracts, utilizing the "Project Tracking" guidance found in this policy.
- (3) An assessment of the performance of the current contracts for all supporting services paid for by the 40-percent "first penny" tax revenue.
- (4) A listing of all applications that were not approved.
- (5) An assessment of the financial and management health of the MAGIC Fund, to include matters that are recommended for policy change and/or need redefinition.

APPLICATION PROCESSES

The MAGIC Fund Screening Committee will develop application procedures and administrative processes that are comprehensive enough to protect the community interests but are streamlined enough so as not to discourage potential applicants from seeking financial assistance.

Applicants will be required to submit an application. If the Committee believes that the application has merit, it may negotiate financial terms with the applicant. The Committee may contract for professional advice/services to assist in its deliberations.

At least one representative of the company applying for funding must present the application to the MAGIC Fund Screening Committee and respond to questions about the company and its job creation/retention plans. All applications and attendant paperwork must be submitted in sufficient time to allow the MAGIC Fund Screening Committee to do its due diligence work.

Communities and agencies requesting marketing-match funding will submit an application, adequately outlining what the marketing match will be used for and the timeline for such use, and will indicate the sources of the funds being used as a match for MAGIC Fund monies. An applicant must commit that, when the project is completed, a report will be issued by it to the MAGIC Fund Screening Committee, noting the completion.

The City Council will review and grant final approval for all projects that are recommended by the MAGIC Fund Screening Committee. The Committee has authority to disapprove applications.

Confidentiality shall be observed for information of a personal nature, such as Social Security numbers and the like, both as a statutory obligation and as a matter of policy. Confidentiality of other information (including proprietary information and trade secrets) submitted to the Committee will be provided only upon a clear showing of the need for such confidentiality (giving due regard to the difficulty of proving the need for confidentiality without, at the same time, disclosing the information sought to be kept confidential).

When confidentiality is provided by the City, its obligation in that regard shall be limited to making reasonable good-faith efforts to preserve such confidentiality under the applicable North Dakota open meetings and open records laws (including, when permissible, the return of all copies of such information to the person who, or the entity which, submitted it). No absolute or unconditional guarantee of confidentiality will be made.

In cases when confidentiality has been provided, it is the desire of the City Council that there be a sufficient interval between the Committee “going public” on its recommendation and the Council acting on such recommendation, so as to allow meaningful time for the public to digest and comment upon the recommendation. However, the Committee may recommend to the Council that such interval be foreshortened or telescoped upon a finding of the Committee that:

- (1) the proposed project seems reasonably likely to generate more than one hundred full-time, desirable jobs;

- (2) the company involved in the project is a publicly traded company listed on the New York Stock Exchange or the NASDAQ Exchange, which has a history of successful operation and for which there is a consensus of stock analysts of "hold" or better; and
- (3) such company provides a cogent written explanation of the need for expedited Council action after the Committee goes public, which explanation shall be made public at the same time as the Committee recommendation is made public.

APPLICATION REVIEW GUIDANCE

The following guidelines are intended to serve as a source of general guidance for Committee members in the administration of this program. It is important to note that the economic development needs of the area are such that a large degree of procedural flexibility is necessary to capitalize on windows of opportunity. In that context, administration of the MAGIC Fund must be dynamic enough to insure that the monies made available by this tax are prudently applied to the economic development needs of the area.

The acid test of the value of an application will be the relative positive "impact mix" of the business on the economy of the region. "Impact mix" is defined in general terms as the number of jobs created or saved; quality of those jobs in terms of salary/benefit levels and the expected length of time the job will be viable; expansion of the tax base; financial mix—to include the appropriate level of owner's equity required to make the venture successful; organizational growth potential of the venture; environmental impact; uses of regional materials in the production process; the amount of third-party participation in the venture; and the amount of primary money generated by the project. The Committee will look for these factors in determining the relative worth of an applicant's venture to the economy of our region.

Jobs supported by the MAGIC Fund will not be determined by using an "average" wage. Concentration will be on companies that create a mix of job and skill categories. An artificial wage standard for jobs is impermissible; however, a concept that considers jobs that meet or exceed regional average wage levels for the created jobs is entirely appropriate.

The ratio of public-supported funding versus private-supported funding on each project should be carefully scrutinized so that the MAGIC Fund does not take a disproportionate equity position in any particular project.

Interest rates need not be fixed but, rather, may be based upon the relative risk involved, the desirability of the project to the area, and the immediate and long-term growth potential of the business. It is important that, to the greatest extent possible, financial packages be tailored to meet the needs of the applicant, while weighing the impact of the business venture on the area economy. Creative repayment schedules that provide a significant increase in the probability of project success may be considered, provided that the economic development potential of such arrangement justifies the non-traditional repayment arrangement.

Projects that call for expenditures by the MAGIC Fund to be made over a period of time, and then conditioned upon certain performance benchmarks being reached by the project, are to be preferred over projects that make heavy "up front" expenditure demands. Any project that is heavily front-ended must demonstrate offsetting desirable features not found in the average project.

PROJECT TRACKING AND CONTRACTS

The MAGIC Fund Screening Committee will institute project-tracking procedures for each project approved. The procedures for tracking will provide periodic feedback from the company receiving job creation/retention funding on the status of business operations. Establishing the specific frequency, content, and manner of presentation of these reports will be under the direct control of the contract committee, which will assure that the project tracking and reporting requirements are established prior to loan disbursement and be made enforceable by means of a written development contract between the City and the fund recipient.

A contract committee of four, consisting of a City Council representative, a City Finance representative, a MAGIC Fund Screening Committee representative, and a service provider representing the project, with the assistance of legal counsel, will structure each development contract and forward it to the City Council concurrent with the project being recommended for approval by the MAGIC Fund Screening Committee.

In reference to contracts with consultants and service providers, there should be expectations and performance standards built into the contract. The return from the service providers and consultants should be proportionate to the money they receive. An annual independent contract audit on the use of these funds will be required as part of the contract.

To the extent appropriate under the circumstances of a particular project, its development contract shall call for the provision of detailed receipts and invoices as a precondition of the expenditure of funds by the City pursuant to the contract.

The contract shall provide for suitable collateral or security to protect the City's interests and, in addition (or when necessary in lieu thereof), "pull-back" provisions. Development contracts should prescribe specific reporting requirements to be met by the grantee, including at a minimum:

- (1) The total annual salary paid out by the company in terms of job categories, such as executives, managers, supervisors, and line employees.
- (2) A tabulation of the number of employees in annual salary categories, listed by brackets (i.e., \$20,000-\$25,000, \$25,001 to \$30,000, etc.). Full-time and part-time employees are to be reported separately. Part-time wage category brackets are to be established by hourly wages paid. Jobs requiring 32 work hours per week or more will be reported as full-time-equivalent positions.
- (3) Number of employees receiving benefits, type of benefits provided, and dollar value of benefits. Examples include health insurance, life insurance, pensions, vacations, sick leave, etc.
- (4) Value of annual goods and services purchased in the Minot trade area.

(5) Benevolent activities, including volunteer hours of employees and services provided to the community.

Each project file should maintain a checklist that corresponds to the contract requirements to ensure all documentation is current and complete.

At the discretion of the City Council, an independent contractor shall review employment records at the company site and sign an affidavit of verification.

MINOT AREA GROWTH BY INVESTMENT AND COOPERATION

MAGIC FUND

OPERATING PROCEDURES

**AS APPROVED BY THE MAGIC FUND ON
JANUARY 23, 2004**

GENERAL PURPOSE

This document is to provide for an operating procedure and companion document for the MAGIC Fund General Policy Guidelines as adopted by the City Council of the City of Minot on June 2, 2003. It is intended to standardize the application, processing, evaluation criteria, contract guidance, contract compliance, and public reporting requirements for any individual or organization receiving direct or indirect financial support from the MAGIC Fund.

A. APPLICATION

Except for communities requesting marketing-match funding, every request for funding that will be considered by the MAGIC Fund Committee and the City Council, requires a completed application as provided in these operating procedures.

At least one representative of the company applying for MAGIC Funding must present the application to the MAGIC Fund Screening Committee. In addition, the representative of the company must be available to the MAGIC Fund Screening Committee to answer any questions they may have regarding the application for funding. All applications for funding will be submitted to the City via a community economic development agency or an agency designated by the City to receive such applications, i.e. SBPC, MADC or SBDC.

Communities requesting marketing-match funding will submit an application in accordance with the application procedures established by the MAGIC Fund Screening Committee.

B. PROCESSING

1. All applications for funding that are to be presented to the MAGIC Fund Screening Committee for consideration, must be submitted to the City by the service agency at least two weeks prior to the scheduled MAGIC Fund Committee meeting.
2. The City Council will conduct the final review for all applications for funding. The City Council will make the determination as to granting final approval or disapproval of the applications.

3. Confidentiality shall be observed as provided in the MAGIC Fund Guidelines.

Special Application Processing Requests

1. In rare occasions, the MAGIC Fund Screening Committee may recommend to the City Council that the interval, as provided for in the MAGIC Fund Policy Guidelines, be shortened. Specific rational for such a consideration must be provided in writing to the chairman of the MAGIC Fund Screening Committee. A copy of the request will be provided to the Minot City Finance Office.

C. SPECIAL REQUIREMENTS AND EVALUATION CRITERIA

1. Business Plan Requirements for Applicants for MAGIC Funds

A. Each business entity requesting funding from the MAGIC Fund will append a copy of the current business plan to their funding application. Although it is recognized that business plans can be formatted in a variety of ways, each submitted business plan should contain sufficient information about the venture requesting funding to allow for a complete understanding of the business and its proposed new activities.

B. For the purpose of perusing funding support from the MAGIC Fund, a full time job is defined as a 32-hour workweek. All jobs of fewer hours per workweek will be defined as part-time.

C. The following specific data is required in the format shown.

Job Categories:

Expected Full and Part-time Employees

As Of (Expected Date)

<u>Salary/Wage Category</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Total</u>
Executive			
Management			
Supervisor			
Line/Staff			
Total			

Wage And Salary Information:

Wage and Salary Pay Expectations

As of (Expected Date)

<u>Wage/Salary Category</u>	<u>Total Employed</u>	<u>Total Payroll This Category</u>
<u>Executive</u>		
\$0-		
40,000		
40,001-45,000		
45,001-50,000		
50,001-55,000		
55,001-60,000		
60,001-65,000		
65,001-70,000		
70,000+		
<u>Management</u>		
\$0-		
30,000		
30,001-35,000		
35,001-40,000		
40,001-45,000		
45,001-50,000		
50,001+		
<u>Supervisor</u>		
\$0-		
20,000		
20,001-25,000		
25,001-30,000		
30,001-35,000		
35,001+		
<u>Line and Staff</u>		
\$0-		
10,000		
10,001-15,000		
15,001-20,000		
20,001-25,000		
25,001-30,000		
35,001-35,000		
35,001-40,000		
40,001+		
Total		

Benefits Expectations:

Employees Benefits Expectations As Of (Expected Date)

<u>Category</u>	<u>Number</u> <u>Health</u>	<u>Value</u>	<u>Number</u> <u>Pension</u>	<u>Value</u>	<u>Number</u> <u>Other</u>	<u>Value</u>	<u>Total</u> <u>Value</u>
Executive							
Management							
Supervisor							
Line/Staff							

Note: Please list the benefits here that you have included in the "Other" category.

D. CONTRACTS

1. A Contract Committee of four consisting of a City Council representative, a City Finance representative, a MAGIC Fund Screening Committee representative and a service provider representing the project, with the assistance of legal council, will structure each development contract and forward it to the City Council along with the project being recommended for approval by the MAGIC Fund Screening Committee. A member of the business/organization requesting MAGIC Funding will be invited to participate in each contract development session. Contract terms may include any or all of the following as well as other conditions that are deemed appropriate:
 - a. Type and number of jobs to be provided.
 - b. Salaries and benefit levels to be provided.
 - c. Conditions required for the disbursement of funds.
 - d. Statement of work.
 - e. Timing and conditions for contract evaluations.
 - f. Structure of reporting requirements and documentation supporting the expenditure of tax funds by the receiving organization.

(1) The total annual salary paid out by the company in terms of job categories, such as executives, managers, supervisors, and line employees.

(2) A tabulation of the number of employees in annual salary categories, listed by brackets (i.e., \$20,000-\$25,000, \$25,001 - \$30,000, etc.). Full-time and part-time employees are to be reported separately. Part-time wage category brackets are to be established by hourly wages paid. (Jobs requiring 32 hours per workweek or more will be reported as full-time equivalent positions.) Number of employees receiving benefits, type of benefits provided, and dollar value of benefits. Examples include health insurance, life insurance, pensions, vacations, sick leave, etc. *Note-The form and exact substance of these reports will be specified in the contract.*
See section C, paragraph 1.

(3) Value of annual goods and services purchased in the Minot trade area.

(4) Benevolent activities, including volunteer hours of employees and services provided to the community.

- g. Forgiveness of debt.
- h. Collection provision (s) - "Claw Backs".
- i. Guarantees (collateral or security to protect the City's interest).
- j. Period of the contract.
- k. Timing and method of payments.
- l. The development contract will call for providing receipts and invoices prior to the expenditure of funds by the City.
- m. The contract will be included as a part of the recommendation for funding from the MAGIC Fund Committee to the City Council for action.

2. Information for consultants and service providers.

When the City enters into contracts with consultants or service providers, the expectations, performance standards, and criteria will be built into the contract. These expectations, performance standards, and criteria will be the basis for establishing the compensation they receive.

E. CONTRACT COMPLIANCE AND PUBLIC REPORTING REQUIREMENTS

Evaluation for all current/active contracts will be on-going and any indication of a significant contract deviation will be reported to the City Council as soon as is practicable.

On an annual basis, a representative of the City will review and report to the City Council the status of current/active contracts between the City of Minot and MAGIC Fund recipients. At a minimum it will include all items identified within the terms of the contract and any other information deemed pertinent for the City Council. This information will be presented in concert with the report of the MAGIC Fund Screening Committee on the preceding year presentation by May 15th of each subsequent year.

Notice of the meeting, at which the report is presented, will be published in a block ad of the local newspaper as well as on the City website.