



Council Agenda Item 25-0665R

MEETING DATE: August 25, 2025

SUBJECT/TITLE: RESOLUTION AUTHORIZING A REQUEST FOR A BUDGET REVISION FOR THE REGIONAL EXCHANGE DISTRICT TO THE STATE OF MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT.

SUBMITTED BY: Danielle Erjavec, Senior Property Services Specialist

RECOMMENDATION: Approve

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: N/A

PREVIOUS COUNCIL ACTIONS: Resolution No. 19-0459 authorized certain projects under the Regional Exchange District.

Resolution No. 22-0611 authorized the master grant agreement and first amendment with the state of Minnesota department of employment and economic development for the Regional Exchange District, which grant agreement has had several council-approved amendments.

Resolution No. 24-1004 authorized an amendment to the agreements with St. Mary's Duluth Clinic Health System d/b/a Essentia Health East for the design and construction of road and utility work as part of the Regional Exchange District. This amendment provided the sequence of events, terms and conditions under which Essentia could be reimbursed for its outstanding costs under Project 5 of the Regional Exchange District.

BACKGROUND: The purpose of this resolution is to request a budget revision for the Regional Exchange District to the state of Minnesota commissioner of employment and economic development (DEED) whereby unexpended amounts from Projects 1 and 3 are applied to Project 5. The legislation creating the Regional Exchange District (RED) allows for the re-allocation for unexpended amounts from certain projects under RED that have been substantially completed to Project 5. The passage of this resolution and submission of the budget revision attached as Exhibit 1 serve as the notice and written plan required to be submitted to DEED under Minn. Stat. § 469.53(b).

BUDGET/FISCAL IMPACT: The city and Essentia entered into two development agreements for Project 5 (one development agreement per each phase of the project). The total amount of the work Essentia completed under the two development agreements exceed the maximum amount by \$756,394.00, and the amendment to the development agreements (authorized under Resolution 24-1004) provides a mechanism to reimburse Essentia up to \$756,394.00 should funds become available.

The city currently has \$395,393.73 in outstanding costs under Project 5. Upon passage of this resolution and submission of the budget revision to DEED, the city will be reimbursed by the state of Minnesota for its and Essentia's respective outstanding costs under Project 5. Once such funds are received from the state of Minnesota, city will reimburse Essentia for its outstanding Project 5 costs. The city does not have a mechanism to seek reimbursement for its outstanding costs of Project 5 without this budget revision.

OPTIONS: Approve resolution or the city and Essentia will not be reimbursed for costs incurred under Project 5 of the Regional Exchange District

NECESSARY ACTION: Approve resolution so that the city can request to DEED to apply unexpended funds from Projects 1 and 3 to Project 5 of the Regional Exchange District

ATTACHMENTS: Exhibit 1, Budget Revision