

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**IRRRB
Eveleth, Minnesota**

Friday, October 30, 2015 – 2:30 p.m.

**Meeting of the Iron Range Resources and Rehabilitation Board
IRRRB Administration Building, Eveleth, Minnesota
Friday, October 30, 2015
2:30 p.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD**

**IRRRB Administration Building
Eveleth, Minnesota
Friday, October 30, 2015 – 2:30 p.m.**

AGENDA

- 1) Roll Call
- 2) Election of Chair
- 3) Approval of May 19, 2015, Meeting Minutes
See Exhibit A
- 4) Commissioner's Comments
- 5) FY16 Development Infrastructure Grants
- 6) Sweetwater Energy, Inc.
- 7) Wilderness Products, LLC
- 8) Pro Blast Technology, Inc.
- 9) Mining Reinvestment Projects
 - a. Mesabi Nugget Delaware, LLC
 - b. Mining Resources, LLC
 - c. USS - Keetac
 - d. USS - Minntac
- 10) Iron Range Higher Education Account
- 11) Other
- 12) Adjournment

FY16 Development Infrastructure Grants



P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Mark Phillips
Commissioner

Date: October 30, 2015

Re: FY16 DEVELOPMENT INFRASTRUCTURE GRANTS

PURPOSE

The Infrastructure Grant program provides funds for cities and townships that can be used for infrastructure, site work, or healthcare capital projects that support community and economic development. State law requires half of the agency's economic development fund to be invested in infrastructure projects in local communities.

ECONOMIC IMPACT*

| | |
|---|--------------|
| FY 16 development infrastructure grants | 11 |
| IRRRB investment | \$2,314,000 |
| Total public/private investment | \$16,258,804 |
| Leverage | 6.12 to 1 |

City of Aitkin

Grant Amount: \$250,000

New water and sewer on 2nd Avenue and Black Rock Road and a new lift station at the city park to service a 20-unit housing development in the proposed Ryan’s Knoll subdivision in Southwest Aitkin. The project is expected to create 8 construction jobs.

USES

SOURCES

| | | | |
|-----------------------------|-----------|-------|-----------|
| Water, Sewer & Lift Station | \$867,860 | IRRRB | \$250,000 |
| Contingency | 130,179 | City | 947,647 |
| A&E | 199,608 | | |

| | | | |
|--------------|-------------|--------------|-------------|
| TOTAL | \$1,197,647 | TOTAL | \$1,197,647 |
|--------------|-------------|--------------|-------------|

Alborn Township

Grant Amount: \$200,000

Site development and construction of a new 3,400 sq. ft. Emergency Services Facility and a 1,000 sq. ft renovation of the existing fire hall. This is a collaborative Emergency Services Facility for Alborn Township and New Independence Township also provides emergency response to Culver, Ness, and Northland Townships. The project is expected to create 3 construction jobs.

USES

SOURCES

| | | | |
|-----------|----------|------------------------------|-----------|
| Site Work | \$81,000 | IRRRB | \$200,000 |
| Building | 374,000 | Alborn Township | 180,000 |
| A&E | 25,000 | New Independence Township | 100,000 |

| | | | |
|--------------|-----------|--------------|-----------|
| TOTAL | \$480,000 | TOTAL | \$480,000 |
|--------------|-----------|--------------|-----------|

City of Bovey

Grant Amount: \$230,000

Infrastructure, roads, and site work for a new 9,500 sq. ft. collaborative Emergency Services Facility. This is a joint facility between the cities of Coleraine and Bovey. The new emergency services facility will include police and fire and rescue, with the plan to add on to the facility in the future for a shared public works facility.

The project is projected to create 7 construction jobs.

USES

SOURCES

| | | | |
|------------------------|-----------|-----------------------|-----------|
| Water, sewer and roads | \$250,000 | IRRRB | \$230,000 |
| Building | 840,000 | Coleraine | 150,000 |
| A&E | 50,000 | Bovey | 150,000 |
| | | Legislative | 160,000 |
| | | IRRRB FY14 (Building) | 450,000 |

| | | | |
|--------------|-------------|--------------|-------------|
| TOTAL | \$1,140,000 | TOTAL | \$1,140,000 |
|--------------|-------------|--------------|-------------|

City of Cook**Grant Amount: \$200,000**

Water, sewer, utilities extension, and site work for renovation and expansion of the Cook Hospital & Nursing Home, which is a 14-bed critical access hospital and 28-bed Skilled Nursing Facility located in the city of Cook. The Cook-Orr Healthcare District was formed by special legislation in 1990, serving a rural regional population of over 10,000(permanent & seasonal). The next closest hospital and skilled nursing facility is 73 miles North to I-Falls and 27 miles South to Virginia. The Cook Hospital and Nursing Home is the largest employer in the Cook-Orr Healthcare District with 138 jobs. The construction of additional space will be 18,000 square feet and the renovation of 6,500 square feet will include the full nursing home. The project is projected to create 5 permanent jobs and 42 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|----------------------------|--------------------|----------------|--------------------|
| Infrastructure & site work | \$311,000 | IRRRB | \$200,000 |
| Facility | 6,000,000 | DEED | 198,108 |
| Contingency | 31,110 | Hospital | 6,000,000 |
| A&E | 55,998 | | |
| TOTAL | \$6,398,108 | TOTAL | \$6,398,108 |

City of Eveleth**Grant Amount: \$300,000**

Water, sewer, utilities, roads, and site work for a new 11,000 sq. ft. Chicagami Day Care Facility. The current Chicagami Day Care Center is located in the old Eveleth Junior High School building, which the Eveleth-Gilbert school district has plans to close and demolish. Chicagami is a key community asset with 67 children currently enrolled at the daycare facility. The new modern facility will have classrooms for infants, toddlers, preschool, and school age children. The project is expected to create 15 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|------------------------|--------------------|----------------|--------------------|
| Water, sewer and roads | \$307,066 | IRRRB | \$300,000 |
| Building | 1,615,034 | City | 1,934,077 |
| A & E | 164,167 | | |
| Contingency | 147,810 | | |
| TOTAL | \$2,234,077 | TOTAL | \$2,234,077 |

City of Gilbert**Grant Amount: \$249,000**

Road reconstruction and site development for the Gilbert Industrial Park. The city of Gilbert is proposing development of the site for heavy industrial uses to support business activities required by the mining companies as well to open further economic potential for new business opportunities for their community. The city currently owns 115 acres on the site, which is located on the East side of Lake Ore-Be-Gone. A new building development was recently completed. This grant takes the place of an expired FY14 infrastructure grant to the city of Gilbert for the same project, which was not shovel ready in FY14. The project is expected to create 4 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|--------------------------------|------------------|----------------|------------------|
| Roads, utilities and site work | \$259,879 | IRRRB | \$249,000 |
| Building | 350,406 | City | 101,752 |
| Contingency | 7,373 | Private | 287,906 |
| A & E | 21,000 | | |
| TOTAL | \$638,658 | TOTAL | \$638,658 |

City of Keewatin

Grant Amount: \$250,000

Road development and site work for the expansion of Pro Blast Inc. in Keewatin. The Pro Blast expansion will include construction of a new 15,000 sq. ft. addition to their current facility. The proposed 15,000 sq. ft. new addition to the West side of their current facility would house a fully automated sand blasting and painting booth. The current facility site development began in October 2012 and brought 5 existing permanent jobs when Pro Blast moved to the city of Keewatin. Pro Blast currently has 13 permanent employees. The expansion is expected to create 4 permanent jobs and 15 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|---------------------|--------------------|----------------|--------------------|
| Roads and site work | \$233,687 | IRRRB | \$250,000 |
| Land | 187,000 | City | 167,000 |
| Equipment | 670,000 | Private | 960,162 |
| Building | 1,126,000 | IRRRB (Loan) | 898,000 |
| Contingency | 17,475 | | |
| A & E | 41,000 | | |
| TOTAL | \$2,275,162 | TOTAL | \$2,275,162 |

City of Marble

Grant Amount: \$45,000

Utility and infrastructure upgrades for a local market in Marble. The Market was built in 1988, and currently has 10 employees. The proposed upgrades would allow for an additional business to occupy the current building, which has 3 registered businesses. The cities of Marble, Calumet, Taconite and Greenway Township are some of the municipalities that utilize this business for their fueling and grocery needs; others include the mining industries, tourism and local residents. The project is expected to create 1 construction job.

| <u>USES</u> | | <u>SOURCES</u> | |
|-------------------------|-----------------|----------------|-----------------|
| Utilities and site work | \$92,125 | IRRRB | \$45,000 |
| | | Private | 47,125 |
| TOTAL | \$92,125 | TOTAL | \$92,125 |

City of Mt. Iron

Grant Amount: \$300,000

Water, sewer, utilities, roads, and site work for a new 15-unit housing development project. The development includes single-family patio style homes. The homes will be one and two bedrooms with an attached garage. The cost per home to include the lot will range between \$160,000 and \$200,000. The city of Mt. Iron and the Mt. Iron EDA have successfully developed three housing sites over the last two decades to include Unity Addition, Unity Addition II, and the South Forest Grove. The project is expected to create 5 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|--------------|------------------|----------------|------------------|
| Site work | \$622,493 | IRRRB | \$300,000 |
| Wetlands | 65,000 | City | 495,014 |
| A & E | 107,521 | | |
| TOTAL | \$795,014 | TOTAL | \$795,014 |

City of Nashwauk

Grant Amount: \$200,000

Water, sewer, utilities, roads, and site work for a new 11-unit Bozich Addition housing development project. The project concept is to develop 103 acres of property into 82 residential lots in North Nashwauk. The Bozich Addition is the first phase of the full housing development plan. The homes will be one, two and three bedrooms with an attached garage. The cost per home will range between \$150,000 and \$250,000. The project is expected to create 5 construction jobs.

USES

SOURCES

| | | | |
|--------------------|------------------|--------------|------------------|
| Site work | \$426,411 | IRRRB | \$200,000 |
| Land/Environmental | 280,000 | Legislative | 257,000 |
| Contingency | 42,641 | City | 371,013 |
| A & E | 78,961 | | |
| <hr/> | | <hr/> | |
| TOTAL | \$828,013 | TOTAL | \$828,013 |

City of Orr

Grant Amount: \$90,000

Infrastructure and boilers for a new heating system for the former Orr school building. It is the number one priority of the City of Orr to redevelop the former school building for reuse. A key piece of the reuse and redevelopment of the building is the purchase and installation of four Garn biomass gasification boilers. The building will utilize 200 cords of wood annually. The project is expected to create 1 construction job.

USES

SOURCES

| | | | |
|--------------------------|------------------|--------------|------------------|
| Infrastructure & boilers | \$105,000 | IRRRB | \$90,000 |
| Building | 75,000 | City | 90,000 |
| <hr/> | | <hr/> | |
| TOTAL | \$180,000 | TOTAL | \$180,000 |

*** Grant Reallocations**

City of Chisholm

Grant Amount: \$225,000

Reallocation Amount: \$30,000

Replacement of water, sewer, storm sewer, and roads on 3rd Avenue Northeast. The city of Chisholm 3rd Avenue grant (FY2014) has \$30,000 remaining as the scope of the project was reduced by the city of Chisholm. The city has requested that the remaining \$30,000 in grant funds be reallocated to the city of Chisholm 5th Avenue Northwest (FY2014) project, which has over \$100,000 in unanticipated costs.

City of Cook

Grant Amount: \$200,000

Reallocation Amount: \$99,500

Infrastructure and site work for a new Emergency Services Facility for the Lake Vermilion Fire Brigade. This grant is a reallocation from the City of Cook (FY2016) to the Lake Vermilion Fire Brigade and a reduced grant amount of \$99,500. The Lake Vermilion Fire brigade had to down size the new facility after bids came in much higher than anticipated. The brigade is requesting \$99,500 to cover the cost of infrastructure and site development.

| <u>USES</u> | | <u>SOURCES</u> | |
|-----------------------------------|------------------|----------------|------------------|
| Infrastructure & site development | \$99,500 | IRRRB (FY2016) | \$99,500 |
| Building | 350,000 | LV Brigade | 370,000 |
| A&E | 20,000 | | |
| TOTAL | \$469,500 | TOTAL | \$469,500 |

City of Eveleth

Grant Amount: \$350,000

Reallocation Amount: \$350,000

Health, safety, and utility upgrades for the Eveleth Auditorium. This grant is a reallocation of a city of Eveleth FY2014 Development Infrastructure grant for infrastructure and site development for an assisted living facility. The assisted living project is not moving forward and the city of Eveleth has requested that the grant be used for upgrades to the Eveleth Community Auditorium.

| <u>USES</u> | | <u>SOURCES</u> | |
|------------------------|--------------------|----------------|--------------------|
| Interior & Exterior | \$278,000 | IRRRB (FY2014) | \$350,000 |
| Completed Improvements | 923,863 | City | 996,363 |
| FFE & AV | 125,000 | IRRRB (FY2012) | 50,000 |
| Contingency | 27,800 | | |
| A&E | 41,700 | | |
| TOTAL | \$1,396,363 | TOTAL | \$1,396,363 |

Sweetwater Energy, Inc.
300 Trolley Blvd.
Rochester, NY 14606

IRRRB Direct Loan Program

| | |
|-----------------------------|---|
| Applicant: | Sweetwater Energy, Inc. Rochester, New York |
| Project Location: | Mountain Iron, Minnesota |
| Principal(s): | Arunas A. Chesonis, CEO and Chairman of the Board Jack Baron, President & Chief Operating Officer |
| Project Description: | <p>Initially developed by oil industry experts over many years and tested extensively the National Renewable Energy Laboratories, Sweetwater Energy has perfected and patented technology for the production of cellulosic sugars utilizing wood biomass as their feedstock to provide an economical replacement for multiple products derived from petroleum and food-based feedstocks.</p> <p>This project is to establish a facility in Minnesota to produce cellulosic sugars using wood as its feedstock. These sugars are known as “platform substances” and serve as key components in the production of a wide range of biochemicals, bioplastics and biofuels. In addition to producing the cellulosic sugars, this facility is intended to further process them into industrial bio-products.</p> <p>The facility will be located near the Laurentian Energy wood yard in Mountain Iron and will be constructed in two phases. Initial feedstock capacity will be 150 dry tonnes of biomass per day; however, the first module is anticipated to produce at 50% capacity for six months, then ramp up to full production in 2018. Annual production of this first module is projected to be 29,000 tonnes of cellulosic sugar and 22,000 tonnes of clean lignin fiber.</p> <p>Two additional production modules are projected to come on-line in 2019 and a fourth module is planned to come on-line in 2020. Each module will be capable of processing 150 tonnes per day. When all four modules are in production, annual wood consumption will be approximately 200,000 cords.</p> |
| Market Opportunity: | Cellulosic sugar and clean lignin have well-established markets and Sweetwater will be positioned to supply the growing demand for non-petroleum and non-food-based chemicals. Competitors in the |

| | | |
|----------------------------|--|----------------------|
| | <p>cellulosic sugar industry use corn, wheat, barley, rye and cane as their feedstocks. Those food-based feedstocks have relatively high price volatility, as compared to wood, giving an advantage to Sweetwater.</p> <p>Sweetwater's sugars can supplement, or replace, the sugars that are used in the production of multiple industrial biochemical and alcohols and other products. These products have strong domestic markets and are used in the manufacture of the following everyday products: fuels, lubricants, hoses, lycra, spandex, upholstery, fibers, fabrics, beverage packaging, preservatives, detergents, insulation, flame retardants, plastics, pharmaceuticals, cosmetics, disinfectants and many others.</p> <p>Sweetwater will also convert their lignin to a number of clean fiber products, which meet, or exceed, the performance of currently available products. Domestically sourced lignin is primarily the sulfite and kraft lignin produced by the pulp and paper industry. Sweetwater's lignin contains no sulfites and, in addition to other uses, is suitable for high-value applications.</p> | |
| | | |
| Project Investment: | IRRRB direct loan Formula rate, 15 year term | \$18,000,000 |
| | Commercial debt Terms to be negotiated | 16,288,450 |
| | DEED 21 st Century Fund loan | 6,000,000 |
| | DEED Ag & Econ Dev Board loan | 1,000,000 |
| | DEED MIF loan | 1,000,000 |
| | Private equity funding | 10,572,113 |
| | TOTAL | \$ 52,860,563 |
| | | |
| Jobs: | 35 Planned New full-time jobs Wages \$50,000 - \$100,000 per year plus benefits. | |
| | | |
| Collateral: | Collateral consists of all production equipment. Installed cost is projected to be in excess of \$30,000,000. | |
| | | |
| Business History: | Sweetwater Energy was founded in 2006 for the development and production of fermentable cellulosic sugars for use in the production of biochemicals, biofuels and bioplastics. Their core technology was originally developed by oil industry experts and has been tested extensively at the National Renewable Energy Laboratories. The Sweetwater team has perfected that technology so it now provides a compelling alternative to petroleum and food based chemicals. With | |

| | |
|---|--|
| | <p>this technology, Sweetwater has entered into long-term agreements with three companies to provide them with sugars.</p> <p>Much of the Sweetwater management team has worked together for many years in other successful business enterprises.</p> <p>Mr. Chesonis has received the Ernst & Young Entrepreneur of the Year Award, the Herbert W. Vanden Brul Entrepreneurial Award by the College of Business at Rochester Institute of Technology and was elected to the Rochester Business Hall of Fame.</p> |
| Past IRRRB History: | None |
| Contingencies: | Other funding, substantially as indicated above, must be confirmed. |
| Technical Advisory Committee Recommendation: | Approval recommended October 23, 2015. |
| Funding Authorization: | Douglas J. Johnson Economic Protection Trust Fund (corpus): This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341. |

Draft Term Sheet

Project Financing for the Sweetwater Inc. Specialty Chemicals Plant

Mt. Iron, Minnesota

The terms outlined below in this Term Sheet are for discussion purposes only, and this Term Sheet does not constitute a commitment, agreement in principle or other agreement or obligation by the State of Minnesota (“Lender”) or any of its subsidiaries or other affiliates to provide financing. Any binding commitment by Lender would be subject to due diligence, board approval and negotiation and mutual agreement of satisfactory definitive documentation evidencing the credit facilities described in this Term Sheet (the “Senior Financing Documents”).

- Type of Financing:** Senior secured first priority financing (the “Senior Financing”) consisting of construction and term loans to fund part of the costs of the Project (as defined below).
- Borrower:** Sweetwater, Inc. (“Borrower” or “Sweetwater”), Corporation organized under the laws of the State of Delaware.
- Lender:** State of Minnesota, by and through the office of the Commissioner of iron range resources and rehabilitation (“IRRRB”), the Department of Employment and Economic Development (“DEED”), and the Minnesota Agricultural and Economic Development Board (“Ag Board”), collectively referred to as “Lenders”.
- Total Amount of Loans:** \$26,000,000.
- Sources of Funds:** \$18,000,000 from the IRRRB DJJ Fund; \$6,000,000 from the DEED 21st Century Fund via the IRRRB; \$1,000,000 from the DEED Minnesota Investment Fund via the City of Mountain Iron, and; \$1,000,000 from the Ag Board.
- Project:** Borrower has developed and perfected an industrial process to extract cellulosic sugars and clean lignin through wood biomass conversion. Borrower proposes developing its first full scale commercial facility in Mountain Iron, Minnesota using 51,000 tons of local wood annually and expecting to employ 35. The current Capital Budget for this plant is \$53,000,000. It is anticipated this first module will be operational in 2017.
- Subsequent Modules:** It is the stated intent of Sweetwater to develop an additional three modules of a similar size, character, and capacity of the Project at the site of the Project within three years of the completion of the construction of the Project. Financing of additional modules will be the responsibility of Sweetwater. Failure to construct additional modules in a timely fashion will not be a violation of the terms and covenants of this Term Sheet or subsequent agreements thereof.
- Capital Budget:** The Capital Budget includes the construction, purchase and installation of equipment, and all related costs for the Project that can be capitalized according to generally accepted accounting principles (“GAAP”). Related costs may include facility design costs, consultant costs and fees, land costs, and other Project costs mutually agreed to. The Capital Budget is hereto attached to this term sheet as Exhibit A.
- Hard Costs:** All costs of construction, the purchase of equipment, the installation of equipment, and costs specific to the Mountain Iron site.

- Construction Phase:** The time period of the project when the construction of the facility as well as the delivery and installation of the equipment is taking place. It is expected that the Construction Phase of the Project will take approximately 24 months. The Construction Phase of the Project will end upon the earlier of notification from Borrower to Lender that construction activity has been substantially completed or upon production of any level of product at the facility. In no event will the construction of the Project be for a longer period than 36 months.
- Additional Financing:** Prior to Financial Closing, Borrower will be responsible to raise and commit the \$27,000,000 in necessary funds to complete Project through a combination of equity and commercial debt – with a minimum of \$10,000,000 of these funds coming in the form of an equity injection into the Borrower. In addition, Borrower will be responsible to raise \$4,000,000 in working capital that is anticipated to bring the project to a positive cash flow status.
- Loan Term:** 180 months from Financial Closing.
- Due Date:** A date 180 months from Financial Closing.
- Amortization Date:** The date which is the earlier of one year after Operational Validation (defined as when for a 30 day period the Project produces 9,000 gallons of alcohol and 13 metric tonnes of activated carbon per day that meet product specifications) of the facility or three years after the completion of the Construction Phase of the Project.
- Use of Proceeds:** Lender will make periodic disbursements to Borrower to reimburse it for costs in the Capital Budget. Loan advances will be for 50% of Capital Budget costs, however, at no time will Lender advance more than 100% of the Hard Costs of the Project.
- Loan Funds Availability:** During the Construction Phase of the Project, Lender, or a disbursing agent selected by Lender, will disburse Loan funds in increments within 14 days of receiving an approved disbursement request, in a form satisfactory to it at its sole discretion, for eligible costs. Borrower will be required to show evidence satisfactory to the Lender that the Capital Budget is fully funded with each disbursement request. Disbursement requests are not to be made by Borrower on a more frequent than monthly basis.
- Closings:** Closing of the Senior Financing shall occur on or prior to September 30, 2016.
- Interest Rate:** Interest shall accrue on all advanced Loan funds at 3% per annum. In the event of an uncured default, all advanced Loan funds will accrue interest at 10% per annum.
- Scheduled Amortization:** No repayment shall be required during the Construction Phase of the project. All accrued and unpaid interest will be capitalized and added to the principal balance of the Loan upon completion of the Construction Phase of the Project. Interest shall be paid on a quarterly basis after the Construction Phase of the Project until the Amortization Date. Beginning on the Amortization Date, the Loan will require regular quarterly installment payments of interest and principal in an amount to fully amortize the principal balance by the Due Date.
- Security:** The Senior Financing will have a first priority perfected lien on all Project assets.
- Optional Prepayment:** Optional prepayments of the Senior Financing, in whole or in part, shall be permitted at the Borrower's option.
- Conditions Precedent To Financial Closing** The conditions precedent to Financial Closing will be customary for credit facilities of this nature (with customary qualifications), including but not limited to the following:

1. Delivery of legal opinions from counsel to the Borrower.
2. Delivery of base case project projections with assumptions.
3. No event of default or event that would become an event of default with the giving of notice or passage of time or both under the Senior Financing documents (a "Default") shall have occurred or be continuing.
4. Project Equity of \$10,000,000 to be available with evidence satisfactory to Lenders.
5. Additional Debt Capital of \$17,000,000 in form and structure satisfactory to Lenders.
6. Inter-Creditor agreement between Lenders and Additional Debt Capital Providers.
7. Insurance coverage, including without limitation, builder's risk and performance insurance, shall be in full force and effect.
8. Delivery of a construction schedule and budget for the plant.

Representations and Warranties

The Senior Financing Documents will include customary representations and warranties (with customary knowledge and materiality qualifications), including but not limited to the following:

1. Corporation existence, power and due authorization, non-contravention of applicable laws, consents and approval.
2. No event of default has occurred or is continuing.
3. Accuracy of information.
4. Compliance with laws.
5. Title to Project assets
6. Perfection and priority on liens and security interests.

Affirmative Covenants

The Borrower will be subject to customary and usual affirmative covenants, including but not limited to:

1. Use of Proceeds exclusively for approved Project costs included in the Capital Budget.
2. The Borrower shall comply with all applicable laws and permits.
3. The Borrower shall maintain insurance of the types and amounts customary for project of this type.
4. Lender shall receive standard inspection and visitation rights.

Negative Covenants:

The Borrower will be subject to customary and usual negative covenants.

Default:

The Loan agreement(s) will provide for conditions of default, cross-default with other State debt, notice of default, reasonable cure opportunity and remedies.

Financial Reporting:

Prior to the execution of definitive agreements, Borrower will provide Lender with audited year-end financial statements for the calendar year 2014 and any subsequent completed year. Borrower will provide Lender with audited year-end financial statements, prepared by an independent third party in accordance with GAAP, within 150 days of the end of the fiscal year throughout the term of the Loan. In addition, Borrower will provide Lender internally prepared financial statements, prepared in accordance with GAAP, within 30 days of the end of each fiscal quarter.

Prevailing Wages:

In accordance with Minnesota statutes, prevailing wages will be paid by Borrower to all workers and laborers for the construction of facilities and installation of equipment during the Construction Phase of the Project.

Iron Range Resources and Rehabilitation Board Meeting

October 30, 2015

- Business Subsidies:** In accordance with Minnesota statutes, all agreements shall follow the business subsidies statutes as applicable.
- Additional Funding:** DEED is willing to consider an application from Borrower for additional funding through the Minnesota Job Creation Fund that it administers.
- Development Agreement:** Prior to or to coincide with the Financial Closing, Borrower will enter into a development agreement with the City of Mountain Iron that will address issues related to the Project site, including but not limited to: size and layout of the site with ingress and egress defined; delineation of wetlands; environmental status; location of public utilities; and utility agreements including the pre-treatment of effluent.
- Fees:** Each party shall be responsible for its own legal and related fees. Borrower shall be responsible for all fees related to perfecting a lien in the Security, which may be an eligible Project Cost.

Wilderness Products, LLC
99 Edison
Silver Bay, Minnesota 55614

IRRRB Bank Participation Loan Program

| | | |
|-----------------------------|---|--------------------|
| Applicant: | Wilderness Products, LLC | |
| Project Location: | 99 Edison Silver Bay, MN 55614 | |
| Principal(s): | Chris Toal | |
| Project Description: | Purchase of the assets of Wilderness Family Naturals, LLC (“WFN”) by Wilderness Products, LLC (“WP”). Chris Toal is the 100% owner of WP, which has entered into an agreement to purchase the assets of WFN from Ken and Annette Fisher, who have decided to sell the business and retire. Mr. Toal is committed to keep the business in the region and has negotiated a five-year lease with a five-year option to keep the business in the Mary MacDonald center in Silver Bay. | |
| Market Opportunity: | The organic health food industry has seen double figure growth rates for the past decade. This trend is expected to continue for at least the next four or five years. Wilderness Products appears to be well positioned to capitalize on the growth in the industry as well as capturing additional market share. | |
| Project Investment: | | |
| | National Bank of Commerce (SBA guaranteed portion), 10 year amortization | \$3,090,750 |
| | National Bank of Commerce, 10 year amortization | \$ 412,100 |
| | IRRRB, Formula rate, 10 year amortization | \$ 468,150 |
| | ARDC, 10 year amortization | \$ 75,000 |
| | Northland Foundation, 10 year amortization | \$ 75,000 |
| | Ken & Annette Fisher, fully subordinated, “stand-by” debt | \$ 700,000 |
| | Equity | \$ 300,000 |
| | National Bank of Commerce, revolving credit line | \$ 750,000 |
| | TOTAL | \$5,871,000 |
| Jobs: | 2 Planned New 36 Retained Wages \$20,000 - \$60,000 per year plus benefits | |
| Collateral: | Shared first position, with National Bank of Commerce on all assets of WP other than current assets. Shared subordinate lien, to credit line of bank, on current assets. Personal guaranty of Chris Toal. | |

| | |
|---|--|
| | |
| Business History: | Wilderness Family Naturals, LLC (“WFN”) is a manufacturer of organic health food products that was by Ken and Annette Fisher in 2005. The company purchases ingredients in bulk, processes the products and then distributes the final goods to health food stores, distributors and individuals. Products include cold pressed coconut oil, natural sweeteners, bulk and individual food items, spices, herbs, and skin care products. WFN started operations at the residence of the Fisher’s before moving to its current location in the city-owned facility known as the Mary MacDonald center in Silver Bay. |
| Past IRRRB History: | None. |
| Contingencies: | <ol style="list-style-type: none"> 1. Alternate financing structures may be considered as long as the IRRRB position is not materially compromised. 2. Borrower and Guarantor agree to covenants articulated in in the credit memorandum from National Bank of Commerce dated October 13, 2015. |
| Technical Advisory Committee Recommendation: | Approval at its October 23, 2015 meeting. |
| Funding Authorization: | Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341. |

Pro Blast Technology, Inc.
800 Pellet Avenue
Keewatin, Minnesota 55753

IRRRB Bank Participation Loan Program

| | | |
|-----------------------------|--|--------------------|
| Applicant: | Pro Blast Technology, Inc. and JN Properties LLC | |
| Project Location: | 800 Pellet Avenue Keewatin, Minnesota 55753 | |
| Principal(s): | Joseph Godwin is the 100% owner of Pro Blast Joseph and Nikki Godwin are the members of JN Properties LLC | |
| Project Description: | To increase the services Pro Blast offers its customers, they are purchasing another paint booth and paint-mixing room and additional equipment to prepare their steel for painting. They will also construct a 15,000 square foot addition to their facility to house the new equipment. Pro Blast Technology will be the borrower on the equipment loan. JN Properties will be the borrower on the real estate loan. | |
| Market Opportunity: | In addition to their customers in other states, Pro Blast Technology serves many local and regional customers with structural steel, pipe and other products that they have treated to protect them from the elements. The nearest competition is currently located in Wisconsin and in the Twin Cities metropolitan area. | |
| Project Investment: | | |
| | Bank: | |
| | 10-year Equipment Loan | \$335,000 |
| | 20-year Real Estate Loan | <u>563,000</u> |
| | | 898,000 |
| | IRRRB participation loans at formula rate: | |
| | 10-year Equipment Participation Loan | 335,000 |
| | 20-year Real Estate Participation Loan | <u>563,000</u> |
| | | 898,000 |
| | TOTAL | \$1,796,000 |
| Jobs: | 3 Planned New 9 Retained Wages \$12 - \$24 per hour plus benefits | |
| Collateral: | Shared 2 nd mortgage on the project site (the bank holds the 1 st). Shared 1 st security interest in the equipment. | |
| Business History: | Joe Godwin started providing sandblasting and painting services in his garage in 1996. He incorporated the business in 2007 and expanded to the existing 22,000 square foot facility in 2013. | |

| | |
|---|---|
| Past IRRRB History: | None with the company directly. FY 2013 \$285,000 Public Works grant to the city of Keewatin for infrastructure and site work for Pro Blast. FY 2016 request for \$250,000 grant to city of Keewatin for improvements related to this expansion. |
| Contingencies: | Bank financing, substantially as noted above, must be committed. |
| Technical Advisory Committee Recommendation: | Recommended on October 26, 2015, subject to covenants related to increasing business equity being included in the loan documents. |
| Funding Authorization: | Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341. |

Mining Reinvestment Projects

- a. Mesabi Nugget Delaware, LLC
- b. Mining Resources, LLC
- c. USS-Keetac
- d. USS-Minntac

Mesabi Nugget Delaware, LLC



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board Members

From: Mark Phillips
Commissioner

Date: October 30, 2015

Re: MESABI NUGGET DELAWARE, LLC MINING REINVESTMENT FUND* PROJECTS - \$52,137

Mesabi Nugget Delaware, LLC is eligible for a rebate of \$52,137 in 2015, subject to the company providing a minimum match of \$52,137 for a minimum total project cost of \$104,274.

The Mesabi Nugget Mining Reinvestment Fund Review Committee completed its review on October 2, 2015, and unanimously approved submitting the following project for the 2015 allocation. The Mesabi Nugget Mining Reinvestment Fund Review Committee also discussed their 2014 project, Lime and Soda Ash Make-up System which was approved at the December 18, 2014 IRRR Board Meeting. The Mesabi Nugget Mining Reinvestment Fund Review Committee approved substituting the Scrubber Mist Eliminator Project for the Lime and Soda Ash Make-up System with IRRR Board approval.

Project 1 – Lime Softening RO Pilot Project- \$154,596

Mesabi Nugget Delaware, LLC is limited to only discharging pit water during the winter months. This has made it challenging to control pit water levels as needed. In order to discharge the water as needed during the year it must be treated to adjust some of the water quality parameters. This project consists of research, bench testing, and year-long operation of a pilot plant. The goal is to find the best method to be able to discharge water whenever necessary. The estimated cost of the project is \$154,596 with \$52,137 being provided by the 2015 Mining Reinvestment Fund.

Project 2 – Scrubber Mist Eliminator - \$720,883

Last year, Mesabi Nugget Delaware, LLC submitted the Lime and Soda Make-up System project to the IRRR Board and received approval to use it as their 2014 project. Since that date, uncertainty has continued in the iron industry. Therefore, it was in the MND's best interest to rethink their capital expenditure logistics. Consequently, MND decided to substitute the Scrubber Mist Eliminator Project as a substitute for the previously approved Lime and Soda Ash Make-up System because their capital investment priorities were modified since the project was submitted and approved by the IRRRB. The Mesabi Nugget Mining Reinvestment Fund Review Committee is requesting the Scrubber Mist Eliminator Project be substituted for the 2014 MRF project.

When compared to other Iron Range Taconite facilities, the rotary hearth furnace offgas system is more complex, which has resulted in numerous maintenance and optimization challenges. For this project, two new stainless steel mist eliminator vessels will be installed downstream of the main wet scrubbers. Key equipment to the mist eliminators are: SS vessel, internal SS baffles, baffle cleaning spray wash system, and instrumentation to monitor process and operation. Additionally, all associated piping, valves, wiring, access

platforms, and winterization of equipment will be completed to maintain the equipment for reliable operation. The end result will be twofold: 1) reduced particulate matter emissions by knocking out droplets laden with dust particles, and 2) reduced moisture carryover to the induced draft fan reducing the potential for corrosion and wear on the fan housing and rotor.

This project is another example of the continued investment into the Mesabi Nugget process and the ideas being generated by the workforce in an effort to improve not only the cost structure of the operation, but the impact on the environment as well. The total cost of the project was \$720,883 with \$54,060 being requested from the Mining Reinvestment Fund.

Mesabi Nugget appreciates the IRRRB's consideration of these capital projects for a grant through the Mining Reinvestment Fund. Thank You.

Mining Resources, LLC



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To: Iron Range Resources and Rehabilitation Board Members

From: Mark Phillips
Commissioner

Date: October 30, 2015

Re: MINING RESOURCES, LLC MINING REINVESTMENT FUND* PROJECT - \$51,159

Mining Resources, LLC is eligible for a rebate of \$51,159 subject to the company providing a minimum match of \$51,159 for a minimum total project cost of \$102,318.

The Mining Resources, LLC Mining Reinvestment Fund Review Committee completed its review on October 2, 2015, and unanimously approved submitting the following project.

Project 1 – WHIMS (Wet High Intensity Magnetic Separation) Scavenger Circuit- \$9,500,000

During the initial years of operations, Mining Resources' tailings iron content was too high. This was caused by the lower magnetic, finer hematite particles. Research began in 2013-2014 to find a way to capture these iron units and a solution was identified. Mining Resources moved forward with a capital project to install 3 WHIMS (Wet High Intensity Magnetic Separation) units on the tails end of the process. These units operate by using very high intensity electromagnets, in a wet process, to separate the finer, weaker magnetic, hematite particles. Installation of the WHIMS began in 2014 and was completed in April 2015, upon which time the system was commissioned and incorporated into production. An immediate increase in overall iron unit recovery was seen during the initial month of operation. The estimated cost of the project is \$9,500,000 and \$51,159 is being requested from our Mining Reinvestment Fund rebate. Mining Resources appreciates the IRRRB's consideration of the WHIMS capital project for rebate through the Mining Reinvestment Fund.



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To: Iron Range Resources and Rehabilitation Board Members

From: Mark Phillips
Commissioner

Date: October 30, 2015

Re: USS - KEETAC MINING REINVESTMENT FUND* PROJECTS - \$1,307,128

US Steel – Keetac is eligible for a rebate of \$1,307,128 subject to the company providing a minimum match of \$1,307,128 for a minimum total project cost of \$2,614,256.

The USS - Keetac Mining Reinvestment Fund Review Committee completed its review on September 10, 2015, and unanimously approved submitting the following three (3) projects which will share the MRF rebate.

Project 1 – Cobber Magnetic Separators - \$4,300,000

Keetac currently operates twenty (20) cobber magnetic separators in their primary grinding mills. The cobbers are the first stage in which the iron is magnetically separated from the waste material in the process of making concentrate for pelletizing. The current magnetic cobbers at Keetac are 3 feet in diameter by 10 feet in length and are not as efficient as the newer and larger cobbers. The newer 4 foot by 10 foot cobbers utilize self-leveling technology and a modified tank design that ensures consistent contact of the material with the magnetic element within the cobber. This allows the separators to maximize iron recovery and iron content. An additional benefit to the redesigned tank is that it will manage process upsets that have historically caused material to spill onto the floor therefore eliminating safety concerns.

This project will proceed with a full plant conversion of twenty (20) 4 foot by 10 foot magnetic separators. The project results in a yield improvement thereby increasing efficiency.

Project 2 – Fine Screening Upgrade - \$1,500,000

The Keetac Concentrator operates five secondary grinding lines. These secondary grinding lines utilize multi-feed single deck vibrating screens to perform primary and fine screening. The fine screens serve as the final checkpoint before the material becomes concentrate, suitable for pelletizing. All material that passes through the screens moves on to the pellet plant, while anything passing over the screen is returned to the grinding mill for further size reduction. The existing single deck fine screens (circa 1980's) are inefficient and result in a large amount of fine material being sent back to the grinding mill. This material is referred to as "misplaced fines" as it has been incorrectly placed in the oversize when they should have reported to the undersize.

In order to reduce the amount of misplaced fines and to increase the circuit efficiency, the existing multi-feed screens are being replaced with Derrick Stack Sizers. These new machines each consist of up to five screen decks stacked vertically so that the screening area can be increased while maintaining a small foot print.

Additionally, the screen panels are made of urethane, rather than wire cloth, which has improved screen panel life dramatically. Upgrading to Stack Sizer fine screens has demonstrated efficiency improvements.

Project 3 – Tails Basin Reclamation & Dust Control - \$800,000

The Keetac active tailings pond is 2,550 acres in size and has a perimeter of 44,000 feet. Annually, 12,000 linear feet of this perimeter is built up by six feet by discharging tailings and pushing coarse tails to build the dike. The tailings beaches in the 12,000 lineal feet of new deposition vary in width from the dike to the water from 600 to 2,000 feet. Water carries the finer tailings into the interior of the pond, where they settle out in the interior water reservoir.

Keetac is required to establish and execute an annual reclamation activity by the MNDNR and control dust levels as established by the MPCA. The annual vegetation and tree planting activity on the Tails Basin is used to satisfy the requirements of both of these agencies.

Seed and fertilizer are applied to the inactive areas of the basin by using specialized low ground pressure seeding equipment. Various seed mixtures are used depending upon if the mix is needed for temporary or permanent seeding. Temporary vegetated areas are seeded within the basin during March and April while the ground is still frozen. Permanent seeding activities on the outer slopes are generally completed in May. The soil nutrient levels are very low, so significant amounts of fertilizer are required to sustain plant growth. In lieu of chemical fertilizer, bio solids have been a successful alternative.

The use of hay mulch has been an effective method of controlling dust on the tails basin. Mulch is spread by either bale busters, which are pulled by low ground pressure tractors, or mulch can be spread effectively by a helicopter. Tractors and other ground equipment can only be used when the ground is dry or frozen. The use of helicopters is needed in areas where the ground is wet, which is normally in areas where tails have been recently deposited.

Native trees are used to enhance the perimeter of the Tails Basin. The trees act as a buffer for the operation, effectively creating a windbreak for the basin. The trees are purchased from local nurseries, or grown from seeds and cuttings collected from the Keetac property. In excess of 15,000 trees are planted annually.



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To: Iron Range Resources and Rehabilitation Board Members

From: Mark Phillips
Commissioner

Date: October 30, 2015

Re: USS - MINNTAC MINING REINVESTMENT FUND* PROJECTS - \$3,364,920

US Steel – Minntac is eligible for a rebate of \$3,364,920 subject to the company providing a minimum match of \$3,364,920 for a minimum total project cost of \$6,729,840.

The USS - Minntac Mining Reinvestment Fund Review Committee completed its review on September 10, 2015, and unanimously approved submitting the following five (5) projects which will share the MRF rebate.

Project 1 – Line 4 & 5 Low NO_x Kiln Burners- \$5,800,000

Minntac currently operates five iron ore pelletizing lines in which “green” pellets are heated in an oxidizing atmosphere to harden them so they can be handled for transportation. The primary heat source for these pelletizing lines is supplied by multi-fuel kiln burners. In 2008, the Minnesota Pollution Control Agency developed a compliance plan for Minntac requiring significant NO_x (nitrogen oxides) reductions from the pelletizing lines waste gas streams. It has been determined that the installation of low NO_x burner technology is the best solution for meeting this compliance plan. Low NO_x burners have been successfully retrofitted on Minntac’s lines 6 and 7.

The modification of lines 4 and 5 kiln burners will include new outer combustion air tubes, larger combustion air fans, gas pilot ignition systems, building modifications for the combustion air fans and burner control modifications. These modifications lower the peak flame temperature within the kiln, which reduces NO_x generation and will satisfy the MPCA permit conditions for lines 4 and 5.

Project 2 – Fine Screening Upgrade Line 16 - \$1,700,000

The Minntac Concentrator utilizes single deck vibrating screens for fine screening size separation prior to flotation on all sixteen secondary grinding circuits. These single deck fine screens are inefficient compared to new technology.

In October 2013, Keetac installed a new multi-deck that replaced three of the six single deck screens on the Secondary Line 4 fine screening circuit. The increased efficiency associated with the new multi-deck vibrating screens at Keetac resulted in silica reductions in the final concentrate going to agglomeration. Additionally, laboratory testing with Minntac concentrate has shown a potential reduction in silica while maintaining the same screen feed rates.

Minntac purchased and installed four multi-deck vibrating screens on Secondary Line 16. Based on in-plant testing, an additional three multi-deck vibrating screens are required to achieve the desired silica reductions while maintaining the current screen feed rates. The silica reduction will result in iron recovery yield improvements in the flotation process. The 7 multi-deck vibrating system will be installed as a test to review the benefits for a possible full plant conversion.

Project 3 – Crusher Rock Breaker - \$500,000

Efficiently getting crude ore through the primary crushers is one of the biggest challenges at Minntac. Large chunks of ore can get hung up in the primary crusher rendering the crusher inoperable until the large chunk is dislodged. With a primary crusher down, haul trucks are rerouted to the remaining primary crushers (4 total). The two current methods to dislodge the large chunks of hung up material are: utilizing a large steel hook connected to the overhead crane; or to summon an equipment operator with a long reach backhoe. Both methods are time consuming and can cause equipment damage – especially to the overhead crane due to side pulling.

Minntac will install one permanently mounted articulating hydraulic rock breaker to be near the primary #1 dump pocket. This is an effective and readily available tool for removing rock hang-ups which is anticipated to reduce downtime in the crusher. The first hydraulic rock breaker will be tested side-by-side against the current dislodge methods in order to evaluate the benefits for installing this tool in other primary crushers.

Project 4 – Limestone Dust Collector - \$400,000

Minntac purchases limestone in rock form and grinds it in the concentrator for use in making flux pellets. The limestone enters the process through a dump pocket in the crusher and is transferred by belts to the concentrator for grinding. At the transfer point between the belts that carry this limestone between the buildings, there is dust generated from the limestone dropping onto the belts. Minntac currently utilizes a wet dust collector to capture this dust at the limestone transfer point in the fines crusher. The condition of this collector has deteriorated to the point of requiring an extensive rebuild or replacement in order to assure continued operation. The operation of this dust collector is essential for the transfer of limestone from the crusher to the concentrator for processing.

Minntac will purchase and install a more efficient dry cartridge dust collector, fan, ductwork, and secondary HEPA filters that will allow warm, filtered discharge air to be utilized within the building during the winter months. The discharge air could provide potential heating utilities savings for the crusher.

Project 5 – Central Shops Lathe - \$756,000

Minntac's central repair shop is currently utilizing lathes that are 1940's vintage, making it difficult to obtain replacement parts for these machines when they are not operating. Also, due to the age of these lathes, the reliability of these machines has eroded compared to the latest technologies. This leads to the outsourcing of replacement parts to external fabricators versus utilizing Minntac's central shops.

Another disadvantage to the older lathes is that they are manually controlled, so an operator is required to be in close proximity to the lathe while it is in operation. This creates a safety concern due to possible exposure to moving parts while the lathes are in operation.

Minntac is purchasing a new computer numerically controlled (CNC) lathe for the central shops. The new CNC lathe can be pre-programmed which will allow for more parts to be machined in less time than the old lathes. Additionally, the central shops will have the ability to machine more parts in-house instead of buying the parts from vendors or having them repaired by contractors. It will also provide safety benefits as the operators are to control the machine from a safe distance.

*Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose.* These funds are held in the Mining Reinvestment Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by the board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Iron Range Higher Education Account



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board Members

From: Mark Phillips, Commissioner IRRRB

Date: October 26, 2015

Re: IRON RANGE HIGHER EDUCATION COMMITTEE

The Iron Range Higher Education Committee (IRHEC) is a legislatively created committee charged to advise the Commissioner of Iron Range Resources and Rehabilitation Board on providing higher education programs in the Taconite Assistance Area (TAA).

The IRHEC met on Monday, August 17, 2015 to hear program updates and consider program funding requests. The IRHEC has approved, and I support the following expenditures of Higher Education Account funds:

:

- up to \$1,000,000 to provide a grant to the Northeast Higher Education District (NHED) for the continued development of Iron Range Engineering; a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University Mankato;
- up to \$410,000 for the continued development of a Process Operations Program at Itasca Community College, and;
- up to \$346,469 for the continued development the Health Care Simulation Center of Excellence at Hibbing Community College.

These requests total \$1,756,469.

Funding Authorization:

This expenditure is authorized under the provisions of the Iron Range Higher Education Committee and the Iron Range Higher Education Account as codified under Minnesota Statutes, Section 298.2214 and 298.28, subdivision 9d, respectively.

Exhibit A – IRRRB May 19, 2015, Meeting Minutes

IRRRB Meeting Minutes
Tuesday, May 19, 2015 – 10:00 a.m.
State Office Building, Room 300 South
St. Paul, Minnesota

1) Roll Call

Representative David Dill, Board chair, called the meeting to order at approximately 9:59 a.m. Present: Representative Tom Anzelc, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni. Excused: Senator Rod Skoe. Minute Taker: Laureen Hall, Executive Aide. Also present: Mark Phillips, Commissioner; Mary Finnegan, Deputy Commissioner, Joe Radinovich, Assistant Commissioner, Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Linda Johnson, Director of Giants Ridge; Chris Ismil, Community Development Representative, Bob Scuffy, Accounting Director; Sheryl Kochevar, Media Coordinator; Marianne Bouska, Chief Operating Officer; Brian Hiti, Senior Policy Advisor on Mining; Dave Kallio, Accounting Officer Principal.

2) Approval of the February 10, 2015, Minutes

Action required: Approval requires a simple majority of the quorum

Senator Tom Bakk moved approval of the February 10, 2015, minutes. Seconded by Representative Dale Lueck. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe, Senator David Tomassoni

3) FY2016 IRRRB Budget – Resolution #15-021

Action required: Approval requires a simple majority of the quorum

Senator Tom Saxhaug moved to approve the FY 2016 IRRRB Budget as presented in Board Packet materials (Exhibit A) and Resolution #15-021. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2016 AGENCY BUDGET APPROVAL**

Resolution No.: 15-021

WHEREAS, the Commissioner, pursuant to the provisions of Minnesota Statutes Section 298.22, Subdivision 11, has submitted to the Board for its consideration and approval a proposed fiscal year 2016 ("FY16") budget for the funding of operational expenditures, programs and projects of the agency during the State's FY16 which covers the period of time from July 1, 2015, through June 30, 2016 (the "**Proposed FY16 Budget**"); and

WHEREAS, the Board met in Room 300 South of the State Office Building in St. Paul, Minnesota, on Tuesday, May 19, 2015, at 10:00 a.m. to consider, among other matters, the Proposed FY16 Budget; and

WHEREAS, the Board, after careful deliberation of the current and future resources anticipated to be available to the agency, has concluded that it would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 ("**TAA**") to approve the Proposed FY16 Budget and to approve the requested expenditures of funds made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 ("**Board Account**"), Section 298.223 ("**Taconite Area Environmental Protection Fund**"), Sections 298.291 through 298.294 ("**Douglas J Johnson Economic Protection Trust Fund**") and Section 298.17 ("**Occupation Tax Funds**") for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed FY16 Budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves the Proposed FY16 Budget and the expenditure authorizations therein requested from the Board Account, Taconite Area Environmental Protection Fund, Douglas J. Johnson Economic Protection Trust Fund and Occupation Tax Funds to fund the operational expenditures, programs and projects of the FY16 Budget, subject to the understanding that the Board at subsequent meetings during FY16 will approve, on a project-by-project basis, the expenditure of the funding designated in the projects section of the Budget except as otherwise provided in the Budget, and subject to the understanding that the Commissioner's authority to approve loans up to \$500,000 as described in the Project section of the Budget does not extend beyond June 30, 2016 without further Board approval.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 19th DAY OF MAY 2015.

| Member | Aye | Nay | Abstain | Excused |
|----------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Rod Skoe | | | | X |
| Senator David Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative David Dill | X | | | |
| Representative Dale Lueck | X | | | |
| Representative Carly Melin | X | | | |

| | | | | |
|----------------------------|----------|----------|----------|----------|
| Representative Jason Metsa | X | | | |
| TOTAL | 8 | 0 | 0 | 1 |

Signed: _____
Representative David Dill, Chair

4) FY16 Infrastructure Projects – Resolution #15-022

Action required: Approval requires a simple majority of the quorum

Representative Jason Metsa moved to approve the expenditure of TEPF Public Works Funds for certain community and economic development projects not to exceed \$1,625,000 as presented in Resolution #15-022. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PUBLIC WORKS PROJECT APPROVALS**

Resolution No.: 15-022

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved fiscal year 2016 ("FY16") Budget includes the allocation of up to \$6,000,000 for Public Works Projects from TEPF Funds (“**TEPF Public Works Funds**”); and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$1,625,000 of such TEPF Public Works Funds for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on May 19, 2015, in Room 300 South of the State Office Building located in St. Paul, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$1,625,000 of FY16 TEPF Public Works Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY16 TEPF Public Works Funds for all Proposed Projects, including those Proposed Projects which have associated private development work, is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board's Resolution 96-005.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY16 TEPF Public Works Funds for the Proposed Projects is further contingent upon all such project financing being in place before the agency's funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 19th DAY OF MAY 2015.

| Member | Aye | Nay | Abstain | Excused |
|----------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Rod Skoe | | | | X |
| Senator David Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative David Dill | X | | | |
| Representative Dale Lueck | X | | | |
| Representative Carly Melin | X | | | |
| Representative Jason Metsa | X | | | |
| TOTAL | 8 | 0 | 0 | 1 |

Signed: _____
 Representative David Dill, Chair

City of Cook

Grant Amount: \$200,000

Infrastructure, site work and the construction of a new Emergency Services Facility for the Lake Vermilion Fire Brigade. The Lake Vermilion Fire Brigade supports fire, search and rescue, and emergency medical situations within a 61 sq. mile service area, including several townships and unorganized townships that lack fire or medical emergency services. The project is expected to create 3 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|--------------------|------------------|-----------------------|------------------|
| Site Work | \$27,886 | IRRRB | \$200,000 |
| Building | 385,000 | Lake Vermilion F.B. | 212,886 |
| TOTAL | \$412,886 | TOTAL | \$412,886 |

City of Cook

Grant Amount: \$50,000

Infrastructure, site work and construction for a new 4500 sq. ft. Community Center. The community of Cook has undertaken this Cook Community Center Development Project for the last five years and has raised over \$257,000 and additionally had over \$200,000 in volunteer construction labor. This is a grass roots project supported by the community of Cook and surrounding townships.

| <u>USES</u> | | <u>SOURCES</u> | |
|--------------|------------------|------------------|------------------|
| Site Work | \$75,000 | IRRRB | \$50,000 |
| Building | 512,696 | Legislative | 50,000 |
| | | St. Louis County | 5,130 |
| | | City | 482,566 |
| TOTAL | \$587,696 | TOTAL | \$587,696 |

City of Ely

Grant Amount: \$200,000

Infrastructure, roads and site work for the expansion of the Ely Business Park. The city is investing in the development of a new business park on Miners Drive. The current business park recently sold its last lot to Steger Mukluks' Manufacturing Facility as part of their business expansion. Currently, there are 7 businesses with 178 jobs in the business park and currently there are no lots available for new development. The new business park will be used for light industrial/manufacturing type businesses and is located on reclaimed railroad and mining property that was acquired by the City of Ely when the mine closed over 50 years ago. The project is projected to create 6 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|------------------------|------------------|----------------|------------------|
| Water, sewer and roads | \$815,000 | IRRRB | \$200,000 |
| A&E | 125,000 | DEED | 200,000 |
| | | City | 540,000 |
| TOTAL | \$940,000 | TOTAL | \$940,000 |

City of Grand Marais

Grant Amount: \$100,000

Water, sewer, utilities extension, and site work for renovation and expansion of the Cook County North Shore Hospital & Care Center, which is a 16-bed critical access hospital and 37-bed Skilled Nursing Facility located in the city of Grand Marais. In addition to the hospital and care center, the organization also operates a home health agency and an ambulance service, and is the largest employer in the region with 150 jobs. The proposed project is the addition of one hospital patient room wing, two care center resident room wings, and extensive remodeling to the existing hospital and care center building. The construction of additional space will be 26,150 square feet and the renovation of 42,680 square feet will include every area of the existing hospital and Care Center. The project is projected to create 3 permanent jobs and 146 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|------------------------------|---------------------|----------------|---------------------|
| Water, sewer and roads | \$ 1,156,715 | IRRRB | \$ 100,000 |
| A&E | 1,529,472 | DEED | 250,000 |
| Equipment | 1,806,500 | USDA | 24,357,500 |
| Facility Renovation/Addition | 20,214,813 | | |
| TOTAL | \$24,707,500 | TOTAL | \$24,707,500 |

City of Hibbing

Grant Amount: \$300,000

Water, sewer, utilities, roads, and site work for a new 32-unit housing development project. The Hibbing HRA currently owns and operates 252 units of public housing and will own and operate the new 32 town home units. Forest Park East will consist of 8 town home units located across from Vic Power Park and Forest Park West will consist of 24 town home units located on West 47th Street across from the Real Life Co-op Senior Apartments. The project is expected to create 45 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|------------------------|--------------------|---------------------|--------------------|
| Water, sewer and roads | \$686,080 | IRRRB | \$300,000 |
| Land | 327,500 | MHFA | 691,000 |
| Town Homes | 4,980,326 | Hibbing HRA | 440,910 |
| A & E | 778,500 | Federal Tax Credits | 5,172,305 |
| Contingency | 204,530 | SLC HRA | 250,000 |
| TOTAL | \$6,976,936 | TOTAL | \$6,976,936 |

City of Mt. Iron

Grant Amount: \$75,000

Sewer, force main pipe, and a new lift station to service five businesses and the development of 45,000 sq. feet of new commercial development on Miners Drive. The project is expected to create 7 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|------------------------------------|--------------------|----------------|--------------------|
| Lift station, sewer and force main | \$ 120,000 | IRRRB | \$ 75,000 |
| A & E | 20,000 | City | 65,000 |
| Building | 1,000,000 | Private | 1,000,000 |
| TOTAL | \$1,140,000 | TOTAL | \$1,140,000 |

Nashwauk Township

Grant Amount: \$150,000

Infrastructure, site work, and construction for a new 5000 sq. ft. town hall. The current town hall has structural and safety issues, as well as lacking handicap accessibility. The cost to update the current hall exceeds the value in investing in a new modern town hall facility. The project is expected to create 5.5 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|----------------------------|------------------|----------------|------------------|
| Water, sewer and site work | \$76,000 | IRRRB | \$150,000 |
| Land | 47,500 | Blandin | 50,000 |
| A & E | 33,000 | State | 198,000 |
| Building | 626,760 | Township | 385,260 |
| TOTAL | \$783,260 | TOTAL | \$783,260 |

City of Virginia

Grant Amount: \$250,000

Infrastructure and site work for a new development on 9th Street North in Virginia. A new 15,000 sq. ft. Chrysler Dealership will be built on the former East Range Clinic site. The project is expected to create 20 permanent jobs and 16 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|-------------------------|--------------------|----------------|--------------------|
| Utilities and site work | \$ 444,000 | IRRRB | \$ 250,000 |
| Building | 1,992,000 | Private | 2,243,770 |
| A & E | 45,000 | | |
| TOTAL | \$2,488,725 | TOTAL | \$2,488,725 |

City of Virginia

Grant Amount: \$300,000

Phase II of the Joy Global Expansion Project includes the continued site development at the Joy Global Facility in the Virginia Business Park. When Joy Global moved to Virginia they built a \$25 million facility and started with 45 permanent jobs. They have created an additional 27 permanent jobs and are looking at future expansion. The expansion of the Joy Global production yard will allow for immediate business growth. The project is expected to create 3 permanent jobs and 6.5 construction jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|--------------|--------------------|----------------|--------------------|
| Site work | \$930,000 | IRRRB | \$300,000 |
| A & E | 120,000 | DEED | 250,000 |
| | | City | 600,000 |
| TOTAL | \$1,050,000 | TOTAL | \$1,050,000 |

5) Other

a) Cornerstone Loan Guarantee – Resolution #15-023

Action required: Approval requires a simple majority of the quorum

Senator David Tomassoni moved to approve the expenditure of up to \$350,000 of TEPF Business Development Funds to provide a two-year loan guaranty that will enable Cornerstone Villa, a 44-bed skilled nursing facility with 64 employees located in Buhl, to refinance high interest debt as presented in Resolution #15-023. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
CORNERSTONE LOAN GUARANTY PROJECT**

Resolution No.: 15-023

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved fiscal year 2015 ("FY15") Budget includes the allocation of \$3,550,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”) of which \$700,000 remains available for expenditure; and

WHEREAS, the Commissioner has proposed the expenditure of up to \$350,000 of the TEPF Business Development Funds to provide a two-year loan guaranty that will enable Cornerstone Villa, a 44-bed skilled nursing facility with 64 employees located in Buhl, to refinance high interest debt as more specifically presented to the Board at its meeting (the “**Cornerstone Loan Guaranty Project**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on May 19, 2015, in Room 300 South of the State Office Building located in St. Paul, Minnesota, to consider, among other matters, the Cornerstone Loan Guaranty Project, and has determined that the expenditure of up to \$350,000 of TEPF Business Development Funds for the Project would be in the public interest and help promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$350,000 of FY15 TEPF Business Development Funds for the Cornerstone Loan Guaranty Project.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 19th DAY OF MAY 2015.

| Member | Aye | Nay | Abstain | Excused |
|----------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Rod Skoe | | | | X |
| Senator David Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative David Dill | X | | | |
| Representative Dale Lueck | X | | | |
| Representative Carly Melin | X | | | |
| Representative Jason Metsa | X | | | |
| TOTAL | 8 | 0 | 0 | 1 |

Signed: _____
 Representative David Dill, Chair

b) Highway 1 Corridor Account Project – Resolution #15-024
Action required: Approval requires a simple majority of the quorum

Senator Tom Bakk moved to approve the expenditure of up to \$140,000 of Highway 1 Corridor Account Funds for an economic development project in the City of Tower to provide financing for an existing employer to improve its business, as presented in Resolution #15-024. Seconded by Representative Dale Lueck. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
HIGHWAY 1 CORRIDOR ACCOUNT PROJECT APPROVAL**

Resolution No.: 15-024

WHEREAS, the Commissioner is authorized to expend, upon approval by the Board, special fund Highway 1 Corridor Account monies made available under Minnesota Statutes Section 298.2961, subd. 5 (19) ("**Highway 1 Corridor Account Funds**") for economic development projects in the cities of Babbitt, Cook, Ely or Tower; and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$140,000 of such Highway 1 Corridor Account Funds for an economic development project in the City of Tower to provide financing for an existing employer to improve its business; and

WHEREAS, the Board met in open session at 10:00 a.m. on May 19, 2015, at the State Office Building in St. Paul, Minnesota, to consider, among other matters, the proposal and has determined that the expenditure of the proposed Highway 1 Corridor Account Funds in the amount specified below would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$140,000 of the Highway 1 Corridor Account Funds for a grant to the City of Tower for an economic development project, consistent with the proposal presented at the meeting.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of Highway 1 Corridor Account Funds for the project is contingent upon the grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board's Resolution 96-005.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 19th DAY OF MAY 2015.

| Member | Aye | Nay | Abstain | Excused |
|----------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Rod Skoe | | | | X |
| Senator David Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative David Dill | X | | | |
| Representative Dale Lueck | X | | | |
| Representative Carly Melin | X | | | |
| Representative Jason Metsa | X | | | |
| TOTAL | 8 | 0 | 0 | 1 |

Signed: _____
Representative David Dill, Chair

6) Adjournment

The meeting adjourned at 10:29.m.

Exhibit A – FY16 IRRRB Budget

FY 2016 Budget



**Iron Range Resources &
Rehabilitation Board**

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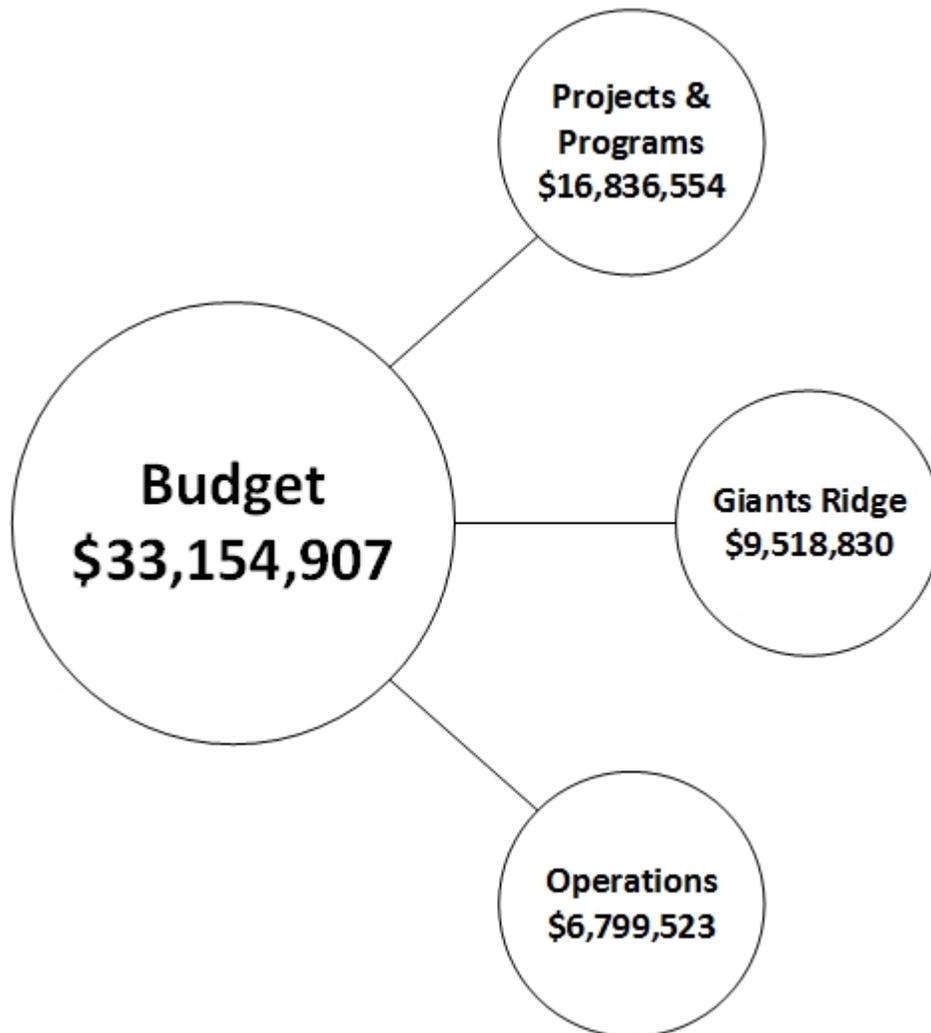
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Introduction

FY16 July 1, 2015 – June 30, 2016

This proposed FY16 IRRRB budget represents the agency’s commitment to investing in a better future for northeastern Minnesota. It is organized in order of funding priorities - public investments in development projects and programs, Giants Ridge, and operational costs.

Development projects and programs account for 51% of the agency’s spending; Giants Ridge 29%; and operations 21%.



FY16 Budget

| Iron Range Resources & Rehabilitation Board | | | |
|--|---------------------------|------------------------------|---------------------------|
| | FY 2015 Budget | FY 2015 Projected | FY 2016 Budget |
| Resources | | | |
| Carryforward In | \$6,085,554 | \$8,479,607 | \$6,788,566 |
| Current Resources | | | |
| Taconite Production Taxes | \$21,251,632 | \$21,251,632 | \$21,273,530 |
| Investment Earnings | 550,116 | 587,155 | 587,155 |
| Loan Revenues | 2,772,094 | 4,632,022 | 2,157,268 |
| Facilities Revenues | 4,231,768 | 4,110,817 | 4,177,513 |
| Occupation Tax Region III | 594,116 | 594,116 | 591,554 |
| Taconite Homestead Credit Transfer | 2,574,505 | 2,574,505 | 0 |
| Subtotal Current Resources | \$31,974,231 | \$33,750,247 | \$28,787,020 |
| Total Resources | | | |
| | \$38,059,785 | \$42,229,854 | \$35,575,586 |
| Estimated Expenditures | | | |
| Projects | | | |
| Development Projects | 9,050,000 | 9,050,000 | 5,000,000 |
| Public Works | 8,249,010 | 8,249,010 | 6,000,000 |
| Total Projects | \$17,299,010 | \$17,299,010 | \$11,000,000 |
| Programs | | | |
| Program Grants | 4,595,000 | 4,470,000 | 5,245,000 |
| Occupation Tax Region III | 594,116 | 594,116 | 591,554 |
| Total Programs | \$5,189,116 | \$5,064,116 | \$5,836,554 |
| Giants Ridge | | | |
| | \$7,862,536 | \$7,751,006 | \$9,518,830 |
| Operations & Development Fixed Costs | | | |
| | \$6,099,179 | \$5,327,155 | \$6,799,523 |
| Total Budget | | | |
| | \$36,449,841 | \$35,441,287 | \$33,154,907 |
| Estimated Carryforward Out | | | |
| | \$1,609,944 | \$6,788,566 | \$2,420,679 |

Projects

Development Projects - \$5,000,000

A total of \$5,000,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region. In an effort to streamline approvals, improve timeliness, and better serve businesses, the Commissioner, with approval of the IRRR Board Chair, will be authorized to approve development projects of \$500,000 and less for projects that meet the following conditions:

- Qualify for IRRRB financing under established guidelines.
- Approval by the Technical Advisory Committee (TAC).

Public Works - \$6,000,000

Public works grants help cities, townships, airport authorities, hospital boards, utility commissions and collaborative organizations complete projects that support community and economic development. Eligible projects include, but are not limited to, publicly owned infrastructure such as wastewater, drinking water, storm water and utility systems, health care and airport facility improvements and renewable energy or energy efficiency initiatives.

Projects Budget

| Development Projects | FY 2015 Budget | FY 2015 Projected | FY 2016 Budget |
|-----------------------------------|-----------------------|--------------------------|-----------------------|
| Development Projects | \$9,050,000 | \$9,050,000 | \$5,000,000 |
| Public Works | 8,249,010 | 8,249,010 | 6,000,000 |
| Total Development Projects | \$17,299,010 | \$17,299,010 | \$11,000,000 |

Programs

Grants

Community Development

Commercial Redevelopment - \$900,000

Commercial Redevelopment grants fund the demolition and removal of commercial or publicly-owned structures, or the clean-up of brownfield sites, making way for new development.

Residential Redevelopment - \$350,000

Residential Redevelopment grants help create cleaner and safer communities and encourage new construction by assisting in the demolition of dilapidated residential structures.

Development Partnerships - \$250,000

The grant program funds partnerships with regional development entities for research, education, and development-based initiatives which support long term economic growth within the region and are consistent with IRRRB strategies. Past and present partnerships include: APEX, Northspan, East Range Joint Powers Board, Enterprise Minnesota, MN Power, MN Logger Education Program, Arrowhead Manufacturers & Fabricators Association, and Quad Cities Small Business Development Center.

Community Comprehensive Plan Updates - \$150,000

The grant program helps communities fund the development and adoption of comprehensive plans. Comprehensive plans provide a long range vision for how each community desires to grow and develop. The plans will better enable communities to make long term development decisions and will also aid IRRRB in making funding decisions.

Education/Workforce Development - \$300,000

Grants assist in workforce development by funding sector specific customized training programs for industry, industry clusters, schools or collaborative partnerships that build capacity, responsiveness or innovation to address workforce needs. Funding is also available for secondary and post-secondary educational institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post-secondary education to the workforce.

Mining and Mineland Reclamation

Mining & Mineland Reclamation - \$435,000

FY16 funded projects and programs will include mine pit fish stocking (\$15,000), emergency safety projects and repair (\$20,000), the Mining Impact Grant Program (\$150,000) that will stimulate communities to proactively address current and future conflicts with mining, and the Drilling Incentive Grant Program (\$250,000) to stimulate additional exploration in Minnesota – primarily for manganese and gold.

Laurentian Vision Partnership - \$200,000

The Laurentian Vision Partnership Innovation Grant Program assists cities, townships, mining companies or joint powers boards with projects to promote the LVP vision and mission of “transforming pits and piles to living lakes and landscapes...our legacy for the future.” Grant funds are used to preserve lands that sustain current and future mining, promote landscape options for post-mining uses, identify and discuss new development opportunities, and provide the tools to achieve these goals.

Business Energy Retrofit - \$750,000

The Business Energy Retrofit (BER) Program is a partnership with Arrowhead Economic Opportunity Agency (AEOA) and assists business owners with clean energy improvements to their buildings by delivering technical expertise, project management, and grants for 1/3 of project costs up to \$20,000. The program is in high demand, and currently there are 90 applicants waiting for funding.

Culture and Tourism

Culture and Tourism - \$185,000

Culture and Tourism grants help non-profit organizations undertake projects that stimulate tourism and enrich communities through artistic, heritage-related or recreational activities.

Film Production Incentive Program - \$200,000

The Film Production Incentive Program supports projects which create jobs and result in economic impact in the IRRRB service area. IRRRB will reimburse 20% on eligible expenditures in its service area.

Minnesota Discovery Center - \$1,350,000

Minnesota Discovery Center’s mission is to “collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors.”

Through FY 2016 the Sublease/Management Agreement provides an annual \$1,000,000 operating subsidy, the interest on an endowment fund and a \$150,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the budget includes \$200,000 for building capital improvements.

Commissioner Program - \$150,000

Grants under the Commissioner Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements.

Application Fund - \$25,000

The grant program reimburses communities, non-profits and educational organizations for up to one-half of the cost of applying for funding from other state, federal or private grant programs.

Programs Budget

| Program Grants | FY 2015 Budget | FY 2015 Projected | FY 2016 Budget |
|--|-----------------------|--------------------------|-----------------------|
| Community Development | | | |
| Commercial Redevelopment | \$750,000 | \$750,000 | 900,000 |
| Residential Redevelopment | 350,000 | 350,000 | 350,000 |
| Development Partnerships | 250,000 | 250,000 | 250,000 |
| Community Comprehensive Plan Updates | 150,000 | 150,000 | 150,000 |
| Total Community Development | \$1,500,000 | \$1,500,000 | \$1,650,000 |
| Education/Workforce Development | \$300,000 | \$300,000 | \$300,000 |
| Mining and Mineland Reclamation | | | |
| Mining & Mineland Reclamation | \$185,000 | \$175,000 | \$435,000 |
| Laurentian Vision Innovation Projects | 200,000 | 185,000 | 200,000 |
| Business Energy Retrofit | 500,000 | 500,000 | 750,000 |
| Total Mining and Mineland Reclamation | \$885,000 | \$860,000 | \$1,385,000 |
| Culture & Tourism | | | |
| Culture & Tourism | \$185,000 | \$185,000 | \$185,000 |
| Minnesota Discovery Center | 1,350,00 | 1,350,000 | 1,350,000 |
| Film Production Incentive | 0 | 0 | 200,000 |
| Total Culture & Tourism | \$1,535,000 | \$1,535,000 | \$1,735,000 |
| Commissioner Program | \$250,000 | \$250,000 | \$150,000 |
| Application Fund | \$25,000 | \$25,000 | \$25,000 |
| Total Program Grants | \$4,595,000 | \$4,470,000 | \$5,245,000 |

Region III

State law directs IRRRB to serve as the fiscal agent for Carlton and Koochiching County (Region III) grants from occupation taxes for economic and environmental development projects. IRRRB does not make any funding decisions, but funds pass through under the following provisions:

- The allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.
- The amount for both counties in FY15 was \$594,116, from which IRRRB was reimbursed \$14,000 for costs of administering the fund.
- By law, one-third of the portion allocated for Koochiching County must be used to fund the Koochiching County Economic Development Commission.

| Region III Grant – Carlton/Koochiching | FY 2015 Budget | FY 2015 Projected | FY 2016 Budget |
|---|---------------------------|------------------------------|---------------------------|
| Region III | \$594,116 | \$594,116 | \$591,554 |

Giants Ridge

Giants Ridge supports and promotes tourism and recreational opportunities for the economic enhancement and diversification of the IRRRB service area, while improving the quality of life for area residents. The Giants Ridge recreation area includes: a snow sports area with alpine and Nordic skiing, and snow tubing; two golf courses; mountain bike trails; hiking trails; disc golf; lake access and private sector lodging and residential development.

The FY16 budget support includes site work for the new event center, including parking lots, outdoor lighting, and landscaping. When completed in 2016, the event center will house space for recreation services; a snow sports school; winter and summer equipment rentals; banquet and conference spaces; and, food and beverage venues.

Giants Ridge Budget

| Giants Ridge | FY 2015 Budget | FY 2015 Projected | FY 2016 Budget |
|---------------------------------------|---------------------------|------------------------------|---------------------------|
| Revenues | | | |
| Admissions | \$2,564,228 | \$2,450,260 | \$2,585,210 |
| Facility Rental | 43,406 | 14,512 | 2,000 |
| Other Revenue | 146,186 | 173,305 | 121,213 |
| Retail Sales | 1,203,157 | 1,197,829 | 1,222,299 |
| Total Revenues | \$3,956,377 | \$3,835,905 | \$3,930,722 |
| | | | |
| Expenses | | | |
| Cost of Sales | \$ 558,953 | \$597,164 | \$594,370 |
| Salaries & Benefits | 3,933,959 | 3,718,382 | 4,301,144 |
| Utilities | 315,465 | 308,676 | 313,738 |
| Advertising & Marketing | 495,488 | 381,354 | 504,200 |
| Equipment Rental | 5,450 | 14,787 | 6,650 |
| Management Fees | 127,572 | 127,244 | 133,843 |
| Maintenance & Repairs | 597,378 | 545,280 | 990,181 |
| Supplies | 380,268 | 342,639 | 397,846 |
| Insurance | 107,698 | 96,528 | 106,707 |
| Purchased Services | 399,664 | 422,003 | 513,055 |
| Non-Capital Assets - 471 | 537,274 | 690,833 | 414,500 |
| Total Operational Expenses | \$7,459,169 | \$7,244,890 | \$7,681,874 |
| | | | |
| Non Operational Expenses | | | |
| Interest and Financing | \$3,367 | \$3,367 | \$27,171 |
| Event Center Costs | 400,000 | 502,748 | 1,215,415 |
| Total Non-Operational Expenses | \$403,367 | \$506,115 | \$1,242,586 |
| | | | |
| Total Expenditures | \$7,862,536 | \$7,751,005 | \$9,518,830 |

Operational Costs

Operational costs include day-to-day general and administrative expenses for running the agency: payroll, purchased services, indirect costs, supplies, materials, repairs and maintenance. Personnel expenses include all Operations and Development employees.

Operational Costs Budget

| Operational Costs | FY 2015 Budget | FY 2015 Projected | FY 2016 Budget |
|---------------------------------|--------------------|--------------------|--------------------|
| Payroll | | | |
| Wages and Benefits | \$3,752,907 | \$3,546,712 | 4,106,231 |
| Retirement Insurance | 179,000 | 162,892 | 158,422 |
| Unemployment Compensation | 100,000 | 44,473 | 100,000 |
| Workers Compensation | 120,000 | 119,428 | 120,000 |
| Other Payroll Costs | 16,700 | 19,249 | 17,700 |
| Total Payroll | \$4,168,607 | \$3,892,754 | \$4,502,353 |
| Purchased Services | | | |
| Rentals and Utilities | \$60,220 | \$63,374 | \$53,280 |
| Printing and Advertising | 44,400 | 37,461 | 58,700 |
| Professional/Technical Services | 470,400 | 267,571 | 448,800 |
| Computer and Computer Services | 113,500 | 68,461 | 248,460 |
| Communications | 145,560 | 163,803 | 17,780 |
| Travel | 214,200 | 169,474 | 256,900 |
| Employee Development | 43,500 | 26,999 | 46,800 |
| Total Purchased Services | \$1,091,780 | \$797,143 | \$1,130,720 |
| Supplies and Equipment | \$417,400 | \$282,310 | \$551,050 |
| Repairs and Maintenance | \$184,000 | \$110,959 | \$364,000 |
| Indirect Costs | | | |
| Statewide Indirect Costs | \$44,592 | \$38,887 | \$49,500 |
| Attorney General Costs | 15,000 | 803 | 10,000 |
| Total Indirect Costs | \$59,592 | \$39,690 | \$59,500 |
| Other Operating Costs | \$177,800 | \$204,297 | \$191,900 |
| Total Operational Costs | \$6,099,179 | \$5,327,154 | \$6,799,523 |