



Biennial Report

Fiscal Years
2005 - 2006



To the Governor and Legislature of the State of Minnesota:

I am pleased to submit to the Honorable Tim Pawlenty, Governor of the State of Minnesota, and to the Minnesota State Legislature, this thirty-second Biennial Report from Iron Range Resources.

In the 2005-2006 biennium, groundwork was laid for private-sector investment that could represent a significant reversal of fortunes for northeastern Minnesota. The agency is particularly proud of the catalytic role it has played in supporting a number of large, innovative projects at the early development stage: Mesabi Nugget, PolyMet, Minnesota Steel, Franconia Minerals, Excelsior Energy and Laurentian Energy. Combined, these projects represent close to \$5 billion in investment, holding great promise for the region.

While the iron mining industry continues to fuel the region's economic engine – annually contributing \$1.9 billion in direct benefit to the state's economy – diversification of the economy in the Taconite Assistance Area remains a top priority for the agency. Approximately \$37.5 million in agency business lending and capital investments leveraged \$197 million in private lending for area projects, resulting in almost 4,000 jobs created, retained or enhanced.

Special task forces, appointed in 2003 to identify strategies for enhancing the long-term sustainability of both Ironworld Discovery Center and Giants Ridge Golf & Ski Resort, have completed their work and the fruits of their labor soon will be evident in both operations. The transition of Ironworld - from a state-run facility to the private non-profit Ironworld Development Corporation - will allow the newly created organization to chart its own course and plan a more sustainable future while enabling the agency to re-focus on its core economic development mission. Numerous development entities making private sector investments at Giants Ridge are collaborating on the creation of a cohesive northwoods resort community, and the Giants Ridge Master Association is being restructured to facilitate the growth plans of all entities under the Giants Ridge brand.

Realizing that availability of a highly skilled workforce is critical to the success of businesses in the region, a Regional Workforce Development Coordinator position was created in collaboration with the Northeast Higher Education District, enabling the agency to take a leadership role in developing the workforce for a growing economy in northeastern Minnesota.

In an effort to capitalize upon the economic energy building in the region, the agency recently launched its "Business is Beautiful" marketing and communications campaign. Exciting, new business-focused marketing and communications strategies will help the agency better serve existing and hoped-for clientele, while providing valuable feedback regarding how effectively the agency is meeting the needs of its customers.

"Business is Beautiful" is more than just a tagline - it's how people and businesses in northeastern Minnesota see themselves and their future. Iron Range Resources is proud to be an integral player in a region-wide economic development partnership working in collaboration to position northeastern Minnesota for success in the global economy, and we look forward to continued success under the strong leadership of Governor Pawlenty.

Sincerely,

Sandy Layman, Commissioner



An Equal Opportunity Employer

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BIENNIAL REPORT FISCAL YEARS 2005 - 2006

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ABOUT THE AGENCY

Headquartered in Eveleth, Iron Range Resources was created by the Minnesota Legislature in 1941 to help strengthen and diversify the economy of northeastern Minnesota. Specifically, Iron Range Resources serves the interests of the Taconite Assistance Area (TAA), a geographical region encompassing approximately 13,000 square miles.



Iron Range Resources office in Eveleth.

The agency also owns and operates Giants Ridge Golf and Ski Resort near Biwabik. Ironworld Discovery Center located in Chisholm, also owned by the agency, soon will be operated by Ironworld Development Corporation, a newly created non-profit organization.

Day-to-day operation of the agency is managed by a full-time Commissioner appointed by the Governor of Minnesota who serves as a member of the Governor's cabinet. The agency's annual budget and most economic development proposals are subject to review and approval by a 13-person Iron Range Resources Board.

The board is comprised of five state senators, appointed by the Senate majority leader, and five state representatives, appointed by the House speaker, a majority of whom must come from TAA districts. Three citizens from the TAA also are appointed, one each by the Senate majority leader, House speaker and governor.

2005/2006 Iron Range Resources Board Members

Senator Tom Bakk
Citizen Joe Begich (Senate appointed)
Representative David Dill
Citizen Bill Henning (Governor appointed)
Senator Becky Lourey
Citizen Matt Matasich (House appointed)
Representative Maxine Penas
Representative Tom Rukavina
Senator Tom Saxhaug
Representative Tony Sertich
Representative Loren Solberg, Vice Chair
Senator Yvonne Prettnier Solon
Senator David Tomassoni, Chair

Funding

Iron Range Resources is funded by a portion of the taconite production taxes paid by mining companies on each ton of taconite produced. These taxes are paid in lieu of property taxes. As a State of Minnesota agency, Iron Range Resources acts as a fiscal agent for this money. Unlike other state agencies, the agency receives no direct operational funding from the State's general fund.

Taconite production taxes are based on the level of taconite produced each calendar year and are paid by the mining companies in two installments during the following calendar year. Taxable tonnage is calculated on the basis of a three-year average. School districts, cities, townships and counties are the primary recipients of the taconite tax dollars. Once the funds are distributed according to a formula designated in Minnesota Statute 298.28, the agency receives the remaining funds.

Taconite production taxes are the primary source of funding for the Iron Range Resources Board Account and the Taconite Area Environmental Protection Fund (TEPF). Other revenue sources include interest earned on invested cash, admission fees from the agency's tourism facilities, loan repayments, and other miscellaneous revenues. Interest earnings on invested cash and loan repayments are the primary sources of funding for the Douglas J. Johnson Economic Protection Trust Fund (DJJEPTF) operating

account. The agency also administers funds in the Supplemental Tax Account for Koochiching and Carlton Counties from occupation taxes according to Minnesota Statutes Section 298.17. Except for a small administrative charge, these funds are disbursed for economic and environmental development projects at the discretion of each county.

Mission & Strategies

In order to fulfill its mission of advancing regional growth, Iron Range Resources employs four targeted strategies.

Strategy #1: Position the agency to lead in developing and implementing a strategy for the long-term economic viability of the northeastern Minnesota region.

Strategy #2: Sustain the region's economic base by working with existing businesses to retain existing jobs and expand to create new jobs.

Strategy #3: Diversify the region's economy by growing new businesses and recruiting expanding businesses from outside of the area.

Strategy #4: Reclaim mining impacted lands to create a diverse regional economic development resource.

Trade Mission to China

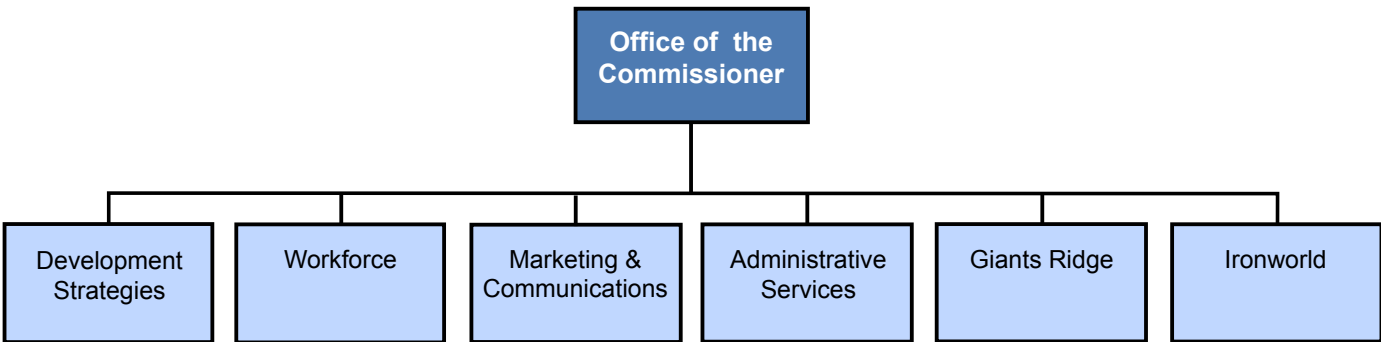
In November 2005, more than 200 business, government, civic and academic leaders from Minnesota participated in a trade mission to China. It was the largest contingent from a single state ever to visit this booming economic powerhouse. The group was divided into special-interest delegations representing a broad range of business sectors. Iron Range Resources Commissioner Sandy Layman led the 13-member steel and mining delegation. During its time in Beijing and Shanghai, the group gained insights into China's mining and steel industry, cultivated valuable connections and returned to northeastern Minnesota ready to leverage both into economic advantages. 📷



Commissioner Sandy Layman led the steel and mining delegation on Governor Pawlenty's China trade mission in 2005. In the above photo, delegation members waited to begin a tour of the Baosteel plant in Shanghai.

Organizational Structure

As depicted in the chart below, the agency operates under a streamlined organizational structure, designed to increase flexibility and productivity.



The Development Strategies Division implements the agency's economic development activities, including initiatives in energy, technology, mining, minerals and mineland reclamation. The division teams with private and public sector partners to create and retain jobs, diversify the regional economy and enhance the physical landscape of the Taconite Assistance Area (TAA). Through this division, the agency connects businesses from outside the region to the outstanding business resources found in northeastern Minnesota. Business expansion and retention is achieved by carefully and diligently analyzing the needs of existing businesses and being responsive to those needs.

Business is Beautiful

During the biennium, the agency conducted a strategic planning and branding initiative to learn how its customers perceived agency strengths and weaknesses. Among other findings, the agency learned that it needed to become more customer-focused throughout the organization.



BUSINESS IS BEAUTIFUL™

As a result, the "Business is Beautiful" initiative was developed to deliver the agency's new brand promise to businesses in both northeastern Minnesota and the metro area. "Your vision. Our backing." is the new tagline that accompanies the agency's logo on all marketing and recruitment materials, and expresses the agency's simple commitment to the outside world.

Financing Programs

Iron Range Resources assists business development throughout the TAA by providing direct loans, employment incentive grants, train-

ing grants and venture capital investments. Approximately \$37.5 million in agency business lending/capital investments leveraged \$197 million in private lending for area projects in this biennium. Approximately 4,000 jobs will be created, retained or enhanced as a result of these investments. The loan portfolio currently consists of 105 loans totaling more than \$46 million.



Next Generation Ophthalmics in Grand Rapids expanded and added five new jobs using a bank participation loan.

Through its Bank Participation Loan Program, the agency partners with various lending institutions to provide low interest financing to eligible borrowers. Targeted businesses are manufacturing/assembly; projects which attract expenditures from outside the region; and technologically innovative industries.

Other financing tools include direct loans, loan guarantees, stock warrants and grants to eligible businesses. The agency also awards grants to communities for infrastructure supporting business and community development. Please see Appendix, page 17, for a complete listing of grant projects.

Jobs Created and Retained

During this biennium, 31 business development projects were approved, for a total of \$37,506,000 in agency financing. As a result, the agency leveraged an additional \$196,932,825 in outside financing. Proposed new jobs created by these projects totaled 1,710, while an additional 1,689 jobs were retained. Please see Appendix, page 16, for a complete breakdown of projects.

Trade Shows

To promote the area to targeted industries, Iron Range Resources has increased its attendance at industry trade shows both state and nationwide. The Iron Range Economic Alliance (IREA), a regional grass roots economic development organization consisting of community officials and economic development professionals, has partnered with the agency in this effort.



The Iron Range Resources display booth set up for the MDM show in Minneapolis.

A booth was staffed at the following trade shows: LifeScience Alley, AmCon (American Contract Manufacturers), and MDM (Medical Design & Manufacturing), all in Minneapolis, and FABTECH International (Fabricators & Manufacturers Association, International) in Atlanta, Georgia.

Partners

The agency's business recruitment efforts are accomplished in conjunction with other partners, such as the IREA, community and educational leaders, local economic development organizations, bankers, businesses such as Minnesota Power, and regional organizations such as the Arrowhead Regional Development Commission, the Arrowhead Businesses Connection, the Northspan Group, the University of Minnesota Duluth Center for Economic Development, the Natural Resources Research Institute, and many others.

Energy Initiative

The agency's energy initiative explores and capitalizes on opportunities in the energy field to promote regional job creation and economic growth. Two major energy projects are now underway. The Mesaba (Excelsior) Energy coal

gasification project is in the permitting stage. The Laurentian Energy Authority, a joint venture between the Virginia and Hibbing Public utilities to manage a new renewable biomass energy project, is fully operational.

Do I.T! Initiative

The do I.T! (Innovative Technology) Initiative is a public/private partnership dedicated to developing the TAA as a technologically smart region. Its mission is to advance regional growth through advocacy, collaboration, expansion of technology-based business, and investment in technology infrastructure and rural connectivity.

During the biennium, Commissioner Sandy Layman led a 13-person delegation on a fact-finding mission to Lindon, Utah to investigate the Utah Telecommunication Open Infrastructure Agency (UTOPIA), a consortium of Utah cities engaged in deploying and operating a fiber optic network to every business and household in its member communities. The mission provided a first-hand look at the logistics, design requirements, construction considerations and overall scope of the deployment process.

A feasibility study was then completed to explore the technical, financial and political feasibility of establishing a fiber to the premises telecommunications network for participating cities in the TAA. The agency is now assisting in determining a financial model to make the project a reality.



The Laurentian Energy Authority biomass project. Shown is a storage bin for the Virginia facility.

Mining & Minerals

Mining

The iron mining industry continues to fuel northeastern Minnesota's economic engine. Area taconite companies directly provide the region with nearly 4,000 high-paying jobs. Spin-off industries affiliated with the taconite producers are responsible for approximately 12,000 additional jobs. Annually, the iron mining industry contributes \$1.9 billion in direct benefit to the state's economy and purchases goods and services in nearly 200 communities across the state.

Besides supporting the diversification of the economy by encouraging the development of other industries, Iron Range Resources vigorously supports a strong and healthy iron mining industry. Its objectives in the minerals sector include recapitalization of Minnesota's taconite industry; development of value-added iron and steel products from Minnesota iron ore; development of non-ferrous minerals (copper, nickel and precious metals); and minerals research that encourages and supports both current and future mining activities.

Taconite Economic Development Fund

In 1992, the Minnesota Legislature established the Taconite Economic Development Fund (TEDF) to further encourage capital investments in area taconite plants. Under current law, 30.1 cents of the \$2.203 tax paid per ton of pellets produced is allocated to an account administered by Iron Range Resources. The funds are reallocated to taconite companies for projects reviewed by the management/labor committee of each plant. Since 1993, \$113.2 million has been made available through the TEDF. The fund, commonly referred to as the investment tax credit, was made permanent by the 2001 Legislature.

Mineland Reclamation

The Mineland Reclamation Program, established by the Minnesota Legislature in 1977, provides for the reclamation, restoration or reforestation of areas of northeastern Minnesota affected by iron ore mining prior to 1980. The program's goal is to reclaim mining impacted lands to

create a diverse regional economic development resource. Priority projects are those that stimulate increased economic development and tourism within the TAA. The goal has been supported by eliminating dangerous areas, establishing vegetation and reforestation, repairing and preventing erosion and dust problems, creating recreational areas, and restoring wildlife habitats on lands mined during the first 100 years of mining in Minnesota.

New partnerships have been formed among Mineland Reclamation, other units of government and private industry, leveraging available dollars to accomplish mutually beneficial programs that enhance both the economy and environment of northeastern Minnesota.



Fairview housing development built on former mine dumps overlooking the Rouchleau Pit in northeast Virginia.

Mineland Reclamation Projects

The following projects were funded in the past biennium:

Aurora

- St. James pit wall reshaping
- Stockpile reshaping at industrial park

Babbitt

- Bio solids site development

Buhl

- Stockpile reshaping for economic development

Chisholm

- Emergency safety fencing around two sites

Cohasset

- Tioga trail construction

Cuyuna Range

- Restroom improvements at Croft Mine

Ely

- Pioneer Mine smokestack restoration

Eveleth

- Southside Ball Fields upgrade
- Fayal Pond & Southside Park Bike Trail improvements

Gilbert

- Lake Ore-be-gone diving opportunities established

Hibbing

- Safety fencing and parking at North Hibbing

Hoyt Lakes

- Laskin Energy and Fisherman Point Campground erosion control and vegetation establishment

Mesabi Range

- Laurentian Vision Partnership
- Fish stocking

Mountain Iron

- West Two Rivers Campground improvements

Nashwauk

- Campground drainage improvements

Virginia

- Fairview Addition housing development expansion
- Northern Heights Addition, site grading and infrastructure development

Tree Seedling Production and Planting

The Mineland Reclamation growth chamber's production was 300,000 seedlings each fiscal year. These seedlings were used to reforest lands affected by mining within the TAA in a cooperative partnership with DNR Forestry.

WORKFORCE

In May 2006, Iron Range Resources partnered with the Northeast Minnesota Higher Education District in hiring a coordinator for regional workforce development. The purpose of this collaboration is to more closely link economic development and educational efforts to develop a regional workforce with the talents and skills required by area businesses to successfully compete in the 21st century.

Both organizations recognized that the region is at a "tipping point" in terms of worker quality and availability. The workforce in northeastern Minnesota is older than both state and national averages leading to massive retirement projec-

From 1978 through 2006, over 4.4 million tree seedlings, transplants and tree spade trees have been planted.

Laurentian Vision

The Laurentian Vision Partnership (LVP) is an ad hoc group of public and private interests who meet quarterly to envision and promote projects that create productive post-mining landscapes. The LVP also explores how mining companies can systematically incorporate innovative land designs into their everyday operations.



Iron Range Resources oversees coordination of the partnership. Minnesota Power and area mining companies partnered to cover the cost of hiring a facilitator for the LVP allowing the partnership to move from an informal partnership to a more structured organization.

The LVP has agreed that lands should be identified and allocated to sustain current and future mining in a way that does not inhibit development opportunities for other businesses or communities. The group's over-riding goal is to engage multiple stakeholders on a regional and sub-regional basis to create a value-added future for the Mesabi Iron Range. 🌲

tions over the next several years. Statistics indicate a need to replace 75,000 jobs over the next decade due to retirements alone. Given the decreasing size of the workforce and a decline in school enrollment, finding skilled workers to fill these positions will be a daunting task. At the same time the region is looking at the potential of \$5 billion in proposed major economic development projects in ferrous, base, precious metals mining and processing, forestry and forest products, and advanced energy technology. One factor in determining whether this potential is realized will be the readiness and availability of the workforce necessary to capitalize on the opportunities. 🌲

MARKETING AND COMMUNICATIONS

The Marketing & Communications Division creates, coordinates and disseminates marketing and communications materials and messages on behalf of Iron Range Resources and its stakeholders.

Marketing

The division developed and implemented the agency's marketing strategies, messages, and materials. In fall 2005, a successful print advertising campaign entitled "Making it in northeastern Minnesota" was launched. The advertisements, targeted at CEOs and high-ranking officers of Twin Cities-based corporations, depicted the strong entrepreneurial spirit of the region. Several successful business owners were featured in a series of high-impact advertisements.

In addition, the division worked with an outside communications consultant on the development of a strategic marketing and communications plan, which included primary and secondary market research and a communications audit, culminating in the development of a print, radio and billboard campaign entitled "Business is Beautiful."



One of two billboard designs that appeared in five locations for the "Business is Beautiful" marketing campaign.

Communications

The division handled media inquiries and public information requests, and agency information was distributed to appropriate audiences. As part of that effort, a full-color newsletter, RangeView, was published on a quarterly basis. Range e-View, an electronic agency newsletter, was also transmitted regularly.

Additional creative ser-

vices included the design and development of billboards, television spots, newspaper and magazine ads, brochures, posters, business cards, reports, photography, PowerPoint presentations and documentary slide shows, as well as videotaping of board meetings and other special events. Updates to the agency website were also completed. In conjunction with the Development Strategies Division, updated data was provided for the agency section on the Governor's Department Results website, located at www.departmentresults.state.mn.us.

Tourism

Resources were allocated to a variety of tourism marketing activities. Working with the Minnesota Film & TV Board, assistance was provided for the production of the Warner Brothers major motion picture "North Country" that was filmed on location on the Iron Range.

In January 2005, a Marketing Award of Excellence from the Minnesota Office of Tourism was presented to the division for a direct mail campaign in the category of Cooperation and Partnership.

Technical assistance was provided to Wild North Golf Alliance, Superior National Forest Scenic Byway, North Shore Scenic Drive All-American Road, Iron Range Tourism Bureau and other chambers of commerce and convention and visitors bureaus in the area. The division also partnered with other stakeholders to implement several major tourism promotion initiatives, including the Great River Energy Bicycle Festival.



ADMINISTRATIVE SERVICES

Administrative Services provides support services and resources to internal customers – other agency programs and facilities. This division is comprised of: Finance & Human Resources, Information Systems and Maintenance & Shop and also includes the office of the commissioner.

Finance & Human Resources

Finance & Human Resources provides support to all divisions within the agency. Finance provides professional/technical contracting, procurement, accounting and financial reporting services. Human Resources performs payroll, employee recruitment, employee development and labor relations services. During the biennium, activities focused on fiduciary responsibility and policy effectiveness.

- Operated within balanced budget.
- Developed an investment policy for the DJJ Trust investment portfolio.
- Finalized supplemental indenture for Giants Ridge revenue bonds.
- Deployed an Early Separation Incentive Program.
- Established Ironworld Endowment.
- Developed annual employee performance review process.
- Updated agency training, ride-sharing and conflict of interest policies.
- Implemented electronic timesheets.

Information Systems

Information Systems supports and maintains the computer hardware, data and telecommunication infrastructure for the agency. Technical

support, information access, project management, internet and phone connections are a few of the services provided to agency personnel. During the biennium, program activities centered on process efficiency and effective use of technology.

- Migrated the network infrastructure from Novell to a Microsoft platform.
- Implemented Microsoft Office 2003.
- Eliminated Windows 98/95 systems from the agency's network infrastructure.
- Upgraded Eveleth phone system to direct dial.
- Implemented PC and printer replacement schedule of 20% annually.
- Installed new I.S. server at the Research Center.

Maintenance & Shop

Maintenance & Shop assists the agency's programs and facilities through equipment maintenance, repair and fleet management. The program also provides building and grounds maintenance for the Eveleth headquarters complex. During the biennium, activities focused on providing responsive maintenance services.

- Completed improvements to the Eveleth office building, including installation of new carpet, replacement of manual room lights with motion lights and construction of new graphics area.
- Upgraded the Eveleth office building security system.
- Completed improvements to the Eveleth office wastewater treatment system. 🗑️

Iron Range Resources employees at Giants Ridge for an all-staff meeting.



The primary activities of Giants Ridge are directed toward the development and promotion of tourism and recreation opportunities that will enhance the economic diversification of the Taconite Assistance Area (TAA). Giants Ridge accomplishes this mission by operating two 18-hole championship golf courses and a winter sports area to product and service standards of excellence that earn national recognition and accolades.

As the golf courses and ski area grow in demand, so does the potential for private real property development. In March 2005, Giants Ridge completed a master plan, design guidelines, and market analysis in order to provide direction for future planning and growth of the facility. With the guidance of the master plan and utilizing value added appraisals, Iron Range Resources has been successful in selling land parcels for real estate development, bringing increased stability in facility revenue. The three remaining lots in The Woodlands at Giants Ridge, a single-family housing development, were sold to a private developer, thus completing the agency's investment in this project. In addition and in partnership with Minnesota Power, Iron Range Resources connected parties for the private development of Voyageurs Retreat, 240 single family lakeshore and lake access lots on the eastern shores of Wynne and Sabin Lakes. To date, 84 of the 240 lots have been sold.



Family fun at
Giants Ridge!

The combination of recreation and real estate development at Giants Ridge has increased economic impacts to local communities to an all time high in 2005. Iron Range Resources commissioned an "Economic Impacts of Giants Ridge" study in 2005. The report found that in fiscal year 2005, the economic

impact generated in the community from the activities at Giants Ridge was \$33.7 million dollars and could increase to \$52.2 mil-

lion dollars by 2010. The report further cited that if additional development occurs, such as new single-family units, townhomes/villas, lodging, and new support facilities, the economic impacts could increase to \$297 million dollars over the next five years.

Giants Ridge also has stabilized facility revenue through its golf and ski operations. Revenue was increased per golfer and skier, while providing guests with golf and ski practices that exceeded industry standards. In addition, Giants Ridge attracted new golf and ski markets, while



The Legend at Giants Ridge hole 14 is one of the most majestic holes on the course.

maintaining the loyalty of existing markets. Guests were not the only ones who took notice of the recreational standards at Giants Ridge. The Giants Ridge, golf courses, The Quarry and The Legend, received accolades from national publications such as *Golf Digest*, *Golfweek*, and *Golf Magazine*. In 2005 in its annual "America's 100 Greatest Public Courses," *Golf Digest* ranked The Quarry number one in Minnesota and number 16 in the nation, and it ranked The Legend number four in Minnesota and number 88 in the nation. This is an amazing feat considering no other two-course resort in Minnesota had both its offerings ranked in the top 100. *Golfweek* magazine ranked The Quarry the number one public golf course in Minnesota, and *Golf Magazine* ranked The Quarry number 56 in the nation in its "Top 100 Courses You Can Play."

In order to ensure the longevity of the agency's investment in Giants Ridge, the facility implemented a three-year capital plan with improvements to date made to the ski maintenance area, the snow guns, a new Magic Carpet® conveyor lift at the beginners ski site, and a greenhouse for the golf courses. Each capital improvement is determined by and tied directly to the facility's revenue goals and responds to biannual guest surveys and guest demographic reports.

2005 and 2006 proved to be excellent years for the growth of Giants Ridge, and the facility is positioned to recognize further success in the next two years. The mission of the facility will

remain focused on attaining financial stability through sound business practices and pricing strategies, and by providing guests exceptional products and services. ☀️



Voyageurs Retreat development on Wynne Lake.

IRONWORLD DISCOVERY CENTER



Ironworld Discovery Center collects, preserves, and interprets the history of Minnesota's Iron Ranges. Ironworld collects artifacts and archival resources; preserves objects, documents and cultural resources; makes information and resources accessible; and provides educational opportunities for visitors and regional residents. Ironworld's museum, park and living history sites are open to the public seasonally. The Iron Range Research Center library and archives are open year around.

Moving to Nonprofit Management

In March 2005, the Secretary of the State of Minnesota filed a Certificate of Incorporation for Ironworld Development Corporation (IDC). The nonprofit was formed to assume management of Ironworld Discovery Center. The IDC board of directors hired a CEO and negotiated a term sheet for a sublease-management agreement that upon commencement will convey the authority to assume operations. The nonprofit is expected to take over the facility in January 2007.

Iron Range Resources will continue to own the Ironworld facilities and collections and provide a declining subsidy to IDC operations over the next ten years. Iron Range Resources also will establish a ten million dollar endowment, of which the principal will remain intact while providing interest earnings to IDC for annual operating expenses. Up to \$250,000 of addi-

tional agency funds has been approved to match corpus fundraising efforts by IDC each year for up to five years.

Museum Reopened

Following an almost two-year closure resulting from building settlement, a structural repair plan for the 30 year old museum was completed in May 2006. Studies of the building and surrounding areas indicated that the settlement may have resulted from soft soils or ground movements related to mine-induced subsidence. Structural reinforcements and monitoring systems were installed, allowing the facility to re-open to the public for the 2006 visitor season.

Advancing the Ironworld Mission

During the biennium, preservation and access initiatives at the Iron Range Research Center included cataloging, technology upgrades, preservation work, and improvements for visitors to gain access to the collections, stories, and sites throughout Ironworld.



A participant in the Hands-On-History day camp takes a closer look at an artifact from the Research Center collections.

The facility made a major step towards the future with the addition of over 4 TeraBytes of storage capacity to archive digitized photographs and other electronic images. This digital archive can send information via new software out to the World Wide Web, exponentially increasing access to users across the globe. Collection's cataloging has increased the PastPerfect database to 66,857 records.

A combined approach of unit based and capitalization valuation of the Research Center collections was undertaken in 2005. The process allowed for a more accurate representation of the collections value, now established at \$6.1 million dollars.

Preservation work was undertaken this past biennium with the rehabilitation of the early 1900s homestead cabin. Extensive handwork and fitting was done to replace rotted logs and to repair other elements of the structure, preserving the story of the cabin for future generations.



The historic homestead cabin sets the stage for interpreting the subsistence lifestyles of early north woods pioneers.

Processing and cataloging was completed on the Butler Bros. and M.A. Hanna Mining Company collection, greatly improving access to materials held in the collection. Additionally, the large object collections were cataloged, photographed and inventoried. This includes the historical buildings, equipment, and the railroad collections.

Collection and preservation activities of the Iron Range Research Center included acquisition of 1,104 library items and 464 new archival collections totaling 270 linear feet.

Customer Outcomes

Ironworld doubled its service to students during the biennium through increased participation in the Beyond School Walls program, a third year of Ironworld Outreach, new workshops, teacher programs and college collaborations. Educational programs served 5,540 students and adults.

Ironworld participated in the American Association of State and Local History's "Performance Management Survey," a professionally designed audience survey for history museums. Preliminary survey results indicate exceptional satisfaction with the facility and visitor experience, with an emphasis on the quality of learning and interaction with staff and interpreters. The full results of the survey will be analyzed to assist in implementing changes and influencing marketing and planning activities.

Museum and park attendance for the biennium was 30,000 people. An additional audience of 7,000 enjoyed the Ironworld facility at private events and meetings. The St. Louis County Fair at Ironworld hosted over 60,000 during the "Five Best Days of Summer," August 2005 and August 2006.

A statewide presence for the Research Center was achieved by participating in the national @your library campaign and promoting the Center's presence through partner libraries in the Arrowhead Library System. Images from the Opie Photographic Collection were used for the popular campaign posters and book marks. With growing numbers of users accessing services and collections via the web, the Research Center touched 9,890 on site and virtual customers. 📖



APPENDIX

AGENCY INVESTMENT PLAN

	FY 2005 <u>Budget</u>	FY 2006 <u>Budget</u>
Resources		
Taconite Production Taxes	\$10,886,085	\$14,215,837
Investment Earnings	1,190,153	1,478,210
Loan Revenues	1,747,269	1,833,313
Contingent Revenue - IRP Funds	750,000	750,000
Facilities Revenue	6,960,433	5,676,600
Occupation Tax Region III	<u>467,518</u>	<u>556,360</u>
Total Resources Available	<u>\$22,001,458</u>	<u>\$24,510,320</u>
Budgeted Expenditures by Division		
Administrative Services		
Finance and Human Resources	\$1,584,212	\$2,346,762
Information Systems	331,650	344,460
Maintenance and Shop	395,399	375,159
Attorney General		
Legal Services	378,962	381,923
Marketing, Communications & External Affairs		
Marketing	970,719	450,777
Communications	283,450	283,450
Tourism	177,430	177,403
Development Strategies	1,726,731	1,771,207
Facilities		
Giants Ridge Golf and Ski Resort	5,874,391	7,032,347
Ironworld Discovery Center	1,955,996	1,786,996
Agency Projects		
Development Projects	5,700,000	6,973,476
Operating Projects	2,155,000	2,030,000
Occupation Tax Region III	<u>467,518</u>	<u>556,360</u>
TOTAL FY INVESTMENT PLAN	<u>\$22,001,458</u>	<u>\$24,510,320</u>
Eveleth Building & Grounds Repair Fund	0	\$170,000
Ironworld Endowment	0	10,000,000
Giants Ridge Repair & Investment Fund	0	1,00,000
Development Projects Reserve	0	4,00,000
Unobligated Operating Reserve	\$10,029,837	\$1,651,796

AGENCY LOANS

Recipient	Purpose	Retained Jobs	New Jobs	Total Project Cost	Form	Agency Amount
Aitkin						
American Peat Technology, LLC	Expansion	7	4	\$370,000	Part. Loan	\$100,000
Babbitt						
Babbitt/Gr. Lakes Home & Resort/Kasson Mfg.	Restructure	16	0	1,373,500	Dir. Loan to Babbitt	300,000
Black Iron Rubber Co.	Expansion	9	0	270,000	Participation Loan	135,000
Franconia Minerals Corporation	Metals Dev.	0	250*	10,000,000	Direct Loan	1,250,000
Bovey						
KMDA, Inc. (formerly Colonial Castings)	Expansion	5	2	99,000	Participation Loan	43,000
Buhl						
Cast Corporation	Expansion	7	6	830,000	Participation Loan	250,000
Chisholm						
MTD Acquisition, Inc., d/b/a MN Twist Drill	Expansion/Ref.	69	0	1,650,000	Direct Loan	150,000
Northwest Airlines	Restructure	550	0	N/A	Amend Agreement	N/A
Cook						
Disability Specialists	Expansion	12	7	435,000	Participation Loan	185,000
Ely						
Steger Designs, Inc.	Expansion	23	4	367,000	Participation Loan	175,000
Eveleth/Virginia						
Entronix Inc.	Expansion	250	85*	3,000,000	Direct Loan	500,000
Meyer Associates, Inc.	Expansion	0	135*	1,895,000	Direct Loan	500,000
					Forgivable Loan	125,000
Grand Rapids						
Charterwest Mortgage, LLC	Expansion	0	98	882,000	Direct Loan	250,000
Itasca Development Corp. (for Spec. Bldg.)	Spec. Bldg.	unknown	unknown	1,950,000	Direct Loan	350,000
Itasca Technology Exchange, Inc.	Incubator Bldg.	varies	varies	450,000	Equity/Com. Stock	150,000
Next Generation Ophthalmics, Inc.	Expansion	18	5	787,500	Participation Loan	250,000
Rapids Hydraulic and Machine, Inc.	Expansion	4	2	397,000	Participation Loan	50,000
Wide Open Company	Expansion	26	10	500,000	Participation Loan	250,000
Hibbing/Grand Rapids						
Minnesota Diversified Industries, Inc.	Expansion	181	110	11,410,000	Participation Loan	500,000
Hibbing						
Chisholm-Hibbing Airport Authority	Spec. Bldg.	unknown	unknown	1,640,000	Direct Loan	790,000
Davich Properties, Inc.	Expansion	15	15	940,000	Direct Loan	215,000
Hibbing Fabricators, Inc.	Expansion	30	8	950,000	Participation Loan	300,000
Reptron Electronics, Inc.	Expansion	360	50	2,250,000	Participation Loan	500,000
Sunrise Bakery & Gourmet Foods	Expansion	12	4	550,000	Participation Loan	175,000
Hibbing/Virginia						
Laurentian Energy Authority (Hibbing/Virginia Biomass Project)	Biomass Fuel	70	100	80,000,000	Direct Loan	8,000,000
Hoyt Lakes						
Mesabi Nugget, LLC	Mining	0	100*	215,000,000	Direct Loan	10,000,000
Mesabi Nugget, LLC	Real Estate Purch.	0	counted	counted	Direct Loan	6,488,000
Nashwauk						
Minnesota Steel Industries, LLC	Start-up	0	700*	12,000,000	Direct Loan	5,000,000
Virginia						
Staver Foundry	Expansion	25	15	500,000	Direct Loan	250,000
TOTAL				\$350,496,000		\$37,231,000

* Proposed new jobs over 5 years.

Douglas J. Johnson Economic Protection Trust Fund (the “2028 Fund”) Trust Account

	FY 2005	FY 2006
Beginning Balance	\$86,298,384	\$84,434,704
Taconite Tax Receipts	6,121,472	3,298,560
Interest on tax receipts prior to county distributions	14,848	33,631
Expenditures & Obligations	<u>(8,000,000)</u>	<u>(6,488,000)</u>
Ending Balance (FY Ending Date)	<u>\$84,434,704</u> (June 30, 2004)	<u>\$81,278,895</u> (June 30, 2005)

AGENCY GRANTS

Applicant	Project Description	FY	Amount
Aitkin County Soil & Water	Data collection	2006	\$10,000
APEX	Marketing effort	2005	7,000
ARDC	Scenic Byways grant	2005	3,125
ARDC	GIS study	2005	5,000
Aurora, City of	Stockpile reshaping	2006	93,000
Aurora, City of	Pitwall at St. James pit	2005	75,000
Babbitt, City of	Bio-solids land application	2006	10,000
Bemidji State University	Northern Tier High Tech Cor. - Business on the web	2006	19,400
Biwabik, City of	Planning services - ARDC	2006	5,000
Biwabik, City of	Replenish revolving loan fund	2005	25,000
Blandin Foundation	Wood Products Manufacturing Conference	2005	5,000
Blandin Foundation	Wood Products Capacity Conference	2005	11,000
Buhl, City of	Stockpile reshaping	2005	56,000
Buhl, City of	Occupational Development Center building	2006	50,000
Buhl, City of	Occupational Development Center building	2005	40,000
Central Iron Range Sewer District	Sanitary sewer engineering plans - Phase I	2005	20,000
Chisholm, City of	6th Street SW infrastructure replacement	2006	100,000
Club Mesabi	Great River Energy Trail Tour	2006	10,000
Cohasset, City of	Tioga Trail improvements	2006	10,000
Coleraine Minerals Research Lab	Computational Fluid Dynamics primary cooling fan	2005	24,119
Coleraine, City of	Eagle Ridge infrastructure	2006	85,000
College of St. Scholastica	Do I.T! : Medical records	2005	10,000
Community Econ Dev JPB-Ely	Do I.T! : Wireless connectivity	2005	35,000
Cook Hospital	Renovation	2005	100,000
Cotton, Town of	Do I.T! : Website development	2006	825
Crosby-Ironton JPB	Restroom improvements at Croft Mine	2005	17,000
Crow Wing County Highway Dept.	Road 30 drainage improvements	2006	30,000
Curl Mesabi	Junior curling championships	2006	10,000
East Range Cross Country Club	MS TRAM & Great River Tour	2005	20,000
East Range Joint Powers Board	Mineral study	2005	12,000
East Range Joint Powers Board	Boundary Stone	2006	30,000
East Range Joint Powers Board	Replace revolving loan fund	2005	30,000
Ely, City of	Pioneer Mine smokestack	2006	65,000
Embarrass Region Fair Board	Roof repair on Timber Hall	2005	12,500
Embarrass, Township of	Timber Hall improvements	2006	5,000
Eveleth, City of	Southside Ballfields	2005	30,000
Eveleth, City of	Fayal Pond & Southside Park	2006	16,000
Eveleth, City of	Wastewater treatment plant	2006	100,000
Eveleth, City of	Veteran's park on Ely Lake	2006	50,000
Gilbert After Hours Inc.	Mud Run - sponsorship	2006	5,000
Gilbert, City of	Lake Ore-be-gone	2006	15,000
Grand Itasca Clinic & Hospital	Hospital rehabilitation	2005	250,000
Grand Marais, City of	Cedar Grove Business Park	2006	200,000
Greenway Area Business Assoc.	Master plan highway 169 bypass	2006	10,000
Haypoint Jackpine Snowmobile	Governor's Ride - sponsorship	2005	5,000
Hibbing Joint Rec. & Park Board	Parking area in North Hibbing Park	2006	46,000

Grants - continued

Hibbing Taconite Company	TEDF	2006	2,409,962
Hibbing Taconite Company	TEDF	2005	2,335,809
Hibbing, City of	Infrastructure to industrial park	2006	75,000
Hibbing, City of	Medical Alley project	2005	15,000
Hibbing, City of	Infrastructure for spec building at airport	2006	100,000
Hibbing, City of	Irongate Business Park	2006	70,000
Hoyt Lakes, City of	Tree planting & landscaping	2006	20,000
Ironworld Development Corp.	Start-up funds	2006	146,000
Itasca Development Corp.	Professional services	2005	2,500
Itasca Ski & Outing Club	Repair snowmaking system	2005	10,000
Lake Vermilion Resort Assoc.	Governor's Fishing Opener - sponsorship	2005	10,000
Laurentian Energy Authority	Biomass project	2006	1,549,405
Minnesota Film Board	"North Country" film	2005	200,000
Minnesota Wood Campaign Inc.	Wood Education project	2006	30,000
Minnesota Wood Campaign Inc.	Wood Education project	2005	38,000
Mittal Steel USA-Minorca Mine	TEDF	2005	849,594
Mittal Steel USA-Minorca Mine	TEDF	2006	793,621
Mountain Iron, City of	West Two Reservoir Campground	2005	30,000
Mountain Iron, City of	Infrastructure to Unity Drive	2006	250,000
Nashwauk, City of	Infrastructure to assisted living	2006	175,000
Nashwauk, City of	RV park	2005	15,000
Nashwauk, City of	Aerial photography for Minnesota Steel project	2006	150,000
North Shore Business Enter.	New road/staging area	2006	50,000
Northeast Service Cooperative	Do I.TI : Enhanced connectivity	2006	62,500
Northeast Service Cooperative	Fiber to Premise study	2006	69,500
Northeast Service Cooperative	Do I.TI : Enhanced connectivity	2005	62,500
Northshore Mining Company	TEDF	2005	1,483,679
Northshore Mining Company	TEDF	2006	1,504,225
Northspan	ABC website	2006	25,000
Orr, City of	Infrastructure improvements	2005	35,000
Range Regional Health Services	Mental health unit	2005	150,000
Rural Health Resource Center	Recruitment plan	2005	100,000
Rural Health Resource Center	Recruitment plan	2006	100,000
Silver Bay, City of	Demo. to construct new housing	2006	170,000
Slovenian National Home	60th Diamond Jubilee	2005	500
Student Conservation Assoc.	Cultural resources diversity intern - Ironworld	2005	5,250
Two Harbors Dev. Commission	Do I.TI : Redesign website	2005	1,500
United Taconite	TEDF	2006	1,042,043
United Taconite	TEDF	2005	922,583
U of M - Center for Econ. Dev.	Do I.TI : 21st Century Arrowhead	2005	98,500
U of M - Center for Econ. Dev.	Do I.TI : 21st Century Arrowhead	2006	98,500
U of M - Center for Econ. Dev.	Business development center	2006	65,000
University of Minnesota	Deep Underground Science & Engineering Lab	2005	15,000
University of Minnesota	Laurentian Vision primer	2005	10,500
US Steel-Keewatin Taconite	TEDF	2006	1,568,718
US Steel-Keewatin Taconite	TEDF	2005	1,374,096
US Steel-MINNTAC	TEDF	2006	4,202,091
US Steel-MINNTAC	TEDF	2005	4,263,453
Virginia, City of	Northern Heights Addition	2005	55,000
Virginia, City of	Tennis courts	2006	125,000
Virginia, City of	Steam heating system	2006	3,115,619
Virginia, City of	Fairview housing expansion	2006	25,000
Virginia, City of	Helipad at hospital	2005	250,000
Western Mine Planning	Vegetation survey - Canisteo Mine Pit	2005	19,000
Western Mine Planning	Vegetation survey - Canisteo Mine Pit	2005	14,000
Western Mine Planning Outflow	Feasibility analysis - Canisteo Mine Pit	2005	41,000
White Community Hospital Corp.	Remodeling and expansion	2005	100,000
White, Township of	Loon Lake Community Center improvements	2005	8,000

2004 Distribution of Taconite Production Tax

(Fiscal Year 2005)*

2003 Production Year

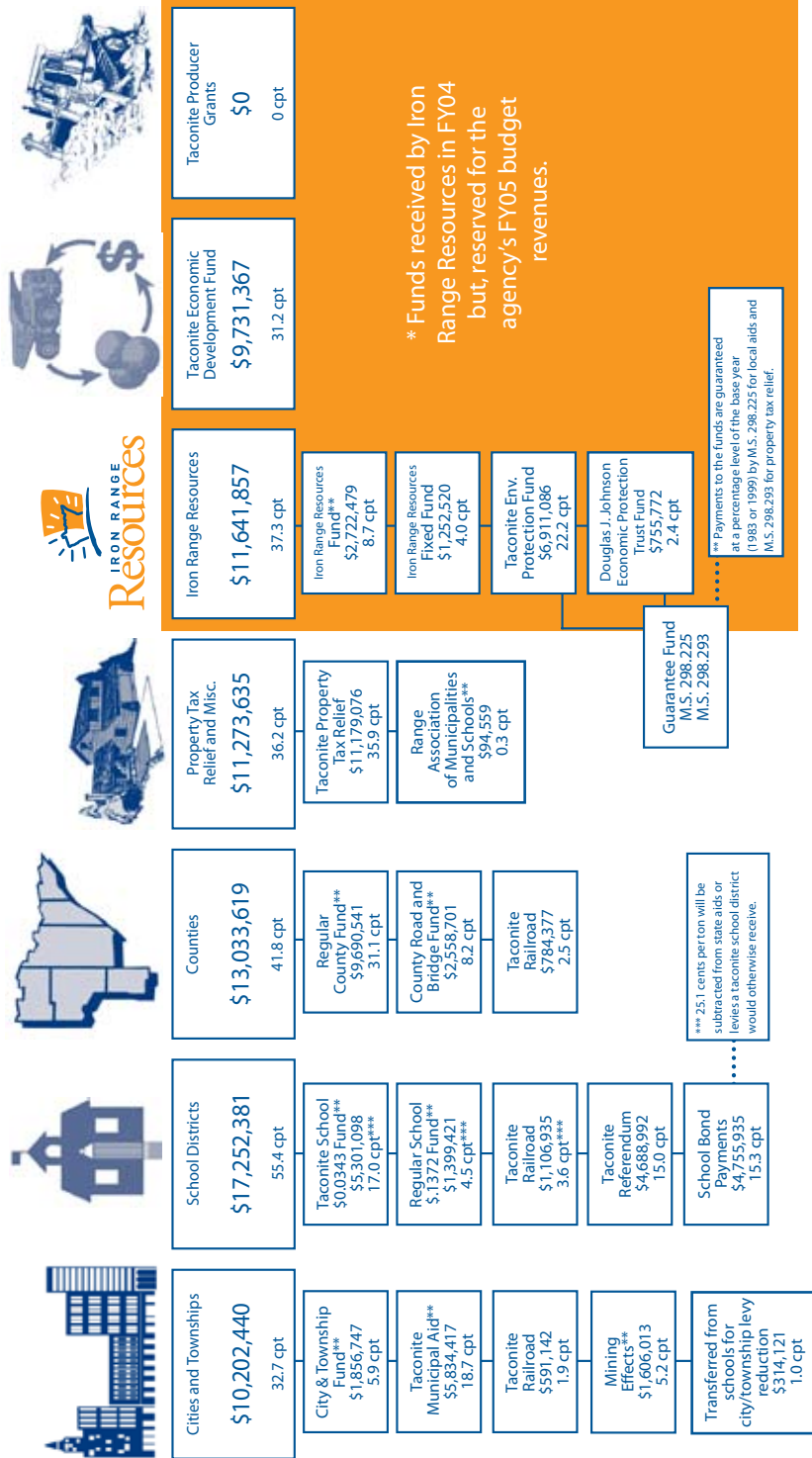
Total Taconite Production Tax

\$73,135,299*

Production Tax is \$2.103 per taxable ton.

The three-year average taxable tonnage was 31,167,887 tons.

*Does not include amount of tax disputed by United Taconite. \$7,589,233 is included from the state general fund.



cpt = cents per taxable ton

2005 Distribution of Taconite Production Tax

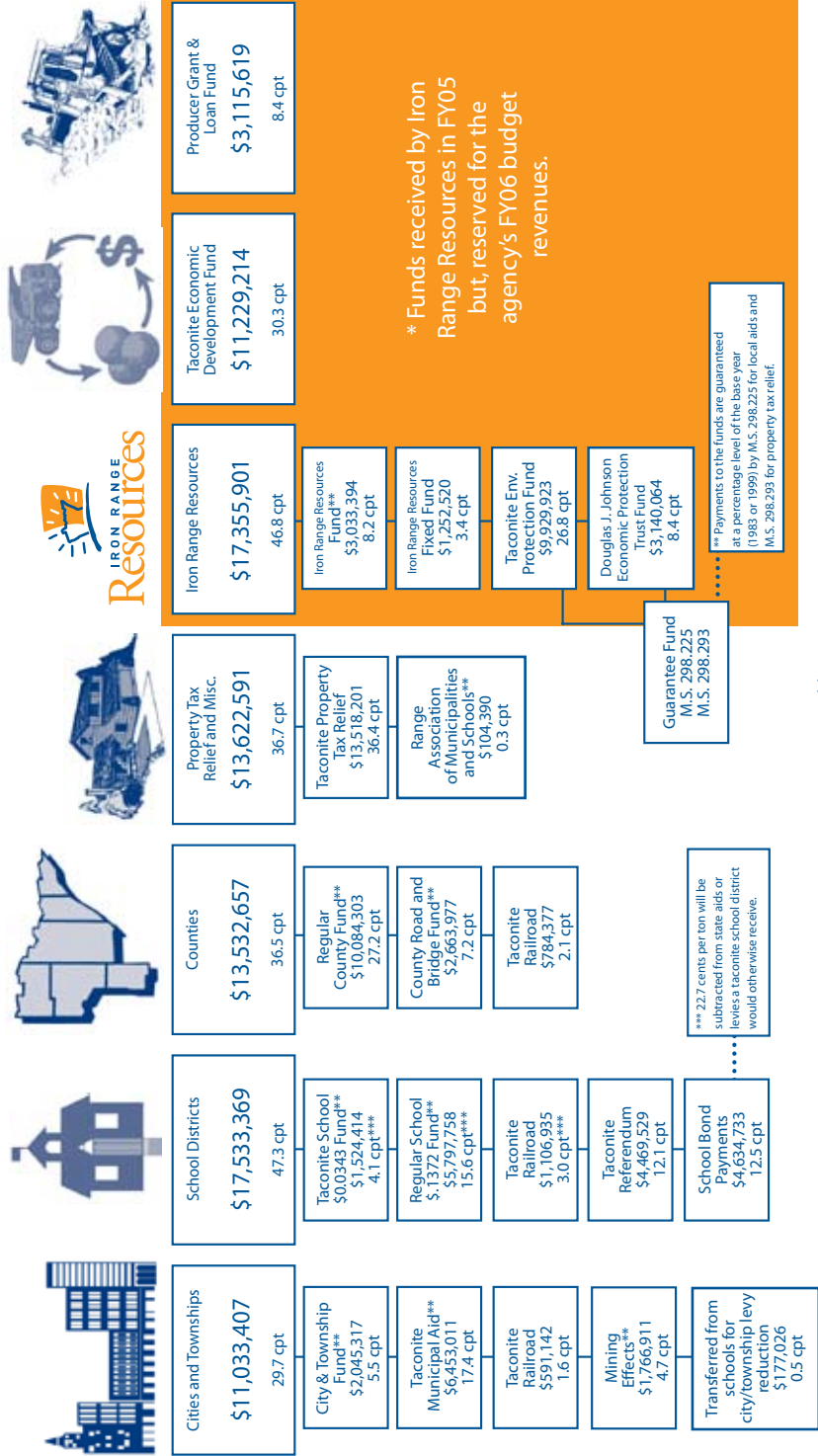
(Fiscal Year 2006)*

2004 Production Year

Total Taconite Production Tax
\$87,422,758*

Production Tax is \$2.137 per taxable ton.
The three-year average taxable tonnage was 37,090,691 tons.

* \$8,159,952 is included from the state general fund. (22.0 cpt)



* Funds received by Iron Range Resources in FY05 but, reserved for the agency's FY06 budget revenues.

*** Payments to the funds are guaranteed at a percentage level of the base year (1983 or 1999) by M.S. 298.225 for local aids and M.S. 298.293 for property tax relief.

cpt = cents per taxable ton

The **2005-2006 Biennial Report to the Legislature** recaps Iron Range Resources activities from July 1, 2004 through June 30, 2006. This report has been prepared in compliance with Minnesota Statutes 1992, Section 298.22, Subdivision 2. The report was written and designed by agency staff. Printing costs were \$3,953.



