

# **Meeting of the Iron Range Resources Board**

**Thursday, July 19, 2007**

**9:00 a.m.**

**Iron Range Resources Board Room  
Eveleth, MN**

**MEETING OF THE IRON RANGE RESOURCES BOARD**  
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**TABLE OF CONTENTS**

**AGENDA.....3**

**APPROVAL OF THE JUNE 14, 2007, MINUTES .....4**

**DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND.....10**

    CRANE LAKE US CUSTOMS STATION .....11

    SUPERIOR THERMOWOOD OF BRAINERD, INC.....13

**DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND CORPUS .....17**

    MINNESOTA STEEL INDUSTRIES, LLC .....17

**FY08 AGENCY INVESTMENT PLAN .....19**

**MEETING OF THE IRON RANGE RESOURCES BOARD**

**Thursday, July 19, 2007**

**9:00 a.m.**

**Agenda**

- 1) Roll Call
- 2) Approval of the June 14, 2007, Minutes
- 3) Douglas J. Johnson Economic Protection Trust Fund  
*Action required: Project approval requires 8 votes*
  - a) Crane Lake U.S. Customs Station
  - b) Superior Thermowood of Brainerd, Inc.
- 4) Douglas J. Johnson Economic Protection Trust Fund Corpus  
*Action required: Project approval requires 10 votes*
  - a) Minnesota Steel Industries, LLC
- 5) FY08 Agency Investment Plan  
*Action required: Approval requires 8 votes*
- 6) Other
- 7) Adjournment

# Approval of the June 14, 2007, Minutes

## Meeting of the Iron Range Resources Board

Thursday, June 14, 2007  
2:00 p.m.

Iron Range Resources Board Room  
Eveleth, Minnesota

### I. Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 2:00 p.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Saxhaug, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan. Absent: Senator Tom Bakk and Representative Loren Solberg. Also present were: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Doug Gregor, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Jean Dolensek, Chief Financial Officer; Dave Hart, Loan Officer, Senior; Sheryl Kochevar, Executive Assistant; Lauren Hall, Executive Assistant; Annette Maki, Executive Assistant; Terry Leoni, Laurentian Energy Authority and General Manager, Virginia Public Utilities Commission; Jim Kochevar, Laurentian Energy Authority and General Manager, Hibbing Public Utilities Commission; and Michael Jugovich, Mayor, City of Chisholm.

### II. Approval of the September 11, 2006, Minutes

Citizen Begich moved approval of the December 21, 2006, minutes. Seconded by Citizen Robinson. Motion carried.

### III. Reorganization of the Iron Range Resources Board

#### a. Welcome and introductions of the 2007-2008 Iron Range Resources Board Members

Senator Tom Bakk	Representative Tom Anzelc	Citizen Joe Begich
Senator Tom Saxhaug	Representative David Dill	Citizen Shelley Robinson
Senator Rod Skoe	Representative Tom Rukavina	Citizen Jack Ryan
Senator Yvonne Prettner Solon	Representative Tony Sertich	
Senator David Tomassoni	Representative Loren Solberg	

#### b. Election of Chair and Vice-Chair

Motion by Senator Saxhaug to elect Representative Dill Chair. Motion carried.

Motion by Representative Rukavina to elect Senator Tomassoni Vice-Chair. Motion carried.

**c. Board Member Per Diem**

Representative Rukavina moved that the citizen members of the board receive per diem payments for board activities at the same rates as those approved by the Minnesota House of Representatives during the 2007 legislative session. Seconded by Representative Anzelc. Motion carried. Deputy Commissioner Hiti and Assistant Attorney General Doug Gregor questioned whether the agency had clear statutory authority to pay per diem at a rate greater than \$55.00 per day [as authorized in M.S. 15.0575]. Commissioner Layman suggested that the agency review this matter before proceeding with payment of per diem.

**d. The Joe Begich Building**

Representative Rukavina reminded the Board of the provision within the Economic Development Omnibus bill, passed during the 2007 Legislative Session, which named the Iron Range Resources Administration building the “Joe Begich Building” in recognition of Joe Begich. Representative Rukavina proposed a reception be held on Friday, June 29, 2007, to allow Joe’s daughter, who will be visiting her parents during the 4<sup>th</sup> of July holiday, an opportunity to observe this acknowledgement.

**IV. Resolution No.: 07-005**

*Action Required: Project approval requires 8 votes*

Motion by Representative Dill to approve Resolution No. 07-005 which authorizes the Commissioner to continue funding of the operations for the agency from the funding sources and in amounts up to but not to exceed the amounts budgeted for such operations in the approved FY07 budget, with such approval to remain effective until the earlier of the date of August 1, 2007, or the date the Board formally approves a FY08 budget subject to the conditions as outlined in the Resolution. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Anzelc, Citizen Joe Begich, Citizen Shelley Robinson, Representative Tom Rukavina, Citizen Jack Ryan, Senator Tom Saxhaug, Representative Tony Sertich, Senator Rod Skoe, Senator Yvonne Prettner Solon, and Senator Dave Tomassoni.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Senator Tom Bakk and Representative Loren Solberg

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
INTERIM FY08 OPERATIONAL EXPENDITURE FUNDING APPROVAL**

**Resolution No.: 07-005**

**IT IS HEREBY RESOLVED**, that the Board approves the continuation of funding for the operations of the Office of the Commissioner of Iron Range Resources and Rehabilitation agency from the funding sources and in amounts up to but not to exceed the amounts budgeted for such operational expenditures in the approved FY07 budget, with such approval to remain effective until the earlier of the date of August 1, 2007, or the date the Board formally approves a FY08 budget for the agency’s operations, programs and projects at a subsequent meeting of the Board and with such approved sums to be expended at rates and for purposes substantially similar to the manner in which such operational funds were expended during comparable periods of FY07.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF JUNE, 2007.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Rod Skoe	<b>X</b>			
Senator Yvonne Prettner Solon	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Representative Tony Sertich	<b>X</b>			
Representative Loren Solberg				<b>X</b>
Citizen Joe Begich	<b>X</b>			
Citizen Shelley Robinson	<b>X</b>			
Citizen Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>2</b>

Signed: \_\_\_\_\_  
Representative David Dill, Chair

**V. Other**

- a. City of Ely Request – Resolution No. 07-006**

Motion by Senator Solon to approve Resolution No. 07-006 which authorizes the expenditure of up to \$400,000 to provide a grant to the city of Ely for the proposed project and subject to the conditions as outlined in the Resolution.

Motion by Representative Rukavina to amend Resolution No. 07-006 to include the prevailing wage provision as outlined in Resolution No. 96-005. Motion carried to amend Resolution No. 07-006.

Motion restated by Senator Solon to approve Resolution No. 07-006 which authorizes the expenditure of up to \$400,000 to provide a grant to the city of Ely for the proposed project and subject to the conditions and amendments as outlined in the Resolution. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Anzelc, Citizen Joe Begich, Citizen Shelley Robinson, Representative Tom Rukavina, Citizen Jack Ryan, Senator Tom Saxhaug, Representative Tony Sertich, Senator Rod Skoe, Senator Yvonne Prettner Solon, and Senator Dave Tomassoni.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Senator Tom Bakk and Representative Loren Solberg

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
CITY OF ELY GRANT FOR  
THE MINNESOTA DEPARTMENT OF REVENUE EXPANSION PROJECT**

**Resolution No.: 07-006**

**WHEREAS**, the City of Ely has requested a grant for the purpose of paying anticipated costs associated with retrofitting and otherwise preparing for occupancy approximately 40% of the area of a facility owned by the Ely Economic Development Authority that is intended to be leased to the Minnesota Department of Revenue (“**MDOR**”) to provide office space for approximately 27 new Revenue Compliance officers and one new supervisor position (the “**Project**”); and,

**WHEREAS**, the anticipated increase in the number of MDOR jobs in the City and the associated additional payroll dollars flowing into the community as a result of the Project would facilitate economic development within the City of Ely and increase the City’s property tax base and tax capacity;

**WHEREAS**, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Board, the funds made available under Minnesota Statutes Section 298.22

(“**Board Account Funds**”) to develop the resources of the Taconite Assistance Area (“**TAA**”) and assist in the vocational training of its residents; and,

**WHEREAS**, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Board, the funds made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) for local economic development projects within the TAA; and

**WHEREAS**, the Board met in open session at 2:00 p.m. on June 14, 2007, in the Board Room at the Iron Range Resources Administration Building near Eveleth, Minnesota, to consider, among other matters, the City of Ely’s request and has determined that the award of a grant of Board Account Funds and/or TEPF Funds to the City of Ely by the Commissioner in an amount not to exceed \$400,000 would promote economic development within the TAA;

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Board authorizes the Commissioner to expend up to Four Hundred Thousand dollars (\$400,000.00) of Board Account Funds and/or TEPF Funds to provide a grant to the City of Ely for the proposed Project.

**BE IT FURTHER RESOLVED** that such project approval is subject to the additional requirement that, as a condition precedent to the expenditure of the authorized funds and in order to enhance the economic benefit of this project to the City of Ely and the TAA, the agency in its contract with the City of Ely must require it to commit to the payment of prevailing wages on the Project as indicated in and to the extent required by Board Resolution 96-005.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF JUNE, 2007**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Rod Skoe	<b>X</b>			
Senator Yvonne Prettner Solon	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Representative Tony Sertich	<b>X</b>			
Representative Loren Solberg				<b>X</b>
Citizen Joe Begich	<b>X</b>			
Citizen Shelley Robinson	<b>X</b>			
Citizen Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>2</b>

Signed : \_\_\_\_\_  
Representative David Dill, Chair

**b. Forest Industry Assistance Program Update**

Terry Leoni, General Manager, Virginia Public Utilities Commission, and Jim Kochevar, General Manager, Hibbing Public Utilities Commission, updated the Board on the Laurentian Energy Authority project and status of the Forest Industry Assistance Program.

**c. Additional Items**

Discussion also took place on a number of other items including scheduling of board liaison meetings and remarks by Michael Jugovich, Mayor, City of Chisholm, in regards to city of Chisholm projects including a request of agency assistance for the city's building demolition needs.

**VI. Adjournment**

Meeting adjourned at 3:30 p.m.

## **Douglas J. Johnson Economic Protection Trust Fund**

*Action required: Project approval requires 8 votes*

- a) Crane Lake U.S. Customs Station
- b) Superior Thermowood of Brainerd, Inc.

## **CRANE LAKE US CUSTOMS STATION**

### **Bank Participation Loan Program**

**APPLICANT:**

Scott's of Crane lake

**PRINCIPAL(S):**

Darrell Scott

**BRIEF PROJECT DESCRIPTION:**

Construct a new building to be leased to the US Customs Service.

**PROJECT COST:**

\$416,000

**PROJECT BREAKDOWN:**

Iron Range Resources Bank Participation Loan (10 yr @ formula rate)	\$175,000
Bank loan	\$175,000
Equity	\$ 66,000

**COLLATERAL:**

First mortgage on the facility. Assignment of rents and leases.

**JOBS:**

Retain one full-time customs agent and create one or two additional customs position(s). Retain 2 permanent and 8 seasonal jobs at Scott's resort. Retain an additional 24 seasonal positions at area resorts that rely on the seaplane base.

**CONTINGENCIES:**

Bank financing must be approved and building lease must be in place.

**TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved July 11, 2007

**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.

**PROJECT DESCRIPTION:**

The US Customs Service is expanding their presence along the Canadian border. They currently have offices in International Falls and Crane Lake, Minnesota. The Crane Lake facility, located at Scott's Seaplane Base, is currently staffed out of the International Falls office. Scott's Seaplane Base will construct a new facility to be leased to the US Customs Service, maintaining that service in Crane Lake and providing Scott's Seaplane Base with continued viability, thereby retaining a business that is very important to other Crane Lake area businesses.

**MANAGEMENT TEAM:**

Darrell Scott is the owner/manager of Scott's Seaplane Base. This is currently the only US Customs site between International Falls and Lake Superior.

**MARKET OPPORTUNITY:**

This building will be leased to the Federal Government on a 10-year lease with renewal options.

**COLLATERAL REVIEW:**

A real estate appraisal dated December 8, 2005 indicates a value of \$980,000. This project will add to that value with new construction of \$416,000. However, the value in this project is primarily the future lease payments which, at \$143,712 per year, are more than sufficient to cover required debt service payments.

**PAST IRON RANGE RESOURCES HISTORY:**

None

**SUPERIOR THERMOWOOD OF BRAINERD, INC.**

Bank Participation Loan Program

**APPLICANT:**

Superior Thermowood of Brainerd, Inc.

**PRINCIPAL(S):**

Charles Ramsbacher, Kevin Vadnais, John Bieganek, Eric Maus, Stephen Oliver

**BRIEF PROJECT DESCRIPTION:**

Establish a Thermowood Heat Treatment plant in Palisade, Minnesota to produce chemical-free, rot-resistant wood products.

**PROJECT COST:**

\$1,434,500

**PROJECT BREAKDOWN:**

Equity	\$709,500
Bank Real Estate loan	225,000
Bank Equipment loan	50,000
Northland Foundation Equipment Participation loan	225,000
Iron Range Resources Equipment Bank Participation loan (negotiated term @ formula rate)	225,000

**COLLATERAL:**

The Bank, Northland Foundation and Iron Range Resources will participate in the Equipment loan with collateral valued at \$926,000 and personal guarantees. In addition, Superior Thermowood of Minnesota, Inc. will provide a corporate guaranty for the financing.

**JOBS:**

5 new jobs created at \$11.79 to \$27.76 per hour plus benefits

**CONTINGENCIES:**

Other financing noted above must be approved.

**TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved July 11, 2007

**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.

**PROJECT DESCRIPTION:**

Superior Thermowood will establish a Thermal Wood Heat Treatment Plant in Palisade, Minnesota. The thermowood process of heat treatment is a Finnish innovation that reduces the moisture content to less than 6% enhancing the wood quality, color and stability without the use of chemicals.

Dramatic changes are visible on the surface; however, the most important transformations are found throughout the wood and affect its very structure. This process enhances the natural properties of wood, allowing it to better withstand fluctuations in humidity and temperature, improving its durability against fungus and rot, as well as improving its stability, thereby reducing distortion, swelling and shrinkage. Naturally occurring protective agents within the wood are activated and together with the reformation of cells, a natural moisture barrier is created. It is also made lighter and has an increased R-value.

Chemicals currently being used to treat wood for exterior use include ammonia, arsenic, chromium, copper and zinc. The thermowood process can replace these chemicals in the marketplace. The long-term goal is to have three heat-treat units at the Palisade facility.

**MANAGEMENT TEAM:**

Superior Thermowood of Brainerd, Inc. is owned 55% by Superior Thermowood of Minnesota, Inc. and 45% is held by 23 other investors, none of which control 5% of the stock. Chuck Ramsbacher, Kevin Vadnais, John Bieganek, Eric Maus and Stephen Oliver each own 20% of Superior Thermowood of Minnesota, Inc.

Chuck Ramsbacher, President and CEO, has many years of experience in marketing and distribution of various products. Most recently he was President, Northeast Region, Albany, NY for Tree of Life, the largest distributor of Specialty foods and natural food products in the US. He has attended the Carlson School of Business' Minnesota Executives Program, Cornell University and Minnesota State University, Mankato.

Kevin Vadnais, Vice President of Sales, holds several licenses and certifications, including a State of Minnesota Engineer License-boiler division. He has over 30 years of experience in the petroleum industry including storage and handling of liquid propane, natural gas, petroleum distillate and gasoline. He also owns and operates Lakewood Petroleum Services that builds fueling systems, pumps, tanks and electronic point-of-sale systems for convenience stores and airports. Mr. Vadnais invested in Superior Thermowood of Canada in 2002 and served as Vice President on the board of directors since 2003.

John Bieganek, Vice President of Marketing, has been in the construction industry since 1978. He currently is a partner in Tall Timbers Realty and operates Bieganek Construction. Mr. Bieganek is also an investor in Superior Thermowood of Canada.

Eric Maus, Vice President of Product Procurement, owns a landscaping company and works with John Bieganek constructing houses.

Stephen Oliver, Vice President & General Manager of Manufacturing & Production, has over 25 years of experience in construction of convenience stores and is licensed in three states for underground tank systems.

**MARKET OPPORTUNITY:**

Current technology uses chemicals to treat wood for exterior use. CCA (Chromate Copper arsenate) was the standard treatment. In 2004, the US followed 9 European countries to ban the use of CCA. As a result of this ban, other chemicals (Amine Copper Quat, Ammoniacal Copper Zinc Arsenate and Copper Azole) are being used now. Superior Thermowood believes products that do not use chemicals as a preservative will be well accepted in the marketplace.

Their target market is the wholesale market in the 5-state area. Companies already contacted include Lake States Lumber, Hill Wood Products, Northern Crossarm Company and Midwest Hardwood Corporation. All have shown strong interest in this new process.

**COLLATERAL REVIEW:**

Collateral for this loan consists of a new high-temperature kiln. Purchase price of this new equipment is \$696,000 Euros (approximately \$926,000 US). Iron Range Resources will share a first-position interest in this collateral with the Northland Foundation and the Bank. In addition, Superior Thermowood of Minnesota, Inc. will provide a corporate guaranty for the financing.

**PAST IRON RANGE RESOURCES HISTORY:**

None.

# Douglas J. Johnson Economic Protection Trust Fund Corpus

*Action required: Project approval requires 10 Votes*

## Minnesota Steel Industries, LLC



### Iron Range Resources

P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 744-7400 • 800-765-5043  
Fax: (218)744-7403

**To:** Iron Range Resources Board

**From:** Sandy Layman  
Commissioner

**Date:** October 11, 2012

**Re:** Proposed Minnesota Steel Loan Amendment

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At the December 21, 2006, Iron Range Resources Board meeting a resolution was passed asking the Commissioner to renegotiate terms on the \$6 million loan to Minnesota Steel Industries, LLC, (Minnesota Steel) including providing for full or partial forgiveness of the debt should Minnesota Steel:

1. close on construction financing for Phase 1 of the business, which will have the capacity to produce approximately 1.2 million tons of hot rolled sheet and or slab steel;
2. construct the steel plant; and
3. operate the facility at a certain level of employment for a period of time to be determined through negotiation.

To this end, I am pleased to inform you that we have come to terms with Minnesota Steel on a proposed amendment to the loan that would:

1. Change the Due Date from December 31, 2007, to December 31, 2008.
2. Repayment of the Loan, Loan Fee and accrued interest will be forborne for up to five years after the Due Date if Minnesota Steel is making substantial progress, as determined by the State, toward loan forgiveness as described herein.

3. Iron Range Resources would agree to subordinate its security interest in the “Intellectual Property” collateral described in the Security Agreement and Financing Statement to senior lenders for financial close of construction financing for Phase I.
4. The loan would be forgiven when Minnesota Steel builds the Project plant, reaches and maintains at least 50% of full Phase 1 production capacity for one year, and directly employs no less than 300 full-time workers for a period of six months.
5. Section 8.3, Sale or Merger, would be amended to allow Minnesota Steel to sell or merge, with the consent of the Commissioner, which will not be withheld unless the action unreasonably impacts the State’s ability to be repaid.
6. Change the Assignment of Royalties to allow for its termination upon either (1) Minnesota Steel providing a suitable letter of credit for the entire outstanding balance of the Loan; or (2) upon a permitted change in control of Minnesota Steel and a full guaranty of the indebtedness by the new controlling owner or other collateral pledge of sufficient value, all of which shall be in a form and substance acceptable to the State at its sole and reasonable discretion.

I recommend Board action adopting an amendment to the Loan Agreement with said terms.

## **FY08 Agency Investment Plan**

July 16, 2007



**Iron Range Resources Board Members:**

Enclosed is the agency's FY 2008 budget for your review. Each year, we strive to make the budget narrative easier for you, the reader, to follow and so, while the budget document should look familiar to the veteran board members, some improvements to the format may be apparent as well.

FY 2008 **projected revenues of \$28,161,644** will be derived from taconite production taxes, facilities income, investment earnings, loan revenues and occupation taxes. The enclosed balanced budget proposes **expenditures of \$28,161,644** for operations, programs and projects.

Over the last four years, we have controlled administrative costs so that new revenues could be generated for economic development programs and projects. That fiscal discipline has been especially important as the agency and board have agreed to invest considerable sums in a number of large scale projects that hold the potential for significant job creation. The **operations budget of \$16,469,658**, which includes additional operational costs for Giants Ridge®, actually represents a slightly smaller percentage of total budget this year than in FY07.

While a continued focus on business investments that create jobs is essential, I am proposing that the agency take a fresh look at how we are serving our other important customers – our communities. Over the past year, the agency has conducted an extensive review of its grant making activity. As a result, the enclosed **programs budget, which totals \$3,739,470**, is directed toward both new and updated grant making activity.

The **projects budget of \$7,952,516** is intended for business development projects which will be brought to the board individually over the course of the year. In support of business expansion and development, I am proposing that \$1,000,000 of the project budget be reserved for a competitive community business infrastructure grants cycle.

And, finally, the FY 2008 budget projects a **\$6,000,000 projects reserve** that I propose the agency direct toward a competitive grants cycle for public works projects that may not meet the community business infrastructure grant criteria but are important to a healthy business climate.

The enclosed budget supports the agency's mission of advancing the region by partnering with both businesses and communities to promote economic growth. We now have had four liaison meetings regarding the budget and I believe this final budget document reflects the input I have received from you. I look forward to continuing to work with the board in the coming year to put this plan into action.

Sincerely,

A handwritten signature in cursive script that reads 'Sandy Layman'.

Sandy Layman  
Commissioner



An Equal Opportunity Employer

**Iron Range Resources**  
4261 Highway 53 South  
P.O. Box 441  
Eveleth, MN 55734-0441  
(218) 744-7400

[www.IronRangeResources.org](http://www.IronRangeResources.org)



# Strategic Framework

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## Mission Statement

Advance regional growth by stabilizing and enhancing the economy of northeastern Minnesota's Taconite Assistance Area.

## Vision Statement

Iron Range Resources is a recognized leader of collaborative efforts that shape the economic future of the region.

## Values

- ❖ **Hope** – belief that anything and everything is possible
- ❖ **Integrity** – strength of character to do the right thing, as individuals and as an organization
- ❖ **Change** – vision to see opportunity and the courage to act
- ❖ **Sisu** – stamina, perseverance and tenacity to do what must be done, even in the face of adversity

## Principles

- ❖ **Commitment to our mission** – we focus on what is important and do it well
- ❖ **Focus on our customers** – our customers are at the center of every decision we make and every service we provide
- ❖ **Managing for results** – we measure results and use the outcomes to guide decisions and direct our work
- ❖ **Improvements by innovation and collaboration** – we use technology and new tools to improve our work
- ❖ **Investing in life-long learning** – we develop our human resources and capacity
- ❖ **Advancing dialogue and solutions through convening** – we shape the future through collaborative decision making

## Fiscal Year 2008 Strategies

- Enhance relationships with customers
- Maximize resources with the future in mind
- Enhance the competitive advantage of the region
- Position the agency as a strategic leader



## Highlights from FY07

*During FY07, Iron Range Resources successfully brought multi-year, multi-stakeholder projects to launch, while providing regional assets for sustainability. This report is a recap of the year's top accomplishments.*

### ❖ Giants Ridge

The newly expanded Quarry clubhouse opened its doors for the 2007 golf season. This renovated 5,000-square foot clubhouse provides guests with a higher quality dining and shopping experience and generates increased food and beverage, banquet and merchandise revenue for the facility. In addition, a Master Plan was developed and unveiled, calling for residential and commercial growth with private investments approaching one billion dollars. The golf courses also garnered top rankings from *Golf Digest*, *Golfweek*, and *Golf* magazine. The regional economic impact of Giants Ridge® is projected to reach an all-time high of \$40.19 million in 2007.<sup>1</sup>

### ❖ Development Strategies

The agency approved funding for \$3.16 million in projects, leveraging agency funds at a ratio of 4:1. Financial partners included private equity, bank financing, community based development financing, the Department of Employment and Economic Development, the Northland Foundation and Minnesota Power. One of the major projects this year involved a \$1.5 million bank participation loan to IRACORE International, Inc. to help fund the company's expansion into the Canadian oil-sands processing industry.

Iron Range Resources continued to play a pivotal role in large scale industry projects that progressed during the year, including Mesabi Nugget, Minnesota Steel, Franconia Minerals and PolyMet Mining. The agency also successfully negotiated a number of workout situations associated with past projects; for example, the Northwest Airlines bankruptcy and the amendment to the Chisholm Reservations Center documents.

Following difficulties in the national housing industry that impacted area loggers and board mill production, the agency established a *Forest Industry Assistance Program*. The agency provided a grant of up to \$2 million to the Laurentian Energy Authority, which in turn used the grant to partially fund the purchase of round wood from area loggers to fuel the biomass plants operating in Hibbing and Virginia.

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<sup>1</sup> THK Associates Economic Impact Study, June 2005

The agency recruited and played an integral role in developing projects that resulted in attracting two new businesses, anticipated in aggregate to employ at least 150 in the next few years, into the 30,000 square foot spec building owned by the Virginia Eveleth Economic Development Authority. The building, constructed in 2005, was financed in part with a \$900,000 loan from the agency.

### ❖ **Workforce Development**

Iron Range Resources partnered with Minnesota State Colleges and Universities and local school districts to create the Applied Learning Initiative (ALI). The focus of the initiative is to develop and deliver new curriculum and course offerings that lead to seamless career pathways for students. The goal of the initiative is to develop a workforce with skills that meet the existing and emerging needs of our region's businesses.

The agency presented the chief academic officers of the seven regional community and technical colleges with industry information that will lead to new degree and certification and custom training programs. A process also was developed for convening regional stakeholders to address the workforce needs of large scale projects and implement a Large Scale Projects Regional Response Team.

### ❖ **Ironworld Discovery Center**

Ironworld met a major milestone in January 2007. The nonprofit Ironworld Development Corporation signed a sublease/management agreement with Iron Range Resources and assumed control of the Ironworld facility. Iron Range Resources maintains ownership of the facility and collections, and the nonprofit fulfills its mission through preservation, education and related activities.

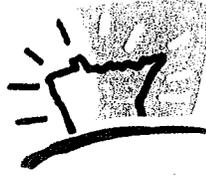
### ❖ **Administrative Services**

The Eveleth office grounds received a major redesign with construction of a new parking area and curbing and refurbishment of existing parking areas. These improvements resulted in a more attractive, welcoming environment and provided increased accessibility and safety for visitors.

### ❖ **Marketing & Communications**

After extensive primary and secondary market research, the agency launched the "Business is Beautiful" campaign in September 2006. A full advertising program supports this marketing initiative, which was designed to communicate a consistent customer-focused message that increases brand and image recognition.

IRON RANGE  
RESOURCES



*Advancing regional growth.*

## Agency Budgeting Legislation

### 298.22, Subd. 11 IRON RANGE RESOURCES AND REHABILITATION

**Budgeting.** The commissioner of Iron Range Resources and Rehabilitation shall annually prepare a budget for operational expenditures, programs, and projects, and submit it to the Iron Range Resources and Rehabilitation Board and the governor for approval. After the budget is approved by the board and the governor, the commissioner may spend money in accordance with the approved budget.

# Iron Range Resources FY08 Balanced Scorecard

## CUSTOMER PERSPECTIVE

Enhancing customer relationships by:

- Identifying and eliminating barriers to service
- Providing timely business transactions and communications

## BUSINESS PERSPECTIVE

Enhancing the competitive advantage of the region by:

- Maximizing partnerships
- Identifying new opportunities
- Cultivating existing projects
- Utilizing technology effectively
- Influencing legislation

Iron Range Resources is a recognized leader of collaborative efforts that shape the economic future of the region.

## FINANCIAL PERSPECTIVE

Maximizing resources with the future in mind by:

- Leveraging agency dollars through partnerships
- Strategically managing expenses
- Balancing risk portfolios

## LEARNING AND GROWTH PERSPECTIVE

Positioning the agency as a strategic leader by:

- Aligning human resources to fulfill the vision
- Enhancing internal communication
- Promoting professional development and life-long learning

**FY 2008 Iron Range Resources Investment Plan  
Table of Contents**

<b>INVESTMENT PLAN</b> .....	<b>2</b>
AGENCY BUDGET.....	2
REVENUES .....	3
EXPENDITURES .....	4
FUNDING SOURCES .....	5
<b>OPERATIONS</b> .....	<b>6</b>
ADMINISTRATIVE SERVICES DIVISION .....	6
Administrative Services Operations Budget.....	8
LEGAL SERVICES .....	9
MARKETING & COMMUNICATIONS DIVISION.....	10
Marketing & Communications Operations Budget .....	11
GIANTS RIDGE GOLF & SKI RESORT.....	12
Giants Ridge Golf & Ski Resort Operations Budget .....	14
IRONWORLD DISCOVERY CENTER.....	15
Ironworld Budget.....	15
DEVELOPMENT STRATEGIES DIVISION.....	16
Development Strategies Operations Budget .....	18
<b>PROGRAMS</b> .....	<b>19</b>
GRANTS .....	19
Community Readiness .....	19
Mining and Minerals.....	20
Commissioner .....	21
Technology .....	21
Culture and Tourism .....	21
Application Fund .....	21
Region III.....	21
Grants Budget .....	23
<b>PROJECTS</b> .....	<b>24</b>
DEVELOPMENT PROJECTS .....	24
TEPF & DJJ.....	24
Projects Budget .....	24
<b>RESERVES</b> .....	<b>25</b>
Development Projects Reserve .....	25
<b>APPENDIX</b> .....	<b>26</b>
APPENDIX A ORGANIZATIONAL CHART .....	26
APPENDIX B PROPOSED FY08 MINELAND RECLAMATION AND RESTORATION PROJECTS .....	27
APPENDIX C1 DRAFT GRANTS CRITERIA .....	29
APPENDIX C2 REMAINING DRAFT GRANTS CRITERIA .....	31

# Investment Plan

## Agency Budget

	FY 2007 Request	FY 2007 Projected	FY 2008 Request
<b>Resources</b>			
Taconite Production Taxes	\$13,741,638	\$13,741,638	\$16,078,977
Investment Earnings	3,549,710	4,850,335	3,288,182
Loan Revenues	1,667,032	2,892,165	2,750,706
Facilities Revenue	5,467,514	4,295,241	5,454,309
Occupation Tax Region III	566,476	566,476	589,470
<b>Total Resources Available</b>	<b>\$24,992,370</b>	<b>\$26,345,855</b>	<b>\$28,161,644</b>
<b>Expenditures</b>			
<b>Operations:</b>			
Administrative Services	\$2,517,709	\$2,261,721	\$2,673,302
Attorney General	382,772	318,661	387,647
Marketing & Communications	868,700	699,262	1,291,215
Giants Ridge Golf & Ski Resort	7,059,528	6,909,098	8,345,978 <sup>1</sup>
Ironworld Discovery Center	1,936,068	1,728,220	1,963,500 <sup>2</sup>
Ironworld Endowment Interest	301,947	535,204	0
Development Strategies	1,755,630	1,343,123	1,808,016
<b>Programs:</b>			
Grants	2,600,000	1,468,579	3,150,000
Occupation Tax Region III	566,476	566,476	589,470
<b>Projects:</b>			
Development	7,003,539	6,808,147	7,952,516 <sup>3</sup>
<b>TOTAL FY INVESTMENT PLAN</b>	<b>\$24,992,370</b>	<b>\$22,638,491</b>	<b>\$28,161,644</b>
Development Projects Reserve	7,000,000	5,500,000	6,000,000 <sup>4</sup>
<b>Estimated Carryforward Out</b>	<b>\$1,425,410</b>	<b>\$6,929,462</b>	<b>\$929,462</b>

Notes:

<sup>1</sup>Giants Ridge Golf & Ski Resort:

Giants Ridge Golf & Ski Resort Operations	\$5,950,613
Giants Ridge Golf & Ski Resort Debt Service	1,560,888
Giants Ridge Golf & Ski Resort Facility Improvements	834,477
<b>Total Giants Ridge</b>	<b>\$8,345,978</b>

<sup>2</sup>Ironworld Discovery Center:

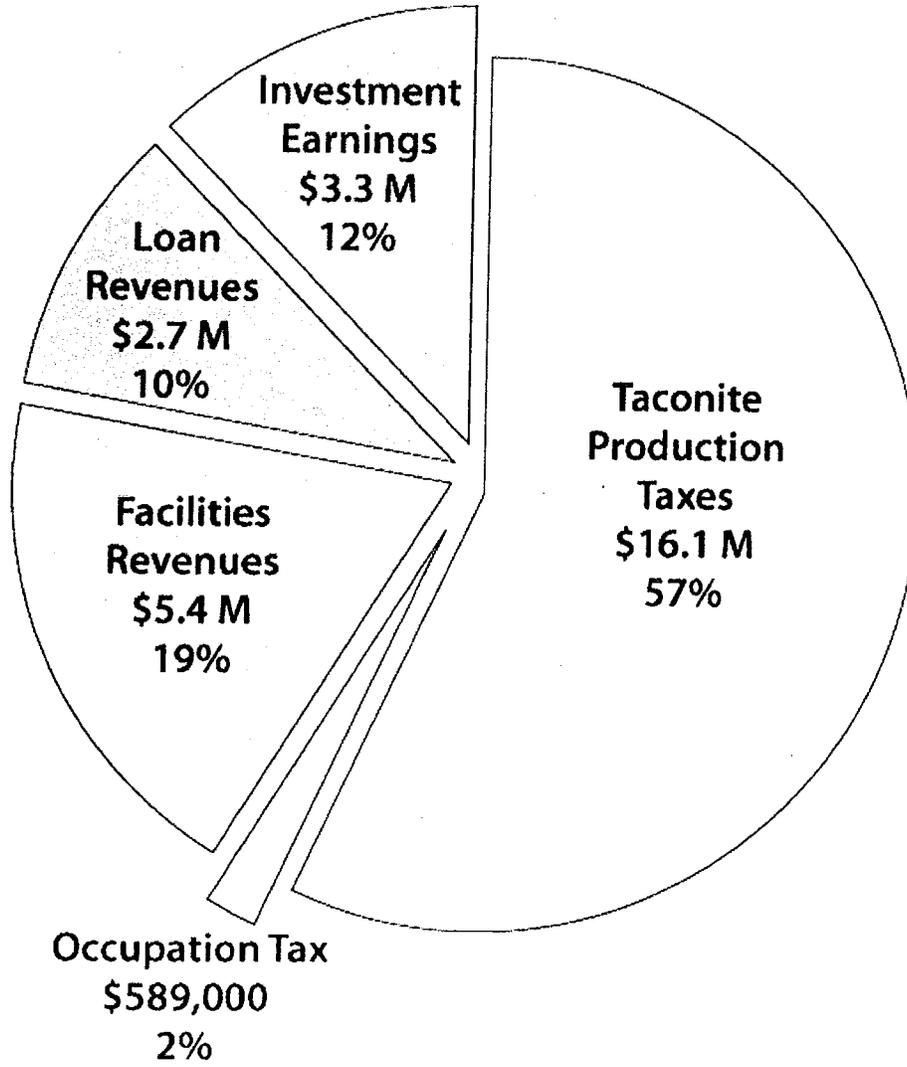
Ironworld Development Corp. - Operations	\$1,576,000
Ironworld Development Corp. - Endowment Match	250,000
Ironworld Building Insurance & Maintenance	137,500
<b>Total Ironworld</b>	<b>\$1,963,500</b>

<sup>3</sup>Includes \$1 million for Community Business Infrastructure grants and \$400,000 for the Ely Revenue Department project.

<sup>4</sup>To be expended on public works projects.

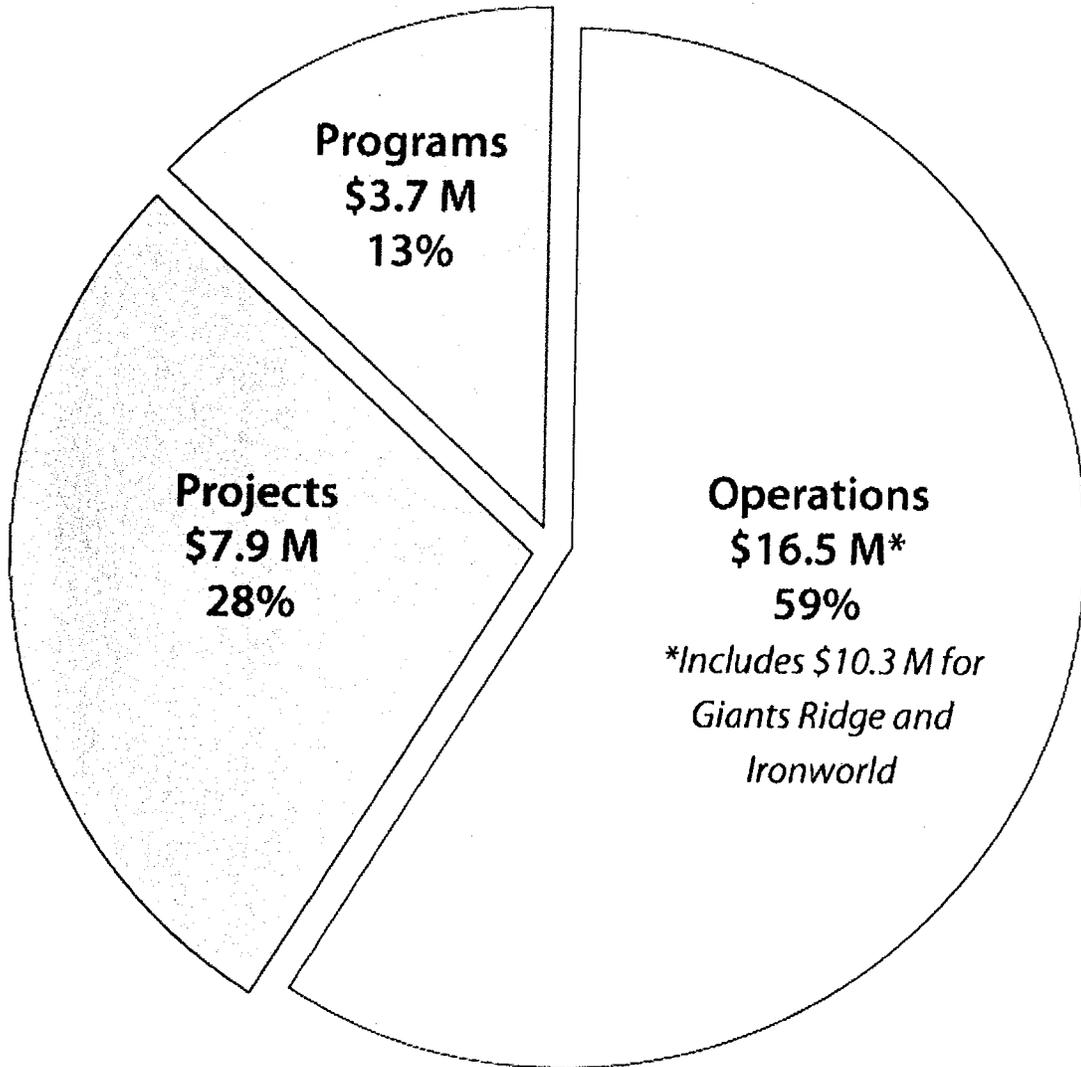
**Revenues**

**\$28.1 M**



**Expenditures**

**\$28.1 M**



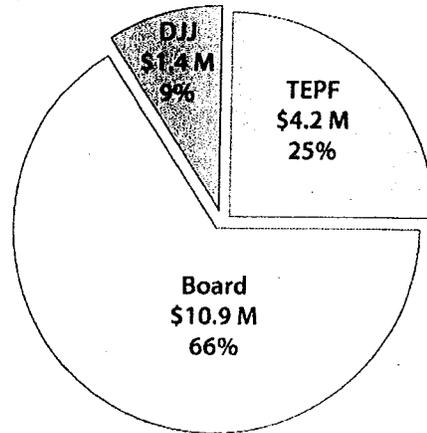
## Funding Sources

\$28.1 M

### Operations - \$16.5 M

#### Operations:

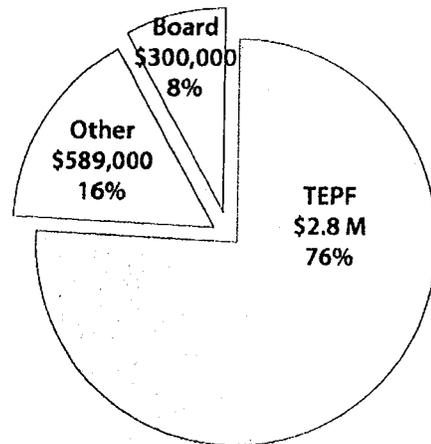
\$2.7 M	Administrative Services - Board & TEPF
\$388,000	Attorney General - Board & DJJ
\$1.3 M	Marketing & Communications - TEPF
\$1.8 M	Development Strategies - TEPF & DJJ
\$8.4 M	Giants Ridge Golf & Ski Resort - Board
\$1.9 M	Ironworld Discovery Center - TEPF



### Programs - \$3.7 M

#### Facilities:

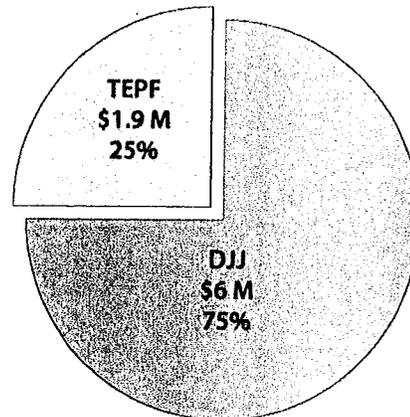
\$3.1 M	Grants - Board & TEPF
\$589,000	Occupation Tax Region III - Other



### Projects - \$7.9 M

#### Projects:

\$7.9 M	Development Projects - TEPF & DJJ
---------	-----------------------------------



# Operations

## ***Administrative Services Division***

**Purpose of the division:** The Administrative Services Division provides support services and resources to other agency programs and facilities. This division is comprised of: Finance & Human Resources, Information Systems and Maintenance & Shop. The budget of this division also includes the Office of the Commissioner.

**How we do our work:** 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.

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.

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.

## **FY08 Goals and Objectives**

1. Customers and Community - During FY08, the division will identify and eliminate service barriers and improve the delivery and timeliness of services by:

- Providing for contingencies in critical service areas
- Improving the turnaround of contracts
- Establishing pro-active communication plans with partner agencies

2. Finance - During FY08, the division will strategically manage administrative expenses by:

- Increasing the scope of administrative, financial and programmatic reporting

3. Business Processes - During FY08, the division will increase efficiencies through technology-based communications by:

- Transitioning agency phone systems to Voice Over Internet Protocol (VOIP)
- Providing training and support for enhanced telecommunications

4. Learning & Growth - During FY08, the division will align human resources to fulfill the vision and promote professional development and life-long learning by:

- Overseeing a division-wide skills assessment
- Developing targeted skills through training opportunities

## Administrative Services Operations Budget

<b>Finance &amp; Human Resources</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Employee Costs	\$961,208	\$954,705	\$970,547
Operational Costs	\$155,200	\$125,285	\$149,700
Training and travel	44,500	35,311	44,500
Supplies	26,000	23,691	26,000
Purchased services	14,000	9,803	10,000
Telephone and postage	47,500	41,817	47,500
Equipment, rental and leases	23,200	14,663	21,700
State Indirect Costs	\$185,500	\$185,538	\$192,000
Human Resources	\$404,400	\$298,989	\$365,536
<b>Total</b>	<b>\$1,706,308</b>	<b>\$1,564,517</b>	<b>\$1,677,783</b>

<b>Information Systems</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Employee Costs	\$134,685	\$133,015	\$143,300
Operational Costs	\$217,600	\$162,237	\$252,785
Maintenance and network services	56,700	31,655	48,900
Hardware, software and support	115,700	84,522	160,300
Supplies	25,200	18,030	23,585
Training and travel	20,000	28,030	20,000
<b>Total</b>	<b>\$352,285</b>	<b>\$295,252</b>	<b>\$396,085</b>

<b>Maintenance &amp; Shop</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Maintenance & Shop – Employee Costs	\$132,460	\$129,815	\$198,014
Building & Grounds	\$218,676	\$194,479	\$280,500
Employee Costs	58,716	58,726	0 <sup>1</sup>
Operational Costs	159,960	135,753	280,500
Equipment Repair	\$107,980	\$77,658	\$120,920
<b>Total</b>	<b>\$459,116</b>	<b>\$401,952</b>	<b>\$599,434</b>

<sup>1</sup> In FY08, employee costs for Building & Grounds were moved to Maintenance & Shop.

## ***Legal Services***

**Purpose:** The Attorney General's Office provides legal services to the agency and the Board in support of all agency activities.

**How we do our work:** Two assistant attorneys general and one legal assistant provide the Commissioner, agency staff and the Board with counsel on legal matters, including statutory interpretation, drafting or interpretation of legal documents, drafting of legislative language and defense of the agency or Board in litigation.

<b>Legal Services</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Legal Services	\$382,772	\$318,661	\$387,647

## ***Marketing & Communications Division***

**Purpose of the division:** The Marketing & Communications Division develops, coordinates and disseminates marketing, promotional and communications materials and messages on behalf of Iron Range Resources and its stakeholders.

**How we do our work:** Working as a team, division staff members create and distribute internal and external agency communications, update the agency website, provide writing and design services to all divisions as needed, and provide staff support for special events and strategic initiatives.

### **FY08 Goals and Objectives:**

1. Customers and Community - During FY08, the division will provide customers with improved communication services by:

- Setting measurable quality and timeliness standards for all products and communications
- Publishing four editions of RangeView
- Recording informational programming about agency projects and programs for broadcast on public access TV
- Evaluating and improving the results of marketing and communication initiatives

2. Finance - During FY08, the division will implement a cost effective, comprehensive marketing and communications program by:

- Maintaining cost savings through creative self-sufficiency
- Leveraging participation by collaborating with partners and stakeholders

3. Business Processes - During FY08, the division will utilize technology to increase efficiencies and identify new opportunities to communicate agency messages by:

- Establishing an interactive website that generates e-business
- Promoting agency-wide video conferencing with the VOIP system
- Identifying media opportunities and additional venues for promoting the agency and message

4. Learning & Growth - During FY08, the division will align human resources to support the mission of the agency by:

- Promoting professional development and life-long learning
- Enhancing internal communications and cross learning via "Range I View"

## Marketing & Communications Operations Budget

<b>Marketing &amp; Communications</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Employee Costs	\$352,649	\$378,569	\$479,415
Operational Costs	<b>\$516,051</b>	<b>\$320,693</b>	<b>\$811,800<sup>2</sup></b>
Printing	25,200	3,149	91,200
Advertising	117,000	197,829	295,000
Professional services	300,800	66,694	350,250
Purchased services	14,200	11,103	24,500
Training, travel and supplies	58,851	41,918	50,850
<b>Total</b>	<b>\$868,700</b>	<b>\$699,262</b>	<b>\$1,291,215</b>

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<sup>2</sup> Includes Marketing & Communications and Tourism

## ***Giants Ridge Golf & Ski Resort***

**Purpose of the division:** Giants Ridge® Golf and Ski Resort operates quality recreational golf and ski facilities and creates private-sector opportunities for property and real estate development that advances and diversifies the economy of northeastern Minnesota.

**How we do our work:** Giants Ridge® operates 36 holes of championship golf and a winter sports area that attracts 130,000 guests annually. In addition, the Giants Ridge® recreation area is comprised of 10,000 acres of lands, and Iron Range Resources owns 1,600 of those acres. A new Master Plan for the Giants Ridge® area was built on the premise that the agency will focus on oversight and land sales to private parties who will drive future development. The Master Plan serves as the blueprint for residential and commercial growth, calling for one billion dollars in private sector investment over the next ten to twenty years. Annual economic impacts to surrounding communities are projected to exceed \$50 million by 2010, and upon full build out, annual tax revenues to local governments could exceed \$10 million.

### **FY08 Goals and Objectives**

1. Customers and Community - During FY08, the division will engage evaluation and communication efforts in order to reduce barriers and improve services by:

- Adjusting recreation, lodging and package pricing to better meet customer needs
- Analyzing and responding to customer survey and evaluation feedback
- Enhancing communications with partners and stakeholders

2. Finance - During FY08, the division will leverage agency dollars through partnerships and invest in the future of the facility by:

- Building results through strategic development partnerships
- Increasing revenues with competitive pricing and packaging
- Establishing a long-range plan for ski and golf operations

3. Business Processes - During FY08, the division will increase efficiencies through technology-based communications and maximize partnerships and linkages by:

- Implementing resort-wide central reservations software
- Increasing functionality of the website
- Building website features for Masters Association members
- Cultivating business development partnerships

4. Learning & Growth - During FY08, the division will enhance internal communications and align human resources to fulfill the vision and promote professional development by:

- Improving distribution plans for resort business reports

- Overseeing a division-wide skills assessment
- Developing targeted skills through training opportunities
- Promoting industry networking among professional staff
- Measuring the effectiveness of on-line employee training modules

## Giants Ridge Golf & Ski Resort Operations Budget

Giants Ridge Golf & Ski Resort	FY 2007 Budget	FY 2007 Projected	FY 2008 Budget
<b>Revenues</b>			
Admissions	\$3,399,710	\$2,715,895	\$3,137,284
Advertising & Marketing Sales	48,805	54,494	53,256
Commissions	30,000	22,000	18,118
Facility Rental	127,930	120,150	140,347
Retail Sales	1,095,725	1,137,193	1,272,470
Equipment Rental	1,704	2,209	200
Miscellaneous Revenue	357,084	59,916	642,637
<b>Total Revenues</b>	<b>\$5,060,958</b>	<b>\$4,111,857</b>	<b>\$5,264,312</b>
<b>Expenses</b>			
Salaries & Benefits	\$1,227,402	\$1,226,667	\$1,469,599
Utilities	258,133	265,352	250,009
Advertising & Marketing	263,670	229,057	388,670
Communications	107,174	110,805	112,961
General & Administrative	2,650	2,898	650
Equipment Rental	87,966	86,911	127,480
Management Fees	175,206	110,499	102,720
Professional Services	79,050	62,695	97,550
Expense Reimbursements	2,504,886	2,615,640	2,804,291
Other Professional Services	1,500	2,145	6,000
Insurance	100,269	99,621	102,629
Maintenance & Repairs	123,464	17,603	99,964
Supplies	180,024	178,570	174,234
Travel	12,319	10,446	31,919
Other Operational Costs	142,805	167,334	181,937
<b>Total Operational Expenses</b>	<b>\$5,266,518</b>	<b>\$5,186,243</b>	<b>\$5,950,613</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>(\$205,560)</b>	<b>(\$1,074,386)</b>	<b>(\$686,301)</b>
<b>Non Operational Expenses</b>			
Equipment	\$13,000	\$13,000	\$300,200
Capital Improvements / Leases	215,778	158,778	534,277
Debt Service	1,564,230	1,551,077	1,560,888
<b>Total Non Operational Expenses</b>	<b>\$1,793,008</b>	<b>\$1,722,855</b>	<b>\$2,395,365</b>
<b>Total Expenditures</b>	<b>\$7,059,526</b>	<b>\$6,909,098</b>	<b>\$8,345,978</b>
<b>Budget Surplus (Shortage)</b>	<b>(\$1,998,568)</b>	<b>(\$2,797,241)</b>	<b>(\$3,081,666)</b>

## ***Ironworld Discovery Center***

### **Purpose of the program:**

In January 2007, the nonprofit Ironworld Development Corporation (IDC) assumed management of agency facilities at Ironworld. The Sublease/Management Agreement between Iron Range Resources and IDC provides for IDC to operate the premises for the purpose of “collecting, preserving, interpreting and promoting the history and cultural heritage of northeastern Minnesota and managing, promoting, sustaining and developing the assets of Ironworld for the long-term benefit of area residents and visitors.”

The agreement includes financial terms to ensure the organization’s sustainability with an annual operating subsidy (declining over a ten-year period), the interest on a \$10 million dollar endowment and a \$250,000 matching challenge for endowment fundraising. In addition to these expenses, agency financial interest in the Ironworld properties includes FY08 funds for insurance and emergency capital repairs.

### **FY08 Goals & Objectives**

- Disburse annual funds
- Ensure compliance with the terms of the management agreement

### **Ironworld Budget**

<b>Ironworld Discovery Center</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
IDC Operating	\$1,558,821	\$1,640,997	\$1,576,000
Endowment Challenge Match	0 <sup>3</sup>	0	250,000
Building Insurance	42,684	38,945	37,500
Building Emergency Repairs	100,000	48,278	100,000
<b>Total</b>	<b>\$1,701,505</b>	<b>\$1,728,220</b>	<b>\$1,963,500</b>

<sup>3</sup> In FY07, the IDC Endowment Challenge Match was not a budget line item.

## ***Development Strategies Division***

**Purpose of the division:** The Development Strategies Division consists of: Business Development, Business Recruitment & Technology, and Mining, Minerals & Reclamation. The division sustains business relationships with public and private sector partners to encourage growth and enhance agency deal flow, retain and create jobs, and improve the physical landscape impacted by mining activities within the TAA.

**How we do our work:** Division staff members encourage and support economic growth throughout the service area by generating quality leads, helping new and existing businesses create or retain jobs, insuring the long-term utilization of Minnesota's mineral resources, undertaking long-term reclamation planning efforts, and promoting investment in technology infrastructure.

### **FY08 Goals and Objectives**

1. Customers and Community - During FY08, the division will provide customers with improved business services by:

- Eliminating barriers to timely loan, contract and grant execution
- Responding to written and verbal inquiries within targeted time-frames
- Utilizing an interactive website for e-business
- Promoting strategic partnerships that produce opportunities for learner workers while serving business and industry needs

2. Finance - During FY08, the division will leverage its financial support and manage its risk portfolio by:

- Leveraging financial assistance by 4:1
- Managing risk ratings and delinquency ratios of the loan portfolio

3. Business Processes - During FY08, the division will utilize technology to increase efficiencies, identify new opportunities and cultivate existing opportunities by:

- Identifying top priorities for technology and efficiency improvements
- Increasing access and customer use of e-business via the agency website
- Developing new leads by expanding the network, attending trade shows and cultivating new business contacts
- Serving existing businesses through site visits, project interventions and negotiation
- Measuring the impact of community grants
- Setting new targets for job creation and job retention

4. Learning & Growth - During FY08, the division will align human resources to support the mission of the agency by:

- Promoting professional development and life-long learning

- Assessing staffing levels, skills and abilities throughout the division
- Establishing priorities and filling vacancies from internal or external sources to advance the work of the division

## Development Strategies Operations Budget

<b>Business Development Strategies</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Employee Costs	\$571,168	\$572,694	\$759,772
Operational Costs	\$196,100	\$68,322	\$138,330
Training and travel	49,800	36,128	64,700
Professional services	110,000	9,116	30,250
Purchased services	10,000	9,845	17,600
Memberships	13,000	6,083	13,000
Supplies, telephone and equipment	13,000	7,150	12,780
Utilities and maintenance	300	0	0 <sup>4</sup>
<b>Total</b>	<b>\$767,268</b>	<b>\$641,016</b>	<b>\$898,102</b>

<b>Business Recruitment &amp; Technology</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Employee Costs	\$337,014	\$255,282	\$264,910
Operational Costs	\$161,280	\$57,618	\$93,520
Training and travel	86,900	24,400	31,700
Professional services	16,080	1,340	5,400
Purchased services	15,000	8,124	15,900
Memberships	3,000	2,200	3,000
Supplies, telephone and equipment	14,700	5,734	8,800
Utilities and maintenance	25,600	15,820	28,720
<b>Total</b>	<b>\$498,294</b>	<b>\$312,900</b>	<b>\$358,430</b>

<b>Mining, Minerals &amp; Reclamation</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projected</b>	<b>FY 2008 Budget</b>
Employee Costs	\$346,190	\$308,411	\$403,374
Operational Costs	\$143,878	\$80,796	\$148,110
Training and travel	31,390	29,803	21,740
Professional services	1,000	0	0 <sup>5</sup>
Purchased services	12,600	3,655	7,500
Memberships	10,750	6,693	11,310
Supplies, telephone and equipment	51,790	3,249	44,940
Utilities and maintenance	36,348	37,396	62,620
<b>Total</b>	<b>\$490,068</b>	<b>\$389,207</b>	<b>\$551,484</b>

<sup>4</sup> In FY08, this line item is zero because no dollars were spent in FY07.

<sup>5</sup> In FY08, this line item is zero because no dollars were spent in FY07.

# Programs

## Grants

### **Purpose of the program:**

Iron Range Resources is one of the region's largest grant makers to units of government, nonprofits, higher education and businesses. Grants support the economic and cultural vitality of our communities through business development, workforce, planning and visioning, technology and re-development. Over the past year, the agency has conducted an extensive review of its grants making activity, resulting in both new and updated programs. The current budget demonstrates a renewed emphasis on grants programs and the related activities they are designed to stimulate.

The program includes both competitive and noncompetitive application review processes. A competitive process typically involves a cycle in which applications are called for by a deadline and evaluated using published criteria. In a noncompetitive process, applications are received throughout the year and are individually evaluated using broader, general criteria. Iron Range Resources grant making also includes technical support, resource networking, referrals, and other professional guidance to grantees.

This budget includes grant programs that the agency has funded in recent years including Mineland Reclamation, Technology, Application Fund and the Commissioner grants. In addition, new and innovative programs are being offered in the areas of Workforce Development, Community Planning, Community Re-Development, and Culture and Tourism. In accordance with M.S. 298.22, Subd.11, the Commissioner will not bring specific projects back to the Iron Range Resources Board for approval.

### **Community Readiness \$1,600,000**

#### **Community Re-Development \$1,000,000 (Competitive)**

Funds are designated for cities or townships for the demolition and removal of buildings that make way for potential new development or new business. Targeted for small business development, competitive grants of up to \$50,000 are available for eligible government entities.

Funds also can be used to address blight by developing and implementing a collaborative residential building demolition program in cooperation with local governments including participation from counties on tipping fees or other program costs.

#### **Workforce Development \$500,000**

To assist in workforce development by funding programs that emerge from industry, industry clusters, schools or collaborative partners that build capacity, responsiveness or innovation to address workforce needs; and for secondary and post secondary education institutions to develop and deliver curriculum that

prepares students for a seamless transition from high school or post secondary education to the workforce.

**Community Planning \$100,000**

These grants are targeted for communities to support their plans and assessments of readiness for large-scale industry expansions and their attendant impacts on workforce, employment, housing, education, recreation and other socio-economic issues.

**Mining and Minerals \$900,000**

**Mineland Reclamation and Restoration \$500,000 (Competitive)**

Grants in this category are for reclaiming, restoring and enhancing eligible areas of the Taconite Assistance Area adversely affected by past mining activities. Local units of government, reclamation committees and county mine inspectors may submit projects for competitive review and consideration. Please see the Appendix on page 27 for a listing of proposed FY08 projects.

**Laurentian Vision \$350,000**

Staffed and led by Iron Range Resources, the Laurentian Vision Partnership (LVP) is a collaborative of public agencies, local communities, mining companies and others. The LVP mission is to “transform pits and piles to living lakes and landscapes, creating a legacy for the future.” LVP also provides an optimum venue that permits open discussion on how mining companies can systematically incorporate innovative land designs into their everyday operations.

In FY08, \$250,000 is allocated for the Innovation Grant program and \$100,000 for LVP sub-regional group projects and collaborative efforts:

- Innovation Grants \$250,000 (Competitive)  
A total of \$250,000 allocated for Laurentian Vision Innovation grants for collaborations between mining companies and communities. Criteria include exploration of future uses for mining disturbed lands, solving public safety issues that arise from public use of private mine lands, and planning, design and implementation of land development projects.
- Partnership Grant \$100,000  
A \$100,000 sustaining grant to support the strategies of the LVP: community and regional visioning, land design workshops (charrettes), Geographic Information Systems (GIS) mapping, and other efforts.

**Mining and Minerals \$50,000**

Mining and minerals grants are for activities that promote and support mining in Minnesota; encourage the production and use of value added iron products; stimulate the exploration and development of our non-ferrous minerals; and encourage regional energy initiatives.

### **Commissioner \$250,000**

Commissioner's grants allow the agency to respond quickly to development opportunities.

#### **Project Innovation Seed Fund \$150,000**

These grants are targeted for unique opportunities or innovative ideas with significant economic potential.

#### **Business Development Opportunities \$100,000**

Funds designated for projects that remove barriers to growth or that retain or create jobs in businesses and industries that meet IRR policy criteria.

#### **Technology \$250,000**

Technology grants support the deployment of high-speed broadband connectivity that serves both public and private partners. Connectivity issues are advanced through partnerships, issue resolution and planning. The innovative use of technology, generally applied, also will be explored.

#### **Culture and Tourism \$100,000 (Competitive)**

This new program for nonprofits identifies initiatives unique to our region that strategically utilize cultural resources to stimulate tourism and enrich communities through artistic, heritage-related or recreational events. Culture and Tourism grants of up to \$10,000 will be awarded for activities that improve the quality of life and generate economic returns.

For cultural and artistic events, objectives include expanding participation and access to the arts; promoting arts, cultural or heritage-related activities; or enhancing or expanding existing programs.

Objectives for tourism grants include advancing regional tourism; attracting visitors and encouraging visitor spending; or enhancing or expanding existing recreational events or public programs.

#### **Application Fund \$50,000**

The Application Fund provides funding of up to \$3,500 for communities and businesses. Grants may be used to pay up to half the cost of preparing an application for financial support from another state, federal or private grant program.

### **Region III \$589,470**

M.S. 298.17 authorizes Koochiching and Carlton County (Region III) grants from occupation taxes for economic and environmental development projects:

- This 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.
- This amount for both counties in FY07 was \$566,476, from which Iron Range Resources 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.

## Grants Budget

Grants	FY 2007 Budget	FY 2007 Projected	FY 2008 Budget
<b>Community Readiness</b>	<b>0</b>	<b>0</b>	<b>\$1,600,000</b>
Community Re-development	0	0	1,000,000
Workforce Development	0	0	500,000
Community Planning	0	0	100,000
<b>Mining and Minerals</b>	<b>\$1,300,000</b>	<b>\$799,489</b>	<b>\$900,000</b>
Mineland Reclamation and Restoration	0	0	500,000
Laurentian Vision Innovation	0	0	250,000
Laurentian Vision Partnership	0	0	100,000
Mining and Minerals	0	0	50,000
<b>Commissioner</b>	<b>\$500,000</b>	<b>\$205,561</b>	<b>\$250,000</b>
Project Innovation Seed Fund	0	0	150,000
Business Development	0	0	100,000
<b>Technology</b>	<b>\$250,000</b>	<b>\$76,900</b>	<b>\$250,000</b>
<b>Culture &amp; Tourism</b>	<b>0</b>	<b>0</b>	<b>\$100,000</b>
Application Fund	\$75,000	\$26,948	\$50,000
Marketing & Communications	\$275,000	\$230,884	0 <sup>6</sup>
Tourism	\$200,000	\$161,297	0 <sup>7</sup>
<b>Total</b>	<b>\$2,600,000</b>	<b>\$1,501,079</b>	<b>\$3,150,000</b>

Region III Grant – Carlton/Koochiching	FY 2007 Budget	FY 2007 Projected	FY 2008 Budget
Region III	\$566,476	\$566,476	\$589,470

<sup>6</sup> In FY08, this program money was moved to Marketing & Communications operations.

<sup>7</sup> In FY08, this program money was moved to Marketing & Communications operations.

# Projects

## Development Projects

### TEPF & DJJ \$7,952,516

The Taconite Environmental Protection Fund (TEPF) and Douglas J. Johnson Economic Protection Trust Fund (DJJ) monies are allocated for economic development projects in the FY08 Investment Plan. The Commissioner will bring specific projects to the Iron Range Resources Board for its approval at future meetings in accordance with M.S. 298.22, Subd. 2 (Board); 298.223, Subd. 2 (TEPF); and 298.296, Subd. 1 (DJJ).

- **Community Business Infrastructure Grants \$1,000,000 (Competitive)**  
Grants to stimulate new economic development, or create or retain jobs through public infrastructure investments. Grants will fund up to 50 percent of the capital costs of the public infrastructure to expand or retain jobs in the area, increase the tax base, or expand or create new economic development initiatives. Individual grant awards typically do not exceed \$250,000.

Eligible projects are publicly owned infrastructure, which support economic development including manufacturing, technology, warehousing and distribution, or research and development. The Commissioner will recommend specific projects to the Iron Range Resources Board for approval at future meetings.

- **Ely Revenue Department Project \$400,000**  
\$400,000 is reserved from the Taconite Environmental Protection Fund (TEPF) for this expansion.

## Projects Budget

Development Projects Funding Sources	FY 2007 Budget	FY 2007 Projected	FY 2008 Budget
Board	\$1,050,000	\$950,000	\$0 <sup>8</sup>
TEPF	5,953,539	5,858,147	1,952,516
Douglas J. Johnson	0	0	6,000,000
<b>Total Development Projects</b>	<b>\$7,003,539</b>	<b>\$6,808,147</b>	<b>\$7,952,516</b>

<sup>8</sup> In FY08, this line item is zero because no Board account dollars are available for development projects.

## Reserves

The reserves represent un-obligated funds that are currently available within the agency's accounts.

### Development Projects Reserve \$6,000,000

In FY08, the agency will set aside \$6,000,000 from the Board Account and TEPF to be expended on public works projects. The Commissioner will recommend specific projects to the Iron Range Resources Board for approval at future meetings:

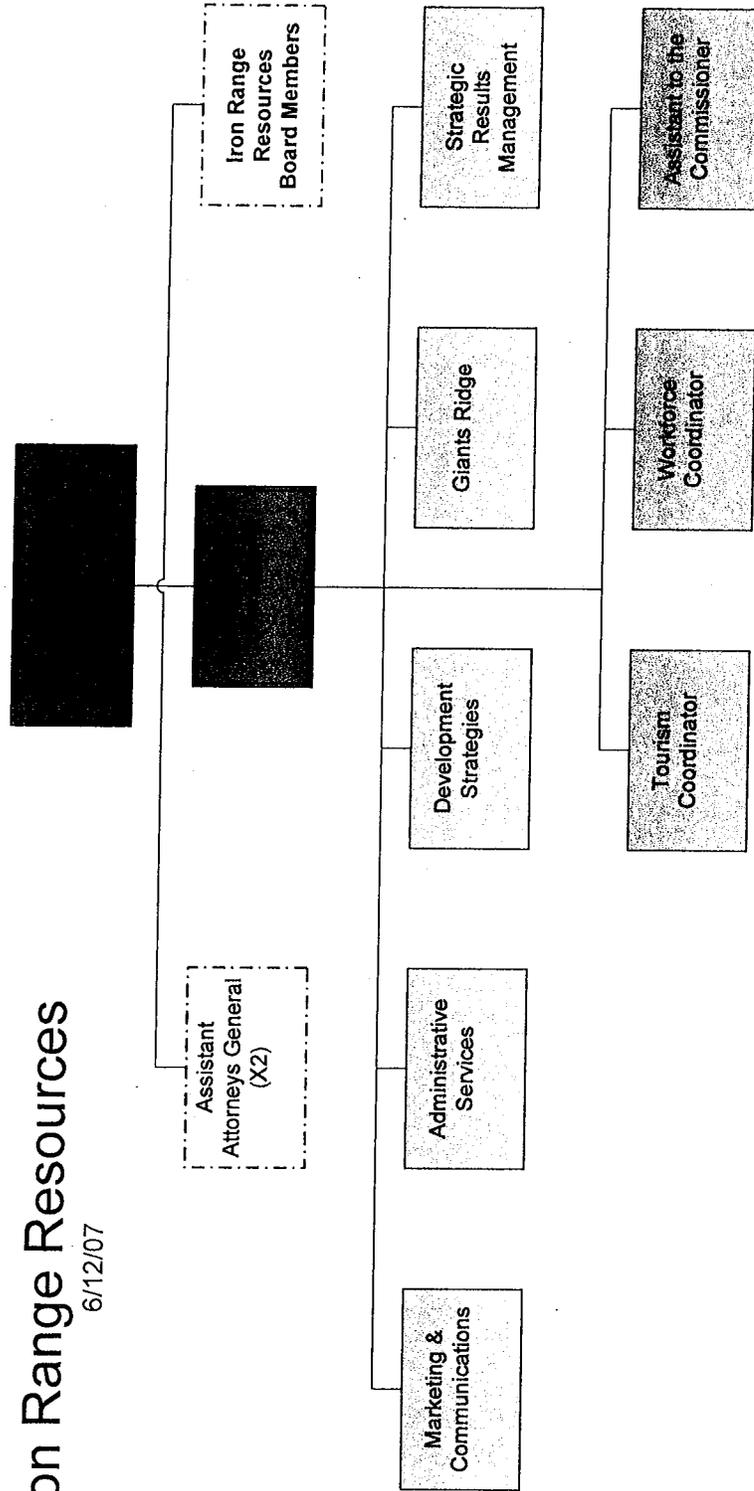
<b>Reserves</b>	<b>FY 2007 Budget</b>	<b>FY 2008 Budget</b>
Un-obligated Carryforward In	\$8,425,410	\$6,929,462
Less: Development Projects Reserve	(7,000,000)	(6,000,000)
Estimated Carryforward Out	<b>\$1,425,410</b>	<b>\$929,462</b>

# APPENDIX

## Appendix A Organizational Chart

### Iron Range Resources

6/12/07



## **Appendix B Proposed FY08 Mineland Reclamation and Restoration Projects**

### **Emergency Safety Projects**

**\$15,000**

The St. Louis County Mine Inspector's office monitors and inspects abandoned mine pits to address safety issues and emergencies. In FY07, activities included fencing mine shafts, constructing earthen berms, and placing rock barriers to protect the public from unsafe areas.

### **Fish Stocking**

**\$15,000**

In partnership with the DNR Division of Fisheries, the Mineland Reclamation Program operates a cooperative program to stock fish in a number of water-filled, abandoned mine pits across the region from Ely to Crosby-Ironton. Iron Range Resources stocks pits on the Mesabi Range where campground and public access construction has been funded by the agency. Rainbow trout are stocked during the spring and fall at the following locations: St. James Pit, Aurora; Lake Ore-Be-Gone, Gilbert; Mott Pit, Mountain Iron; Kinney Pit, Kinney; Judson Pit, Buhl; and La Rue Pit, Nashwauk.

### **Aurora, Pit Wall Reshaping and Bike Trail Extension**

**\$75,000**

The project completes the Lake St. James bituminous bike and pedestrian trail project that was initiated in 2003. This is an extension of a joint trail project between the City of Aurora and the Town of White to connect their bike trails to the Mesabi Bike Trail. This project also completes the bank reshaping and stabilization of the St. James Pit. Total project cost: \$511,925. Other funding sources: SAFETEA-LV - \$200,000, ISTE A - \$205,040 and the City of Aurora - \$31,885.

### **Breitung Township, Bike Trail Extension/Restroom/Change Room**

**\$20,000**

This project funds trail construction between the township recreation complex and the Mesabi Bike Trail along with matching funds to construct a restroom/change-room at the baseball field complex. The restroom/change-room facility will encourage youth not to use the highway rest stop bathrooms, thereby avoiding a potentially unsafe situation. Total project cost: \$42,500. Other funding sources: Breitung Township - \$10,500 and St. Louis County - \$12,000.

### **Buhl, Stubler Pit Residential Lot Development**

**\$100,000**

This project involves the addition of 19 residential lots adjacent to the Stubler Mine Pit. Since 1999, over 50 residential lots, two large homes for the handicapped, a new bank building, and a nursing home have been developed in Buhl. Only eight lots, completed in November 2006, are currently for sale. This project also supports and promotes the Laurentian Vision Partnership. The Judson and Stubler Pit areas exemplify successful Mineland Reclamation efforts that promote productive new uses of former mining landscapes. Total project cost: \$459,000. Other funding sources: City of Buhl - \$229,000 and Mineland Reclamation 2006 budget - \$80,000.

**Crow Wing County, Milford Mine Memorial Park** **\$50,000**

The Milford Mine Memorial Park honors the 41 miners who died in the worst mine disaster in state history. Construction is set to begin on roadway expansion, parking lot development and a handicapped accessible outdoor restroom. Crow Wing County will fund \$100,000. Initial planning and design work totaled \$15,000. Total project cost: \$215,000.

**Mountain Iron, Wood Pellets** **\$50,000**

This project converts an abandoned tailings basin into an economic development site for Mountain Timber Wood Products, which hopes to employ 20 people. The company plans to build a 25,000 square foot building to manufacture wood pellets. Agency funds would be used to construct the road, water and sewer into the site. Other funding sources: Mountain Timber Wood Products - \$8,000,000, Department of Employment and Economic Development - \$200,000 and State of Minnesota Bonding - \$200,000. Agency funds will be held until the remaining financing is confirmed.

**Virginia, North Virginia Industrial Park** **\$100,000**

The City of Virginia is negotiating with three different companies to locate their operations at this 40 plus acre city-owned site. Agency funds will be used for site excavation and final grade work. The City of Virginia, Iron Range Resources and DEED are the main sources of development funds. Total development estimate: \$2.5 million. Agency funds will be held until the city of Virginia has a confirmation from at least one company to locate at this site.

**Town of White, New Road and Trail Construction** **\$75,000**

This project provides a connection road and trail system between County Highway 138 and State Highway I35. The project is an extension to complete the final trail linkage segment, following the revised easement and alignment used for the utility extensions to The Quarry Golf Course. The project will open a direct access route between Aurora and the Giants Ridge Recreation facilities. Total project cost: \$822,112. Other funding sources: FY07 Mineland Reclamation - \$75,000 and Town of White - \$672,112.

**TOTAL: \$500,000**

## **Appendix C1 Draft Grants Criteria**

### **I. Community Business Infrastructure**

### **II. Public Works for Economic and Community Development**

### **III. Community Re-Development**

#### **I. Community Business Infrastructure (\$1,000,000)**

Applicants: Cities and townships

Purpose: Funding up to 1/3 of the public infrastructure capital costs that create or retain jobs, increase the tax base, and expand or create new economic development.

Eligible projects are publicly owned infrastructure, including wastewater collection and treatment, drinking water, storm sewers, utility extensions, and streets, which support economic development projects in the target areas of manufacturing, technology, warehousing and distribution, and research and development. (Retail and office space developments are ineligible for this category.)

- Criteria:
1. Leverage of 2:1
  2. Readiness to implement the project within 6-12 months
  3. Ability to create or retain jobs
  4. Impact that supports economic diversification; attracts new investment; increases the local tax base; demonstrates cooperative effort; and leverages support from non-agency sources

#### **II. Public Works for Economic and Community Development (up to \$6,000,000)**

Applicants: Cities and townships

Purpose: Support of public infrastructure capital costs for community and economic development.

Eligible projects are publicly owned infrastructure, including wastewater collection and treatment, drinking water, storm sewers, utility extensions, and streets, which support any community business development, including retail and service businesses.

- Criteria:
1. Leverage of 3:1

2. Ability to implement the project within 6-12 months
3. Impact that supports economic diversification; attracts new investment; increases the local tax base; demonstrates cooperative effort; and leverages support from non-agency sources

### **III. Community Re-Development (\$1,000,000)**

#### **Commercial**

Applicants: Cities and townships

Purpose: Grants of up to \$50,000 for the demolition and removal and buildings that make way for potential new commercial development or new business.

- Criteria:
1. Leverage of 2:1
  2. Readiness to implement the project within 6-12 months
  3. Market value of new development
  4. Completion of inspections, permits, utility notices, and other compliance issues
  5. Anticipated number of new units or new development resulting from the project
  6. Impact that supports economic diversification; attracts new investment; increases the local tax base

#### **Residential**

Applicants: Cities and townships

Purpose: To remove noncommercial blight or slum, including houses and garages and to encourage new development or construction

- Criteria:
1. Leverage of 1:1
  2. Readiness to implement the project within 6-12 months
  3. Applicant involvement and cooperation in the prioritization and planning of demolition projects
  4. Completion of inspections, permits, utility notices, and other compliance issues

## Appendix C2 Remaining Draft Grants Criteria

	Competitive	Funding	Audience	Leverage	Criteria
1	Community Re-Development (Commercial & Residential)	\$1,000,000	See Appendix C1		
2	Community Business Infrastructure	\$1,000,000	See Appendix C1		
3	Public Works	\$6,000,000	See Appendix C1		
4	Mineland Reclamation & Restoration	\$500,000	Local Governments	N/A	Collaboration; Impacts public, mining disturbed lands; Safety mitigation
5	Laurentian Vision Innovation	\$250,000	Mining Companies, Fee Owners, Local Governments, Nonprofits	1 to 1	Collaboration; Impacts post mining land use; Innovative re-use
6	Culture and Tourism	\$100,000	Nonprofits	1 to 1	Participation; Access; Economic impact; Visitor spending
	<b>Total</b>	<b>\$8,850,000</b>			
	<b>Noncompetitive</b>				
7	Workforce	\$500,000	Education, Nonprofits, Consortiums	2 to 1	Partnerships and collaboration; Business employment; Enrollment
8	Community Planning	\$100,000	Local Governments, Nonprofits, Consortiums	1 to 1	Develop, focus, communicate or coordinate regional planning & assessment
9	Project Innovation Seed Fund	\$150,000	Entrepreneurs, Businesses, Nonprofits, Local Governments	1 to 1	Innovation with economic potential
10	Business Development Opportunities	\$100,000	Entrepreneurs, Businesses, Nonprofits, Local Governments	1 to 1	Economic potential; Job creation or retention; Removing barriers to growth
11	Laurentian Vision Partnership	\$100,000	Regional Stakeholders: Public and Private	N/A	Community vision; Land design; GIS mapping
12	Mining and Minerals	\$50,000	Businesses, Education, Government	N/A	Supports mining in MN; Stimulates exploration
13	Technology	\$250,000	Education, Nonprofits, Businesses, Consortiums	N/A	Supports e-commerce or high speed internet and telecommunications
14	Application Fund	\$50,000	Local Governments, Nonprofits	1 to 1	Grant application preparation; Maximum \$3500
	<b>Total</b>	<b>\$1,300,000</b>			*N/A = Not Currently Available or Applicable
	<b>Grand Total</b>	<b>\$10,150,000</b>			