

**Meeting of the
Iron Range Resources Board**

Monday, October 27, 2008

10:00 a.m.

**Iron Range Resources
Eveleth, Minnesota**

I. Roll Call

Senator David Tomassoni, Vice Chair, called the meeting to order at approximately 10:04 a.m. Present: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan. Absent: Representative David Dill, Representative Loren Solberg, Senator Yvonne Prettner Solon and Senator Rod Skoe. Also present: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Al Becicka, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Roy Smith, Workforce Development Coordinator; Dan Jordan, Mining Program Supervisor; Jean Dolensek, Chief Financial Officer; Dave Hart, Loan Officer Sr. Supervisor; Rick Anderson, Loan Officer Sr.; Sheryl Kochevar, Communications & Media Coordinator; Lee Bloomquist, Information Officer; Lauren Hall, Executive Assistant; Kim Anderson, Executive Assistant; Larry Lehtinen, CEO, Magnetation, Inc. and Thomas Eberhardt, CEO, American Peat Technology, LLC.

II. Approval of the September 23, 2008, Minutes

Representative Tony Sertich moved approval of the September 23, 2008, minutes. Seconded by Representative Tom Anzelc. Motion carried.

III. Commissioner's Comments

a. Business Development Update

Commissioner Sandy Layman provided the Board with an update regarding business development activities.

b. Excelsior Energy Update

Commissioner Layman reported that the Office of the Legislative Auditor, in response to a complaint regarding agency loans to Excelsior Energy, had issued its report. The three-part complaint alleged that:

- 1) there was duplication of payments between federal grants and Iron Range Resources loans to Excelsior Energy
- 2) Commissioner Layman had exceeded her authority in making loan extensions to Excelsior Energy on interest payments
- 3) there wasn't adequate oversight of the loan documents

The Legislative Auditor's report found there was no merit to the first two complaints. Regarding the third complaint, the Legislative Auditor's office reviewed the total \$9.5 million in loan payments and had identified \$40,161 as open to question.

The Office of the Legislative Auditor recommended that the agency seek reimbursement of the \$40,161. Commissioner Layman said that the agency had written a letter (which was included in Board materials) to Excelsior Energy requesting repayment and asking the company to conduct a complete review to make sure that there were no additional ineligible expenses which had been reimbursed. She also referred to a written report received from Excelsior that confirmed that no additional ineligible expenses were discovered in the company's review of invoices submitted to the agency for reimbursement. In addition, the agency has been paid the \$40,161, which has been applied to the principal on the first (\$1.5 million) loan.

Commissioner Layman said that the agency will conduct one final audit in conjunction with Excelsior Energy's annual auditing procedures. Once complete, the agency will close this portion of the loan and feel confident it has thoroughly addressed all the recommendations of the Legislative Auditor.

Commissioner Layman noted that Excelsior Energy's interest payment on the first loan is coming due on December 31, 2008. She said that the agency expects to be receiving a request from Excelsior for an extension. She closed by saying that she has asked staff to look at different scenarios of action and that she will be asking the Board to be involved in deciding how the agency should proceed.

IV. Iron Range Higher Education Account – Resolution No. 09-008

Action required: Project approval requires a majority of the quorum present

Representative Tom Rukavina moved to approve an expenditure of funds in an amount not to exceed a total of \$110,000 from the Iron Range Higher Education Account, as presented in Resolution No. 09-008. Seconded by Citizen Shelley Robinson. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
IRON RANGE HIGHER EDUCATION ACCOUNT EXPENDITURE APPROVALS**

Resolution No.: 09-008

WHEREAS, Minnesota Statutes Section 298.28, subd. 9d allocates 5 cents per taxable ton of taconite taxes to the agency to be deposited in an Iron Range higher education account (“**Higher Education Account**”) to be used for higher education programs conducted at educational institutions in the Taconite Assistance Area designated in Minnesota Statutes Section 297.1341 (“**TAA**”); and,

WHEREAS, Minnesota Statutes Section 298.2214 created the Iron Range Higher Education Committee (“**Committee**”) to advise the commissioner of Iron Range Resources on providing higher education programs within the TAA; and,

WHEREAS, pursuant to 298.28, subd. 9d, both the Iron Range Resources and Rehabilitation Board (“Board”) and the Committee must approve all expenditures from the Higher Education Account; and,

WHEREAS, the Committee has approved an expenditure of up to \$100,000 of the Higher Education Account funds to contract with a consultant to develop a comprehensive plan to address higher education needs in the TAA; and,

WHEREAS, in order to provide compensation and expense reimbursements for Committee members as authorized pursuant to Minnesota Statutes Section 15.059, it is necessary for the Board to approve an expenditure of funds from the Higher Education Account; and

WHEREAS, the Board met in open session at 10:00 a.m. on October 27, 2008, in Eveleth, Minnesota, to consider, among other matters, the proposed expenditure of up to \$100,000 of Higher Education Account funds for the purpose of entering into a contract with a consultant to develop a comprehensive plan to address higher education needs in the TAA and has determined that such expenditure would be in the public interest and promote economic development within the TAA; and

WHEREAS, the Board further considered and determined that the proposed expenditure of up to \$10,000 of Higher Education Account funds for the purpose of providing compensation and expense reimbursements for Committee members pursuant to statutory guidelines is in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$100,000 of Higher Education Account funds for the purpose of entering into a contract with a consultant to develop a comprehensive plan to address higher education needs in the TAA.

BE IT FURTHER RESOLVED that the Board hereby approves the expenditure of up to \$10,000 of Higher Education Account funds for compensation and expense reimbursements for Committee members.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 27th DAY OF OCTOBER, 2008.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon				X
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg				X
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	9	0	0	4

Signed: _____
 Senator David Tomassoni, Vice Chair

V. Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes

a. Residential Community Redevelopment Program Extension – Resolution No. 09-009

Motion by Representative Tony Sertich to approve the Residential Community Redevelopment Program Extension, for an amount not to exceed \$34,000, as presented in Resolution No. 09-009. Seconded by Citizen Joe Begich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BUDGET TRANSFER FROM TEPF PUBLIC WORKS FUNDS TO RESIDENTIAL
COMMUNITY REDEVELOPMENT PROGRAM FUNDS**

Resolution No.: 09-009

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

WHEREAS, the agency’s approved FY 2009 Budget, as amended by the Board at its September 23, 2008, meeting, includes the allocation of \$750,000 of TEPF Funds for Community Business Infrastructure grants (“**Business Infrastructure Funds**”) and the allocation of \$4,906,041 of TEPF Funds for Public Works grants (“**Public Works Funds**”); and

WHEREAS, the agency’s approved FY 2009 Budget further includes the allocation of \$199,387 of TEPF Funds for the Residential Community Redevelopment Program (“**RCRP**”) to assist communities in the TAA with the demolition of dilapidated and condemned buildings and structures; and

WHEREAS, the RCRP demolition projects undertaken by the agency assists in promoting local economic development in the TAA; and

WHEREAS, the agency has received a request from the City of Hibbing for the demolition of five structures through the RCRP that must be completed before January 1, 2009, that the agency cannot commence work on before the end of November 2008; and

WHEREAS, the RCRP budget allocation did not provide funds for operations during the period of time from December 1, 2008, through April 30, 2009; and

WHEREAS, the agency could complete work on the pending RCRP request from the City of Hibbing that was received on or before October 1, 2008, by December 31, 2008, if an additional \$34,000 were made available to the RCRP for such work; and

WHEREAS, the Board met in open session at 10:00 a.m. on October 27, 2008, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the proposed transfer of TEPF funds to the RCRP to finance operations in December 2008, and has determined that it is appropriate to modify the approved agency’s FY09 Budget by transferring \$34,000 from the Public Works Funds line item into the RCRP Funds line item.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the modification of the approved FY09 Budget to transfer \$34,000 of Public Works Funds into the RCRP line item portion of the approved budget, thereby decreasing the Public Works Fund budget line item to the sum of \$4,872,041 and leaving a current unobligated balance of \$92,041 in that line item, and increasing the RCRP line item to the sum of \$233,387.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 27th DAY OF OCTOBER 2008.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon				X
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg				X
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	9	0	0	4

Signed: _____
 Senator David Tomassoni, Vice Chair

VI. Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes

a. Magnetation, Inc.

Representative Tom Anzelc moved to approve additional financing for Magnetation, Inc., to purchase and construct a 53,450 square foot fabric building at the Keewatin site, as presented, for an amount not to exceed \$1,000,000. Larry Lehtinen, CEO, Magnetation, Inc., clarified for the record that on Page 26 of the Board packet, under Collateral Review, in the last sentence of the paragraph, it should read 500,000 plus tons iron units owned by MI, not 3 million, as follows:

COLLATERAL REVIEW:

The proposed \$1,000,000 of debt financing will be subordinate, in regard to collateral, to the \$3,000,000 of previously approved debt by Iron Range Resources and the Minnesota Minerals 21st Century Fund. On the surface, the value of the proposed collateral, at best, provides only nominal protection. The land itself has limited market value as it sits right

now, but it could prove to be very valuable as future wetlands should the company be successful with its business plan. The ~~value of the 500,000 3-million~~ plus tons of iron units owned by MI, located at the Keewatin basin site have significant value if it can be processed and sold as projected.

Motion seconded by Senator Tom Saxhaug. Motion carried.

b. American Peat Technologies, LLC

Motion by Senator Tom Saxhaug to approve the American Peat Technologies, LLC project, for an expansion of its facility to allow for growth and development of new products, as presented, and to include the prevailing wage provision as outlined in Resolution 96-005 for an amount not to exceed \$150,000. Seconded by Representative Tony Sertich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon

VII. Taconite Economic Development Fund (TEDF)

Action required: Approval requires a majority vote of the quorum present

a. Northshore Mining Company – Resolution No. 09-010

b. Hibbing Taconite Company – Resolution No. 09-011

Senator Tom Bakk recommended that the new TEDF requests received from Northshore Mining Company and Hibbing Taconite Company as presented in Resolutions 09-010 and 09-011 be reviewed by the Board's Mining Liaison Group prior to Iron Range Resources Board action, with the intention that the projects would be brought before the Board for consideration at its November meeting; therefore, no action was taken on proposed Resolutions No. 09-010 and No. 09-011.

VIII. Adjournment

Meeting adjourned at 11:10 a.m.