

Meeting of the Iron Range Resources Board

**June 18, 2009
9:00 a.m.
Iron Range Resources
Eveleth, Minnesota**

MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources, Eveleth, Minnesota
Thursday, June 18, 2009
9:00 a.m.

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MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources
Eveleth, Minnesota
Thursday, June 18 – 9:00 a.m.

Agenda

- 1) Roll Call

- 2) Approval of the March 31, 2009, Minutes

- 3) Commissioner's Comments

- 4) FY10 Agency Investment Plan
Action required: Project approval requires 8 votes

- 5) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Magnetation, Inc.
 - b) Greg Cook Logging, Inc.
 - c) Community Business Partnership Grant Program
 - d) Wage Subsidy Program

- 6) Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes
 - a) City of Ely – Iron Range Youth in Action

- 7) Adjournment

Approval of the March 31, 2009, Minutes

Meeting of the Iron Range Resources Board

Tuesday, March 31, 2009
6:00 p.m.
State Capitol – Room 318
St. Paul, Minnesota

I. Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 6:04 p.m.
Present: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon, Citizen Joe Begich. Absent: Senator Tom Bakk, Senator Tom Saxhaug, Citizen Shelley Robinson, Citizen Jack Ryan. Also present: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Al Becicka, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Roy Smith, Workforce Development Coordinator; Jean Dolensek, Chief Financial Officer; Laureen Hall, Executive Assistant; Sue Collins, President, Northeast Higher Education District; Trent Janezich, Director, Arrowhead University Consortium; Terry Leoni, General Manager, Virginia Public Utilities.

II. Approval of the February 18, 2008, Minutes

Representative Loren Solberg moved approval of the February 18, 2009, minutes. Seconded by Representative David Dill. Motion carried.

III. Iron Range Higher Education Account

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

a. Iron Range Engineering Program – Resolution No. 09-028

Representative Tom Rukavina moved approval of the Iron Range Engineering Program, as presented in Resolution No. 09-028. Seconded by Representative Loren Solberg. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich

Voting Against the Motion: None

Abstain: None

Absent: Senator Tom Bakk, Senator Tom Saxhaug, Citizen Shelley Robinson, Citizen Jack Ryan

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

Resolution No.: 09-028

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 \$1,144,700 of the Higher Education Account funds to provide a grant to the Northeast Higher Education District (NHED) for use by the Arrowhead University Consortium (AUC) to develop a higher education program that, in collaboration with private industry, will allow students to earn a bachelors of science in engineering degree from Minnesota State University at Mankato (hereafter referred to as the “**Engineering Degree Program**”); and,

WHEREAS, the Committee approved expenditure will cover the first year of costs for the Engineering Degree Program, for which it is projected that total costs for the development and implementation of the Program will be \$3,097,852 over the course of four years, and for which it is further anticipated that the Program will begin to generate revenues in excess of costs starting with the fifth year after it has been implemented; and,

WHEREAS, in order to provide the aforementioned grant to the NHED, 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 6:00 p.m. on March 31, 2009, at the State Capitol building in St. Paul to consider, among other matters, the proposed expenditure of up to \$1,144,700 of Higher Education Account funds for the purpose of providing a grant to the NHED for use by the AUC to develop an Engineering Degree Program within the TAA and determined that the proposed expenditure would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$1,144,700 of Higher Education Account funds for a grant to the NHED to be used by the AUC to develop an Engineering Degree Program that, in collaboration with private industry, will allow students to earn a bachelors of science in engineering degree from Minnesota State University at Mankato.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 31st DAY OF MARCH 2009.

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 Dave Tomassoni, Chair

IV. Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

- a) Logger Assistance/Hibbing & Virginia Public Utilities Loan Payments – **Resolution No. 09-029**

Representative Tony Sertich moved approval of the Logger Assistance Project, as presented in Resolution No. 09-029. Seconded by Senator Yvonne Prettner Solon. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich

Voting Against the Motion: None

Abstain: None

Absent: Senator Tom Bakk, Senator Tom Saxhaug, Citizen Shelley Robinson, Citizen Jack Ryan

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
HIBBING PUBLIC UTILITIES COMMISSION AND CITY OF VIRGINIA
FORGIVENESS OF LOAN PAYMENTS DUE THROUGH JANUARY 1, 2010,
FOR PURCHASE OF ADDITIONAL WOOD BIOMASS FUEL HARVESTED BY
LOGGING BUSINESSES IN THE TACONITE ASSISTANCE AREA**

Resolution No.: 09-029

WHEREAS, the Board by motion on September 23, 2004, approved the expenditure of up to \$8 million of funds from the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”) for loans to the Public Utility Commission of Hibbing (“**HPUC**”) and to the City of Virginia for its Department of Public Utilities Commission (“**City of Virginia**” and, jointly, the “**Public Entities**”) for financial assistance in pursuing projects to retrofit and create certain facilities to power their boilers (the “**Biomass Project**”) using biomass materials that are produced locally within the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, consistent with such motion, the agency entered into separate loan agreements for up to \$4 million with the City of Virginia on July 15, 2005, and for up to \$4 million with the HPUC on July 19, 2005, with provisions requiring installment payments to be paid by the Public Entities to the agency throughout the terms of the loans until the loans are repaid in full; and,

WHEREAS, the amount of loan installment payments anticipated to be paid to the agency by the Public Entities through January 1, 2010, for deposit into the DJJ Fund operating account is \$720,000; and,

WHEREAS, the Board recognizes that the logging industry in the TAA has been adversely impacted by the economic downturn disproportionately more than many other business sectors; and,

WHEREAS, the Commissioner has proposed that all loan installment payments owed to the agency by the Public Entities through January 1, 2010, be forgiven provided that in exchange the Public Entities agree to spend all such payment amounts otherwise due to the agency during such time period on additional purchases of wood from logging businesses located in the TAA; and

WHEREAS, such loan forgiveness is expected to allow the Public Entities to purchase approximately 30,000 additional cords of wood during calendar year 2009 over and above the amount of wood that otherwise would be purchased for use in their boilers provided by and through the Biomass Project; and,

WHEREAS, the Public Entities will purchase all of the 30,000 additional cords of wood no later than January 1, 2010; and,

WHEREAS, the Board met in open session at 6:00 p.m. on March 31, 2009, at the State Capitol building in St. Paul to consider, among other matters, the proposal to forgive up to \$720,000 in loan installment payments owed by the Public Entities through January 1, 2010, in exchange for their purchase of additional wood for use in their Biomass Project boilers from logging businesses located in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the forgiveness of up to \$720,000 of installment payments on outstanding loans payable to the agency through January 1, 2010, by the HPUC and the City of Virginia in exchange for the purchase of 30,000 additional cords of wood harvested by logging companies in the TAA no later than January 1, 2010, appears to be in the best interests of the TAA and of the agency and is hereby approved.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 31st DAY OF MARCH 2009.

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 Dave Tomassoni, Chair

VIII. Adjournment

Meeting adjourned at 6:25 p.m.

FY10 Agency Investment Plan

Action Required: Approval requires 8 votes

See Attachments

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- e) Magnetation, Inc.
- f) Greg Cook Logging, Inc.
- g) Community Business Partnership Grant Program
- h) Wage Subsidy Program

Magnetation, Inc.
Direct Loan Program

APPLICANT:
Magnetation, Inc.

PRINCIPAL(S):
Larry Lehtinen

BRIEF PROJECT DESCRIPTION:

Magnetation, Inc. (MI), established in 2006, has further developed and refined a proprietary process to recover iron particles from existing natural iron ore and taconite tailings basins. The base technology for this process was initially developed more than twenty years ago by Al Fritz, now a retired mining engineer and a co-founder and investor in the company. In June of 2008, the Iron Range Resources board approved \$2,000,000 of financing to assist MI with the development of its first processing line on a parcel of property located near Keewatin that is owned by the company and on which is located a natural ore tailings basin. In October of 2008, the Iron Range Resources board approved an additional \$1,000,000 of financing for MI to purchase and construct a 53,450 square-foot fabric building at the Keewatin site. The building houses the processing line, thereby allowing the company to operate on a year round basis. MI is requesting an additional \$1,485,000 in financing from Iron Range Resources to acquire, refurbish and install four additional magnetic separation wheels, as well as additional screens, pumps, piping, conveyors and other mechanical and electrical components, along with engineering services. The proposed project will allow MI to double its capacity to approximately 300,000 tons of iron concentrate per year.

PROJECT COST: \$2,985,000

PROJECT BREAKDOWN:

Iron Range Resources Direct Loan (up to 5 year term, 5.00%)	\$ 1,485,000
Equity	<u>\$ 1,500,000</u>
Total	\$ 2,985,000

COLLATERAL:

The proposed \$1,485,000 Direct Loan will be secured with a first-priority position, shared pro-rata with the Minnesota Department of Employment and Economic Development (DEED), on all collateral on existing loans by Iron Range Resources and DEED to Magnetation, Inc. and on the equipment to be purchased with the proposed financing.

Existing collateral consists of:

1. A real estate mortgage on approximately 150 acres of land and the personal property located thereon (tailings). This parcel contains an estimated 500,000 tons or more of recoverable iron concentrate.
2. A lien on all equipment, machinery, furniture, buildings and other tangible personal property of MI, whether now owned or hereafter acquired, including but not limited to all present and future machinery, equipment, furniture, shop equipment, office and record keeping equipment, parts and tools and supplies.
3. All general intangibles of MI, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, trade names, customers lists, permits and franchises, and the right to use Debtor's name.

New collateral includes four additional magnetic separation wheels, as well as additional screens, pumps, piping, conveyors and other mechanical and electrical components.

JOBS:

MI currently employs 22 full-time direct plant employees. An additional ten (10) contract employees work on site doing tailings excavation and finished product trucking. The proposed expansion will allow MI to hire two (2) new direct plant employees. An additional ten (10) new contract employees will also be required.

CONTINGENCIES:

Loan funds will be advanced upon receipt of invoices for the project, including machinery and equipment purchases, refurbishing services, materials purchases, installation and construction services and professional services.

MI must provide evidence that it has received equity investments in 2009 in the aggregate amount of \$1,500,000.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATION:

Approved on June 8, 2009.

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:

Magnetation, Inc. (MI), established in 2006, has further developed and refined a proprietary process to recover iron particles from existing natural iron ore and taconite tailings basins. The

base technology for this process was initially developed more than twenty years ago by Al Fritz, now a retired mining engineer and a co-founder and investor in the company. In June of 2008, the Iron Range Resources board approved \$2,000,000 of financing to assist MI with the development of its first processing line on a parcel of property located near Keewatin that is owned by the company and on which is located a natural ore tailings basin. In October of 2008, the Iron Range Resources board approved an additional \$1,000,000 of financing for MI to purchase and construct a 53,450 square-foot fabric building at the Keewatin site. The building houses the processing line, thereby allowing the company to operate on a year-round basis. MI is requesting an additional \$1,485,000 in financing from Iron Range Resources to acquire, refurbish and install four additional magnetic separation wheels, as well as add additional screens, pumps, piping, conveyors and other mechanical and electrical components, along with engineering services. The proposed project will allow MI to double its capacity to approximately 300,000 tons of iron concentrate per year.

MANAGEMENT TEAM:

Chairman of the Board and CEO is Larry Lehtinen. He joined MI in early 2008 when he became an investor in the company. Mr. Lehtinen has over 30 years of mining industry experience while holding a variety of engineering and administrative positions with Inland Steel, Cleveland Cliffs, and Steel Dynamics. He also was instrumental in the development of the Mesabi Nugget project where he continues to serve as an independent consultant. He also has patented three mining related processes. Mr. Lehtinen holds a minerals engineering degree from the University of Minnesota and a Masters of Business Administration from the University of Minnesota Duluth. Mr. Lehtinen owns approximately 51% of the outstanding stock of the company.

David Chappie joined MI in September of 2008 as its Vice President – Operations and Engineering, and is also a shareholder and a director. Prior to joining MI, Mr. Chappie was the General Manager of Republic Metals, Inc. of Canton Ohio (2006 - 2008), a specialty metals manufacturer. Mr. Chappie also worked in various technical engineering positions with Steel Dynamics, Inc. from 1987 to 2006, including time as a technical advisor for the Mesabi Nugget project in Silver Bay and Hoyt Lakes. Mr. Chappie is a 1987 graduate of the University of Dayton in Ohio with a degree in electrical engineering.

Al Fritz, the co-founder of MI and the inventor of the Ferrous Wheel magnetic separation process and machinery, serves as President. Mr. Fritz is a retired mining engineer who spent much of his career in natural ore mining and processing.

Other management team members and investors include Rod Hunt, a retired entrepreneur, who, among other things, has mined precious metals in Alaska; Tom Hammerlund, Sr., owner of Hammerlund Construction and various other affiliated companies, and Eugene Bergstrom, a retired employee of Otis Elevators. Ed Shaughnessy, a shareholder and early promoter of MI, currently provides construction and maintenance services to MI.

MARKET OPPORTUNITY:

For nearly 100 years there has been mining on the Mesabi Iron Range, first to process the rich natural ore and more recently to process the lower grade taconite ore. As part of the mining process, the ore is concentrated and the unwanted materials, or tailings, are taken out of the

process and transported to very large impoundment basins, where they are stored, and essentially abandoned. There are still weakly magnetic iron particles within the tailings, but the process to recover those units has historically not been economical due to their relatively low market value in comparison to the cost of recovering them. With the increase in iron unit pricing over the past several years, combined with advancing technology, it is now economically feasible to begin reclaiming the iron units from the numerous tailings basins in northeastern Minnesota.

The patent pending process used by MI to reclaim and concentrate the iron units remaining in the region's numerous tailing basins is working as well, or better, than originally projected. Since the start up of the processing line in early February, MI has been able to meet the specifications of its customer in regard to both iron and silica content. Concentrate processing is now ongoing, with weekly deliveries to its customer.

Mr. Lehtinen considers MI to be the lowest cost producer of iron concentrate in the United States. This is possible because MI uses tailings, which have already been crushed and partially processed, as its raw material rather than raw ore or taconite which would require extensive processing prior to the separation process.

Mr. Lehtinen has estimated that there are in excess of 100 million tons of natural ore and taconite tailings stored in basins on the Mesabi Iron Range. Given this, and assuming the market for iron concentrate stabilizes and grows, MI could be a long term processor in the region and/or its process could be licensed to other producers both regionally and in other parts of the world.

At this time, MI is producing concentrate for just one customer (Mesabi Nugget) and expects to supply approximately 110,000 tons to them in 2009. There are no firm commitments beyond 2009; however, Mr. Lehtinen feels they will continue as a customer in 2010, and possibly longer. MI also is pursuing other niche markets where its product could be used in such things as water treatment, chemical manufacturing, oil and gas drilling, asphalt paving, glass coloring and as a weighting agent for construction.

Magnetation has secured the services of several experienced independent sales professionals to seek out contracts with both steel and non-metallurgical markets.

COLLATERAL REVIEW:

The proposed \$1,485,000 Direct Loan will be secured with a first-priority position, shared pro-rata with the Minnesota Department of Employment and Economic Development (DEED), on all collateral on existing loans by Iron Range Resources and DEED to Magnetation, Inc. and on the equipment to be purchased with the proposed financing.

Existing collateral consists of:

1. A real estate mortgage on approximately 150 acres of land and the personal property located thereon (tailings). This parcel contains an estimated 500,000 tons or more of recoverable iron concentrate.
2. A lien on all equipment, machinery, furniture, buildings and other tangible personal property of MI, whether now owned or hereafter acquired, including but not limited to all

present and future machinery, equipment, furniture, shop equipment, office and record keeping equipment, parts and tools and supplies.

3. All general intangibles of MI, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, trade names, customers lists, permits and franchises, and the right to use Debtor's name.

New collateral includes four additional magnetic separation wheels, as well as additional screens, pumps, piping, conveyors and other mechanical and electrical components.

PAST IRON RANGE RESOURCES HISTORY:

Iron Range Resources has the following loans outstanding to MI:

Direct Loan A - 3.0%, Interest Quarterly, Matures 12/31/2011	\$ 997,776
Direct Loan B - 20.0%, Interest Quarterly, Matures 12/31/2013	\$ 1,000,000
Direct Loan C - 3.00%, Interest Quarterly, Matures 12/31/2013	\$ 1,000,000

Per our agreement with MI, Iron Range Resources receives a Royalty of \$1.50 per ton on each ton of concentrate produced and shipped on the first 5,000,000 tons, and \$1.00 per ton thereafter with no volume, time or dollar limitations. Of that, \$0.75 per ton is applied to reduce the principal of Direct Loan A.

Greg Cook Logging, Inc.
Bank Participation Loan Program

APPLICANT:

Greg Cook Logging, Inc., located in Big Fork.

PRINCIPAL(S):

Clinton Cook is the owner of Greg Cook Logging, Inc.

BRIEF PROJECT DESCRIPTION:

Purchase a slasher/loader to support the company's expansion into the production of biomass.

PROJECT COST:

\$224,000

PROJECT BREAKDOWN:

Ultima Bank Minnesota loan	\$84,000
Iron Range Resources Bank Participation Loan	\$84,000
Minnesota Department of Labor & Industry grant	\$10,000
Owner cash equity	\$46,000
Total	\$224,000

COLLATERAL:

Barko 495 log loader mounted on a Savage self-propelled carrier unit with a HanFab slasher unit. Total unit is valued at \$224,000.

JOBS:

The increase in production and safety realized through the use of this equipment will enable the company to retain its 10 employees in this depressed time in the industry.

CONTINGENCIES:

None. Other required financing has been committed.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATION:

Approved on June 8, 2009.

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 proceeds of this loan will be used to finance the purchase of a new Barko 495 log loader on a Savage self-propelled carrier unit with a HanFab slasher unit. This equipment will support the company's expansion into the biomass market.

The company is also the recipient of a Minnesota Department of Labor & Industry Safety Grant of \$10,000 which will be used to fund a portion of this project.

MANAGEMENT TEAM:

Greg Cook Logging, Inc. was started in the 1970's. The company was incorporated in 1993 and Clinton Cook began working in the business with his father. Clinton acquired the company in 2007 and operates it with his wife, Tracy and his sister, Renee. Clinton, Tracy and Renee are employed by affiliate Third Generation Logging Company (owned by Clinton) and Greg Cook Logging is billed for management services.

MARKET OPPORTUNITY:

Greg Cook Logging, Inc. has secured a contract with Laurentian Energy Authority to supply wood chips for use in the Hibbing and Virginia Public Utilities operations. The company also provides product to other local and regional markets.

COLLATERAL REVIEW:

The equipment to be purchased has a value of \$224,000. The \$168,000 loan will have a 75% loan-to-value and a first-secured position on the equipment. The equipment is standard equipment for many logging operations.

PAST IRON RANGE RESOURCES HISTORY:

None.

Community Business Partnership Grant Program



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: June 18, 2009

Re: COMMUNITY BUSINESS PARTNERSHIP GRANT PROGRAM FY09

The Iron Range Resources Board approved \$450,000 for the Community Business Partnership Grant Program in the FY09 budget under the provisions of the Douglas J. Johnson Economic Protection Trust Fund. I propose funding 18 municipalities with grants from Iron Range Resources. These grants will be used to make low interest loans to eligible businesses for building renovations and/or expansions.

PRIVATE SOURCES OF FINANCING:

The borrower's participation in the project and the loan repayments to the municipality are the private source of financing for this program.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATION:

Approved on June 8, 2009.

FUNDING AUTHORIZATION:

\$450,000 in funding for the Community Business Partnership Grant Program was approved in the FY09 budget, under the authority of the Douglas J. Johnson Economic Protection Trust Fund Act, Minn. Stat. Sec. 298.292, subd. 2 (1) (2008).

RECOMMENDATION:

Based upon the budget line item of \$450,000, staff recommends grant amounts to 18 municipalities as follows:

<u>City/ Township</u>	<u>Amount Recommended</u>	<u>Minimum Match Required</u>	<u>Minimum Total Loan Fund</u>
Aitkin, City of	\$ 50,000	\$ 25,000	\$ 75,000
Biwabik, City of	\$ 20,000	\$ 10,000	\$ 30,000
Bovey, City of	\$ 30,000	\$ 15,000	\$ 45,000
Chisholm, City of	\$ 25,000	\$ 12,500	\$ 37,500
Cohasset, City of	\$ 20,000	\$ 10,000	\$ 30,000
Coleraine, City of	\$ 20,000	\$ 10,000	\$ 30,000
Crystal Bay Township	\$ 20,000	\$ 10,000	\$ 30,000
Ely, City of	\$ 25,000	\$ 12,500	\$ 37,500
Eveleth, City of	\$ 20,000	\$ 10,000	\$ 30,000
Grand Marais, City of	\$ 25,000	\$ 12,500	\$ 37,500
Hibbing, City of	\$ 50,000	\$ 25,000	\$ 75,000
Keewatin, City of	\$ 12,000	\$ 6,000	\$ 18,000
Mt. Iron, City of	\$ 25,000	\$ 12,500	\$ 37,500
Nashwauk, City of	\$ 25,000	\$ 12,500	\$ 37,500
Silver Bay, City of	\$ 25,000	\$ 12,500	\$ 37,500
Squaw Lake, City of	\$ 8,000	\$ 4,000	\$ 12,000
Tower, City of	\$ 30,000	\$ 15,000	\$ 45,000
Two Harbors, City of	<u>\$ 20,000</u>	<u>\$ 10,000</u>	<u>\$ 30,000</u>
Total	\$450,000	\$225,000	\$675,000

Wage Subsidy Program



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: June 18, 2009

Re: IRON RANGE RESOURCES WAGE SUBSIDY PROGRAM

Laws of Minnesota for 2009, Chapter 78, Article 7, authorized the transfer of \$1 million of net interest, dividends and other earnings from the Douglas J. Johnson Economic Protection Trust Fund, for fiscal years 2010 and 2011 only, into a special account that may be used for wage subsidies of up to \$5 per hour to qualified businesses. I propose implementing a new wage subsidy program with funds from this account in fiscal year 2010 using the following criteria:

- Eligible establishments are to include those headquartered within the TAA, which have been operating for at least one year immediately prior to application, classified in one of the following industries: manufacturing; wholesale trade; retail trade; transportation and warehousing; finance and insurance; professional and technical services; and management of companies and enterprises.
- Any establishment with employees on active layoff status would be ineligible to participate in the program.
- Establishments would be entitled to a wage subsidy that amounts to the lesser of \$5/hour or 50% of an eligible new employee's wage for up to six months or \$5,000 per employee, whichever occurs first.
- A single establishment would be eligible to enroll a maximum of five employees in the program.

It is the intent of the Agency to partner with the Northeast Minnesota Workforce Center system and AEOA to administer the program, with any administrative costs being funded out of the account.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATION:

Approved on June 8, 2009.

FUNDING AUTHORIZATION:

Funding for the Wage Subsidy Program is available within a special account in the Douglas J. Johnson Economic Protection Trust Fund Act, Minn. Stat. Sec. 298.292, and, under Minnesota Statutes 298.294(b), can be authorized for the proposed Program, upon approval by at least seven Iron Range Resources Board members.

RECOMMENDATION:

Approve the proposed program as presented.

Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

- a) City of Ely – Iron Range Youth in Action

City of Ely – Iron Range Youth in Action



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: June 18, 2009

Re: REALLOCATION OF \$40,258 FROM THE CITY OF CHISHOLM TO THE CITY OF ELY FOR THE IRON RANGE YOUTH IN ACTION PROJECT

On September 6, 2007, the Iron Range Resources Board approved, under the FY08 Public Works Program, three \$50,000 grants for Iron Range Youth in Action (IRYA) community development projects in Chisholm, Cook and Ely. The city of Chisholm has completed its IRYA project and did not need to use \$40,258 of its \$50,000 grant and is in favor of allowing those funds to be used for the Ely project, which is in need of additional funding.

The Ely IRYA project has an estimated construction cost of \$400,000 for a new youth facility and is near completion. Nearly 95% of the labor has been donated. Not including labor costs, the Ely IRYA needs an additional \$50,000 to pay for flooring, counter tops, plumbing, electrical, sinks and other internal construction. Iron Range Resources has received a new Public Works application to support the expenditure of the additional funds.

FY 2010 Investment Plan



IRON RANGE
Resources
Advancing regional growth.

FY 2010 Iron Range Resources Investment Plan

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Introduction

Mission



Mission Statement

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

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
- ❖ **Positivity** – adopting an attitude that one can increase achievement and positively influence outcome

Principles

- ❖ **Commitment to our mission** – we focus on what is important and do it well
- ❖ **Focus on customer needs** – we listen, identify needs and act on opportunities to serve our customers
- ❖ **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

Vision



Strategic Framework

Vision Statement

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

Goals

1. Position Iron Range Resources to be a leader in developing and implementing a strategy for the long-term economic viability of northeastern Minnesota
2. Sustain the region's economic base by working with existing businesses to retain existing jobs and expand to create new jobs
3. Diversify the region's economy by growing new businesses and recruiting expanding businesses from outside of the area
4. Reclaim mining impacted lands to create a diverse regional economic development resource

Strategies

- Enhance relationships with customers
- Maximize resources with the future in mind
- Provide resources for businesses and communities
- Develop and retain a motivated and skilled workforce

FY09 Highlights



Highlights from FY09

FY09 marks start of major projects; agency supports small business jobs growth; community enhancement; helps launch innovative workforce development programs; and backs clean and green renewable energy projects.

❖ Business Development

Two agency-supported large-scale economic projects took shape with the groundbreaking and commencement of site preparation at **Essar Steel Minnesota's** \$1.65 billion iron ore, direct reduced iron and steel slab facility near Nashwauk and major construction of **Steel Dynamic's** and **Kobe Steel's** \$260 million iron nugget plant near Hoyt Lakes. Together, the two projects create 2,500 construction jobs and 565 permanent jobs.



**Essar Steel Minnesota
Groundbreaking in Nashwauk**



Mesabi Nugget near Aurora/Hoyt Lakes

Magnetation, Inc. in February became the first facility of its kind in the United States to produce iron ore concentrate from natural iron ore tailing. The \$9.6 million project is located just south of Keewatin; 26 people were employed at start-up with plans to hire an additional 12 employees.



Magnetation in Keewatin

Midwest Manufacturing and Mechanical, Inc. utilized a \$370,000 agency loan to construct a \$1.8 million, 12,000 square-foot facility at Nashwauk that will manufacture custom industrial sizing/classifying screens for the food, iron and coal industries. Twenty-seven new jobs are projected by the end of 2011.

In Two Harbors, **North Shore Manufacturing** utilized a \$500,000 agency loan to build a 29,800 square-foot expansion at its recycling and waste handling equipment manufacturing facility. The project within two years will add 20 new jobs to the company's 61-person workforce.



**North Shore Manufacturing
in Two Harbors**

A \$150,000 loan to **American Peat Technologies** in Aitkin allowed for an \$858,518 expansion and nine new full-time jobs.

A \$3,882,224 loan to **Renewafuel LLC** will help construct a \$15 million, 100,000 square-foot facility that would produce biomass briquettes for fuel in taconite plant furnaces. The plant would create 25 new jobs.



Woodyard

Agency staff worked closely with the **Laurentian Energy Authority** (LEA) on a logger assistance program that will allow LEA to purchase an additional 30,000 cords of wood beyond what the authority bought in 2008.

A \$250,000 Leadership Grant was provided to **Ironworld Development Corporation** at the Minnesota Discovery Center to assist a strategic planning, fund development, grant writing, fundraising, brand image and development initiative

Economic development and renewable energy initiatives undertaken by the agency received widespread play in major publications and in local, regional and state media. **Among media to which the agency responded for interviews or information** were: Fortune magazine, National Geographic, Business Xpansion Journal, Precision Manufacturing magazine, Minnesota Public Radio, AAA Minnesota, KARE TV, Lake Superior magazine, MinnPost, KDAL radio, WDSE TV, Duluth News Tribune, Mesabi Daily News, Hibbing Daily Tribune, Timberjay, Hometown Focus, WDIO TV and KBJR TV.

❖ Community Development

Public Works Infrastructure grants assisted communities in preparing for economic expansion, new housing, business and enhanced neighborhoods, enriching the region and improving the quality of life. Communities such as Aurora, Biwabik, Bovey, Buhl, Calumet, Chisholm, Cook, Eveleth, Fayal Township, Gilbert, Grand Rapids, Hibbing, Hoyt Lakes, Keewatin, Lutsen Township, McKinley, Mountain Iron, Orr, and Virginia received \$4,872,041 in public works funding for infrastructure development and health and safety projects, creating 814 jobs.

A Public Works grant of \$30,000 supported an elevator replacement project at the Health Services Park facility in Eveleth and a \$50,000 grant from the **commissioner's account** funded a Virginia Regional Medical Center nursing home study. The agency also participated in funding a University of Minnesota-Duluth mining study which examines the economic contribution of mining to northeastern Minnesota and the state.

A \$750,000 **Community Business Infrastructure** grant will create seven to ten new permanent jobs and 40 to 50 construction jobs with the construction of a new \$9 million Ambulatory Care Center at the Fairview University Medical Center-Mesabi in Hibbing. The center will increase the ability to treat multiple trauma patients and allow for enhanced care of mental health patients.



Fairview University Medical Center-Mesabi in Hibbing

The city of Bigfork received a Commercial Business Infrastructure grant of \$150,000 to reconstruct and extend the community's airport runway.



NOvA Groundbreaking near Orr

On May 1, the **University of Minnesota and Fermi National Acceleration Laboratory** broke ground on a new \$50 million NuMI Off-Axis Electron Neutrino Appearance (NOvA) laboratory in Ash River. Construction will create 60 jobs. Equipment installation will require 40 technicians. Ten scientists will perform research work on neutrinos – the building blocks of matter - at the laboratory. Iron Range Resources provided \$15,000 in support for public meetings, marketing and brochures for the project.

In support of **renewable energy for area schools**, the agency awarded a \$150,000 grant to the Mountain Iron-Buhl school district for a project that converts the Merritt Elementary School's existing natural gas heating system to wood pellets. The agency also awarded a \$300,000 grant to the St. Louis County school district to convert boilers and heating systems at three schools from steam to biomass.

Twenty-two organizations and communities throughout the agency's service area received **Culture and Tourism** grants, leveraging about \$2.2 million in total investment. Among the programs assisted are the Laurentian Arts and Culture Alliance, Finland Historical Society, Gunflint Trail Historical Society, Range Artists Association, Kabetogama Lake Association and Tourism Bureau, Jaques Art Center and Greenway Heritage Preservation Committee.

The **Residential Community Redevelopment** program's three-person crew from May 19 to December 23, 2008, removed 84 dilapidated residences in Chisholm, Balkan, Buhl, Mountain Iron, Eveleth, Virginia, Tower, Aurora, Biwabik, Embarrass, Iron, Buck Lake, Kinney, Crane Lake, and Fayal Township, beautifying communities and making room for new growth. Of the 84 structures, 69 were removed during fiscal year 2009.



**Residential Community Redevelopment
Crew in Eveleth**

New wind energy, renewable, power generation and engineering programs designed to provide customized training and expand the region's workforce and knowledge base were implemented at community colleges within the region under partnerships between the agency and higher education institutions. A new wind technology specialist program begins this fall at Mesabi Range Community and Technical College; a new power generation program starts this fall at Itasca Community College; and a new four-year Iron Range Engineering Program begins this fall in collaboration with NHED, the Arrowhead University Consortium, Itasca Community College, Minnesota State-Mankato and Iron Range Higher Education Committee.

As a partner in the **Applied Learning Institute**, Iron Range Resources contributed in supporting a Building Trades training program in which dozens of northeastern Minnesota high school students helped build Habitat for Humanity homes.

The agency continued to lead long-term land-use and community planning efforts through the **Laurentian Vision Partnership** and **Range Readiness Initiative**. Range Readiness Initiative communication team members staffed a booth at the Society for Mining, Metallurgy and Exploration conference in Duluth.

The agency developed a new Web-based communications tool called **RangeViews** that provides information and updates on key agency activities, economic development projects, tourism and community enhancements.

❖ Giants Ridge

For 2009-2010, Golf Digest ranks The Quarry as the No. 20 public golf course in the nation and The Legend as No. 72. Both courses continue to be ranked on Golf Digest's list of "Best Places to Play."

During the 2008 season, 27,012 rounds of golf were played at Giants Ridge.



The Legend at Giants Ridge



Young Skiers at Giants Ridge

Giants Ridge during the fiscal year 2009 season attracted 86,119 skiers from across the state, nation and Canada.

Investment Plan

Agency Budget

	FY 2009 Approved Budget	FY 2009 Projected	FY 2010 Request
Resources			
Carryforward In	\$7,556,634	\$7,743,481	\$11,219,814
Current Resources:			
Taconite Production Taxes	\$15,583,098	\$15,583,098	\$18,201,241 ¹
Legislative Transfer	0	10,188,667 ²	0
Legislative Reallocation - Renewable Energy	0	0	5,998,597 ³
Legislative Appropriation - Windmill Blade Factory	0	0	10,000,000 ⁴
Investment Earnings	2,031,340	3,027,025	1,450,952
Loan Revenues	2,493,142	3,889,217	1,553,302
Facilities Revenue	5,005,137	4,413,626	4,629,831
Occupation Tax Region III	582,344	582,344	580,509
Subtotal Current Resources	\$25,695,061	\$37,683,977	\$42,414,432
Total Resources Available	\$33,251,695	\$45,427,458	\$53,634,246
Estimated Expenditures			
Operations:			
Administrative Services	\$2,653,791	\$2,302,381	\$1,997,833
Human Resources & Strategic Results	0	0	710,070
Attorney General	374,238	290,968	376,121
Marketing & Communications	1,272,817	1,118,646	955,159
Giants Ridge Golf & Ski Resort	8,925,691	8,200,474	8,610,470 ⁵
Minnesota Discovery Center	1,900,000	1,606,146	1,398,200 ⁶
Community Development	0	0	506,239
Business Development	2,109,183	1,716,378	1,633,444
Programs:			
Grants	2,350,000	1,695,307	2,580,000
Occupation Tax Region III	582,344	582,344	580,509
Projects:			
Business Development	12,322,041	8,660,000	8,500,000
Legislative Distribution - Public Works	0	8,035,000 ⁷	0
Legislative Reallocation - Renewable Energy	0	0	5,998,597 ³
Legislative Appropriation - Windmill Blade Factory	0	0	10,000,000 ⁴
Legislative Transfer - Small Business Fund	0	0	1,000,000 ⁸
TOTAL FY INVESTMENT PLAN	\$32,490,105	\$34,207,644	\$44,846,642
Estimated Carryforward Out	\$761,590	\$11,219,814	\$8,787,604

Notes:

¹Taconite Production Taxes. The Governor's proposed unallotments to balance the state's FY10-11 budget does not include any reductions to the taconite state aid appropriation due to the difficult times facing the mining industry. The \$3,196,114 Grant & Loan Fund distribution received in calendar year 2009 is included in the FY10 taconite production tax revenues.

²Legislative Transfer. Kobe Steel repaid Mesabi Nugget Company's \$10,188,667 debt to the agency in March 2009. The Omnibus Economic Development Bill transfers the repayment funds from the DJJ Fund (\$4,142,834 - operating & \$6,045,833 - corpus) to the TEPF to be available for public works projects.

³Legislative Reallocation - Renewable Energy. The Omnibus Economic Development Bill reallocates \$5,998,597 of Property Tax Relief funds to a special TEPF account for renewable energy initiatives.

⁴Legislative Appropriation - Windmill Blade Factory. The Omnibus Economic Development Bill appropriates \$10,000,000 from the Minnesota Minerals 21st Century Fund to Iron Range Resources for a grant or forgivable loan to a manufacturer of windmill blades at a facility within the taconite tax relief area.

⁵Giants Ridge Golf & Ski Resort:

Giants Ridge Golf & Ski Resort Operations	\$6,375,160
Giants Ridge Golf & Ski Resort Debt Service	1,572,033
Giants Ridge Golf & Ski Resort Facility Improvements	663,277
Total Giants Ridge	\$8,610,470

⁶Minnesota Discovery Center:

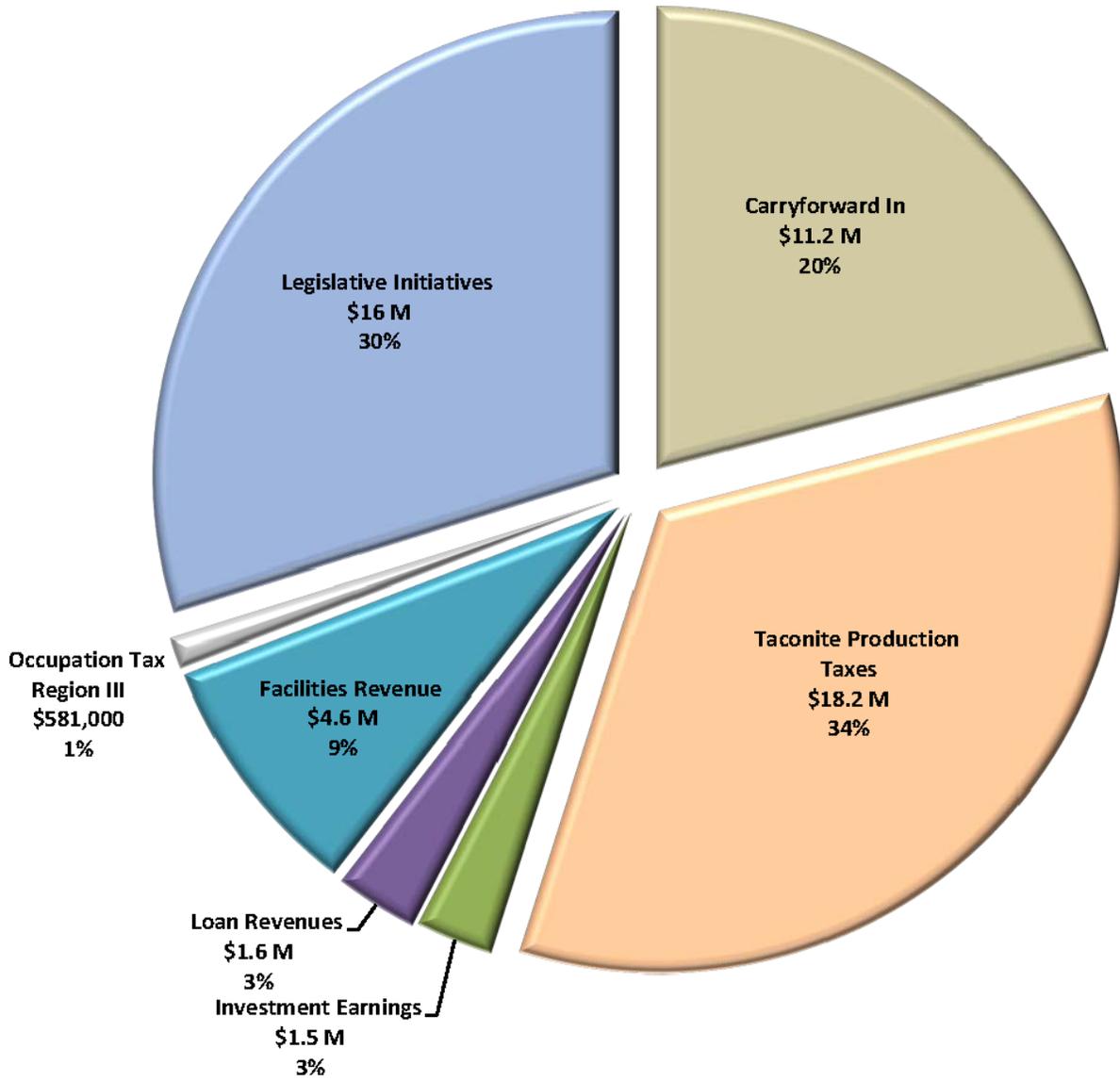
Ironworld Development Corp. - Operations	\$1,009,000
Ironworld Development Corp. - Endowment Match	250,000
Ironworld Building Insurance & Capital Improvements	139,200
Total Ironworld	\$1,398,200

⁷Legislative Distribution - Public Works. The Omnibus Economic Development Bill distributes \$8,035,000 for public works projects to cities and towns located within the taconite assistance area.

⁸Legislative Transfer - Small Business Fund. The Omnibus Economic Development Bill transfers in fiscal years 2010 and 2011 \$1,000,000 of earnings from the DJJ Fund for loans or grants to small businesses for wage subsidies and other uses.

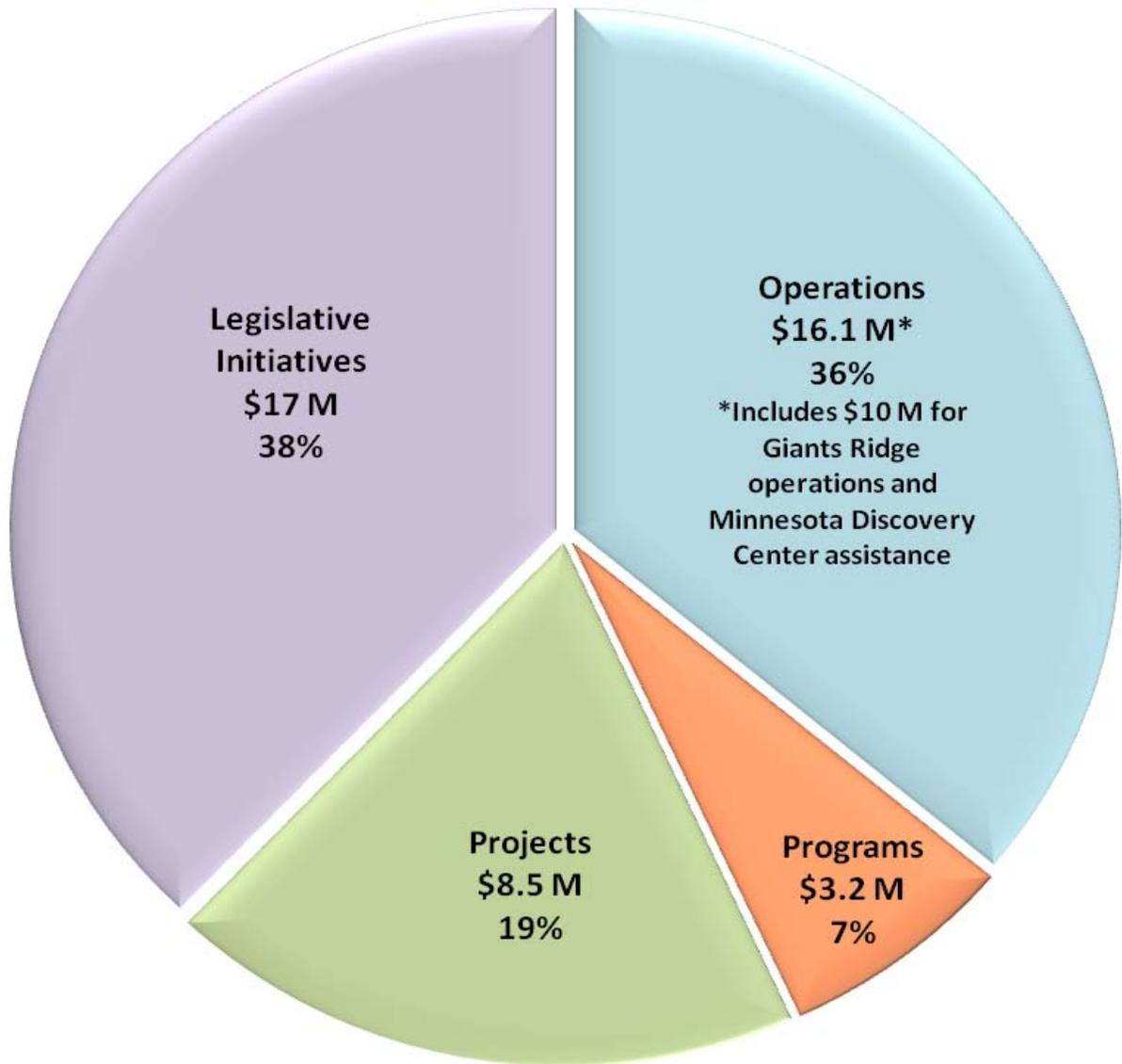
Revenues

\$53.6 M



Expenditures

\$44.8 M



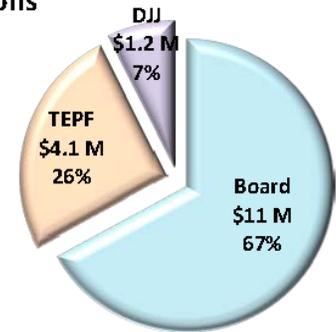
Funding Sources

\$44.8 M

Operations - \$16.1 M

\$2 M	Administrative Services - Board
\$710,000	Human Resources & Strategic Results - TEPF
\$376,000	Attorney General - Board & DJJ
\$955,000	Marketing & Communications - TEPF
\$8.6 M	Giants Ridge Golf & Ski Resort - Board
\$1.4 M	Minnesota Discovery Center - TEPF
\$506,000	Community Development - TEPF
\$1.6 M	Business Development - DJJ & TEPF

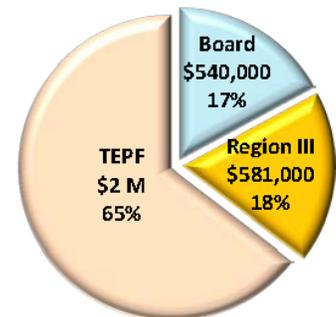
Operations



Programs - \$3.2 M

\$540,000	Grants - Board
\$2 M	Grants - TEPF
\$581,000	Occupation Tax Region III

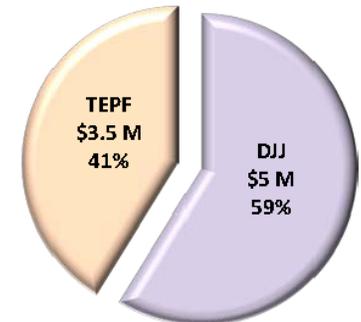
Programs



Projects - \$8.5 M

\$3.5 M	Business Development - TEPF
\$5 M	Business Development - DJJ

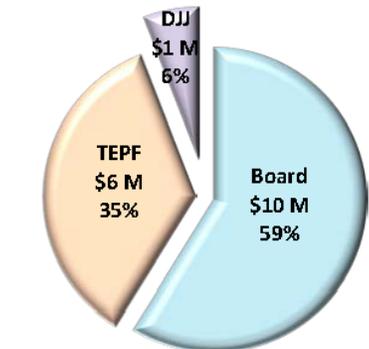
Projects



Legislative Initiatives - \$17 M

\$6 M	Legislative Reallocation - Renewable Energy - TEPF
\$10 M	Legislative Appropriation - Windmill Blade Factory - Board
\$1 M	Legislative Transfer - Small Business Fund - DJJ

Legislative Initiatives



Operations

Administrative Services Division

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

How we do our work: Division staff members provide numerous services including all aspects of budgeting, accounting, financial reporting, purchasing and contracting. Staff also support and maintain the computer hardware, data and telecommunication infrastructure for the agency. Other duties include equipment maintenance, fleet management and building/grounds maintenance.

Key Business Objectives for FY10

- Implement “green” initiatives in recycling, power management and energy conservation.
- Produce accurate and timely financial reports
- Provide timely accounting, purchasing and contracting services
- Upgrade the agency’s network system security
- Safely operate and maintain the Eveleth facility and plan a heating/cooling system upgrade

Administrative Services Operations Budget

Finance	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$999,560	\$990,731	\$861,415
Operational Costs	\$170,200	\$126,535	\$148,100
Training and travel	49,500	53,569	49,500
Supplies	26,500	19,426	26,500
Purchased services	10,000	6,482	10,000
Telephone and postage	47,500	29,277	47,500
Equipment, rental and leases	36,700	17,781	14,600
State Indirect Costs	\$95,000	\$91,984	\$81,700
Human Resources	\$363,200	\$237,063	\$0¹
Total	\$1,627,960	\$1,446,313	\$1,091,215

Information Systems	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$155,270	\$149,968	\$159,489
Operational Costs	\$303,200	\$235,813	\$256,600
Maintenance and network services	66,200	57,525	79,200
Hardware, software and support	150,500	111,342	98,400
Supplies	73,500	48,827	60,000
Training and travel	13,000	18,119	19,000
Total	\$458,470	\$385,781	\$416,089

Maintenance & Shop	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$208,381	\$205,777	\$214,349
Building & Grounds	228,240	136,897	149,340
Equipment Repair	130,740	127,612	126,840
Total	\$567,361	\$470,286	\$490,529

¹ In FY10, the budget for Human Resources was moved to Human Resources & Strategic Results.

Human Resources & Strategic Results Division

Purpose of the division: The Human Resources & Strategic Results division guides and manages all human resources services, policies and programs for the agency. Additionally, the division coordinates HR efforts with organizational development goals by managing the agency's strategic planning, performance and improvement plans.

How we do our work: Division staff members direct recruiting and staffing, compliance, employee orientation, development and training, policy development and documentation, employee relations, compensation and benefits administration and labor relations. Staff also oversee performance management, organizational development and strategic planning.

Key Business Objectives for FY10

- Utilize technology to complete Business Impact Analysis and emergency planning
- Incorporate LEAN process improvement into information management agency-wide.
- Reduce lost time and workers compensation costs
- Benchmark HR activities to ensure compliance and best practice
- Promote the safety and well being of all staff

Human Resources & Strategic Results Operations Budget

Human Resources & Strategic Results	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$0	\$0	\$341,598
Retirement Insurance	\$0	\$0	\$89,772
Unemployment	\$0	\$0	\$100,000
Workers Compensation	\$0	\$0	\$148,000
Operational Costs	\$0	\$0	\$30,700
Training and travel	0	0	13,700
Purchased & professional services	0	0	15,000
Supplies	0	0	2,000
Total	\$0	\$0	\$710,070²

² In FY10, Human Resources & Strategic Results is a new operations budget.

Legal Services

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

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.

Legal Services	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Legal Services	\$374,238	\$290,968	\$376,121

Marketing & Communications Division

Purpose of the division: The Marketing & Communications division develops, coordinates and disseminates marketing, promotional and communications materials 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, manage the agency website, provide writing and design services and provide staff support for special events and strategic initiatives.

Key Business Objectives for FY10

- Maintain and enhance all agency communications both internal and external including the RangeView, board member briefings, agency website(s), RangeViews by Lee, the *Water Cooler*, and others.
- Respond to all media inquiries and data practices requests related to the agency's activities and its programs
- Market the region by developing business recruitment strategies, identifying media opportunities, and promoting the region through additional venues
- Expand web site capacity for e-business
- Initiate and maximize partnerships to enhance the region and the agency's image
- Launch intranet electronic communications

Marketing & Communications Operations Budget

Marketing & Communications	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$583,697	\$569,206	\$520,799³
Operational Costs	\$689,120	\$549,440	\$434,360
Printing	114,000	40,455	58,000
Advertising	204,000	230,956	250,000
Professional services	291,000	220,616	63,000
Purchased services	26,000	17,118	18,500
Training, travel and supplies	54,120	40,295	44,860
Total	\$1,272,817	\$1,118,646	\$955,159

³ In FY10, one position (Tourism Coordinator) transferred to the Community Development budget.

Giants Ridge Golf & Ski Resort

Purpose of the division: Giants Ridge Golf and Ski Resort operates a quality recreational golf and ski facility and offers private-sector opportunities for property and real estate development.

How we do our work: Giants Ridge operates 36 holes of championship golf and a winter sports area that attracts over 130,000 guests annually. In addition, the Giants Ridge recreation area is comprised of 10,000 acres of land of which Iron Range Resources owns 1,600 acres. A 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 plan serves as the blueprint for residential and commercial growth.

Key Business Objectives for FY10

- Operate and maintain two quality golf courses and a ski area that enhance economic impacts on the Iron Range
- Maximize golf and ski revenues through strategic pricing and packaging
- Transfer power of the Master Association to its membership
- Implement a “Resort Fee” that includes resort lodging partners
- Commission a new chalet design and engineering plan
- Safely operate and maintain the Giants Ridge facilities and continue to implement improvements
- Develop and update online marketing strategy
- Package promotions to increase mid-week revenues

Giants Ridge Golf & Ski Resort Operations Budget

Giants Ridge Golf & Ski Resort	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Revenues			
Admissions	\$3,114,867	\$2,671,884	\$2,901,410
Advertising & Marketing Sales	64,603	44,665	59,550
Commissions	17,687	19,616	18,657
Facility Rental	139,502	138,821	134,237
Retail Sales	1,272,064	1,098,158	1,190,139
Equipment Rental	200	1,815	200
Miscellaneous Revenue	206,217	192,749	135,641
Total Revenues	\$4,815,140	\$4,167,708	\$4,439,834
Expenses			
Salaries & Benefits	\$1,447,538	\$1,417,725	\$1,454,600 ⁴
Utilities	281,414	283,545	289,265
Advertising & Marketing	361,740	371,015	337,890
Communications	125,443	130,987	123,900
General & Administrative	5,001	1,543	15,601
Equipment Rental	128,936	112,175	295,530
Management Fees	77,592	77,979	79,920
Professional Services	63,765	55,354	63,765
Management Expenses ⁵	3,067,755	2,675,945	3,021,166
Other Professional Services	110,000	52,000	90,000
Insurance	100,663	94,085	94,082
Maintenance & Repairs	160,040	102,820	59,280
Supplies	220,040	192,392	251,700
Travel	5,000	4,962	4,075
Other Operational Costs	215,859	189,646	194,386
Total Operational Expenses	\$6,370,786	\$5,762,173	\$6,375,160
Excess of Revenues Over (Under) Expenses	(\$1,555,646)	(\$1,594,465)	(\$1,935,326)
Non Operational Expenses			
Equipment	\$232,000	\$137,746	\$388,000
Capital Improvements / Leases / Grants	754,277	750,216	275,277
Debt Service	1,568,628	1,550,339	1,572,033
Total Non Operational Expenses	\$2,554,905	\$2,438,301	\$2,235,310
Total Expenditures	\$8,925,691	\$8,200,474	\$8,610,470
Budget Surplus (Shortage)	(\$4,110,551)	(\$4,032,766)	(\$4,170,636)

⁴ In FY10, a one-half time position (Real Property Coordinator) transferred to the Community Development budget.

⁵ Golf and food & beverage operating expenses.

Minnesota Discovery Center

The nonprofit Ironworld Development Corporation (IDC) manages the agency's facilities at Minnesota Discovery Center under a Sublease/Management Agreement. IDC's mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors."

The Sublease/Management Agreement provides an annual operating subsidy that declines by 20% per year over a ten-year period, the interest on a \$10 million dollar endowment and a \$250,000 challenge grant for endowment fund raising. In addition to this financial support, the agency budgets for insurance and capital repairs.

Minnesota Discovery Center	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
IDC Operating	\$1,511,000 ⁶	\$1,511,000	\$1,009,000
Endowment Challenge Match	250,000	0	250,000
Building Insurance	39,000	39,553	39,200
Building Capital Improvements	100,000	55,593	100,000
Total	\$1,900,000	\$1,606,146	\$1,398,200

⁶ In FY09, this line item was increased \$250,000 for a leadership grant to IDC, which provided money for supplemental expenses including marketing and fundraising.

Community Development Division

Purpose of the division: The Community Development division invests in communities through grant making based on criteria which include economic impact, job creation or retention, leverage, removing barriers to growth, readiness and need. The division provides technical assistance for the development of renewable energy in communities, development at Giants Ridge, Laurentian Vision Partnership, and Range Readiness.

How we do our work: The division assists communities by providing infrastructure financing for business and housing development and funding for property redevelopment. Grant programs are offered to stimulate community development through tourism, innovation, and removal of barriers to growth. Special projects and initiatives are tied to development at Giants Ridge, sustainable mining practices for future land use and renewable energy.

Key Business Objectives for FY10

- Participate in the green business economy
- Promote community sustainability
- Identify opportunities for renewable energy participation
- Align grant programs and services with community development needs
- Leverage agency funds used for community development

Community Development Operations Budget

Community Development	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$0	\$0	\$396,239 ⁷
Operational Costs	\$0	\$0	\$110,000
Training and travel	0	0	10,000
Professional services	0	0	88,000
Print and advertising	0	0	12,000
Total	\$0	\$0	\$506,239⁸

⁷ In FY10, the Community Development team is comprised of three positions transferred from the following budgets: Marketing & Communications, Business Development & Recruitment, Mining & Mineland Reclamation (50% position), and Giants Ridge (50% position).

⁸ In FY10, Community Development is a new operations budget.

Business Development Division

Purpose of the division: The Business Development division manages agency deal flow, provides financial assistance to businesses, and improves the physical landscape impacted by mining activities within the Taconite Assistance Area. The division consists of Business Development & Recruitment and Mining & Mineland Reclamation. The budget of this division also includes the Residential Redevelopment⁹ operations.

How we do our work: Division staff members generate business leads and provide financial support to new and existing businesses, as well as assistance to communities. Special projects and initiatives tied to energy and workforce are also undertaken. Other activities include insuring the long-term utilization of Minnesota's mineral resources and undertaking reclamation planning efforts.

Key Business Objectives for FY10

- Identify business opportunities
- Operate the Residential Redevelopment Program to remove blight in communities
- Implement a targeted business recruitment plan
- Adapt our education and training programs to provide business and industry with access to a workforce that assures continued competitiveness in a changing world-wide marketplace
- Engage partnerships to realize the potential, readiness and availability of the workforce needed to capitalize on economic development opportunities
- Assist existing businesses and tracking job creation and retention
- Influence mining processes to create enhanced post mining landscapes

⁹ Residential Redevelopment was formerly known as Building Demolition.

Business Development Operations Budget

Business Development & Recruitment	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$832,364	\$672,217¹⁰	\$655,396¹¹
Operational Costs	\$314,740	\$178,661	\$340,740
Training and travel	57,200	32,853	43,200
Professional services	177,800	93,818 ¹²	192,000
Purchased services	26,200	20,247	53,400
Memberships	15,000	15,105	18,000
Supplies, telephone and equipment	22,100	11,078	12,700
Utilities and maintenance	16,440	5,560	21,440
Total	\$1,147,104	\$850,878	\$996,136

Strategic Results & Workforce	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$245,249	\$242,352	\$0
Operational Costs	\$30,200	\$8,570	\$0
Training and travel	15,100	6,381	0
Professional services	10,800	0	0
Memberships	300	75	0
Supplies, telephone and equipment	4,000	2,114	0
Total	\$275,449	\$250,922	\$0¹³

Workforce	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$0	\$0	\$45,891
Operational Costs	\$0	\$0	\$14,000
Training and travel	0	0	9,000
Professional services	0	0	5,000
Total	\$0	\$0	\$59,891¹⁴

¹⁰ In FY09, three budget positions (Community Development Director, Loan Officer, Administrative Assistant) were not filled.

¹¹ In FY10, one position (Community Development Representative) transferred to the Community Development budget.

¹² In FY09, an additional \$50,000 is projected to be spent under this line item for business development recruitment services prior to June 30, 2009.

¹³ In FY10, the budget for Strategic Results & Workforce was moved to the following new budgets: Workforce and Human Resources & Strategic Results.

¹⁴ In FY10, Workforce is a new operations budget.

Mining & Mineland Reclamation	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$340,453	\$328,337	\$289,382¹⁵
Operational Costs	\$112,790	\$77,674	\$106,905
Training and travel	6,100	4,228	4,050
Purchased services	5,200	2,815	2,600
Memberships	10,750	6,584	7,700
Supplies, telephone and equipment	29,260	21,346	44,765
Utilities and maintenance	61,480	42,701	47,790
Total	\$453,243	\$406,011	\$396,287

Residential Redevelopment¹⁶	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Employee Costs	\$134,287	\$135,494	\$127,630
Operational Costs	\$99,100	\$73,073	\$53,500
Training and travel	500	474	500
Purchased services	500	173	200
Supplies, telephone and equipment	95,100	71,500	49,800
Utilities and maintenance	3,000	925	3,000
Total	\$233,387¹⁷	\$208,567	\$181,130

¹⁵ In FY10, a one-half time position (Laurentian Vision Coordinator) transferred to the Community Development budget.

¹⁶ Residential Redevelopment was formerly known as Building Demolition.

¹⁷ In FY09, \$34,000 was transferred from the Public Works line item to Residential Redevelopment to fund operations for one additional month in 2008.

Programs

Grants

Iron Range Resources is one of the region's largest grant makers to units of government, nonprofits, higher education and businesses. This budget demonstrates an on-going commitment to grant making as a tool to foster community growth and stimulate economic and cultural activity.

Grants include both competitive and noncompetitive application reviews. A competitive process involves a cycle with a call for proposals, an application deadline and published evaluation criteria. In the noncompetitive process, applications are received throughout the year and are individually evaluated using broader, general criteria.

Program descriptions and allocations are detailed below. In accordance with M.S. 298.22, Subd.11, the Commissioner will not bring specific grant projects back to the Iron Range Resources Board for approval.

Community Readiness \$1,450,000

Commercial Redevelopment \$1,000,000 (Competitive)

Designated for cities or townships for the demolition and removal of commercial structures that make way for new development or new business. Competitive grants of up to \$50,000 per building with a maximum of \$150,000 per grantee are available.

Workforce Development \$400,000

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

Range Readiness \$50,000

These grants are targeted for a coordinated regional readiness response to the large scale industry expansions and their attendant impacts on workforce, employment, housing, education, recreation and other socio-economic issues. An on-going communications effort will be sustained to coordinate and share information with communities and other stakeholders as these evolving projects unfold. This initiative identifies potential challenges, issues and opportunities, develops shared strategies and solutions; and, focuses the appropriate financial and technical resources in an effective response. In light of current economic conditions, which may slow progress on certain major projects, funding for this activity has been reduced.

Mining and Mineland Reclamation \$490,000

Mineland Reclamation and Restoration \$285,000

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. Proposed FY10 projects are:

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.

Emergency Safety Projects \$20,000

The St. Louis County Mine Inspector's office monitors and inspects abandoned mine areas to address safety issues and emergencies. In FY09, activities included capping of two shafts at the Milford Mine.

Wetland Mitigation Banking Cooperative \$250,000

Northeastern Minnesota has more than 80% of its pre-settlement wetlands still intact and functioning. Consequently, it is becoming difficult to mitigate wetland issues for new or expanding economic development opportunities. The Wetland Mitigation Banking Cooperative's primary goal is to establish and ensure a self-sustaining, positive balance of wetland mitigation credits for use in northeastern Minnesota. In FY10, funding will be used to cover the initial costs of establishing and operating the cooperative.

Motion by Representative Rukavina that the expenditure of \$250,000 for the Wetland Mitigation Banking Cooperative is eliminated and the funds are re-allocated for two new line item categories as follows:

- 1) Non-Ferrous Taxation Study.** Up to \$125,000 is budgeted for a taxation study by the Natural Resources Research Institute of the growing non-ferrous mining industry within the state; and
- 2) Other Reclamation and Restoration Projects:** \$125,000 and the remainder, if any, of the Non-Ferrous Taxation Study funds are budgeted to be used, at the discretion of the Commissioner, either to provide further funding for projects that implement the Laurentian Vision Innovation Project goals or for other mineland reclamation and restoration program projects.

Motion carried.

Laurentian Vision Innovation Projects \$125,000

Innovation grants stimulate collaborations between mining companies and communities. Grant criteria include using the active mining process to shape disturbed lands for future uses, solving public safety issues that arise from public use of private mine lands, and planning, design and implementation of land development projects. These grants may also support the strategies of Laurentian Vision Partnership that include: community and regional visioning, land design workshops (charrettes), Geographic Information System (GIS) mapping, and support efforts. In FY10, it is anticipated that these funds will launch significant changes in the layout, design, and appearance of stockpiles.

Mining and Minerals \$80,000

Mining and minerals grants are for activities that promote and support Minnesota's mining initiatives and activities. Grants also fund activities that encourage the production and use of value added iron products and stimulate the exploration and development of non-ferrous minerals. It is anticipated that with the increase in copper and nickel activity in FY10, these funds will primarily support activities that expand Minnesota's mining industry.

Commissioner Program \$500,000

Grants under the Commissioner's Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements. The Commissioner provides quarterly reports to the Board on grant awards.

Motion by Representative Rukavina that the expenditure of \$500,000 for the Commissioner Program is approved subject to the following condition:

- The Commissioner will report to the Board on the expenditure of the first \$250,000 before the second \$250,000 is approved.

Motion carried.

Culture and Tourism \$100,000 (Competitive)

This 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.

Application Fund \$40,000

The Application Fund provides up to \$3,500 for communities and businesses. Funds 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 \$580,509

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

- The allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.

- The amount for both counties in FY09 was \$582,344 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.

Programs Budget

Grants	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Community Readiness	\$850,000	\$440,174	\$1,450,000
Commercial Redevelopment	500,000	432,674	1,000,000
Workforce Development	250,000	0 ¹⁸	400,000
Range Readiness	100,000	7,500 ¹⁹	50,000
Mining and Mineland Reclamation	\$800,000	\$649,523	\$490,000
Mineland Reclamation and Restoration	625,000	610,623	285,000
Laurentian Vision Innovation Projects	125,000	2,200 ²⁰	125,000
Mining and Minerals	50,000	36,700	80,000
Commissioner Program	\$500,000	\$442,500²¹	\$500,000
Culture & Tourism	\$150,000	\$150,000	\$100,000
Application Fund	\$50,000	\$13,110	\$40,000
Total	\$2,350,000	\$1,695,307	\$2,580,000

Region III Grant – Carlton/Koochiching	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Region III	\$582,344	\$582,344	\$580,509

¹⁸ Pending FY09 Workforce Development grants include Dental Loan Forgiveness program (\$140,000) and Area Health Education Consortium (\$100,000).

¹⁹ Pending FY09 Range Readiness program costs include \$40,000 for facilitation services and housing expediter costs.

²⁰ The agency anticipates spending the remainder of these budget line item dollars prior to June 30, 2009 for two pending stockpile reshaping projects.

²¹ Pending FY09 Commissioner Program grant: Natural Resources Research Institute - PolyMet gypsum study (\$38,400).

Projects

Iron Range Resources provides funding for a variety of community and economic development projects, as further described below. The Commissioner brings specific projects to the Iron Range Resources Board for its approval at future meetings in accordance with M.S. 298.22, Subd. 1 (Board account), M.S. 298.223, Subd. 2 (Taconite Environmental Protection Fund) and M.S. 298.296, Subd. 1 (Douglas J. Johnson Economic Protection Trust Fund).

Business Development \$8,500,000

A total of \$8,500,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region.

2009 Legislative Initiatives \$16,998,597

Renewable Energy \$5,998,597

The Omnibus Economic Development Bill reallocates \$5,998,597 of Property Tax Relief funds to a special Taconite Environmental Protection Fund account for renewable energy initiatives.

Windmill Blade Factory Appropriation \$10,000,000

The Omnibus Economic Development Bill appropriates up to \$10,000,000 from the Minnesota Minerals 21st Century Fund (MM21CF) to the commissioner of Iron Range Resources and Rehabilitation to make a grant or forgivable loan to a manufacturer of windmill blades at a facility to be located within the taconite tax relief area. Up to \$10,000,000 from the Douglas J. Johnson Economic Trust Fund (corpus) is proposed to provide matching funds for the MM21CF appropriation.

Small Business Fund \$1,000,000

The Omnibus Economic Development Bill transfers in fiscal years 2010 and 2011 \$1,000,000 of earnings from the Douglas J. Johnson Economic Protection Trust Fund to a special account. Funds in the special account are available for loans or grants to businesses, with priority given to businesses with 25 or fewer employees. Funds may be used for wage subsidies of up to \$5 per hour or other activities that will create additional jobs in the taconite assistance area.

Projects Budget

Development Projects	FY 2009 Budget	FY 2009 Projected	FY 2010 Budget
Public Works	\$4,872,041	\$12,895,000 ²²	\$0
Community Business Infrastructure	750,000 ²³	750,000	0
Renewable Energy	500,000	150,000	0
Biomass Conversion Grants	450,000 ²⁴	450,000	0
Community Business Partnership Grants	450,000	0 ²⁵	0
Business Development	5,300,000	2,450,000 ²⁶	8,500,000
Legislative Reallocation - Renewable Energy	0	0	5,998,597
Legislative Appropriation - Windmill Blade Factory	0	0	10,000,000
Legislative Transfer - Small Business Fund	0	0	1,000,000
Total Development Projects	\$12,322,041	\$16,695,000	\$25,498,597

²² FY09 expenditures for Public Works projects: \$4,860,000 - approved as part of the FY09 budget; \$8,035,000 - legislatively distributed in the Omnibus Economic Development bill.

²³ In FY09, \$250,000 was transferred from Community Business Infrastructure to Public Works.

²⁴ In FY09, \$450,000 of FY07 funds designated to the St. Louis & Lake Counties Regional Rail Authority (Mesabi Trailhead building) was reallocated to the Projects budget for biomass conversion grants.

²⁵ The Board will review a proposal to make eighteen FY09 Community Business Partnership grants at its June 18, 2009 meeting.

²⁶ FY09 projects to be considered at the June 18, 2009, Board meeting: Magnetation, Inc. (\$1,485,000) and Greg Cook Logging (\$84,000). These project dollars are not included in this line item.

Specially Designated Funds

Motion by Senator Bakk that \$2,000,000 is reserved from the FY10 estimated carryforward out to enable the agency to implement the early separation incentive program authorized in Minnesota Statutes, Section 298.217, Subd. 2.

Motion carried.

APPENDIX

Appendix A Organizational Chart

Iron Range Resources

