

Thursday, August 18, 2011
10:00 a.m.
Iron Range Resources & Rehabilitation Board
Eveleth, Minnesota

1) Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 10:00 a.m. Present: Representative Tom Anzelc, Representative Carolyn McElpatrick, Representative Carly Melin, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Dave Hart, Loan Officer Sr., Richard Walsh, Community Development Representative, Linda Johnson, Director, Giants Ridge®, Jean Dolensek, Chief Financial Officer; Brian Hiti, Community Development Director; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Larry Lehtinen and Matt Lehtinen, Magnetation, Inc.; John Grahek, Plumbers & Pipefitters Local; Michelle Gunderson, Up North Stone; Mitch Robertson, Tritec.

2) Approval of the June 16, 2011, Minutes

Action required: Approval requires 7 votes

Senator David Tomassoni moved approval of the June 16, 2011, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill

3) Other

a) Wage Subsidy Program

Chairman Rukavina heard supportive testimony from Michelle Gunderson, Up North Stone, Inc. and Mitch Robertson, Tritec, businesses that participated in the Wage Subsidy Program.

4) Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a) Magnetation, Inc. – Resolution No. 12-001

Motion by Representative Tom Anzelc to approve the Magnetation, Inc. request that the IRRRB remove the cap on the amount of senior debt allowed by the agency, as presented in Resolution No. 12-001. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill

Magnetation, Inc.



IRRRB
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4261 Highway 53 South
Eveleth, Minnesota 55734-0441
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To: IRRRB Members

From: Tony Sertich
Commissioner

Date: August 18, 2011

Re: MAGNETATION, INC. – COLLATERAL SUBORDINATION

Magnetation, Inc. has requested that the IRRRB remove the cap on the amount of senior debt allowed by the agency. In June of 2010, the IRRR Board agreed to take a subordinate position to up to \$5.6 million of senior debt, and in December 2010, the IRRRB agreed to increase this cap to \$12.6 million. JP Morgan Chase Bank (“JP Morgan”) currently has an outstanding line of credit with Magnetation in the amount of \$12.6 million. JP Morgan has indicated an interest in providing incremental increases in its line of credit to facilitate the continued growth of the company, which is anticipated to include additional plants, and corresponding capacity, within the TAA. To consider any additional increases in the availability of credit to Magnetation, the bank will require continued full subordination of collateral by the agency.

An expansion of Plant 1 (Mesabi Chief site near Keewatin) of Magnetation, including the addition of a Rev3 separator and ball mill has recently been completed. The expansion has more than doubled the capacity of that plant to approximately 400,000 tons of concentrate per year. The expansion was funded with credit from JP Morgan, a subordinated loan from Cargill, as well as internally generated cash. Plans are currently being developed for Plant 2 (Holman site near Bovey) with a capacity of approximately 800,000 tons. The capital investment required is estimated to be \$50 million. The sources of funding for this project have yet to be finalized. Steel Dynamics, Inc. (SDI) has recently announced a joint venture with Magnetation for Plant 3 (Duncan Douglas site near Chisholm). The plant is estimated to have a capacity of 1,000,000 tons with the majority of the off-take expected to be sold to Mesabi Nugget. Magnetation will design and construct the proprietary portions of the plant with SDI providing the majority of the capital requirements.

Any additional credit that may be advanced by JP Morgan would be subject to the credit policies of the bank; this subordination alone would simply satisfy one of their requirements. There have been several positive developments in recent months at Magnetation, including: entering into a partnership with Cargill; the successful expansion of Plant 1, and; the joint venture with SDI. In addition, iron ore markets continue to be strong with a positive outlook into the intermediate future. Given our existing level of subordination, it is unlikely the agency would realize any recovery from the existing collateral in the case of a default. However, agreeing to additional subordination may further dilute our collateral position.

Magnetation currently has four loans outstanding with the IRRRB with a current principal balances in aggregate of \$5,455,862.37 (including a loan with balance of \$881,068.21 that has been participated to DEED). To date, the company has made interest payments on its loans to the agency totaling over \$450,000 and royalty payments totaling nearly \$600,000, including about \$360,000 to the IRRRB and \$240,000 to DEED (half of which has gone to reduce the principal balance of the first loan – this provision expires at the end of 2011). All payments of interest and royalties have been made as agreed.

I recommend removing the cap on subordination as requested by Magnetation. However, the agency would reserve the right to reinstitute a cap should it be determined that: 1) Magnetation used loan proceeds for any purpose unrelated to the development and operation of Plant 2, or; 2) Magnetation defaults on the terms of any indebtedness to the State, including but not limited to, failure to pay any obligation when due or noncompliance with any state, local or federal law.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOULGAS J. JOHNSONECONOMIC PROTECTION TRUST FUND**

**Iron Range Resources & Rehabilitation Board Meeting
Thursday, October 20, 2011
Page 3**

MAGNETATION, INC. SUBORDINATION AGREEMENT

Resolution No.: 12-001

WHEREAS, Magnetation, Inc. (the “**Borrower**”) currently owes Iron Range Resources and Rehabilitation Board (IRRRB) as of July 1, 2011, a total of \$5,455,862.37 (consisting of principal in the amount of \$5,377,232.11 and uncapitalized accrued interest in the amount of \$78,630.26) under the terms of four loans (designated Loans A, B, C, and D) that the agency has made in recent years to finance the construction, equipping and operations of certain of Borrower’s facilities and operations (collectively the “**IRRRB Loans**”), \$881,068.21 of which principal balance is due to the State of Minnesota’s Department of Employment and Economic Development (DEED) under the terms of a separate agreement by which DEED purchased a 50% participation interest (the “**DEED Loan**”) in Loan A of the IRRRB Loans;

WHEREAS, Borrower’s obligations to repay the IRRRB Loans are secured by shared (shared with comparable security and interests and liens securing the repayment of the DEED Loan) security interests and liens in the Borrower’s real estate, machinery and equipment, other personal property, a processing facility building, and intellectual property interests (collectively, the “**Borrower’s Property**”);

WHEREAS, the agency on July 21, 2010, entered into an Intercreditor Agreement with another lender of Borrower, JP Morgan Chase Bank (“**JP Morgan**”), that subsequently on November 22, 2010, December 17, 2010, and June 30, 2011, was amended (such original Intercreditor Agreement and the amendments thereto being referenced collectively as the “**Amended Intercreditor Agreement**”) under the terms of which the priority of the agency’s security interests in portions of Borrower’s Property as more fully described therein (the “**Intercreditor Property**”) was subordinated to JP Morgan’s security interest in such Intercreditor Property to secure the repayment of \$12,600,000 of Borrower’s debt financing obligations to JP Morgan;

WHEREAS, Borrower has now requested the agency to remove the \$12,600,000 cap on such subordination and to agree to further subordinate the agency’s security interests and liens in the Intercreditor Property to the security interests and liens of JP Morgan Chase Bank in such Intercreditor Property as an inducement to J.P. Morgan to lend additional, as yet undetermined amounts, of funds to Borrower (the “**Additional Loans**”) to enable it to develop its planned Plant 2 expansion project (the “**Plant 2 Project**”);

WHEREAS, the Commissioner has requested the Board to approve the Borrower’s request to further subordinate the agency’s security interests and liens securing repayment of the IRRRB Loans to the proposed security interests and liens associated with the Additional Loans, on those terms proposed in the Board packet materials presented at the Board’s August 18, 2011, meeting (the “**Modified Subordination Terms**”).

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board hereby approves the Borrower's request, as more specifically set forth in the Modified Subordination Terms, to subordinate the priority of the agency's security interests and liens in the Intercreditor Property that secure repayment of the IRRRB Loans to the proposed additional and prior security interests and liens of Borrower's senior lender which secure the repayment of the Additional Loans. This approval shall be subject to the further understanding the Commissioner shall have the right to reinstitute a cap on the extent of the subordination of the agency's security interests in the Intercreditor Property if the Commissioner determines that Borrower has used any of the proceeds from the Additional Loans for any purpose unrelated to the development and operation of Plant 2 Project, or Borrower defaults on any obligations owed to the State under the terms of any loan documents, including, specifically, but without limitation, if Borrower fails to pay any obligation owed to the State when due or fails to comply with any state, local or federal law.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 18TH DAY OF AUGUST 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Tom Rukavina, Chair

b) Hibbing Public Utilities and Virginia Public Utilities – Resolution No. 12-002

Motion by Representative Carly Melin to approve the Hibbing Public Utilities and Virginia Public Utilities request to reduce the interest rate on their biomass loans from the current 3.5% rate to 0%, as presented in Resolution No. 12-002. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill

Hibbing Public Utilities and Virginia Public Utilities



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To: IRRRB Board

From: Tony Sertich
Commissioner

Date: August 15, 2011

Re: HIBBING PUBLIC UTILITIES and VIRGINIA PUBLIC UTILITIES

In September, 2004, IRRRB approved two \$4,000,000 loans, one to the Hibbing Public Utilities and one to the Virginia Public Utilities. The funds were part of an \$87,000,000 project to provide the two entities with the ability to use biomass to produce electricity. In addition to extending the life of the aging facilities and retaining over 70 jobs, the project provided a new market for the local logging industry.

In addition to the retained jobs at the utilities, over the past five years, the project has injected approximately \$25,000,000 into the economy through purchases of locally-produced biomass. These dollars were previously sent out-of-state to purchase coal. Also, since this project came on-line, this region has received over \$100,000,000 from sales of electricity to Excel Energy.

While the project has been successful, the utilities are experiencing economic challenges, primarily related to the cost and availability of biomass due to contraction of the logging industry, yielding less biomass, and competition from other biomass users. With the increased power production, the two facilities continue to deal with high costs of maintaining old equipment. They also anticipate future Federal requirements for increased pollution controls.

Iron Range Resources & Rehabilitation Board Meeting
Thursday, October 20, 2011

The two utilities have requested that the interest rate on their loans be reduced from the current 3.5% rate to 0%. This will provide each with additional cash flow to address the economic challenges they face.

I recommend approval of this request.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
HIBBING AND VIRGINIA PUBLIC UTILITY BIOMASS PROJECT LOANS**

Resolution No.: 12-002

WHEREAS, the Commissioner, pursuant to approval granted in the Board’s Resolution 05-001, entered into loan agreements in 2005 with Hibbing Public Utilities and Virginia Public Utilities (the “**PUCs**”), under the terms of which the agency loaned \$4 million to each entity at an interest rate of 3.5% simple interest per annum to provide funds for their biomass energy generation facility projects (the “**Biomass Loans**”);

WHEREAS, for the reasons set forth in the materials presented to the Board at this meeting (the “**Board Packet Materials**”), the PUCs have requested that the agency reduce the interest rate applicable to those Biomass Loans from 3.5% to 0% (the “**Interest Rate Reduction Request**”), effective as of the date of the most recent loan installment payment made to the agency by each entity (the “**Reduction Date**”); and,

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, August 18, 2011, at 10:00 a.m. to consider, among other matters, the Interest Rate Reduction Request; and

WHEREAS, the Board has determined that the reduction of the loan interest rates consistent with the Interest Rate Reduction Request in the manner set forth in the Board Packet Materials would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves the Interest Rate Reduction Request, effective as to interest accruing on the Biomass Loans from and after the Reduction Date, reducing the interest rate that is applicable to the Biomass Loans from 3.5% to 0%.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 18th DAY OF AUGUST 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X

Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Tom Rukavina, Chair

5) FY12 IRRRB Budget

Action required: Approval requires 8 votes

a) FY12 Budget Request – Resolution No. 12-003

Motion by Representative Carolyn McElfrick to approve the FY12 IRRRB Budget request, as presented in Resolution No. 12-003. Seconded by Senator Paul Gazelka. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill



IRRRB
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To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 18, 2011

Re: Fiscal Year 2012 IRRRB Budget

Enclosed is the IRRRB Fiscal Year 2012 budget for your review and approval.

Shortly after my appointment as IRRRB Commissioner, I initiated an analysis of the agency resources (both human and financial) with the goals of:

- Better streamlined processes
- Better deployment of IRRRB workforce directed toward the mission
- Better response to business and community needs

With the agency's revenue primarily dependent on the production of taconite, the FY2012 budget is impacted due to the lack of 2009 taconite production, at which time taconite production dropped from 39 million to 17 million tons. Taconite tax revenue for the agency has decreased by 35% from last year. Based on the three-year averaging of taconite tax, agency revenues will be reduced impacting both the FY2012 and FY2013 budgets.

To help account for this loss in revenue, some of the steps we are taking include:

- cutting our operations budget by almost 9%
- reducing costs at Giants Ridge®
- using carryforward resources

By implementing these measures, our key programs will be maintained at the previous year's level and the business development account is budgeted above the level invested last year.

I am optimistic about the future of the Iron Range. Taconite production has rebounded. Exciting opportunities for large development of our natural resources are on the horizon. Today's investment in our small businesses, communities, and workforce will prepare our region for jobs tomorrow.

FY 2012 Budget



IRON RANGE
Resources
& REHABILITATION BOARD

FY 2012 IRRRB Budget Table of Contents

FY12 BUDGET	3
OPERATIONS	4
<i>Operations Budget</i>	4
FACILITIES	5
GIANTS RIDGE GOLF & SKI RESORT	5
<i>New Giants Ridge Initiatives</i>	5
<i>Giants Ridge Golf & Ski Resort Budget</i>	6
MINNESOTA DISCOVERY CENTER.....	7
PROGRAMS	8
GRANTS	8
<i>Community Readiness</i>	8
<i>Mining and Mineland Reclamation</i>	8
<i>Commissioner</i>	8
<i>Culture and Tourism</i>	9
<i>Application Fund</i>	9
<i>Region III</i>	9
<i>Programs Budget</i>	10
PROJECTS	11
<i>Business Development</i>	11
<i>Projects Budget</i>	11

***The IRRRB’s mission is to invest in
business, community and workforce development
for the betterment of northeastern Minnesota.***

FY12 Budget

Iron Range Resources & Rehabilitation Board	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Resources			
Carryforward In	\$10,929,874	\$11,001,645	\$14,378,387
Current Resources			
Taconite Production Taxes	\$20,166,490	\$20,166,490	\$13,233,678
Investment Earnings	752,099	545,341	494,116
Loan Revenues	2,491,498	4,725,514	2,393,377
Facilities Revenues	4,672,507	4,253,988	5,061,975
Occupation Tax Region III	267,284	267,284	456,565
Subtotal Current Resources	\$28,349,878	\$29,958,617	\$21,639,711
Total Resources	\$39,279,752	\$40,960,262	\$36,018,098
Estimated Expenditures			
Operations	\$6,094,922	\$5,271,056	\$5,552,622
Facilities			
Giants Ridge Golf & Ski Resort	8,553,548	7,885,166	7,100,688
Minnesota Discovery Center	42,156	42,154	43,200
Total Facilities	\$8,595,704	\$7,927,320	\$7,143,888
Programs			
Program Grants	3,589,391	3,447,142	3,608,000
Occupation Tax Region III	267,284	267,284	456,565
Total Programs	\$3,856,675	\$3,714,426	\$4,064,565
Projects			
Business Development	9,600,000	4,169,073	6,500,000
Public Works	4,000,000	4,000,000	4,000,000
Legislative Transfer - Wage Enhancement Program	1,500,000	1,500,000	0
Total Projects	\$15,100,000	\$9,669,073	\$10,500,000
Total FY12 Budget	\$33,647,301	\$26,581,875	\$27,261,075
Estimated Carryforward Out	\$5,632,451	\$14,378,387	\$8,757,023

Operations

Operations reflect ongoing and day-to-day general and administrative expenses for running the agency: payroll, purchased services, attorney fees, indirect costs, consumable supplies, materials, repairs and maintenance. Personnel and operating expenses for all agency functional divisions including information & communications and community and business development are included. Operations work is largely directed by state-wide systems and policies including those in Human Resources, Finance, and Information Technology.

Operations Budget

Operations¹	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Payroll			
Wages and Benefits	\$3,584,232	\$3,323,451	\$3,545,092
Retirement Insurance	60,557	53,530	120,095
Unemployment Compensation	100,000	44,562	100,000
Workers Compensation	150,925	150,925	120,297
Other Payroll Costs	15,200	7,302	32,700
Total Payroll	\$3,910,914	\$3,579,770	\$3,918,184
Purchased Services			
Rentals and Utilities	\$63,116	\$53,899	\$57,291
Printing and Advertising	305,800	196,651	115,300
Professional/Technical Services	250,000	254,901	144,200
Computer and System Services	68,400	53,298	76,000
Communications	148,288	104,238	125,840
Travel	164,325	99,686	150,100
Employee Development	49,810	19,302	42,310
Total Purchased Services	\$1,049,739	\$781,975	\$711,041
Supplies and Materials	\$382,420	\$280,957	\$209,670
Repairs and Maintenance	\$171,760	\$130,455	\$127,040
Indirect Costs			
Statewide Indirect Costs	\$131,589	\$130,296	\$131,637
Attorney General Costs	336,000	254,448	336,000
Total Indirect Costs	\$467,589	\$384,744	\$467,637
Other Expenses	\$112,500	\$113,155	\$119,050
Total Operations	\$6,094,922	\$5,271,056	\$5,552,622

¹ The FY12 budget includes Residential Building Demolition operations starting in 2012.

Facilities

Giants Ridge Golf & Ski Resort

The primary mission of Giant Ridge is to develop and promote tourism and recreational opportunities for the economic enhancement and diversification of the Taconite Assistance Area (TAA). Giants Ridge operates 36 holes of championship golf and a winter sports area that attracts 130,000 visitors annually. The Giants Ridge recreation area is comprised of 10,000 acres of land of which IRRRB owns 1,850 acres. A Master Plan for the Giants Ridge recreational area serves as the blueprint for residential and commercial growth.

New Giants Ridge Initiatives

- Food and Beverage Consolidation with The Lodge at Giants Ridge: October 2011
- Giants Ridge Central Reservations Center: August 2011
- New Resort Tax: Implemented July 1, 2011

Giants Ridge Golf & Ski Resort Budget

Giants Ridge Golf & Ski Resort	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Revenues			
Admissions	\$2,938,190	\$2,534,477	\$2,560,931
Advertising & Marketing Sales	100,964	23,307	92,421
Commissions	17,908	18,800	16,805
Facility Rental	128,802	133,522	138,631
Retail Sales	1,171,733	1,037,589	1,723,597
Equipment Rental	200	1,811	200
Miscellaneous Revenue	124,713	85,636	202,697
Total Revenues	\$4,482,510	\$3,835,142	\$4,735,282
Expenses			
Salaries & Benefits	\$1,442,574	\$1,502,962	\$1,474,755
Utilities	276,303	306,596	321,445
Advertising & Marketing	297,394	220,970	277,723
Communications	370,042	180,888	145,765
General & Administrative	10,400	290	10,000
Equipment Rental	140,172	139,874	139,872
Management Fees	79,920	115,923	84,240
Professional Services	62,231	69,766	62,231
Management Expenses ²	2,964,487	2,667,673	3,664,055
Other Professional Services	5,000	3,250	25,000
Insurance	93,565	93,684	96,453
Maintenance & Repairs	69,415	68,786	23,477
Supplies	251,865	282,803	252,923
Travel	2,600	2,308	2,700
Other Operational Costs	212,677	216,346	194,296
Total Operational Expenses	\$6,278,645	\$5,872,119	\$6,774,935
Excess of Revenues Over (Under) Expenses	(\$1,796,135)	(\$2,036,977)	(\$2,039,653)
Non Operational Expenses			
Equipment	\$216,500	\$126,150	\$72,347
Capital Improvements / Leases / Grants	488,703	308,997	253,406
Debt Service ³	1,569,700	1,577,900	0
Total Non-Operational Expenses	\$2,274,903	\$2,013,047	\$325,753
Total Expenditures	\$8,553,548	\$7,885,166	\$7,100,688
Budget Surplus (Shortage)	(\$4,071,038)	(\$4,050,024)	(\$2,365,406)

² Golf, food & beverage operating expenses. In FY12, the Lodge food & beverage and central reservation expenses were added to this line item.

³ On November 1, 2010, the Commissioner of Iron Range Resources and Rehabilitation called and redeemed all of the Giants Ridge Recreation Area Series 2000 Bonds. The redemption cost, \$8,707,689, was funded by a loan from the corpus of the Douglas J. Johnson Economic Protection Trust Fund.

Minnesota Discovery Center

Minnesota Discovery Center (formerly Ironworld Discovery Center) is under the management of a nonprofit, Ironworld Development Corporation (IDC). The nonprofit Ironworld Development Corporation (IDC) manages the IRRRB's museum and park facilities at Ironworld under a Sublease/Management Agreement.

IDC is doing business as Minnesota Discovery Center, whose 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, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. Grant funds for FY12 total \$1,348,000 and are included in the agency programs budget.

In addition to these grants, the agency budgets for annual insurance and other expenses which are identified below.

Minnesota Discovery Center⁴	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
IDC Operating	\$0	\$0	\$0
Endowment Challenge Match	0	0	0
Building Insurance	42,156	42,154	43,200
Building Capital Improvements	0	0	0
Total Minnesota Discovery Center	\$42,156	\$42,154	\$43,200

⁴ The budgets for IDC operating, endowment challenge match and building capital improvements transferred to Programs Grants - Culture & Tourism.

Programs

Grants

Community Readiness

Community Redevelopment

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

Workforce Development

Grants assist in workforce development by funding programs for 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.

Mining and Mineland Reclamation

Mineland Reclamation and Restoration

Projects in this category reclaim, restore and enhance lands in the TAA that have been adversely affected by past mining activities. Local units of government, reclamation committees and county mine inspectors may submit projects for consideration. In FY12, plans are to continue the rainbow trout stocking program in six mine pits: St. James Pit, Aurora; Lake Ore-Be-Gone, Gilbert; Mott Pit, Mountain Iron; Kinney Pit, Kinney, Judson Pit, Buhl; and La Rue Pit, Nashwauk. Funding also is included to remediate safety issues or other emergencies that may arise at abandoned mine areas.

Laurentian Vision Innovation Projects

Innovation grants continue to encourage and help fund collaborations between mining companies and local governments to build post-mining landscapes that benefit Iron Range communities. Funds from FY11 are being used to convert mined-out pits at Hibbing Taconite into shore land and upland areas for future community use. Also funded was the design for transforming the Peter Mitchell mine at Northshore into a future lake and recreational area.

Commissioner

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.

Culture and Tourism

Culture and Tourism

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

Minnesota Discovery Center

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

Through FY 2016 the Sublease/Management Agreement provides an annual \$1,000,000 operating subsidy, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the budget includes \$98,000 for building capital improvements. Grant funds for FY12 total \$1,348,000.

Application Fund

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

Region III

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 FY11 was \$267,284, 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

Program Grants	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Community Readiness			
Community Redevelopment	\$1,000,000	\$1,000,000	\$1,000,000
Workforce Development	250,000	220,000	250,000
Total Community Readiness	\$1,250,000	\$1,220,000	\$1,250,000
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$35,000	\$15,457	\$35,000
Laurentian Vision Innovation Projects	250,000	250,000	250,000
Mining and Minerals ⁵	40,000	0	0
Total Mining and Mineland Reclamation	\$325,000	\$265,457	\$285,000
Commissioner Program	\$500,000	\$482,800	\$500,000
Culture & Tourism			
Culture & Tourism	\$150,000	\$150,000	\$150,000
Minnesota Discovery Center ⁶	1,289,391	1,289,391	1,348,000
Total Culture & Tourism	\$1,439,391	\$1,439,391	\$1,498,000
Application Fund	\$75,000	\$39,494	\$75,000
Total Program Grants	\$3,589,391	\$3,447,142	\$3,608,000

Region III Grant – Carlton/Koochiching	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Region III	\$267,284	\$267,284	\$456,565

⁵ Proposed expenditures for this line item will be brought back to the Board at subsequent meetings during FY12.

⁶ In FY12, Minnesota Discovery Center is a new Program Grants budget.

Projects

Business Development

A total of \$6,500,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region.

Public Works

Public Works grants help cities, townships, airport authorities, hospital boards, utility commissions and collaborative organizations complete projects that support community and economic development. Eligible projects include publicly owned infrastructure such as wastewater, drinking water, storm water and utility systems, health care and airport facility improvements and renewable energy or energy efficiency initiatives.

Projects Budget

Development Projects	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Business Development	\$9,600,000	\$4,169,073	\$6,500,000
Public Works	4,000,000	4,000,000	4,000,000
Legislative Transfer - Wage Enhancement Program ⁷	1,500,000	1,500,000	0
Total Development Projects	\$15,100,000	\$9,669,073	\$10,500,000

⁷ Minn. Stat. 298.294 (b) transferred \$1.5 million of Douglas J. Johnson Economic Protection Trust Funds in FY10 and FY11 for loans or grants to small businesses for wage subsidies, short-term operating expenses and purchases of equipment and materials.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2012 AGENCY BUDGET APPROVAL**

Resolution No.: 12-003

WHEREAS, the Commissioner pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11 has submitted to the Board for its consideration and approval a proposed FY12 Agency Investment Plan for the funding of operational expenditures, programs and projects of the agency during the State's fiscal year 2012 ("**FY12**") which covers the period of time from July 1, 2011, through June 30, 2012 (the "**Proposed FY12 Budget**"); and

WHEREAS, the Board on June 16, 2011, and the Governor on June 27, 2011, each previously approved an "Interim FY12 Operational Expenditure Funding" plan for the agency's anticipated expenditures during the period from July 1 through September 30, 2011 ("**Interim FY12 Budget**"); and,

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Thursday, August 18, 2011, at 10:00 a.m. to consider, among other matters, the Proposed FY12 Budget; and

WHEREAS, the Board, after careful deliberation of the current and future resources anticipated to be available to the agency, has concluded that it would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 ("**TAA**") to approve the Proposed FY12 Budget and to approve the requested expenditures of funds made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 ("**Board Account**"), Section 298.223 ("**Taconite Area Environmental Protection Fund**"), Sections 298.291 through 298.294 ("**Douglas J Johnson Economic Protection Trust Fund**"), and Section 298.17 ("**Occupation Tax Funds**"), for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed FY12 Budget; and,

WHEREAS, the Board finds that, in compliance with the requirements of Minnesota Statutes Section 298.223, Subd. 2(b), the Proposed FY12 Budget provides for the planned expenditure of at least one-half of the FY12 Taconite Environmental Protection Funds for public works projects.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves, subject to the conditions indicated below, the Proposed FY12 Budget and the expenditure authorizations therein requested to fund the operations and facilities of the agency during FY12 and those additional specific programs and projects for which final expenditure authorization was requested by the Commissioner in the Proposed Budget, with such approval granted for the expenditures in the amounts, for the purposes, and from the sources indicated in the Proposed FY12 Budget, reserving the right of the Board to approve or disapprove at subsequent meetings during FY12 expenditures for those

projects for which final expenditure authorization was not requested in the Proposed Budget.

BE IT FURTHER RESOVED that the Board’s approval of the proposed expenditure under the “Program” portion of the Proposed Budget of \$500,000 for the “Commissioner’s Program” is subject to the additional requirements that:

1. The Commissioner may expend the first \$250,000 portion of the budgeted amount without further Board approval;
2. Expenditure of the remaining \$250,000 of the budgeted amount is subject to further Board approval; and,
3. The Commissioner shall report quarterly to the Board the amounts and purposes for which the approved Commissioner projects funds were expended.

BE IT FURTHER RESOLVED, that the Board intends that the Proposed FY12 Budget, as hereby approved shall, upon final approval by the Governor, supersede and replace the Interim FY12 Budget.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 18th DAY OF AUGUST 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Tom Rukavina, Chair

5) Adjournment

The meeting adjourned at 11:55 a.m.