

**IRRRB Meeting Minutes**  
**Thursday, June 14, 2012**  
**10:00 a.m.**  
**IRRRB**  
**Eveleth, Minnesota**

**1) Roll Call**

Representative Tom Rukavina, Chair, called the meeting to order at approximately 10:03 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Carolyn McElfattrick, Senator Tom Bakk, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan. Excused: Senator Paul Gazelka. Minute Taker: Lauren Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General; Steve Peterson, Executive Director of Development; Matt Sjoberg, Director of Development; Dave Hart, Assistant Director Business Development; Richard Walsh, Community Development Representative, Jean Dolensek, Chief Financial Officer; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Roy Smith, Workforce Development Coordinator; Bruce Mars, President, Conveyor Belt Service, Inc.

**2) Approval of the May 4, 2012, Minutes**

*Action required: Approval requires 7 votes*

Senator Tom Saxhaug moved approval of the May 4, 2012, minutes. Seconded by Representative Tom Anzelc. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Carolyn McElfattrick, Representative Tom Rukavina, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka

**3) Commissioner Comments**

*Action required: Approval requires 7 votes*

**a) Capital Grants Program Application to DEED for Giants Ridge Event Center –  
Resolution No. 12-029**

Motion by Senator David Tomassoni to approve the Capital Grants Program Application to DEED for a Giants Ridge Event Center, as presented in Resolution No. 12-029. Seconded by Mr. Joe Begich. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan

**Voting Against the Motion:** Representative Carolyn McElpatrick

**Abstain:** None

**Excused:** Senator Paul Gazelka

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
TACONITE ENVIRONMENTAL PROTECTION FUND  
DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT  
MINNESOTA BUSINESS DEVELOPMENT  
CAPITAL PROJECTS GRANT PROGRAM APPLICATION FOR GIANTS RIDGE  
RECREATION AREA EVENT CENTER PROJECT**

**Resolution No.: 12-029**

**WHEREAS**, under the authority of Minnesota Statutes Section 298.22, Subdivision 7 and other laws, the State’s Commissioner of Iron Range Resources and Rehabilitation (“**Commissioner**”) over several decades has acquired lands within and near to the City of Biwabik (collectively designated as the “**Giants Ridge Recreation Area**”) on which the State has caused to be constructed two resort level 18-hole golf courses and an extensive set of Alpine and Nordic ski facilities, including a major ski chalet building, all of which activities and operations have been undertaken to promote economic development within the agency’s service area that is designated in Minnesota Statutes Section 273.1341 as the taconite assistance area (“**TAA**”); and

**WHEREAS**, the Commissioner has determined that the operations of the Giants Ridge Recreation Area would be enhanced by the construction of a new event center building at an estimated cost of \$9.99 million to partially replace and expand upon the site of an existing ski chalet building and thereafter act as the core event facility at the Recreation Area and as the venue for events from throughout the TAA. (“**New Event Center Building**”); and

**WHEREAS**, the Minnesota Department of Employment and Economic Development (“**DEED**”) has a capital grants program known as the Minnesota Business Development Capital Projects Grant Program (the “**Capital Grants Program**”) through which grants of funds generated from the sale of State of Minnesota general obligation bonds are awarded to various public entities for capital improvement projects, such as the New Event Center Building project, which meet the requirements of that program and whose applicants are able to pledge additional funds in an amount that is at least equal to the amount of the Capital Grants Program grant for which the applicant is applying; and

**WHEREAS**, the Commissioner is applying to DEED for a grant of funds under the Capital Grants Program in the amount of \$4,995,000 to pay approximately one-half of the anticipated costs of constructing the New Event Center Building and is requesting the Board to approve the expenditure of agency funds in an amount that is at least equal to the amount of the Capital Grants Program grant for which the Commissioner is applying; and

**WHEREAS**, the Board met in open session at 10:00 a.m. on June 14, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Commissioner’s proposed application to DEED for a grant of Capital Grant Program funds in the amount of \$4,995,000 for the New Event Center Building project and his request for Board approval for the expenditure of agency funds in an amount not less than \$4,995,000 to provide the required matching funds for the application for the Capital Grants Program grant funds.

**NOW, THEREFORE, IT IS RESOLVED**, that the Board hereby confirms that it is fully in support of the Commissioner’s proposed application to DEED for a grant of Capital Grant Program funds in the amount of \$4,995,000 for the New Event Center Building project and hereby approves the expenditure of agency funds in an amount not less than \$4,995,000 to provide the required matching funds for the Commissioner’s application for the Capital Grants Program grant funds for the New Event Center Building project.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk	<b>X</b>			
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Carolyn McElfrick		<b>X</b>		
Representative Carly Melin	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Mr. Joe Begich	<b>X</b>			
Mr. David Chura	<b>X</b>			
Mr. Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>1</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**b) IRRRB/Blandin Foundation Partnership**

*Action required: No Board action is required*

Commissioner Sertich mentioned that because education is directly tied to economic development, the IRRRB will partner with the Blandin Foundation in bringing in stakeholders together including; educators, school board members, school administrators, teacher, parents and community leaders to look at what can be done as a region to make sure our student have the best educational opportunities. IRRRB and the Blandin Foundation will each contribute \$50,000 towards the effort.

**4) Conveyor Belt Service, Inc. – Resolution No. 12-030**

*Action required: Approval requires 8 votes*

Motion by Mr. Jack Ryan to approve the Conveyor Belt Service, Inc. request for financial assistance in the form of a bank participation loan for renovation and expansion of its facility located in Virginia, Minnesota, in an amount not to exceed \$500,000, as presented in Resolution No. 12-030. Seconded by Senator David Tomassoni. Motion carried.

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

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Paul Gazelka

**Conveyor Belt Service, Inc.**  
400 South First Avenue  
Virginia, Minnesota

**Bank Participation Loan Program**

**APPLICANT:**

Conveyor Belt Service, Inc. with W.P. & R.S. Mars Company as co-borrower.

**PRINCIPAL(S):**

Bruce Mars, President  
Robert Mars, Vice President

**BRIEF PROJECT DESCRIPTION:**

Renovation and expansion of the facility located in Virginia, Minnesota.

**PROJECT COST:**

\$1,556,000

**PROJECT BREAKDOWN:**

Bank loan, 15 year amortization	\$1,056,000
IRRRB Bank Participation Loan, formula rate, 15 year term	500,000

**COLLATERAL:**

Conveyor Belt Service, Inc. building at 400 South First Avenue in Virginia Minnesota and personal guarantees of the principals.

**JOBS:**

This expansion is expected to retain 28 full-time jobs and create up to 8 additional full-time jobs at average wages of \$57,000 per year plus benefits.

**CONTINGENCIES:**

All permits and bank financing must be approved.

**TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

The Technical Advisory Committee recommended approval of the project on June 11, 2012.

**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:**

Conveyor Belt Services (CBS) was founded in 1953 as a wholly-owned subsidiary of W.P. & R.S. Mars Company (Mars). The company has been at its current location since 1969. Over the years, they have added 4 acres of land and 20,000 square foot of building space. CBS currently employs 26 full-time belt technicians.

Mars was founded in 1924 and has offices in Hibbing, Duluth and Bloomington, MN and serves the wood products, mining and manufacturing industries with supplies, parts, tools and power transmission products.

CBS's customer base includes mining companies, dock terminal facilities, Great Lakes shipping vessels, coal fired power plants, the wood products industry and more. Their core business is the servicing of conveyor belts at the customer's site. This field work consists of repairing, splicing and replacing belts. CBS has a fleet of 10 trucks and most of this field work is done in the Upper Midwest.

In addition to the field work done at the customer's site, CBS offers rubber fabrication services, pulley lagging installation and new and used belting. To serve their customers, an inventory of over \$2 million of conveyor belting is maintained at the Virginia facility.

This project consists of the renovation and expansion of the existing facility in Virginia to include: updated mechanical and electrical systems, conversion to natural gas, a new ventilation system and the removal of asbestos. The expansion will increase their capabilities and efficiencies with an additional 5,300 square feet of manufacturing space.

**MANAGEMENT TEAM:**

Bruce Mars is President of CBS and Executive Vice President of W.P. & R.S. Mars Co. Bruce has been with the company since 1990.

Robert S. Mars III is Vice President of CBS and is President and Chairman of W.P. & R.S. Mars Co.

**MARKET OPPORTUNITY:**

As an established company, CBS monitors the industries it currently serves and hopes to grow as these industries grow. They also continuously look for other opportunities to diversify and expand their customer base. Most of their current customers are in the upper Midwest, including: Michigan, Wisconsin, Iowa, North Dakota and Minnesota.

**COLLATERAL REVIEW:**

Maximum loan-to-value ratio will be 75%, based on an appraisal of the Virginia facility after the renovation and expansion work is completed. Collateral is considered sufficient.

**PAST IRON RANGE RESOURCES HISTORY:**

None.

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND  
FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN  
LOAN FOR CONVEYOR BELT SERVICE, INC. PROJECT**

**Resolution No.: 12-030**

**WHEREAS**, the Commissioner is authorized to expend, upon approval of eight members of the Board, 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**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

**WHEREAS**, the agency's FY12 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects ("**FY12 DJJ Business Development Funds**"); and

**WHEREAS**, Conveyor Belt Services, Inc., a Minnesota business corporation ("**CBS**") which has its principal office and production facilities in Virginia, Minnesota, which is a location within the TAA, has made application, along with its co-applicant parent corporation, W.P. & R.S. Mars Company, to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to renovate and expand its manufacturing and service facility at Virginia by constructing an additional 5,300 square feet of manufacturing space, updating mechanical and electrical systems, converting to natural gas, installing a new ventilation system and removing asbestos (the "**CBS Expansion Project**"); and

**WHEREAS**, the Commissioner has requested the Board to approve the expenditure of up to \$500,000 of FY12 DJJ Business Development Funds to purchase a participation interest in a \$1,556,000 bank loan which is being made to enable CBS to finance a portion of the costs of the CBS Expansion Project, with said participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (collectively, the "**Commissioner's Proposed Project**"); and

**WHEREAS**, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on June 11, 2012, and recommended approval of the requested financial assistance for the Commissioner's Proposed Project; and

**WHEREAS**, the Board met at 10:00 a.m. on June 14, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, approval of the requested financial assistance for the Commissioner's Proposed Project; and

**WHEREAS**, the Board has determined that it would be in the public interest to approve the expenditure of FY12 DJJ Business Development Funds for the Commissioner's Proposed Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

**NOW, THEREFORE, IT IS RESOLVED**, that the Board approves the expenditure of up to \$500,000 of FY12 DJJ Business Development Funds to purchase a participation interest in a \$1,556,000 bank loan which is being made to enable CBS to finance a portion of the costs of the Proposed Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency's standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on the construction project.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

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 McElfpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**5) City of Virginia Public Works Grant – Resolution No. 12-031**

*Action required: Approval requires 7 votes*

Motion by Senator David Tomassoni to approve the City of Virginia Public Works Grant request for site work related to the expansion of Conveyor Belt Services in an amount not to exceed \$125,000, as presented in Resolution No. 12-031. Seconded by Senator John Carlson. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Carolyn McElfpatrick, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Paul Gazelka

**City of Virginia Public Works Grant**



Iron Range Resources and Rehabilitation Board  
Thursday, June 14, 2012, Meeting Minutes  
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**Iron Range Resources**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441

**To:** Iron Range Resources and Rehabilitation Board

**From:** Tony Sertich  
Commissioner

**Date:** June 14, 2012

**Re: FY12 Public Works Grant for the City of Virginia - \$125,000**

**PURPOSE**

The Public Works Grants program provides funds for cities and townships that can be used for infrastructure, site work, or healthcare capital projects that support community and economic development.

**CRITERIA**

- A. Economic Impact – Priority #1
- B. Jobs Created – Priority #2
- C. Leverage – Priority #3
- D. Project Readiness – Priority #4
- E. Need – Priority #5

**City of Virginia**

**Grant amount: \$125,000**

The project is comprised of water, sewer, roads, soil correction and site work for the expansion of Conveyor Belt Services. Details about the project are in the loan board package.

<u>USES</u>		<u>SOURCES</u>	
Infrastructure & site work	\$169,000	IRRRB	\$125,000
		Private/city	44,000
<b>TOTAL</b>	<u>\$169,000</u>	<b>TOTAL</b>	<u>\$169,000</u>

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
TACONITE ENVIRONMENTAL PROTECTION FUND  
CITY OF VIRGINIA PUBLIC WORKS PROJECT APPROVAL**

**Resolution No.: 12-031**

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

**WHEREAS**, the agency’s approved FY 2012 Budget includes the allocation of \$9,099,324 of TEPF Funds for Public Works Projects, of which allocation \$125,000 has not yet been committed for previously approved projects (“**Remaining TEPF Public Works Funds**”); and

**WHEREAS**, the Commissioner has received a request from the City of Virginia for a grant of up to \$125,000 of such Remaining TEPF Public Works Funds to provide funds with which to pay, in combination with an additional \$44,000 of funds from other sources, the anticipated costs of public water, sewer, roadway, soil correction and other site work improvements associated with and in support of a project by Conveyor Belt Services, Inc. to improve and expand its business facility in Virginia (the “**Proposed Project**”); and

**WHEREAS**, the Board met in open session at 10:00 a.m. on June 14, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of \$125,000 of Remaining TEPF Public Works Funds for a grant to the City of Virginia to provide funds to pay a portion of the costs of the Proposed Project, would promote economic development within the TAA; and

**NOW, THEREFORE, IT IS RESOLVED**, that the Board hereby approves the expenditure of up to \$125,000 of Remaining TEPF Public Works Funds to provide a grant to the City of Virginia to provide funds to pay a portion of the costs of the Proposed Project.

**BE IT FURTHER RESOLVED** that the Board’s approval for the expenditure of \$125,000 of Remaining TEPF Public Works Funds to provide a grant to the City of Virginia to provide funds to pay a portion of the costs of the Proposed Project is contingent upon the agency, in its grant contract with the City, requiring the City to commit to entering into a development agreement with Conveyor Belt Services, Inc. under the terms of which the payment of prevailing wages, consistent with the requirements the Board’s Resolution 96-005, will be paid by contractors of CBS that are engaged in the company’s expansion project construction work.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk	<b>X</b>			
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			

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			
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**6) Land Purchase – Resolution No. 12-032**  
*Action required: Approval requires 7 votes*

Motion by Senator Tom Bakk to approve the agency’s request regarding the purchase of up to 730 acres as presented in Resolution No. 12-032, with amendments to the Resolution’s sixth WHEREAS clause and the NOW, THEREFORE, IT IS RESOLVED clause, as follows:

**WHEREAS**, the Board has determined that it would be in the public interest to approve the expenditure at this time of up to \$~~2,000~~250,000 of DJJ Corpus Forest Funds to enable the Commissioner to enter into a purchase agreement to purchase the Available Lands for inclusion in the Miners’ Memorial Forest, and that the expenditure of such funds for those purposes would promote the economic and recreational development in the TAA.

**NOW, THEREFORE, IT IS RESOLVED**, that the Board approves the expenditure of up to \$~~2,000~~250,000 of DJJ Corpus Forest Funds to provide the anticipated amount of earnest money that would be necessary to enable the Commissioner to enter into a purchase ~~up to 730 acres of~~ agreement with the seller that would entitle the agency to purchase the Available Lands for inclusion in the Miners’ Memorial Forest, on the terms and subject to the conditions set forth in the Commissioner’s Proposed Project, and further subject to the condition and requirement that approval of any additional amount of DJJ Corpus Funds needed to conclude the purchase of the Available Lands shall be subject to further Board action based upon a report of the results of the Commissioner’s due diligence actions, including specifically, but without limitation, appraisal information supporting the negotiated purchase price, results of environmental and geotechnical studies, and other concerns brought to the Commissioner’s attention at the meeting.

Seconded by Senator David Tomassoni. Motion carried, as amended.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Carolyn McElfatrick, Representative Tom Rukavina,

Senator Tom Bakk, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Paul Gazelka

### **Land Purchase**



**IRRRB**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 735-3000 • 800-765-5043  
Fax: (218)735-3047

**To:** Iron Range Resources and Rehabilitation Board

**From:** Tony Sertich  
Commissioner

**Date:** June 11, 2012

**Re: Proposal to Purchase Up to 730 Acres of Land**

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The IRRRB has been presented with an opportunity to purchase up to 730 acres of land that are in close proximity to Balkan, Buhl and Chisholm. The acreage includes frontage on Highway 169. An aerial map depicting the land is attached.

This land is forested and has potential value for recreation, mining and development purposes. By purchasing the land, the IRRRB will ensure it is used in the future consistent with the best interests of the surrounding communities and the region. Controlling these lands will also protect Chisholm's potable water supply from any harm due to inconsistent land uses. The acquired land would be held in trust as part of the Iron Range Miners' Memorial Forest. The land could be sold in the future consistent with state statutes authorizing such sale.

I recommend that the Board authorize the expenditure of up to \$2,000,000 for the purchase of up to 730 acres of land as depicted in the attachment. Expenditure of funds designated for this purpose would be contingent upon the execution of a written purchase agreement with terms and conditions acceptable to the IRRRB and the Minnesota Department of Administration. In

addition, an independent appraisal of the land must be sufficient to support the purchase price, and customary title work must be completed and any title issues must be resolved.

**FUNDING AUTHORIZATION:** DJJ: This purchase is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund (“DJJ”), as codified under Minnesota Statutes Sections 298.291-298.298, by providing funds to be expended to purchase forest lands within the taconite assistance area as provided in sections 298.22, subdivision 5a, and 298.292, subdivision 2, clause (5). Funding is sought from the DJJ corpus under the authority of 298.296, subd. 2(g).

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND  
PURCHASE OF LANDS FOR INCLUSION IN THE  
IRON RANGE MINERS’ MEMORIAL FOREST**

**Resolution No.: 12-032**

**WHEREAS**, the Commissioner is authorized under the provisions of Minnesota Statutes Section 298.22, Subdivision 5a and Minnesota Statutes Section 298.292, Subdivision 2(5) to purchase, upon approval of at least seven members of the Board, forest lands in the taconite assistance area defined in Minnesota Statutes Section 273.1341 (the “**TAA**”) for inclusion in an Iron Range Miners’ Memorial Forest (“**Miners’ Memorial Forest**”) with funds specifically authorized for such purchases under and pursuant to provisions of the Douglas J. Johnson Economic Protection Trust Fund Act as contained in Minnesota Statutes Sections 298.291-298.294; and

**WHEREAS**, the provisions of Minnesota Statutes Section 298.296, Subdivision 2(g) provide that money from the corpus of the Douglas J Johnson Economic Protection Trust Fund may be used to purchase lands for the Miners’ Memorial Forest (“**DJJ Corpus Forest Funds**”); and,

**WHEREAS**, the Commissioner has been presented with an opportunity to purchase up to 730 acres of undeveloped, partially forested land in the vicinity of the cities of Chisholm and Buhl and the Township of Balkan, which has frontage on Highway 169 and includes the lands on which the City of Chisholm’s potable water supply lines and pumping facilities are located (the “**Available Lands**”); and

**WHEREAS**, the Commissioner has requested the Board to approve the expenditure of up to \$2,000,000 of DJJ Corpus Forest Funds for the purchase of the Available Lands so that they could be included within in and be managed and administered as part of the authorized Iron Range Miners’ Memorial Forest, which said purchase to be substantially on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (collectively, the “**Commissioner’s Proposed Project**”); and

**WHEREAS**, the Board met at 10:00 a.m. on June 14, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, approval of the requested financial assistance for the Commissioner’s Proposed Project; and

**WHEREAS**, the Board has determined that it would be in the public interest to approve the expenditure at this time of up to \$250,000 of DJJ Corpus Forest Funds to enable the Commissioner to enter into a purchase agreement to purchase the Available Lands for inclusion in the Miners’ Memorial Forest, and that the expenditure of such funds for those purposes would promote the economic and recreational development in the TAA.

**NOW, THEREFORE, IT IS RESOLVED**, that the Board approves the expenditure of up to \$250,000 of DJJ Corpus Forest Funds to provide the anticipated amount of earnest money that would be necessary to enable the Commissioner to enter into a purchase agreement with the seller that would entitle the agency to purchase the Available Lands for inclusion in the Miners’ Memorial Forest, on the terms and subject to the conditions set forth in the Commissioner’s Proposed Project, and further subject to the condition and requirement that approval of any additional amount of DJJ Corpus Funds needed to conclude the purchase of the Available Lands shall be subject to further Board action based upon a report of the results of the Commissioner’s due diligence actions, including specifically, but without limitation, appraisal information supporting the negotiated purchase price, results of environmental and geotechnical studies, and other concerns brought to the Commissioner’s attention at the meeting.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk	<b>X</b>			
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Carolyn McElfpatrick	<b>X</b>			
Representative Carly Melin	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Mr. Joe Begich	<b>X</b>			
Mr. David Chura	<b>X</b>			
Mr. Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**7) IEDC Grant Amendment – Resolution No. 12-033**

*Action required: Approval requires 8 votes*

Motion by Representative Tom Anzelc to approve the IEDC grant amendment request as presented in Resolution No. 12-033. Seconded by Representative Carolyn McElpatrick. Motion carried.

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

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Paul Gazelka

### **Itasca Economic Development Corporation Grant Amendment**



**Iron Range Resources**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 735-3000 • 800-765-5043  
Fax: (218)735-3047

**To:** IRRR Board Members

**From:** Tony Sertich  
Commissioner

**Date:** June 7, 2012

**Re: Itasca Economic Development Corporation Grant Amendment**

---

At its February 18, 2010 meeting, the IRRR Board approved a \$250,000 development grant to the Itasca Economic Development Corporation (IEDC) as part of a project that included the acquisition and renovation of the former Ainsworth plant in Grand Rapids.

IEDC has since acquired the property and, to date, has expended a total of \$1.2 million on the project. Recently, IEDC has shifted its focus from marketing the property to multiple tenants and is now working to find a suitable tenant for the entire Grand Rapids portion of the facility. They have obtained a non-binding letter of intent with a firm that intends to use the entire site to

manufacture renewable fuels at the Grand Rapids site. Additional lands at the adjacent Cohasset site will be available for future development. The scope of the project has changed considerably with this change in strategy but would address all environmental issues and prepare the structure and the site to a marketable condition.

While the project has changed, the overall nature of the project, the intended use of the facility, and the proposed use of IRRRB grant dollars all remain similar as to what was envisioned in the February 2010 IRRR Board approval.

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND  
REVISIONS TO PRIOR GRANT TO  
ITASCA ECONOMIC DEVELOPMENT CORPORATION  
FOR AINSWORTH GRAND RAPIDS SITE REDEVELOPMENT PROJECT**

**Resolution No.: 12-033**

**WHEREAS**, the Commissioner is authorized to expend, upon approval of eight members of the Board, 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**”), to participate with private sources in providing financing for various private projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

**WHEREAS**, the Board at its February 18, 2010 meeting by adoption of its Resolution No. 10-029 and the Governor by his subsequent approval Order issued on March 1, 2010, approved the expenditure of up to \$250,000 of FY 2010 DJJ Funds to provide a grant to the Itasca Economic Development Corporation (“**IEDC**”) to be used toward some of the costs of general site and building improvements at the former Ainsworth site in Grand Rapids as part of a total \$5.9 million project to redevelop the site for potential use by multiple renewable energy companies (the “**2010 Project**”); and

**WHEREAS**, the IEDC has decided to change the focus and objectives of its efforts instead to redevelop the former Ainsworth site to facilitate the occupancy of the entire Grand Rapids portion of the premises by a single business, confining its redevelopment expenditures to a downsized \$2.5 million total project cost and to redevelopment actions that will only address environmental issues, prepare the structure for occupancy, and otherwise place the site in a marketable condition. (the “**New Project**”) and has requested the Commissioner to approve the use of \$250,000 of 2010 funding for the revised purpose of paying a portion of the costs of the general site and building improvements at the former Ainsworth site in Grand Rapids for the New Project; and

**WHEREAS**, the Board met in open session at 10:00 a.m. on June 14, 2012, in the Board Room at the Joe Begich Building located near Eveleth, Minnesota to consider, among other matters, the proposed use of the \$250,000 of FY 2010 DJJ Fund grant funds by IEDC to provide funds for the New Project and determined that the expenditure of up to \$250,000 of FY 2010 DJJ Funds to make a grant to the Itasca Economic Development Corporation for the New Project would be a project designed to create employment, would be in the public interest, and would promote economic development within the TAA.

**NOW, THEREFORE, IT IS RESOLVED**, that the Board approves the proposed use of the \$250,000 of FY 2010 DJJ Fund grant funds by IEDC to provide funds for the New Project to fund costs associated with general site and building improvements costs for that New Project.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk	<b>X</b>			
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Carolyn McElfatrick	<b>X</b>			
Representative Carly Melin	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Mr. Joe Begich	<b>X</b>			
Mr. David Chura	<b>X</b>			
Mr. Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**8) Iron Range Higher Education Account – Resolution No. 12-035**

*Action required: Approval requires 7 votes*

Motion by Representative Tom Anzelc to approve the request to expend up to \$1 million of the Iron Range Higher Education Account funds to provide a grant to the Northeast Higher Education District for use by the Arrowhead University Consortium for the continued development of a higher education program and up to \$890,000 to provide a grant to NHED for the continued development of the Arrowhead Institute of Technology and implementation of its telepresence technology classrooms as presented in Resolution No. 12-035. Seconded by Representative Carly Melin. Motion carried.

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

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Tom Bakk, Senator Paul Gazelka, Representative David Dill

### **Iron Range Higher Education Programs**



**IRRRB**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 735-3000 • 800-765-5043  
Fax: (218)735-3047

**To:** Iron Range Resources & Rehabilitation Board

**From:** Iron Range Higher Education Committee

**Date:** August 7, 2012

**Re: Iron Range Higher Education Programs**

---

The Iron Range Higher Education Committee (IRHEC) has approved an expenditure of up to \$1,000,000 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) for the continued development of a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University Mankato. In addition, the IRHEC approved the expenditure of up to \$890,000 for the continued development of the Arrowhead Institute of Technology, and implementation of telepresence technology classrooms located in NHED institutions.

This IRHEC FY13 allocation of \$1,890,000 is contingent upon the Agency's receipt of the second half of production year 2011 taconite taxes in the projected amount of \$759,612.

#### **Funding Authorization:**

This expenditure is authorized under the provisions of the Iron Range Higher Education Committee and the Iron Range Higher Education Account as codified under Minnesota Statutes, Section 298.2214 and 298.28, subdivision 9d, respectively.

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

**Resolution No.: 12-035**

**WHEREAS**, Minnesota Statutes Section 298.28, subd. 9d allocates five 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 and Rehabilitation 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 recommended the expenditure of:

- A) Up to \$1,000,000 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) for the continued development of a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor’s of Science degree in engineering from Minnesota State University Mankato; and
  
- B) Up to \$890,000 of the Higher Education Account funds to provide a grant to NHED for the continued development of the Arrowhead Institute of Technology, and implementation of its telepresence technology classrooms in various NHED institutional facilities; (collectively such grant projects are herein referenced as the “Proposed Projects”); and

**WHEREAS**, in order to provide the aforementioned grants of the Higher Education Account funds to the NHED for the Proposed Projects, it is necessary for at least seven members of the Board to approve the proposed expenditures of funds from the Higher Education Account; and

**WHEREAS**, the Board met in open session starting at 10:00 a.m. on June 14, 2012, in the Board Room at the Joe Begich Building located near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$1,890,000 of Higher Education Account funds for

the purpose of providing two grants to the NHED to fund the Proposed Projects within the TAA and has determined that the proposed expenditures would be in the public interest.

**NOW, THEREFORE, IT IS RESOLVED** that the Board hereby approves the expenditure of up to \$1,890,000 of Higher Education Account funds (including some funds carrying forward from production year 2010 taconite taxes) for two grants to the NHED to be used for the Proposed Projects, subject, in the case of the disbursement of the second half of the calendar year 2012 portion of the funds for each grant, to the precondition that the agency has received in its Higher Education Account the amount of the distribution of the second half of production year 2011 taconite taxes in the projected amount of \$759,612.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk				<b>X</b>
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill				<b>X</b>
Representative Carolyn McElfpatrick	<b>X</b>			
Representative Carly Melin	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Citizen Joe Begich	<b>X</b>			
Citizen David Chura	<b>X</b>			
Citizen Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>3</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**9) Public Works Projects – House File 3149 – Resolution No. 12-036**

*Action required: Approval requires 7 votes*

Motion by Representative Carly Melin to approve the Public Works Projects (House File 3149) in an amount not to exceed \$3,036,497 for certain community and economic development projects as more specifically described in Exhibit A of Resolution No. 12-036. Seconded by Mr. Joe Begich. Motion carried.

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

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Tom Bakk, Senator Paul Gazelka, Representative David Dill

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
10 CPT MONEY PROJECT APPROVALS**

**Resolution No.: 12-036**

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

**WHEREAS**, Minnesota Statutes Section 298.227 contains provisions related to the Taconite Economic Development Fund program (the “**TEDF Law**”). Paragraph (b) of that TEDF Law, which was originally enacted during the 2008 Legislative session, appropriated an amount equal to ten cents per taxable ton of production in 2007 (the “**10 CPT Money**”) to provide funds with which the Commissioner, with Board and Governor approval, could make loan or grants for costs associated with constructing value-added wood products facilities that would be located within the taconite assistance area designated in Minnesota Statutes Section 273.1341 (“**TAA**”); and

**WHEREAS**, Paragraph (b) (ii) of the TEDF Law provides that, if the authorized loan or grant for the value-added wood products facility was not made prior to July 1, 2012 the 10 CPT Money thereafter would be transferred into the Taconite Area Environmental Protection Fund account to be available for expenditure as TEPF Funds, without Governor approval, for public works projects in various proportions in the house legislative districts within the TAA; and

**WHEREAS**, the Commissioner has not made and is not anticipated prior to July 1, 2012 to make any loan or grant of any portion of the 10 CPT Money for any such value-added wood products facility and the 10 CPT Money is therefore anticipated to become available for expenditure on and after July 1, 2012 as TEPF Funds for public works projects allocated in accordance with the provisions of Paragraph (c) of the TEDF Law; and

**WHEREAS**, the Commissioner has received proposals for the expenditure of up to \$3,036,497 of such TEPF 10 CPT Money for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

**WHEREAS**, the Board met in open session at 10:00 a.m. on June 14, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of 10 CPT Money TEPF Funds for the purposes and in the amounts specified below would be in the public interest, would promote economic development within the TAA, and would provide for the allocation of such 10 CPT Money in the manner required by Paragraph (c) of the TEDF Law; and

**NOW, THEREFORE, IT IS RESOLVED**, that the Board hereby approves the expenditure of up to \$3,036,497 of the 10 CPT Money to provide TEPF Fund grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

**BE IT FURTHER RESOLVED** that the Board’s approval for the expenditure of the 10 CPT Money for those Proposed Projects listed in the attached Exhibit A which have associated private development work is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board’s Resolution 96-005.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk				<b>X</b>
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill				<b>X</b>
Representative Carolyn McElpatrick	<b>X</b>			
Representative Carly Melin	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Mr. Joe Begich	<b>X</b>			
Mr. David Chura	<b>X</b>			
Mr. Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>3</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

**EXHIBIT A  
PROPOSED PROJECTS**

<b>Grantee</b>	<b>Description</b>	<b>Amount</b>
<b>5A</b>		

Aurora	Develop extension of Main Street & utility replacement to create safer environment for students.	\$150,000
Buhl	Interior library painting, city hall roof repair, recreation equipment & emergency mechanical backup system.	\$83,075
Embarrass Township	Embarrass Timber Hall exterior improvements.	\$11,000
Eveleth	Roadway, campsite upgrades, water & power service at Veteran's Park. Construct storage/skating building, water, sewer and dasher board system at Northside Park.	\$150,000
	Electrical, insulation and restrooms improvements at the nursing home.	\$100,000
	VSP Renewable systems solar energy equipment purchase.	\$50,000
Hoyt Lakes	Replace roof on arena/community center.	\$200,000
Iron Range Engineering	Towards new equipment in power, electronics, modeling & manufacturing labs.	\$100,000
Mountain Iron	Solar panels for city hall/community center.	\$80,000
Mountain Iron- Buhl School	Install solar panels, audio equipment upgrade, computer lab improvements.	\$600,000
Laurentian Snowmobile Club	Towards the purchase of a 2012 snow groomer.	\$20,000
Virginia	Infrastructure and site work for Tri-Tec manufacturing. Proposed 9 jobs.	\$200,000
	Site improvements to children's memorial park.	\$25,000
	Infrastructure and site work for Northern Heights business park.	\$61,000
<b>SUBTOTAL</b>		<b>\$1,830,075</b>
<b>5B</b>		
Hibbing	Memorial Building - replace refrigerated floor system, new ventilation system, remove/construct new concrete steel structure - roof and columns.	\$1,000,000
<b>SUBTOTAL</b>		<b>\$1,000,000</b>
<b>3A</b>		
LaPrairie	Infrastructure and site work for Broking Transport expansion. Proposed 6-8 jobs.	\$206,422
<b>SUBTOTAL</b>		<b>\$206,422</b>
	<b>TOTAL</b>	<b>\$3,036,497</b>

**10) FY13 Budget – Resolution No. 12-034**

*Action required: Approval requires 8 votes*

Motion by Senator John Carlson to approve the FY13 IRRRB Budget, as presented in Resolution No. 12-034. Seconded by Senator Tom Saxhaug. Motion carried.

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

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** Senator Paul Gazelka

### **FY13 Budget**



**IRRRB**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 735-3000 • 800-765-5043  
Fax: (218)735-3047

**To:** IRRRB Members

**From:** Tony Sertich  
Commissioner

**Date:** June 11, 2012

**Re:** **FY13 Budget**

---

I am presenting you the Fiscal Year 2013 budget for our agency. This proposed budget is similar to last year's budget both in size and priorities. We continue to prioritize our assistance to businesses, communities, and workforce along with our natural competitive advantages to make sure we can attract growth opportunities in a hyper-competitive global economy. I would like to highlight a few key areas of interest for you:

#### **Revenue**

Even though we saw a slight increase in revenue collected from taconite tax dollars, the overall budget is smaller than last year's FY 2012 budget. As you recall, the board placed 50% of Taconite Economic Development Fund (TEDF) dollars into last year's public works budget. The other significant change in revenue in last year's budget came from an early repayment of a large loan.

Due to the three-year average of the taconite tax formula, we are still seeing our budget at a historic low level. Our FY 2013 budget continues to be impacted by the low taconite levels of 2009 when the mines produced about 17 million tons. This will be the last budget year in which the 2009 production levels are factored into the three-year average.

Last year, we took many steps to decrease our operational costs which have ongoing savings into this year's budget. You will also note that some budgeted line items in the FY13 budget do not match last year's line items. This primarily has to do with our reorganization. In most instances, we have maintained flat funding levels in our day-to-day operations, but the dollars are tracked in a different line item.

### **Projects Budget**

Despite relatively flat funding, we again increased our projects budget this year to ensure we are ready to assist businesses and communities for growth opportunities. I am also proposing an increase in the public works budget from last year's original budgeted amount before the TEDF transfer.

### **New Programs**

There are two new pilot programs in which we are partnering with the Arrowhead Economic Opportunity Agency (AEOA). AEOA is a natural partner as they already have a built-in infrastructure to administer these types of programs.

The first is **the Iron Range Neighborhood Revitalization program**. We will be able to leverage our resources with federal, state, regional, and private dollars to provide our local communities funds to award homeowners grants and loans to improve housing properties. This program will provide benefits to not only homeowners and communities, but also to trades people who will gain employment.

The second initiative is a local **Business Energy Retrofitting program**. Many businesses on our main streets and in our industrial parks are housed in aging, inefficient buildings. Our area businesses are spending an increasing amount of money on their utility bills. This pilot program will assist local businesses to upgrade their buildings to become more energy efficient, thus impacting their bottom line and keeping their business competitive. This program will again help with employment in the trades for those who will do the retrofit work.

### **Giants Ridge**

You will see revenue is down this past year at Giants Ridge. We can attribute this to two major reasons. First, the golf course was closed last year for 21 days due to the state government shutdown. This had a direct impact on not only those days we were not open, but also we were unable to book future tee times during the month of July. Second, Giants Ridge had to close our ski operations 14 days early due to unseasonably warm weather. While we cannot control Mother Nature, we continue to look for ways to run our business operation more efficiently.

Despite a tough economy all over the world, the IRRRB was able to invest in growth opportunities last year for businesses, communities and the people of the Iron Range. It is our hope to build off of our successes for an even better year with this budget.

***SEE ATTACHED FY 2013 BUDGET DOCUMENT – ADDENDUM A***

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
FISCAL YEAR 2013 AGENCY BUDGET APPROVAL**

**Resolution No.: 12-034**

**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 FY 2013 budget for the funding of operational expenditures, programs and projects of the agency during the State’s fiscal year 2013 (“**FY13**”) which covers the period of time from July 1, 2012, through June 30, 2013 (the “**Proposed FY13 Budget**”); and

**WHEREAS**, the Board met at the agency’s Administration Building near Eveleth on Thursday, June 14, 2012, at 10:00 a.m. to consider, among other matters, the Proposed FY13 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 FY13 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 FY13 Budget; and,

**WHEREAS**, the Board finds that, in compliance with the requirements of Minnesota Statutes Section 298.223, Subd. 2(b), the Proposed FY13 Budget provides for the planned expenditure of at least one-half of the FY13 Taconite Environmental Protection Funds for public works projects.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Board approves the Proposed FY13 Budget and the expenditure authorizations therein requested to fund the Operations, Giants Ridge Golf & Ski Resort and Programs sections of Budget during FY13, subject to the understanding that the Board at subsequent meetings during FY13 will approve on a project-by-project basis the expenditure of the funding designated in the Projects section of the 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.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14<sup>th</sup> DAY OF JUNE 2012.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Excused</b>
Senator Tom Bakk	<b>X</b>			
Senator John Carlson	<b>X</b>			
Senator Paul Gazelka				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Carolyn McElfatrick	<b>X</b>			
Representative Carly Melin	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Mr. Joe Begich	<b>X</b>			
Mr. David Chura	<b>X</b>			
Mr. Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>

Signed: \_\_\_\_\_  
Tom Rukavina, Chair

The Board requested a future update on the new Iron Range Neighborhood Revitalization and Business Energy Retrofitting programs.

**11) Guidelines Discussion**

The Board discussed the 2012 IRRRB Program Guidelines.

**12) Adjournment**

The meeting adjourned at 11:15 a.m.

# FY 2013



## IRON RANGE Resources & REHABILITATION BOARD

### FY 2013 IRRRB Budget

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

# FY13 July 1, 2012 – June 30, 2013

This proposed FY13 Iron Range Resources and Rehabilitation Board budget represents the agency's commitment to investing in a better future for northeastern Minnesota. It is organized in order of funding priorities - public investments in development projects and programs, Giants Ridge Golf and Ski Resort and operational costs. Development projects and programs account for 58% of the agency's spending; Giants Ridge 23%; and operations 19%. A high level overview of resources and expenditures is presented below, followed by individual narrative and budget sections.

## FY13 Budget

<b>Iron Range Resources &amp; Rehabilitation Board</b>	<b>FY 2012 Budget</b>	<b>FY 2012 Projected</b>	<b>FY 2013 Budget</b>
<b>Resources</b>			
Carryforward In	\$19,769,140	\$19,012,264	\$16,169,941
Current Resources			
Taconite Production Taxes	\$13,233,678	\$13,233,678	\$13,770,626
Investment Earnings	494,116	494,116	494,116
Loan Revenues	2,393,377	7,281,592	2,574,849
Facilities Revenues	5,061,975	3,917,934	5,123,404
Occupation Tax Region III	456,565	456,565	455,767
<b>Subtotal Current Resources</b>	<b>\$21,639,711</b>	<b>\$25,383,885</b>	<b>\$22,418,762</b>
<b>Total Resources</b>	<b>\$41,408,851</b>	<b>\$44,396,149</b>	<b>\$38,588,703</b>
<b>Estimated Expenditures</b>			
Projects			
Development Projects	\$6,500,000	\$4,460,378	\$7,500,000
Public Works	9,099,324 <sup>1</sup>	9,099,324	6,000,000
<b>Total Projects</b>	<b>\$15,599,324</b>	<b>\$13,559,702</b>	<b>\$13,500,000</b>
Programs			
Program Grants	\$3,958,000	\$3,545,918	\$4,206,572
Occupation Tax Region III	456,565	456,565	455,767
<b>Total Programs</b>	<b>\$4,414,565</b>	<b>\$4,002,483</b>	<b>\$4,662,339</b>
Giants Ridge Golf & Ski Resort	<b>\$7,100,688</b>	<b>\$6,370,616</b>	<b>\$7,270,234</b>
Operational Costs	<b>\$5,537,251</b>	<b>\$4,293,407</b>	<b>\$5,813,757</b>
<b>Total FY13 Budget</b>	<b>\$32,651,828</b>	<b>\$28,226,208</b>	<b>\$31,246,330</b>
<b>Estimated Carryforward Out</b>	<b>\$8,757,023</b>	<b>\$16,169,941</b>	<b>\$7,342,373</b>

## Projects

<sup>1</sup> FY12 expenditures for public works includes \$5,099,324 from transferred Taconite Economic Development Fund monies.

**Development Projects - \$7,500,000**

A total of \$7,500,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region.

**Public Works - \$6,000,000**

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**

	<b>FY 2012 Budget</b>	<b>FY 2012 Projected</b>	<b>FY 2013 Budget</b>
Development Projects	\$6,500,000	\$4,460,378	\$7,500,000
Public Works	9,099,324	9,099,324	6,000,000
<b>Total Development Projects</b>	<b>\$15,599,324</b>	<b>\$13,559,702</b>	<b>\$13,500,000</b>

## Programs

### **Grants**

#### **Community Development**

##### **Commercial Redevelopment - \$500,000**

Commercial 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.

##### **Residential Redevelopment - \$350,000**

Grants to cities and townships assist in the demolition and removal of dilapidated residential structures, encouraging new in-fill development on previously developed sites. Funding is designed to create a cleaner, safer, healthier environment, and to encourage new construction. Applications are accepted from local units of government on a continuing basis.

##### **Iron Range Neighborhood Revitalization - \$500,000**

The Iron Range Neighborhood Revitalization project is a pilot partnership administered by Arrowhead Economic Opportunity Agency (AEOA), on behalf of the municipalities, that can be used for rehabilitation of homes and rental properties whose owner's incomes are over the guidelines for current programs. Eligible cities include all those within the IRRRB service area. Revitalization includes work that promotes energy conservation and efficiency improvements such as window and door replacement, new furnaces, water heaters, wall and ceiling insulation, roofing, siding, solar, wind, and geothermal energy.

This program was developed with involvement of our local communities and can leverage outside investments from the Minnesota Housing Finance agency. The benefits of this program are to invest in our communities and create jobs for those who work on such improvements.

##### **Business Energy Retrofitting - \$250,000**

A pilot program administered by AEOA and in partnership with municipal and state energy conservation programs, Business Energy Retrofitting provides IRRRB funding assistance for energy conservation, efficiency and installation of renewable energy systems. The pilot program is located in Hibbing, and contingent on its performance can be expanded to serve other IRRRB service area communities.

IRRRB grants defray one-third of the cost of an individual businesses' investment. The remaining two-thirds would come from an owner match or a low interest private loan. The program is aimed at helping existing businesses save money on energy expenses and create jobs in the construction sector.

## **Education/Workforce Development - \$300,000**

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 - \$35,000**

Projects in this category reclaim, restore and enhance lands in the IRRRB service area 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 FY13, the budget includes continuing the rainbow trout stocking program. Funding also is included to remediate safety issues or other emergencies that may arise at abandoned mine areas.

### **Laurentian Vision Innovation Projects - \$250,000**

Laurentian Vision Innovation project grants encourage and help fund collaborations between mining companies and local governments. Eligible projects advance the Laurentian Vision Partnership's goal to create post-mining landscapes that benefit Iron Range communities.

## **Culture and Tourism**

### **Culture and Tourism - \$150,000**

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 - \$1,321,572**

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 \$71,572 for building capital improvements.

**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.

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

The agency reimburses 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 - \$455,767**

M.S. 298.17 authorizes Carlton and Koochiching 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 FY12 was \$456,565, 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

<b>Program Grants</b>	<b>FY 2012 Budget</b>	<b>FY 2012 Projected</b>	<b>FY 2013 Budget</b>
Community Development			
Commercial Redevelopment	\$1,000,000	\$1,000,000	\$500,000
Residential Redevelopment	350,000 <sup>2</sup>	4,659	350,000
Iron Range Neighborhood Revitalization	0	0	500,000 <sup>3</sup>
Business Energy Retrofitting	0	0	250,000 <sup>4</sup>
<b>Total Community Development</b>	<b>\$1,350,000</b>	<b>\$1,004,659</b>	<b>\$1,600,000</b>
Education/Workforce Development	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$300,000</b>
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$35,000	\$15,711	\$35,000
Laurentian Vision Innovation Projects	250,000	250,000	250,000
<b>Total Mining and Mineland Reclamation</b>	<b>\$285,000</b>	<b>\$265,711</b>	<b>\$285,000</b>
Culture & Tourism			
Culture & Tourism	\$150,000	\$147,350	\$150,000
Minnesota Discovery Center	1,348,000	1,348,000	1,321,572
<b>Total Culture &amp; Tourism</b>	<b>\$1,498,000</b>	<b>\$1,495,350</b>	<b>\$1,471,572</b>
Commissioner Program	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$500,000</b>
Application Fund	<b>\$75,000</b>	<b>\$30,198</b>	<b>\$50,000</b>
<b>Total Program Grants</b>	<b>\$3,958,000</b>	<b>\$3,545,918</b>	<b>\$4,206,572</b>

<b>Region III Grant – Carlton/Koochiching</b>	<b>FY 2012 Budget</b>	<b>FY 2012 Projected</b>	<b>FY 2013 Budget</b>
Region III	\$456,565	\$456,565	\$455,767

<sup>2</sup> During FY12, Residential Redevelopment was approved as a new program.

<sup>3</sup> In FY13, Iron Range Neighborhood Revitalization is a new program.

<sup>4</sup> In FY13, Business Energy Retrofitting is a new program.

<b>Giants Ridge Golf &amp; Ski Resort</b>	<b>FY 2012 Budget</b>	<b>FY 2012 Projected</b>	<b>FY 2013 Budget</b>
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Giants Ridge Golf & Ski Resort

Giants Ridge features 36 holes of championship golf and a winter sports area that attracts 120,000 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.

The primary mission of Giant Ridge is to develop and promote tourism and recreational opportunities for the economic enhancement and diversification of the IRRRB service area. Specifically, Giants Ridge strives to:

- 1) create economic development;
- 2) provide recreational facilities to enhance the quality of life for people of the Iron Range;
- 3) attract private sector development; and,
- 4) create a year-round destination resort.

Giants Ridge’s organizational structure is comprised of four operators: the IRRRB and three contract vendors. The IRRRB operates the ski area and physical plant. As a contract vendor, Troon operates the golf courses and all food and beverage services for ski, golf, and an on-site hotel. Northern Lights Sports operates the winter and summer rentals, a snow shop and ski school through its contract vendor service. And, Rural Source Management Group provides central reservations services to Giants Ridge and surrounding area lodging properties.

**Giants Ridge Golf & Ski Resort Budget**

<b>Revenues</b>			
Admissions	\$2,560,931	\$2,074,280	\$2,661,225
Advertising & Marketing Sales	92,421	3,080	19,891
Commissions	16,805	15,530	16,985
Facility Rental	138,631	121,312	123,420
Retail Sales	1,723,597	1,284,387	1,841,279
Equipment Rental	200	920	200
Miscellaneous Revenue	202,697	118,003	138,312
<b>Total Revenues</b>	<b>\$4,735,282</b>	<b>\$3,617,512</b>	<b>\$4,801,312</b>
<b>Expenses</b>			
Salaries & Benefits	\$1,474,755	\$1,440,388	\$1,608,971
Utilities	321,445	326,567	349,826
Advertising & Marketing	277,723	69,593	388,940
Communications	145,765	63,674	63,779
General & Administrative	10,000	0	10,000
Equipment Rental	139,872	146,362	134,880
Management Fees	84,240	127,334	146,340
Professional Services	62,231	173,994	69,396
Expense Reimbursement	3,664,055	3,345,702	3,755,933
Other Professional Services	25,000	0	0
Insurance	96,453	92,023	96,205
Maintenance & Repairs	23,477	23,620	75,516
Supplies	252,923	165,390	198,712
Travel	2,700	2,496	2,236
Other Operational Costs	194,296	146,454	158,144
<b>Total Operational Expenses</b>	<b>\$6,774,935</b>	<b>\$6,123,597</b>	<b>\$7,058,878</b>
<b>Excess of Revenues Over (Under)</b>	<b>(\$2,039,653)</b>	<b>(\$2,506,085)</b>	<b>(\$2,257,566)</b>
<b>Expenses</b>			
<b>Non Operational Expenses</b>			
Equipment	\$72,347	\$95,874	\$110,000
Capital Improvements / Leases / Grants	253,406	151,145	101,356
<b>Total Non-Operational Expenses</b>	<b>\$325,753</b>	<b>\$247,019</b>	<b>\$211,356</b>
<b>Total Expenditures</b>	<b>\$7,100,688</b>	<b>\$6,370,616</b>	<b>\$7,270,234</b>
<b>Budget Surplus (Shortage)</b>	<b>(\$2,365,406)</b>	<b>(\$2,753,104)</b>	<b>(\$2,468,922)</b>

## Operational Costs

Operational costs includes day-to-day general and administrative expenses for running the agency: payroll, purchased services, indirect costs, consumable supplies, materials, repairs and maintenance. Personnel expenses include all Operations and Development employees.

### Operational Costs Budget

<b>Operational Costs<sup>5</sup></b>	<b>FY 2012 Budget</b>	<b>FY 2012 Projected</b>	<b>FY 2013 Budget</b>
Payroll			
Wages and Benefits	\$3,332,986	\$2,619,508	\$3,130,730
Retirement Insurance	120,095	109,273	192,704
Unemployment Compensation	100,000	57,636	100,000
Workers Compensation	120,297	120,297	136,000
Other Payroll Costs	15,400	11,444	15,400
<b>Total Payroll</b>	<b>\$3,688,778</b>	<b>\$2,918,158</b>	<b>\$3,574,834</b>
Purchased Services			
Rentals and Utilities	\$57,291	\$55,111	\$78,140
Printing and Advertising	115,300	121,773	102,800
Professional/Technical Services	144,200	109,883	193,400
Computer and System Services	6,000	5,037	0
Communications	40,840	28,258	8,400
Travel	148,900	109,658	165,450
Employee Development	36,310	13,450	31,700
<b>Total Purchased Services</b>	<b>\$548,841</b>	<b>\$443,170</b>	<b>\$579,890</b>
Supplies and Equipment	<b>\$126,970</b>	<b>\$87,543</b>	<b>\$189,510</b>
Repairs and Maintenance	<b>\$126,240</b>	<b>\$34,785</b>	<b>\$204,640</b>
Indirect Costs			
Statewide Indirect Costs	\$131,637	\$116,790	\$131,637
Attorney General Costs	376,227	270,948	376,144
Information Technology Costs	374,108	292,994	617,954
<b>Total Indirect Costs</b>	<b>\$881,972</b>	<b>\$680,732</b>	<b>\$1,125,735</b>
Other Expenses	<b>\$164,450</b>	<b>\$129,019</b>	<b>\$139,148</b>
<b>Total Operational Costs</b>	<b>\$5,537,251</b>	<b>\$4,293,407</b>	<b>\$5,813,757</b>

<sup>5</sup> In FY13 the budget for Minnesota Discovery Center annual insurance and licenses is included in Operational Costs.