Meeting of the Iron Range Resources and Rehabilitation Board

IRRRB
Eveleth, Minnesota

Thursday, June 14, 2012

Meeting of the Iron Range Resources and Rehabilitation Board
IRRRB, Eveleth, Minnesota
Thursday, June 14, 2012
10:00 a.m.

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MEETING OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD
IRRRB
Eveleth, Minnesota
Thursday, June 14, 2012 – 10:00 a.m.

AGENDA

1) Roll Call

2) Approval of the May 4, 2012, Minutes

3) Commissioner's Comments

4) Conveyor Belt Service, Inc.

5) City of Virginia Public Works Grant

6) Land Purchase

7) IEDC Grant Amendment

8) FY13 Budget

9) Iron Range Higher Education Account

10) Public Works Projects – House File 3149

11) Guidelines Discussion

12) Other

13) Adjournment

May 4, 2012, IRRRB Meeting Minutes

Friday, May 4, 2012
8:30 a.m.
State Office Building, Room 300 South
St. Paul, Minnesota

1) Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 8:30 a.m. Present: Representative Tom Anzelc, Representative Carly Melin, Representative Carolyn McElfatrick, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni and Mr. David Chura. Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich and Mr. Jack Ryan. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General (by phone); Matt Sjoberg, Director of Development, Mary Stacke, Corporate Real Estate Director, DeCare Dental and Dan Houck, Vice President Sales, Ellefson Off Highway

2) Approval of the April 12, 2012, Minutes

Action required: Approval requires 7 votes

Senator John Carlson moved approval of the April 12, 2012, minutes. Seconded by Representative Carolyn McElfatrick. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich, Mr. Jack Ryan

3) Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) DeCare Dental, LLC – *Resolution No. 12-027*

Motion by Senator David Tomassoni to approve the DeCare Dental, LLC request for $2 million in the form of a capital investment that will be used to fund an addition at a building owned by IRRRB that is leased to DeCare Dental, LLC, as presented in Resolution No. 12-027. Seconded by Representative Carolyn McElfatrick. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich, Mr. Jack Ryan

DeCare Dental, LLC
Capital Investment

APPLICANT:
DeCare Dental, LLC

PROJECT LOCATION:
Gilbert, Minnesota

PROJECT DESCRIPTION:
DeCare Dental, LLC ("DeCare") has approached the agency with a desire to increase the capacity of its Gilbert service center as a result of additional business opportunities. The proposed 10,260 square foot expansion would provide space to accommodate 120 additional work stations in the facility, bringing its total capacity to 335 work stations. A preliminary budget for the expansion of the building estimates the costs to be $2,000,000, including: construction costs; architectural and engineering; other soft costs, and; reasonable contingencies. In addition, an expansion to the parking area, across Alaska Avenue and other improvements to the site are estimated to cost $553,500, including all hard and soft costs.

The current proposal under consideration would have the IRRRB construct the addition to the facility, bringing the total space under lease to approximately 32,310 square feet. DeCare would enter into a 20 year lease for the facility at an annual rate of $2.85 per square foot, on a triple net basis. DeCare would have the right to terminate the lease after its initial seven year term with a six month notice to the agency. DeCare would have the right to purchase the facility, along with the parking areas, at any time after the initial five year period of the lease for the unamortized amount of the current contemplated IRRRB capital investment, using a discount rate of 3%. The existing lease between the IRRRB and Delta Dental Plan of Minnesota ("Delta") (and DeCare through the aforementioned sublease) would be terminated upon execution of the new lease. The City of Gilbert would provide the contemplated site improvements, including the additional parking lot, and lease the area to DeCare for nominal consideration.

DeCare, a wholly owned subsidiary of WellPoint, provides administrative services to leading dental benefit carriers, including Delta. DeCare manages revenue in excess of $1 billion annually, supporting 4.6 million individuals in over 25,000 employer groups including Fortune 500 corporations as well as nonprofit organizations, government entities, and small to mid-size businesses. Services provided out of its Gilbert service center include customer service, claims processing, and market support. As of March 2012, DeCare has 158 full-time employees at its Gilbert center. All lease payments and other obligations of DeCare and Delta have been fulfilled as agreed.

PROJECT COST:
$2,553,500*

*Not including an undetermined cost for furniture and equipment related to the expansion that will be the responsibility of DeCare.

PROJECT BREAKDOWN:

IRRRB Capital Investment	$2,000,000
City of Gilbert*	553,500
	$2,553,500

*Infrastructure grants of $308,750 and $244,750 from the IRRRB and DEED, respectively, have been approved for this project.

JOBS:
The company projects 120 new positions created with 158 full-time positions retained. Average wages are in excess of $15 with a comprehensive benefit package.

PAST IRRRB HISTORY:
In order to facilitate the lease of the former IGA building in Gilbert to Delta for the operation of a customer service center, in July 2000 the IRRRBoard approved an allocation of funding to acquire and improve the facility. The property was acquired by the agency in September of 2000 and leased to Delta upon completion of the renovation. It was anticipated that Delta would use the facility as a temporary location and would move to a new Taconite Assistance Area location within two years. Delta found the facility to meet its needs and chose to expand on site. In 2001, the IRRRB participated in the 12,600 square foot expansion of the center with financial assistance including a capital investment of $750,000. The project was approved the IRRRBoard in June 2001 and Delta entered into a new fifteen year lease with the agency upon completion of the expansion in January 2002. In 2008, the IRRRB consented to a sublease of the facility from the nonprofit Delta to a for profit affiliate, DeCare Dental, LLC. DeCare was acquired by WellPoint, Inc. ("WellPoint"), the nation's largest health benefits provider, in April 2009.

CONTINGENCIES:
None.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:
Approval at its April 3, 2012 meeting.

FUNDING AUTHORIZATION:
This project is authorized under the provisions of the Taconite Area Environmental Protection Funds, as codified under the Minnesota Statutes, Section 298.223, by supporting local economic development project located within the Taconite Assistance Area defined in Section 273.1341.

IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
FUNDING APPROVAL FOR
GILBERT DECARE FACILITY EXPANSION PROJECT

Resolution No.: 12-027

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

WHEREAS, the agency's FY 2012 Budget includes provision for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects ("**FY12 TEPF Business Development Funds**"); and

WHEREAS, DeCare Dental, LLC, a Minnesota limited liability company ("**DeCare**"), is currently leasing from the agency approximately 22,050 feet of office space in the former IGA building in Gilbert which the agency purchased in September of 2000 (the "**Gilbert Building**");

WHEREAS, DeCare has requested the agency to construct a 10,260 square foot addition to the existing Gilbert Building which DeCare would lease for a 20-year period so that it could employ an additional 120 employees in its customer service operations at the site, the cost of which improvements to the agency would be approximately $2,000,000 and the details of which new lease terms would be as more specifically set forth in the Board packet materials and the associated staff presentation at the meeting to the Board (collectively, the "**Gilbert DeCare Facility Expansion Project**"); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to $2,000,000 of FY12 TEPF Business Development Funds to finance the cost of constructing the requested improvements for the Gilbert DeCare Facility Expansion 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 Gilbert DeCare Facility Expansion Project, met on April 3, 2012, and recommended approval of the requested funding for the Project; and

WHEREAS, the Board met in Room 300 South of the State Office Building in St. Paul, Minnesota, on Friday, May 4, 2012, at 8:30 a.m. to consider, among other matters, the Commissioner's request for funding for the improvements for the Gilbert DeCare Facility Expansion Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of TEPF Funds for construction of the improvements for the Gilbert DeCare Facility Expansion 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 $2,000,000 of FY12 TEPF Business Development Funds to finance the Commissioner's construction of the requested 10,260 square foot addition to the Gilbert Building to enable DeCare to employ an additional 120 employees at the site in its customer service operations, with said building improvements and extended lease terms to be substantially as set forth in the Board meeting packet materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 4th DAY OF MAY 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 McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan				X
TOTAL	**8**	**0**	**0**	**5**

Signed:_____
Tom Rukavina, Chair

4) Douglas J. Johnson Economic Protection Trust Fund
Action required: Approval requires 8 votes

a) Ellefson Off Highway, Inc. – *Resolution No. 12-028*

Motion by Representative Carly Melin to approve the Ellefson Off Highway, Inc. request for financial assistance in the form of a bank participation loan for an expansion of its business, in an amount not to exceed $650,000, as presented in Resolution No. 12-028. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich, Mr. Jack Ryan

Ellefson Off Highway, Inc.
Bank Participation Loan Program

APPLICANT:
Ellefson Off Highway, Inc.

PROJECT LOCATION:
Iron, Minnesota

PRINCIPAL(S):
Christopher David Ellefson

BRIEF PROJECT DESCRIPTION:
Ellefson Off Highway, Inc. is seeking financing to assist in an expansion of its business that is engaged in the sale of used and refurbished mining equipment as well as refurbished parts from its location in Iron, MN. The company, founded in 2010, is a supplier to mining operations world-wide. This expansion would include the construction of a 42 ft. X 60 ft. machine shed as well as a 60 ft. X 150 ft. cold storage building to house parts and inventory. The proposed financing package would also provide adequate working capital to facilitate continued growth of the company.

PROJECT COST:
$3,100,000

PROJECT BREAKDOWN:

IRRRB participation loan (up to 15 years, formula rate)	$ 650,000
Security State Bank of Hibbing (up to 15 years, negotiated rate)	$ 650,000
Security State Bank of Hibbing (revolving credit line)	$1,800,000
	$3,100,000

COLLATERAL:
Shared first position real estate mortgage on property. Personal guaranty of Christopher David Ellefson.

JOBS:
The company projects 9 new FTE positions created with13 FTE positions retained. Wages range from $16-25 with a benefit package that includes paid health insurance and a 401K plan.

MANAGEMENT TEAM:
Chris Ellefson is the owner and President of Ellefson Off Highway, Inc. Mr. Ellefson has many years of experience, across a broad range of capacities, with Dom-Ex, a company in a similar line of business that was founded by his father, Dave Ellefson, in 1982. During his years with Dom-Ex, Mr. Ellefson was exposed to all facets of the business having specialized in purchasing, sales, and shop management. The company was sold to

HE Parts International in 2006 and Mr. Ellefson decided to form his own business after leaving Dom-Ex in 2008.

Dan Houck the VP Sales and Doug Mertens the Service Manager for Ellefson Off Highway, Inc. held similar positions with Dom-Ex.

MARKET OPPORTUNITY:
The global mining of natural resources is strong at this time and this trend is expected into the intermediate future. In addition, construction markets have stabilized creating additional demand for used equipment.

COLLATERAL REVIEW:
The loan will be secured with shared first position real estate mortgage, including the existing building and the two additional buildings to be constructed as part of this project. An appraisal satisfactory to Security State Bank of Hibbing and the IRRRB, with a maximum loan to value of 80%, will be required to support the loan. The gross book value of land and buildings, which were paid for with cash, is over $1 million and the property recently appraised at $900,000. Additional alternative collateral may be considered in the event that the appraisal does not support the contemplated level of debt.

PAST IRRRB HISTORY:
None.

CONTINGENCIES:
An appraisal of collateral acceptable Security State Bank of Hibbing and IRRRB is obtained. Additional alternative collateral may be considered in the event that an appraisal of the property does not support the contemplated level of term debt.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:
Approval at its April 30, 2012 meeting.

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.

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 ELLEFSON OFF HIGHWAY, INC. PROJECT

Resolution No.: 12-028

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, Ellefson Off Highway, Inc., a Minnesota business corporation ("**Ellefson**") which has its principal office and production facilities in Iron, Minnesota, which is a location within the TAA, has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to construct two new buildings totaling approximately 11,500 square feet to facilitate the on-going growth of its business at the Iron location (the "**Ellefson's Expansion Project**"); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to $650,000 of FY12 DJJ Business Development Funds to purchase a participation interest in a $1,300,000 bank loan which is being made to enable Ellefson to finance a portion of the costs of the Ellefson's 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 April 30, 2012, and recommended approval of the requested financial assistance for the Commissioner's Proposed Project; and

WHEREAS, the Board met in Room 300 South of the State Office Building in St. Paul, Minnesota, on Friday, May 4, 2012, at 8:30 a.m. 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 DJJ 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 $650,000 of FY12 DJJ Business Development Funds to purchase a participation interest in a $1,300,000 bank loan which is being made to enable Ellefson to finance a portion of the costs of the Proposed Project, with such participation interests 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 4th DAY OF MAY 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 McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan				X
TOTAL	**8**	**0**	**0**	**5**

Signed:_____
Tom Rukavina, Chair

8) Adjournment
The meeting adjourned at 8:54 a.m.

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.

City of Virginia Public Works Grant

IRON RANGE Resources
Advancing regional growth.

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: 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.

USES		SOURCES	
Infrastructure & site work	$169,000	IRRRB	$125,000
		Private/city	44,000
TOTAL	$169,000	**TOTAL**	$169,000

Land Purchase

IRON RANGE Resources & REHABILITATION BOARD

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

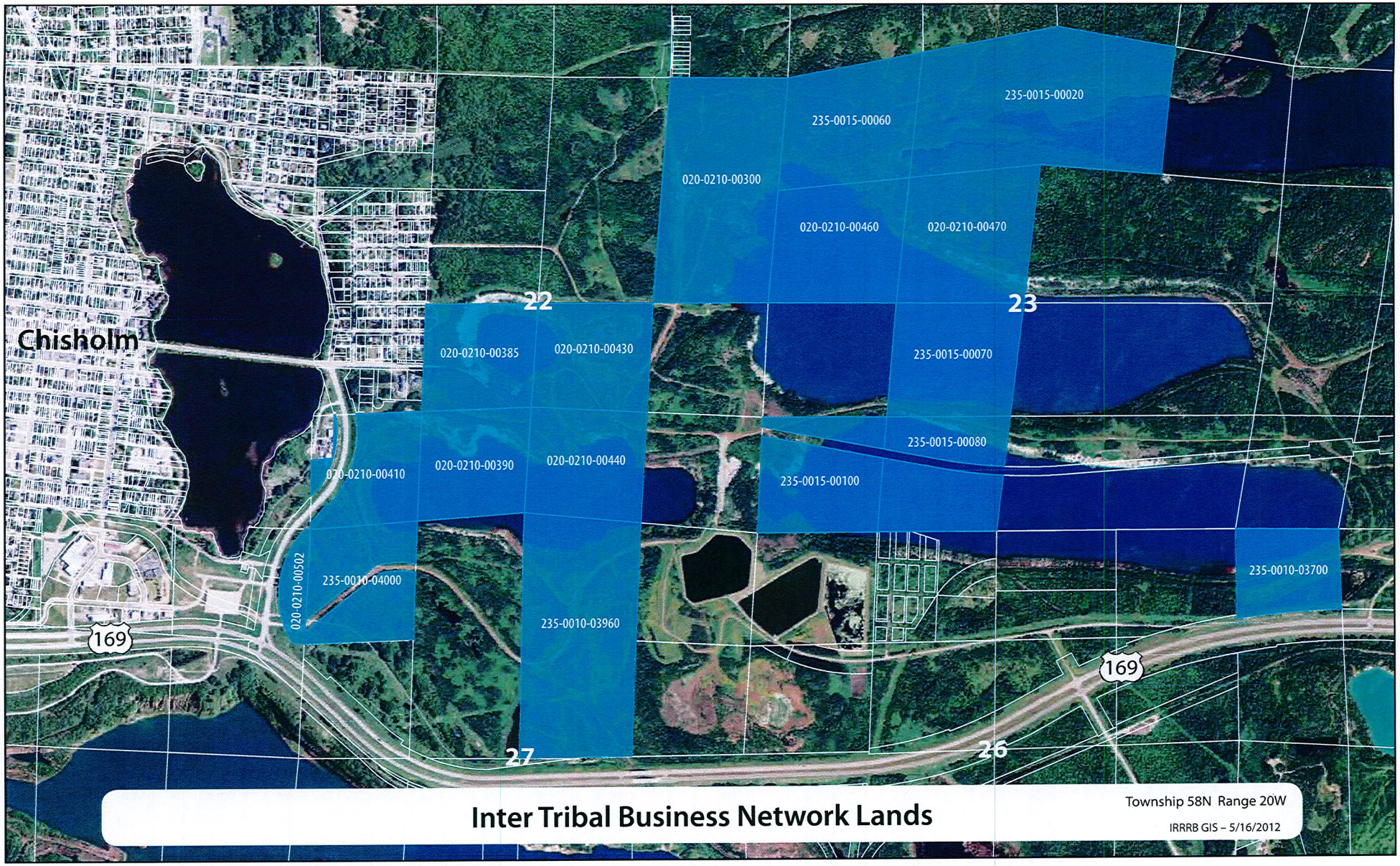
Re: Proposal to Purchase Up to 730 Acres of Land

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 provisionsof 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).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169
Inter Tribal Business Network Lands
Township 58N Range 20W
IRRRB GIS – 5/16/2012

Itasca Economic Development Corporation Grant Amendment

IRON RANGE Resources
Advancing regional growth.

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

FY13 Budget

See attached FY13 Budget document – Exhibit A

Iron Range Higher Education Programs

IRON RANGE
Resources
& REHABILITATION BOARD

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: June 11, 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.

Public Works Projects – House File 3149

Funding for proposed public works projects are made available from House File 3149--which was state legislation passed in 2008. The law proposed that ten cents of the production tax be used as a grant or loan incentive for a value-added wood product facility in the IRRRB service area. The legislation stipulates that if a grant or loan is not made by July 1, 2012, the funds sunset and must be transferred to the Taconite Area Environmental Protection Fund (TEPF) to be allocated for public works projects in house legislative districts in the same proportion as taxable tonnage of 2007 production in each house legislative district. This funding is separate from the agency's yearly public works grant process and cycle. Below is a list of projects that legislative board members supplied for the expenditure of funds as prescribed by the legislation:

Grantee	Description	Amount
5A		
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	Participation in cost of 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	Participation in 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
TOTAL		**$1,830,075**
5B		
Hibbing	Memorial Building - replace refrigerated floor system, new ventilation system, remove/construct new concrete steel structure - roof and columns.	$1,000,000
TOTAL		**$1,000,000**
3A		
LaPrairie	Infrastructure and site work for Broking Transport expansion. Proposed 6-8 jobs.	$206,422
TOTAL		**$206,422**

IRON RANGE
Resources
& REHABILITATION BOARD

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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.

Exhibit A

FY 2013 Budget

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

Iron Range Resources & Rehabilitation Board	FY 2012 Budget	FY 2012 Projected	FY 2013 Budget
Resources			
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
Subtotal Current Resources	**$21,639,711**	**$25,383,885**	**$22,418,762**
Total Resources	**$41,408,851**	**$44,396,149**	**$38,588,703**
Estimated Expenditures			
Projects			
Development Projects	6,500,000	4,460,378	7,500,000
Public Works	9,099,324[1]	9,099,324	6,000,000
Total Projects	**$15,599,324**	**$13,559,702**	**$13,500,000**
Programs			
Program Grants	3,958,000	3,545,918	4,206,572
Occupation Tax Region III	456,565	456,565	455,767
Total Programs	**$4,414,565**	**$4,002,483**	**$4,662,339**
Giants Ridge Golf & Ski Resort	**7,100,688**	**6,370,616**	**7,270,234**
Operational Costs	**$5,537,251**	**$4,293,407**	**$5,813,757**
Total FY13 Budget	**$32,651,828**	**$28,226,208**	**$31,246,330**
Estimated Carryforward Out	**$8,757,023**	**$16,169,941**	**$7,342,373**

[1] FY12 expenditures for public works includes $5,099,324 from transferred Taconite Economic Development Fund monies.

Projects

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

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

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

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

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

[2] During FY12, Residential Redevelopment was approved as a new program.
[3] In FY13, Iron Range Neighborhood Revitalization is a new program.
[4] In FY13, Business Energy Retrofitting is a new program.

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

Giants Ridge Golf & Ski Resort	FY 2012 Budget	FY 2012 Projected	FY 2013 Budget
Revenues			
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
Total Revenues	**$4,735,282**	**$3,617,512**	**$4,801,312**
Expenses			
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
Total Operational Expenses	**$6,774,935**	**$6,123,597**	**$7,058,878**
Excess of Revenues Over (Under) Expenses	**($2,039,653)**	**($2,506,085)**	**($2,257,566)**
Non Operational Expenses			
Equipment	$72,347	$95,874	$110,000
Capital Improvements / Leases / Grants	253,406	151,145	101,356
Total Non-Operational Expenses	**$325,753**	**$247,019**	**$211,356**
Total Expenditures	**$7,100,688**	**$6,370,616**	**$7,270,234**
Budget Surplus (Shortage)	**($2,365,406)**	**($2,753,104)**	**($2,468,922)**

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

Operational Costs[5]	FY 2012 Budget	FY 2012 Projected	FY 2013 Budget
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
Total Payroll	**$3,688,778**	**$2,918,158**	**$3,574,834**
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
Total Purchased Services	**$548,841**	**$443,170**	**$579,890**
Supplies and Equipment	**$126,970**	**$87,543**	**$189,510**
Repairs and Maintenance	**$126,240**	**$34,785**	**$204,640**
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
Total Indirect Costs	**$881,972**	**$680,732**	**$1,125,735**
Other Expenses	**$164,450**	**$129,019**	**$139,148**
Total Operational Costs	**$5,537,251**	**$4,293,407**	**$5,813,757**

[5] In FY13 the budget for Minnesota Discovery Center annual insurance and licenses is included in Operational Costs.