

FY 2014 Budget



**Iron Range Resources &
Rehabilitation Board**

**FY 2014 IRRRB Budget
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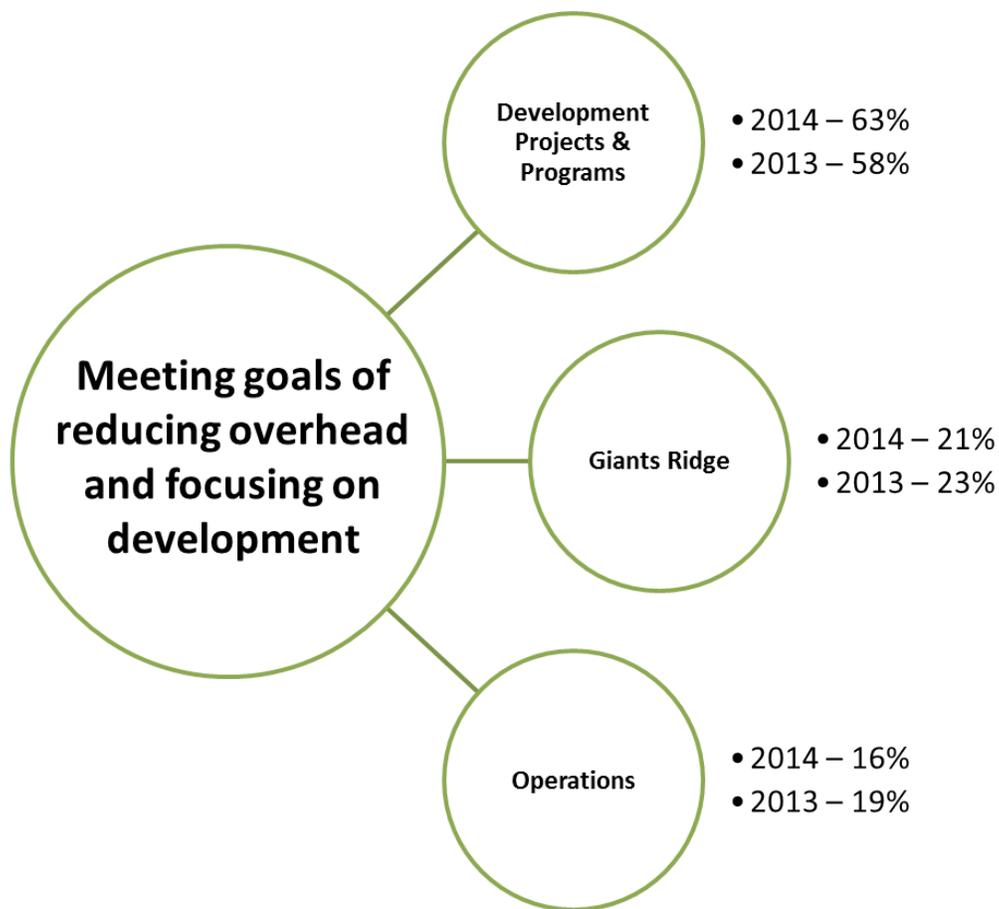
***The IRRRB’s mission is to promote and invest in
business, community and workforce development
for the betterment of northeastern Minnesota.***

Introduction

FY14 July 1, 2013 – June 30, 2014

This proposed FY14 IRRRB 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 63% of the agency's spending; Giants Ridge 21%; and operations 16%. A high level overview of resources and expenditures is presented below, followed by individual narrative and budget sections.



FY14 Budget

Iron Range Resources & Rehabilitation Board	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Resources			
Carryforward In	\$16,169,941	\$19,883,344	\$12,511,670
Current Resources			
Taconite Production Taxes	\$13,770,626	\$13,770,626	\$21,384,480
Investment Earnings	494,116	511,904	494,116
Loan Revenues	2,574,849	5,301,637	2,552,311
Facilities Revenues	5,123,404	4,903,114	4,806,250
Occupation Tax Region III	455,767	455,767	574,655
Subtotal Current Resources	\$22,418,762	\$24,943,048	\$29,811,812
Total Resources	\$38,588,703	\$44,826,392	\$42,323,482
Estimated Expenditures			
Projects			
Development Projects	7,500,000	7,254,488	9,000,000
Public Works	8,850,000	8,850,000	7,000,000
Total Projects	\$16,350,000	\$16,104,488	\$16,000,000
Programs			
Program Grants	4,206,572	4,139,074	5,131,572
Occupation Tax Region III	455,767	455,767	574,655
Total Programs	\$4,662,339	\$4,594,841	\$5,706,227
Giants Ridge Golf & Ski Resort	\$7,270,234	\$7,124,436	\$7,996,901
Operations & Development Fixed Costs	\$5,813,757	\$4,490,956	\$5,993,888
Giants Ridge Bond Redemption Repayment	\$0	\$0	\$2,000,000
Total FY14 Budget	\$34,096,330	\$32,314,721	\$37,697,016
Estimated Carryforward Out	\$4,492,373	\$12,511,670	\$4,626,466

Projects

Development Projects - \$9,000,000

A total of \$9,000,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region. In an effort to streamline approvals, improve timeliness, and better serve businesses, a pilot project approval process will be tested in FY14. The Commissioner will be authorized to approve loans up to \$500,000 for projects that meet the following conditions:

- Qualify for IRRRB financing under established guidelines.
- Approval by the Technical Advisory Committee (TAC).
- Sign-off by the IRRR Board Chair.

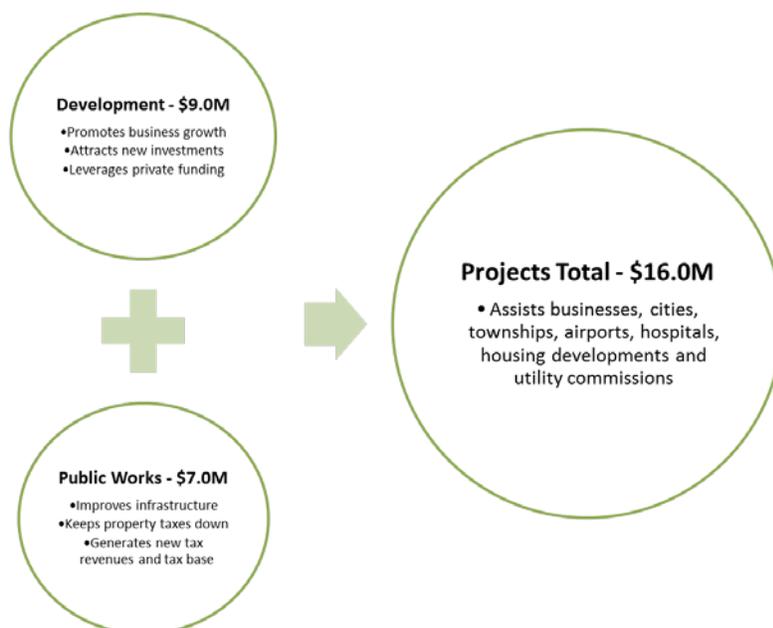
All projects over \$500,000 will be brought before the IRRR Board for approval at a subsequent meeting. The new approval process will sunset after one year.

Public Works - \$7,000,000

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

	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Development Projects			
Development Projects	\$7,500,000	\$7,254,488	\$9,000,000
Public Works	8,850,000	8,850,000	7,000,000
Total Development Projects	\$16,350,000	\$16,104,488	\$16,000,000



Programs

Grants

Community Development

Commercial Redevelopment - \$1,000,000

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, promoting in-fill development on previously developed sites. Funding support encourages new construction and helps create cleaner, safer, and healthier communities. Applications are accepted from communities year-round.

Home Energy Improvement - \$500,000

The Home Energy Improvement program provides homeowners and owners of rental properties within the IRRRB service area with funds for property improvements that promote energy conservation and efficiency. Examples include: window and door replacement, new furnaces, water heaters, wall and ceiling insulation, roofing, siding, solar, wind, and geothermal energy. Arrowhead Economic Opportunity Agency (AEOA) administers the program, which targets owners with incomes that are above the guidelines for current programs. Benefits are investing in housing stock and creating jobs for those who work on such improvements.

Development Partnerships - \$250,000

While this funding is not new, a line item was created to account for the agency's partnerships with regional development entities. Past partnerships include: the Blandin Foundation, East Range Joint Powers Board, Enterprise Minnesota, Entrepreneur Fund, Northland Connection regional economic development website, and Quad Cities Small Business Development Center. These partnerships match agency funds on development programs and initiatives that are consistent with IRRRB objectives.

Community Comprehensive Plan Updates - \$200,000

This new grant program will help communities fund the development and adoption of comprehensive plans in the areas of public works and infrastructure. The plans will better enable communities to make strategic long term development decisions and will also aid IRRRB in making funding decisions.

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

Mining & Mineland Reclamation - \$285,000

FY14 projects and programs funded include mine pit fish stocking (\$15,000), emergency safety projects and repair (\$20,000), Mining and Mineral Development (\$100,000), and the new Challenge Grant Program (\$150,000) that will stimulate communities to proactively address current and future conflicts with mining.

Laurentian Vision Partnership - \$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 Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements.

Application Fund - \$25,000

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.

Programs Budget

Program Grants	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Community Development			
Commercial Redevelopment	\$500,000	\$500,000	\$1,000,000
Residential Redevelopment	350,000	350,000	350,000
Home Energy Improvement	500,000	500,000	500,000
Business Energy Retrofitting	250,000	250,000	0
Development Partnerships	0	0	250,000
Community Comprehensive Plan Updates	0	0	200,000
Total Community Development	\$1,600,000	\$1,600,000	\$2,300,000
Education/Workforce Development	\$300,000	\$263,620	\$300,000
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$35,000	\$16,202	\$285,000
Laurentian Vision Innovation Projects	250,000	250,000	250,000
Total Mining and Mineland Reclamation	\$285,000	\$266,202	\$535,000
Culture & Tourism			
Culture & Tourism	\$150,000	\$150,000	\$150,000
Minnesota Discovery Center	1,321,572	1,321,572	1,321,572
Total Culture & Tourism	\$1,471,572	\$1,471,572	\$1,471,572
Commissioner Program	\$500,000	\$500,000	\$500,000
Application Fund	\$50,000	\$37,680	\$25,000
Total Program Grants	\$4,206,572	\$4,139,074	\$5,081,572

Region III

State law directs IRRRB to serve as the fiscal agent for Carlton and Koochiching County (Region III) grants from occupation taxes for economic and environmental development projects. IRRRB does not make any funding decisions, but funds pass through under the following provisions:

- 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 FY13 was \$455,767, from which IRRRB 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.

Region III Grant – Carlton/Koochiching	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Region III	\$455,767	\$455,767	\$574,655

Giants Ridge Bond Redemption Repayment

On August 19, 2010, the IRRR Board approved paying off early the debt service for The Quarry Golf Course at Giants Ridge, which resulted in a cost savings of approximately \$6.5 million. The total debt service payment made from the DJJ Corpus was \$8,707,969. At that time, it was resolved that the agency would replenish the DJJ Corpus funds at a later date. Accordingly, in FY14, \$2 million will be repaid to the DJJ Corpus as a first installment.

Giants Ridge Golf & Ski Resort

The primary mission of Giants Ridge is to develop and promote tourism and recreational opportunities for the economic enhancement and diversification of the IRRRB service area. Giants Ridge features 36 holes of championship golf and a winter sports area that attracts over 100,000 visitors annually from Minnesota, the United States and Canada. 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.

In 2011, Giants Ridge created 276 jobs directly and an additional 82 jobs indirectly across St. Louis County. The facility's annual economic activity across the IRRRB service area totaled \$6.3 million in output spending and \$3.6 million in value-added spending.*

Giants Ridge is a public-private partnership that has attracted private sector development in the way of real estate and housing, therefore increasing the state and local tax bases. In 2012, the private area real estate properties at Giants Ridge provided approximately \$1.2 million in total tax revenue to the area. Their total market value is \$68.9 million with a total economic value of \$70.1 million.*

The organizational structure at Giants Ridge is comprised of four operators: the IRRRB and three contract vendors. 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. In addition, Rural Source Management Group provides central reservations services to Giants Ridge and surrounding area lodging properties.

* *Economic Impact Study, conducted by the Labovitz School of Business and Economics, University of Minnesota Duluth, Bureau of Business and Economic Research, 2012*

Giants Ridge Golf & Ski Resort Budget

Giants Ridge Golf & Ski Resort	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Revenues			
Admissions	\$2,661,225	\$2,255,693	\$2,433,422
Facility Rental	123,420	120,627	116,495
Other Revenue	175,388	219,653	215,117
Retail Sales	1,841,279	1,663,398	1,706,425
Total Revenues	\$4,801,312	\$4,259,371	\$4,471,459
Expenses			
Cost of Sales	\$ 836,203	\$ 872,109	\$ 829,846
Salaries & Benefits	3,693,108	3,477,501	3,896,256
Utilities	303,627	304,701	312,552
Advertising & Marketing	547,000	422,189	505,332
Equipment Rental	147,330	141,940	161,515
Management Fees	146,340	134,041	138,963
Maintenance & Repairs	584,105	540,576	505,973
Supplies	418,601	338,658	409,276
Insurance	119,025	102,998	101,874
Purchased Services	313,539	623,376	564,031
Non-Capital Assets - 471	60,000	64,902	113,926
Total Operational Expenses	\$7,168,878	\$7,022,991	\$7,539,544
Non Operational Expenses			
Interest and Financing	\$ 101,356	\$ 101,445	\$101,357
Capital Assets	0	0	356,000
Total Non-Operational Expenses	\$ 101,356	\$ 101,445	\$457,357
Total Expenditures	\$7,270,234	\$7,124,436	\$7,996,901

Operational Costs

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

Operational Costs Budget

Operational Costs	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Payroll			
Wages and Benefits	\$3,345,968	\$2,882,070	\$3,458,179
Retirement Insurance	192,704	177,799	252,555
Unemployment Compensation	100,000	69,524	100,000
Workers Compensation	136,000	136,000	137,000
Other Payroll Costs	15,400	8,102	15,400
Total Payroll	\$3,790,072	\$3,273,495	\$3,963,134
Purchased Services			
Rentals and Utilities	\$78,140	44,408	76,780
Printing and Advertising	102,800	54,295	62,814
Professional/Technical Services	193,400	130,855	280,700
Computer and Computer Services	95,800	128,777	95,800
Communications	131,360	123,041	131,300
Travel	166,450	127,073	177,150
Employee Development	37,700	16,776	44,300
Total Purchased Services	\$805,650	\$625,225	\$868,844
Supplies and Equipment	\$389,110	\$153,622	\$439,570
Repairs and Maintenance	\$217,140	\$117,936	\$339,740
Indirect Costs			
Statewide Indirect Costs	\$131,637	\$89,756	\$106,000
Attorney General Costs	336,000	84,603	120,000
Total Indirect Costs	\$467,637	\$174,359	\$226,000
Other Operating Costs	\$144,148	\$146,316	\$156,600
Total Operational Costs	\$5,813,757	\$4,490,954	\$5,993,888