

IRRRB Meeting Minutes
Monday, June 23, 2014
1:00 p.m.
IRRRB
Eveleth, Minnesota

1) Roll Call

Senator David Tomassoni, Board chair, called the meeting to order at approximately 1:06 p.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug. Excused: Representative Carly Melin, Senator Rod Skoe. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Linda Johnson, Director of Giants Ridge; Chris Ismil, Community Development Representative; Bob Scuffy, Accounting Director; Sheryl Kochevar, Media Coordinator; Janette Paul, Executive Assistant; Roy Smith, IRRRB/NHED Workforce Director; Theresa Martin, City of Cook; Tom Musich, Vermilion Motel; Larry Cuffee, City of Virginia; Mike Walsh, Ulland Brothers.

2) Approval of the April 22, 2014, Minutes

Action required: Approval requires a simple majority of the quorum

Representative Joe Radinovich moved approval of the April 22, 2014, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Carly Melin, Senator Rod Skoe

3) FY15 Budget – Resolution #14-060

Action required: Approval requires a simple majority of the quorum

Senator Tom Saxhaug moved to approve the FY 15 budget as presented in Board packet materials (Exhibit A) and in Resolution #14-060. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Carly Melin, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2015 AGENCY BUDGET APPROVAL**

Resolution No.: 14-060

WHEREAS, the Commissioner, pursuant to the provisions of Minnesota Statutes Section 298.22, Subdivision 11, has submitted to the Board for its consideration and approval a proposed fiscal year 2015 ("FY15") budget for the funding of operational expenditures, programs and projects of the agency during the State's FY15 which covers the period of time from July 1, 2014, through June 30, 2015 (the "**Proposed FY15 Budget**"); and

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Monday, June 23, 2014, at 1:00 p.m. to consider, among other matters, the Proposed FY15 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 FY15 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**"), Section 298.17 ("**Occupation Tax Funds**"), and Section 298.28, subd. 7a ("**Iron Range School Consolidation and Cooperatively Operated School Account**") for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed FY15 Budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves the Proposed FY15 Budget and the expenditure authorizations therein requested from the Board Account, Taconite Area Environmental Protection Fund, Douglas J. Johnson Economic Protection Trust Fund, Occupation Tax Funds and Iron Range School Consolidation and Cooperatively Operated School Account to fund the operational expenditures, programs and projects of the FY15 Budget, subject to the understanding that the Board at subsequent meetings during FY15 will approve, on a project-by-project basis, the expenditure of the funding designated in the projects section of the Budget except as otherwise provided in the Budget, and subject to the understanding that the Commissioner's authority to approve loans up to \$500,000 as described in the Project section of the Budget does not extend beyond December 31, 2014 without further Board approval.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 23rd DAY OF JUNE 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin				X
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	7	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

4) Infrastructure Projects – Resolution #14-061

Action required: Approval requires a simple majority of the quorum

Representative Jason Metsa moved to approve infrastructure grants totaling \$480,000: \$130,000 to the city of Cook, \$350,000 to the city of Virginia as presented in Resolution #14-061. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Carly Melin, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 INFRASTRUCTURE PROJECT APPROVALS**

Resolution No.: 14-061

WHEREAS, the Commissioner is authorized to expend, upon approval 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 and public works within the TAA; and

WHEREAS, the agency’s approved fiscal year 2015 ("FY15") Budget includes the allocation of \$5,574,505 for Infrastructure Projects, of which \$3,000,000 is from TEPF Funds (“**TEPF Infrastructure Funds**”); and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$480,000 of such TEPF Infrastructure Funds 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 1:00 p.m. on June 23, 2014, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$480,000 of FY15 TEPF Infrastructure Funds to provide 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 FY 15 TEPF Infrastructure Funds for all Proposed Projects, including those Proposed Projects 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 required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY15 TEPF Infrastructure Funds for the Proposed Projects is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 23rd DAY OF JUNE 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin				X
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	7	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

City of Cook

Grant Amount: \$130,000

The proposed grant is for the city of Cook to provide infrastructure, utilities and site work for the redevelopment of the Vermilion Motel, which was built in the 1940's and destroyed by fire in 2013. This project will provide leverage for a new 10,000 sq. ft. two-story motel with 13 units. The new motel units will be constructed at the same location as the previous motel. The project is expected to create 6 permanent jobs and 10 construction jobs. This is Cook's highest priority development project for FY15.

USES

SOURCES

Building	\$1,370,000	IRRRB	\$130,000
Infrastructure, utilities and site work	130,000	Private	1,370,000
TOTAL	\$1,500,000	TOTAL	\$1,500,000

City of Virginia

Grant Amount: \$350,000

The proposed grant is for the city of Virginia to provide new water, sewer, gas and electric line connections to service the consolidation and expansion of Ulland Brothers in the city of Virginia north of Highway 135. After an extensive site search across the Iron Range, Ulland Brothers selected their new site to help bring down equipment mobilization costs and bring their company closer to their current vendor pool, making them more competitive. As Ulland Brothers has grown, the majority of their work takes place in the Virginia/Duluth markets, which made locating on the Highway 53 corridor necessary. New infrastructure along the Highway 135 corridor will provide the city with future business development opportunities. This project leverages for a new 41,150 sq. ft. heavy equipment maintenance garage and warehouse facility and a new 6,200 sq. ft. administrative office building. The project is expected to create 7 permanent jobs and 58 construction jobs. This is Virginia's highest priority development project request for FY15.

USES

SOURCES

Buildings	\$7,000,000	IRRRB	\$350,000
Water, sewer, gas and electric	329,145	Private City	8,201,556 350,000
Soil corrections and site prep A & E	1,350,000 222,411		
TOTAL	\$8,901,556	TOTAL	\$8,901,556

5) Iron Range Higher Education Account – Resolution #14-062

Action required: Approval requires a simple majority of the quorum

Senator Tom Saxhaug moved to approve the expenditure of \$1,875,340 of Iron Range Higher Education Account funds for the programs and purposes presented in Resolution #14-062. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Carly Melin, Senator Rod Skoe

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

Resolution No.: 14-062

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 approve expenditures from the Higher Education Account; and

WHEREAS, the Committee has recommended the expenditure of the following amounts for the programs described below (“**Proposed Programs**”):

1. Up to \$1,000,000 to the Northeast Higher Education District (NHED) for use by the Iron Range Engineering program 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;
2. Up to \$615,340 to NHED for use by the Healthcare Simulation Center of Excellence program at Hibbing Community College;
3. Up to \$220,000 to NHED for use by the Biochemical Systems Engineering program at Itasca Community College;
4. Up to \$40,000 to the IRRRB Commissioner for development projects; and

WHEREAS, in order to provide the aforementioned grants of the Higher Education Account funds to the NHED and to the IRRRB Commissioner for the Proposed Programs, it is necessary for the Board to approve the proposed expenditures of funds from the Higher Education Account; and

WHEREAS, the Board met in open session starting at 1:00 p.m. on June 23, 2014, at the agency's Administration Building near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$1,875,340 of Higher Education Account funds for the purpose of providing grants to the NHED and to the IRRRB Commissioner to fund the Proposed Programs 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 \$1,875,340 of Higher Education Account funds for grants to the NHED and to the IRRRB Commissioner to be used for the Proposed Programs.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 23rd DAY OF JUNE 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin				X
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	7	0	0	2

Signed: _____
 Senator David Tomassoni, Chair



**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: Iron Range Higher Education Committee (IRHEC)

Date: June 23, 2014

Re: **FY15 Iron Range Higher Education Programs**

The Iron Range Higher Education Committee (IRHEC) met on Tuesday, June 10 and recommends the following expenditures from the Iron Range Higher Education Account (IRHEA) for FY15.

Northeast Higher Education District - \$1,835,340

- Iron Range Engineering Program - \$1,000,000
- Healthcare Simulation Center of Excellence program at Hibbing Community College - \$615,340
- Biochemical Systems Engineering program at Itasca Community College - \$220,000

Development Programs - \$40,000

- IRRR Board members requested that a small, flexible amount of funding would be available to the IRRRB Commissioner to address potential shortfalls in existing programs. - \$40,000

These expenditures of \$1,875,340 are contingent upon IRRRB’s receipt of the second half of production year 2013 Taconite Production Taxes in the projected amount of \$990,194.

About the IRHEA and IRHEC:

Created by the 2008 Minnesota Legislature, the IRHEC advises the IRRRB Commissioner on providing higher education programs to the IRRRB service area. Programs are funded by five cents of the Taconite Production Tax that are placed in the IRHEA. Upon recommendation of the IRRRB Commissioner and the IRHEC, the IRRR Board approves expenditures from the account.

6) Giants Ridge Event Center – Resolution #14-063

Action required: Approval requires 6 votes

Representative Jason Metsa moved to approve the expenditure of up to \$6,190,000 of DJJ 20% Corpus Fund monies for the Giants Ridge Event Center project as presented in Resolution #14-063. Seconded by Representative Joe Radinovich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Carly Melin, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND PROJECT
GIANTS RIDGE EVENT CENTER**

Resolution No.: 14-063

WHEREAS, Minnesota Statutes Section 298.296, Subdivision 2 (c) entitles the Commissioner to expend, within or for the benefit of the Taconite Assistance Area as defined in Minnesota Statutes Section 273.1341 (“TAA”) and upon prior approval by the affirmative vote of at least six members of the Board, up to 20% of the corpus of the Douglas J Johnson Economic Protection Trust Fund, valued as of the date of May 18, 2002, plus certain additional accrual sums (the “DJJ 20% Corpus Funds”), for projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either (a) are designed to create and maintain

productive, permanent, skilled employment, including employment in technologically innovative businesses; or (b) encourage diversification of the economy and promote the development of certain sectors of the TAA economy, specifically including tourism; and

WHEREAS, the amount of DJJ 20% Corpus Funds available for expenditure as of June 23, 2014, is the sum of \$8,801,642; and

WHEREAS, pursuant to Laws for Minnesota, Chapter 295, Article 1, Section 13, the agency was granted \$3,800,000 to predesign, design, construct, furnish and equip a new multiuse, year-round event center at Giants Ridge that will replace the existing facility ("**Event Center Project**"), subject to providing funds at least matching such sum; and

WHEREAS, at its meeting on June 14, 2012, the Board approved its Resolution No. 12-029 by which it previously committed to provide up to \$4,995,000 in agency funds in support of the Event Center Project; and

WHEREAS, the total anticipated cost of the Event Center Project is \$9,990,000, meaning the agency must provide a total sum of \$6,190,000 in addition to the \$3,800,000 in grant funds to complete the Event Center Project; and

WHEREAS, the Board met in open session starting at 1:00 p.m. on June 23, 2014, at the agency's Administration Building near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of \$6,190,000 of DJJ 20% Corpus Fund monies for the Event Center Project, and determined that the proposed expenditure of those funds for that purpose would be an expenditure that supports the economic development of tourism and other sectors of the economy of the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$6,190,000 of the DJJ 20% Corpus Fund monies for the Event Center Project.

BE IT FURTHER RESOLVED that the Board's approval of this expenditure is subject to the payment of prevailing wages for the Event Center Project as required by law and by the Board's Resolution 96-005.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 23rd DAY OF JUNE 2014.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin				X
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	7	0	0	2

Signed: _____
 Senator David Tomassoni, Chair



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 13, 2014

Re: GIANTS RIDGE EVENT CENTER REQUEST

The current Giants Ridge facility has issues that have been patched for years and high losses of energy that make a replacement necessary to compete with similar facilities around the country. In looking at the costs of further patches versus a modern building, we determined that the smart investment was in a new Giants Ridge Event Center. This shovel-ready project will create a multi-use, year-round destination attraction, replacing our 30-year-old facility.

Below are key project details.

- **Total Project Cost:** \$9.9 million
- **Forecasted Jobs:** 62 FTE construction jobs, 28 new FTEs, and 120 retained jobs ¹
- **Economic Impact:** After construction is complete, the event center is estimated to collect an average of just over \$4.8 million in revenue, generating a total of \$7.9 million in annual output spending in St. Louis County.¹

In the recent Minnesota State Bonding Bill, IRRRB received \$3.8 million for the new event center. I am recommending the Board approve \$6.19 million to fund the balance of the project.

¹ *Source: Economic Impact Study conducted by University of Minnesota Duluth Labovitz School of Business and Economics, Bureau of Business and Economic Research, 2012*

7) Adjournment

The meeting adjourned at 1:47 p.m.

EXHIBIT A

FY15 Budget Narrative

Exhibit A

FY 2015 Budget



**Iron Range Resources &
Rehabilitation Board**

FY 2015 IRRRB Budget Table of Contents

INTRODUCTION	3
FY15 BUDGET	5
PROJECTS.....	6
<i>Development Projects</i>	<i>6</i>
<i>Projects Budget</i>	<i>6</i>
PROGRAMS.....	8
GRANTS	8
<i>Community Development.....</i>	<i>8</i>
<i>Education/Workforce Development</i>	<i>8</i>
<i>Mining & Mineland Reclamation.....</i>	<i>9</i>
<i>Culture and Tourism</i>	<i>9</i>
<i>Commissioner Program</i>	<i>9</i>
<i>Application Fund</i>	<i>9</i>
<i>Programs Budget</i>	<i>10</i>
REGION III	11
GIANTS RIDGE RECREATION FACILITY.....	12
<i>Giants Ridge Budget.....</i>	<i>13</i>
OPERATIONAL COSTS	14
<i>Operational Costs Budget.....</i>	<i>14</i>
APPENDIX	15
<i>Program Reports</i>	<i>15</i>

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

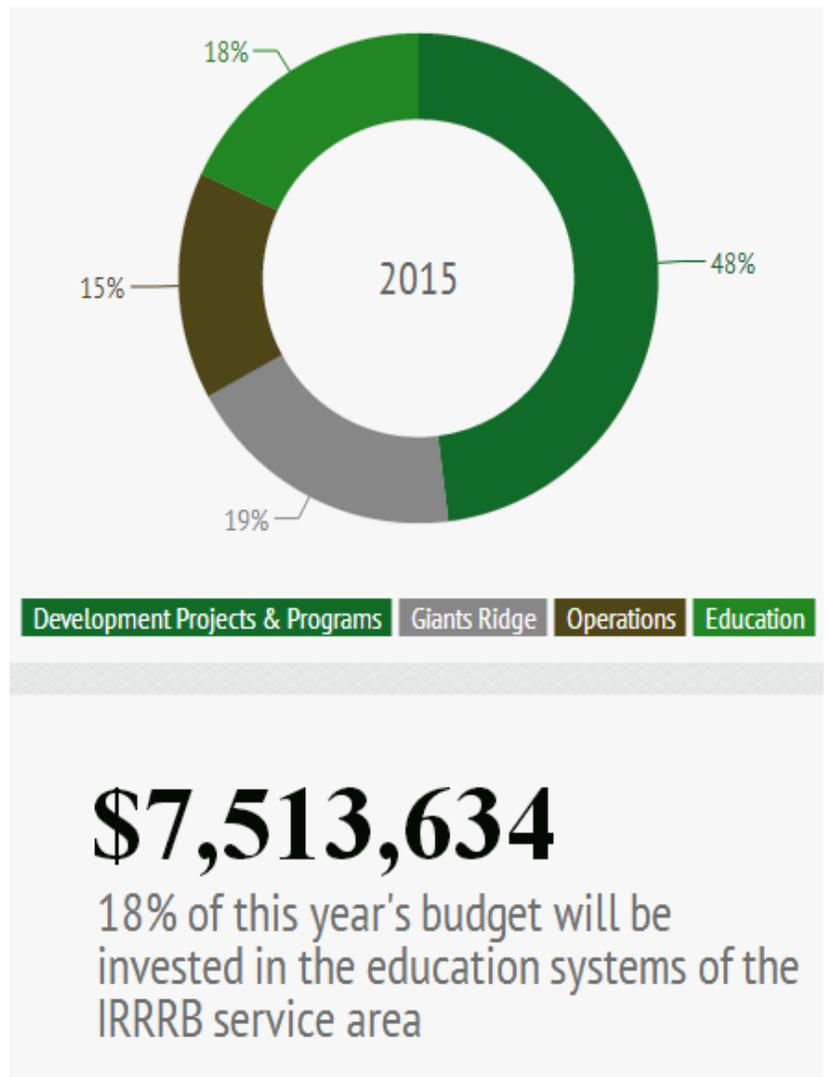
Introduction

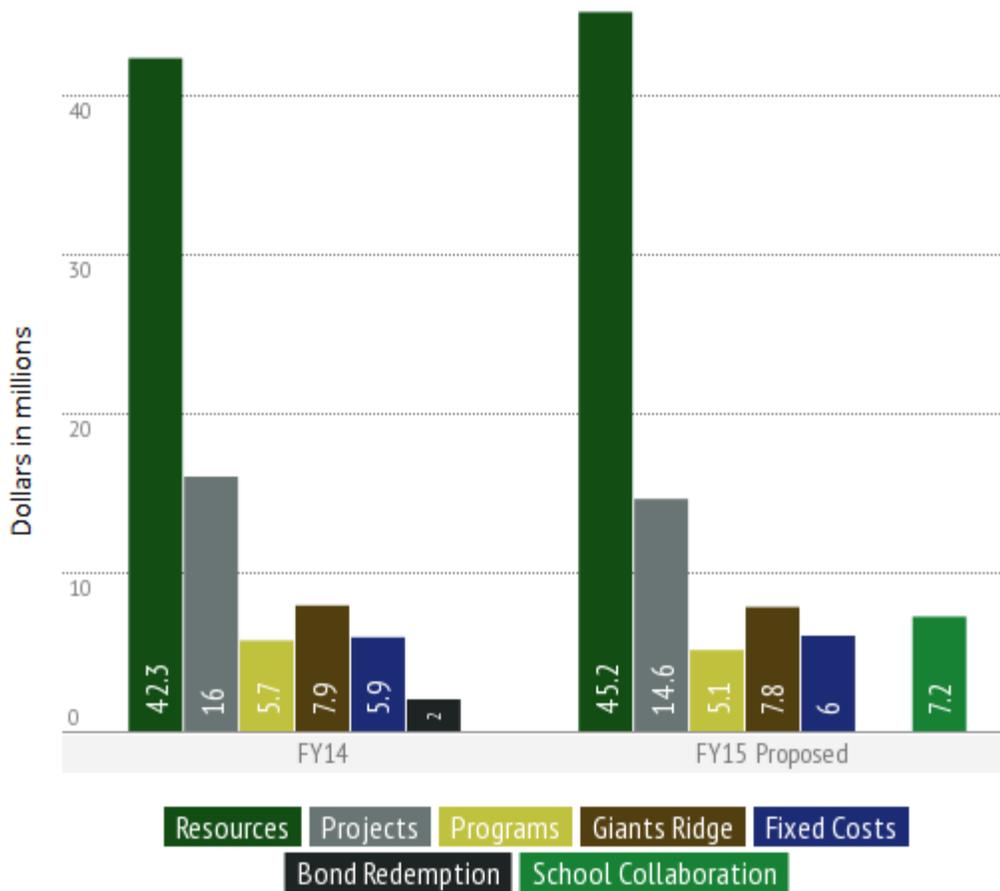
FY15 July 1, 2014 – June 30, 2015

This proposed budget reflects IRRRB's commitment to investing in a better future for northeastern Minnesota. Development projects and programs and education are first priority, accounting for 66% of agency investments. Investments in the Giants Ridge Recreation Facility and agency operations comprise the rest.

Legislative funding for an Iron Range school account is a new resource that supports innovation in education, collaboration and bricks and mortar needs across the service area. It is an important addition to the agency's investment tool box, intended to grow the next generation of residents and workforce.

Legislatively dedicated infrastructure funding of \$2.5 million will help townships with improvements critical to serving rural areas. This effort recognizes the broad geographic distribution of our residents, both town and country.





➔ \$40.9 Million

FY15 spending levels down slightly, with increased resources dedicated to legislative initiatives.

Additional investments in development projects last year resulted in a \$5.7 million spend down in carryforward, reducing this year’s estimate to \$6 million.

This budget is presented in seven parts, starting with a high level financial overview of resources and expenditures, followed by six budget sections and companion narratives. Note the addition of year-end reports in the Appendix, highlighting agency program results.

FY15 Budget

Iron Range Resources & Rehabilitation Board	FY 2014 Original Approved Budget	FY 2014 Modified Approved Budget	FY 2015 Budget Request
Resources			
Carryforward In	\$12,511,670	\$19,682,758	\$6,085,554
Current Resources			
Taconite Production Taxes	\$21,384,480	\$21,384,480	\$21,251,632
Investment Earnings	494,116	494,116	550,116
Loan Revenues	2,552,311	2,552,311	2,772,094
Facilities Revenues	4,806,250	4,806,250	4,231,768
Occupation Tax Region III	574,655	574,655	594,116
Taconite Homestead Credit Transfer	0	0	2,574,505
Iron Range School Collaboration	0	0	7,213,634
Subtotal Current Resources	\$29,811,812	\$29,811,812	\$39,187,865
Total Resources	\$42,323,482	\$49,494,570	\$45,273,419
Estimated Expenditures			
Projects			
Development Projects	9,000,000	12,447,000	9,050,000
Infrastructure	7,000,000	7,865,000	5,574,505
Total Projects	\$16,000,000	\$20,312,000	\$14,624,505
Programs			
Program Grants	5,131,572	5,631,572	4,595,000
Occupation Tax Region III	574,655	574,655	594,116
Total Programs	\$5,706,227	\$6,206,227	\$5,189,116
Giants Ridge	\$7,996,901	\$8,896,901	\$7,862,536
Operations & Development Fixed Costs	\$5,993,888	\$5,993,888	\$6,099,179
Giants Ridge Bond Redemption Repayment	\$2,000,000	\$2,000,000	\$0
Iron Range School Collaboration	\$0	\$0	\$7,213,634
Total Budget	\$37,697,016	\$43,409,016	\$40,988,970
Estimated Carryforward Out	\$4,626,466	\$6,085,554	\$4,284,449

Projects

Development Projects - \$9,050,000

A total of \$9,050,000 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, 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.

Infrastructure - \$5,574,505

Infrastructure 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 2014 Original Approved Budget	FY 2015 Modified Approved Budget	FY 2015 Budget Request
Development Projects	\$9,000,000	\$12,447,000	\$9,050,000
Infrastructure	7,000,000	7,865,000	5,574,505
Total Development Projects	\$16,000,000	\$20,312,000	\$14,624,505

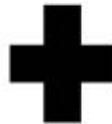
\$14 Million

Invested in communities

\$9 MILLION

Invested in Development

Promotes business growth
Attracts new investments
Job creation
Leverages private funding



\$5 MILLION

Invested in Infrastructure

Supports business development projects
Keeps property taxes down
Generates new tax revenue and tax base
Creates construction jobs



Programs

Grants

Community Development

Commercial Redevelopment - \$750,000

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

Residential Redevelopment grants help create cleaner and safer communities and encourage new construction by assisting in the demolition of dilapidated residential structures.

Business Energy Retrofit - \$500,000

Administered by AEOA and in partnership with municipal and state energy conservation programs, Business Energy Retrofit provides IRRRB funding assistance for energy conservation, efficiency and installation of renewable energy systems. IRRRB grants defray one-third of the cost of an individual businesses' investment. The remaining two-thirds 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.

Development Partnerships - \$250,000

This program funds the agency's partnerships with regional development entities. Past partnerships include: APEX - Northforce, 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 - \$150,000

Grants help communities fund the development and adoption of comprehensive plans. 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

Workforce Development Grants - \$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 & Mineland Reclamation

Mining & Mineland Reclamation - \$285,000

FY15 funded projects and programs will include mine pit fish stocking (\$15,000), emergency safety projects and repair (\$20,000), Mining and Mineral Development (\$100,000), and the Mining Impact Grant Program (\$150,000) that will stimulate communities to proactively address current and future conflicts with mining.

Laurentian Vision Partnership - \$200,000

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 - \$185,000

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 - \$1,350,000

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 \$100,000 for building capital improvements.

Commissioner Program - \$250,000

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 2014 Original Approved Budget	FY 2014 Modified Approved Budget	FY 2015 Budget Request
Community Development			
Commercial Redevelopment	\$1,000,000	\$1,000,000	\$750,000
Residential Redevelopment	350,000	350,000	350,000
Home Energy Improvement	500,000	500,000	0
Business Energy Retrofit	0	500,000	500,000
Development Partnerships	250,000	250,000	250,000
Community Comprehensive Plan Updates	200,000	200,000	150,000
Total Community Development	\$2,300,000	\$2,800,000	\$2,000,000
Education/Workforce Development	\$300,000	\$300,000	\$300,000
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$285,000	\$285,000	\$285,000
Laurentian Vision Innovation Projects	250,000	250,000	200,000
Total Mining and Mineland Reclamation	\$535,000	\$535,000	\$485,000
Culture & Tourism			
Culture & Tourism	\$150,000	\$150,000	\$185,000
Minnesota Discovery Center	1,321,572	1,321,572	1,350,000
Total Culture & Tourism	\$1,471,572	\$1,471,572	\$1,535,000
Commissioner Program	\$500,000	\$500,000	\$250,000
Application Fund	\$25,000	\$25,000	\$25,000
Total Program Grants	\$5,706,227	\$6,206,227	\$4,595,000

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 FY14 was \$574,655, 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 2014 Original Approved Budget	FY 2014 Modified Approved Budget	FY 2015 Budget Request
Region III	\$574,655	\$574,655	\$594,116

GIANTS RIDGE EVENT CENTER



ECONOMIC IMPACT FOR IRRRB SERVICE AREA

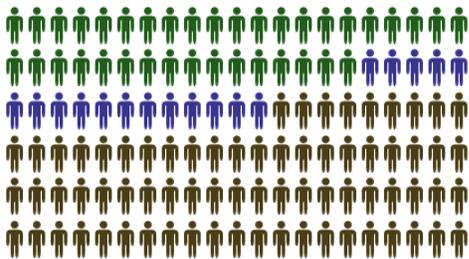
\$4.8 Million

The event center is forecasted to collect an average of just over \$4.8 Million in revenue

\$7.9 Million

This will generate \$7.9 Million in annual output spending in St. Louis County

Job Creation



Construction Jobs: 62 Full Time Equivalent: 28 Retained Jobs: 120

100,000+

Giants Ridge attracts over 100,000 visitors annually from Minnesota, the United States and Canada

Giants Ridge Recreation Facility

The 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.

The Giants Ridge recreation area is comprised of 10,000 acres of land of which IRRRB owns 1,850 acres.

FY15 budget support includes transition costs for construction of a new Giants Ridge event center. This shovel-ready project will create a multi-use, year-round destination attraction that supports area tourism and local residents. It will replace a 30-year old facility with aging and energy inefficient infrastructure.

The proposed event center will provide:

- recreation services
- winter sports school
- winter/summer equipment rentals
- banquet and conference space
- food and beverage venues

Giants Ridge Budget

Giants Ridge	FY 2014 Original Approved Budget	FY 2014 Modified Approved Budget	FY 2015 Budget Request
Revenues			
Admissions	\$2,433,422	\$2,433,422	\$2,564,228
Facility Rental	116,495	116,495	43,406
Other Revenue	215,117	215,117	146,186
Retail Sales	1,706,425	1,706,425	1,203,157
Total Revenues	\$4,471,459	\$4,471,459	\$3,956,377
Expenses			
Cost of Sales	\$ 829,846	\$ 829,846	\$ 558,953
Salaries & Benefits	3,896,256	3,896,256	3,933,959
Utilities	312,552	312,552	315,465
Advertising & Marketing	505,332	505,332	495,488
Equipment Rental	161,515	161,515	5,450
Management Fees	138,963	138,963	127,572
Maintenance & Repairs	505,973	505,973	597,378
Supplies	409,276	409,276	380,268
Insurance	101,874	101,874	107,698
Purchased Services	564,031	564,031	399,664
Capital and Non-Capital Assets	469,926	1,369,926	537,274
Total Operational Expenses	\$7,895,544	\$8,795,544	\$7,459,169
Non Operational Expenses			
Interest	\$101,357	\$101,357	\$3,367
Event Center Transition Costs	0	0	400,000
Total Non-Operational Expenses	\$101,357	\$101,357	\$403,367
Total Expenditures	\$7,996,901	\$8,896,901	\$7,862,536

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 2014 Original Approved Budget	FY 2014 Modified Approved Budget	FY 2015 Budget Request
Payroll			
Wages and Benefits	\$3,458,179	\$3,458,179	\$3,752,907
Retirement Insurance	252,555	252,555	179,000
Unemployment Compensation	100,000	100,000	100,000
Workers Compensation	137,000	137,000	120,000
Other Payroll Costs	15,400	15,400	16,500
Total Payroll	\$3,963,134	\$3,963,134	\$4,168,407
Purchased Services			
Rentals and Utilities	76,780	76,780	60,220
Printing and Advertising	62,814	62,814	44,400
Professional/Technical Services	280,700	280,700	470,400
Computer and Computer Services	95,800	95,800	113,500
Communications	131,300	131,300	145,560
Travel	177,150	177,150	214,200
Employee Development	44,300	44,300	43,500
Total Purchased Services	\$868,844	\$868,844	\$1,091,780
Supplies and Equipment	\$439,570	\$439,570	\$417,400
Repairs and Maintenance	\$339,740	\$339,740	\$184,000
Indirect Costs			
Statewide Indirect Costs	\$106,000	\$106,000	\$44,592
Attorney General Costs	120,000	120,000	15,000
Total Indirect Costs	\$226,000	\$226,000	\$59,592
Other Operating Costs	\$156,600	\$156,600	\$178,000
Total Operational Costs	\$5,993,888	\$5,993,888	\$6,099,179

APPENDIX

Program Reports

The Appendix materials begin on the next page and feature:

- A memo highlighting IRRRB business assistance trends
- FY14 reports for each agency grant program



Iron Range Resources & Rehabilitation Board

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 13, 2014

Re: BUSINESS ASSISTANCE TRENDS

IRRRB's business assistance programs are focused on helping businesses retain and grow jobs, expand and diversify northeastern Minnesota's economy. The past two fiscal years (FY13 – FY14) have seen an increase in local businesses assisted. The following highlights notable business assistance trends over the past five years.

IRRRB Business Loans - Past Five Years (millions)



**Note: Includes projects funded from the DJJ Trust*

Past Two Years - Large Project Highlights

\$7.5 Million

Chisholm-Hibbing Airport
(DMR)

\$5.9 Million

Delta Airlines

\$21.2 Million

Segetis

Past Two Years - Projects \$2 million and under

QUICK FACTS



Total businesses assisted: 56

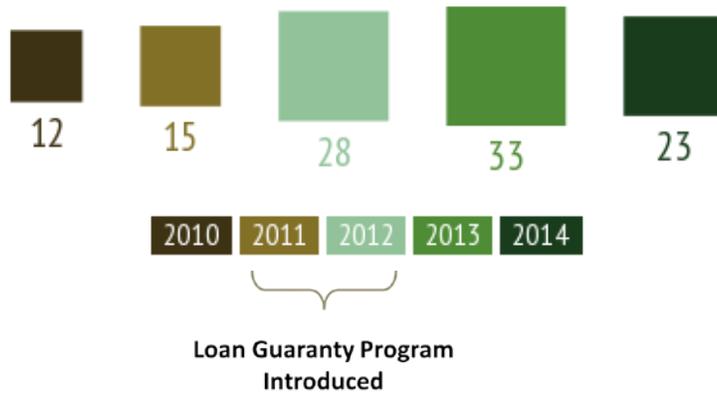


Average jobs created: 11

\$675,000

Average loan amount

IRRRB Businesses Assisted - Past Five Years



Loan Guaranty Program - \$1 Million Dollars



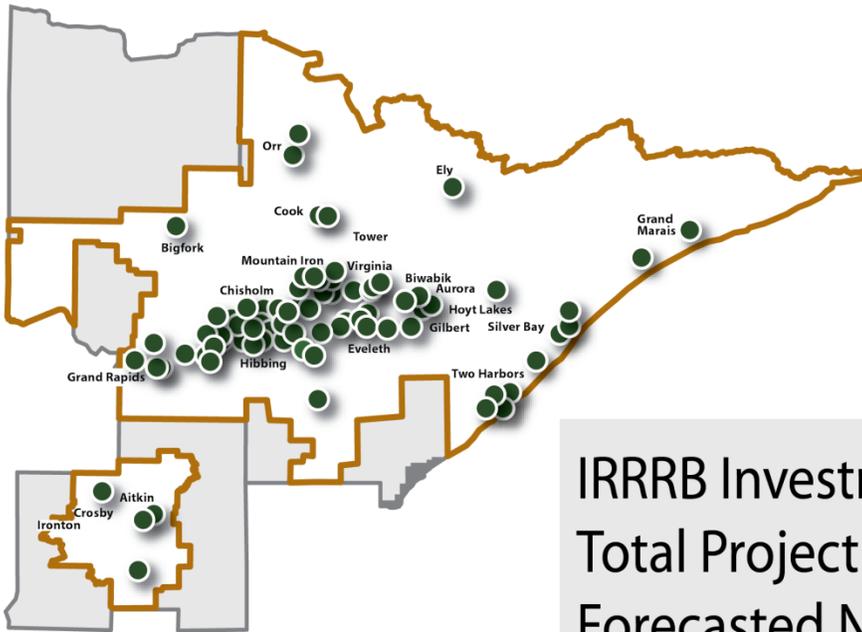
LOCAL BUSINESS LOAN GUARANTY PROGRAM		
BORROWER	LOAN AMOUNT	IRRRB GUARANTY
JPJ Engineering, Inc.	\$150,000	\$75,000
Aysta Water, Inc.	\$30,000	\$15,029
Lenci Enterprises, Inc.	\$175,000	\$72,000
KMDA, Inc.	\$100,000	\$75,000
Amptek, Inc.	\$50,000	\$0
Parrk Paving, Inc.	\$60,000	\$31,699
Ciao of Side Lake, Inc.	\$55,950	\$39,233
Pure Driven, LLC	\$100,000	\$61,580
Premier Plastics, Inc.	\$114,960	\$0
Cherish, LLC	\$30,000	\$0
David A. Olson Logging	\$25,000	\$18,750
Tek-Car Metal, LLC	\$100,000	\$65,300
Sullivan Candy & Supply	\$12,000	\$6,892
Atrium Restaurant, Inc.	\$15,000	\$8,535
Ryan's Rustic Railings	\$40,000	\$0
MNStar Technologies, Inc.	\$150,000	\$75,000
Guyer's Corner Store	\$100,000	\$75,000
Spectrum Housing	\$100,000	\$75,000
Derek Gustafson, D.D.S.	\$85,000	\$63,750
Silver Lake Floral	\$18,000	\$13,500
As of June 12, 2014	\$1,510,910	\$771,267
	Budget	\$1,000,000
	Available	\$228,733

Recommendations

The loan guaranty program has invested almost \$800,000 to-date. Each loan guaranty timeframe is dependent upon the term of the loan, up to five years. In order for the loan team to continue on this positive trend of businesses assistance, it is necessary to have the funds available to support future business expansions. As noted above, we've invested over \$1 million dollars a month in business loan support alone to businesses. Not including Segetis, we've spent a little less than \$9 million a year for the past five years.

The Loan Guaranty Program and the Desk Approval for Loans under the specified dollar amount are necessary tools for Fiscal Year 2015 and need to be continued.

IRRRB Business Assistance - Past Two Years



IRRRB Investment: **\$44 million**

Total Project Investment: **\$164 million**

Forecasted New Jobs: **797**

(FTE Construction: 245 Permanent: 552)

Purpose

To help cities, townships, airports, hospitals and collaborative organizations complete infrastructure projects that support community and business development.

Why is this important?

- Supports business development projects
- Keeps property taxes down
- Generates new tax revenue and tax base
- Creates construction jobs

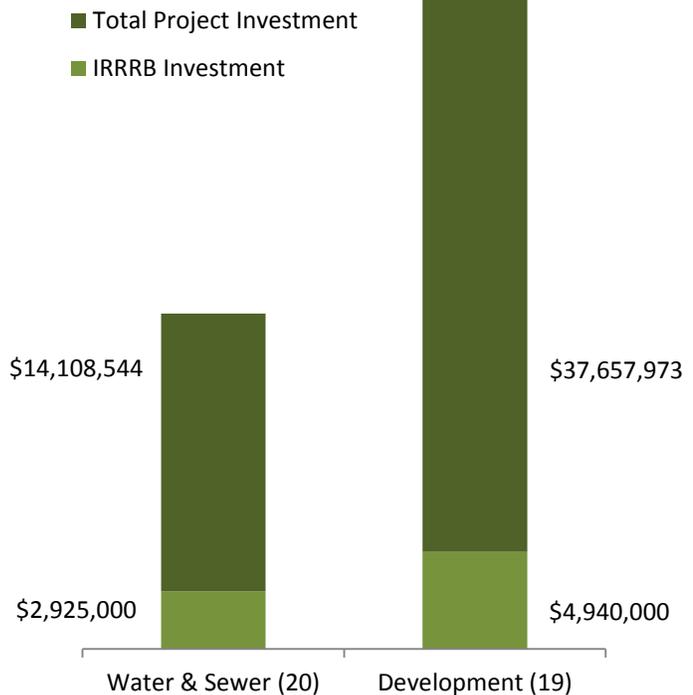
How are we doing?

- \$7,865,000 program budget
- 100% allocated
- 39 grants awarded (35 communities)
- \$52,930,274 total project investment

What are we doing?

The grant program invested \$7,865,000 in 35 communities for 39 development or water and sewer projects. Projects included new business development, business expansion, new housing development and replacement of water and sewer lines for cities and townships.

FY14 Program Investments





Commercial Redevelopment Grant Program FY14 Report

Purpose

To assist in the demolition of commercial buildings, publicly-owned structures, or the cleanup of Brownfield sites to make way for new development.

Why is this important?

Communities struggle with problems associated with aging buildings that become dilapidated or abandoned. Dilapidated buildings decrease property values and increase public health and safety hazards.

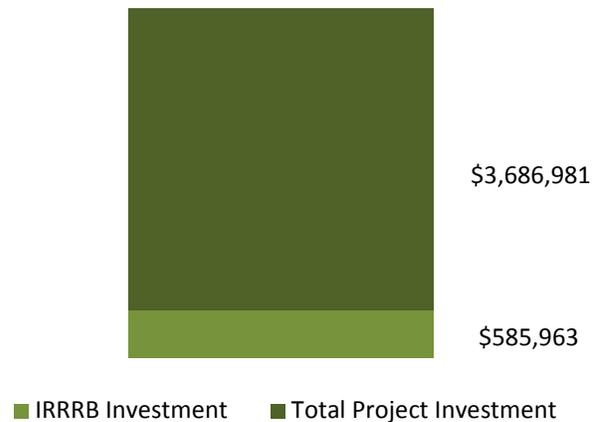
How are we doing?

- \$1,000,000 program budget
- \$585,963 allocated
- 11 buildings demolished and removed
- 4 new or expanded businesses

What are we doing?

The current program reimburses communities up to two-thirds of the total cost of each project. It can be challenging for cities faced with larger commercial demolition projects to obtain necessary funding, therefore, we will continue to work with cities to align additional funding from DEED and CDBG.

FY14 Program Investments





Residential Redevelopment Grant Program FY14 Report

Purpose

To assist in the demolition of dilapidated residential structures to create cleaner, safer communities and to encourage new construction.

Why is this important?

The projected rate of growth of dilapidated structures was estimated at 60 per year in 2013. We anticipate the need for removal in participating communities will exceed the original estimated rate of growth.

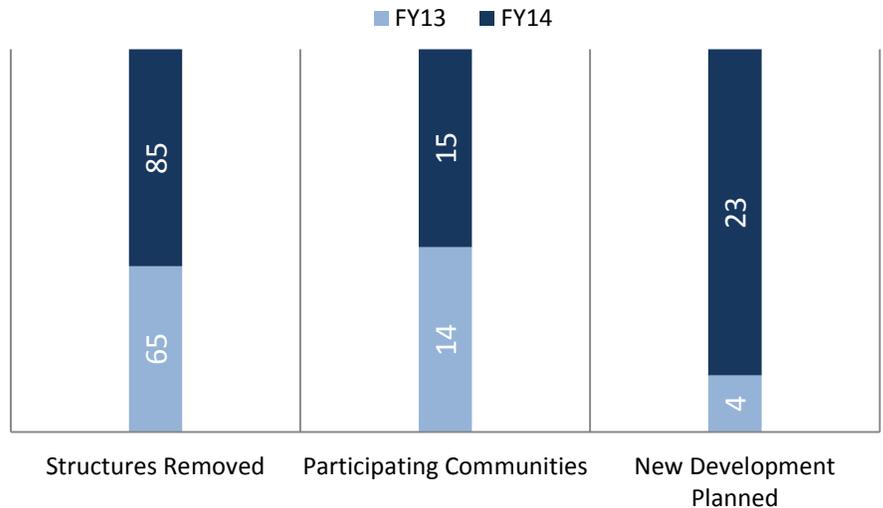
How are we doing?

- \$350,000 program budget
- 100% budget allocated
- 17 grants awarded to communities

What are we doing?

In FY14, the program reimbursed communities \$3 per square foot for the removal of basements and has been well received by participants. For projects located in St. Louis County, the St. Louis County Lands & Minerals Department has been a good partner by helping pay for asbestos inspection and removal costs, on a case-by-case basis, for tax-forfeit residential structures.

FY13 & FY14 Program Results





Business Energy Retrofit (BER) Grant Program FY14 Report

Purpose

Administered by the Arrowhead Economic Opportunity Agency, grant funds are provided for energy conservation, efficiency and installation of renewable energy systems. The program is aimed at helping businesses save money on energy expenses and create jobs in the construction sector.

Why is this important?

The BER Program provides multiple benefits to both participating businesses and to the community:

- Businesses save money on energy every day, every month and every year
- Jobs are created for contractors and vendors
- Improvements go directly to businesses and are available for all sectors and sizes
- Improvements help businesses to be more competitive, maintaining or increasing employment levels

How are we doing?

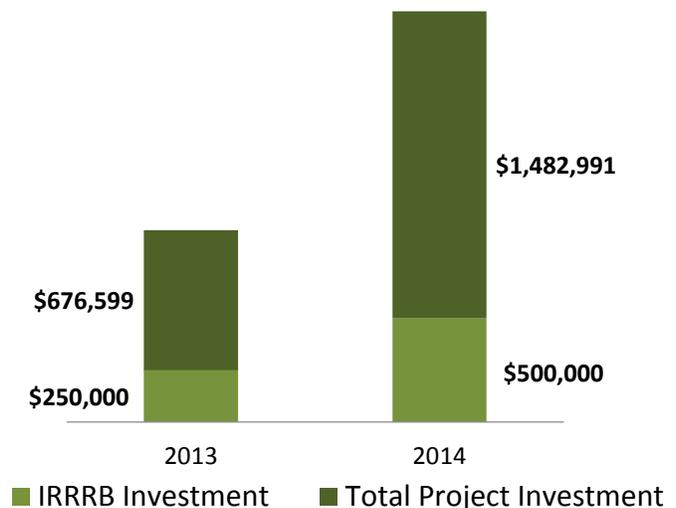
- \$500,000 program budget
- 100% allocated
- 34 project grants awarded
- \$1,482,991 total project investment

What are we doing?

This program has been a great local success story. Main street businesses are seeing the results of the energy investments and improvements. Local contractors are providing energy improvements to businesses.

AEOA currently has 46 applications from business owners anticipating program funding for 2015. There are an additional 15 businesses who have contacted AEOA and are interested in the program.

FY13 & FY14 Program Investments





Development Partnerships Grant Program FY14 Report

Purpose

To provide funds for research, education, and development-based initiatives, which support the long-term economic growth of northeastern Minnesota.

Why is this important?

IRRRB collaborates with regional economic development partners to help expand and attract businesses. By collaborating with other public and private sectors, we can initiate, implement, and innovate programs that promote business and community development.

How are we doing?

- \$250,000 program budget
- \$238,933 allocated
- 7 grants awarded to program partners
- \$683,000 total program investment

FY14 Program Highlights

Business Development Representative

- Funded a business development representative through the University of Minnesota Duluth Center for Economic Development, who assists area businesses and entrepreneurs with business plan development, feasibility and financial analysis, market research, loan packaging and more.

Wood Fiber Study

- Funded a comprehensive wood fiber study in partnership with Minnesota Power, Allete Clean Energy, Great River Energy, and APEX. The study focused on three 75-mile market areas covering NE MN and NW WI. Study findings have aided in recruiting new businesses, such as Segetis, to the area.

What are we doing?

IRRRB works with regional partners on a variety of activities including project financing, matchmaking and networking, site selection and entrepreneurial efforts.

Purpose

To assist communities in the development and adoption of comprehensive plans.

Why is this important?

A comprehensive plan provides a long-range guide to the future for each community or region in the IRRRB service area and defines the way a community wishes to grow and develop. Planning helps produce better communities, environments and economies.

How are we doing?

- \$250,000 program budget
- \$129,837 awarded
- 12 grants awarded

What are we doing?

IRRRB requires all cities within the service area to develop or update their comprehensive plan to qualify for future funding. The program reimburses communities up to one-half of the total cost of each project. The comprehensive plans will provide community leaders and IRRRB with a guide to making long-term development decisions.

FY14 Program Participation



Purpose

To support programs that emerge from industry, industry clusters, schools, or collaborations that build capacity, increase responsiveness or innovation to address workforce needs. Funds may also be granted to secondary and post-secondary education institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post-secondary school to the workforce.

Why is this important?

- Regional employers require an innovative, highly skilled and technologically advanced workforce to remain competitive in an ever changing global economy
- Many small to medium size companies lack access to workforce development training funds
- Students require industry specific post-secondary training and education to gain employment

How are we doing?

- \$300,000 program budget
- \$114,800 allocated

What are we doing?

Working with regional companies and organizations to address workforce and training needs of mining, manufacturing, healthcare, power generation, pulp/paper and customer service sectors. The program also funds the development of new sector specific academic programs designed for industry partners, regardless of size.

Enrollment



2,532

Superior Innovations Project:
completion rate of 97%

Provided local access to college education and training in the North Shore region



321

Healthcare Simulation Training
Modules: Completion rate of 100%

Trained regional healthcare workers on a state-of-the-art, mobile "SimLab" semi-truck

Purpose

To provide funding to address emergency safety projects, support mining and mineral development activities, help communities identify and resolve issues resulting from mining impacts and stock rainbow trout in the mine pits.

Why is this important?

Mining-related activities, such as mineral exploration, development, extraction, and processing, impact the region. Mining impact funds help to proactively identify existing or potential mining influences on the region's communities.

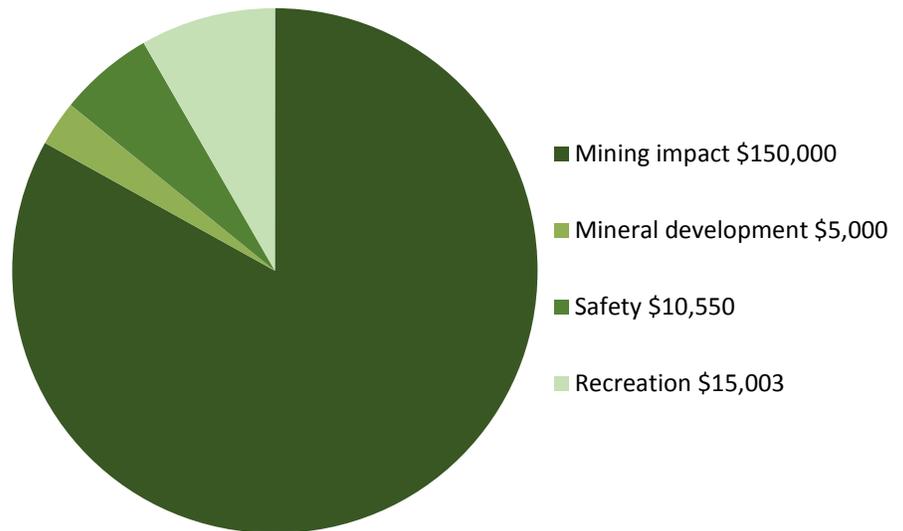
How are we doing?

- \$285,000 program budget
- \$180,553 allocated

What are we doing?

In FY14, the Mining Impact grant budget was spent on two projects – Deceleration Lane for Hwy 169 near Coleraine and the Hibbing Taconite expansion's land issues. In addition, when an underground mine shaft in McKinley became exposed creating a safety hazard, the agency promptly constructed a fence around the site to prevent accidents. For recreational purposes, rainbow trout were stocked in six mine pits across the Mesabi Iron Range.

FY14 Program Investments



Purpose

To assist 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.

Why is this important?

- **Preserve** lands necessary to sustain current and future mining
- **Promote** landscape options for post-mining uses
- **Identify** and discuss new development opportunities
- **Provide** the tools to achieve these goals

How are we doing?

- \$250,000 program budget
- \$168,000 awarded
- \$578,285 total project investment

What are we doing?

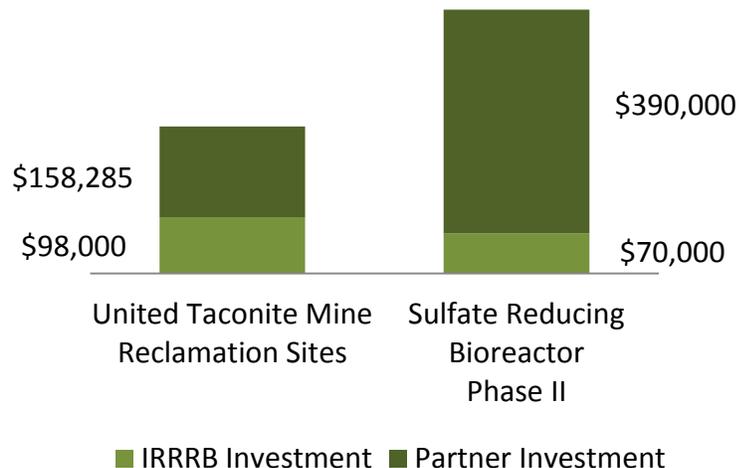
The program supported two projects in FY14:

1. Reclaimed two mine sites to a natural landscape through sloping and tree planting.
2. Funded the Sulfate Reducing Bioreactor Phase II Testing with goals for increased volumes, greater efficiencies and demonstration of year-around feasibility.

Projects by Key Performance Area 2006-2014



FY14 Program Investment



Purpose

To stimulate tourism and enrich communities through support of artistic, heritage-related, tourism or recreational activities.

Why is this important?

Cultural arts, tourism and recreational activities support local economic vitality by attracting new and visiting populations.

Key performance areas

- Presence of opportunities for cultural participation at events, venues and parks
- Improvements to or construction of exhibits, structures or recreational amenities; and
- Support for marketing and promotion initiatives.

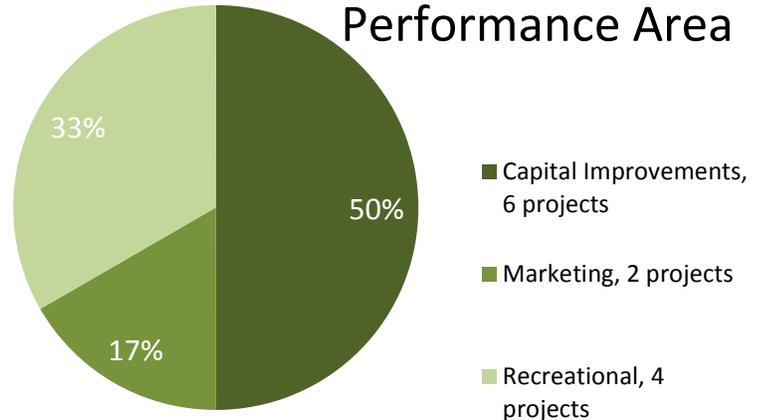
How are we doing?

- \$150,000 program budget
- \$145,466 allocated
- 12 grants awarded
- \$516,082 total project investment

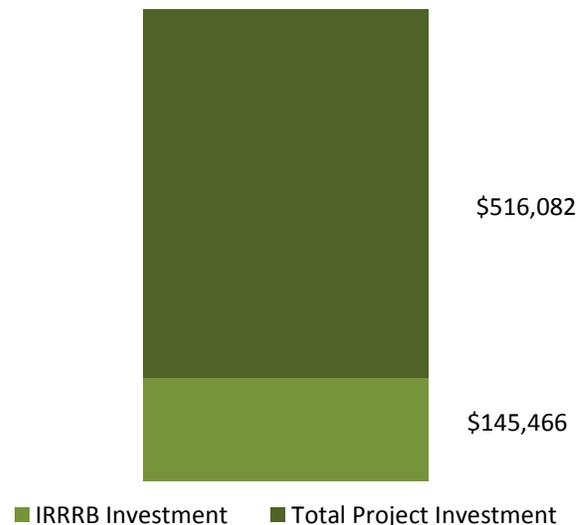
What are we doing?

Instead of an annual application deadline, grant applications are now accepted throughout the year so the number of grants awarded to date in 2014 varied from previous years. We expect to receive new applications, equal to or exceeding 2013 requests through the end of fiscal year 2014.

Projects by Key Performance Area



FY14 Program Investments



Purpose

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

Why is this important?

Communities face competition for grant and loan assistance. Most communities rely on regional consultants to prepare applications for funding, and the costs associated with grant writing can be substantial. For a minimal investment by IRRRB, the return for a community receiving grant funds can be very significant.

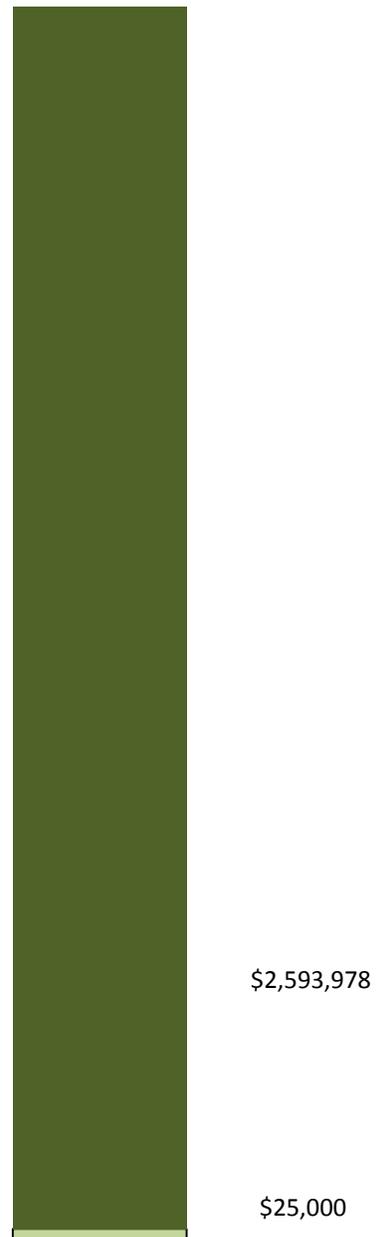
How are we doing?

- \$25,000 program budget
- 100% allocated
- 10 grants awarded
- \$2,593,978 total grant dollars received

What are we doing?

The program is helping our communities receive grant dollars to complete community and business development projects.

FY14 Program Investments



■ Total Grants Received from Other Sources
■ IRRRB Investment