

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**Iron Range Resources and Rehabilitation
Eveleth, Minnesota**

Friday, February 22, 2019 – 11:00 a.m.

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD**
Iron Range Resources and Rehabilitation
Eveleth, Minnesota
Friday, February 22, 2019 – 11:00 a.m.

AGENDA

- 1) Roll Call

- 2) Election of the Chair and Vice Chair

- 3) Approval of December 10, 2018, Minutes
See Addendum A

- 4) Commissioner's Comments

- 5) American Peat Technology, LLC.

- 6) Hibbing Economic Development Authority

- 7) Midwest Manufacturing and Mechanical, Inc.

- 8) FY19 Development and Community Infrastructure Projects

- 9) Iron Range School Consolidation and Cooperatively Operated School Account

- 10) Other

- 11) Adjournment

American Peat Technology, LLC

36203 350th Ave

Aitkin, MN 55431

IRRRB Participation Loan

Applicant:	American Peat Technology	
Project Location:	36203 350 th Ave, Aitkin, MN 55431	
Principal(s):	Douglas Green, CEO Roger Sorben, CFO	
Project Description:	<p>American Peat Technology (APT) is a peat harvesting and beneficiating company located near Aitken, MN. APT uses a process to dry peat before turning it into a granular product—which is used in the agricultural market to provide bacteria to crops to assist with nitrogen fixation. Over the past several years, APT has seen an increased demand for their product. In 2017, they produced 650 truckloads resulting in over \$10.8M in sales, and \$2.3M in net income. In 2018, with process improvements, they have expanded their production capacity to produce 1200 truckloads and are on track to sell over \$16M and \$4.3M in net income.</p>	
Market Opportunity:	<p>APT believes that demand still outweighs supply. To meet this growth in demand, APT plans to expand its Spencer plant. This expansion includes adding and improving dryer technology, and adding additional filter presses and harvesting equipment. If financing gains approval, the immediate increase would allow APT to meet the market demand of 1700 truckloads in 2019, resulting in est. gross revenue of \$23.7M, and net income of over \$6M.</p>	
Project Investment:	Bremer Bank - 9 months interest only, then 7 years amortization	\$5,250,000
	DIRRR –Participation Loan, 1%--9 months interest only, then 7 years amortization)	\$750,000
	APT—20% of total construction costs	\$1,375,000
	TOTAL	<u>\$7,375,000</u>
Jobs:	<p><u>6</u> Planned New FTE <u>43.5</u> FTE Retained Wages <u>\$17-21 HR plus benefits</u> - \$ <u>30,000-50,000</u> per year plus benefits</p>	
Collateral:	UCC Blanket Lien on assets	
Business History:	<p>American Peat Technology, LLC (APT) is a peat harvesting, drying, and processing business based in Aitkin, MN. The company was founded in</p>	

Applicant:	American Peat Technology
	2003 by a group of partners including Douglas Green and members of the Eberhardt family. The business was created to purchase the assets of a former business known as Peat Technologies. Business operations as APT began in 2004. Business ownership changed in 2015. The business currently has 40 owners, with 24 holding less than 1% ownership each and only 8 holding more than 5% ownership.
Past IRRRB History:	Loan #20101 funded 1/30/15 - \$100,000 – status is current
Contingencies:	None
Technical Advisory Committee Recommendation:	The TAC recommended approval at its February 12, 2019 meeting.
Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provision 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 purpose of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341

Hibbing Economic Development Authority



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

Date: February 22, 2019

To: Iron Range Resources & Rehabilitation Board

From: Mark Phillips
Commissioner

RE: NON-RECOURSE LOAN REQUEST OF \$600,000 FROM THE HIBBING ECONOMIC DEVELOPMENT AUTHORITY

The Hibbing Economic Development Authority (HEDA) has requested a non-recourse loan for \$600,000 to purchase Hugh Vidovic's building (1111 7th Avenue East) to accommodate an expansion of RMB Environmental Laboratories, Inc. (RMBEL), a Detroit Lakes area environmental analytics company. In 1996, Hugh Vidovic constructed the 31,000 sq. ft. building in the Hibbing Industrial Park to lease to DMR Electronics. In 2013, DMR Electronics outgrew this space and moved (over a 2-year period) to a different site that could accommodate its needs. Since 2015, the building has been empty with the exception of housing some excess inventory of several small businesses. RMB Environmental Laboratories has been looking to expand to the Iron Range by establishing a full-service analytical testing facility in Hibbing MN. RMBEL is certified by the Minnesota Department of Health and is a master contract service vendor through Minnesota's Cooperative Purchasing Venture (CPV).

RMBEL has executed their intent to enter a long-term lease agreement to occupy roughly 17,000 sq. ft. of the 31,000 sq. ft. building. RMBEL is planning on hiring 20 people over the course of two years---paying a wage of \$30,000-\$50,000/year plus benefits per job. In addition, DMR Electronics will continue to lease another 9,000 sq. ft. over the next year.

RMBEL will enter into a lease for a minimum of five years with HEDA. It is proposed that the loan to HEDA would be 0%, over a 20-year term, with repayment coming from "net lease revenue" collected on the facility. DIRRR will retain authority to approve all leases entered into by HEDA pursuant to this project.

Agency financing would be contingent on RMBEL entering into a lease for a minimum of 5 years with terms acceptable to DIRRR, and RMB secures financing of \$1.2 million in financing to complete the project including a loan of \$250,000 from HEDA.

The Technical Advisory Committee recommended approval of the project at its February 12, 2019 meeting.

Midwest Manufacturing and Mechanical, Inc.

515 East Platt Avenue

Nashwauk, MN 55769

Department of Iron Range Resources and Rehabilitation

Bank Participation Loan

Applicant:	Midwest Manufacturing and Mechanical, Inc.	
Project Location:	515 East Platt Avenue	
Principal(s):	Michael D. Stiglich and Michael L. Anderson	
Project Description:	Purchase of a Akyapak AHS hydraulic roll machine, a 2006 Accurpress 500 ton hydraulic press, and a 2013 Geka 165 ton ironworker 165SD.	
Market Opportunity:	The purchase of the new equipment will allow Midwest Manufacturing to hire 1 to 2 new employees, and the equipment will allow the expansion of out of the area OEM customers.	
Project Investment:	American Bank of the North – 5-year amortization, negotiated rate.	\$116,000
	Department of Iron Range Resources and Rehabilitation – 5-year amortization, negotiated rate.	\$116,000
	Borrower Equity	\$34,000
	TOTAL	<u>\$266,000</u>
Jobs:	<u>1-2</u> Planned New <u>33</u> Retained Wages <u>\$14 to \$35/hr</u> - <u>\$30,000 to \$73,000</u> per year plus benefits	
Collateral:	The loans will be secured by a Blanket UCC. American Bank and the IRRR will be in a shared 1 st position.	
Business History:	Midwest Manufacturing & Mechanical, Inc (MM&M, Inc.) is owned in equal shares by Michael Anderson and Michael Stiglich. The Company was incorporated on November 1, 2007 and is located in the Nashwauk Industrial Park. The City of Nashwauk approved incentives for the project including reduced price of the land, site improvements, and JOBZ credits. The primary business is manufacturing of custom designed industrial sizing/classifying screens for use in coal, iron ore, and food industries. They range in size from 4' x 8' and 8' x 20' and tonnages from 50 ton/hour to 550 ton/hour	
Past Agency History:	5/7/2010 - \$351,482 balance \$10,267 - Current 1/17/2014 - \$272,290 balance \$209,957 – Current 3 loan guarantees – All satisfied	
Contingencies:	None	

Applicant:	Midwest Manufacturing and Mechanical, Inc.
Technical Advisory Committee Recommendation:	The TAC recommended approval at its February 12, 2019 meeting.
Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provision 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 purpose of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

FY19 Development and Community Infrastructure Projects



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

Date: February 22, 2019

To: Iron Range Resources & Rehabilitation Board

From: Mark Phillips
Commissioner

RE: FY19 DEVELOPMENT & COMMUNITY INFRASTRUCTURE PROJECTS

PURPOSE

The Community Infrastructure grant program helps cities and townships fund infrastructure projects located within the agency's service area to support community development.

The Development Infrastructure grant program provides funds for cities, townships and tribal units of government that may be used for infrastructure, sitework or healthcare capital projects that support economic development.

ECONOMIC IMPACT

FY19 infrastructure grants	6
Iron Range Resources & Rehabilitation investment	\$1,267,337
Total investment	\$15,214,365
Leverage public/private	1:9

City of Cook

Grant Amount: \$350,000

The city of Cook is requesting a \$350,000 Development Infrastructure emergency grant for on site water and sewer upgrades and sitework for the redevelopment of Zup's Food Market. A fire on Nov. 12, 2018 destroyed the grocery store. Zup's began serving Cook and the surrounding area in May 1998. It operated continually until a total loss fire halted its business. At the time of the fire Zup's employed 44 union employees, 20 were full-time. The business provides grocery supplies and services to thousands of rural residents, tourists and resorts in the region north of Virginia. Throughout the past twenty years, Zup's has consistently given back to the Cook community and surrounding region in many ways. The owners of Zup's are planning to rebuild at their current location where the original facility operated. The store architectural and engineering plans are in place and should provide an opportunity to grow and increase jobs. The owners plan on building construction to begin by March/April 2019. This project will ensure that residents in Cook and the surrounding area will have access to groceries and essential products without having to travel 60 to 100 miles round-trip. The project is expected to retain 44 permanent jobs and create 33 construction jobs.

USES		SOURCES	
Infrastructure and sitework	\$397,528	Iron Range Resources & Rehabilitation	\$350,000
Equipment	1,860,418	Private	4,585,054
Building construction	2,859,833	Hwy 1 Corridor Funds	250,000
A&E	44,275		
Contingency	23,000		
TOTAL	\$5,185,054	TOTAL	\$5,185,054

Cook County/Grand Marais EDA

Grant Amount: \$100,000

The Cook County Economic Development Authority is requesting funds to assist with a local business expansion project. The North House Folk School's strategic plan addresses the need for additional educational campus capacity. The school will expand its footprint to include the Dockside Fish Market, which is a unique lakefront parcel adjacent to the North House Folk School's campus property. The project is projected to create five permanent jobs and three construction jobs.

USES		SOURCES	
Site expansion and new construction	\$1,792,500	Iron Range Resources & Rehabilitation	\$100,000
		Cargill Foundation	850,000
		Blandin Foundation	50,000
		North House Folk School	25,000
		Private	567,500
		Iron Range Resources & Rehabilitation FY2018	200,000
TOTAL	\$1,792,500	TOTAL	\$1,792,500

City of Crosby

Grant Amount: \$350,000

The project consists of infrastructure and site work for the construction of a new hotel/lodge in Crosby. The proposed new facility is a 35,000 square foot, three story, limited service 50 room hotel with conference center meeting space capacity for 80 people. There are currently no hotels in Crosby. The project is expected to create 10 permanent jobs and 36 construction jobs.

USES		SOURCES	
Water and sewer upgrades	\$349,500	Iron Range Resources & Rehabilitation	\$350,000
New hotel construction	4,998,075	Private	5,178,000
A&E	128,000		
Contingency	52,425		
TOTAL	\$5,528,000	TOTAL	\$5,528,000

City of Meadowlands

Grant Amount: \$35,000

The project consists of storm water and culvert upgrades on Western Avenue and Scott Avenue in Meadowlands. The culverts have exceeded their life expectancy and through deterioration have caused residential back-ups and flooding. The project is expected to create two construction jobs.

USES		SOURCES	
Force main and pump house upgrades	\$62,500	Iron Range Resources & Rehabilitation	\$35,000
A&E	11,250	CDBG	30,000
Contingency	6,250	City	15,000
TOTAL	\$80,000	TOTAL	\$80,000

City of McKinley

Grant Amount: \$182,337

The project consists of the replacement of water and sewer infrastructure. CSAH 20 is being reconstructed and McKinley needs to replace the aged infrastructure under this highway. The project is expected to create five construction jobs.

USES		SOURCES	
Water/sewer replacement	\$254,065	Iron Range Resources & Rehabilitation	\$182,337
Road reconstruction	450,000	CDBG	100,000
A&E	48,272	City	58,109
Contingency	38,109	Saint Louis County	450,000
TOTAL	\$790,446	TOTAL	\$790,446

City of Silver Bay

Grant Amount: \$250,000

The project consists of the new water and sanitary sewer replacement in the city of Silver Bay. The new water line will be part of a looping project, which will be the construction of a new water main segment to connect the existing water main on the west side of MN Hwy 61 to the existing main in Arthur Circle. The sanitary trunk line portion of the project consists of the replacement of a portion of the existing main sanitary sewer line immediately upstream to the city's treatment plant. The project is expected to create 12 construction jobs.

USES		SOURCES	
Infrastructure and sitework	\$1,471,892	Iron Range Resources & Rehabilitation	\$250,000
A&E	366,473	City	1,588,365
Contingency	133,263		
TOTAL	\$1,838,365	TOTAL	\$1,838,365

* Grant Amendments

City of Virginia

Original Grant Amount: \$110,000

Additional Funds Requested: \$130,000

The city of Virginia is requesting additional infrastructure grant funds for the Midway Drive Redevelopment Project. The project consists of the reconstruction of Midway Drive from Cuyuna Drive south to Bourgin Road. The reconstruction also includes the replacement of water mains, sewer mains and storm sewer located under Midway Drive and improvements to the intersections of Vermilion Drive, Mesabi Drive, More Drive and Bourgin Road. The existing infrastructure under Midway Drive is very old, deteriorated and needs to be replaced. Midway Drive has three accesses to U.S. Highway 53: Bourgin Road, Vermilion Drive and Cuyuna Drive. Highway 53 has been reconstructed in the Midway Drive area as a part of a larger project that included the construction of a new bridge and the relocation of the access to the Virginia Downtown due to mining activities/expansions. The city anticipated receiving \$1.478 million in local road improvement funds but only received \$900,000. This is a \$2.1 million project. The project is expected to create 13 construction jobs.

Iron Range School Consolidation and Cooperatively Operated School Account



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

Date: February 22, 2019

To: Iron Range Resources & Rehabilitation Board

From: Mark Phillips
Commissioner

RE: Iron Range School Consolidation and Cooperatively Operated School Account – Eveleth-Gilbert/Virginia Schools

The Eveleth-Gilbert and Virginia school districts are requesting up to \$98 million over 20 years for the construction of a new collaborative school for grades 7-12 and light upgrades to elementary schools. Discussions regarding school collaboration on the East Range are not new. In the past thirty-three years, there have been fifteen studies or meetings about area schools working together on sharing resources or combining some classes or even consolidation.

Discussions pertaining to this specific “Academies” project have been going on for two years. To-date, there have been 89 meetings involving the two school districts. These meetings have included school boards, committees, students, businesses, and community citizens. A large survey project has been completed as well.

The impetus behind this transformational “Academies” based project is a shift occurring away from traditional, subject-based high schools, to a more personal, project-based, realistic, student-centered, interdisciplinary, and relevant high school experience grounded with community and business partners. This results in more students being successful in their post-secondary experiences and careers.

The three Academies currently being proposed are:

- Business, Management, Administration, Arts, Communications & Information Systems
- Engineering, Manufacturing, Technology, Agriculture, Food, and Natural Resources
- Health Sciences Technology and Human Services

There are currently two potential funding scenarios for this project:

Source of Money	\$164 million project and contribution amount	Percent of total annual payment	\$181 million project and contribution amount	Percent of total annual payment
IRRRB	\$4.9 million annually for 20 years	40%	\$4.9 million annually for 20 years	36%
State of MN	\$5.5 million annually for 20 years	44%	\$6.0 million annually for 20 years	44%
Local Taxpayers	\$2.0 million annually for 20 years	16%	\$2.7 million annually for 20 years	20%

(**Minnesota Special Property Tax Refund dollars may apply as well.)

Under either proposal the annual commitment from the agency will be \$4,900,000. The following criteria must be met to access the funds:

1. The completion of a grant application.
2. Approval from the Commissioner based on input from Iron Range Resources and Rehabilitation Board Members.
3. Resolutions in support of the project from the school boards of both the Virginia and Eveleth-Gilbert school districts.
4. The successful passage of a referendum by the residents of both school districts.

If the criteria above are successfully met construction of the new school will likely begin in 2020 and take two years to complete with the elementary projects to follow. The school districts recently published detailed information about the collaboration project in a question and answer format which is attached to this memorandum.

This expenditure is authorized under the provisions of the Iron Range School Consolidation and Cooperatively Operated School Account as codified under Minnesota Statute 298.28, subdivision 7a.

Frequently Asked Questions and Answers about discussions between the Eveleth-Gilbert and Virginia Schools

How long have the Eveleth-Gilbert and Virginia Schools been talking and working together?

Discussions have been going on for two years. To-date, there have been 89 meetings involving the two school districts. These meetings have included school board, committee, student, business, and community citizens. Nothing like this on a cooperative level is occurring anywhere else in the State of Minnesota.

Why are Eveleth-Gilbert and Virginia Schools considering Career High School Academies on the East end of the Range?

There is a shift occurring away from traditional, subject-based high schools, towards a more personal, project-based, realistic, student-centered, interdisciplinary, and relevant high school experience grounded with community and business partners. This results in far more students being successful in their post-secondary experiences and careers. We want all students to be successful, not just some.

What Academies will exist within the combined Eveleth-Gilbert and Virginia High School?

There will be three academies:

- Business, Management, Administration, Arts, Communications & Information Systems
- Engineering, Manufacturing, Technology, Agriculture, Food, and Natural Resources
- Health Sciences Technology and Human Services

What do students think about the Career High School Academies concept?

Recently, 41 students from Eveleth-Gilbert and Virginia toured our current school facilities in Gilbert, Eveleth, and Virginia. Then they visited Alexandria High School, a local example of how Career Academies work. All Eveleth-Gilbert and Virginia student returned and said they would rather be in a Career High School similar to what Alexandria students experienced. Previous Eveleth-Gilbert and Virginia students, who have also toured Alexandria High School, have said the same thing.

What are the Economic Development results of having a Career High School Academy?

1. Students (future workers) more likely to stay on the Range
2. Businesses develop a stronger and more reliable future workforce
3. Students spend more time in studies they enjoy and have less college debt because they are better focused on a career path before entering post-graduate education
4. Lure to current and potential businesses looking for new or expanding sites because of significantly stronger school-business-careers system

Q: Has anything like this been studied before on the East end of the Range?

A: In the past thirty-three years, there have been fifteen studies or meetings about area schools working together on sharing resources or combining some classes or even consolidation. The East end of the Range has a very long history of discussing collaborative options. Considering collaborations with area school districts is not a new topic. In fact, it is a very old topic.

Q: is this collaboration effort different?

A: Yes. This effort is significantly different from the other and older studies because the needs of the students is being considered first, as the number one important priority and high school education could be transformed significantly into something which is better aligned with student interests, helping students make wiser career decisions, and extensive business and school partnerships. For high school students, it is a game changer. For elementary students, it gives them access to 21st Century Learning spaces more attuned to how students learn.

Q: Is this a serious possibility for something to happen on the East end of the Range or just another “Pie-in-the-sky” dream?

A: We are serious about investigating this option for the future of our kids and grandkids. We want our kids and grandkids to have more opportunities and more choices and to learn practical and valuable skills which will be important throughout their future.

Recently, there was a major survey of the citizens who live in the Eveleth-Gilbert and Virginia school districts.

What are the results of the survey?

A majority of all subgroups and 77% of all respondents support the districts working together to form a formal partnership to build a High School Career Academy at a neutral site between the three communities and update the elementary schools.

What else did the survey ask about?

If the High School Career Academy is built, there is also majority support for a performing arts center, outdoor athletic competition fields, and a community swimming pool.

In the survey, what did citizens say about the elementary schools?

A greater number of respondents from each subgroup realize there is a need to only operate one elementary school in the Eveleth-Gilbert School District. A majority of respondents support updating Franklin Elementary in Eveleth and Roosevelt Elementary School in Virginia. There is less support for updating Nelle Shean Elementary in Gilbert. Parkview elementary in Virginia is relatively new, so was not included in the survey.

What is wrong with our current buildings?

Both districts have school buildings that are among the oldest in the State of Minnesota. No public committee or building engineer who has toured the buildings has recommended keeping them exactly as they are. Most buildings need millions in basic repairs such as mechanical, electrical, and plumbing. Much of the “guts of the buildings” are original, from the early 1900’s. For example, Virginia High School and Roosevelt elementary need \$40 million in basic mechanical, electrical, and plumbing updating costs. The same is true for the Elementary and High School in Eveleth. Most buildings are not built to modern safety standards to keep unwanted people out of the building or to permit access for individuals according to the Americans with Disabilities Act (individuals who have mobility or handicapping difficulties). Most of our buildings are also not designed for 21st century learning, which includes redesigned classrooms, smaller and larger work areas, technology and maker spaces, and hands-on, career-based, project based learning. In addition, both districts have lots of extra space that we are spending money to maintain.

Do we still have the same number of students?

No. For example, in 1970, Virginia had 3,348 students who lived within the boundaries of the school district. In 2016, Virginia had only 1,098 students who lived within the boundaries of the school district. This is a staggering drop of 67% in student population. The same trend occurred in both Gilbert and Eveleth.

Does it cost more, operationally, to run our current older buildings?

Yes. Eveleth-Gilbert and Virginia schools, together, are currently spending \$2.5 million in extra costs every single year, as compared with the state average. This is extra money spent on lighting, heating, and cleaning costs.

Where should this \$2.5 million in extra costs be spent?

The school districts believe that this annual \$2.5 million they are currently paying in operational costs should be spent on teachers and classroom help and not on extra costs associated with heating and cleaning and maintaining inefficient buildings. Our mission is to educate today’s students, not maintain buildings forever.

If something is done, how much will it cost?

Depending on which option is selected, the total price tag will be very close to either \$164 million or \$181 million.

What do the taxpayers get for \$164 million?

- A brand new combined 7-12 High School Career Academy at a neutral site [\$114 million]
- A lightly remodeled Eveleth Elementary in Eveleth. This replaces all mechanicals, plumbing, HVAC, and electrical. The building will look essentially the same. [\$19 million]
- A lightly remodeled Roosevelt Elementary in Virginia. This replaces all mechanicals, plumbing, HVAC, and electrical. The building will look essentially the same. [\$19 million]
- Taxpayers in the Eveleth-Gilbert and Virginia school districts pay only 16% of the actual costs

What do the taxpayers get for \$181 million?

- A brand new combined 7-12 High School Career Academy at a neutral site [\$114 million]
- A heavily remodeled or new Eveleth Elementary in Eveleth. The building will be transformed into a 21st Century Elementary School. [\$27 million]
- A heavily remodeled or new Roosevelt Elementary in Virginia. The building will be transformed into a 21st Century Elementary School. [\$29 million]
- Taxpayers in the Eveleth-Gilbert and Virginia school districts pay only 20% of the actual costs

Where is the money coming from to pay for this?

The money will come from three sources:

1. The IRRRB. The two school districts are asking IRRRB for a significant contribution of a minimum of 4.99 million per year for 20 years.
2. The State of Minnesota. Because the State of Minnesota considers the Virginia School District the “poorer” of the two districts, this can be leveraged for a larger state contribution of either 5.5 million per year (\$164 million project) or 6 million (\$181 million project) per year for 20 years.
3. Local taxpayers. Under the \$164 million project, local taxpayers will be contributing approximately \$2 million a year and under the \$181 million project, local taxpayers will be contributing approximately \$2.7 million a year.

Tentative Source of Money	\$164 million project and contribution amount	Percent of total annual payment	\$181 million project and contribution amount	Percent of total annual payment
IRRRB	\$4.9 million annually for 20 years	40%	\$4.9 million annually for 20 years	36%
State of MN	\$5.5 million annually for 20 years	44%	\$6.0 million annually for 20 years	44%
Local Taxpayers	\$2.0 million annually for 20 years	16%	\$2.7 million annually for 20 years	20%

Do other school districts in the State of Minnesota get this type of financial deal?

No. Because of specific existing laws and a contribution from the IRRRB to be used only for collaboration between school districts, no other school districts in the State of Minnesota get this type of financial assistance. This includes other school districts on the Range.

Do the two school districts need to cooperate in order to get this money from IRRRB and the State of Minnesota.

Yes.

Will this need a public vote?

Yes. If the school boards decide to let the citizens make the decision in which direction they want education to go for their current (and future) kids and grandkids, the vote will occur on Tuesday, May 14.

When will the school boards decide on whether or not to take this to a public vote?

Both school boards, independently, will vote on Thursday, February 28, whether or not the voters will have the opportunity to make the decision.

What if one school board doesn't agree to take this vote to the public?

Then the financing model falls apart and nothing happens. There will be no continuation of discussions. The status quo prevails.

If the public votes "yes," what will happen to the older, vacant buildings?

The schools will work with cities and governmental agencies and private citizens to try to find individuals or businesses or developers who are willing to repurpose or purchase the buildings. After several years, if there are no individuals or businesses or developers who are interested in the buildings, then the buildings will be torn down.

If the voters say, "yes," and the districts cooperate together, how much will this cost the local taxpayers?

Calculated on a residential homestead value of \$125,000, a \$164 million bond issue will raise taxes by approximately \$200 a year, regardless of whether the house is located in the Eveleth-Gilbert or Virginia School District. A \$181 million bond issue will raise taxes by approximately \$268 a year, regardless of whether the house is located in the Eveleth-Gilbert or Virginia School District. In either case, because of the favorable financial circumstances involved, the taxpayers are paying about 20% of the real costs. No other school districts in the State of Minnesota gets this type of favorable financial deal.

If the voters say "no," and the districts don't cooperate together, how much will it cost the local taxpayers?

The costs will be higher and the taxpayers will get significantly less for their money. For example, if Virginia voters say "no," they are looking at self-funding a minimum of \$40 million in internal mechanical repairs. This will be a tax bill, on a \$125,000 residential homestead, of approximately \$345 a year. If the Eveleth-Gilbert voters say "no," the tax bill is worse, because they are considered the "wealthier" school district by the State of Minnesota. Their tax bill, on a \$125,000 residential homestead, will be approximately \$511 a year. In either of these cases, if voters (or school boards) say "no," a new 7-12 Career High School Academy will not happen, nor will any significant elementary remodeling at favorable financial terms be possible. All current buildings, in both school districts, will look virtually the same as they do now and will not be designed for 21st century education. The status quo will prevail.

If the public votes "yes," when will construction start?

High School construction likely will start in 2020 and take two years to complete. Because students are currently using the elementary buildings, that construction might need to be "phased in" and could take several more additional years to complete.

Where will the new high school be built?

The site has not yet been selected. However, most individuals agree that it should be located on a relatively neutral location.

Where will the remodeled or new elementary schools be built?

Parkview elementary in Virginia is not moving or being remodeled. Roosevelt elementary in Virginia, whether being remodeled or replaced, is remaining at its current location. Eveleth Elementary, if remodeled, will remain in its current location. If Eveleth elementary is replaced, the location has not yet been determined.

Addendum A – IRRRB December 10, 2018, Meeting Minutes

