

**AMENDED AGENDA\***

**REGULAR MEETING  
OF THE BOARD OF COMMISSIONERS OF  
ST. LOUIS COUNTY, MINNESOTA**



**Tuesday, May 7, 2013, 9:30 A.M.**

**County Board Room, Second Floor  
St. Louis County Courthouse  
100 N. 5<sup>th</sup> Avenue West  
Duluth, Minnesota**

**CHRIS DAHLBERG, Chair  
Third District**

**FRANK JEWELL  
First District**

**STEVE O'NEIL  
Second District**

**MIKE FORSMAN – Vice Chair  
Fourth District**

**PETE STAUBER  
Fifth District**

**KEITH NELSON  
Sixth District**

**STEVE RAUKAR  
Seventh District**

County Auditor  
Donald Dicklich

County Administrator  
Kevin Gray

County Attorney  
Mark Rubin

Interim Clerk of the Board  
Phil Chapman

The St. Louis County Board of Commissioners welcomes you to this meeting. This agenda contains a brief description of each item to be considered. The Board encourages your participation. If you wish to speak on an item contained in the agenda, you will be allowed to address the Board when a motion is on the floor. If you wish to speak on a matter that does not appear on the agenda, you may do so during the public comment period at the beginning of the meeting. Except as otherwise provided by the Standing Rules of the County Board, no action shall be taken on any item not appearing in the agenda.

When addressing the Board, please sign in at the podium and state your name and address for the record. Please address the Board as a whole through the Chair. Comments to individual Commissioners or staff are not permitted. The St. Louis County Board promotes adherence to civility in conducting the business of the County. Civility will provide increased opportunities for civil discourse in order to find positive resolutions to the issue before the Board. Tools of civility include: pay attention, listen, be inclusive, do not gossip, show respect, be agreeable, apologize, give constructive criticism and take responsibility [County Board Resolution No. 560, adopted on September 9, 2003]. Speakers will be limited to five (5) minutes.

\*\*In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify Property Management 72 hours prior to the meeting at (218)725-5085.\*\*

All supporting documentation is available for public review in the County Auditor's Office, 100 North 5th Avenue West - Room No. 214, St. Louis County Courthouse, Duluth, MN, during regular business hours 8:00 A.M. - 4:30 P.M., Monday through Friday. Agenda is also available on our website at <http://www.stlouiscountymn.gov/GOVERNMENT/BoardofCommissioners.aspx>

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9:30 A.M. Pledge of Allegiance  
Roll Call  
*“St. Louis County History: People & Places” – Commissioner Jewell,  
First District*  
*Empty Bowl Appreciation Presentation*

AT THIS TIME CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD ON ITEMS NOT ON THE AGENDA. [Speakers will be limited to 5 minutes each.]

FOR ITEMS LISTED ON THE BOARD AGENDA OR COMMITTEE OF THE WHOLE AGENDA, CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD AT THE TIME A MOTION IS ON THE FLOOR.

9:40 A.M. Public hearing, pursuant to Resolution No. 13-241, adopted April 23, 2013, to solicit public input prior to considering tax abatement for P&H MinePro and the City of Virginia, MN. **{13-158}**

9:45 A.M. Public hearing, pursuant to Resolution No. 13-242, adopted April 23, 2013, to receive citizen comments on amendments to the Minnesota Investment Fund Disaster Recovery Grant Application. **{13-159}**

**CONSENT AGENDA**

Approval of business submitted on the consent agenda.

**REGULAR AGENDA**

**Central Management & Intergovernmental Committee – Commissioner Jewell, Chair**

- \*1. The County’s Labor Negotiator has requested a closed session of the Committee of the Whole for labor negotiation purposes. It is requested that the County Board convene a closed session immediately after the Board Meeting adjourns.
- \*2. The County Attorney has requested a closed session of the Committee of the Whole for litigation discussion. It is requested that the County Board convene a closed session immediately after the Board Meeting adjourns.

The requested closed sessions of the Committee of the Whole will be held consecutively.

**ADJOURNED:**



## **TAX ABATEMENT FINANCING**

P&H MinePro Services and the City of Virginia have requested St. Louis County to consider up to \$100,000 tax abatement financing up to \$10,000 per year, payable over 10 years, in years 2014 through 2023. The city has approved up to \$3.390 million in tax abatement financing payable over 20 years. The project also includes funding from Iron Range Resources Board, Minnesota Department of Employment and Economic Development and the federal Economic Development Authority. A project summary from the County Auditor is attached which includes sources and uses of funds and proposed property taxes.

The county abatement will be payable to the City of Virginia to make payments on the general obligation bonds and the taxable abatement note as described in the contract between the city and the developer.

The public benefits for the county tax abatement are expected to exceed the costs of the abatement. The benefits for this project are as the follows:

1. Consolidation of approximately 45 jobs and the creation of 16 new full-time jobs
2. Development of underused and blighted property in Virginia
3. Expenditure by the developer of a minimum of \$8 million capital investment

County Board Resolution No. 02-187, dated March 1, 2002, approved a tax abatement financing policy as authorized under Minn. Stat. §§ 469.1812 through 469.1815 (2000). It is recommended that the following provisions be waived in the county tax abatement financing policy:

1. Delete the personal property tax limitation. State statute was changed to allow this use.
2. Delete applicant fees. The City of Virginia staff, financial advisor and legal counsel have worked directly with the developer and prepared application information and legal documents required for this request

In accordance with Minn. Stat. Section 469.1815 of the Abatement Act, the county will add \$10,000 to its levy in each year during the term of the county abatement. Minnesota statute also requires that a public hearing be conducted prior to granting economic development tax abatement. The public hearing will be held Tuesday, May 7, 2013, at 9:45 a.m., at the St. Louis County Courthouse in Duluth, Minnesota.

## **RECOMMENDATION:**

It is recommended that, after receiving testimony at the public hearing, the St. Louis County Board authorize up to \$100,000 tax abatement financing payable to the City of Virginia for P&H MinePro Services over 10 years, in 2014 through 2022, and execution of a tax abatement agreement with the City of Virginia and any other related documents. Tax abatement financing will be payable from Fund 100, Agency 100001, Object 500900.

## Tax Abatement Financing for P&H MinePro Services

BY COMMISSIONER \_\_\_\_\_

### Section 1. Recitals.

1.01 WHEREAS, The City of Virginia (the "City") previously agreed to provide certain tax abatement assistance under Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the "Abatement Act") to P&H Mining Equipment Inc., d/b/a P&H MinePro Services (the "Developer"). That assistance helped finance the development of an approximately 92,000 square foot equipment fabrication, maintenance and rebuild facility located in the City (the "Project"); and

1.02 WHEREAS, At the time the City was considering assistance for the Project, City representatives discussed with County representatives a proposal for the County to provide County abatement assistance as well, in the amount of \$10,000 per year for ten years (the "County Abatement," as further described herein). The City has now requested formal Board action on that request; and

1.03 WHEREAS, The City has entered into a Contract for Private Development with the Developer dated as of May 16, 2011, as amended by a First Amendment thereto dated June 28, 2012 and a Second Amendment thereto dated February 12, 2012 (the "Contract"), which describes how assistance from both the City and the County is delivered; and

1.04 WHEREAS, On the date hereof, this Board conducted a duly noticed public hearing on the County Abatement, at which the views of all interested persons were heard;

### Section 2. Findings.

2.01. The St. Louis County Board finds and determines that the public benefits to the County from the County Abatement will be at least equal to the costs to the County of the County Abatement, because (a) the County Abatement made development of the Project possible, because Developer would not have constructed those improvements absent the expectation of the County Abatement, (b) the Project provides significant employment opportunities in the County, and (c) the County will receive substantial tax revenues from the Project during the term of the Abatement, and the long-term taxes collected from the Project after termination of the County Abatement will far exceed the amount of the County Abatement; and

2.02. It is further specifically found and determined that the County Abatement is expected to result in the following public benefits:

- (a) The consolidation of approximately 45 jobs at this site in the City within one year of the Benefit Date, and the creation of approximately 16 new full-time equivalent jobs within five years after completion of the Project.

- (b) The development of an underused, blighted property at a key location in the City.
- (c) Expenditure by the Developer of a minimum capital investment of \$8,000,000 for the Project.

2.03. This Board finds and determines that the County Abatement is in the public interest and confers public benefits for the reasons described in this Section;

2.04. The County Abatement is consistent with the County's Tax Abatement Policy; provided that (a) to the extent the property taxes payable by Developer are considered personal property taxes by virtue of the City's underlying fee ownership of the property, the prohibition on abatements for personal property is waived; and (b) any fees required under the policy are waived in light of the City's assistance in this transaction;

### **Section 3.**

3.01. THEREFORE, BE IT RESOLVED, The St. Louis County Board hereby approves County Abatement in the amount of up to \$10,000 per year for tax-payable years 2014 through 2023, for a total not to exceed \$100,000;

3.02. RESOLVED FURTHER, The County Board authorizes the Planning and Community Development Director and the County Attorney to negotiate an abatement agreement with the City of Virginia for the P&H MinePro project and authorizes the appropriate county officials to execute agreements, certificates or other documents that the County determines are necessary to implement this Resolution;

3.03. RESOLVED FURTHER, The County will make the County Abatement payments to the City, which will in turn apply them in accordance with the existing Contract between City and Developer. The method of calculating the County Abatement, the timing of payments, the precise property involved, and all other terms and conditions regarding administration of the County Abatement are described in the Abatement Agreement, which is incorporated herein by reference.

**P & H Mine Pro Services  
Summary – Due Diligence Review  
Prepared by the Northspan Group**

**DESCRIPTION OF THE PROJECT**

The project represents the construction of a new 92,000 square foot building in Virginia’s industrial park adjacent to the city’s golf course. The new facility has allowed the company to relocate from leased facilities in Mountain Iron and Hibbing to the new facility in Virginia. The new facility is designed to service the mining industry. The facility is designed to perform repairs on equipment from the mines. It contains weld repair, mechanical repair and warehousing operations. The facility contains overhead cranes of up to 125 tons.

The project involves significant partnerships with the IRRRB, State of Minnesota, the City of Virginia, federal agencies, along with St. Louis County.

The following is a Source and Use of Funds summary of the project:

**Sources**

Joy Global Equity	\$15,204,835
IRRRB	1,461,000
DEED Infrastructure Grants	800,000
DEED Redevelopment Grant	400,000
Federal EDA Grant	844,165
City of Virginia	500,000
St. Louis County Tax Abatement	100,000
City of Virginia Tax Abatement	<u>3,390,000</u>
<b>Total</b>	<b>\$22,700,000</b>

**Uses**

Development/Soft Costs	\$700,000
Construction	18,000,000
Machinery and Equipment	<u>4,000,000</u>
<b>Total</b>	<b>\$22,700,000</b>

Joy Global, Inc. is requesting \$100,000 of Tax Abatement Financing over a ten-year tax abatement period. The financing will be used for project construction and development costs.

**FINANCIAL STATEMENT ANALYSIS**

We have received and reviewed the annual audited statements of Joy Global, Inc. for the years ending October 26, 2011 and 2012 as audited by Ernst & Young, LLP.

**BALANCE SHEETS**

We have received and reviewed the company’s financial balance sheets for the past two year-ends 2011 and 2012.

**CONCLUSIONS**

Joy Global, Inc. is a financially strong publicly traded company. The company has a successful track record and level of management to continue to grow the company. The business is enjoying profitability operations in the current economy. The \$100,000 in Tax Abatement Financing support represents a reasonable risk to the County.



# Saint Louis County

County Auditor - 100 North 5<sup>th</sup> Avenue West, Room 214 - Duluth, MN 55802-1293  
Phone: (218) 726-2380 Phone – Virginia: (218) 749-7104 Fax: (218) 725-5060

**Donald Dicklich**  
St. Louis County Auditor

April 18, 2013

To whom it may concern:

Proposed 2014 property taxes for parcel 090-5010-09060 based upon an estimated taxable value of \$11,173,100 would be \$511,634.65. This personal property account is under the name of Joy Global – P&H MinePro Services.

This amount is based upon the following proposed values:

Property classification – Industrial  
Taxable Value = \$11,173,100  
2013 Local Tax Rate = 165.489%  
2013 Referendum Tax Rate = .21297%  
2013 State General Tax Commercial/Industrial Rate = 52.523%  
2013 Fiscal Disparity Contribution Rate = .255455%

The taxes that would be due to St. Louis County and the City of Virginia are based upon net tax capacity (NTC) tax settlement percentages use for taxes payable in 2013.

County NTC Tax Settlement Percentage = 32.0378%

**County Tax Portion = \$87,916.16**

City NTC Tax Settlement Percentage = 59.1133%

**City Tax Portion = \$162,215.09**

This tax amount is an ESTIMATE ONLY and actual taxes may differ due to valuation or tax rate changes.

If you have any questions, please contact Brandon Larson at 218-725-5125 or at [LarsonB@stlouiscountymn.gov](mailto:LarsonB@stlouiscountymn.gov).

Sincerely,

DONALD DICKLICH, ST LOUIS COUNTY AUDITOR

By: Brandon Larson, Deputy



It is requested that the Board authorize the Planning and Community Development Director to amend the grant agreement for any additional eligible businesses or if eligible loan amounts change. The Minnesota Department of Employment and Economic Development requires the county to hold a public hearing to amend the Minnesota Investment Fund Disaster Recovery Grant Agreement.

**RECOMMENDATION:**

It is recommended that following the public hearing, the St. Louis County Board adopt the attached resolution which authorizes the Planning and Community Development Director to execute amendments with the Minnesota Department of Employment and Economic Development for Minnesota Investment Fund Disaster Recovery Financing Grant for eligible loan applicants and for changes in loan amounts. Funding will be deposited in and dispersed from Fund 176, Agency 176999, Grant 17601, Year 2012.

## **Minnesota Investment Fund, Disaster Recovery Financing - Grant Amendment**

BY COMMISSIONER \_\_\_\_\_

WHEREAS, On August 24, 2012, state legislation was passed which provided \$15 million in the Minnesota Investment Fund (MIF) Disaster Recovery Financing for local units of government to assist businesses impacted from the 2012 flood; and

WHEREAS, The County Board adopted resolutions 12-588 and 13-51 authorizing the Planning and Community Development Director to apply for and execute agreements on behalf of St. Louis County; and

WHEREAS, St. Louis County has entered into a grant agreement with the Minnesota Department of Employment and Economic Development (DEED) for \$170,000; and

WHEREAS, An additional business has requested assistance under the MIF program and there may be additional eligible applications or changes in the requested loan amounts; and

WHEREAS, The St. Louis County Board conducted a public hearing on May 7, 2013, at 9:45 a.m. at the St. Louis County Courthouse in Duluth, Minnesota for the purpose of receiving public comments on amendments to the Minnesota Investment Fund Disaster Recovery Financing agreement;

THEREFORE, BE IT RESOLVED, That upon state approval, St. Louis County may enter into agreements and any amendments with the State of Minnesota for the MIF Disaster Recovery Financing and that St. Louis County certifies that it will comply with all applicable laws and regulations as stated in all contract agreements;

RESOLVED FURTHER, That the St. Louis County Planning and Community Development Director is authorized to execute such agreements, and amendments thereto, as are necessary to implement Minnesota Investment Fund Disaster Recovery projects on behalf of St. Louis County;

RESOLVED FURTHER, That the St. Louis County Planning and Community Development Director and a representative of the County Attorney are authorized to execute loan agreements and all necessary documents for the DEED approved projects;

RESOLVED FURTHER, That funds be deposited into and dispersed from Fund 176, Agency 176999, Grant 17601, Year 2012.

**Resolution for a Closed Session of the  
Committee of the Whole for Labor Negotiations**

BY COMMISSIONER \_\_\_\_\_

WHEREAS, Minnesota Statutes, Section 13D.03, allows meetings of the governing body of a public employer to be closed to consider strategy for labor negotiations; and

WHEREAS, The County Labor Relations Negotiator has requested to meet with the County Board in a closed session of the Committee of the Whole to discuss labor negotiations for a particular issue on May 7, 2013;

THEREFORE, BE IT RESOLVED, The St. Louis County Board of Commissioners will recess the County Board meeting to meet in a closed of the Committee of the Whole on May 7, 2013 in the Board Conference Room of the St. Louis County Courthouse, Duluth, for the purpose of discussing labor negotiations strategy in accord with Minnesota Statutes, Section 13D.03.

RESOLVED FURTHER, That no other pending public business will be discussed at this closed session.

**Resolution for Closed Session of the  
Committee of the Whole for Litigation Purposes**

BY COMMISSIONER \_\_\_\_\_

WHEREAS, Pursuant to Minn. Stat § 13D.05, Subd. 3(b), the St. Louis County Board may close a meeting as permitted by the attorney/client privilege; and

WHEREAS, The County Attorney requires candid and open discussion to provide legal advice to the County Board with respect to potential settlement and litigation strategy in a closed session of the Committee of the Whole; and

WHEREAS, a closed session would benefit the public because potential financial liability could result in the expenditure of public funds;

THEREFORE, BE IT RESOLVED, That the St. Louis County Board will convene in a closed meeting of the Committee of the Whole on May 7, 2013 for the purpose of discussing settlement litigation strategy immediately following the Board meeting, in accord with Minn. Stat § 13D.05, Subd. 3(b).

RESOLVED FURTHER, That no other pending public business will be discussed at this closed session.