COMMITTEE OF THE WHOLE

Monday ~ June 25, 2012
Lake Township Hall, Stephenson

**********APPROVED 5.3.13 **********

The County Board met as a Committee of the Whole on Monday ~ June 25, 2012 at 2:00 PM at the Lake Township Hall, Stephenson, MI 49887

The meeting was called to order by Chairman, James Furlong

The Pledge of Allegiance was recited.

Roll call was taken with the following in attendance:
Present: Commissioners Furlong, Lang, Pearson, & Meintz
Absent: Commissioner Jasper

Approval of the Agenda: Com. Meintz approved the agenda, supported by Com. Pearson. Motion carried 4/0.

Approval of the Previous Meeting Minutes: There were no previous minutes.

Public Comment: Bob Desjarlais – Appreciate everyone coming out. The main thing we'll be discussing here is the severance bill. I was just handed a third draft, which I have never seen. I met with the DEQ last Thursday. The man Hukki is getting his info. from is the man I spoke to. I've gotten the DEQ side of it and know where they're coming from. The General property tax act has a section that deals with ore bodies and iron. He refers to a publication in a NY newspaper about the mining operation in the UP. They spoke of the $27 mil. tax total for all the years of the mine. The gov. has proposed a 3% levy on the ore (after it is sold minus any expenses) to be split between the local units (45%) and the state (55%). Local share would be about $1.2 million per year assuming a ten year stretch. Concerned about the first five years of taxes on the buildings. Penny Mullins, Eagle Herald: The agenda says there may be a quorum of the Lake township board and their planning commission. I assume some of these people are them? I thought they may introduce themselves…which they proceeded to do.

Department Head Reports/Comments: None

Business:

Com. Meintz – I assumed as soon as they start putting up their buildings for the work, the taxes would start coming in. Do they fall under a different jurisdiction for taxation? Bousley: yes under the proposed bill, the buildings could be built and not taxed until a year after the operation gets underway. (Or when they start bringing in profits) They could actually be sitting for a few years and not be taxed.
Com. Lang: We're talking about a proposed bill that has not even been through the house

yet. Is this going to be advantageous to the state of MI, the Mining Co. or the Local governments? Who likes this bill? Desjarlais: The Gov. likes it. Under this proposed bill the local community will get less money than the existing bill allows and the state will receive 55%.
State Reps. McBroom and Hukki arrived at approx. 2:30 pm.

1. Proposed Mining Taxes, Discussion only (State Rep. Ed. McBroom & State Rep. Matt Hukki was present. Hukki: Obviously, Mining focus & why I ran for office was Economic Development in the Upper Peninsula; Especially on the western end. All we have to look at right now for preparing this bill are the Kennecott numbers.
Pearson: We've got some mines in place already, are they going to be exempt or be allowed an exemption from this bill? Hukki: It is our contempt that Kennecott will be under this severance package. Pearson: Jobs are important for the UP, Is it jobs that you're looking for, are you getting support from the mines for your political view. No I don't believe either Kennecott or Hudbay have supported my campaign. Lang: You did a very good job explaining your philosophy and your rationale. Long term affects are going to have spin-offs and will be advantageous in your opinion. The proposed bill as it exists now; we're talking about three entities: Mining investors, local governments and state government. In each of those three entities, who wins and who looses? Hukki: That's where I'm trying to find that fine balance. These mining companies that never asked for a special favor are having investors being scared off from investing in the operations by the way our taxes are structured. Lang: There's a big concern in the UP that the local gov. will lose income and the state will gain. So what about that? Are we going to lose revenue and the state gain revenue? Hukki: It is currently at a 3% severance tax with 45% to the local gov. and 55% to the state. I am not for that at all. I believe that is too low. I'm trying to find the "right balance" on the distribution split. Business taxes state: Mines are exempt from paying state income tax. Basically there is no law right now to manage the tax. We have to take into consideration that the small mining companies don't have to come here because they have mines all over the world. Meintz: A Key word that is used for mining; "playgrounds" around the world. I'm concerned with that type of terminology. Throughout the entire UP, there is a high level of concern that the state will be involved. Lansing has considered the UP to be a playground and if they have resources, let's just take it and utilize it downstate. Hukki: Administration was very happy at first about controlling the revenue. I said No Way. I made sure the funds transfer through like the property taxes do and making sure the "control" stay's local. I'm working on wording for the fund board, I want the wording to be, two people "must" be from the UP and one person has to be from the mining operation. (Five total) The mines affected by this bill are in the UP. Furlong: under the legislation we currently have, what's the split (what goes downstate and what stays here) Property tax (local) MI Business tax (downstate). Hukki: We're trying to compile all the taxes into one severance tax with the new bill. Loyalties go into the DNR trust fund, which is used to purchase land. We changed the law so that any land that's purchased from the trust fund MUST pay the PILT out of the trust fund also. Furlong: Earlier you spoke about the state as "them"…you are the state. When you talk about PILT and forest reserve, you "are" them. Hukki: I feel like I represent the 110th district, not the whole state. Desjarlais: You're talking about a 3% tax on the profit. They're talking about an 18 month building project. That'll stand up approx. 3 years before they start production. The county won't get any money for 3 maybe 4 years. We've been informed that the buildings and personal property on the structure could be in the area of $200 mil. That'll be 4 times the millage we currently have. Currently we raise $30,000 from the local people in

our tax area. The mines are taxed differently than the local people. Hukki: The local units of gov. will be able to tax the regular ad valorem up until the mine goes into production. It's only when the amt. of revenue generated from the severance tax exceeds the amt. of ad valorem caps is when it'll switch to the severance tax. Once the amt. generated falls below the severance tax, it'll switch back to the ad valorem caps. J. Anderson: The buildings would have to be assessed. Hukki: The buildings can't be assessed, because by law they have to be removed. The buildings are pulled off of the tax bill and they fall under the ad valorem. Under 362 law, none of the buildings will be allowed to remain standing after the mining project is done, they have no lasting (long term) value. Meintz: I have a farm and I mine the soil because I harvest crops out of it. Any of my buildings and storage warehouses that I have up, can I apply into this and pay no more property taxes and only pay taxes on the gross profit proceeds, because I will take the buildings down in 10 years. Hukki: you'll have to talk to the farm bureau on that one. Meintz: you understand how this would seem unfair, in this situation. Desjarlais: I just seems like the mines are getting a lot of breaks that the ordinary citizens in this township will never receive. So the revenue that's generated from the mine will be distributed to the taxing units in Menominee County. Everyone will get a share of that. C. Peterson: Grandfather issue. Taxpayers to build roads, that is not fair. Hukki: CR 519 will be the main access road. You are not addressing some of these issues. You don't have a clear picture of the project. Attend some of their presentations. Hukki: Are you willing to help with infrastructure? (member of public) Public forums put on for the mines have different answers than those in person. Encourage you to go to public meetings. Hukki: When is the next time Aquila and Hud Bay are having a public meeting? We'll try to find out and attend the meeting. C. Peterson: are you going to have a tax on each one of the ores? It's a severance tax on the current sell price at the refining process. Its one value with all ores included. What about the smelting of the gold and silver? Hukki: We'll have to look into this a bit more. McBroom: I'm here to make sure we're protecting the local dollars first. I am working with Hukki to get the best package for the local people. I like where the bill is headed.

Public Comment: covered above

Adjournment: Moved by Com. Meintz, supported by Com. Pearson to adjourn this meeting at 4:14 PM. Motion carried, 4-0.