

**IRRRB Meeting Minutes**  
**Thursday, January 30, 2014**  
**1:00 p.m.**  
**IRRRB, Eveleth, Minnesota**

**1) Roll Call**

Senator David Tomassoni, Board chair, called the meeting to order at approximately 1:12 p.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Marianne Bouska, Chief Operating Officer; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Ron Dicklich, Better IRRRB Task Force Chairman; Britta Bloomquist, Jordan Richards, Rick Cannata, Vicki Hagberg, Better IRRRB Task Force members.

**2) Approval of the December 20, 2013, Minutes**

*Action required: Approval requires a simple majority of the quorum*

Representative Tom Anzelc moved approval of the December 20, 2013, minutes. Seconded by Representative Jason Metsa. Motion carried.

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

**Voting Against the Motion:** None

**Abstain:** None

**Excused:** None

**3) Toward a Better IRRRB – Recommendations of the Better IRRRB Task Force**

Better IRRRB Task Force chairman Ron Dicklich explained the formation of the Task Force, described its work and gave a presentation regarding its recommendations. Also, Task Force members Britta Bloomquist, Jordan Richards, Rick Cannata and Vicki Hagberg were on hand to address questions from the Board.

After discussion by the Board, Commissioner Sertich said that it was his hope was that some sort of decision would be made by June 2014.

Mr. Dicklich gave the following presentation:

# TOWARD A BETTER IRRRB

Recommendations of the Better IRRRB Task Force

Protecting. Improving. Evolving

## Better IRRRB Task Force

Charged with protecting IRRRB resources, improving the agency and helping it evolve with the times.

## Better IRRRB Task Force

- 17 members
- 6 task force meetings
- 3 subgroup meetings
- 26 stakeholder interviews
- 4 focus groups
- 29 focus group participants
- 3 public input forums
- 15 public participants
- 5 online surveys
- 226 survey respondents

## Guiding Principles

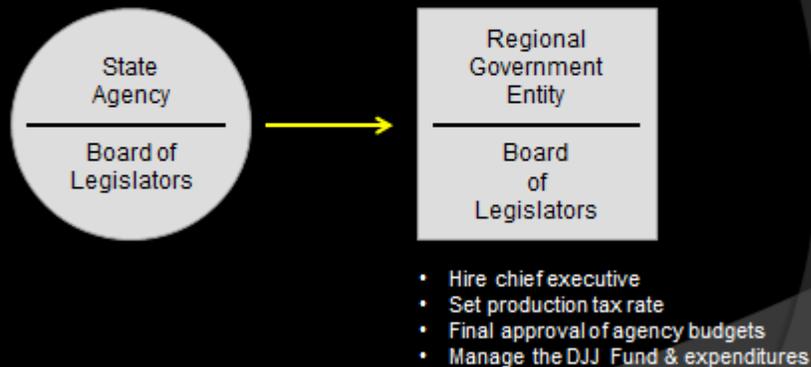
### DJJ Fund

- ⊙ Protected and focused on economic development and diversification
- ⊙ Prefer local governance
- ⊙ A unanimous vote be required of the local governing body before withdrawals from the corpus of the trust are made
- ⊙ Ensure that ongoing contributions are made to the fund

### Reshaping IRRRB as an agency

- ⊙ IRRRB should have a more direct role in the selection of its chief executive to ensure greater accountability
- ⊙ Want the region to play a more direct role in the collection of taconite production taxes – i.e. utilize existing county systems for production tax collection.
- ⊙ Ensure that IRRRB staff members' salaries, benefits and pensions are protected through any changes in the agency.

## Option A Move Away from State Government



## Option A Move Away from State Government

IRRRB would be re-formed as a regional, public governmental entity governed by a board of legislators who represent districts in which one-third or more of the residents reside within the Taconite Assistance Area.

The board's roles would include several functions for which it is not responsible today:

- Hiring and evaluating the chief executive of the agency
- Setting the taconite production tax rate, and
- Providing final approval for the agency's budgets.

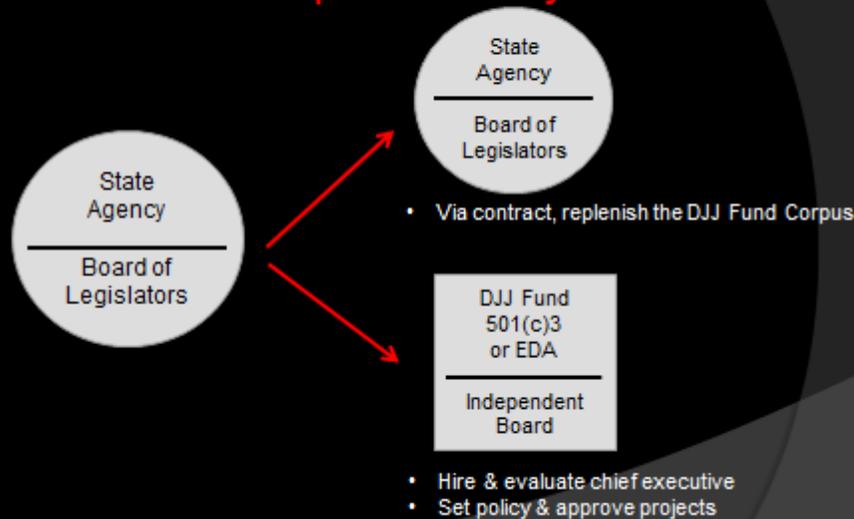
The board would retain some of its current responsibilities:

- Approving projects, and
- Managing the DJJ Fund for economic development and diversification.

The board would be accountable to the electorate in each legislative district, while the chief executive would report to the board itself.

This option would keep the DJJ Fund part of the IRRRB, so decisions about investment and other economic development activities would be made by the IRRR Board.

## Option B Trust Fund as Separate Entity



## Option B Trust Fund as Separate Entity

IRRRB would remain a state agency governed by a board of legislators who represent districts in which one-third or more of the residents reside within the Taconite Assistance Area.

While the board would approve the agency's budget, it would delegate economic development project decisions to a new board overseeing the DJJ Fund. The IRRRB would approve a contract with the DJJ Fund board and determine when and to what extent to allocate additional contributions to the DJJ Fund.

The IRRRB Board members would remain accountable to the electorate in each legislative district and the commissioner would remain accountable to the Governor.

The DJJ Fund would be a separate, non-governmental entity, such as a 501(c)3 nonprofit or an economic development authority, or similar entity focused on economic development. The Fund would be governed by a board from within the Taconite Assistance Area and would have an IRRRB liaison.

The DJJ Fund board would hire and evaluate the Fund's chief executive, set policy and direction and approve projects. The Fund board would be accountable to the IRRRB via a contract and be subject to the IRRRB's approval of continued replenishment of its corpus from the proceeds of the mining production taxes.

## Better IRRRB Task Force

Charged with protecting IRRRB resources, improving the agency and helping it evolve with the times.

## Better IRRRB Task Force

- |             |   |
|-------------|---|
| <b>1941</b> | Agency created                              |
| <b>1977</b> | Trust Fund created                          |
| <b>2014</b> | Trust Fund protected for future generations |



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:** January 24, 2014

**Re: Better IRRRB Task Force Report**

---

Almost 40 years ago, Iron Range legislators along with Governor Rudy Perpich established a “rainy day” fund at the IRRRB. They knew of the volatility and limits of our mining economy. Those leaders looked to the future and set aside a portion of the local production tax that would be wisely invested and made it into a trust fund for future generations. Years later this fund—now named the Douglas J Johnson Economic Protection Trust Fund—has a value of approximately \$150 million.

Previous Iron Range leaders left for us a nest egg which has been used as emergency resources in tough times but also a catalyst to leverage new technologies to create jobs all across the Iron Range.

Iron Range legislators were not satisfied with the status quo. They knew that we needed to evolve with the times. They looked decades into the future and made decisions not just for themselves, but for their children and grandchildren.

We owe each of them a debt of gratitude.

We also owe them our best efforts at this time.

Over the past decade, the Iron Range has seen attempts to raid our local trust fund by some elected officials from other parts of the state. Thankfully we have been able to thwart off every attempt thus far. I am convinced there will come a time when we will not be successful and the money that has been set aside for the people of the Iron Range for the past 40 years will be gone without anything to show for it. If we do nothing, we will continue to play a high stakes game of Russian roulette with \$150 million—and we will lose it all.

Some have asked that Iron Range legislators just pass a law to prevent the taking of our funds. This idea does not go far enough. The problem is future legislators could change such a law at any time to access our Range monies.

We need to make a more dramatic change to ensure that these resources stay where they came from and stay where they were originally intended to be invested--on the Iron Range.

This is why I put together a task force of local citizens to research solutions to this issue and present them to our board. Their main goal was to present us with options to preserve the DJJ Trust Fund into the future and protect it from potential political raids.

The Better IRRRB Task Force spent the past months gathering input from a wide variety of stakeholders--including businesses, employees, past commissioners, board members and the general public.

What you have today is the executive summary of their report. Essentially in order to protect our investments, we must move the fund away from state government. The task force has presented us with at least two options. One is to move our agency further away from state government. The second is to move the trust fund to a separate entity. Each option has its advantages and disadvantages. Each option fulfills the charge of protecting our resources for the future. The task force also made some suggestions on improvements to the agency's operations regardless of which choice we make. I have yet to make up my own mind on which is the best option.

I am not expecting us to make any decisions at today's meeting. This meeting is a time to listen to those who took the time to do the research, ask questions, and be thoughtful. Over the next couple of months, it is my hope to work with you to find consensus on the direction we should go. My goal is to have our work finalized by the time we adopt our annual budget in June.

Here at the IRRRB, we will continue to knock on doors, work hard to create jobs, invest in our communities and our people. But from time to time, we must look up at the horizon, dream of where we should go and plan for the future. Now is one of those times. I ask for your best thoughts and best work in the coming months for the future of the Iron Range.

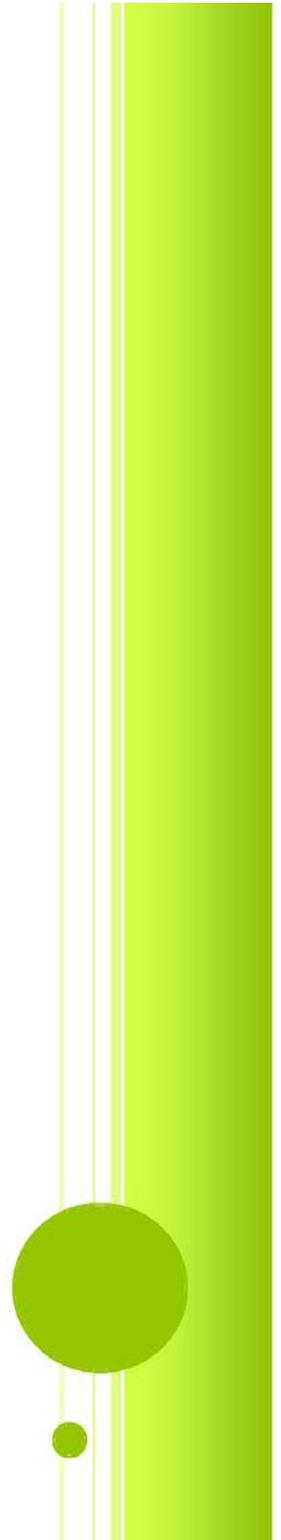
Thank you.

# TOWARD A BETTER IRRRB

*Recommendations of the Better IRRRB Task Force*

Protecting. Improving. Evolving.

Glumac Executive Enterprise and Zabinski Consulting LLC  
December 2013



# Executive Summary

## TOWARD A BETTER IRRRB

### Recommendations of the Better IRRRB Task Force

#### EXECUTIVE SUMMARY

##### Background

Created in 1941, the Iron Range Resources and Rehabilitation Board (IRRRB) is an anomaly among state agencies.

On one hand, IRRRB looks much like any other state agency: the Commissioner is appointed by the Governor, confirmed by the Minnesota Senate, and is a member of the Governor's Cabinet. The IRRRB's budget is reviewed by – though not controlled by – budget committees within the Minnesota Legislature.

On the other hand, it operates as a local entity: IRRRB revenues come from taxes levied on taconite mining operations in lieu of local property taxes, and the agency spends revenues in Northeastern Minnesota in a region defined as the Taconite Assistance Area.

**The Iron Range Resources and Rehabilitation Board is an anomaly among state agencies.**

The IRRRB's governing board is comprised of legislators who represent districts in which one-third or more of the residents reside within the Taconite Assistance Area. And while the board approves the budget and expenditures for specific economic development projects, no money can be spent until the Commissioner decides to transmit the expenditures to the Governor, who must sign off on most expenditures.

While the operations of the IRRRB have seen numerous refinements over its more than seven decades, the mission of diversifying and expanding the economy of the region has remained constant – as has the funding of the agency through taxes levied on local mining operations. Instead of paying local property taxes to surrounding communities, mining companies pay a tax levied on each ton of taconite pellets, iron ore concentrate or iron nuggets produced, and proceeds are distributed to local units of government, property taxpayers and the IRRRB. Iron mining companies also pay occupation taxes – similar to corporate income taxes – to the State of Minnesota.

A portion of the tax also is set aside in a trust fund established in 1977 to help the Iron Range rebuild its economy after the then-anticipated decline of the taconite mining industry around 2002. Initially known as the 2002 Trust Fund, the fund subsequently was named the Douglas J. Johnson Economic Protection Fund, or DJJ Fund, and extended to 2028. Withdrawals of nearly \$73 million have been made over the years for 11 projects and programs to stimulate and encourage diversification of Northeastern Minnesota's economy.

Better IRRRB Task Force Report: December 2013

Despite the concerns of the mid-1970s, mining remains a thriving industry that continues to pay tens of millions of dollars in production taxes annually. The DJJ Fund currently sits at about \$150 million, tempting state lawmakers searching for money to help balance the state budget, even though the trust fund essentially is local property tax dollars.

After several unsuccessful attempts to raid the fund over the last decade, IRRRB Commissioner Tony Sertich decided to explore how to protect the agency's resources, including the DJJ Fund. In June 2013, Sertich appointed a citizen task force and gave it a major assignment:

**The Better IRRRB Task Force is charged with protecting IRRRB resources, improving the agency and helping it evolve with the times.**

## THE BETTER IRRRB PROCESS

From July through December the 17-member Better IRRRB Task Force researched and debated the history, issues and opportunities facing the agency through a robust process that gave them access to experts and to the opinions and ideas of others as they considered their ultimate recommendations.

### Task Force Meetings

The Task Force held in-depth meetings monthly from July through December 2013; three subgroups charged with more detailed discussion and research also met to study IRRRB governance, the agency's structure and the DJJ Fund.

### Stakeholder Interviews

Task Force facilitators conducted interviews with 26 former IRRRB commissioners, board members and regional partners to gather perspectives on what the agency does well and what it might do differently.

### Focus Groups

Four focus groups comprised of specific stakeholders in the fields of education, economic development, labor and mining were convened to gather insights in an informal research mode.

### Better IRRRB Task Force *By the numbers*

|     |                          |
|-----|--------------------------|
| 17  | members                  |
| 6   | task force meetings      |
| 3   | subgroup meetings        |
| 26  | stakeholder interviews   |
| 4   | focus groups             |
| 29  | focus group participants |
| 3   | public input forums      |
| 15  | public participants      |
| 5   | online surveys           |
| 226 | survey respondents       |

Better IRRRB Task Force Report: December 2013

## Public Surveys

On-line public surveys were developed to gather citizen input. Surveys were targeted at key stakeholder groups: education leaders, mining industry leaders, IRRRB staff, business and economic development leaders and local elected officials. Additionally, links to the survey were posted on the IRRRB website and disseminated through social media channels so that anyone could participate.

## Public Input Forums

Once preliminary Task Force insights regarding recommendations came together in November, three public input forums allowed citizens to provide their observations, comments and ideas on the options identified:

- Monday, November 18 (Mountain Iron)
- Tuesday, November 19 (Grand Rapids)
- Tuesday, November 26 (Babbitt)

## RECOMMENDATIONS

After the processes described above, the Better IRRRB Task Force faced perhaps its largest and most difficult challenge – developing recommendations to be shared with the Commissioner and members of the IRRRB.

Ultimately, Task Force members decided to provide the Commissioner and Board with two options, each of which included a number of possible action steps.

## Guiding Principles

The Task Force asked that certain principles guide the discussion and choices for the best set of options going forward.

**Regarding the DJJ Fund, Task Force members suggested the following concepts:**

- **The fund should be protected and focused on economic development and diversification.**
- **Task Force members prefer local governance.**
- **The Task Force supports the concept that a unanimous vote be required of the local governing body before withdrawals from the corpus of the trust are made.**
- **Finally, Task Force members want to ensure that ongoing contributions are made to the fund.**

**The Task Force agreed on the following guiding principles for reshaping IRRRB as an agency:**

- **The Task Force believes the IRRRB should have a more direct role in the selection of its chief executive to ensure greater accountability.**
- **Task Force members want the region to play a more direct role in the collection of taconite production taxes – i.e. utilize existing county systems for production tax collection.**
- **The Task Force wants to ensure that IRRRB staff members' salaries, benefits and pensions are protected through any changes in the agency.**

With these principles as a guide, the Task Force offered two options for the structure and governance of the Douglas J. Johnson Trust Fund and the IRRRB.

The central difference between the two is the structure of the IRRRB: the agency could be re-formed as a regional, public governmental entity (Option A) or remain a State agency (Option B). The options and their key features are explained in more detail below.

*Option A:*

IRRRB would be re-formed as a regional, public governmental entity governed by a board of legislators who represent districts in which one-third or more of the residents reside within the Taconite Assistance Area.

The board's roles would include several functions for which it is *not* responsible today:

- hiring and evaluating the chief executive of the agency,
- setting the taconite production tax rate, and
- providing final approval for the agency's budgets.

The board would retain some of its current responsibilities:

- approving projects, and
- managing the DJJ Fund for economic development and diversification.

The board would be accountable to the electorate in each legislative district, while the chief executive would report to the board itself.

This option would keep the DJJ Fund part of the IRRRB, so decisions about investment and other economic development activities would be made by the IRRR Board.

*Option B:*

IRRRB would remain a state agency governed by a board of legislators who represent districts in which one-third or more of the residents reside within the Taconite Assistance Area.

While the board would approve the agency's budget, it would delegate economic development project decisions to a new board overseeing the DJJ Fund. The IRRRB would approve a contract with the DJJ Fund board and determine when and to what extent to allocate additional contributions to the DJJ Fund.

The IRRR Board members would remain accountable to the electorate in each legislative district and the commissioner would remain accountable to the Governor.

The DJJ Fund would be a separate, non-governmental entity, such as a 501(c) 3 nonprofit or an economic development authority, or similar entity focused on economic development. The Fund would be governed by a board from within the Taconite Assistance Area and would have an IRRRB liaison.

The DJJ Fund board would hire and evaluate the Fund's chief executive, set policy and direction and approve projects. The Fund board would be accountable to the IRRRB via a contract and be subject to the IRRRB's approval of continued replenishment of its corpus from the proceeds of the mining production taxes.

The options presented, combined with the guiding principles Task Force members developed, ensured that they met the charge originally provided by the Commissioner – to protect the agency's resources, to improve its operations and to help it evolve with the times.

## **11) Adjournment**

The meeting adjourned at 2:20 p.m.