

A SOCIOECONOMIC STUDY OF THE **FLAMBEAU MINE PROJECT**

1 INTRODUCTION

Section 1 of this report furnishes the purpose and reasons that a socioeconomic impact study of the area surrounding the Kennecott Minerals Company-owned Flambeau Mine in northwestern Wisconsin was written. The scope and methodology used to prepare the study and the organization of the report are also given in this section.

1.1 PURPOSE

This report was prepared by the Northwest Regional Planning Commission (NWRPC) with support from Kennecott Minerals Company. NWRPC is a multi-county planning commission and is a cooperative venture of the local units of governments in the ten counties and five tribal nations of Northwest Wisconsin. The report is designed to provide a socioeconomic impact study of the communities surrounding the Flambeau Mine, which includes three local units of government: Rusk County, the City of Ladysmith, and Town of Grant.

The Flambeau Mine, owned and operated by Flambeau Mining Company, which is a wholly owned subsidiary formed in 1989 by the Kennecott Minerals Company, was a short-term copper and gold mining project. The mine was the first metallic sulfide mine to be permitted under Wisconsin's modern mining laws. Due to local concerns and market prices, nearly 25 years passed after discovery of the ore body before mining began. Concerns expressed by some local residents related to ore processing on site, environmental issues with the Flambeau River, contamination of groundwater, property values, and leaving the open pit as a lake after completion of mining (1:32).

As stated in the Flambeau Mining Company Communities Relations Plan, “From its inception, the Flambeau project was planned to create positive sustainable development benefits to the surrounding communities that would be self-sustaining and exemplify best practices in the minerals industry.” The purpose of this study is to provide Kennecott Minerals Company and other stakeholders with the findings of the social and economic impact on the surrounding communities by the Flambeau Mine project.

1.2 SCOPE AND METHODOLOGY

The scope and methodology for the study includes the following:

- An examination of the demographics, employment and income, and housing of the surrounding communities;
- Conducting a survey of the residents and businesses of the area to gauge the attitude regarding the mine and its impact during operation and after closure;
- A review of the Local Agreement and Conditional Land Use Permit;
- An analysis of tax data and business sales in the area;
- A review of the impact to local businesses, schools, and tourism;
- A discussion of new business development and spin off companies resulting from the mine’s development;
- A review and discussion of the mine impact fund and guaranteed payments;
 - An analysis of most of the projects that utilized funds for development,
 - A discussion of community projects financed with mine funds, and
 - A review of tax receipts by local units of government.
- An analysis of the land use and re-use of mine buildings and rail spur; and
- An analysis of infrastructure and public facilities and services improvements.

Resources for this study include the Kennecott Minerals Company; Flambeau Mining Company; Rusk County officials; the City of Ladysmith Administrator; the Wisconsin Department of

Revenue; miscellaneous published material; and many statistical sites, including, but not limited to, the U.S. Census Bureau, the Wisconsin Department of Workforce Development, and the Regional Economic Information System of the Bureau of Economic Analysis. Full citations to all sources are given in the Works Consulted section at the end of the report. A copy of the Local Agreement and the Conditional Land Use Permit is included in Appendix A. Copies of the letters and surveys sent to residents and businesses of the Town of Grant and the City of Ladysmith are included in Appendix B.

Throughout this report there are references to Kennecott Minerals Company, Kennecott Explorations (Australia) Ltd., and Flambeau Mining Company. Since Flambeau Mining Company is a wholly owned subsidiary of Kennecott Minerals, the names are interchangeable for the purpose of this document.

In Section 6, the amounts in Table 6.1 are approximate because, in some years, records from the localities did not necessarily agree with records from the Wisconsin Department of Revenue. Furthermore, Kennecott Minerals was not able to provide any dollar amounts to the writers of this document for the Local Agreement supplemental payments paid to the local units of government by Flambeau Mining Company. Recovering that data would have been extremely difficult for Kennecott due to a change over in accounting systems after 1997.

Any references in this report to the Department of Natural Resources, WDNR or DNR, means the Wisconsin Department of Natural Resources.

1.3 REPORT ORGANIZATION

Following the introduction, in Section 2, is an overview of the Flambeau Mine project. The overview includes the project background, location, and financial information regarding income earned by Flambeau. In addition, a chronology of events that led to the eventual mining and reclamation of the Flambeau Mine by Kennecott Minerals is included.

Section 3 provides a demographic, economic, and housing analysis of the area surrounding the Flambeau Mine project. Because it is not possible to get all information at the city, village, or minor civil division level (town or township), much of the data is presented at the county level.

Tourism as it pertains to the area surrounding the Flambeau Mine project is presented in the next section. Any impacts from the presence of the mine will be discussed. Due to data reporting limitations, tourism information is only available at the county level.

Following Section 4 is a brief recall of the events leading up to the signing of the Local Agreement and the Conditional Land Use Permit by Flambeau Mining Company and Rusk County, the City of Ladysmith, and Town of Grant. Section 5 also includes a review of the major provisions of those documents. A copy of the Local Agreement and Conditional Land Use Permit is included in Appendix A.

Section 6 describes and explains the Net Proceeds Tax (NPT) and Mining Investment and Local Impact Fund (MILIF) as called for by State of Wisconsin Statutes. It gives the approximate amount of NPT paid to the State and the guaranteed payments paid to the local units of government by Flambeau Mining Company. In addition, this section provides the approximate amount of tax revenue and discretionary grants received by the local units of government from the MILIF and how those funds were used for economic development in Rusk County.

A review of contributions and donations made by Flambeau Mining Company to the local units of government and residents of the surrounding communities is included in Section 7. In particular, the donation of \$500,000 to build a new library in the City of Ladysmith is discussed. Additionally, contributions to educational programs, donations of land for economic and recreational purposes, and the Flambeau Mine Visitor's Center are recounted.

An analysis of land use is presented in Section 8. A brief description of the reclamation operation and the design of the mine site recreational trails are given in the section. Furthermore, other recreational trails in the area and the part Flambeau Mining Company played in their development are discussed.

A discussion of public facilities and services is given in Section 9. Mainly, the construction, use, and reclamation of a portion of the railway spur off the Canadian National main line is presented.

Section 10 relates the reuse of the mine buildings and water treatment facility built for mining operations on the Flambeau Mine site. Through the efforts of the Ladysmith Community Industrial Development Corporation (LCIDC) and the City of Ladysmith, the buildings and rail spur are being used for industrial development.

Surveys were sent to residents and businesses of the Town of Grant and the City of Ladysmith regarding the Flambeau Mine project. Section 11 provides the results of those surveys. Copies of the letters and surveys sent to residents and businesses of the City of Ladysmith and Town of Grant are included in Appendix B.

Section 12 presents a summary of the socioeconomic impact study. The key findings, along with a few concluding statements, are included.

A numerical list of the documents, tapes, and conversations used in compiling the information for this report is included in Section 13. This list is referenced in brackets (#:pg. #) throughout the report.