

## **MINUTES**

### **MICHIGAN FOREST FINANCE AUTHORITY (MFFA or Authority)**

#### **Board of Director's Meeting**

**Tuesday, December 12, 2006**

**Stevens T. Mason Building**

**6<sup>th</sup> Floor, Conference Room 6-East**

**Lansing, Michigan**

**2 p.m.**

#### **AUTHORITY BOARD OF DIRECTOR'S PRESENT**

Mr. Tom Saxton, Deputy Treasurer, Bureau of Bond Finance, Department of Treasury  
(Chair) (Representing State Treasurer Robert Kleine)

Director Rebecca A. Humphries, Department of Natural Resources (DNR) (Vice-Chair)

Mr. James Smiertka, Department of Labor & Economic Growth (DLEG)  
(Representing Director Robert Swanson, DLEG)

Mr. Paul Eisele, Consultant

Mr. Shawn Hagan, The Forestland Group

Mr. Garret Johnson, The Nature Conservancy

Ms. Karen Potter-Witter, Michigan State University, Department of Forestry

Mr. Kelvin Smyth, NewPage Corporation

Mr. Warren Suchovsky, Suchovsky Logging

#### **MICHIGAN FOREST FINANCE AUTHORITY OTHERS PRESENT**

Mr. Kevin Korpi, Michigan Forest Products Council

Ms. Lynne Boyd, Forest, Mineral and Fire Management (FMFM)/DNR

Ms. Mary Ellen Cromwell, Resource Management Assistant, DNR

Mr. Terrence Grady, Office of the Attorney General

Ms. Lisa Hagan, Office of the Attorney General

Mr. John Halsey, Office of the State Archaeologist (OSA), Department of History,  
Arts, and Libraries (HAL)

Ms. Mindy Koch, Resource Management Deputy, DNR

Ms. Barbara Mead, Assistant State Archaeologist, OSA, HAL

Mr. Ron Murray, FMFM/DNR

Ms. Sandy Simpson, FMFM/DNR

Mr. Mike Vasievich, President, Tessa Systems

#### **CALL TO ORDER**

**Chair Saxton** called the Michigan Forest Finance Authority Board meeting to order at 2:10 p.m. and welcomed attending board members and audience.

### **APPROVAL OF AGENDA**

**Mr. Murray** provided an overview of the agenda items.

**Chair Saxton** asked for approval of the meeting Agenda.

**MOTION:** **Mr. Eisele** moved approval of the Agenda, supported by **Mr. Suchovsky**.  
Motion carried.

### **APPROVAL OF MINUTES**

**MOTION:** **Mr. Suchovsky** moved adoption of the September 28, 2006 minutes, supported by **Mr. Hagan**.  
Motion carried.

### **PUBLIC COMMENTARY**

None.

### **MFFA SUBCOMMITTEES**

**Timber and Markets:** **Mr. Eisele** commented that the Subcommittee met on December 12, 2006 and had no new information to report to the Board. The Subcommittee recommends that the Board continue to move forward with the economic assessment of vegetative management regimes, Red Pine Project, and the Biomass Assessment being conducted by the USDA- Forest Service, Forest Inventory Analysis unit.

**Protection and Research:** **Mr. Johnson** reported the Subcommittee supports the adoption of the IFMAP spatial inventory and forest habitat type and forest cultural resource management pilot, Resolution 2006-11 and Resolution 2006-12 respectively, before the Board. These revised proposals provide more modest funding for critical elements of both projects.

### **RESOLUTIONS**

The IFMAP options were discussed with no action being taken on agenda items A.1 and A.2. The Board compared agenda items A.1 and A.3; noting that agenda item A.1 made new observations and took data on the ground, whereas agenda item A.3 used older data and data from both inventory systems. Agenda item A.3 does not provide the same level of infrastructure inventory information contained in agenda item A.1. Board members were informed the DNR may reserve the right to take action at a later date on IFMAP agenda items A.1 and A.2

Discussion continued regarding the remote sensing technique that is being tested by the USDA Forest Service at the Seney Refuge. DNR staff seeking to coordinate the pilot project to include DNR owned property and obtain an assessment of the effectiveness of the techniques at a lower cost. DNR staff will provide updates at the next MFFA meeting.

**MOTION:** **Mr. Smyth** moved to adopt agenda item A.3, the Spatial Inventory and Forest Habitat Type Resolution, with funding not to exceed \$679,000. **Mr. Eisele** supported.  
Motion carried.

The DNR staff explained the elements of the IFMAP and that agenda item A.3 does not include items such as infrastructure, roads and bridges inventory, best management practices issues, and endangered species. It is the first step towards the completion of a wall-to-wall inventory as proposed in agenda item A.1. Implementation of this resolution also allows the field foresters to discontinue working with two different inventories systems sooner.

### **ARCHEOLOGICAL INVENTORY OF STATE FOREST LAND**

**Ms. Mead** provided background on cultural resources and OSA's responsibility of implementing state and federal laws that affect archaeological resources. **Ms Mead** described archeological sites in Michigan, pointing out that archeological sites are non-renewable resources. Over 95 percent of the state forest system has not been inventoried. Most sites lie in the upper 12 inches of soil and with urbanization, development, and everyday activities, many have already been destroyed.

**Ms. Mead** discussed a proposed one-year project that would include development of a plan between the DNR and OSA that would address cultural resource management on state forests. The plan would be useful to both agencies and address issues from private sector on cultural resources as well. It will include priorities and funding options. Using maps of state forest ownership provided by FMFM, OSA would identify sites already in its database that lie within state forests. OSA would review all proposed FY07 actions, and would conduct field visits of sensitive areas. OSA would provide quarterly reports.

**MOTION:** **Mr. Eisele** moved to adopt the Forest Cultural Resource Management Pilot Project. **Mr. Suchovsky** supported.  
Motion carried.

### **OTHER RESOLUTIONS**

Discussion regarding Resolution Nos. 2006-06, -07, -09, and -10 ensued. The AG's Office informed the Board that the DNR staff may withdraw or reject resolutions, or with the consensus of the Board, delete items and not return them to the agenda. **Director Humphries** suggested that a formal action be taken to move the action items.

**MOTION:** **Director Humphries** moved Resolution No. 2006-06.  
Motion was not supported.

**MOTION:** **Director Humphries** moved Resolution No. 2006-07, Resolution No. 2006-09, and Resolution No. 2006-10.  
Motion was not supported.

Both Resolution 2006-06 and Resolution 2006-07 may be revised and resubmitted to the Board for review at a later date.

### **SCHEDULE OF REGULAR MEETING DATES**

**MOTION:** **Mr. Suchovsky** moved to adopt Resolution No. 2006-13. **Mr. Johnson** supported.  
Motion carried.

### **INFORMATION**

Economic Assessment of Vegetative Management Regimes Update - **Mr. Vasievich** provided a written summary to the Board and described his work on the economic assessment of vegetative management regimes for forest management on State forest lands.

**Mr. Vasievich** provided the project background, cost and revenue updates, yield information, usefulness for public and private landowners, Quick Silver updated version, financial returns and sensitivity, project tasks, location of opportunities, expected project results, progress to date, and publications to research. This project will be completed by January 31, 2007. **Mr. Vasievich** will provide updates to the Board in Spring 2007. The outcome will be information to assist in the prioritization and location of future investments and publications of data and findings of the assessment for use by all landowners.

Red Pine Project Update – **Mr. Murray** stated that an analysis is being done to determine exact stand locations and conditions. Appointment of an oversight team using multi-divisional DNR staff is in process.

**Mr. Murray** commented that the DNR is assessing changing markets, impact of pulp mill closings, emergence of wood energy opportunities, market potential for chemicals extracted from wood, etc. The DNR is also assessing the potential impacts of global warming/climate change on future growth potentials of both resource protection and potential conversion species. This information will assist the DNR with information for selecting and prioritizing stands for treatment. All selected stands will undergo a "Compartment Review" process prior to treating any stand out of entry year (YOEs '09-'15). This process will include all of the elements of the regular compartment reviews, but will likely be held to cover the red pine stands being considered for treatment out of entry year over a broader geographic area than the typical unit-by-unit compartment reviews.

Hiring of limited-term foresters for assisting in the work is awaiting final funding arrangements. In the interim, consideration is being given for arranging logistics, supplies, equipment, and contracts.

Biomass Assessment Request for Proposals and Forest Inventory Analysis Update – The DNR staff gave an overview of Mark Hansen's (USDA-Forest Service, Forest Inventory and Analysis Unit) specifications and timeframe for supplying FIA-based biomass assessment for Michigan. Their group can get the data pulled out from FIA by the end of January 2007. Per the recommendation of the Timber and Markets Subcommittee, **Mr. Murray** proposed the Board consider seeking a consultant to analyze and build information based on the FIA biomass data being generated. The Board discussed dry wood requirements of biomass plants. Dried biomass is needed for wood pellets, e.g., used pallets stumps from development building wastes, mill residue. Board talked about a new Governor's appointed Renewable Fuels Commission and their interest in coordinating efforts to support wood energy.

Discussion continued regarding the prior proposal from NextEnergy and their need to bring forward a more current proposal. NextEnergy was created by statute in 2002. Although it is not an agency of the State, NextEnergy's budgeting process is controlled by the Department of Management and Budget (DMB). Next Energy was initially linked to DMB and then associated with DLEG. . NextEnergy obtained operating funds from the strategic fund and operates as if it is a private entity, but by statute, it is within DLEG.

Memorandum of Understanding (MOU) Between Authority and Michigan Strategic Fund – **Chair Saxton** discussed the Department of Treasury's (Treasury) process of disbursing the 21<sup>st</sup> Century funds, managed by Michigan Strategic Fund. Treasury's requirements are 1) the project must be in place and 2) the 21<sup>st</sup> Century funds may not be used to supplement an operating budget.

Treasury has a chief financial officer preparing a more user friendly document than the proposed MOU. The document is in draft form and not ready for release. **Chair Saxton** stated the Michigan Economic Development Corporation's (MEDC) approval is needed on the document. He is working to set-up meetings with MEDC to review and will forward to all parties when approved.

The Board inquired how this MOU would work and how the money will be transferred. **Chairman Saxton** informed them that, to date, no monies out of the \$400M have been distributed.

MOU Between MFFA and State Agencies – **Ms. Boyd** stated the MOU is being reviewed internally by DNR staff for review at the next MFFA meeting. The Board was informed that the signatory chair of the Authority and other agencies may approve the document if it is prepared before the next Board meeting. Board members shared the desire to review the document before being approved.

### **ADJOURNMENT**

**MOTION:** **Mr. Eisele** moved to adjourn, supported by **Mr. Hagan**.  
Motion carried.

Meeting adjourned at 3:45 p.m.

### **NEXT MEETING DATE AND AGENDA ITEMS**

**Wednesday, March 14, 2007**

2 p.m.

Mason Building

6<sup>th</sup> Floor, 6-East Conference Room

Lansing

#### **Agenda Items:**

- Forest Development Fund
- Industry projection on market conditions