

MINUTES

MICHIGAN FOREST FINANCE AUTHORITY (MFFA or Authority)

Board of Director's Meeting

Thursday, September 28, 2006

Stevens T. Mason Building

6th 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. Garrett 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

Ms. Lisa Hagan, Office of the Attorney General
Mr. Joseph Fielek, Director, Bureau of Bond Finance
Ms. Mindy Koch, Resource Management Deputy, DNR
Ms. Lynne Boyd, Forest, Mineral and Fire Management (FMFM)/DNR
Mr. Ron Murray, FMFM/DNR
Ms. Sandy Simpson, FMFM/DNR
Mr. George Berghorn, Michigan Forest Products Council

CALL TO ORDER

Chair Saxton called the Michigan Forest Finance Authority Board meeting to order at 2:05 p.m. and welcomed attending board members and audience.

APPROVAL OF AGENDA

Mr. Murray provided an overview of the agenda items.

Warren Suchovsky recommended reorganizing the subcommittee reports for discussion earlier on the Agenda.

Chair Saxton asked for approval of the meeting Agenda.

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

APPROVAL OF MINUTES

MOTION: **Mr. Johnson** moved approval of the July 26, 2006 minutes, supported by **Mr. Suchovsky**.
Motion carried.

PUBLIC COMMENTARY

Mr. George Berghorn, Michigan Forest Products Council, discussed the importance for the implementation of the Integrated Forest Monitoring, Assessment, and Prescription (IFMAP) proposal and asked for a thorough review relative to the funding for the project and training issues for field staff, specifically relating to Geographic Information Systems (GIS). Per DNR staff, training is being implemented and does take into account four levels of training. Approximately, one-third of FMFM field staff have had this training and is rolled out to the field units as needed.

MFFA SUBCOMMITTEES

Timber and Markets: **Mr. Eisele** gave an update on the subcommittee's meeting with a representative from FORECON, Inc. The FORECON representative presented information relative to carbon credits and the potential for the State to own credits or offer credits as part of the State's forest certification. **Mr. Eisele** also discussed information regarding the University of Michigan's research on carbon credits, which the subcommittee believes is worth reviewing.

Mr. Eisele next discussed Next Energy. It is noted for the record that NextEnergy is not a private company and has 501c(3) status. Discussion ensued regarding Next Energy and various bio-mass assessments throughout the State.

The subcommittee recommended that the MFFA request that the DNR draft a request for proposals (RFP) to retain the services of a consultant to coordinate the bio-mass assessment that would facilitate the collection and analysis of data related to woody bio-mass for various interested parties. The subcommittee also recommended the MFFA notify NextEnergy to anticipate the coordinated effort and be prepared to participate in the RFP bidding. **Mr. Eisele** will make contact NextEnergy.

Mr. Smyth clarified the intent of the subcommittee: reject the NextEnergy proposal and asked for a RFP for the coordinator position.

Ms. Potter-Witter informed the members that DLEG and the Public Service Commission are working together on the bio-energy conference and named several groups who are doing assessment on the wood energy supply. The role of each would be better if the Authority coordinated that assessment. **Mr. Suchovsky** mentioned using IFMAP as an alternative source.

Mr. Murray offered that a recalculation of the total volumes would be necessary. The forest inventory and analysis (FIA) data that the forest service creates could be used in conjunction with IFMAP and would be a cost savings. **Ms. Potter-Witter** pointed out a number of people doing this are unfamiliar with FIA data as it is not localized in many places, nor is it up to scale.

MOTION: **Mr. Eisele** moved the State develop a RFP for coordination of energy biomass proposals and present to the Board at its December meeting.
Supported by **Mr. Suchovsky**.
Motion carried.

Protection and Research Subcommittee: **Mr. Johnson** gave an update on the subcommittee's meetings in August and September. The subcommittee reviewed the IFMAP (Wall to Wall Inventory) and Archeological Assessment Proposals. He stated that the subcommittee cannot recommend support of the proposals.

Mr. Murray stated that alternative proposals are currently being prepared, but are not yet available. The DNR and History, Arts, and Libraries will need additional time for review and will present alternative proposals at the December MFFA meeting.

MOTION: **Mr. Johnson** moved the recommendations for the IFMAP and archaeological invention proposals be referred back to the Protection and Research Subcommittee for report at the Boards December meeting.
Supported by **Mr. Suchovsky**.

Motion was discussed further. Concerns were raised relative to who controls proposals and resolutions for recommendations to the Board. Discussion occurred about amending the bylaws to reflect the role in MFFA's subcommittees, using prototypes from other State boards.

RESOLUTIONS

Mr. Murray provided an update of the revisions to the IFMAP and Archeological Inventory of State Forest Lands Proposals, and overview the IFMAP Pilot of Remote Sensing Technique. The revenue for the IFMAP proposal increased due to several factors such as an increase for purchasing of equipment, aerial survey work, and cost of imagery. Upon further review, the cost of personnel increased to reflect additional support, equipment, and services needed for staff assigned to the project. The scope of the project remains about the same, just a better estimate of salaries and fringes, transportation equipment, and lap top computers. **Mr. Murray** explained the process for use of inventory data and how information is collected. Discussion continued regarding the three-year time frame of the project and moving forward to compress to keep staff in pace with the work plan. The length of time to implement IFMAP is critical to cost savings.

MOTION: **Mr. Smiertka** moved that the IFMAP, IFMAP Pilot of Remote Sensing Technique, and Archeological Inventory of State Forest Lands Proposals be referred back to the Protection and Research Subcommittee. The subcommittee will provide recommendations to MFFA's board and address issues raised during the discussion. Supported by **Mr. Smyth**. Motion carried.

Mr. Smyth suggested that DNR staff review utilizing a student intern to work on the IFMAP project.

INFORMATION

Mr. Murray provided a brief update on the Red Pine Project and in the process of hiring a State Silviculturalist (David Neumann). A meeting is scheduled in October to review the activities and will provide updates at the Board's December meeting. Concerns were raised regarding the recent shift in timber markets and potential effect on the Red Pine project. **Ms. Boyd** explained the process that the DNR uses to value timber products related to market conditions. **Mr. Suchovsky** discussed the issues with the red pine market and noted that specialty products, such as utility poles, are an important factor in that market.

It was noted that home construction has fallen off and there is some potential for marketing products to storm damaged areas may be realized in the next few years. **Mr. Murray** noted that the RFP for the economic study of vegetative management regimes is out for bid and has generated some interest. Contracts can be issued within two weeks of awarding a bid. **Mr. Eisele** asked about the time frame for the red pine project to start. The DNR explained that preparations are underway and as soon as funding is available will be implemented. **Mr. Saxton** indicated that funding processes were moving forward.

Mr. Murray gave an update on the MOU between the MFFA and other State agencies. **Ms. Hagan** gave an update on the MOU between MFFA and the Michigan Strategic Fund (MSF). She stated that the MOU has been through several drafts. The AG's office recommended that the MFFA hold off on funding any projects in anticipation of receiving the grant funds until the MOU has been finalized.

Discussion continued relative to the subcommittees meetings and how business is referred to the MFFA. Board members discussed possibly holding a small group meeting. **Director Humphries** suggested that interested board members may participate in the agenda setting meeting either in person or telephonically. The AG's office is going to review this suggestion in conjunction with the Open Meetings Act and report their findings to Director Humphries. **Mr. Johnson** observed that the process should be developed and made part of the bylaws, rather than proceeding on a meeting by meeting basis.

Mr. Smiertka inquired for the possibility of getting an exception for the Red Pine project, while the general processes being discussed in the MOU are completed. The Office of the Attorney General advised the project should await completion of the MOU and the processes it prescribes.

ADJOURNMENT

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

Meeting adjourned at 3:50 p.m.

NEXT MEETING DATE

Tuesday, December 12, 2006
2 p.m. – 5 p.m.
Mason Building
6th Floor, 6-East Conference Room
Lansing