

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of August 18, 2010 – 1:00 PM
Lansing Community College West Campus, 5708 Cornerstone, Lansing

The 1:00 PM meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 1:30 PM, August 18, 2010.

The following Board members were present:

Keith Charters
Bob Garner
Dennis Muchmore

Mr. Frank Torre and Director Rebecca Humphries were not in attendance due to prior commitments.

Also in attendance were various staff members of the Department of Natural Resources and Environment (DNRE) and other interested parties.

I. ADOPTION OF MINUTES FOR MEETING OF 9:00 AM, AUGUST 18, 2010.

Chairperson Muchmore called for a motion to adopt the minutes from the 9:00 AM, August 18, 2010 Board meeting.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CHARTERS, TO
TABLE APPROVAL OF THE MINUTES OF THE 9:00 AM MNRTF BOARD
MEETING UNTIL THE MEETING OF OCTOBER 6, 2010. PASSED WITHOUT
DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR MEETING OF 1:00 PM, AUGUST 18, 2010.

Chairperson Muchmore asked that some changes be made in the order of agenda items. After "Status of MNRTF Funds" is discussed, the "Analysis of MNRTF Criteria" will be outlined by Mr. John Cherry and Ms. Linda Hegstrom.

Ms. Apostol stated that "V. Board Policy Implementation" would be discussed under the "Strategic Planning Discussion by Board" agenda item, and was not meant to be handled separately. The "Board Policy Implementation" could be added as an agenda item for the October 6, 2010 meeting. Chairperson Muchmore responded that actually this was supposed to be on the agenda as there is a topic for discussion that may need to be resolved before the October meeting.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CHARTERS, TO
APPROVE THE MOTION, WITH CHANGES. PASSED WITHOUT
DISSENTING VOTE.**

III. STATUS AND STRATEGIC DISCUSSION.

Status of MNRTF Funds

Mr. Joe Frick advised that at the June 16, 2010 meeting, he outlined an update of MNRTF revenue. There was a large amount of revenue generated at the May 4, 2010 oil and gas lease auction. Because of this, the MNRTF is moving very close to the \$500 million cap. There will be a large amount of revenue to spend in the upcoming grant cycle, but somewhat less available in the 2011 cycle. After the cap is reached, the MNRTF will receive funding on interest and investments only.

Since the June meeting the Auditor General looked at the auction results. The percentage that went into the Game and Fish Trust Fund was relatively high. Some sampling was done and no errors were found and no changes in revenue are expected to this fund.

There will be another auction in October or November of this year. If this turns out to be a large auction, the MNRTF will hit the \$500 million cap. At this time, it is estimated that there will be \$482 million in the corpus at the end of this fiscal year (September 30, 2010).

As outlined at the last meeting, \$178 million was generated at the May 4th auction. Of that, \$113.9 million went into the MNRTF, with estimated \$75.9 million available to invest in grants. Another \$10 million is expected from regular royalties.

Staff is going to contact the State Treasurer to investigate investing additional revenue. Usually this is not done until after the books are closed at the end of the fiscal year.

At this point, there is \$447 million in investments at market value and \$435 million in costs. The reason the market value is more is because of holding fixed income investments where the interest earnings are more than current yield. There is \$112 million in equity funds.

Key factors of earnings are interest rates and equity market performance. Retaining some earnings into a stabilization reserve would provide the ability to absorb some losses.

Administration costs will go down with the shift of revenue generated going to the Park Endowment Fund. The Grants Management staff will still be funded. There still will be the cost of Payments In-Lieu of Taxes (PILT). There will also be some other costs (real estate, computers, state overhead, etc.). Expenditures should be about \$2.5 million per year.

Mr. Charters asked if the \$309,000 for DIT (Department of Technology) would still be there. Mr. Frick responded it would probably be half this cost. Also, general overhead costs would be reduced.

Mr. Frick stated that at the end of the fiscal year (2009), there was approximately \$24 million in the Stabilization Reserve. Chairperson Muchmore would like the Stabilization Reserve balance included on the Financial Report that the Board receives.

Mr. Frick also stated that the amount put in the Stabilization Reserve is what the MNRTF earns and 5%. In prior years, lapses were also put in the Reserve. Last year, the Board chose not to put lapses in the Reserve. The \$24 million in the Stabilization Reserve does not go towards the cap.

Chairperson Muchmore asked if more staff or other contractual expenses were added in Grants Management, would those expenditures come out of the Stabilization Reserve or income funds. Mr. Frick responded it is the same pool of funds to use. In addition, the Board passed a resolution creating a spending distribution policy.

Discussion ensued regarding the Stabilization Reserve, the pros and cons of spending the funds at this time or saving them for future projects.

MNRTF Criteria – Scoring Criteria and Overview of 2009 Revisions – Ms. Linda Hegstrom, Grants Management; and Mr. John Cherry, Office of Science and Policy

Ms. Linda Hegstrom provided a PowerPoint presentation of the 2009 revisions to the scoring criteria for the MNRTF.

In 2009, the following criteria were approved by the Board:

1. Need for Project
2. Site and Project Quality
3. Applicant History
4. Natural Resource Protection and Recreation Opportunities
5. Financial Need of Applicant
6. Urban Area Recreation Opportunities
7. Applicant Match
8. Entrance Fees
9. Universal Design (development only)
10. Oil and Gas Impacted Areas

In addition, the following priority project types were approved:

1. Trails
2. Wildlife/Ecological Corridors and Winter Deeryard Acquisitions (acquisitions only)
3. Urban Areas

Two criteria that were eliminated in 2009 were:

- Opportunity to Provide Access
- Population Served by the Project

Additions were made to the following criteria:

- **Need for Project** - “Collaboration” was added (20 points) to encourage communities or other groups to work together to develop projects.

- **Site and Project Quality** - “Renovation” was added (20 points) to emphasize urban projects (development projects); and “Green Infrastructure Plan” (20 points) and “Fee Simple Purchase” (20 points) (acquisition projects).
- **Applicant History** – “Per Capital Grant Funding Exceeds Median” (0 points), “Per Capita Grant Funding Less Than Median” (20 points) and “No Grant Funding” (40 points). “Formal Recreation Department/Committee” was added (10 points). This criterion was changed quite a bit, as the Board wanted to provide grants to communities who had never received one in the past.

The criteria that related most to natural resource protection/recreation opportunities were:

1. Projection/Use of Significant Natural Resources.
2. Use/Access to Inland Water Resources.
3. Hunting, Fishing and Other Wildlife Opportunities.

These were lapsed into one criterion.

Changes include:

“Natural Resource Based Recreation Opportunities” – development projects were focused on recreation opportunities (highest quality/greatest need; good quality/some need/fair quality/little need).

“Natural Resource Protection and Use” – acquisition projects were focused on most imperiled or desired natural resources protected, less critical protection or access need; and some protection/access provided. An extra 20 points was added for “Good Quality Hunting/Fishing/Wildlife Viewing Opportunity.”

“Financial Need” – was changed two years ago and stays basically the same.

“Urban Area Recreation Opportunities” – points are given depending on core or inner ring city of MSA (40 points), urbanized area of MSA (30 points), core city of MiSA (20 points) or urban cluster (10 points). All are determined by the density of the population.

“Applicant Match” – put on a sliding scale.

“Entrance Fees” – stayed the same (fees with no waiver-0 points); (waiver with unknown or questionable effectiveness-15 points); and no fees or effective waiver-30 points). Can get the full 30 points not only if the community does not charge an entrance fee, but also if they have an effective waiver in place.

“Universal Design” – remained the same.

Mr. Garner asked if a development project should be funded that does not include universal design. Ms. Hegstrom responded that is above and beyond ADA, but universal design is growing more. Mr. Garner wondered if this should be a necessary element in the criteria for funding development projects—both local and state projects. Chairperson Muchmore commented that it is more costly to make a recreation project universally

accessible. Ms. Hegstrom responded that if a project is planned for universal accessibility from the outset, it is cheaper than renovating facilities.

“Oil and Gas Impacted Areas” – remained the same.

Mr. Charters commented that the minerals from oil and gas belong to all the people in the State of Michigan no matter where they are located.

Priority Project Types (Board Special Initiatives) changes include:

“Trails” – remained the same.

“Wildlife/Ecological Corridors and Winter Deeryards” – remained the same.

“Urban Areas” – the Board wanted special emphasis on this.

Mr. Charters stated that when “Wildlife/Ecological Corridors and Winter Deeryards” was made a Board Special Initiative, it was put in to supplement DRIP funds. DRIP funds have traditionally been utilized for operations as opposed to purchasing and supplementing MNRTF funds.

At this point, Mr. Cherry handed out and outlined a MNRTF funding distribution analysis for 2009. This analysis was prepared to see where funding was distributed and if funding was going to the Board’s priorities. He provided a handout with graphs outlining where funds had been expended for Trails, Wildlife/Ecological Corridors and Winter Deeryards and Urban Areas.

Wildlife/Ecological Corridors and Winter Deeryards – being funded in high numbers and are only acquisition projects. Over half the funding is going to projects that protect resources and/or deeryards. This is both DNRE and local projects.

Trails – a smaller percentage of trails are funded than ecological corridors and winter deeryards and include both acquisition and development projects. Most of the trails MNRTF funds are for local projects.

Urban Areas – approximately 22% goes to core cities, which includes inter-ring suburbs; 48% to rural communities.

The analysis indicates that the Board appears to be doing a good job in meeting their priority by funding natural resource protection projects (75%). A smaller amount of funding has gone to trailways. Funding for urban areas is below the proportion of the state’s population and the percentage of local project funding dollars going to urban areas is even smaller.

Possible reasons why the Board is not achieving some of its goals include:

- **Is the Board following the criteria?** – The Board traditionally funds the highest scoring projects.
- **Do the criteria scoring methods reflect the Board’s priorities?** – Board priorities are eligible for up to 50 additional points on final score. One option that could be explored by the Board is increasing the emphasis on priorities by either decreasing number of points available for other aspects, or increasing the

number of points awarded to projects that fulfill Board priorities. Also, lack of applications reflecting priorities restrict funding to priority areas.

- **Do the applications reflect the Board's priorities?** – In some priority areas, did not receive many project proposals. In areas where there was the most success were ecological corridors/deeryards, with 32% of acquisition projects receiving the highest score (54% of total acquisition money requested and money granted). More outreach is necessary in the priority areas of trails and core city parks acquisition and development for better selection of projects and increase the amount of funding dollars reflecting Board priorities.

Mr. Garner suggested that to get more urban projects, instead of a point system the match amount should be changed. Mr. Cherry mentioned that the staff and Board could work together to make sure that communities that need projects apply for them.

Chairperson Muchmore stated that Rachel Kuntzsch of Heart of the Lakes Center for Land Conservancy had some issues that were brought up in meetings held last year. Now that this information is available, staff should discuss with her the issues she previously raised about the scoring criteria to see if some have been alleviated or dealt with.

Chairperson Muchmore also stated that Mr. Charters had some concerns about “Applicant History” regarding selling park land and also that projects be on public transportation route. Mr. Stokes responded on the selling of park land that staff looks at this on a case-by-case basis.

Chairperson Muchmore also stated that Tom Bailey of Little Traverse Conservancy had a concern that when acquiring land the criteria should include lands that make a significant natural resource contribution for future generations as opposed to acquiring it for the present time.

Chairperson Muchmore further stated that it has been mentioned that the Board has approved a grant for a community and then they have not used all of it for the project.

Mr. Charters also mentioned that mitigation is going to become more a problem with former recreation projects.

Chairperson Muchmore wished to discuss funding multi-year projects. He feels the Board will need to get away from this process.

Mr. Stokes responded that comments and suggestions made at the meeting today will be prioritized and brought back to the Board for their review before the October meeting. Ms. Laura Cooper, Office of Human Resources, will be the facilitator.

Discussion ensued regarding strategic planning. Topics of discussion and suggestions for changes/improvements included:

- **Needed Changes** – Phasing projects, deadline standardization, define 25% match, clarify and standardize expiration date, streamline closing process, post-completion inspections, development grant maximum requests (lower cap), and reduce match requirement.

- **Criteria** – Oil and gas (eliminate as criteria), universal design and relative value of natural resources of project itself (giving too much/too little stress).
- **Priorities** – Apply different criteria to small projects, local communities making projects viable (staff evaluations), Stabilization Fund, overall increase in cost of projects, relative cost of projects (always give them what they ask for and what is the role of the Board) and diverting more money to staffing.

IV. PUBLIC APPEARANCES.

Comments to the Board's suggestions on needed changes, criteria and priorities were made by the following:

Mr. Rich Bowman, The Nature Conservancy, suggested before deadlines are changed that an analysis be made to see how many acquisition projects come in by the August deadline versus the April deadline.

Mr. Tom Bailey, Little Traverse Conservancy, made comments on privatization of escrow closings – should adopt and would save staff time and would overcome problems in reimbursement to grantee. Also made comments on conservation easements where conservancies would enforce.

Representatives from Michigan Municipal League made comments on outreach to communities and importance of funding urban projects. Projects in urban areas should be looked at differently. People look for play styles when relocating to areas for working/residing. Urban recreation plays a big role.

A **restaurant owner** in Detroit made comments on how the area around his establishment has been revitalized and improved. His restaurant is around Roosevelt Park and the old train station in the city. He would like to see the train station revitalized. Park and other improvements have been made around the area with assistance of grants. The state greatly needs urban recreation projects.

Mr. Mark Brochu, St. Clair County, and representing Michigan Recreation and Park Association and Michigan Association of County Parks and Recreation Officials, made comments. He would like to keep the acquisition deadlines as they currently are. The appropriation for 2009 projects was passed earlier than in the past, which has been a positive move. Supports elimination of oil and gas criteria. Grants Management staff has been tremendous to work with and are in need of additional staff. Contracting services (appraisals, etc.) would help staff.

A **representative from the Michigan Townships Association** made comments. Supports community collaboration for recreation projects. Agree with comments made by the Michigan Municipal League. The Association does not have a problem with redefining match, but keep in mind that communities are stretched for funding. Need to keep in-kind match. He feels the suggestion of match being reduced for urban areas be accomplished in a different way. Outreach needs to be prioritized to get applications submitted.

Mr. Mike McDonald, DNRE retiree and representing Ingham County Parks, made some comments about fishing opportunities provided in Ingham County. MNRTF grants are important to communities. Need more assistance for disadvantaged and urban communities.

Ms. Julie Stoneman, Heart of the Lakes, made some comments. Appreciates the assessment of the criteria. One of the concerns was the drop in the percentage in point value given to natural resources. Suggests the Board not promote phased projects, but not rule it out altogether.

A summary of comments/suggestions made by the audience included:

- Bonding
- Application deadlines
- Escrow closings – consider privatization/alternative mechanisms
- Alternative auditing
- Outreach – urban non-profits
- Acquisition deadline
- Keep in-kind available
- Keep match percentage requirement standard between communities
- Active solicitation of project types
- Discourage phased projects, but don't eliminate

V. BOARD POLICY IMPLEMENTATION.

**MOVED BY MR. CHARTERS, SUPPORTED BY MR. GARNER,
TO ELIMINATE PHASED PROJECTS IN GRANT CYCLE 2011.
PASSED WITHOUT DISSENTING VOTE.**

Mr. Stokes made some comments as to how we can get urban communities to apply for grants. He also made comments regarding the lack of staff in Grants Management, and feels with Director Humphries being on the Board, she will have a better understanding of this need, as well as the engineering and appraisal approval issues.

Mr. Stokes also stated that staff will take the comments made today from the Board and the audience and put together an analysis for further discussion at the October meeting and hopefully finalize and approve at the December meeting to get into the 2011 application materials.

VI. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, October 6, 2010, Lansing Community College West Campus, 5708 Cornerstone, Lansing, Michigan.

ADJOURNMENT.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CHARTERS, TO
ADJOURN THE MEETING. PASSED WITHOUT DISSENTING VOTE.**

The meeting was adjourned at 4:45 PM.

Dennis Muchmore, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

Joseph Frick, D. Acting Manager
Grants Management

DATE