

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of February 11, 2015
Lansing Convention Center
333 E. Michigan Avenue, Lansing
9:00 AM

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:00 AM, Wednesday, February 11, 2015.

The following Board members were present:

Brad Canale
Keith Creagh
Sam Cummings
Steve Hamp
Erin McDonough

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

Chairperson Canale introduced Mr. Steve Hamp, who has been appointed to the MNRTF Board. Mr. Hamp stated that actually this is the second time he has served on the Board (first time in 2005). Due to other business commitments he was only able to remain on the Board a short time.

Mr. Hamp has held positions with the Ford Motor Company as Chief of Staff and The Henry Ford (for 27 years and President for 10 years). At the present time, he works in Detroit on a variety of initiatives—Chair of the New Economy Initiative [corrected name at Board meeting 4/15/2015], a \$140 million economic development fund in the City of Detroit; Chair of Michigan Education Excellence Foundation for the Governor; and the Coalition for the Future of Education for Detroit school children.

I. ADOPTION OF MINUTES FOR MEETING OF DECEMBER 3, 2014.

Chairperson Canale called for the adoption of the minutes for the December 3, 2014 MNRTF Board meeting.

**MOVED BY MR. CUMMINGS, SUPPORTED BY DIRECTOR CREAGH, TO
ADOPT THE MINUTES FOR THE DECEMBER 3, 2014 MNRTF BOARD
MEETING. MOTION PASSED WITHOUT DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR THE MEETING OF FEBRUARY 11, 2015.

Chairperson Canale called for the adoption of the agenda for the February 11, 2015 MNRTF Board meeting.

**MOVED BY MS. McDONOUGH, SUPPORTED BY MR. CUMMINGS, TO
ADOPT THE AGENDA FOR THE FEBRUARY 11, 2015 MNRTF BOARD
MEETING. MOTION PASSED WITHOUT DISSENTING VOTE.**

III. INTRODUCTIONS.

Mr. Steve DeBrabander, Manager, Grants Management Section, Finance and Operations Division, DNR, introduced himself and Grants Management Section staff: Mr. Jon Mayes (Unit Manager, MNRTF), Ms. Linda Harlow (Administrative Assistant to staff and Board), Ms. Janet Liesman (MNRTF Financial Specialist), Ms. Tamara Jorkasky (Grant Coordinator), Ms. Merrie Carlock (Grant Coordinator), Ms. Amy Matisoff (Grant Coordinator), and Ms. Christie Bayus (Program Manager, LWCF/Recreation Passport/Marine Safety Grant Programs and Grant Coordinator).

Mr. DeBrabander also introduced Mr. Joe Frick, Assistant Division Chief, Finance and Operations Division. This is Mr. Frick's last MNRTF Board meeting as he is retiring the end of this month, after 39 years of state service. Mr. DeBrabander further stated it has been a pleasure having Mr. Frick as his supervisor for the past four years and appreciated his work with the MNRTF Board.

Director Creagh added that Mr. Frick has been a great asset to the DNR and provided outstanding leadership. He always dealt with issues in a calm manner, and has a sense of humor.

The Board members introduced themselves.

IV. PUBLIC APPEARANCES.

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy, welcomed Mr. Hamp back to the MNRTF Board. He also praised Mr. Frick for all the work he has done over the years and wished him well on his retirement.

Ms. Ann Conklin, Director; and Mr. Sean Fletcher, President; Michigan Recreation and Park Association

Mr. Sean Fletcher, President of Michigan Recreation and Park Association (MRPA), thanked the MNRTF Board for being a part of MRPA's annual conference and trade show by having their February meeting in connection with the conference.

Ms. Ann Conklin provided the Board members with a booklet containing various recreation facilities where the MNRTF has assisted in funding. Copies of specific projects highlighted in the book will also be provided to legislators at the legislative luncheon today.

Ms. Conklin assured the Board that MRPA will continue to work very diligently with them on legislative and recreation issues.

Director Creagh mentioned a topic that may come up during the luncheon is the investment strategy of the MNRTF.

Michigan Department of Treasury staff – MNRTF Investments

Mr. Woodrow Tyler, Bureau of Investments, Department of Treasury, made a presentation on MNRTF investments. He introduced Mr. Jon Braeutigam, Mr. Dan Quigley and Ms. Lan Chen with the Department of Treasury who accompanied him. A copy of the MNRTF Investment Report was provided to the Board and staff.

Mr. Tyler outlined various aspects of the MNRTF investments, including market value. As of December 31, 2014, the market value of the MNRTF was \$694 million and the market value of investments was \$595.2 million. The breakdown is as follows:

- \$597.3 million investment funds committed (includes \$60 million in Treasury Securities for operating funds)
- -\$2.1 million cash available for investment
- +\$98.8 million operating funds

From these figures, the MNRTF is slightly over-invested. The \$60 million in Treasury Securities more than covers this.

Investments were made in government bonds, corporate bonds, equity investments and alternative investments. Targeted asset allocation is: 15% alternatives, 20% equity and 65% bonds. Actual asset allocation is: 14% alternatives, 16.5% equity and 69.5% bonds.

Mr. Tyler outlined the portfolio of holdings that the MNRTF has invested in. The totals are:

- Bond holdings - \$415,584,757
- Equity holdings - \$98,636,161
- Alternative holdings - \$83,112,495
- Cash holdings - \$96,668,057

Estimated income and dividends over the next twelve months is:

- Bonds (return rate varies) - \$11,745,347
- Common cash (return rate 0.25%) - \$241,670
- Equity dividends (return rate 1.99%) - \$1,923,694

Mr. Tyler outlined the investment return performance summary. The percent share of the total fund market value is:

- Short-term investments – 17.1%
- U.S. government bonds – 11.4%
- Corporate bonds – 43.2%
- Equities – 16.8% (S&P 500, Mid Cap Fund, International Fund and Emerging Markets Fund)
- Limited partnerships – 11.6%

Mr. Cummings asked Mr. Tyler if the Department of Treasury expects any changes in asset allocations. Mr. Tyler responded no, but these are always under review.

Chairperson Canale asked if the Department of Treasury views real estate investments as a bond fund. The response was investment in real estate is not viewed like a bond return.

Mr. Cummings thanked the Department of Treasury for making this presentation before the Board.

V. OLD BUSINESS.

Discussion on Future of the MNRTF

Mr. Cummings outlined the comments of the MNRTF Board Subcommittee on Program Review. A stakeholders meeting was held on February 10, 2015 to gain consensus on previous discussions, actions taken by staff and Board constituencies on potential modifications to the current administrative statutory constitutional policies of the MNRTF in meeting its current and future objectives.

Discussion was held on the topics of:

- The “gap analysis” resulting from SCORP, Trails Plan, Managed Public Land Strategy and the future of Michigan’s Parks and Outdoor Public Recreation Plan.
- Potential operational changes that would help address the gaps identified and do not require legislative changes.
- Potential statutory and/or constitutional policy changes that would help address the gaps identified.
- Short- and long-term strategies on natural resource management.

The conclusions of the group were:

- Current legislative proposals, including Senate Bill 16, Senate Bills 39/40 and Senate Joint Resolution C are not acceptable.
- There are some administrative and collaborative initiatives that could be looked at accomplishing:
 - 1) Financial analysis of future Trust Fund performance and capacity for funding;
 - 2) The reconsideration of multi-year grants; and
 - 3) The development of a collaborative strategy with our conservation and philanthropic partners to overcome challenges related to grant cycle and funding of local match for distressed communities.
- We need to further quantify the gap analysis related to the objectives identified in above-referenced reports, focusing our acquisition efforts on the priorities identified in the aforementioned plans and looking at alternatives to fee simple ownership as methods to accomplish our goals.
- The use of subcommittees with membership from current and potential constituents and partners should continue and are valuable to achieving our goals.
- There is a great deal of concern surrounding the potential for a near-term initiative to amend the constitution regarding the current caps and funding minimums and maximums for acquisition and development projects.

Mr. Cummings proceeded to outline updates on the MNRTF Board Subcommittee on Funding and Finance.

- A consultant has been hired to help develop a “sources and uses statement” for the initial and agreed upon priority surrounding statewide trails.
- A fact sheet has been developed by staff (copy provided to the Board) on the recently named Iron Belle Trail to help guide the Board in developing the case amongst potential partners for collaboration.
- Group discussions with potential partners are in the process of being scheduled to discuss the viability of a collaborative model to accomplish its funding and development, with the goal of developing a model that can be transferrable to other initiatives, such as Great Lakes and inland lakes public access in the future. The goal is to complete the initial feasibility of this effort by mid-year.

Mr. Cummings stated that the Iron Belle Trail has been estimated to cost \$50,000 per mile to develop. If the MNRTF funded the trail alone, it would take an extremely long time to complete. The Board would also need to take into consideration its new spending policy of a more conservative approach to investing. Other funding sources and constituencies would be needed to complete the trail.

Mr. Cummings read an excerpt of the Iron Belle Trail fact sheet:

“Furthering the state’s reputation as The Trail State, Michigan’s Iron Belle Trail is the longest trail designated by a state government. It builds upon the concept of several national trails, including the Appalachian, the Pacific Crest and the Ice Age National Scenic Trails. These trails link natural and cultural features with communities to grow economies, provide health and recreation opportunities, and highlight the beauty of the nation and the state. Each trail starts from an ambitious idea and grows year-by-year with the help of government, businesses, foundations and volunteers. The trails are continuously improving as new trail corridors are acquired and routes are enhanced.”

The Iron Belle Trail will officially be opened on National Trails Day, June 6, 2015.

Presently the hiking route is about 1200 miles and currently there is 69% of existing trail, with 31% yet to be developed. The biking trail is 774 miles, with 64% existing trail, and 35% yet to be developed. Estimated cost per mile is: \$150,000 for acquisition and \$250,000 for development (biking trail); and \$150,000 for acquisition and \$60,000 for development (hiking trail).

Ms. Amy Mangus of the Southeast Michigan Council of Governments (SEMCOG) stated that DNR and Michigan Department of Transportation (MDOT) staff, as well as staff from the Michigan Trails and Greenway Alliance, have gotten together to look at where gaps are, and have met with the gap group communities to determine the right funding sources.

Director Creagh mentioned that DNR does not view the Iron Belle Trail as a state-owned trail, but rather a collaboration of partnerships with local partners. Mr. DeBrabander also added that as staff has conducted recreation grant workshops around the state, staff encouraged communities located on the trail to look at the possibilities of applying for funding this year. Also, on “MiRecGrants” there is a box that can be checked if the application is related to the Iron Belle Trail.

Mr. Paul Yauk, Parks and Recreation Division, mentioned that staff is meeting with individuals around the state regarding the trail. There are a lot of opportunities for this trail not only for our state, but in other states.

Chairperson Canale suggested that other constituencies bring in newspaper publishers across the state to make the public aware of opportunities this trail would provide, not only for the local communities but the entire state.

Mr. Hamp asked if a visionary narrative has been made to define aspects of the trail. Mr. Cummings responded that this would be part of the sources and uses statement. This would be one of the main goals of the hired consultant to develop.

Mr. Yauk also added that a partner of the trail is the National Park Service, with the North Country Trail. They have been a huge asset as to what they have done nationally.

Mr. Hamp asked if there was mapping available for the trail. Director Creagh responded that this is available. Mr. Yauk added that mapping is on the DNR website.

VI. NEW BUSINESS.

Update on MNRTF Staff Activities

Mr. DeBrabander outlined updates of various MNRTF staff activities:

- Staff is still developing the MiRecGrants system, our online application system. This will be the second year that applicants have submitted their applications on line. Staff has received positive feedback on the new system. Amy Matisoff is temporarily being assigned full-time to development of the MiRecGrants system.
- The 2015 Application Guidelines booklet has been completed and is online.
- Post-Completion Self-Certification Inspections are ongoing. Linda Harlow has been heading up this process. Significant progress has been made towards eliminating the backlog of inspections.
- Staff has been reviewing House Bill 4078. It has made it through the House and now goes to the Senate.
- Nine recreation grant workshops have been completed throughout the state. The last two workshops are scheduled for tomorrow in conjunction with the MRPA Conference.
- Staff has been busy approving five-year recreation plans.

TF13-050, Clinton Township Nature Preserve/Campground Acquisition, Clinton Township – WITHDRAWAL OF PROJECT

TF12-029, Morton Township Park Acquisition, Morton Township – WITHDRAWAL OF PROJECT

MOVED BY MS. McDONOUGH, SUPPORTED BY MR. HAMP, TO APPROVE THE WITHDRAWALS OF TF13-050, CLINTON TOWNSHIP NATURE PRESERVE/CAMPGROUND ACQUISITION, CLINTON TOWNSHIP; AND TF12-029, MORTON TOWNSHIP PARK ACQUISITION, MORTON TOWNSHIP. MOTION PASSED WITHOUT DISSENTING VOTE.

VII. STATUS REPORTS.

DNR Real Estate Report – State Acquisitions

Mr. DeBrabander advised the Board that no acquisitions were brought before the Director since the last meeting, and as a result there is no DNR Real Estate Report.

Completed MNRTF Projects Report

No discussion.

MNRTF Financial Report

Mr. Frick stated that it has been a pleasure working with the Board on the MNRTF funding issues. There are many dedicated Board members and DNR staff that he has worked with over the years on this program.

Mr. Frick introduced his supervisor, Ms. Sharon Schafer, Chief, Finance and Operations Division, DNR, to the Board and audience.

Mr. Frick outlined the final MNRTF financial report from 2014. There was \$2,064,458 withdrawn from the Stabilization Reserve to fund additional 2014 development grants. Also, \$18,831,764 was awarded for acquisition; and \$6,479,600 for development. A total of \$3,581,864 was not expended for acquisition grants. This balance was put back into the Stabilization Reserve.

There is a total of \$56,793,904 in the Stabilization Reserve -- \$49,959,561 for acquisition and \$6,834,343 for development grants.

There was a \$80,336 additional withdrawal from the Stabilization Reserve for 2014 development grants.

Projections for 2015 MNRTF funding available are \$12,135,391 (\$8,026,831 acquisition; \$4,108,561 development). These figures could change with lapses or withdrawals.

Mr. Frick also pointed out that Board action would be required for the use of the excess balance projected in the Stabilization Reserve above the minimum target. The Stabilization Reserve is currently projected to exceed the minimum target level by \$5,999,303.

Chairperson Canale asked if the Board would have a reasonable firm projection of funds available by their October meeting. Mr. Frick responded he believes this would be possible, except one qualifier would be the equity market going up and down.

Chairperson Canale suggested for future discussion that the Board may want to set a range at the October meeting of how much funding would be available and could be awarded.

MNRTF Land Consolidation and Line Item Department Projects

No discussion.

VIII. OTHER MATTERS AS ARE PROPERLY BROUGHT BEFORE THE BOARD.

None.

IX. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, April 15, 2015, Lansing Community College West Campus, 5708 Cornerstone, Lansing, Michigan.

X. ADJOURNMENT.

**MOVED BY MR. CUMMINGS, SUPPORTED BY DIRECTOR CREAGH, TO ADJOURN
THE MEETING. MOTION PASSED WITHOUT DISSENTING VOTE.**

The meeting was adjourned at 10:05 AM.

Brad Canale, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

Steven J. DeBrabander, Manager
Grants Management Section
Finance and Operations Division

DATE