

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of October 19, 2011
Clarke Historical Library, Baber Room, Central Michigan University
250 East Preston, Mt. Pleasant
9:00 AM

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:00 AM, Wednesday, October 19, 2011.

The following Board members were present:

Keith Charters
Samuel Cummings
Bob Garner
Rodney Stokes

Mr. Torre was not in attendance due to another commitment.

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

I. ADOPTION OF MINUTES FOR THE MEETING OF AUGUST 17, 2011.

Chairperson Garner called for the adoption of the agenda for the August 17, 2011 MNRTF Board meeting.

MOVED BY MR. CHARTERS, SUPPORTED BY MR. CUMMINGS, TO APPROVE THE MINUTES OF THE AUGUST 17, 2011 MNRTF BOARD MEETING. PASSED WITHOUT DISSENTING VOTE.

II. ADOPTION OF AGENDA FOR MEETING OF OCTOBER 19, 2011.

Chairperson Garner called for the adoption of the agenda for the October 19, 2011 Board meeting, with an addition to the agenda of a presentation by Mr. Ron Olson, Chief, Parks and Recreation Division, DNR, to provide an update on the Michigan Recreation Passport Program.

MOVED BY DIRECTOR STOKES, SUPPORTED BY MR. CUMMINGS, TO APPROVE THE AGENDA, WITH REVISION, OF THE OCTOBER 19, 2011 MNRTF BOARD MEETING. PASSED WITHOUT DISSENTING VOTE.

III. PUBLIC APPEARANCES.

Mr. Ron Olson, Chief, Parks and Recreation Division, DNR – Update of Michigan Recreation Passport Program

Mr. Ron Olson, Chief of the Parks and Recreation Division, DNR, made a presentation on updates of the Michigan Recreation Passport Program. He advised the Board that there will be a little over \$600,000 to allocate for grants to local units of government. This is approximately \$150,000 more than was originally estimated would be available.

Mr. Olson provided the Board with copies of new information that will be included in Secretary of State mailings. A copy of the new marketing plan for the perks program was also provided. At the present time, there are 730 businesses in the state that offer discounts if you present your vehicle registration showing that you have a recreation passport.

There now is a video of the Recreation Passport Program at Secretary of State offices (a 30-second spot).

Mr. Charters asked if many of the State Parks had a Harvest Festival. Mr. Olson responded yes. Mr. Charters wished to give kudos to Mr. Olson and his staff for providing these festivals. He attended the festival at the Keith J. Charters Traverse City State Park and said it was incredible. There was a contest for the best decorated campsite, best costume and best pumpkins carved.

Chairperson Garner asked what the total revenue of the passport program was. Mr. Olson responded \$18.8 million. Funds had to be set aside to pay the Secretary of State, plus the \$11.7 million previously collected had to replenish the Waterways Fund. This left \$6 million to distribute. The goal for next year is 30 percent participation, which would bring in about \$22 million in gross revenue.

Director Stokes stated that these revenues not only are for State Parks, but also go to State Forest recreation programs and recreation grants to local units of government. He encouraged everyone to participate in the program as it benefits recreation in their home towns.

At this point, Chairperson Garner asked Mr. Steve DeBrabander, Manager, Grants Management, Finance and Operations Division, DNR, to introduce Grants Management staff in attendance. These included: Mr. Jon Mayes (Unit Manager, MNRTF Program), Ms. Linda Harlow (Assistant to Grants Management and MNRTF Board), Mr. Sam Duncan (Program Manager, Land and Water Conservation Fund/Marine Safety/Recreation Passport Programs and currently accountant for MNRTF projects), Ms. Jule Stafford (Grant Coordinator), Ms. Shamika Askew-Storay (Grant Coordinator), Mr. John Cherry (Grant Coordinator) and Ms. Christie Bayus (Grant Coordinator).

Presentation of DNR Applications – DNR Trust Fund Liaison Staff

MNRTF Liaisons Mr. Steve Sutton (Fisheries Division), Ms. Kerry Wieber (Forest Management Division), Mr. Earl Flegler (Wildlife Division) and Mr. Paul Yauk (Parks and Recreation Division) made a PowerPoint presentation in support of the DNR's applications that have been submitted for 2011.

Mr. Sutton presented the DNR eco-region land consolidation applications. These are a collaboration of the four resources divisions. They are the DNR's number one priority and are the most critical funds used throughout the year. These applications allow for acquisition of critical inholdings within existing boundaries of State Park and Recreation Areas, State Game Areas, State Harbors and Natural Rivers. Applications submitted are:

- 11-127 – Upper Peninsula Eco-Regional Land Consolidation - \$950,000 – Emphasis is on winter deeryards, endangered species habitat and critical inholdings.
- 11-140 – Northern Lower Peninsula Eco-Region Land Consolidation - \$950,000 – Emphasis is on winter deeryards, access to inland lakes and streams and critical inholdings.
- 11-126 – Southwestern Lower Peninsula Eco-Region Land Consolidation - \$1,000,000 – Emphasis is on close to home recreation, additional huntable lands and critical habitats within state game areas, additional public water access and critical inholdings.
- 11-137 – Southeastern Lower Peninsula Eco-Region Land Consolidation - \$1,475,000 – Emphasis is on close to home recreation and access on Lake Huron, Lake St. Clair and Lake Erie.

Mr. Charters mentioned that these inholdings should not include state parks acquisitions.

Director Stokes stated that the request amounts can be rounded up to \$1 million (from \$950,000) and \$1.5 million (from \$1,475,000).

Director Stokes further stated as it relates to winter deeryards, staff needs to look at the model that the DNR has been using for these. The DNR has existing land that could be invested in for the habitat of deeryards as opposed to buying additional land.

Ms. Wieber presented the Forest Management Division acquisition applications.

- 11-128 – Menominee River Headwaters Forest Acquisition - \$3,000,000 – This involves a land exchange and acquisition of both a conservation easement and fee ownership that will protect and provide public access for over 50,500 acres. It includes 62.5 miles of river and creek frontage, primarily on the Net, Paint and Hemlock Rivers. It also includes over 11 miles of snowmobile corridor connecting with other trails in Wisconsin. Also protects various species. The property consolidates state land ownership and eliminates 140 miles of private/public boundary.

The MNRTF portion being requested will go toward the fee acquisition. Forest Legacy Program funds (\$3 million from the U.S. Forest Service for Fiscal Year 2012) were also requested and this project ranks 4th in the country. In Fiscal Year 2013, \$7 million is being requested from the Forest Legacy Program fund for the project.

Mr. Charters asked if more was going to be requested from the MNRTF. Ms. Wieber responded that at this point there has not been a determination made if more will be requested from the MNRTF.

Chairperson Garner asked if this property was owned by multiple landowners. Ms. Wieber responded that it is one landowner at this time. The DNR has been working with the Conservation Fund/Forestland Group for the acquisition of this property.

Mr. Charters asked about the conservation easement and if the DNR had control over the wildlife management. Ms. Wieber responded yes.

Director Stokes asked about the minerals on the part of the property that DNR will convey. Ms. Wieber responded that they will be controlled through the Forest Legacy Program, which will not allow their funds to be expended where there is no control over what happens on the surface. There will be language in the conservation easement that covers the minerals.

Director Stokes asked when all the property is acquired, what will be the total acres. Ms. Wieber responded it is estimated to be approximately 11,000 acres, and was included in the list of projects that went over to the Legislature (proposed Casperson Bill for capping DNR land ownership).

- 11-132 – State Trails Initiative - \$1,000,000 – These acquisitions will increase access to the state trail network and help extend or connect state trails, as well as provide adjacent lands for trailhead support facilities, such as parking.

Mr. Yauk presented the Parks and Recreation Division acquisition application.

- 11-136 – River Raisin Recreation Headwaters Acquisition - \$3,000,000 – This is a 2,000-acre parcel located in Jackson and Washtenaw Counties. The acquisition is in partnership with Wildlife Division. The total project cost is \$5.5 million, with funds being used from the Nike site (property at Proud Lake Recreation Area which was sold). There is a 117-acre lake (Thorn/Watkins Lake) on the property. Acquisition of the property would benefit the Recreation Passport Program in southern Michigan, as well as provide close to home access for hunting and fishing. It would also foster economic growth in neighboring communities. In addition, it would provide a good partnership with the equestrian community.

Chairperson Garner asked if this acquisition would include the farmland and, if so, how would it be handled. Mr. Yauk responded it would include the farmland and sharecropping is being looked at, which is the partnership with Wildlife Division.

Mr. Charters asked under Proposal P, if Parks and Recreation Division can use these funds for acquisition. Director Stokes responded yes. Mr. Yauk added that in the future funds under Proposal P will be utilized for acquisition.

Mr. Flegler presented the Wildlife Division acquisition application.

- 11-142 - Wigwam Bay State Wildlife Area Land Initiative - \$625,000 – This is an acquisition of 106 acres on the western portion of the Wigwam Bay State Wildlife Area. It includes one-quarter mile of frontage on Saginaw Bay. This is a popular area for ice fishing and waterfowl hunting.

At this point, Mr. Flegler presented the Wildlife Division development applications.

- 11-139 – Building Demolition Initiative - \$300,000 – This has been a multi-year project. Fifty-two buildings have been removed with 25 in the process of removal. Over 60 structures remain to be removed. These buildings are removed to reduce liability and vandalism and to aid in the reclamation of habitat. At the present time, \$304,600 has been expended in removals. This project has been in partnership with Parks and Recreation Division with the use of their construction crew and equipment. In addition, before the buildings have been removed, local law enforcement agencies use the buildings for hostage trainings. Local fire departments have also used these buildings for training purposes.
- 11-135 – Dansville Shooting Range - \$300,000 – This is a joint project with Wildlife Division and Marketing and Outreach Division for development and renovation of the Dansville Shooting Range. The range has been closed indefinitely because of safety reasons. The MNRTF grant would address safety issues, provide for hunter education and be in compliance with ADA requirements. Marketing and Outreach Division will manage the range.
- 11-141 – Accessibility and Habitat Initiative - \$300,000 – This project would provide barrier-free access to hunters in primarily southern Michigan Game Areas, with one being proposed in the Upper Peninsula (Schoolcraft County, Rainy Lake Memorial Wildlife Area). It would include barrier-free parking lots, trails and hunting blinds. The division would like to provide some personal adaptive devices, such as a motorized wheelchair. This project would also include making the habitat suitable so users will have the chance to encountering wildlife and being successful hunters (providing food plots and timber cuttings, native grass plantings, as examples).

Director Stokes asked if these devices, such as a wheelchair, are being proposed for purchase. Mr. Flegler responded the division has been considering purchasing them, but a partner has come forward who would purchase them.

- 11-138 – Pheasant Habitat Restoration Initiative - \$300,000 – This project would be “seed money” for the Pheasant Restoration Initiative to restore pheasant hunting in nine southern Michigan counties. This would include planting/restoration of native grasses, nesting cover, winter cover, food plots, brush control and prescribed burns.

Chairperson Garner is uncomfortable with this proposal. Mr. Flegler responded that this is new ground for habitat to make this area attractive. Director Stokes stated that he

feels this is something the Board needs to discuss. Mr. Charters added that this is new territory.

Ms. Wieber presented the Forest Management Division development applications.

- 11-131 – Fred Meijer Ionia to Owosso Rail-Trail – \$300,000 – This project is to provide eight miles of surface improvements along the 42-mile rail-trail in the communities of Muir, Ovid, Pewamo, Fowler and St. Johns.
- 11-133 – Statewide Equestrian Recreation Initiative - \$300,000 – This project is to expand equine opportunities, improve access to equine trails in the Pigeon River Country, add more campground facilities in the Upper Peninsula, implement recommendations of the Equine Trailways Subcommittee and provide connector trails with existing equine trails.
- 11-129 – Campground Infrastructure Upgrades - \$300,000 – This project is to provide infrastructure upgrades to State Forest Campgrounds. There is an unfunded need of \$1.3 million for picnic tables, fire rings, wells, and vault toilets. The State Forest Campgrounds will be receiving some money from the Recreation Passport Program.
- 11-130 – Lake Dubonnet Fishing Pier Replacement - \$200,000 – This project is for replacement of the fishing pier at the Lake Dubonnet State Forest Campground.

Mr. Sutton presented the Fisheries Division development application.

- 11-125 – Little Manistee River Weir Development - \$300,000 – This project is a partnership with Manistee County and the Alliance for Economic Success in Manistee County (“Explore the Shore”). They will assist the division in design work. The grant being requested would be for an interpretive trail, viewing platform and restrooms. The partners would help fund an improved parking lot, paving the access road, and increase public and fishing access up and down stream of the facility.

In conclusion, Mr. Sutton advised the Board that the total amount being requested by the DNR for acquisitions is \$12 million (\$7,625,000 in line item projects and \$4,375,000 in eco-region land consolidation projects). The total for the nine development projects being requested was \$2,600,000. Total acquisition and development requests were \$14.6 million.

Ms. Susan Lackey, Executive Director, Legacy Land Conservancy – 11-136, River Raisin Recreation Area Acquisition, DNR, Parks and Recreation Division

Ms. Susan Lackey, Executive Director of the Legacy Land Conservancy, made a presentation in support of the River Raisin Recreation Area Acquisition (Trolz property), 11-136. She provided some handouts for the Board’s information.

This project has been a priority of the Conservancy and would provide multiple benefits. These are:

- An Arc of Public Lands - This would create publicly accessible lands from Hayes State Park to northern Oakland County. This would provide varied and extensive recreational lands for southern Michigan residents, a greenbelt serving southeast Michigan and protect extensive portions of the ecosystem. The property is accessible to five million people living within 90 minutes of the location.
- Gateway Communities and Economic Development – The property supports an existing regional economic initiative designed to incorporate lands of western Washtenaw and eastern Jackson counties in a strategy capitalizing on small towns to rural and natural areas. The state lands in this area could be a natural attraction for local, regional, state and out-of-state visitors. The Conservancy and communities are working on a marketing campaign to launch next summer tied into “Pure Michigan.”
- Multi-Use Opportunities – The Trolz acquisition would create the opportunity for a new multi-use area which could include deer management, migratory waterfowl refuge, equestrian, bicycling, hiking trails and other recreational opportunities.

Mr. Charters asked about right-of-way easements on the property. Ms. Lackey responded the Trolz family owns the rail right-of-way and is part of the sale.

Ms. Lackey also added that the Conservancy will be assisting with some of the appraisal costs on the project, as well as to work with the other conservation organizations in the area.

Ms. Sandra Batie, Chair, Equine Trailways Subcommittee of the Michigan Snowmobile and Trails Advisory Council – 11-136, River Raisin Recreation Area Acquisition, DNR, Parks and Recreation Division

Ms. Sandra Batie, Chair of the Equine Trailways Subcommittee of the Michigan Snowmobile and Trails Advisory Council, made a presentation in support of the River Raisin Recreation Area Acquisition, 11-136. The Equine Trailways Subcommittee (ETS) was formed by the authority of Public Acts 45 and 46, and is sometimes referred to as “Right to Ride” and is focused on enhancing equestrian riding in the state and creating a state network of trails.

A recommendations report was produced in June of 2011. The recommendations were informed by a survey of 860 riders. One of the conclusions was that people want to recreate close to home. Part of the problem is most of the population is south of an east-west line through Clare, but there are no state forests south of Clare, where much of the northern riding occurs. Horse riding on public lands south of Clare is limited to those state parks, state game areas and recreation areas that are open to equine trail recreation. The ETS concluded that there is a need for equine trail opportunities in the southern Lower Peninsula.

The acquisition of River Raisin Recreation Area would provide for an expansion of equine trail opportunities. There is strong support from the local communities, as well as Jackson and Washtenaw Counties. Also, the public-private development of natural

resources and nearby localities is consistent with the Governor's vision of the future direction for the state.

Ms. Batie did some research with the Allegan State Game Area and Silver Creek Park near Holland when it was opened to equine use. It was estimated that park users brought at least a half a million dollars into the county per year through spending at restaurants, gas stations and convenience stores.

The size of the proposed property has suggested there may be possibilities to provide equine camping, which could draw both in-state and out-of-state riders for longer stays. In addition, the availability of some buildings on the property may provide opportunities to develop unique equine features, such as indoor riding arenas or boarding facilities.

The ETS strongly supports the acquisition of the River Raisin Recreation Area and is ready to partner with the DNR, Ducks Unlimited, local public and private entities to plan the development of the recreation area.

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy

Mr. Tom Bailey, Executive Director of Little Traverse Conservancy, congratulated the MNRTF on their 35th anniversary. The current Board has a wealth of historic experience and knowledge, and he feels there has never been a stronger Board. He also wished to thank Central Michigan University for hosting the anniversary.

Little Traverse Conservancy recently concluded a real estate pilot project with the DNR. Mr. Bailey is now a member on the Governor's Parks Panel and also on the Office of Regulatory Review for DNR. He is pleased to be working with Director Stokes and his staff and is always happy to assist the MNRTF Board and program in any way he can.

At the National Conference of Land Trusts in Milwaukee, Wisconsin last week, the Great Lakes groups got together. The Great Lakes states in total have 27 percent of the nation's population, but are coming out short of federal programs funding, receiving only about 11 percent. These states are working with their congressional delegation to ensure that the Great Lakes get their share of this money.

Mr. Bailey also has been involved in some discussions with the Casperson Bill (that would cap the amount of land that DNR can own).

Mr. Bailey also mentioned that the Headlands property, which was a project the MNRTF assisted with funding, has been designated as the sixth international dark sky park in the nation and ninth in the world. This has proven to be a great destination spot and has proven to be a great economic boost. On October 28th, there will be the "Headlands Challenge" where the entrance road will be lined with jack-o-lanterns.

Mr. Robert Williams, Director of Harsens Island Conservation Association – 11-121, Harsens Island Conservation Area Acquisition, Clay Township

Mr. Robert Williams, Director of Harsens Island Conservation Association, made a presentation in support of the Harsens Island Conservation Area Acquisition project, 11-121. A presentation on the acquisition was made at the last Board meeting, but if the Board had any further questions, he would be happy to answer them.

Mr. Chris Bunch, Executive Director, Six Rivers Regional Land Conservancy – 11-121, Harsens Island Conservation Area Acquisition, Clay Township

Mr. Chris Bunch, Executive Director for the Six Rivers Regional Land Conservancy, made a presentation in support of the Harsens Island Conservation Area Acquisition project, 11-121. This acquisition would be a great opportunity to add land in southern Michigan and provide for restoration work in a critical natural resource area. This is globally important.

Mr. Charles Smith, Supervisor, Pentwater Township – 11-087, Long Bridge Road Boardwalk Fishing Deck Development

Mr. Charles Smith, Supervisor of Pentwater Township, made a presentation in support of the Long Bridge Road Boardwalk Fishing Deck Development project, 11-087. The community is very supportive of the project. The fishing deck will be handicapped-accessible and currently there is no project like this in western Michigan.

Mr. Smith provided photographs of the proposed project area.

IV. OLD BUSINESS.

MNRTF Recognition Efforts – DNR Land Liaisons

Ms. Kerry Wieber outlined Forest Management Division's process for MNRTF recognition for the division's funded projects. The Memorandum of Understanding that is signed between Grants Management and the division has the requirement that if there is a DNR-managed public entry point to a project area, a sign is put up recognizing the MNRTF. This is for both acquisition and development projects. In addition, at the State Forest campgrounds, there is a MNRTF sign in the kiosks, as well as the trailheads. MNRTF recognition has also been identified in closing ceremonies, newspaper articles and press releases.

A full-time employee has been hired by the division for Marketing and Communication, and she has been advised to get the word out about Forest Management's MNRTF projects. This employee also will make sure the stakeholders that the division uses are aware of the program and also provide press release work on what the division is accomplishing.

Mr. Paul Yauk outlined that Parks and Recreation Division is working with the DNR's Marketing and Outreach Division in developing a set of four signs. When there is a construction project at a state park, this will be used to notify the public. He provided the Board with a sample of the signage. The signs will be orange and will be informational signs to credit the program that funded the project.

Parks and Recreation Division's State Parks get 24 million visitors a year. Each contact booth is signed. More information will be provided for the public – at special events and kiosks.

Mr. Charters made some comments on the importance of recognition. There is always talk of using MNRTF monies for other programs. The public needs to know where \$800 million of MNRTF funding has been spent. He mentioned that he recently read an article

about the Grass River Natural Area in Antrim County, where over \$1.4 million for acquisition and over \$400,000 in development funding was provided by the MNRTF program. No mention of MNRTF funding was mentioned in the article.

Mr. Earl Flegler outlined Wildlife Division's recognition process. The division's game areas and lands are dispersed and do not have a central entrance point. Recognition of the MNRTF funding is put on the division's maps via the logo. The MNRTF signs are also put up in Field offices. These offices will be checked to see that they are still being displayed.

Wildlife Division is hoping to hire three communications coordinators for the three regions.

Director Stokes made some comments on recognition efforts for the MNRTF. If the MNRTF program funding is used for other funding sources, he feels we are all to blame. The MNRTF program needs to be given the recognition that it deserves. This is not only for the MNRTF program, but the Park Endowment Fund, as well.

Director Stokes also made comments on the proposed Casperson Bill to cap DNR land acreage. He wanted to emphasize that this is not "DNR owned land" but is managed in trust for the people of the State of Michigan by the DNR. He urged everyone to get this message out to the public.

Chairperson Garner also emphasized that the MNRTF program is not the "DNR Trust Fund." The Constitution said the fund would be in the DNR and that the funds only be used for specific purposes.

Grants Management Activities – Update

Mr. DeBrabander updated the Board on certain activities that are ongoing in Grants Management.

Application Review Cycle – Preliminary scores have been provided to the Board and all applicants. Applicants had an opportunity to provide supplemental information to possibly increase their score. Staff is now in the process of reviewing supplemental information and doing final scoring. Final scores will be provided to the applicants (via letter) and Board in mid-November. The final scores will also be put on the web at that time.

Chairperson Garner stated that the process has been opened up in the last few years so applicants have the opportunity to know how they scored in advance of the Board's decision-making meeting. The Board's evening meeting (December 6) is designed for appeals only. Mr. DeBrabander added that this will also be explained in the cover letter that the applicant will receive. The applicant will also be instructed that if there is any error or dispute in their scoring, to contact their Grant Coordinator first. The applicants will also be provided with the list of all scores so they will see how their project ranked.

Recreation Needs Survey

Staff is in the process of doing a survey of local units of government public outdoor recreation needs in preparation for the update of the State Comprehensive Outdoor

Recreation Plan (SCORP) and to assist the Board in future Board Priorities. Staff has worked with the Michigan Recreation and Park Association, Michigan Municipal League, Michigan Association of Counties and Michigan Townships Association. All these agencies have agreed to send the survey out to all their membership. There is a website to access to complete the survey.

Recreation Grant Workshops

Recreation grant workshops were not conducted this year because of new staff. Workshops will be scheduled throughout the state in January 2012. MNRTF, Land and Water Conservation Fund and Recreation Passport grant programs will be discussed at the workshops.

MNRTF Recognition Signs

A new sign and material to be used has been developed. The same language, as previously approved by the Board, will be used for the new sign. The specifications for the sign will be going out this week. The chosen vendor will also produce the signs for MNRTF, Land and Water Conservation Fund and Recreation Passport grant programs. An estimate cost for the new MNRTF sign is \$375.00 (current sign being used is \$1,655.00).

There also will be available a round MNRTF symbol sign that can be used into existing signage. This would be in addition to the required sign.

Once these signs are ready to go, Grants Management will do a mass mailing to all past applicants – both MNRTF and Land and Water Conservation Fund – to let them know that new signs are available and that they must have a sign at their project site. Proof of the installed sign, via photograph, will be required of each grant applicant.

SCORP Update

Staff is in the initial stages of updating the SCORP. This is required to be updated every five years to receive Land and Water Conservation Fund monies.

MNRTF Grant Payment Officer

Mr. Sam Duncan has been performing the work of two positions. The Grant Payment Officer position has now been posted and it is hoped that this is filled in the near future.

Marketing Information

Mr. Bob Gwizdz of the DNR's Marketing and Outreach Division is doing an article on the MNRTF in the "Showcasing the DNR" articles. Director Stokes added that when Mr. Gwizdz does these articles, he sends them out on the wire and a lot of local papers pick them up.

Tentative Dates for 2012 MNRTF Board Meetings

The official dates will be presented for Board approval at the December meeting. Recommended dates are as follows: February 15 [later changed to 22], April 11, June 13, August 15, October 17 [later changed to 24], December 4 (evening meeting) and December 5. All will be in Lansing with the exception of the June meeting.

2012 Board Chairperson and Vice-Chairperson

At the December meeting, the Board will need to elect a Chairperson and Vice-Chairperson for 2012.

V. NEW BUSINESS.

Budget Update/Projections/Recommendations

Mr. Joseph Frick, Assistant Chief, Finance and Operations Division, DNR, outlined the MNRTF Financial Report.

There was \$5,307,190 brought forward from 2010. This could have been recommended for grants last year. This could be used for grants this year. Any monies that are not used from one year to the next are carried forward into the next fiscal year.

The one-third non-renewal income (oil and mineral revenues) amount will now be going to the State Parks Endowment Fund. Fifty percent will be available for that fund to spend on state parks.

In future years, the MNRTF will be primarily funded by investment funds, as the fund as now reached its \$500 million cap. Last year the ending Stabilization Reserve balance was \$12.5 million. In addition, program lapses (projects that have been withdrawn or are completed for less than the amount granted) can be used to fund projects. It is estimated that there will be \$4 million in lapses this year.

Administrative expenses will change beginning in Fiscal Year 2012. Payments in-lieu of taxes expenses will go up by at least \$1 million because of the change in the law that made the MNRTF 100 percent responsible for DNR-managed state-owned property acquired by the MNRTF. Costs that will go down are:

- Oil and Gas Audits
- Forest, Mineral and Fire Management
- Some Cost Allocation Charges
- Land Ownership Tracking System

These costs will shift over to the State Park Endowment Fund.

At this time, it is estimated there will be \$10.7 million available for development projects and \$28.2 million for acquisition projects for awards from Fiscal Year 2011 revenues.

Mr. Cummings asked about the MNRTF investment policies and it is his understanding that the Department of Treasury makes these investments. Mr. Frick responded that

legally the State Treasurer does manage the investments for the MNRTF, but have looked to the DNR for guidance for an asset allocation plan and how the money is spent.

Mr. Cummings wondered if the MNRTF should modify its spending policy to protect it. Mr. Frick responded that this will be outlined in the upcoming PowerPoint. Mr. Cummings feels the MNRTF's goal should be not to simply spend 5 percent each year, but to look at the future for the most responsible method to allocate the funds and to build a corpus.

At this point, Mr. Frick presented a PowerPoint of Investment Plans for the MNRTF.

There are two parts to an investment plan: asset allocation (how much of what) and distribution (spending plan) (how much to spend and when).

The MNRTF's current asset allocation is:

- 73 percent fixed income investments (high grade intermediate term bonds). These have been providing a reliable interest distribution with the yield being 4 percent.
- 24 percent equity investments. These are mutual funds with 80 percent in S&P 500 companies and 20 percent mid-cap. The long-term return average for investments is an 8 percent projection. These pay dividends. The market value swings up and down.
- 3 percent special investments. The state has been partnering with Dow Foundation to generate economic growth and to invest in Michigan start-up companies. One investment has been made and 15 more are expected.

Mr. Cummings asked who was underwriting these investments. Mr. Frick responded he can provide the Board with more information on these. Information had been provided to the Natural Resources Commission. He further stated that staff from the Department of Treasury will be at the Natural Resources Commission in December to provide an investments update, and it is hoped their staff can be at the February 2012 MNRTF Board meeting.

The current spending plan is to spend 5 percent of the beginning year investment balance. The investment return (revenue) includes both the yield and market gains and losses. If over 5 percent, the excess is retained in reserve. If under 5 percent, withdrawals are made from reserve. This provides stability and some extra investment earnings.

Some thoughts for the MNRTF investments are:

- Does it need more reliability in revenue – the MNRTF no longer has the one-third revenue. The MNRTF needs to cover its fixed costs and have a minimal program every year (PILT, staff and some grants). It needs to consider if the investment values fall below \$500 million.

- Is the MNRTF willing to sacrifice or defer spending to become “safer” (build up a larger reserve). Five percent of \$500 million would calculate to \$25 million to spend; four percent would be \$20 million. Should the MNRTF be concerned about decreasing its “purchasing power.”

Some options to consider for the MNRTF are:

- Reduce spending percentage to 4 percent or on a sliding scale depending on the balance
- Spend only the yield and net realized gains or losses.
- Spend only the yield and retain market value gains for growth.
- Spend the annual yield and spread the market value gains, using a 5-year averaging to provide stability.
- Hold the project lapses in reserve.
- Become more or less aggressive in the allocation plan.

Another thing to consider is the timeline for these changes.

- This year the MNRTF still has revenues from oil and gas and have significant project lapses (withdrawals).
- Next year the MNRTF should monitor if its yield on bonds stay below normal, how the equity markets perform, and if it still has unspent reserves.
- The MNRTF has somewhat of a “cushion” in future revenue and unspent awards.

An option for this year is to consider the quality of the lower scoring grant proposals and save some of the funding for next year.

Mr. Charters stated he felt that it would be very beneficial for Department of Treasury staff to be at the Board meeting in February 2012.

Chairperson Garner asked Mr. Cummings and Mr. Charters to list some options on MNRTF investments and present these options to the Board at the February 2012 meeting for action. Director Stokes was in agreement.

Project Withdrawals

TF07-015, Krampe Park Accessible Fishing Pier, Montcalm County – **PROJECT WITHDRAWAL**

TF07-031, Addison Oaks Property Acquisition, Oakland County – **PROJECT WITHDRAWAL**

TF08-154, Superior Forest Partnership Project, DNR, Forest Management Division – **PROJECT WITHDRAWAL**

TF10-147, Richfield Park Path and Road Acquisition, Richfield Township – **PROJECT WITHDRAWAL**

TF10-154, Grand River Greenway Non-Motorized Trail, Village of Spring Lake –
PROJECT WITHDRAWAL

**MOVED BY MR. CHARTERS, SUPPORTED BY MR. CUMMINGS, TO
ACCEPT THE WITHDRAWALS OF TF07-015, MONTCALM COUNTY;
TF07-031, OAKLAND COUNTY; TF08-154, DNR, FOREST MANAGEMENT
DIVISION; TF10-147, RICHFIELD TOWNSHIP; AND TF10-154,
VILLAGE OF SPRING LAKE. PASSED WITHOUT DISSENTING VOTE.**

VI. STATUS REPORTS.

DNR Real Estate Report – State Acquisitions

Mr. Ed Meadows, Manager, Real Estate Services, Finance and Operations Division, DNR, outlined the DNR Real Estate report.

The DNR has received signed options on the Huron Mountain property and Quiver Falls and Piers Gorge tracts. Both of these are line item projects to be funded under the MNRTF and involve partnerships.

These two options will be presented to the Director for action at the Natural Resources Commission meeting November 8, 2011.

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

None.

VIII. ANNOUNCEMENTS.

The evening meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 6:00-10:00 PM, Tuesday, December 6, 2011, Lansing Community College West Campus, 5708 Cornerstone, Lansing, Michigan. The regular meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, December 7, 2011 (same location as evening meeting).

IX. ADJOURNMENT.

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

The meeting was adjourned at 11:50 AM.

Bob Garner, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

Steven J. DeBrabander, Manager
Grants Management

DATE