

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of April 22, 2020

Virtual Webinar Meeting

9:00 AM

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees (Board) commenced at 9:00 a.m., Wednesday, April 22, 2020. Dan Lord, Grants Management Section Manager, provided an overview to all participants on how the first webinar Board meeting would be conducted and how to navigate the screens.

The following Board members were present:

Bill Rustem, Chair
Erin McDonough, Vice Chair
Sam Cummings
Steve Hamp
Daniel Eichinger, DNR Director

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

I. ADOPTION OF MINUTES FOR MEETING OF FEBRUARY 19, 2020

Chair Rustem called for the adoption of the minutes for the February 19, 2020 MNRTF Board meeting.

**MOVED BY HAMP, SUPPORTED BY CUMMINGS, TO ADOPT THE MINUTES OF THE
FEBRUARY 19, 2020 MNRTF BOARD MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR MEETING OF APRIL 22, 2020

Chair Rustem called for the adoption of the agenda for the April 22, 2020 MNRTF Board meeting.

**MOVED BY McDONOUGH, SUPPORTED BY HAMP, TO ADOPT THE AGENDA FOR
THE APRIL 22, 2020 MNRTF BOARD MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.**

III. INTRODUCTIONS

The Board members introduced themselves.

Dan Lord, Grants Management Section Manager, DNR Finance and Operations Division, introduced himself and Grants Management staff: Jon Mayes (MNRTF Grants Program Manager), Mike Chuff (MNRTF Financial Specialist), Merrie Carlock, Lindsay Ross and Andrea Stay (Grant Coordinators), and Yolanda Taylor (interim Administrative Assistant to staff and the Board). He also introduced Erik Eklund, Chief Budget Officer, Finance and Operations Division, who will be presenting the MNRTF Financial Update.

Dan thanked Mike Chuff and Lindsay Ross for coordinating this webinar, and Yolanda Taylor for her assistance during the vacancy that was created by Rachel Schumaker's departure.

IV. PUBLIC APPEARANCES

Chris Bunch, Executive Director, Six Rivers Land Conservancy

Chris Bunch thanked the Board and staff for the tremendous work, time and energy they have committed to carrying out the mission during the COVID pandemic. He commented that Dan and his staff have been very receptive and responsive to the circumstances, working diligently to address questions and provide direction to local units of government, grantees and others.

Mr. Bunch further commented that he is moving forward with plans to have the Board meet and tour the Detroit area in August to witness the benefits of the investments that have been made by the MNRTF. They are optimistic and confident that they can make this happen in a safe manner.

Lastly, Mr. Bunch reiterated that he would like to reinforce the fact that what they are seeing in his area speaks volumes to the desire and demand for people to have access to nature. He is hoping to make a pivotal shift in acquiring and providing more access to recreation in southeast Michigan. Six Rivers is ready to be a key partner and would like to put together a workgroup to see what they can do to begin moving plans and commitments toward execution and acquisition.

V. NEW BUSINESS

Funding Projections and Overall Investment Fund Management

Chair Rustem welcomed Woody Tyler, senior investment manager with the Michigan Department of Treasury, to provide a status report on the financial markets, the MNRTF portfolio, the possible effects of the COVID pandemic, economic recovery, and MNRTF spending scenarios.

Mr. Tyler provided the Board with a financial market update, to include recent financial market actions and performance, a MNRTF valuation, and an economic recovery outlook. He also provided an update on the MNRTF portfolio investment objectives, current and targeted asset allocations, and MNRTF spending scenarios throughout this fiscal year and into next fiscal year.

The pandemic led to a rapid financial decline. Markets declined 55% in the last three weeks of March, but with the stimulus money, the CARES act, liquidity to fixed income markets, and other federal relief, some markets are slowly starting to recover. Moving into April, markets were down a little over 15% from the beginning of the year so they are retracing some of those losses.

For the MNRTF, the total market value was down 7% from the end of the year, but for fiscal year beginning September 30, 2019, the markets were off 6% primarily due to the holdings and equities in high yields. As of close on April 20, 2020, there has been a good retracing within the equity markets. The MNRTF is up almost \$31.9 million since March 31, 2020.

Some of the businesses/industries that are having a severe economic demand impact due to closures include airlines, restaurant reservations and factory closures that are weighing on manufacturing. It is expected that the second quarter of this fiscal year is going to be the hardest hit during this pandemic. The positive side is that a lot of layoffs and closings are temporary, and the federal stimulus money is providing a bridge to where the recovery is anticipated to occur.

Mr. Tyler commented that financial markets depend on the economic outlook, and the economic outlook highly depends on the outcome of the COVID pandemic.

After discussion about the MNRTF spending scenarios, Treasury's recommendation would be to lean toward spending more conservatively this year and possibly next year. Invest in projects that are high priority or would provide good returns on investment, especially with all the uncertainty of the full effects that the COVID pandemic will have on financial markets and budgets, and the unknown economic recovery rate.

The total grant awards that were recommended by the Board at their December 2019 and February 2020 meetings totaled \$30.9 million.

Chair Rustem agreed the Board should stick to the \$21 million this fiscal year and possibly into the next fiscal year.

Hamp agreed that the Board should keep their spending level conservative moving forward.

The Chair and Cummings both thanked Mr. Tyler and the Department of Treasury for their work, and making sure good investments are made to preserve the MNRTF corpus.

MNRTF Financial Update

Erik Eklund, budget officer for the department, gave the Board an update on the MNRTF estimated fiscal year 2020 year-end balance, and estimated funds that would be available for 2020 projects. Erik pointed out that the difference between his fund balance and Treasury's is that Treasury's estimate is all inclusive, the total market value, while his financial projection are funds that have not already been awarded or committed, or funds that are available to fully invest in acquisition or development projects in 2020.

Erik also mentioned that the administration submitted the supplemental request to the Legislature on March 6, but they are still waiting for it to be introduced.

Cummings reiterated that \$21 million is the average annual recommendation for spending but, over the past few years, the Board has authorized and funded projects in excess of the \$21 million. His recommendation is to fund less in 2020 to maintain the average. His hope is that the economy will make a recovery and they can recoup the 6% estimated loss but, with so many unknowns at this time, his recommendation is to be conservative this year. He also recommended that the Board and staff may want to prepare constituents that funding may be limited or reduced this year.

Hamp agreed with Cummings; spending needs to be very conservative heading into this year.

Director Eichinger commented that they have had these discussions internally and agree that spending will need to be limited this year, especially on the acquisition side, to allow for some slack. The department will not be moving forward on large dollar acquisitions.

Chair Rustem invited the Director to provide an update on operations, especially due to the COVID pandemic and the Governor's executive orders and directives.

Director Eichinger reported that the Governor issued two Executive Directives putting a freeze on discretionary spending and hiring. As it relates to the freeze on discretionary spending, the department has notified most grantees, contractors, and other partners that they will be pausing all spending. Contractors and others will not be allowed to do any work as they may not get reimbursed.

The exception would be projects that have been funded by the MNRTF. The MNRTF is constitutionally protected and could never be used to resolve General Fund or other restricted fund shortfalls. The department can continue to honor its grant agreements and continue to spend MNRTF dollars as agreed upon by the Board. However, this does not provide a hall pass to grantees to do work unless that work would be allowed under the Stay-at-Home, Stay-Safe orders, despite the fact that funding has been provided (i.e. cannot build your picnic shelter until restrictions have been lifted). Other exceptions would include projects that are 100% federally funded or critical to infrastructure.

Director Eichinger also commented that Dan Lord and his team have been and continue to reach out to grantees, in addition to other grant programs/recipients, to explain what is or is not allowed under the Executive Directives.

MNRTF Staff Activities

Dan Lord reported that staff have been telecommuting for about five weeks. He extended his appreciation and support to the Director and Sharon Schafer, chief of Finance and Operations, for getting the wheels in motion and leveraging the technology to allow employees to work safely from home. The main phone line in the Grants section continues to be monitored daily and they are distributing information as needed, but email is the main artery for contacting the Grants section and staff.

They are still conducting day-to-day operations by processing payments, issuing grant agreements and amendments, reviewing closings, construction plans, etc. They want to continue to be ready with wheels on the ground for when things re-open and work is back to normal. The main focus of the grant coordinators this past month has been reviewing grant applications, reaching out and working with grantees.

Dan also reported that the Grants section is down three positions. Erin Campbell was promoted and leaves a grant coordinator vacancy; Rachel Schumaker, the section's administrative assistant, took a job at another department; and a student position is in a laid off status. Tamara Jorkasky, former grant coordinator who now works in Executive, is on loan to assist. Yolanda Taylor is also assisting the section and the Board until the administrative assistant position can be filled, and Jessica Clark is also providing administrative assistance to manage the workload.

They are looking forward to summer where, typically, the grant coordinators would go in the field and meet with constituents on-site. However, they are discussing alternatives to meet remotely and to use Google Earth to inspect sites. They also recognize the challenges local partners and agencies are facing so they are looking to be flexible and assist as much as possible.

Dan closed by thanking Jon, Mike and Lindsay for pulling together this webinar/meeting. He also thanked the Board and the general public for adjusting to this new way of doing business, at least in the near future.

2020 Application Cycle Summary and Application List

Jon Mayes reported that 149 applications were submitted by the April 1, 2020 deadline, totaling slightly above \$62.4 million. There were 115 development applications totaling \$24.1 million, and 34 for acquisition totaling \$38.3 million. Acquisition applications totaled 30 from local units and 4 from the state; development applications totaled 103 from local units and 12 from the state. Compared to last year, there was a slight increase in acquisition applications with an increased dollar amount, but a decrease in development applications and the dollar amount.

Jon also presented a regional map identifying where the applications are distributed across the state, which correlates with the MNRTF Grant Applications by County list that provides more detail about each application. He also identified the regions that are covered by each grant coordinator. Due to the hiring freeze, Merrie Carlock has offered to cover Livingston and Oakland counties in addition to the entire Upper Peninsula region; Lindsay Ross covers the Eastern Region; Andrea Stay covers the Southern Region; and all coordinators are stepping in, including Tamara Jorkasky (former grants employee), to cover the Western Region which was previously handled by Erin Campbell.

Project Withdrawals

TF18-0130, Rustic Campground Development - Fork Township, Mecosta County. This applicant has elected to not move forward with this project. Funds have already been appropriated for this project in the amount of \$50,000.00.

TF19-0183, Walters Lake Land Acquisition - Independence Township, Oakland County. This applicant also elected to not move forward with this project. Funds have not been appropriated for the total project cost of \$2.25 million.

Chair Rustem called for a motion to accept the withdrawal of the Fork Township Rustic Campground Development project (TF18-0130) and the Independence Township Walters Lake Land Acquisition (TF19-0183).

MOVED BY CUMMINGS, SUPPORTED BY HAMP, TO ADOPT THE WITHDRAWAL OF FORK TOWNSHIP RUSTIC CAMPGROUND DEVELOPMENT PROJECT (TF18-0130) AND INDEPENDENCE TOWNSHIP WALTERS LAKE LAND ACQUISITION (TF19-0183). MOTION PASSED WITHOUT DISSENTING VOTE

VI. STATUS REPORTS

None.

VII. BOARD PACKET REFERENCE MATERIALS

No further discussion.

VIII. OTHER MATTERS AS PROPERLY BROUGHT BEFORE THE BOARD

Chair Rustem thanked department staff for scheduling and coordinating this virtual meeting. He also thanked members of the general public for adjusting to these changes and is hopeful that everyone was able to participate.

IX. ANNOUNCEMENTS

Chair Rustem announced that the next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for Wednesday, June 17, 2020, beginning at 9:00 a.m., and will also be a virtual meeting. Notice will be posted on the Board's website.

X. ADJOURNMENT

Chair Rustem asked for additional comments or discussion. None were offered.

Chair Rustem called for a motion to adjourn.

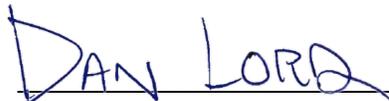
MOVED BY CUMMINGS, SUPPORTED BY McDONOUGH, TO ADJOURN THE MEETING.

MOTION PASSED WITHOUT DISSENTING VOTE.

The meeting was adjourned at 10:30 a.m.



Bill Rustem, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees



Dan Lord, Manager
Grants Management Section
Finance and Operations Division

June 17, 2020

DATE