

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of May 6, 2009
UAW-GM Center for Human Resources, Room 1601, 200 Walker, Detroit
9:30 AM

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:37 AM.

The following Board members were present:

Keith Charters
Bob Garner
Dennis Muchmore
Lana Pollack
Frank Torre

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

I. ADOPTION OF MINUTES FOR MEETING OF FEBRUARY 4, 2009.

Chairperson Pollack commented that there has been some clarification on Page 18, MNRTF Funding Update – Mr. Joseph Frick, Chief, Office of Financial Services, DNR. The minutes have been corrected and Chairperson Pollack has the final version.

Mr. Charters complimented Ms. Harlow on the portion of the minutes regarding the presentation of the City of Saugatuck's proposed acquisition project (09-001, Saugatuck Harbor Natural Area Acquisition). He said that she did an excellent job of capturing the essence of all comments made by the presenters and Board members. Mr. Garner also expressed his thanks.

MOVED BY MR. CHARTERS, SUPPORTED BY MR. TORRE, TO APPROVE THE MINUTES OF THE FEBRUARY 4, 2009 MNRTF BOARD MEETING, WITH CORRECTIONS OUTLINED. PASSED WITHOUT DISSENTING VOTE.

II. ADOPTION OF AGENDA FOR MEETING OF MAY 6, 2009.

Chairperson Pollack advised the Board that they have been presented with a salmon-colored revised agenda. It is being requested that "Public Appearances" be moved up after "Old Business," "2. State Parks Fund Proposal – **UPDATE.**"

MOVED BY MR. GARNER, SUPPORTED BY MR. TORRE, TO REVISE THE ORDER OF THE AGENDA ITEMS AS OUTLINED. PASSED WITHOUT DISSENTING VOTE.

III. OLD BUSINESS.

Naming/Recognition Policy (Board Policy 92.3) – UPDATE

Ms. Deborah Apostol, Manager, Recreation Grants Unit, Grants Management, DNR, outlined Board Policy 92.3, Site Names. The Board had deferred discussion of this policy numerous times in 2008. The policy was adopted in 1992 and amended in April of 2001.

In 2008, Board policies relating to both “Program Recognition” (Board Policy 92.2) and “Site Names” (Board Policy 92.3) were presented to the Board as an agenda item. The Board took care of the program recognition policy with approval of new language and design for the MNRTF plaque at their December 3, 2008 meeting.

Ms. Apostol stated that there are two components to Board Policy 92.3 – 1) sites assisted with grants to local units of government, and 2) sites assisted with grants to the state. The component for state grants will remain under provisions of the DNR’s naming policy.

Due to the difficulties to enforce, staff is requesting that the portion dealing with site naming for local units of government be eliminated.

Chairperson Pollack stated that it appears rescinding the policy would take the MNRTF Board out of naming local parks. Ms. Apostol responded yes. All local units of government could do whatever they wanted with naming their parks, whether it was grant-assisted or not. Mr. Charters responded in that case, he would support rescinding the policy.

MOVED BY MR. CHARTERS, SUPPORTED BY MR. TORRE, TO RESCIND BOARD POLICY 92.3, SITE NAMES. PASSED WITHOUT DISSENTING VOTE.

State Parks Funding Proposal

Mr. Ron Olson, Chief, Parks and Recreation Division, DNR, made a PowerPoint presentation on the proposal for State Parks Funding that is currently before the Legislature. The proposal was developed by the Citizens Committee on Michigan State Parks. This is a 17-member committee that was created in 2005 to not only revise policies, but also to look for a mechanism for sustainable funding for the Michigan State Parks system. The Committee decided to recommend a “recreation passport.”

Back in the late 1970s, state parks were funded nearly 70% by the State’s General Fund. Fees were low or non-existent. In 2004, the last \$9 million was removed from the state parks budget. Fees were increased in the last few years. Camping is one of the major sources of revenue. The state forest campgrounds are stressed, as well as non-motorized pathways.

Mr. Olson further stated that there are 68 boating access sites where fees are charged. For someone who uses an access site in a state park, a boating access site motor vehicle permit must be purchased. The fee is \$24.00 for both of these permits. Under the proposal, the fee would be \$10.00.

User fees have become the norm and are not sufficient to meet operations and capital needs of state parks. Thus, these issues have been eating away the “seed corn” of the State Park Endowment Fund since the General Fund has been eliminated. Grants have been received, but those have been for “one time fixes.”

Mr. Olson further stated that due to the reduction in funds available, one of the things that has been done in the last four or five years is to use staff more efficiently (reduced staffing for outdoor recreation) and accelerate partnerships. These are small things, but not enough to sustain the parks system. A good stewardship program has been in place, where for every dollar spent, a dollar of match money is received.

The basic model of the proposal comes from the State of Montana. The proposal would eliminate the resident motor vehicle permit and boating access site motor vehicle permit for the state parks. The non-resident motor vehicle permit would still be kept. These permits would be replaced with a \$10.00 annual fee on each Michigan car or truck (non-commercial) vehicle registration and \$5.00 for motorcycles. This would allow access to any Michigan state park or boat access site. There is a provision in the proposal that someone can “opt out” of the fee and not participate. To opt out, a declaration would need to be signed. State park and forest camping fees would not be affected. A unique feature would be an annual adjustment fee by the Michigan Consumer Price Index.

The Secretary of State would receive ½% of the revenue to manage the program. With the new fee program, there will be \$10.7 million dedicated to the Michigan State Park Improvement Fund and \$1 million to the Michigan Waterways Fund to replace the lost motor vehicle permit revenue. Revenue breakdown is as follows:

- 50% to state park infrastructure (State Park Improvement Fund).
- 30% to state park operations (State Park Improvement Fund).
- 10% to local development grants (protected fund, annual distribution using MNRTF application process).
- 7% to state forest recreation operations and infrastructure (Forest Recreation Fund).
- 3% DNR cultural and historic resources (State Park Improvement Fund).

Mr. Olson stated that the State of Montana’s experience with this program was that 73-75% pay the fee. Their program has been in place since 2004. The program has also reduced the cashier function in state parks, allowing more hours/staff for resource management, facility maintenance, interpretation, grounds maintenance and law enforcement. There has been a very positive public response. In Montana, license plates are spot-checked and it was found that approximately 90% of vehicles who entered their state parks were in compliance, as a result of a 2008 study.

Benefits of the proposal would include:

- Improved infrastructure in Michigan state parks, forests and local parks.
- Strengthened state cultural resource base.
- Improved image for Michigan as a tourism destination.
- Stronger Michigan economy.
- Convenient, no hassle entry to state parks for all Michigan registered vehicles.
- Better managed and maintained state parks and forest recreation opportunities.

- Better non-motorized trail system.
- For local units:
 - o Double typical amount of money available for development grants.
 - o Use same application as MNRTF, no duplication of effort.
 - o Convenient for all local park boosters to support their interests.

Mr. Olson further stated that the Board has been provided with bill analyses for House Bills 4677 and 4678 and Senate Bills 388 and 389 in their packet of information. The bill was jointly introduced about a month and a half ago. There was a House and Senate hearing and then a joint hearing between the two. Today at noon the Senate is meeting. They are no longer taking testimony, but the bill will be reported out to the Senate. The next day the House will have a similar hearing to report out the bill. As of yesterday (May 5), one of the sticking points was the issue of how the “opt out” would work. You would have to make a declaration to “opt out.”

The Road Commission Association is against this proposal stating it is unconstitutional. It has been reviewed through the legislative lawyers and other groups. Michigan United Conservation Clubs employed an independent lawyer to review it.

It is the goal to have this bill done before the summer recess.

Mr. Charters wondered if the fund would be protected. Mr. Olson responded yes. The way it is written in the bill, the revenue would go into the State Park Improvement Fund, which is protected. The 3% that goes to local governments would go into a recreation fund. The idea of this is that it would be transferred to how the DNR would choose to do the grant. It was determined that it would not go into the MNRTF because of the nature of that program. The Forest Development Fund would get a share.

Mr. Charters asked, using a 75% scenario, if this will be enough? Mr. Olson responded using this scenario would bring about \$20 million a year for infrastructure and \$10 million for operating. It would bring in about \$2.5 million for state forest recreation. He feels this would provide adequate funding. The key is the Consumer Price Index.

Mr. Charters further stated that state parks have received \$90 million in 1989, funding under Proposal P in 1994, and \$50 million in bonding under the Engler administration. It was thought that would improve the state parks situation. Mr. Olson responded that those funds allowed improvements, but they were “band aids.” With this proposed new fee structure, it will enable us to plan fiscally forward and to do bonding or other things. In addition, the previous funding did not augment operations.

Mr. Torre asked if the bill was passed. Mr. Olson responded that the bill was supposed to be moved today. The Senate has their hearing and they intend to report out the bill today. The House will have their meeting tomorrow.

Chairperson Pollack asked if the Board wishes to pass a resolution of support for this proposal.

Mr. Olson also commented about the state parks partnership with Macy's department stores. They partner with the National Park Foundation and as a result the Michigan state parks will be getting around \$35,000 to fund the “Park and Read” program, which we are partners with about 150 libraries throughout the state where you can check out a book and then go to a state park and read in a hammock.

Mr. Olson also mentioned the state parks 90th Birthday with celebrations throughout the state.

Mr. Charters stated that the enthusiasm is tremendous in the Parks and Recreation Division and he expressed kudos to Mr. Olson. Mr. Muchmore added that there has been tremendous work put into this proposal and there is a bipartisan approach to it.

Chairperson Pollack stated that since the Board has not seen the language in the bill, she is concerned about the intense marketing that needs to be done to get people to opt into the fee. Mr. Olson responded that in the bill .25% was added in for marketing.

Mr. Garner asked what was the County Road Commissions' claim for stating that this proposal was unconstitutional? Mr. Muchmore responded that the argument was that the constitution prohibits motor vehicle fees from being used for anything other than transportation activities. The response to that is this provision does not fall under that kind of a constitutional definition. Therefore, it was reduced down to the "opt in" or "opt out" argument. Mr. Muchmore expects that it will be challenged because of this point. The Secretary of State has not been thrilled about the proposal either.

MOVED BY MR. TORRE, SUPPORTED BY MR. GARNER, TO SUPPORT THE STATE PARKS FUNDING PROPOSAL. PASSED WITHOUT DISSENTING VOTE.

Chairperson Pollack also thanked Mr. Muchmore and Michigan United Conservation Clubs in their efforts to support this proposal. Mr. Garner added that Director Humphries recently was quizzed on the proposal on local television in Traverse City and did a great job of explaining it.

At this point, Ms. Apostol introduced DNR staff to the audience. Ms. Linda Harlow, Ms. Lisa McTiernan, Ms. Jule Stafford, Ms. Linda Hegstrom, and Mr. Jason Cherry – Grants Management; Director Humphries; Mr. Rodney Stokes, Chief of Staff; Ms. Mindy Koch, Resource Management Deputy; Ms. Stacy Welling, UP Field Deputy; and Ms. Vicki Anthes, Parks and Recreation Division were introduced.

VI. PUBLIC APPEARANCES.

Detroit Riverfront Partnerships – Ms. Fay Alexander Nelson, Chair and CEO, Detroit Riverfront Conservancy; and Ms. Vicki Anthes, Parks and Recreation Division, DNR

Ms. Fay Alexander Nelson, Chair and CEO of the Detroit Riverfront Conservancy, made a presentation on the Detroit Riverfront partnerships. She introduced Mr. Paul Mitchell, Executive Co-Director of the UAW-GM, who will be the host of the tour this afternoon. Mr. Mitchell is also a member of the Detroit Riverfront Conservancy and its Executive Committee.

Mr. Mitchell welcomed the Board to the UAW-GM Center for Human Resources.

Ms. Nelson also wished to acknowledge Director Humphries and Mr. Tom Woiwode, Senior Executive for the Community Foundation for Southeast Michigan. Mr. Woiwode's organization is responsible for significant funding of the riverfront project.

Ms. Nelson continued by providing a brief background of the riverfront project and, with the cooperation of public and private partnerships, the progress that has been made in transforming the riverfront in Detroit.

The Detroit Riverfront Conservancy is a young organization, being created in early 2003 with the mission of developing and permanently maintaining and programming public space on the Detroit riverfront. Before this time there had never been a comprehensive effort to bring public access to the river.

The Conservancy's vision encompasses a total of 5.5 miles of riverfront development, going as far west as the Ambassador Bridge to as far east as Gabriel Richard Park, which is located just east of the Belle Isle Bridge. All of this will be linked together by a riverwalk, plazas, pavilions and green spaces. The Conservancy is now working to develop opportunities for education, recreation, conservation and economic development.

For the past five years, the Conservancy has focused its work on the first phase of the east riverfront, which is 3.5 miles spanning from Joe Louis Arena to Gabriel Richard Park. Since the conception of the Conservancy, there have been close to three miles (80%) completed and is now open to the public. This includes the first phase of the Tri-Centennial State Park and Harbor.

There are two major sites remaining to be completed on the riverfront – the remaining phase of the Tri-Centennial State Park, which is currently under development; and the Uniroyal site. The Uniroyal site requires a significant amount of environmental clean-up. The city, state and responsible parties are all working on a remediated solution that will be announced very shortly at which time riverwalk plans and other green space development can begin.

Rivard Plaza is located closest to downtown and is the largest of the four planned plazas and pavilions and one of two that are currently open to the public. Security operations, operations team, restrooms, concessions, bike shop, inlaid granite map of the Detroit River, glass map of the St. Lawrence Seaway and a one-of-a-kind Cullen family carousel are located at Rivard Plaza.

The riverwalk also stretches between Joseph Campau and Mt. Elliott Streets and a bookend plaza which is built at Gabriel Richard Park. At that plaza there is a butterfly garden, fishing outlook and a labyrinth. There are also concessions and public facilities located at this plaza.

Two other projects are under construction – the Detroit-Wayne County Port Authority Dock and Terminal and Dequindre Cut projects. The new Port Authority dock and terminal will offer an entry point for large cruising vessels and other ships. The Dequindre Cut project is a new greenway project to create more of a walkable community. This is a below grade former rail line that has been transformed into an urban greenway that will provide a pedestrian link between the Eastern Market and the riverfront and all neighborhoods located in-between.

The Dequindre Cut was constructed by the City of Detroit and funded by a number of partners, including the Michigan Department of Transportation, Community Foundation,

Kellogg, and Kresge. An endowment has been established for the operation, maintenance and programming by Kellogg, Kresge and the Community Foundation. The Conservancy has the permanent operations, maintenance and programming responsibilities for Dequindre Cut. The Grand Opening is scheduled for May 14, 2009.

The public response for the riverfront has been tremendous. Last summer there were over two million visitors in three months. There were large events held – Red Bull Air Races and GM River Days. Smaller events were held as well. The Riverwalk Café was opened last year. The Conservancy is committed to presenting an active and engaging riverfront for the community.

Ms. Nelson further stated that partnerships are the important factor in development of the riverfront. The Conservancy was founded as a public-private partnership with three major partners: General Motors, who transformed their riverfront parcel at the Renaissance Center and built the first one-half mile of riverwalk and then donated the space to the Conservancy; the City of Detroit for providing leadership and support and providing a 90-year lease on the property to the Conservancy; and the Kresge Foundation provided the economic catalyst for the project with a \$50 million grant.

There are seven property owners on the riverfront which donated riverfront property to the Conservancy. There are conservation easements at no cost to allow control, operations, maintenance and programming of the property. In addition, the Conservancy has received funding and support from other businesses, as well as federal and county governments. To date, the Conservancy has raised over \$100 million. It is the goal of the Conservancy to raise \$130 million to complete the riverfront and provide for operations and maintenance.

The State of Michigan has been a major partner in the riverfront project, in particular the DNR. The Tri-Centennial State Park and Harbor is the first state park on the Detroit River.

Mr. Muchmore asked if the new City of Detroit mayor is supportive of the riverfront project. Ms. Nelson responded the new mayor is very supportive and, in fact, is a member of the Detroit Riverfront Conservancy Board. The former mayors were also supportive, as well as Governor Granholm.

Mr. Muchmore asked about the area beyond the Ambassador Bridge and said that was an anchor for the west end. He wondered if there was a chance that Homeland Security would change their position on this area. Ms. Nelson responded that plans include development, which would include Riverside Park. The Conservancy is currently in discussions with key stakeholders, the City of Detroit, Homeland Security and the bridge company on how to develop green space and public access for the community. She is hopeful all needs of Homeland Security can be addressed, the business plans of the bridge company, and city plans, as well as the needs of the Conservancy. She is hopeful a plan will be in place by the end of this year.

Mr. Torre commended Ms. Nelson for her leadership on the riverfront project. He has been involved in these types of projects around the state and recognizes that it takes a lot of work, effort, leadership and vision. He feels Ms. Nelson has done a fabulous job.

At this point, Ms. Vicki Anthes, Parks and Recreation Division, DNR, continued with a PowerPoint presentation of the Tri-Centennial State Park and Harbor. She reiterated Ms. Nelson's comments about the importance of partnerships.

The Tri-Centennial State Park concept was explored in 1998. At that point, the DNR said they needed about 50 acres, but ultimately ended up with a 31-acre park. The five reasons to locate a state park in Detroit were:

1. To create a gateway experience to discover Michigan State Parks.
2. Interpretation.
3. Connect with other City of Detroit neighborhoods and parks.
4. Provide recreation opportunities.
5. Introduce more Detroiters to conservation careers.

Ms. Anthes pointed out via PowerPoint a park in Louisville, Kentucky that started out as an industrial site and ultimately became a beautiful riverfront park. One of the features of this park is the multi-government partnership to develop it. It took a number of phases for completion.

Ms. Anthes also pointed out via PowerPoint the Millennium Park in Chicago. This is a 24.5-acre park that provides arts, activities and natural resources. This represents a different type of partnership, between the City of Chicago and the philanthropic community.

In 2002, the DNR made a commitment to locate a state park on the Detroit River. The Harbor Parcel is Phase I, which was completed as a renovation in 2004. The park along the water's edge – Lowland area – is the part the Board will visit on the tour today.

There were \$5.5 million of Waterways Funds invested in Phase I (Harbor Improvement). The docks were renovated and harbor building improved.

Ms. Anthes stated that more details will be pointed out on the riverfront tour. She said it is exciting to transform what was an industrial site into a state park.

The Lowland area of the park, currently under construction, will include a wetland that will treat storm water, collected from approximately 85% of the site and treat it using natural systems before releasing it back into the Detroit River. This portion was provided by a \$1 million grant from the Department of Environmental Quality. The Stroh family provided \$333,330 for the DNR's match. A memorial has been created for Peter Stroh to honor him for his commitment to the preservation of natural resources. A bust of Mr. Stroh will be placed on the site overlooking the river.

Ms. Anthes also pointed out the urban wildlife nodes. Footprints were provided to actually show the travel patterns of the wildlife that inhabit the urban area.

Ms. Anthes further stated that funding for the Phase 2 portion was provided by many funding sources, including \$500,000 from the MNRTF. The total cost of Phase 2 will be \$6 million. Phase 2 development is anticipated to be complete in October of this year.

Remaining state park development features have not been determined, but will include the final linkage of the riverwalk between the harbor and lowland area. One of the things

the DNR would like to include is a discovery center that will provide year-round interpretive and recreation activities.

Ms. Anthes briefly outlined the Dequindre Trail connection to the Tri-Centennial State Park. The DNR's partner with this connection is the Detroit Economic Growth Corporation. Development will begin in the spring of this year with completion in the fall.

Mr. Tom Woiwode, Senior Executive Director, Community Foundation for Southeast Michigan

Mr. Tom Woiwode, Senior Executive Director, Community Foundation for Southeast Michigan, thanked the Board for visiting the City of Detroit. He feels it is important to see the product of MNRTF investments. It is important for the Community Foundation and the philanthropic communities to be partners with the State of Michigan and the MNRTF and to share in the investments and enthusiasm of these projects.

IV. NEW BUSINESS.

2009 Application Cycle – Application Lists

Ms. Apostol outlined the 2009 application materials and lists that the Board has been provided in their packets. At this point, these applications reflect the information provided by the applicants and have not been thoroughly reviewed by Grants Management staff. At the Board's June meeting, notebooks will be provided with more detailed information.

Grants Management received 162 applications by the April 1 deadline. More applications for acquisition only will be received by the August 3 deadline. Thirty-six acquisition applications, requesting \$62.3 million; and 126 development applications, requesting \$35.2 million, were received.

Staff will meet with the applicants, conduct site visits and provide applicants with guidance to strengthen their application and address any deficiencies.

2009 MNRTF Applicants – Invitations to Make Presentations at June and August Board Meetings

Ms. Apostol advised the Board that they have received a list of several acquisition and development applicants which staff is suggesting make a presentation at the June 17, 2009 Board meeting. If the Board has any other applicants they would like to have invited, please let Linda Harlow know by May 15.

Chairperson Pollack and Mr. Garner stated this looks like a good list. Chairperson Pollack stated that she would like to have Clay Township, Harsens Island Conservation Area Acquisition (09-124) invited. This is a \$7 million acquisition project. [NOTE: This applicant will be invited to make a presentation at the Board's August 19, 2009 meeting in Lansing.]

V. STATUS REPORTS.

DNR Real Estate Report

The Board had been provided with a copy of the DNR Real Estate report in their notebooks. No further discussion.

Financial Report

Mr. Garner mentioned that the figure of anticipated revenue for 2009 looks substantially different than the figure Mr. Joseph Frick, Chief, Office of Financial Services, DNR, referenced at the last Board meeting. Mr. Frick had indicated the figure would be about \$13 million and it now appears it is \$23.8 million.

Mr. Charters asked if this was because of the oil and gas revenues being higher. Mr. Stokes responded that Mr. Frick was predicting the interest rate as being lower. He will ask Mr. Frick to provide the Board with an explanation of this difference and mail it to the members. *[Mr. Frick's response to the question was as follows:*

"Natural Gas and Oil Revenues:

At the February Trust Fund meeting, I had mentioned that the '1/3 of Non-Renewable income' line (i.e. gas, oil, and mineral revenues available to spend) would likely be much lower than 2008 (\$30.8 million). I projected that the amount could be as low as \$13 million (based upon a preliminary unofficial estimate from October).

The preliminary \$13 million number I mentioned was replaced by the revised estimate of \$17,728,200 shown on the recent final report projection provided last month [February 4, 2009 Board meeting]. That number is based upon February of 2009 projections from Minerals Management. I expect that will again be revised on future reports based upon actual results and changing price and production levels during FY 2009. Oil and gas prices have seen large dips and some rebounds this year, so There is a high level of uncertainty with respect to the \$17 million (1/3) from the source.

Investment Revenues:

As an update on investments, the financial report we prepared for the meeting [May 6, 2009 Board meeting] reflected the S&P 500 at 798 on March 31 (see footnote), or \$8,480,000 available to spend. With recent gains, the S&P is now in the low 900s. If the market can continue to recover and be around the mid 900s at year-end, we may be able to have the normal 5% distribution (which would be about \$19 million) for spending from investments.

Everyone needs to understand, however, that the level of uncertainty with respect to projections of investment income is unusually high this year. The stock market is moving up and down very rapidly and large fluctuations are not unusual. Similarly, the market value of our bonds went up when interest rates dropped, but will be going back down when they go back up. All this uncertainty is at a time when our stabilization reserve was reduced to \$8.4 million at the end of last year, so we have no cushion for losses.

The NRC policy committee on finance and administration will be receiving an investments update on June 4 in a meeting scheduled to begin at 1:30. Those materials will be available to the Board as well.”]

Chairperson Pollack asked about the projected increase in expenses in 2009, from \$595,246 to \$801,800. Mr. Stokes responded that a supplemental request of \$150,000 was sought to provide post-completion inspections of the MNRTF projects. Staff has not had time to do these. There is a requirement by the federal government that all Land and Water Conservation Fund (LWCF) projects have post-completion inspections conducted. Staff has found changes in the projects that were funded 15 to 20 years ago under the LWCF, such as township halls built on the park site or developed for commercial uses. Due to this fact, Mr. Stokes felt it was imperative, since the MNRTF has 30 years of history funding recreation projects, that staff perform post-completion inspections on MNRTF projects. In addition, we will be building a database to trigger when projects need to be inspected.

Mr. Charters asked why Forest, Mineral and Fire Management’s expenses were being increased by \$100,000. He also asked about the “Cost Allocation Charges (Administration and Rent)” being increased by \$50,000. Mr. Stokes will ask Ms. Sharon Schafer, Chief of Budget and Support Services, DNR, about these increases. He thinks these may be inflationary additions, but these answers will be provided to the Board. *[Ms. Schafer’s responses to the questions were as follows:*

“The financial sheet that was distributed is comparing apples and oranges because the FY 2007-2008 numbers are based on actual expenditures and the FY 2008-2009 numbers are appropriated amount. The Fiscal Year 2007-2008 appropriation for FMFM was \$1,243,100 which included the amount allocated for audits (\$200,000). The financial sheet provided showed the amount actually expended (\$894,932 + \$112,220). The difference between the amount appropriated and spent was lapsed (went back) to the fund was \$235,948. When you compare the amount appropriated for FY 2007-2008, \$1,243,100 to the amount appropriated in FY 2008-2009, \$1,248,500, there was only an increase of \$5,400.

The answer to the second question is cost allocation adjustments. As the Department continues to lose General Fund, the restricted funds are forced to absorb the administrative costs.”]

Chairperson Pollack stated that doing post-completion inspections is a worthy expenditure, but she would like to know the answers to the other questions addressed.

Chairperson Pollack asked about the last sentence on the report, “If the S&P 500 is below 662 on 9/30/2009, we estimate we will not be able to make any distribution this fiscal year.” She asked how much money would be lost and how much less would the Board have available to distribute. Ms. Stafford responded that \$8,480,000 would be lost (5% of investment funds), but would receive common cash interest.

Chairperson Pollack asked when there is money that reverts to the “smoothing fund”, does the Board have the authority to keep the money in this fund separate and invest it separately? Mr. Stokes responded that recommendations can be made to the Michigan

Department of Treasury. Treasury staff meets with the Natural Resources Commission on a quarterly basis to talk about investment strategies. Recommendations can be made, but he is not sure if they are always followed.

Mr. Charters stated that the Board has a fiduciary responsibility to the MNRTF funds. If the Board wants to invest it a certain way, the Board can dictate that to the Department of Treasury, and they have been cooperative. Perhaps the Board should have representatives from the Department of Treasury attend the next Lansing Board meeting. Mr. Stokes said staff will invite representatives to attend the August 19th meeting.

Chairperson Pollack stated that money in the “smoothing fund” is not meant to be an endowment, but to be redistributed for other projects.

Local Projects Completed Report

Chairperson Pollack stated that if we look at the completion dates of projects, compared to when the grant was first initiated, especially for acquisition as opposed to development projects, completion has been taking a long time. She wondered why it was taking so long and should this be something the Board be concerned with. Mr. Charters responded that completion of projects involves more than just Grants Management staff, but also the Real Estate Section of the Office of Land and Facilities. There is less staff to review appraisals.

Ms. Apostol also responded that there has been a loss of staff at the local unit of government level. In addition, as Grants Management staff has reviewed acquisition projects, they have found problems, such as easements that are only for a short period of time, development rights on the property, etc. All these issues need to be cleared up before the project can be completed. That, added to the loss of local unit of government staff, tends to slow things down.

Ms. Apostol further stated that Grants Management staff is taking steps to prevent slowing projects down by having title work done first rather than later in the acquisition process. She thinks this will help speed acquisition projects up.

Mr. Stokes added that in the new MNRTF criteria that the Board approved, staff has tried to address some of these concerns so projects would not get to the point where they are funded before staff discovers these problems. This is being accomplished by putting a number of requirements up front. This will require more work on the local level, but the goal is to get the funds to them more quickly.

Mr. Stokes also stated that the “04-“, etc. identifying number of the project indicates the year that the application was submitted by the local unit of government. The funds are not appropriated by the Legislature until almost a year after the application submittal date.

Open Projects Status Report

No discussion.

MNRTF Lump Sum and Line Item Department Projects

No discussion.

Grants Management Outreach Report

Ms. Apostol advised the Board that this is a new Board report, and staff would like to have this as a standing report on the agenda at each meeting. Grants Management staff will provide the Board with information on recent efforts in the area of outreach to applicants.

Ms. Apostol outlined an Inclusion Seminar held on February 3, 2009 and put on by the Access to Recreation Initiative. The purpose of the seminar was to introduce local communities to the concept of universal design of their recreation facilities, and to provide them with information on the various state agencies and non-profit organizations that could help them achieve their universal design goals. Ms. Hegstrom of Grants Management spoke at the seminar and advised participants of the universal access criterion that was incorporated in the Board's criteria. She provided participants with examples of projects that have received Access to Recreation funds, along with MNRTF assistance.

Ms. Apostol also stated that Grants Management staff conducted statewide workshops to encourage participation of local units of government in the MNRTF program and to present the Board's recently revised criteria changes. These workshops also provided the opportunity for local units to meet with Grants Management staff to discuss potential applications. Seven workshops were conducted by staff between February 19 and March 3 and were held in Niles, Ludington, Gaylord, Munising, Allen Park, Frankenmuth and the final workshop in Lansing. The workshops were well attended, with a total of 250 participants. Many applications that were received April 1 were the result of these workshops.

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

Mr. Garner asked if a letter was ever received from Mr. Glaser on the Pigeon River Country State Forest regarding proposals to buy out mineral rights. Mr. Charters stated that the only time he remembered anything of this nature was when Mr. Bobier was a State Representative. Ms. Mindy Koch, Resource Management Deputy, DNR, responded that the MNRTF did buy mineral rights in the Nordhouse case. She believes that that is the only situation.

Chairperson Pollack noted she has previously raised the question of the royalty rate that the MNRTF is being paid. There is the question of whether we have the right system, amounts, or make the best deals. She does not know how many years it has been since this has been reviewed, discussed or considered. If there were an interest in having this discussion with people who are advisors, she would be interested in having a presentation. Mr. Charters responded that he could raise this at the next Land Management Subcommittee of the Natural Resources Commission and phrase it that the Chairperson of the MNRTF Board has requested information.

Mr. Garner added that MNRTF Board members can attend the Natural Resources Commission Subcommittee meeting. Ms. Koch responded that this issue could be

placed on the Land Management Subcommittee's agenda for the next meeting, which is June 4. There is a lot of information that is fairly current on royalty and taxing rates that other states are applying to oil and gas.

Chairperson Pollack stated that hopefully it can be scheduled and Board members attend the Subcommittee meeting. If they cannot, perhaps we could have another presentation for a future Board meeting.

Chairperson Pollack asked about the Conservation Easement Draft Criteria that the Board was provided in their packet. She wondered if the Board needed to take any action on this. Mr. Stokes responded no. This is only for the Board's information. DNR staff prepared the draft criteria as the Natural Resources Commission had some concerns regarding conservation easements. Mr. Charters added that this also will be discussed at the June 4 Land Management Subcommittee.

Mr. Muchmore asked if it was the DNR's view that conservation easements for the state and conservation easements for non-profit corporations have the same set of issues and that the criteria is the same. Partners are often non-profit corporations. Mr. Stokes responded that other organizations or groups would probably have different purposes of what they may be acquiring conservation easements on. The DNR felt that there were certain things wanted in a conservation easement, for instance some type of access. Access was needed unless there was some compelling conservation, environmental or safety reasons.

Mr. Muchmore stated that a lot of groups are getting stressed because the acquisition costs are so high, so large partnerships are being formed. He is concerned about having a series of criteria for conservation easements that cannot be met by some of the non-profit partnerships. Mr. Stokes stated that this criteria was sent out to non-profit organizations and they submitted their comments and some were taken into consideration.

VIII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, June 17, 2009, Little Bear East Conference Center, 275 Marquette Street, St. Ignace, Michigan.

IX. ADJOURNMENT.

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

The meeting was adjourned at 11:30 AM.

Lana Pollack, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

James Wood, Manager
Grants Management

DATE