The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:01 AM, Wednesday, December 12, 2018.

The following Board members were present:

Erin McDonough
Keith Creagh
Sam Cummings
Steve Hamp
Bill Rustem

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 OCTOBER 17, 2018.

Chairman Cummings called for the adoption of the minutes for the October 17, 2018 MNRTF Board meeting.

MOVED BY MR. RUSTEM, SUPPORTED BY MR. HAMP, TO ADOPT THE MINUTES OF THE OCTOBER 17, 2018 MNRTF BOARD MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.

II. ADOPTION OF AGENDA FOR MEETING OF DECEMBER 12, 2018.

Chairman Cummings called for the adoption of the agenda for the DECEMBER 12, 2018 MNRTF Board meeting.

MOVED BY MS. McDonough, SUPPORTED BY MR. RUSTEM, TO ADOPT THE AGENDA FOR THE DECEMBER 12, 2018 MNRTF BOARD MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.
III. INTRODUCTIONS.

The Board members introduced themselves.

Mr. Dan Lord, Section Manager, Grants Management Section, Finance and Operations Division, DNR, introduced himself and Grants Management staff: Mr. Jon Mayes (Recreation Grants Manager), Ms. Rachel Schumaker (Administrative Assistant to staff and Board), Mr. Mike Chuff (MNRTF Financial Specialist), Ms. Merrie Carlock (Grant Coordinator), Ms. Lindsay Ross (Grant Coordinator), Ms. Tamara Jorkasky (Grant Coordinator) and Ms. Erin Campbell (Grant Coordinator).

Mr. Lord also introduced Ms. Sharon Schafer, Chief of Finance and Operations Division.

Chairman Cummings acknowledged that this was Director Creagh’s final meeting with the MNRTF. He stated that the embodiment and skilled leadership that he has selflessly dedicated to the Department and the State of Michigan is unmeasurable. He thanked Director Creagh, on behalf of the MNRTF Board, for all the great things that he has done for this state.

Director Creagh stated that it has been a privilege and an honor to work with such great teams and he thanked everyone for what they do as well.

IV. PUBLIC APPEARANCES.

Mr. John Scholtz, Parks Director, Ottawa County and Mr. Joe Engel, Director, Land Conservancy of West Michigan

Mr. Scholtz and Mr. Engel expressed their support of the Ottawa Sands Phase II Acquisition project, TF18-161. In 2017, the MNRTF awarded $4.2 million for the first phase of this project. This project helped protect a 6-mile corridor of public land, beginning with PJ Hoffmaster State Park, including an 80-acre inland lake, 1 mile of Grand River frontage, and many more great opportunities for recreation and development. The application that is currently submitted will complete the acquisition of this property.

Mr. Engel stated that this was a very unique and time sensitive opportunity. The land conservancy raised $200,000 in 90 days to help with the expenses of the property. They then raised an additional $200,000 to help reduce the asking amount from the MNRTF.

Mr. Pete Cornish

Mr. Cornish expressed his support for the Cornish State Game Area project. Sharon Cornish, the owner of this property, was passionate about this property maintaining it's recreational and natural state. Phase I of this project was completed, but Sharon passed away last year, leaving Phase II of this project incomplete. The family wants to sell the land to a developer. There is a Trust in which Sharon Cornish specifies that she wants the DNR to purchase this land and that it is not to
be sold or have its natural state changed in any way, prior to two years after her death. She gave Mr. Cornish the ability to negotiate on her behalf. The DNR contacted the Attorney General’s Office and it was confirmed that Mr. Cornish does have the authority to negotiate for the sale of this property to the DNR. Phase I of this project was a 385-acre acquisition; Phase II is a 125-acre acquisition. Mr. Cornish stated that he is willing to provide a copy of the Trust that gives him the rights to negotiate the sale and also a copy of the Attorney General’s findings.

Mr. Chris Bunch, Executive Director, Six Rivers Land Conservancy

Mr. Bunch thanked the MNRTF for their service and for their commitment to the tremendous work that they do.

Michigan Department of Treasury Representatives – MNRTF Investments

Mr. Woodrow Tyler, Senior Investment Manager, from the Bureau of Investments, Michigan Department of Treasury, provided a PowerPoint presentation to outline the asset allocation and investments of the MNRTF Program.

Mr. Tyler discussed the current market conditions, the economic outlook, and the interest rate outlook. He then discussed the performance of the fund, the investment objectives, the current portfolio allocation, and reviewed the targeted allocations and recent changes.

As of September 30, 2018, we were at a 5.8 percent return average over 10 years annualized. The last 3 years this portfolio has had a 7 percent return; this includes Short-Term Investments, U.S. Government Bonds, Corporate Bonds, Prudential High Yield, etc.

When working on the MNRTF portfolio, there are three objectives:

- Return – generate returns to meet MNRTF’s annual spending needs:
  - New grants
  - Annual administrative and PILT expenses
- Liquidity – sufficient to meet MNRTF’s operating and open grant commitments ($105.4 million as of 11/20/2018)
- Safety – invest in a way that preserves and protects the entire $500 million Trust Fund principal so that the interest and earnings of the MNRTF remain a perpetual source of money for its intended purposes

The MNRTF is expected to generate an estimated long-term return of 5.5 percent with an estimated risk (or volatility) of 6 percent. Over the next twelve months this portfolio is expected to earn investment income of approximately $24.2 million. The investments made for this portfolio generate both dividend and interest income. That $24.2 million is about a 3.3 percent return. The remaining 2.2 percent will come from the appreciation of equities, alternative investments and other investments that have been made in real estate.
V. OLD BUSINESS.

MNRTF Financial Report

Ms. Sharon Schafer, Chief, Finance and Operations Division, outlined the MNRTF financial report. The figures that are in the report, and that were presented, are actual numbers. The official financial statements have not been released, as of yet, and are unaudited.

The beginning balance for this year was $605 million. We had investment income this year totaling $37 million; this is approximately a 5 percent return; this number is significantly lower than last year. Last year we received $51.5 million in investment income. These numbers are based on where the market was on September 30, 2018. We had $650,000 in other income, such as easements. There were a number of projects that we concluded throughout the year, as well as lapses and withdrawals; that total is $4 million.

Ms. Schafer reminded everyone that the Trust Fund board has adopted a 2.5 percent spend plan. The policy states that it is at their discretion to adjust that through motions. Based on Treasury’s presentation last year, the proposed amount available for projects is $25 million. In addition to the $25 million, $9.5 million has been allocated for the Sargent Sands project and trail projects that the board made available through additional awards from the 2017 applications. They were added in April of 2018. Also, in June of 2018, the board awarded $195,000 to the Scarlet’s Playground project. That would leave this fund with an ending balance of $612 million.

The administrative fees are $3.5 million; this includes our staff and our payments-in-lieu-of-taxes. The development maximum, per the Constitution, is 25 percent of the $25 million. That would total $6.2 million. The acquisition has to be a minimum of 25 percent. That is also a total of $6.2 million. After the operating expenses, the development maximum and the acquisition minimum are deducted from the $25 million, there is a remaining $9 million that would be added to the acquisition funds available, bringing the total funds available for acquisition projects to $15.2 million. This brings the total available for 2018 grant awards to $21.2 million. Of that $21.2 million, $15.2 would be available for acquisition projects and $6 million for development projects.

At this point, Director Creagh stated that he and Mr. Rustem had the opportunity to meet with the Legislature. During that meeting, there was not an agreed upon consensus number. The Legislature came back with a recommendation that $66 million be made available and that $33 million be spent. Part of that is due to the Constitutional language; 75 percent of available funds must be spent on acquisition projects and 25 percent on development projects. If Senate Joint Resolution O (SJRO) were to pass, that would allow the board more flexibility for spending allocations between development and acquisition projects. Mr. Rustem also stated the importance of SJRO.

The board, and staff, discussed different spending allocation scenarios. Ms. McDonough recommended that the board start with a spend plan of $34.5 million, with the understanding that $9.5 had already been allocated to the Sargent Sands and trail projects. Director Creagh suggested that the board start with $25 million for allocation to new grants, but still account for the additional $9.5 million towards Sargent Sands and trail projects and another additional $4 million
for PILT and other expenses. Sharon stated that we have to take the $195,000 allocated to the Scarlet’s Playground project, which leaves $24.8 that can be allocated to new projects.

Mr. Rustem called for the following motion:

**MOVED BY MR. RUSTEM, SUPPORTED BY MR. HAMP TO RECOMMEND AMOUNT AVAILABLE FOR NEW GRANTS AT $26,044,057.**

**MOTION PASSED WITHOUT DISSENTING VOTE**

After further discussions the following motion was made:

**MOVED BY MR. RUSTEM, SUPPORTED BY MR. HAMP TO MAKE $29,573,828 AVAILABLE, BUT RECOMMEND AMOUNT AVAILABLE FOR NEW GRANTS AT $26,044,057.**

**MOTION PASSED WITHOUT DISSENTING VOTE**

Mr. Hamp called for the adoption to fund the following acquisition projects:

- TF18-0208, DNR, Parks and Recreation – West Riverfront Park Trail Connection
  - Funded at $3 million
- TF18-0113, DNR, Parks and Recreation – Iron Belle Trail Easements – West UP
  - Funded at $200,000
- TF18-0207, DNR, Parks and Recreation – May Creek Greenway – Iron Belle Trail
  - There is a commitment for this project, but it is deferred to 2019

Mr. Hamp stated that project TF18-0208 and TF18-0113, with thanks to the Ralph C. Wilson Foundation, and others, have raised two thirds of the funds needed for completion of these projects, prior to their request from the MNRTF.

Mr. Rustem stated that he would like the following project included for funding:

- TF18-0186, DNR, Fisheries – Tahquamenon River Access Purchase
  - Funded at $300,000

Chairperson Cummings stated that he would like the following project included for funding:

- TF18-0197, Kent County – Millennium Park Expansion
  - Funded at $294,000

Mr. Rustem called for the adoption to fund all remaining acquisition projects at the requested amounts:

**Additional Recommended Acquisition projects are as follows:**

- TF18-0017, City of Grand Ledge – Gulf Street Acquisition
- TF18-0249, City of Harbor Beach – Lincoln Park Expansion
• TF18-0096, Village of Grand Beach – Grand Beach Nature Preserve Acquisition
• TF18-0167, Flint Charter Township – Former Pirate’s Park Property Acquisition
• TF18-0217, Clinton Charter Township – George George Park Land Acquisition
• TF18-0110, White Lake Township – Brendel Lake Campground Acquisition
• TF18-0156, DNR, Wildlife Division – Cornish SGA Acquisition
• TF18-0223, Park Township – Ottawa – South-side Lake Macatawa Land Acquisition
• TF18-0161, Ottawa County – Ottawa Sand – Phase 2
• TF18-0029, City of Lansing – E. Willard Ave. Acquisition
• TF18-0133, City of Lansing – Hunter’s Ridge Drive Acquisition
• TF18-0203, DNR, Wildlife Division – Garden Island Land Acquisition
• TF18-0218, Clinton Charter Township – Clinton River “Spillway Property” Acquisition
• TF18-0157, DNR, Wildlife Division – Thornapple-Eaton Land Acquisition
• TF18-0195, Washtenaw County – Watkins Lake County Preserve Addition
• TF18-0030, City of Lansing – Wise Road Acquisition
• TF18-0092, City of Tawas City – Tawas City Property Acquisition
• TF18-0134, DNR, Parks and Recreation – Watkins Lake State Park Consolidation
• TF18-0032, Iron Ore Heritage Recreation Authority – Negaunee Trailhead Acquisition
• TF18-0124, Clay Township – Harsens Island Kayak Access
• TF18-0194, Kent County – Lowell Regional Park Addition
• TF18-0245, DNR, Forest Resources – Little Ocqueoc River Property
• TF18-0063, Golden Township – Golden Township Park Addition
• TF18-0117, City of Dowagiac – Elks Trail Easement Acquisition
• TF18-0090, Heath Township – Schutmaat Park Acquisition
• TF18-0251, Clark Township – Lake Huron Access Acquisition

MOVED BY MR. RUSTEM, SUPPORTED BY DIRECTOR CREAGH TO FUND THE PROJECTS LISTED ABOVE WITH SPECIFIC AMOUNTS AND ALL OF THE REMAINING 2018 ACQUISITION PROJECTS LISTED ABOVE AT THE REQUESTED AMOUNTS.
MOTION PASSED WITHOUT DISSENTING VOTE

THE TOTAL FOR ACQUISITION PROJECTS IS $18,650,600.

Mr. Rustem stated that he would like the following project included for funding:

• TF18-0026, City of Detroit – Romanowski Park Renovation
  o Funded at $300,000

Chairperson Cummings stated that he would like the following project included for funding:

• TF18-0239, Delta County – Rapid River Falls ORV/ATV Campground
  o Funded at $85,000
Director Creagh stated that he would like the following project included for funding:

- **TF18-0039**, Bates Township – Paint River Access Site Improvements  
  - Funded at $58,857

**Recommended Development projects are as follows:**

- **TF18-0136**, Commerce Township – Scarlet’s Playground at Dodge Park #5
- **TF18-0104**, Ingham County – Lake Lansing Park South Improvements
- **TF18-0008**, Kochville Township – Kochville Township Trail Extension
- **TF18-0005**, City of Grand Rapids – Renovation and Development of Roberto Clemente Park
- **TF18-0038**, Tittabawassee Township – Freeland-Kochville Path Extension
- **TF18-0184**, Gogebic County – Bessemer to Ramsay Iron Belle Trail Project
- **TF18-0226**, City of Kalamazoo – Kalamazoo River Valley Trail Development
- **TF18-0192**, City of East Lansing – Bailey Park Improvements
- **TF18-0036**, Wayne County – Venoy Dorsey Park Canoe and Kayak Launch Development
- **TF18-0033**, City of Lansing – Cambridge to Frances Park River Trail Connection
- **TF18-0050**, Argentine Township – Argentine/LAFF Multi-Use Trail
- **TF18-0061**, Harrison Township – Waterfront Park Shoreline Improvements
- **TF18-0120**, Grant Township - Keweenaw – Keweenaw Point Trail – High Rock to Montreal River
- **TF18-0187**, Mundy Charter Township – Mundy Township’s Hill Road Recreational Park Project
- **TF18-0014**, City of Ironwood – Miners Memorial Heritage Park Mountain Bike Trail System
- **TF18-0075**, Genesee County – Flint River Scenic Overlook Picnic Area
- **TF18-0101**, Lansing Charter Township – Gould Park Redevelopment
- **TF18-0076**, Genesee County – Iron Belle Trail Improvements at Vietnam Veterans Park
- **TF18-0214**, City of Escanaba – North City Limits Non-Motorized Pathway
- **TF18-0056**, DNR, Parks and Recreation – Belle Isle Park – Picnic Shelter Replacement
- **TF18-0174**, City of Port Huron – Palmer Park Inclusive Playground
- **TF18-0122**, City of Petoskey – Iron Belle Trail Bear River Bridge
- **TF18-0055**, Orion Charter Township – East Clarkston Road Pathway – M-24 to Paint Creek
- **TF18-0077**, Genesee County – Iron Belle Trail – Richfield County Park
- **TF18-0180**, DNR, Parks and Recreation – Iron Belle Trail – Carp River Bridge Renovation
• TF18-0040, Baraga County – Point Abbaye Natural Area Pathway & Picnic Improvements
• TF18-0098, Oakland Charter Township – Paint Creek Junction Park Northern Trailhead Development
• TF18-0220, DNR, Parks and Recreation – Palms Book State Park – Raft Canopy Replacement
• TF18-0130, Fork Township – Rustic Campground Development
• TF18-0219, DNR, Parks and Recreation – Fayette Historic State Park – Visitor Center Accessibility

MOVED BY MR. HAMP, SUPPORTED BY MS. McDONOUGH TO FUND THE PROJECTS LISTED ABOVE WITH SPECIFIC AMOUNTS AND ALL OF THE REMAINING 2018 DEVELOPMENT PROJECTS LISTED ABOVE AT THE REQUESTED AMOUNTS MOTION PASSED WITHOUT DISSENTING VOTE

THE TOTAL FOR DEVELOPMENT PROJECTS IS $7,393,400.

VI. NEW BUSINESS.

Director Creagh stated that Senator Hansen posted for committee today the opt out for Recreation Passport. That meeting is at 12:30. Those with an interest in outdoor recreation are urged to attend and let their thoughts be heard. This would potentially add an additional $18 million per year in outdoor recreation funding.

Election of Chairperson and Vice-Chairperson for 2019

MOVED BY MR. RUSTEM, SUPPORTED BY MS. McDONOUGH, TO ELECT MR. STEVE HAMP AS THE NEW CHAIRPERSON FOR 2019. MOTION PASSED WITHOUT DISSENTING VOTE.

MOVED BY MR. HAMP, SUPPORTED BY MS. McDONOUGH, TO ELECT MR. BILL RUSTEM AS THE NEW VICE-CHAIRPERSON FOR 2019. MOTION PASSED WITHOUT DISSENTING VOTE.

Update on MNRTF Staff Activities

Mr. Lord outlined various MNRTF staff activities:

• 2019 Recreational Grant Workshops are starting early in January. The annual mParks meeting is in Kalamazoo and there will be a round-table discussion with 2 MNRTF board members present. There was a handout provided with specific dates and locations.
• The new due date for the 5-year Recreation Plans is February 1st.
• There is a new brochure that outlines the 20+ grant programs that the department offers. Brochures were available for audience members.
• There will be a survey sent out in January through our MiRecGrants system to registered users within that system as well as GovDelivery. The survey is being conducted for basic information; how are we doing, how the workshops can be improved, etc.

VII. STATUS REPORTS.

DNR Real Estate Report – State Acquisitions

No discussion.

Completed MNRTF Projects Report

No discussion.

MNRTF Land Consolidation and Line Item Department Projects

No discussion.

VIII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, February 13, 2019, Michigan Nature Association, 2310 Science Parkway, Suite 100, Okemos, Michigan.

IX. ADJOURNMENT.

MOVED BY DIRECTOR CREAGH, SUPPORTED BY MR. HAMP, TO ADJOURN THE MEETING. MOTION PASSED WITHOUT DISSENETING VOTE.

The meeting was adjourned at 11:22 AM.

Steve Hamp, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

Dan Lord, Manager
Grants Management Section
Finance and Operations Division

FEB. 19, 2019
DATE