

MICHIGAN DEPARTMENT OF NATURAL RESOURCES

BOARD OF TRUSTEES MEETING

Minutes of February 19, 2014  
Lansing Community College West Campus  
5708 Cornerstone, Lansing

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:05 AM, Wednesday, February 19, 2014.

The following Board members were present:

Brad Canale  
Keith Creagh  
Sam Cummings  
Erin McDonough

Mr. Charters was not in attendance due to being out of state.

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

I. ADOPTION OF MINUTES FOR MEETINGS OF DECEMBER 3 AND 4, 2013.

Chairperson Cummings called for the adoption of the minutes for the December 3 and 4, 2013 MNRTF Board meetings.

**MOVED BY MR. CANALE, SUPPORTED BY DIRECTOR CREAGH, TO ADOPT THE MINUTES OF THE DECEMBER 3 AND 4, 2013 MNRTF BOARD MEETINGS. MOTION PASSED WITHOUT DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR MEETING OF FEBRUARY 19, 2014.

Chairperson Cummings called for the adoption of the agenda for the February 19, 2014 MNRTF Board meeting.

**MOVED BY DIRECTOR CREAGH, SUPPORTED BY MS. McDONOUGH, TO ADOPT THE AGENDA FOR THE FEBRUARY 19, 2014 MNRTF BOARD MEETING. PASSED WITHOUT DISSENTING VOTE.**

### III. INTRODUCTIONS.

Mr. Steve DeBrabander, Manager, Grants Management Section, Finance and Operations Division, DNR, introduced himself and Grants Management Section staff: Mr. Jon Mayes (Unit Manager, MNRTF), Ms. Linda Harlow (Administrative Assistant to staff and Board), Ms. Janet Liesman (MNRTF Financial Analyst), Ms. Jule Stafford (Grant Coordinator), Ms. Christie Bayus (Grant Coordinator), Ms. Tamara Jorkasky (Grant Coordinator), and Ms. Amy Matisoff (new Grant Coordinator, who is a Landscape Architect and was the Regional Trails Specialist for the State of North Carolina). Mr. DeBrabander also introduced Mr. Joe Frick (Assistant Division Chief, Finance and Operations Division).

The Board members introduced themselves.

### IV. PUBLIC APPEARANCES.

#### Michigan Department of Treasury – MNRTF Investments – Mr. Dan Quigley, Assistant Administrator, Long-Term Fixed Income Division, Michigan Department of Treasury

Mr. Dan Quigley, Assistant Administrator, Long-Term Fixed Income Division, Michigan Department of Treasury, made a presentation on MNRTF investments and an economic update. Also in attendance were Mr. Rick DiBartolomeo (Administrator, Defined Contribution, Trusts and Agencies Division) and Mr. Greg Parker (Director of Investments, Public Markets).

The Bureau of Investments meets on a monthly basis to discuss a strategy for the MNRTF.

At this point, Mr. Quigley outlined various information depicted on the handouts that had been provided to the Board.

As of December 31, 2013, the amount available for permanent investment for the MNRTF was \$559.18 million. It has since increased to \$567 million based upon Fiscal Year 2013 results. This figure was just provided to the Department of Treasury after the investment report was prepared. All other figures in the report will be based on the \$559.18 million figure.

Operating funds were \$146.84 million as of December 31, 2013.

Investments were made in government bonds, corporate bonds, equity investments and alternative investments. Percentages of actual MNRTF asset allocation investments were bonds (65.7%), equity (25.6%) and alternatives (8.8%). The MNRTF has been invested in corporate bonds for several years due to a better interest rate.

Mr. Quigley outlined the portfolio holdings that the MNRTF has invested in. Estimated income and dividends over the next twelve months is:

- Bonds (return rate varies) - \$12,200,629
- Common cash (return rate 0.25%) - \$366,422
- Equity dividends (return rate 1.91%) - \$2,799,467

Mr. Quigley outlined the investment return performance summary. There is a large investment in corporate bonds (47%) and U.S. Government bonds (10.7%). Percentages of other investments are:

- Short-term investments (15.1%) (30-day Treasury bill)
- S&P bonds (14.5%)
- Mid-cap fund (1%)
- International fund (3.7%)
- Emerging markets fund (1.2%)
- Limited partnerships (7%)

At this point, Mr. Quigley provided an economic update. In the handout provided to the Board, the following flow charts were illustrated and outlined:

- Real Gross Domestic Product – Per Capita
- U.S. Leading Economic Indicators
- U.S. Payroll Employment Increasing, Close to Pre-Recession Peak
- The Overlooked Unemployed
- Federal Government Fiscal Policy
- Consumer Sentiment Edges Down Slightly in January 2014
- Median New Home Sales Prices – Adjusted for Inflation – Declines and Recoveries
- Corporate Profits
- Light Vehicle Sales Volatile Due to Weather and Timing
- Stock Market Up 164% From Recession Low and 20% From Year Ago
- Michigan Unemployment Rate Has Improved Faster Than U.S.

Mr. Canale asked if there was information on the state's balance sheet about the value of the 4.6 million acres of state-owned land. Mr. Frick responded that most of this information is in the footnotes, especially the tax-reverted land, because this would be in the general fixed assets group. If land is purchased, it would be carried at cost and if it was tax-reverted it would be carried at \$1.00.

## V. OLD BUSINESS.

### Items from December 3, 2013 "Long-Term Strategy" Meeting

Mr. DeBrabander outlined five items discussed at the MNRTF Board's December 3, 2013 "Long-Term Strategy" meeting. These items are:

- Conduct another strategy discussion meeting in mid-2014, with a couple of working groups involving members of communities.
- Setting priorities two to three years out following strategic initiatives.
- Come up with solutions for local match issues (subcategory of how to engage with foundations with local units of government).
- Gap analysis – where are we now and where are the biggest gaps.
- Look at the existing scoring system to make sure it is not so overbearing that the Board does not rule out itself or staff recommendations.

Mr. DeBrabander stated that if the Board wants to make changes for 2015, we need to start now. One of the reasons for this is the new online application. Changes to the database take some time. The Board would need to approve any changes by their August meeting. This would allow staff to make changes to the online system and information booklets.

Mr. DeBrabander suggested that the Board appoint a subcommittee with a couple Board members, staff and our customers/communities to work on the items. The DNR has had several plans developed over the past year – the DNR Public Land Management Strategy, the Governor’s Blue Ribbon State Park Committee Report, State Comprehensive Outdoor Recreation Plan (SCORP), and Trails Plan. We can utilize information provided in these reports and review top priorities, metrics and measures identified. Information could be provided at the Board’s April meeting.

Chairperson Cummings agreed with the subcommittee suggestion.

Ms. McDonough agreed that the plans and reports developed by the DNR are foundational. One of the key concepts that override the plans is the concept of helping drive the regions to have their own identities (the ten prosperity regions). These tie directly into better coordination with foundations.

Chairperson Cummings commented that the gap analysis should be reviewed to see where we are today, such as trail activity, access, etc. He wondered if there was readily available data that would outline this. Mr. DeBrabander responded that in the development of the Public Land Management Strategy, one of the criteria was “public access to the Great Lakes shore every five miles.” The DNR’s GIS staff and members of the work group did an initial analysis of this. Federal and state lands were reviewed. He was not sure if local public land was reviewed yet, but it could be done. Once the specific goals/priorities are identified, then the baseline data can be developed.

Director Creagh commented that we could have Mr. Dave Forstat of DNR come to a Board meeting to give a presentation on data that is available on land ownership, trails, access, boat access sites, state parks, and locations. There has been some initial work on some of the primary nodes, connectors, multi-use and single-use trails. Collaborative councils have been developed on the ten prosperity regions in the state.

Mr. DeBrabander responded that he will ask Mr. Forstat to make this presentation at the April Board meeting. Chairperson Cummings also stated that he would like a “sneak peek” at the data before the April meeting.

Ms. McDonough asked if before the April meeting, we could contact the Council of Michigan Foundations for their input. Chairperson Cummings responded that he has taken the liberty of beginning these conversations. Mr. Rob Collier, the head of the Council has asked for a little time to speak to his membership. It is Chairperson Cummings’ understanding that Mr. Collier will be attending the Board’s April meeting. After the meeting, we will have an afternoon session for further discussion.

Ms. McDonough asked if the MNRTF Board could officially join the Council of Michigan Foundations. Chairperson Cummings felt that it could join.

Mr. Canale asked how soon the Board could get an estimated number of what it would take to acquire trails and five-mile mile access, and wondered how we could make this all come together from various sources, including federal, state and private sources. He would also like to determine a dollar amount as to how much it would cost over the next ten years.

Ms. McDonough added that we need to listen to the local communities as to what their needs are. If their needs are bathrooms and not trails, we need to be fine with that. Part of what the strategy is doing is building support within the community for the MNRTF itself. You do not want to create a situation where there are more legislative problems.

Mr. Canale added that there has to be an end to a project. Director Creagh responded that the DNR does not buy land just to acquire more land. The land strategy identifies this. As to how many miles does it take to fund a vision, you first have to get the vision right and no one has articulated this vision yet. The Governor’s trail visions running from Belle Isle to Ironwood. The end goal is to make sure we are building capacities and consensus. As the trail from Belle Isle is built, we need to consider the western portion of the state and what their needs are.

Chairperson Cummings stated that we should have two subcommittees that focus on the following bullet points:

- Setting priorities – looking back at past Board priorities for modification.
- Gap analysis – access, trails, natural resources.
- Financial gap – local match gap.
- Scoring system – does the existing scoring system match the Board’s priorities and are modifications needed. What the economic impact is.

Director Creagh asked Mr. DeBrabander if his staff have been providing presentations on needs of communities and collaborations. Mr. DeBrabander responded that for the last two years staff has participated in place-making workshops with four other state departments. Grants Management Section’s Grant Coordinators are the backups for the state’s prosperity regions.

Director Creagh asked if Mr. DeBrabander and his staff could make a presentation at the ten community collaboration/prosperity regions and illuminate what the MNRTF has done historically and ask for them to submit proposals for consideration.

Chairperson Cummings and Mr. DeBrabander will develop the two subcommittees. These subcommittees will convene before the April 16, 2014 MNRTF Board meeting. Chairperson Cummings and Mr. DeBrabander will volunteer for at least one of the subcommittees.

## VI. NEW BUSINESS.

### Update on MNRTF Staff Activities

Mr. DeBrabander outlined various MNRTF staff activities that have occurred since the Board's last meeting.

- All DNR staff that were previously located in the Mason Building have now moved to Constitution Hall. New phone numbers are posted on the website.
- Grants Management Section staff have completed ten recreation grant workshops – Baraga, Marquette, Newberry, Gaylord, Kalamazoo, Lansing, Canton Township, Harrison Township (St. Clair County) and two in Traverse City (at the Michigan Recreation and Park Association Conference).
- The 2014 grant applications are now on line to be submitted electronically. This was effective February 10, 2014. The new online system is called “MiRecGrants”. There have been some glitches in the new system, but these are being worked out. The new electronic system application process was outlined and demonstrated at all recreation grant workshops.
- Ms. Amy Matisoff is the new Grant Coordinator in Grants Management Section.
- Our former regional areas map has been adjusted to the ten prosperity regions. There were formerly 14 regions. Grant Coordinators' regional assignments were also adjusted to the prosperity regions. New regional assignments are: Christie Bayus (Regions 1 and 2), Tamara Jorkasky (Regions 3, 4 and 5), Jule Stafford (Regions 7, 8 and 9) and Amy Matisoff (Regions 6 and 10).
- Senate Bill 780 (bill containing the 2013 MNRTF recommended projects) has been introduced by Senator Booher. Mr. Mayes and Mr. DeBrabander attended a Joint Capital Outlay Committee hearing two weeks ago to answer questions. There is another meeting with the same group today (February 19) at 4:00 PM. On February 20, is the Senate Appropriations Committee meeting, which staff will be attending to answer questions.

- There are two new grant programs that have been added to Grants Management Section – the Aquatic Habitat Grant Program and the Wildlife Habitat Grant Program. These programs are funded under the hunting and fishing license adjustments that were made. Grants Management now administers nine grant programs.

Director Creagh thanked Mr. DeBrabander and his staff for their hard work.

## VII. STATUS REPORTS.

### MNRTF Financial Report

Mr. Frick outlined the MNRTF Financial Report. The operating cash balance is going to decrease in the future because of fewer outstanding projects. Staff has been focusing on getting projects completed, which reduces the operating cash.

The amount of investment income funds available for 2014 is estimated to be \$14.1 million. This is based on the 2.5% distribution formula adopted by the Board. In addition, other income, including interest on operating cash is estimated to be \$300,000. The total estimate available is \$14.4 million. From this total, it is estimated that \$8.7 million will be available for acquisition and \$3.8 million for development projects in 2014. These amounts include an estimated reauthorization of lapses totals which may increase if there are withdrawals.

The beginning estimated investment balance is \$567.1 million. This is made up from the corpus of \$500 million, the Stabilization Reserve balance of \$41.8 million, and Growth Reserve of \$25.3 million. The investment income estimate indicated on the report -- \$31.1 million – is using the long-term projection average of 5.5%.

If the Stabilization Reserve were used to fund 2014 MNRTF projects at the end of the year, the balance estimated to be available would be \$45.7 million (\$39.2 for acquisition and \$6.5 development).

For MNRTF operating costs, Payments in-lieu of Taxes (PILT) costs have increased, due to PILT payments now being made at 100% instead of 50% and changes in the law.

Mr. Canale asked if the Board could have a 10-year history of PILT. Mr. Frick stated he could provide this. What the Board needs to be aware of is the law has changed. The DNR now pays 100% rather than 50%. The historical numbers are going to be significantly different due to lack of appropriations. Mr. Canale mentioned that the Board may think about setting money aside to cover PILT payments.

Director Creagh asked if PILT payments now include paying Special Assessments. Mr. Frick responded yes, that this is one of the legal changes. Director Creagh asked if it is known what the appropriate amount was based upon the past ten years, even though it was not paid. Mr.

Frick responded that the Department of Treasury may have some projections overall for the state property tax levels.

Ms. McDonough asked about all the factors that go into the PILT payments. Mr. Frick responded that property owners are seeing taxes going back up to where they were pre-recession. The DNR has a different type of property than what the typical homeowner has, so that is another variable. The Department of Treasury would have to put a request for additional funds for PILT into the appropriations bill. Director Creagh added that there is a provision to work with local units of government on the appraisal and value of parcels, which was not there in the past.

Mr. Frick passed out a report that was prepared indicating the 10-year history of grant amounts awarded by the MNRTF.

Mr. Frick also mentioned that the 2013 MNRTF Annual Report has been prepared and is available online.

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

Mr. Steve Sutton, Manager, Real Estate Services Section, Finance and Operations Division, DNR, mentioned that he can provide some information on tax-reverted lands. He will provide this information to the Board.

#### IX. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, April 16, 2014, Lansing Community College West Campus, 5708 Cornerstone, Lansing.

X. ADJOURNMENT.

**MOVED BY MR. CANALE, SUPPORTED BY MS. McDONOUGH, TO ADJOURN  
THE MEETING. MOTION PASSED WITHOUT DISSENTING VOTE.**

The meeting was adjourned at 10:30 AM.

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Sam Cummings, Chairperson  
Michigan Natural Resources Trust Fund  
Board of Trustees

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

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