

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of February 22, 2012  
Lansing Community College West Campus, 5708 Cornerstone, Lansing

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

The following Board members were present:

Sam Cummings  
Bob Garner  
Rodney Stokes  
Frank Torre

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 6 AND 7, 2011.

Chairperson Garner called for the adoption of the minutes for the December 6 and 7, 2011 MNRTF Board meetings.

**MOVED BY MR. TORRE, SUPPORTED BY DIRECTOR STOKES, TO APPROVE THE MINUTES OF THE DECEMBER 6 AND 7, 2011 MNRTF BOARD MEETINGS. PASSED WITHOUT DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR MEETING OF FEBRUARY 22, 2012.

Chairperson Garner called for the adoption of the agenda for the February 22, 2012 MNRTF Board meeting.

**MOVED BY DIRECTOR STOKES, SUPPORTED BY MR, TORRE, TO ADOPT THE AGENDA FOR THE FEBRUARY 22, 2012 MNRTF BOARD MEETING. PASSED WITHOUT DISSENTING VOTE.**

III. PUBLIC APPEARANCES.

Ms. Nicole Moon – Jean Klock Park Updates

Ms. Nicole Moon made a presentation on behalf of issues involving Jean Klock Park in the City of Benton Harbor. She stated that the MNRTF Board approved a conceptual plan for the conversion and mitigation proposal in 2006, but never saw the final version until October 2009. The City of Benton Harbor was required to report annually on

progress, but it took three years to deliver a report. They were also to provide annual progress reports until the project was completed.

Ms. Moon identified the following issues:

- On March 24, 2010, the mitigation strategy and proposal for changes were brought before Benton Harbor Planning and Economic Development Committee and was moved to proceed to full City Commission for approval.
- On June 8, 2010, Mr. Joseph Harris gave concurrence to proceed with improvements and remediation, although he had no authority to give approval since he was the Emergency Finance Manager at the time.
- At the June 2010 MNRTF Board meeting, the Board stated they had received a mitigation strategy and proposed changes from Harbor Shores, but that it had yet to be approved by the City of Benton Harbor.
- On April 12, 2010, Mr. Darwin Watson stated at the Golf Course Oversight meeting that Lorraine Thomas was the author of the mitigation strategy. It is unclear as to who paid her to complete the strategy since it was presented as Harbor Shore's mitigation strategy at the June 2010 Board meeting.
- August 2010, Acting City Manager Ron Carter submitted a letter of approval – no record of any approval by the city commissioners nor was a resolution passed.
- The public was not accorded any public hearing regarding the actual development of mitigation parcels during the 6-week comment period in 2008 or after. Only public discussion regarding contamination in general was an unpublicized half hour prior to public hearing on November 9, 2009, for parts of a trail to be installed on parcels B, C and D – and were told that these permits did not include plans for remediation.
- In an email to the MNRTF Board dated June 11, 2010, former Board Member Lana Pollack stated she was pleased that progress was being made on clean-up.
  - 1) Parcel F – was to excavate entire parcel between 12 to 20 inches deep, geotextile fabric and cover with 12" sand subbase over entire area, and 8" of compacted crushed concrete in path area – this was done haphazardly, not graded and unsure how much fill was installed.
  - 2) Harbor Shores was asked about potential contamination on Parcels B, C and D and how they would be addressed on January 4, 2010. The public was never given answers. Parcel D and F are in the lease agreement as requiring remediation – nothing has been done to Parcel D.
  - 3) Board Member Pollack questioned development of Parcel H – which it should be the same footprint as represented to the Board in 2006. The

footprint is not the same and was modified by Joseph Harris in December 2010 with no public record of city approval – modification still has an easement giving essentially all riparian rights to Cornerstone Alliance and its affiliates. The National Park Service objected to the easement in its rejection of the original conversion proposal in October 2007. In the second conversion proposal in 2008, it was promised to terminate the easement over Parcel H. Parcel H is not completed.

- 4) Do not know if Parcel H was to be used as stream bank restoration mitigation for the marina development – would require a conservation easement which would affect appraised value.
- 5) Southwest Park Corridor shall be dominant to Harbor Shore's subordinate use of such area – that has not occurred.
- 6) Parcel E Access – never any intention of building a path near the river with a mature treeline to protect the public from golf – nothing has been proposed to the public regarding this change and spreading vinyl chloride plume from Superfund site across the river has not been publicly discussed and reviewed.
- 7) Board Member Pollack had asked when the Board would get a report on public use of the golf course – neither the city or Harbor Shores has reported on this. Violations of lease agreement has occurred by Joseph Harris passing a resolution appointing himself and others to Golf Course Oversight Panel, as well as other resolutions.

Ms. Moon further stated that it has been almost two years and nothing has been reported to the MNRTF Board regarding any outstanding issues with Jean Klock Park and the Harbor Shores Golf Course.

It is being asked that the Board have a survey done to see how much of the park the city and Harbor Shores have converted outside of the approved conversion and what is actually left of the park.

The public has a right to know how and when the mitigation parcels are to be cleaned and developed. The paths are the only exposure barriers that are protecting users from contaminants – who will be responsible to assure these paths are maintained to assure safety?

Chairperson Garner stated that, per the presentation by the Attorney General's office to the Board in 2008, the MNRTF Board does not have the authority in any of these matters. There is some staff authority to check and make sure that gates are open and other issues.

At this point, Mr. Steve DeBrabander, Manager, Grants Management Section, DNR, outlined that in early summer of 2011, DNR staff had met with representatives of "Friends of Jean Klock Park", city commissioners, and developers to talk about the concerns. At the end of the meeting DNR and Harbor Shores had requested a list of what the concerns were from "Friends of Jean Klock Park" so they could be reviewed. Staff has not received a list or information regarding these concerns.

The most recent issue was that the gates were closed to the park. Mr. DeBrabander called the city to inquire. The city reported that it was a seasonal management issue. In a typical winter where there is a lot of snow, the gates are closed. Because of not having a lot of snow this year, the city stated they would reopen the gates.

Mr. DeBrabander added that it is not unusual for gates to be closed to unplowed road/parking lots at parks in the winter and the DNR does not require grantees to keep them open.

Ms. Marlene Golovich, Clerk, Hayes Township

Ms. Marlene Golovich, Clerk for Hayes Township, Charlevoix County, made a presentation on behalf of a proposed project (Camp Seagull on Lake Charlevoix) they wish to apply for grant funding. She provided a map and photographs of the project.

The township has held their first public hearing and will hold a second one in March. The project will be an acquisition grant for a 20-acre parcel on Lake Charlevoix, with 1400 feet of water frontage. The property is currently being run as a girls' summer camp and is now up for sale.

The conservancy is helping the township with the grant application, and it is hoped it will be completed by the April 2, 2012 deadline for possible funding this year.

Director Stokes asked about the amount of acres, water frontage and buildings on the property. Ms. Golovich responded that this is an approximately 20-acre site with 1400 feet of water frontage. Director Stokes asked what the township planned to do with the existing buildings. Ms. Golovich responded that a couple may be kept for storage; the cabins will be demolished or relocated. The township plans to put in a boat launch.

Director Stokes asked if the township has any other parks. Ms. Golovich responded that there is another park on Lake Charlevoix, but it is a sand lot with three parking spaces. There is no restroom on this area and the township will not be allowed to put one in. Director Stokes asked if the township would be able to maintain the new park, if acquired. Ms. Golovich responded that they are.

Mr. Torre asked the cost of the property. Ms. Golovich stated that the appraisal came in at \$4 million. The owners are asking \$6.5 million.

Mr. Cummings asked if Camp Seagull was presently in operation. Ms. Golovich responded that they are. The current owners' parents started the camp and they now want to sell.

Ms. Nancy Krupiarz, Executive Director, Michigan Trails and Greenway Alliance

Ms. Nancy Krupiarz made some comments on Senate Bill 499, which would allow telecommunication companies to put easements along State-owned rail-trails for a one-time fee of five cents a linear foot, which equates to \$264.00 per mile. When the bill first came out it was supposed to be free to get automatic easements. It was modified to five cents. This was modeled according to the Metro Standards Act, which allows telecommunication companies to put easements along road rights-of-way for five cents a linear foot. The difference is this is annually. The Michigan Trails and Greenway

Alliance has been advocating with members of the House Energy and Technology Committee to make it annually.

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy

Mr. Tom Bailey, Executive Director of Little Traverse Conservancy, made some comments. The conservancy will be working with the Village of Mackinaw City on an application for the 2012 cycle.

Mr. Bailey made some comments on the Hayes Township proposed acquisition project. Since this is a former camp area, Mr. Bailey and representatives from the township met with Emmet County, as a few years ago the MNRTF Board provided funding for the Camp Pet-o-se-ga property. Emmet County has also been assisting Hayes Township with whatever information they can provide.

At this point, Mr. Steve DeBrabander introduced the Grants Management and other DNR staff to the audience: Mr. Jon Mayes (Unit Manager, Recreation Grants), Ms. Linda Harlow (Administrative Assistant), Ms. Jule Stafford (Grant Coordinator), Mr. Sam Duncan (Program Manager, LWCF/Marine Safety/Recreation Passport), Ms. Shamika Askew-Storay (Grant Coordinator), and Mr. Joe Frick (Assistant Division Chief, Finance and Operations Division).

Grants Management has a new staff member – Ms. Janet Liesman – who is a Financial Analyst for the MNRTF Program.

Mr. John Cherry, a former Grant Coordinator, has accepted a position working in the Director's office. He will be working on Metrics and Measurements for Department goals, which is part of the Governor's Initiative for each State Department.

Grants Management has received approval to fill Mr. Cherry's former position.

Michigan Department of Treasury Staff – Presentation on MNRTF Investments

Mr. Jon Braeutigam, Chief Investment Officer for the Bureau of Investments, Department of Treasury, made a PowerPoint presentation on the MNRTF investments. The bureau manages \$60 billion in assets for the State of Michigan and has 70 employees (40 investment professionals, 30 accountants).

Mr. Braeutigam introduced the following staff: Mr. Greg Parker, Director of Investments, Public Markets. Mr. Parker is on the MNRTF investment team. He also assists with asset allocations for various funds, including the MNRTF. Mr. Paul Nelson, Administrator, Long-Term Fixed Income Division, helps oversee a great majority of the MNRTF, which is 75% fixed income. Mr. Dan Quigley, Investment Specialist, Long-Term Fixed Income Division is the point person on every day communications with the DNR on investments.

The MNRTF is 75% fixed income and 25% stocks. Over the last five years, the MNRTF has earned 5% on the fund, including the cash invested.

Mr. Quigley outlined the market value of assets of the MNRTF. There was an increase in the market value of the fund from 2008 to 2011. The total amount of MNRTF bonds

and equity as of December 31, 2011 was \$503,961,626. The DNR amount available for investment was \$500,410,080.

The MNRTF actual asset allocation as of December 31, 2011 was 72.6% bonds, 28.6% equity and -0.7% cash. Of this 7.4% are government bonds and 64.7% are corporate bonds.

Mr. Quigley outlined the portfolio of bond holdings. Most of them are household names. As of December 31, 2011, the amount of bond holdings was \$360,905,474. The amount of equity holders was \$143,056,152 and the total cash holdings were \$199,246,699.

Mr. Quigley outlined the investment return performance summary over the five-year period and ending December 31, 2011. Percent share of the total fund market value were: Short-Term Investments 28%; U.S. Government Bonds, 5.3%; Corporate Bonds, 46%; S&P 500 Fund, 18.5%; Mid Cap Fund, 1.8%; and Limited Partnerships, 0.4%.

Mr. Quigley also outlined the Michigan Growth Capital Partners SBIC that was identified on the PowerPoint presentation.

Mr. Cummings stated that these investments and presentation were nicely done.

Discussion ensued on various investments and the strategy involved.

#### IV. NEW BUSINESS.

##### Update on MNRTF Staff Activities

##### **State Comprehensive Outdoor Recreation Plan (SCORP)**

Mr. DeBrabander stated that this is a five-year recreation plan that the State of Michigan is required to have in place to qualify for Land and Water Conservation Fund dollars, which is a federal grant program under the National Park Service. The current SCORP expires at the end of this year. A survey has been completed of local recreation providers. A lot of the plan will be done by a contractor. The award of the contract has been made and the unsuccessful bidders have until this Friday to appeal. The surveys being done for the SCORP will tie in with the MNRTF as far as needs of local units of government in public outdoor recreation and also how they tie in with Board priorities.

The number one recreation need that was identified in the survey was additional trails. This matches with our current Board priorities.

Director Stokes asked about the timeline for completion of the SCORP. Mr. DeBrabander responded that the contractor must have a final draft to the DNR by December 1, 2012. There will be a lot of opportunity for DNR and public input.

##### **MNRTF Recognition Signs**

Mr. DeBrabander advised the Board that a new, more cost-effective sign has been designed. The current sign is \$1,655.00. The exact wording that is on the current sign will be on the new one.

The sign was bid out and has been awarded to the lowest bidder, a Michigan company out of Madison Heights, with some of the work being subcontracted to a company in Muskegon Heights.

Director Stokes asked Mr. DeBrabander to provide a copy of the new sign to Board members electronically. Mr. DeBrabander will do that, and also bring a sample of the new sign to the April Board meeting.

Grantees should be able to order the new sign by mid-April. All grantees will be notified of the availability of the new sign. The order form will be on the DNR's website. The cost of the MNRTF sign will be \$198.00. There will also be available a round sign that grantees can incorporate into their existing signage. The round sign is an option; they must still have the official MNRTF sign in place.

Director Stokes stated that signage is very important. Yesterday he met with the Chair of the House Appropriations Committee, who had a hearing on the MNRTF Bill last week. It was discovered that there are many people who do not know about the MNRTF. We, and local units of government, need to do a better job of letting the public and elected officials know what the MNRTF program has done.

### **Escrow Closings**

Mr. DeBrabander stated last year was the first year that escrow closings were offered as an option for land acquisition grants rather than the traditional reimbursement process.

The escrow process is working well, with three escrow closings completed. Staff is currently going through an evaluation of the process to make sure that all instructions are clear and see if there is any areas for improvement. There are eight other grantees who have indicated that they would like an escrow closing option.

Staff has received a lot of positive feedback on the process and thank you's from local units of governments.

Director Stokes stated that after an escrow closing, it is imperative that the local unit of government record the deed and that the deed does not change between the escrow closing and the time it is recorded. This will put extra work on staff, but it will be checked. If the escrow closing will be a benefit to the local unit of government, then they will have to step up and make sure they do these two things—record the deed and don't change the deed between the escrow closing time and the time it is recorded.

Mr. DeBrabander stated that 10% of the grant amount is held until the deed has been received. If the deed issue becomes problematic, we will no longer be able to offer the escrow closing option.

### **Introduction/Responsibilities and Update on MNRTF Annual Report**

Ms. Liesman introduced herself to the Board. She has been with DNR, Grants Management six weeks. Prior to coming to the DNR, she was with the Michigan Department of Treasury for 3-1/2 years, primarily working on bond financing. She has been learning the acquisition and development payment process for the MNRTF grants. She also has been learning the audit process and escrow closing payment process.

Ms. Liesman is currently working on the 2011 MNRTF Annual Report and is nearing completion for final review. It is hoped to get this finalized and posted on the web within the next two weeks.

### **2012 Recreation Grant Workshops**

Mr. Mayes outlined the eight 2012 recreation grant workshops that recently were held throughout the state. Workshops were held in Marquette, Newberry, Gaylord, Lansing, Grand Rapids, Saginaw, Chesterfield Township (Macomb County) and at the Michigan Recreation and Park Association's Annual Conference in Dearborn. There was an average of 40 attendees at each workshop. At each workshop, an evaluation sheet was provided for attendees to fill out. Comments were very positive.

Director Stokes thanked Mr. DeBrabander and his staff for conducting the recreation grant workshops. He encouraged staff to keep doing them.

### **MNRTF Appropriation Bill Update**

Mr. Mayes advised the Board that House Bill 5264, which contain the 2011 MNRTF grants recommended by the Board, was introduced February 7, 2012. No action has been taken at this point.

Mr. DeBrabander provided a presentation regarding the MNRTF to a number of legislators last week.

### **2009 Analysis on Scoring Criteria and Possible Future Analysis Options**

Mr. John Cherry advised the Board that in 2009 he conducted an analysis on scoring criteria and he is in the final stages of working on another analysis involving acquisitions, which should be finalized in a couple of weeks. These are both input analyses, and analyze where did the Board spent its money and if it was spent on Board priorities.

The Board may want to look at the output and the outcomes of the MNRTF program, for example, did spending \$5 million on trails actually benefit the program, or how many miles and connections were realized.

The ultimate goal would be a system where the Board could see regular updates on how it is meeting its outcomes and goals in terms of program administration.

Mr. Cherry stated that he would be happy to provide support with the strategic planning process that the Board will be doing in April. If the Board has anything specific information that they are looking for, he would be able to assist with that. The Board can contact Mr. DeBrabander or they may contact Mr. Cherry by email.

### **Evaluation of Scoring Criteria/Application Process and Database Development Update**

Ms. Stafford outlined the scoring criteria and application process. Based on comments received at the 2012 recreation grant workshops, applicants want to see a streamlined application process and changes in criteria. This streamlining will also assist staff in developing the new database.

Three software applications have been reviewed for possible use in the new database, with one more to look at next month. Software can be used to compliment the grant process. A mapping component will be added to the database. In addition, a web-based application system is being planned so applicants can apply on line. Also, a post-completion inspection component will be on the database. This will include all grant programs.

It is hoped by the end of the year that a contract will be in place.

**Review/Clarification of Board Policies/Procedures**

Ms. Askew-Storay advised the Board that she will be reviewing the Board policies and procedures. Changes will be suggested to make these policies/procedures more clear for users and, if necessary, provide additional explanations of them.

The Board will be advised of any proposed changes and will have the opportunity to review them prior to finalization.

TF06-064, Carpenter Lake Nature Interpretive Center, City of Southfield –  
**WITHDRAWAL OF PROJECT**

**MOVED BY DIRECTOR STOKES, SUPPORTED BY MR. CUMMINGS, TO ACCEPT THE WITHDRAWAL OF TF06-064, CARPENTER LAKE NATURE INTERPRETIVE CENTER, CITY OF SOUTHFIELD. MOTION PASSED WITHOUT DISSENTING VOTE.**

TF09-010, Two Rivers Park Acquisition, City of Portland –  
**WITHDRAWAL OF PROJECT**

**MOVED BY DIRECTOR STOKES, SUPPORTED BY MR. TORRE, TO ACCEPT THE WITHDRAWAL OF TF09-010, TWO RIVERS PARK ACQUISITION, CITY OF PORTLAND. MOTION PASSED WITHOUT DISSENTING VOTE.**

V. STATUS REPORTS.

DNR Real Estate Report

Mr. Frick outlined the DNR Real Estate report for the Board. Two acquisitions were acquired: Sturgeon River Corridor Acquisition, 840 acres in the Crystal Falls Management Unit, for \$1,260,000; and Waterloo Land Consolidation Initiative, 30 acres in the Waterloo Recreation Area, for \$150,000.

Real Estate Services Section has received a lot of projects for appraisal review.

The Real Estate Services Section Manager position will be posted shortly.

There is a trespass initiative to make sure that trespasses are resolved. This is a Department-wide effort.

The section also is looking at ways to make their work responsibilities easier, faster and more efficient.

### DNR Financial Report

Mr. Frick outlined the DNR financial report for the Board. The \$500 million MNRTF corpus has been met and there is \$9 million in the Stabilization Reserve, which includes the previous balance and the \$5 million that was not awarded in 2011.

Using 5% of investment funds, it is projected that \$25,455,000 will be available. The yield amount is about \$19 million.

Chairperson Garner stated that Mr. Charters and Mr. Cummings will be meeting before the April Board meeting to give the Board an idea of a policy to deal with investments.

Mr. Frick outlined the administrative expenses and encumbrances. Of particular interest, is that the MNRTF will be paying approximately \$2.5 million for payments in-lieu of taxes as the total tax bill must now be paid (were only paying 50%). The Department of Information and Technology (now with Department of Technology, Management, and Budget) amount will be significantly reduced. The Forest Resources (formerly Management) Division expense (Mineral Management Section) will be transferred to the Park Endowment Fund.

It is projected that there will be approximately \$22.4 million available for 2012 projects (\$6.7 million development and \$15.7 million acquisition).

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

Mr. John Greenslit, Director, Parks and Recreation, Eaton County, complimented staff on the 2012 recreation grants workshops. The communications between the parks and recreation communities is outstanding.

Mr. Greenslit also commented that three Grand River recreation accessibility grants were awarded to Eaton County communities in 2011 (City of Eaton Rapids, Village of Dimondale and City of Grand Ledge) were most appreciated and has triggered the rest of the county to get on board. He hopes this could spur a recreation corridor from Eaton Rapids to Vermontville and on to Barry County.

Mr. Greenslit also commented on Ms. Krupiarz statements on the trail legislation.

Mr. Greenslit also provided comments regarding the Jean Klock Park issue, and stated he is disappointed with the outcome of this project.

### VII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, April 11, 2012, Ramada Inn Hotel and Conference Center, 7501 West Saginaw Highway, Lansing, Michigan.

VIII. ADJOURNMENT.

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

The meeting was adjourned at 10:45 AM.

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

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Steven J. DeBrabander, Manager  
Grants Management

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DATE