

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of April 21, 2004
Forum, Michigan Library and Historical Center
702 W. Kalamazoo, Lansing

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at approximately 9:00 A.M.

The following Board members were present:

Steven Arwood
David Dempsey
Bob Garner
Jim Thompson

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

Due to illness, Mr. Washington was not in attendance.

I. ADOPTION OF MINUTES.

Chairperson Thompson called for the adoption of the February 4, 2004 Board meeting minutes.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO APPROVE THE MINUTES OF THE FEBRUARY 4, 2004 MNRTF BOARD MEETING. PASSED.

Chairperson Thompson asked the Board members if there were any additional agenda items that should be added. Mr. Dempsey stated he wished to add under "New Business" discussion of a supplemental deadline for development projects.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO ADOPT THE APRIL 21, 2004 BOARD MEETING AGENDA, WITH THE ADDITION OF "SUPPLEMENTAL DEADLINE FOR DEVELOPMENT APPLICATIONS" BEING ADDED UNDER "NEW BUSINESS." PASSED.

II. PUBLIC APPEARANCES.

Mr. Michael Herman, City Manager, City of Albion – TF01-070, Kalamazoo Riverfront Trail Acquisition.

Mr. Michael Herman, City Manager for the City of Albion, stated that the City is seeking a project change to the Kalamazoo Riverfront Trail Acquisition project (TF01-070). Details will be provided by Grants, Contracts and Customer Systems (GCACS) staff under "New Business." He advised the Board at the time staff presents the project change, he could provide any additional information.

Ms. Lynn Boyd, DNR, Forest, Mineral and Fire Management Division – Kennecott's Eagle Prospect Update.

Ms. Lynn Boyd, DNR, Forest, Mineral and Fire Management Division (FMFM), advised the Board that representatives from Kennecott had planned on making a presentation before the Board at this meeting. The presentation is approximately 40 minutes in length. Due to the anticipated number of public appearances and other agenda items to discuss at the April meeting, staff suggested that Kennecott make their presentation at the Board's June meeting.

Ms. Boyd advised the Board that FMFM is actively releasing minerals in the Upper Peninsula. There are about 35,000 under lease, 11,000 at the Administration Board approval-level, and 13,000 under review for leasing. Kennecott has been looking at the Marquette County area since approximately 1995 to explore for nickel. They have also looked at about five million tons of high-grade nickel in a 12-acre location, which is an underground mine. At this point they are not ready to come forward with a proposal, but are just doing economic evaluations to see if it is appropriate to move forward to the next stage.

Ms. Boyd further stated that FMFM is taking a step backward in their leasing program. A leasing review committee has been formed that has 90 days to evaluate the terms of leasing and leasing process, and report back to the Natural Resources Commission (NRC). During this timeframe, nominated leases will be reviewed, but not go to public notice or the NRC.

Board members agreed that they would like Kennecott to make a presentation at the Board's June 16, 2004 meeting. They asked Ms. Boyd to contact Kennecott and make the arrangements. Ms. Boyd stated she would take care of details.

Mr. Dan Wells – Gaylord to Cheboygan Trail Workgroup Perspective.

Mr. Dan Wells, representing the Gaylord to Cheboygan Trail Workgroup, provided a powerpoint presentation to illustrate proposed plans for the trail. The workgroup is made up of 18 individuals of diverse backgrounds and interest, including a city manager, mountain biker, professional surveyor, township treasurer, many business people, president of Michigan Snowmobile Association, chamber of commerce director and several local property owners. The workgroup has volunteered over 2100 hours of their time to this project, and driven 20,000 miles in personal vehicles.

Mr. Wells stated that this is a multi-use, four-season trail. While much of the workgroup's time has been focused on snowmobile use, their plan encourages many uses of the trail—walking, hiking, biking, cross-country skiing and horseback riding. When the plan is fully implemented, the urban nonmotorized portion (the Mullett Lake stretch) will be paved. In addition, this would provide a snowmobile trail that would more directly connect Indian River and Cheboygan.

Mr. Wells further stated that the workgroup's plan was presented to the NRC on February 5, 2004 and was unanimously accepted. The plan was developed with the partnership of the DNR's FMFM, in particular Chief Mindy Koch. At the NRC's meeting, the workgroup requested contingent approval of the report and recommendation for a conceptual route for the snowmobile trail. Issues to be resolved include:

- Legislation would have to be introduced to change the law in order to have a snowmobile trail within the limited access highway of I-75. This is reflected in the Natural Resources and Environmental Protection Act, 1994 PA 451, which states “a snowmobile may be operated on the right-of-way of a public highway, except a limited access highway.” The Michigan Snowmobile Association is taking the lead on this change.
- Getting an agreement to allow the proposed trail on the Michigan Department of Transportation (MDOT) right-of-way is integral to allow snowmobilers to travel safely from Marina Park across M-68. The DNR will work closely with MDOT to allow this use. An opaque barrier may be required to prevent the snowmobiles’ headlights from interfering with oncoming traffic.
- The proposed trail creates no new corridors and only affects a very small portion of the Pigeon River Country State Forest (PRCSF) and appears to have the least environmental impact to other options considered. Establishing a groomed snowmobile trail in the PRCSF will be very controversial.

Mr. Wells further stated that the workgroup asked for an immediate and short-term trail grading and brushing plan for the Mullett Lake stretch of trail. A \$10,000 grant was just approved. In addition, a \$2 million surfacing grant has been requested from MDOT for the entire trail, including grading work to Mackinaw City. This grant is pending approval. In addition, the workgroup has asked for staff resources in developing a formal master plan for the trail.

Mr. Wells stated what the workgroup is asking of the MNRTF Board is that no change be made to the current restriction along the Mullett Lake stretch. The workgroup has planned for a snowmobile trail to connect Cheboygan and Indian River using an alternate route. In addition, the restriction has had the effect of motivating both sides to find an acceptable solution. If the MDOT and PRCSF issues prove to be insolvable, different approaches are being developed by the workgroup.

Chairperson Thompson applauded the workgroup’s efforts and wondered if there would be an alternate trail. Mr. Wells responded that there is an expectation that a trail will be developed.

Mr. Garner stated that he viewed the presentation at the NRC and they supported the concept of getting this trail done. He also stated that the workgroup has done wonderful work. He is not sure the DNR has done its best work with the existing trail that is not used for snowmobiles, as well as others. The trail is trespassed on and property owners have had a tremendous disregard for the public’s property and used it as their own. The trail needs to be straightened out. In addition, he feels this is not a good area to put in a snowmobile trail, however, he would not like to see us shut out other uses for the trail. If this trail was being used at the present time, he feels the DNR would not even be considering any portion of it for a snowmobile trail.

Mr. Wells added that the workgroup already has commitments for \$21,000 from local property associations along the lake to establish a “Friends of” group to start the paving and get the trail developed.

Mr. Arwood wondered if the NRC endorsed the workgroup’s plan to use part of the PRCSF for the alternate trail. Mr. Garner responded that the NRC endorsed the alternate trail in general terms. There would be a lot to work out with this concept. The Pigeon River Country (PRC) Advisory Council is very protective of their property.

Chairperson Thompson stated that it was his understanding that snowmobiles are allowed in the PRCSF, but not on a designated trail. Mr. Wells responded yes. Mr. Arwood asked if the DNR would have to designate a trail in the PRCSF. Mr. Garner responded he was not sure, but he feels everyone has come to the conclusion that the PRCSF would not be the best route to go.

Mr. Arwood asked if the Mullett Lake portion of the trail is being trespassed by motor vehicles at the present time. Mr. Wells responded yes. There are a few snowmobiles that go down the trail. There are people who drive down the trail to put their boat lifts in the water. The real trespass problem has not been the motor vehicle usage, but rather using the property for extension of septic system, dumping of leaves, etc. If the trail was paved, there would be a clear indication of where the boundaries are and would go a long ways to stop the trespass.

Ms. Mindy Koch, Chief, FMFM, provided more information on the trail alternates. She wished to commend the Gaylord to Cheboygan Workgroup. They have had a positive attitude in the way this issue has been approached. They have been instrumental in bringing partners to the table and getting conceptual approvals by entities that the DNR alone could not.

Ms. Koch stated that the trail is 47 miles long, and most of it is developed and heavily used. There is a Director's Order restricting all motorized use on the 12-mile portion of the trail that is before the Board. There can be motorized use approved, by exemption, for special occasions. The DNR knows of approximately 160 trespasses on this stretch of the trail. Development of the trail would stop trespasses such as septic system extensions. Snowmobile funding provides a lot of trail development, and these funds were used on other portions of the trail. There are other funding sources that are used as well. Monies have been allocated for brushing and clearing the trail for use. Rail companies have allowed trespass and this has been a problem. The DNR is in the process of a third survey of the trail to identify the trespass issue. In some instances there are riparian rights, adverse possession and other legal issues. In addition, there is a road that has been moved out of the right-of-way and placed in the trail area, and homes and garages built.

Ms. Koch will be inspecting the trail next week with the surveyor and reviewing issues that he has found. After that she will be meeting with the Attorney General's office on property and riparian rights issues.

Ms. Koch advised the Board that there were six alternate trails proposed in 2001. She outlined some of the issues being raised with the proposed alternate routes (I-75 crossing, PRCSF). The PRC Advisory Council had concerns with the grooming equipment that would be necessary for trail maintenance. Snowmobiles are allowed in the PRCSF and on the roadways. There is a small snowmobile trail in the PRCSF, but it is not groomed. In addition, the plan states that there will be no designated snowmobile trails in the PRCSF.

Ms. Koch further stated that she is asking for approval of the project change request, which would allow snowmobile usage on the Mullett Lake portion of the Cheboygan to Gaylord Trail. This does not necessarily mean that snowmobiling will occur on this stretch. Any trail development that will be done on this portion would not have a negative impact on snowmobile use. The DNR is not looking at paving at this time.

Mr. Arwood asked how long the trail would be in the PRCSF. Ms. Koch responded approximately two miles. Mr. Arwood asked if the grooming equipment was the only concern against allowing the trail to go through the PRCSF. Ms. Koch responded they had other

concerns as well. She will provide the Board members with the letter and resolution from the PRC Advisory Council expressing their concerns.

Mr. Garner asked if the alternate route through the PRCSF was really a first choice option by the DNR. Ms. Koch responded that this is just one option on the table. The DNR could be creative on how the trail is used, such as speed limits.

Chairperson Thompson inquired about the Board's restriction of nonmotorized vehicles on the Mullett Lake portion of the trail. Ms. Koch stated that the Director's Order still does not allow any motorized use on that section of the trail, except for the special exceptions. The Director's Order would need to be changed, as well as the Board's restriction.

Mr. Garner stated that he had talked to Mr. Washington regarding lifting the restriction prohibiting motorized vehicles. Although he could not be in attendance at the meeting today, he wished to express his opposition to open the Mullett Lake stretch up to motorized use.

Mr. Bob Ulrich, Inland Lakes Snowmobile Club and Cheboygan Area Snowmobile Club.

Mr. Bob Ulrich, representing Inland Lakes Snowmobile Club and Cheboygan Area Snowmobile Club, made comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He provided additional materials containing photographs, petition signatures, etc. for the Board's information. He is asking that the Board lift the restriction prohibiting motorized vehicles on this portion of the trail.

Mr. Ulrich stated that this portion of the trail should be open to snowmobiles for the following reasons:

- Need for a trail between Indian River and Cheboygan.
- Local businesses have been losing out.
- There has been a 74% increase in registered snowmobiles.
- Trail should be open to everyone year-round.
- Local communities want the trail open.
- Snowmobilers want the trail open.
- Will put snowmobilers on a safe trail and keep them out of harm's way of Mullett Lake and flats.

Mr. Ulrich further stated that since the property was purchased, there has been no return on the State's investment. Adjacent property owners have abused this section of the trail by using it for storage, dumping and other purposes. In addition, it would make more sense to use this trail than to spend money building a bridge over I-75, over rivers and obtaining permanent property leases. Petitions have been submitted to the DNR requesting that this section of the trail be open to snowmobiles. Noise and safety issues have also been addressed.

Mr. Ulrich further stated that if the DNR decides to continue to work with the Gaylord to Cheboygan Workgroup to develop a connector trail, that would be fine; however, until a permanent and safe trail can be developed, he and his snowmobile clubs request that the MNRTF Board rescind the restriction on the Mullett Lake portion of the Gaylord to Cheboygan Trail to allow snowmobiles.

Mr. Mark Elliott, Cheboygan Trail Blazers.

Mr. Mark Elliott, representing the Cheboygan Trail Blazers, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He is a snowmobile trails groomer and is concerned with safety issues and access. He also expressed the problems of the trail being used for leaves and brush dumping and other uses. He recommends that the MNRTF Board lift the restrictions on the Mullett Lake portion of the Gaylord to Cheboygan Trail to allow snowmobiles.

Mr. Tony Naylor, Member, Gaylord to Cheboygan Workgroup.

Mr. Tony Naylor, a member of the Gaylord to Cheboygan Workgroup, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He was part of the group who lobbied to put the restriction on this portion of the trail in 1997. Their main reasons for the restriction were safety and the use of snowmobiles. He did a survey of the entire trail working with railroad maps. This section of the trail is a 55,000-foot corridor, with 6500 feet running along a golf course. In addition, along the area there are 306 homes (132 year-round), with 86 homes being within 100 feet of the trail. There are 26 road crossings and 14 driveways.

Mr. Naylor further stated that all of the reasons for the restrictions placed on this section of the trail in 1997 exist today.

Mr. Terrence E. Keating, Mullett Lake Homeowner.

Mr. Terrence Keating, a homeowner in the Mullett Lake area, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He wished to commend the Gaylord to Cheboygan Workgroup for all their efforts. He has been involved in the restriction of this portion of the trail since 1997. He urged the workgroup and DNR to come up with an alternate route for the trail. He also expressed his concerns regarding safety. In addition, he feels if the trail was developed for use, this would provide a clear indication of what the trail was for, and would cut down or eliminate trespass and abuse.

Mr. Arwood asked Mr. Garner why this portion of the trail has not been developed. Ms. Koch responded that most trails are developed using snowmobile funds. Since snowmobile use is restricted, these funds could not be used. There is another revenue source that could be used, but it is not as large as the snowmobile fund. In addition, because the trail runs along a lake, there are more trespasses, adverse possession and difficulties in surveying the area. The DNR is also looking at ways users of the trail can access the lake at certain points.

Mr. Donald J. Schwalm, Mullett Lake Village Association.

Mr. Donald Schwalm, representing the Mullett Lake Village Association, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He stated that he and his association support the Gaylord to Cheboygan Workgroup efforts and they have worked towards finding an alternate route for the trail. He also expressed his concerns about the trail crossings and that there were many blind spots.

Mr. Bill Manson, Executive Director, Michigan Snowmobile Association.

Mr. Bill Manson, Executive Director of the Michigan Snowmobile Association, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He also serves as Chairman of the Michigan Snowmobile Advisory Committee. He has been involved with this trail issue for the past three years. Mr. Manson has been involved with the Gaylord to Cheboygan Workgroup in their efforts to locate an alternate route.

Mr. Manson stated snowmobilers need a trail route, whether it is the preferred route or the portion through the PRCSF. Snowmobilers are willing to put money into development of the trail. He also expressed the safety issues of going alongside US-27, across the lake and trespass.

Mr. Roger L. Harris, President, Grandview Beach Association, Inc.

Mr. Roger Harris, President of the Grandview Beach Association, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He supports the Gaylord to Cheboygan Workgroup's efforts to locate an alternate route for the trail. His association does not support an interim change in usage of the trail, as it is believed this takes the pressure off the development of the alternative. He also expressed concerns regarding safety on the lake and the trail.

Mr. Harris supports continuance of the nonmotorized restriction on the Mullett Lake portion of the Gaylord to Cheboygan Trail.

Mr. John R. Burleson, Indian River Snowmobile Club.

Mr. John Burleson, a property owner in Indian River, made some comments regarding the Mullett Lake portion of the Gaylord to Cheboygan Trail. He encourages the Gaylord to Cheboygan Workgroup to investigate an alternate route in the Indian River area. He feels snowmobile trails should have some loops in them. County roads are not suitable for snowmobile riding. He also feels there should be a speed limit established for snowmobiles, particularly along residential areas.

Mr. Burleson feels the trail should be open for snowmobiles, but speed limits should be implemented. In addition, an alternate route for high speed traffic should be developed.

At this point, the Gaylord-Cheboygan Trail project change request, listed as Item 5 on the agenda, under "New Business" was discussed.

MOVED BY MR. GARNER TO MODIFY THE 12-MILE MULLETT LAKE SECTION OF THE GAYLORD TO CHEBOYGAN TRAIL, CURRENTLY DESIGNATED AS A NONMOTORIZED TRAIL (INCLUDING SNOWMOBILES), TO ALLOW MOTORIZED USES. NO SUPPORT FROM BOARD MEMBERS. MOTION NOT PASSED.

The restriction of motorized vehicles on the Mullett Lake portion of the Gaylord to Cheboygan Trail still remains in effect. The project change request for the Gaylord to Cheboygan Trail not approved.

Mr. Dempsey recognizes there has been a promise made for a trail and connection for snowmobile use. He would be willing to remove the nonmotorized restriction if there is not adequate and reasonable progress towards finding a solution.

Mr. Arwood made some further comments on the trail issue. He understands the feelings of both the snowmobilers and property owners, but not the ones who are trespassing or using the trail as their own property. He also felt that DNR has not done their best to make use of the trail, but with all the legal issues involved it has been difficult for them to make progress. Mr. Arwood's biggest concern today is how the MNRTF Board can determine how the conditions for trail use would get set in place—speed limits, other types of uses, times of day could be used for snowmobiles, etc. There appears to be a solution on the horizon, but it has its own set of issues. He believes this issue will be back before the Board, and if it does come back, he will look at it again and hope that there is a solution at that point in time.

Mr. Garner stated that this issue needs to get resolved. He also mentioned that it was interesting to hear from the presenters today and each side attesting to the safest route for the trail. With sobriety and speeds under control, snowmobiling can be a safe thing to do. As far as the lake nuisance to snowmobilers, people are still going to go on the lake regardless of where the trail goes.

III. OLD BUSINESS.

Ms. Kelli Sobel, Administrative Services Deputy, DNR – PILT Update and Other Financial Issues.

Ms. Kelli Sobel, Administrative Services Deputy, updated the Board on the Governor's budget recommendation for PILT. The Governor's budget recommended that 1) PILT would be transferred to the Department of Treasury and become a part of revenue sharing and 2) that the February payments would not be paid because of lack of adequate appropriation.

About a month ago, the decision was made that the DNR, through transfers, would come up with the money to pay the February PILT payments. The DNR had to come up with \$700,000 General Fund out of its budget, which meant cutting fire, law enforcement and administration. The transfer was sent over to the Legislature before they left on spring break and has not been acted upon. The transfer request by the Department of Management and Budget (DMB) did ask that this money be restored to the DNR in a supplemental appropriation. If it is not restored, we probably will have to do layoffs on the administration side.

Ms. Sobel also stated that it is our understanding that the Senate wants to do the transfers and the PILT solution at the same time. House hearings will start this Tuesday on DNR's budget. There was some opposition in the House on the Governor's PILT recommendation. We are concerned that the proposal to move PILT to revenue sharing would not take effect until October 1. The DNR would still have to make summer PILT payments, which would mean we are still \$2-3 million short in General Funds.

Ms. Sobel also advised the Board that the State Fair property has been sold. Since the property was acquired with MNRTF monies, \$5,250,000 was transferred back to the Fund. The property sold for \$6 million, with \$350,000 of the money going to the Department of Agriculture and \$400,000 to DMB for expenses. Mr. Joe Frick, Chief of DNR's Office of Financial Services is working with DMB to find out what comprised these expenses. The Board will be advised when we receive clarification.

Ms. Sobel also advised the Board that the DNR has reached a settlement involving the Hobson parcels. This was a takings issue in the Pigeon River area, which involved two parcels. Litigation has been ongoing since 1997. The settlement reached was \$875,000, with DNR's obligation \$437,500. The payment was made from the Land Exchange Facilitation Fund because of its immediate availability, however, a transfer from the MNRTF has been requested.

Ms. Sobel stated that since the last Board meeting, staff has reviewed MNRTF funding for the Land Ownership Tracking System (LOTS). As a result, we reduced the MNRTF payments for LOTS by \$225,000. Ongoing cost of LOTS will be about \$250,000, with other funding sources sharing in the cost. The reduction of \$225,000 in LOTS will be used to partially pay the settlement.

Ms. Boyd provided some additional information on the settlement for the Board. This issue started in the 1980s when DNR and the Department of Environmental Quality (DEQ) and involved a permit denial for a location in the northern Pigeon River Country within the no drill zone. The permit denial was initially upheld in court and in the 1990s, Hobson refiled a permit application. The DNR lost in court on this permit, and involved a takings case. The Hobson Company asked for \$13 million in damages. Negotiations continued for several years, with a settlement of \$875,000 being reached and the DNR bought the mineral rights. The DNR has 107 acres of mineral rights that are now part of the State of Michigan's portfolio.

Ms. Boyd further stated that it was DNR's estimate that the minerals were worth about \$625,000. The settlement was higher, but potential litigation costs would have been around \$400,000. In the end, the DNR saved money on the settlement.

Mr. Dempsey asked Ms. Sobel where the proceeds from the sale of the State Fair go—corpus, reserve fund, or available for expenditures in the next round. Ms. Sobel responded this is the Board's choice. The Board could spend one-third of this amount if they so choose. Mr. Dempsey felt the Board should discuss this issue.

Mr. Dempsey asked if staff could research how much was paid for the State Fair property and provide recommendations by the Board's next meeting as to how this funding should be spent.

Mr. Garner also suggested that the Board discuss having a portion of MNRTF funds be set aside for development projects. This could be a topic for discussion at the Board's retreat.

Mr. Lowen Schuett, Chief, Parks and Recreation Bureau, DNR – State Park Trail Leases.

Mr. Lowen Schuett, Chief of Parks and Recreation Bureau, DNR, provided follow-up information on the State Park trail leases concept for the Board's information. The State Park system is facing budgetary problems. All General Fund monies have been removed from State Parks' budget. As a result, the only source of funds available to provide services are fees and revenue sources collected at the State Parks. Several months ago staff looked at services provided by the State Parks that are not paying their way to see if other approaches could be found for operation. As an example, staff identified an historic farm at Maybury State Park that was able to be constructed in conjunction with a local not-for-profit corporation. An operating lease and agreement was signed with the corporation to take over the day-to-day operations as well as the development on the farm. The land and the control of the land still remain with the DNR. Another example is the ski hill in the Porcupine Mountains State Park. The DNR went through a selection process and were successful in identifying a private vendor to take over the ski hill and the cross-country trail operations.

Mr. Schuett further stated that the DNR has been working with the local units of government who would be involved in the five State Park linear trails. These are White Pine, Hart-Montague, Kal-Haven, Van Buren and Lakeland Trails. The DNR has had positive discussions with the local units of government and their willingness to sign operating leases to take over the trail maintenance and operation. User and "Friends of" groups have also been involved in the discussions.

After the Board's February meeting, a DNR workgroup was formed, consisting of Parks and Recreation, GCACS and the DNR's legal staff to develop a lease instrument. The Board has been provided with the latest draft of the lease. Staff believes that this lease provides the ability for the local unit to operate and maintain the trail, as well as providing the DNR with the continuous control over the land. Any easement or trespass resolutions will need to come back to DNR for decisions. The lease will allow local units to collect fees for the trail, however, the DNR must approve these fees. Revenues would be dedicated for the operation, maintenance and improvement of the trail.

Mr. Garner asked who would be the staff person signing the agreement. Mr. Schuett responded that it would be the Director of the DNR, unless delegated to another staff person.

Mr. Garner asked about fees that could be charged. Mr. Schuett responded that the local unit could not discriminate on the basis of residency, and any fee increases would have to be approved by the DNR. Mr. Arwood was concerned that if the Board signs off on the lease that this would give the DNR the ability to convey interests in MNRTF funded property. He is not comfortable making a decision today without reading the draft lease more closely. Mr. Garner added that he felt the Board would be very comfortable with the draft lease that has been developed by staff.

Mr. Schuett further stated that the communities and counties are very interested in assuming the trail responsibilities, and are aware that that an official lease must be approved by the DNR and MNRTF. As a result, a use permit has been established with the local units. It is a license for them to operate the trail for this year.

Chairperson Thompson asked if there was support from all the communities along the trail to take over the operation. Mr. Schuett responded that the cooperation and support from the communities has been very strong. Chairperson Thompson asked if a community along the trail did not want to take over the operation and maintenance of their portion of the trail, who would do it. Mr. Schuett responded that the DNR could issue a one-year interim use permit to a "Friends of" group to operate that section. This would be on a short-term basis.

Mr. Garner does not have a problem with the lease, however, he is uneasy with making a decision on a draft document. Mr. Schuett stated that he hopes the Board will be in agreement with the concept of the lease.

Chairperson Thompson asked how long the lease would be. Mr. Schuett responded it is proposed that the lease will be for a 25-year period. Mr. Arwood asked if the Board waits until June to make a decision on approval of the lease, would this create problems with the trail maintenance program. Mr. Schuett responded no, as use permits are in place.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. GARNER, TO APPROVE THE CONCEPT OF THE DRAFT LEASE AGREEMENT FOR STATE TRAIL LINEAR TRAIL MAINTENANCE AND OPERATION PROVIDED BY PARKS AND RECREATION RECREATION BUREAU, DNR. THIS IS SUBJECT TO THE MNRTF BOARD APPROVING LEASE FORM LANGUAGE AT THE JUNE 16, 2004 MEETING. PASSED.

IV. NEW BUSINESS.

2004 Grant Application Cycle.

Mr. James Wood, Chief, Grants, Contracts and Customer Systems (GCACS), DNR, advised the Board that 133 applications had been received for MNRTF funding by the April 1, 2004 deadline. In the past few years, the number of applications received for funding has declined, however, the amounts being requested are very high. There were 40 acquisitions and 93 development applications submitted, requesting \$100.5 million.

Mr. Wood further stated that the Board has been provided with two application reports—one alphabetical and the other numerical. These lists include a description of the project. They also include Land and Water Conservation Fund requests that were received. He noted that all information—amounts, descriptions, titles, etc.—are presented from information initially provided by the applicant. In the next few weeks, staff will be doing administrative review of all applications and checking all information for accuracy.

Mr. Wood advised the Board they will be receiving application notebooks for the June meeting. The notebooks will provide more detail—summary of application and maps.

Mr. Wood also outlined the nominations that GCACS had received. These nominations are forwarded to DNR's land managing divisions for review and possible submittal as a DNR application.

Ms. Deborah Apostol, Manager, Grants Section, GCACS, DNR, further stated that one nomination (04-802, Bear River Parcel) has been submitted as an application (04-132) by DNR's Forest, Mineral and Fire Management Division. In addition, DNR's Parks and Recreation Bureau have indicated a possible interest in submitting an application for 04-803, Wilderness Park Drive for the August 1 secondary deadline.

Mr. Wood further responded that preliminary evaluations will be mailed out to all applicants in June. The applicant will have 60 days to respond to the evaluation for suggestions that could be made to improve their score.

Supplemental Deadline for Applications.

Mr. Dempsey outlined a proposal for the Board to create a supplemental deadline of August 1 for development projects. Ms. Sobel and Mr. Dempsey attended a meeting in the Governor's office, chaired by Mr. David Hollister, Director of the Department of Labor and Economic Growth. There were representatives from other State departments in attendance as well. At the meeting there was discussion to find ways to encourage communities to come forward to submit applications for urban recreation projects. In order to show an interest and cooperate with the Governor's initiative, he is requesting that the Board approve a supplemental deadline for development projects, as least for this year. Notice of this supplemental deadline will have

to be coordinated with the Department of Labor and Economic Growth so it is clear that DNR is envisioning receiving applications. Mr. Arwood feels it should be limited to this year and be a topic for policy discussion for future years.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO MAKE AVAILABLE AN AUGUST 1 DEADLINE FOR DEVELOPMENT APPLICATIONS AND THAT DNR STAFF PROVIDE PUBLIC NOTICE OF THIS DEADLINE. THIS DEADLINE WILL BE FOR THE 2004 GRANT CYCLE ONLY. PASSED.

Criteria Meetings.

Mr. Wood stated that the Board and GCACS staff had expressed an interest in holding a retreat to discuss MNRTF criteria.

Mr. Arwood further outlined thoughts on the retreat. Shortly after the first of this year, the Board began to look at how the MNRTF was doing business. As a result Mr. Arwood and Mr. Dempsey looked at some administrative issues and how funds were being spent. A lot of questions were answered such as funding for LOTS, PILT, etc.

Mr. Arwood also stated that it has been some time since the Board looked at the MNRTF criteria, such as priorities, how funds are allocated, multi-year purchases, conservation easements, etc. To discuss these and other issues, the Board would like to hold a MNRTF Board retreat to obtain public input. The proposed date will be May 12 (evening) and May 13 (morning) **[OFFICIAL DATES OF RETREAT WILL BE JUNE 2 (EVENING-6:30-10:00PM) AND JUNE 3 (MORNING-8:30 AM-3:00 PM) AT THE LANSING CENTER, 333 E. MICHIGAN AVENUE, LANSING]**. Before the retreat, the Board will finalize an agenda to include policy issues for discussion. The first part of the retreat will deal with discussion of the evaluation criteria—application, scoring, etc. If changes in criteria for 2005 are made, the Board will review changes at the August meeting, with final approval at the October meeting. The second part of the retreat will involve public discussion on some key policy issues.

Mr. Dempsey added that since he is a new member to the Board, he has had procedural questions and concerns. He also stated that the Board needs to take a look at large amount acquisitions and multi-year funding commitments and if the amount or length of time of the acquisition should be capped. He would like the public who cannot attend the retreat to have an opportunity to provide comments in writing or by the Internet.

Mr. Wood asked that the Board select a subcommittee to work with GCACS staff to set up the retreat. The subcommittee would prepare a report for the June Board meeting identifying the outcome of the retreat and establish a process to provide recommendations to the Board and staff by the August meeting.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO APPOINT MR. ARWOOD AND MR. DEMPSEY TO SERVE ON A SUBCOMMITTEE TO WORK WITH GCACS STAFF IN ESTABLISHING A MNRTF BOARD RETREAT AND TO WORK WITH STAFF TO PROVIDE FOLLOW-UP REPORTS AND RECOMMENDATIONS FROM THE RETREAT. PASSED.

TF01-070, Kalamazoo River Trail Acquisition, City of Albion – PROJECT CHANGE REQUEST.

Ms. Apostol outlined the project change request for the City of Albion's Kalamazoo River Trail Acquisition project, TF01-070, for the Board's information. The City is requesting adding additional acreage to the original project area.

In 2001, the City of Albion was awarded an acquisition grant of \$56,250 to acquire a total of 1.74 acres of land in three parcels along the Kalamazoo River. The project was approved to acquire a 30-foot strip of land for a trail. The property owner (Carrier family) stated that they did not want to sell just this strip of land, but wanted to sell the entire 5.63 acres at a cost of \$100,000. After negotiations between the City and the Carrier family, the entire 5.63-acre was agreed to be acquired for \$77,000. A local donor has offered to pay \$20,000 towards the purchase price and the City will provide all additional costs. There will be no change in the grant amount received by the City.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF01-070, KALAMAZOO RIVER TRAIL ACQUISITION, CITY OF ALBION, AS RECOMMENDED BY STAFF. PASSED.

TF00-250, Fishing Piers in Southern Michigan, DNR, Parks and Recreation Bureau.

Ms. Apostol outlined the project change request submitted by the DNR's Parks and Recreation Bureau for the Fishing Piers in Southern Michigan State Parks project, TF00-250, for the Board's information.

The DNR was awarded a grant of \$456,500 to improve shore fishing opportunities at Island Lake, Pontiac Lake, Dodge #4, Proud Lake, Bald Mountain, Brighton, Fort Custer and Sleepy Hollow State Parks/Recreation Areas by providing barrier-free fishing piers, walkways and toilet facilities. In 2003, Parks and Recreation Bureau requested a reduction in scope to eliminate two fishing piers, walkways and vault toilets at Bald Mountain Recreation Area. GCACS granted this request, as the reduction did not constitute over 30 percent of the scope (according to Board Policy 00.1). The new project change request includes a reduction of over 30 percent of the scope items, thus requiring Board approval.

Reasons for the reduction include inadequate lake depths at Brighton Recreation Area and undesirable soil conditions at Proud Lake Recreation Area. Due to higher than anticipated cost estimates associated with each site, Parks and Recreation Bureau is unable to construct the remaining piers as originally proposed. The walkways and vault toilet would also be eliminated. Parks and Recreation Bureau are proposing a modification of scope to develop the following:

- 6 Fishing Piers in 6 State Parks (Island Lake, Pontiac Lake, Dodge #4, Brighton, Fort Custer, Sleepy Hollow)
- 6 Barrier-Free Walks to Fishing Piers

Staff is recommending Board approval to allow a scope change to eliminate the fishing pier and vault toilet at Proud Lake Recreation Area, one of the fishing piers at Brighton Recreation Area and associated walkways at the sites. The grant amount would remain unchanged.

Mr. Arwood had some comments regarding barrier-free access to these areas and wondered if there was another way to provide such access. Ms. Apostol responded that it was her understanding that unless the piers were put in, there would not be a need to put in the walkways in the area. There is access in other portions of the parks; these would have been additional access.

Mr. Dempsey commented that this request is directly the opposite of the previously approved project change (TF01-070, City of Albion) where we actually gained more value. With this request, the grant amount will stay the same, but less development will be accomplished. Mr. Arwood concurred.

Chairperson Thompson asked what would happen if the Board did not approve the project change. Mr. Wood responded that the project would not be completed and the funds would lapse back to the MNRTF.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF00-250, FISHING PIERS IN SOUTHERN MICHIGAN, DNR, PARKS AND RECREATION BUREAU, AS PRESENTED BY STAFF. PASSED.

V. STATUS REPORTS.

Real Estate Annual Report.

Mr. David Freed, Chief of Office of Land and Facilities (OLAF), DNR, introduced Mr. Bob Couvreur, Manager, Real Estate Services Section; and Mr. Ed Meadows, Manager, Acquisition and Exchanges Unit. The Real Estate Services Section staff provides real estate services for the DNR. This includes acquisition, disposal of land, easements and exchanges.

Mr. Couvreur provided the Board with an organization chart of OLAF and outlined functions of the Real Estate Services Section. In addition to handling acquisitions, disposal of land, easements, etc., the Real Estate Services Section also handle negotiations between landowners and the DNR, closing transactions and review appraisals. All MNRTF local grantees acquisition project appraisals are reviewed by Real Estate Services Section. The DNR contracts with independent appraisers which are submitted to the Section and a staff person reviews them.

At this point, Mr. Couvreur outlined the Real Estate Annual Report for Fiscal Year 2002-03 for the Board's information. The report includes an overall report of the DNR's land transactions, where last year 4,650 acres were acquired. Of this total, 4,300 were acquired with MNRTF funds, or \$9 million. Most of the expenditure involved one acquisition, the Keweenaw Peninsula property. The DNR is down approximately 80 percent in acquisitions from past years. There are two main reasons for this decline: the PILT issue and reliance on MNRTF lump sum accounts being exhausted.

Mr. Couvreur further stated the DNR conducts land sales, and on occasion, does sell lands that were acquired with MNRTF funds. All proceeds from the sale of MNRTF properties are returned to the MNRTF. Most of the MNRTF property sales are easements across trailways. Last year, however, there were two transactions where a boating access site was sold and the other where more land was acquired than needed. These proceeds were returned to the

MNRTF. All sales are done by public auction. Direct sales are done when there is trespass or boundary issues that the DNR is trying to resolve.

In total, last year there were 19 land acquisitions completed, 7 gifts of land, 11 exchanges, 54 sale transactions, 110 utility easements, 170 land transaction applications processed from private individuals, and 113 appraisals reviewed. Since acquisition activity is down, staff has been looking at trespass cases and surplus lands that could be disposed of.

The DNR will continue to work with land conservancies to protect land. In addition, we will continue to look at operation of facilities on DNR lands.

Annual Project Financial Status Report.

Mr. Wood briefly outlined the Annual Project Financial Status Report. This is a report which is prepared for the Board annually that provides the status of all open MNRTF projects. Staff has been doing a good job of closing projects out in a timely manner.

2003 MNRTF Annual Report.

Mr. Wood briefly outlined the 2003 MNRTF Annual Report. This is prepared annually, and is statutorily required. The Legislature and Governor are provided with copies of the report. In addition, the report is posted on the DNR's website for the public to access.

Local Project Completion Report/Withdrawals.

Mr. Wood stated that there were two acquisitions and four development projects that have been completed. In addition, there was a project request from the City of Eaton Rapids to withdraw their project, due to the inability to obtain contamination clearance from the Department of Environmental Quality (DEQ).

Mr. Arwood asked if staff had talked to anyone in DEQ to find out how extensive the problem with this contamination issue was. Ms. Mary Emmons, Grant Coordinator, GCACS, responded she had not spoken with DEQ. She has had phone conversations and also a letter from the City of Eaton Rapids advising that the City could not get this issue cleared up in a timely manner to complete the project. Mr. Wood added that projects that are proposed to be built on landfills usually have some issues. Staff works on this issue before a project is recommended for funding, but once in a while DEQ will still not approve a project.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO APPROVE THE WITHDRAWAL OF TF01-079, NATURE TRAIL PROJECT, CITY OF EATON RAPIDS. PASSED.

Lump Sum Report.

Mr. Wood briefly outlined the lump sum report. Most of the fund balances are very small as lump sum accounts continue to be exhausted.

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

Mr. Dempsey inquired as to the status of the appropriations bill that includes the 2003 MNRTF projects recommended by the Board at their December 10, 2003 meeting. Mr. Wood responded that a draft bill was prepared and sent to the Department of Management and Budget for review who, after review, forward to the Legislature. The bill has not yet been introduced.

Mr. Dempsey asked if it is anticipated that this bill will be added to a larger supplemental appropriation bill. Mr. Wood responded that in the last several years that has been the case. Chairperson Thompson asked when the bill was passed last year. Mr. Wood responded that last year it was passed in August, which was quite late. It is very hard to judge when the bill will be passed. In tough budgetary years, passing bills of this type seem to be one of the last items of business before the Legislature recesses in early June.

VII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 A.M., Wednesday, June 16, 2004, Southeast Michigan Council of Governments (SEMCOG) office, 535 Griswold Street, Detroit, Michigan.

VIII. ADJOURNMENT.

**MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO ADJOURN
THE MEETING. PASSED.**

The meeting was adjourned at 12:17 P.M.

Jim Thompson, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

James Wood, Chief
Grants, Contracts and Customer Systems
Administrative Services Bureau

DATE