

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of June 16, 2004
Southeast Michigan Council of Governments (SEMCOG) Office
535 Griswold, Detroit

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at approximately 9:10 A.M.

The following Board members were present:

Steven Arwood
David Dempsey
Jim Thompson
Sam Washington (via conference call)

Due to a prior commitment, Mr. Garner was not in attendance.

Mr. Paul Tait, Executive Director of Southeast Michigan Council of Governments (SEMCOG) welcomed the MNRTF Board to SEMCOG and southeast Michigan. SEMCOG has long recognized the important role the MNRTF Board plays not only in southeast Michigan, but the State of Michigan. SEMCOG looks forward to working with the Board in the future.

Mr. Tait briefly outlined the functions of SEMCOG, which involves working with local governments in the seven-county area of southeast Michigan. There are 147 local government members. This includes long-range planning, transportation, air quality, water quality, community and economic development. As to MNRTF projects, one of SEMCOG's functions is reviewing the projects for consistency with plans and programs and to make sure all local governments are aware of potential projects and fit in with the communities.

Mr. Tait advised the Board that SEMCOG will be meeting next week with DNR staff and communities affected in the Bald Mountain Recreation Area project.

I. ADOPTION OF MINUTES.

Chairperson Thompson called for the adoption of the April 21, 2004 Board meeting minutes.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE THE MINUTES OF THE APRIL 21, 2004 MNRTF BOARD MEETING. MR. WASHINGTON VOTED IN SUPPORT VIA CONFERENCE CALL. PASSED.

II. ADOPTION OF AGENDA.

Mr. Dempsey requested that Item 5, "Administrative Expenses of the Trust Fund" be added under "New Business". Mr. Arwood requested that Item 4, "Market Activity Report" be added under "Status Reports".

**MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE
THE AGENDA FOR THE JUNE 16, 2004 MNRTF BOARD MEETING, AS
AMENDED. PASSED.**

At this time, Mr. Dennis Fox, Chief of Staff, DNR, introduced Mr. Dennis Fedewa, Chief Deputy, DNR, who joined the Department last week, transferring from the Department of Environmental Quality (DEQ). Mr. Fedewa will be the "big picture" contact for the MNRTF Board and the DNR.

Mr. Fedewa briefly advised the Board of his educational background and State government positions. He began his career after college in the State Legislature and remained there for 17 years in various capacities. The last eight years of his career with the Legislature was with the House Fiscal Agency, where he had worked on DNR's budget. When the DEQ was created, he took the position of Budget Director for that department and later became Division Chief for Financial and Business Services. It was a hard decision to leave DEQ, but it was tempered by his enthusiasm to come to the DNR and work for Director Becky Humphries. He has known Director Humphries for many years, and shares her goals for the DNR.

III. PUBLIC APPEARANCES.

Mr. Jon Cherry, Kennecott Minerals Company Presentation.

Ms. Lynne Boyd, Forest, Mineral and Fire Management Division, DNR, briefly outlined aspects of the Kennecott Minerals Company presentation. Exploration is going on in the Upper Peninsula, which may provide royalty payments to the corpus of the MNRTF. Mr. Jon Cherry is the project manager for the Eagle project, which is located in Marquette County.

Mr. Cherry provided a PowerPoint presentation outlining the Kennecott Minerals Company, which is based out of Salt Lake City, Utah. The company owns and operates several hard rock mines across North America. Kennecott is a subsidiary of Rio Tinto, which is the second largest mining company in the world. Last year cash flow was \$11.7 billion and sales \$3.5 billion. Rio Tinto has production capacity in almost all minerals (aluminum, zinc, diamonds, gold, coal, salt, etc.).

Mr. Cherry outlined the Global Mining Initiative and how mining has changed. Past practices have not treated the environment the way it should have. Years ago, miners placed rocks in drainages not knowing the long-term consequences of what this would do to the environment. The Global Mining Initiative was established and all mining projects are evaluated with these principles. These include economics, environmental, social and community aspects and governance.

When a mining project is designed, the land situation is looked at to see what it would look like in a post-mine land use situation. Input is obtained from the local community. After land use is established, a mining plan is developed and environmental permits are applied for. Kennecott is in this process of doing this for the Eagle project.

Mr. Cherry outlined the Eagle project. It is a small nickel copper deposit, with five million tons of ore located in the Upper Peninsula. This breaks down to about 3.7 percent nickel and 3.1 percent copper. Kennecott is in the process of doing environmental baseline studies to prepare for the permit process. Environmental permits could be applied for within the next couple of years, with construction in mid-year 2006. There is more exploration that needs to be done on the ore body as the bottom has not yet been found. There has been a study done and the best

way to feasibly mine the project would be to look at engineering, economic and environmental studies. It has been focused to a small underground mine with one or two options—shipping ore directly off site or to process on site and turn into a concentrate.

At this point Kennecott is looking at the direct shipping option. This would be a small underground mine with about a two-year construction period, a six- to eight-year mine life and about a two-year restoration period after the operation has been closed. With the direct shipping option, a tunnel will be dug to get down into the ore body. The rock developed from the tunnel would be held for two years until there is enough space to put the rock back underground. In addition, a water treatment plant would be developed, as well as 100 percent infrastructure removal. A community advisory group has been established to determine what should or should not be left on the site.

Mr. Cherry continued to outline aspects of the mining processes and testing mechanisms for acid rock drainage for the Eagle project. He also outlined various processes that were used for the Flambeau mine in Wisconsin.

Mr. Cherry also stated that Kennecott owns 1640 acres in the Eagle project area. What Kennecott would like to suggest to the community advisory group is when the mining project is completed, the 1640 acres will be put back in their original condition. At that point, Kennecott would consider donating the land, both the surface and the mineral rights, to some entity. A possibility would be to partner with the State of Michigan to combine with adjoining State land for a preserve.

Chairperson Thompson asked how long Kennecott has owned this property. Mr. Cherry responded that they began obtaining State mineral leases in the early 1990s. The surface area has been acquired over the last five to eight years.

Mr. Arwood asked when the last shaft mine was operated in the State of Michigan. Mr. Cherry responded he believes the last underground mine operated was in the early 1990s. The current rules in Michigan do not require a permit for an underground mine. Mr. Arwood asked if the Board could receive a copy of Mr. Cherry's presentation. Mr. Cherry responded that it is available on Kennecott Minerals' website. If anyone has difficulty downloading, let Ms. Boyd know and she will make sure copies are made available to the Board.

Mr. Dempsey asked what the mineral revenue potential for the State of Michigan would be from this project. Ms. Boyd responded that the information is not available at this time, but is being worked on.

Mr. Kevin Ricco, Director, Parks and Recreation, Allegan County – 04-009, Huyser Land Acquisition.

Mr. Kevin Ricco, Director of Parks and Recreation for Allegan County, made a PowerPoint presentation outlining the Huyser Land Acquisition project (04-009). This project is located in the Village of New Richmond, which is in the northwest corner of Allegan County on the Kalamazoo River. The project started out as a joint effort with the Allegan County Road Commission and County Parks Commission. The project involved the New Richmond Bridge which is a single-lane, historic swing bridge across the Kalamazoo River. The Road Commission had received a federal Transportation Enhancement grant to restore the bridge. The County had a design meeting with about 35 members of the public present. At that meeting, the public expressed the focus of the recreation be the bridge, Kalamazoo River and

surrounding natural areas, environmental and historical education, transportation history of the area and accessibility.

The New Richmond Bridge was built in 1879 and is 429 feet long with four separate trusses that span the river. It is believed to be the oldest swing bridge of its type in the United States and is on the National Register of Historic Places.

Mr. Ricco stated that this would be the first public park in Manlius Township and the first Allegan County park on the river, other than the Allegan State Game Area. Plans for the park include fishing access, boardwalks, interpretation signage, parking, restrooms and picnic areas. The Huyser property is approximately 4.4 acres in size. The County is also in the process of trying to purchase an old rail caboose to restore and have on the site for possible use as a bait and tackle store.

Mr. Washington asked how the recent rains have affected the floodplains. Mr. Ricco responded that the river level was low before the heavy rains. It did raise the river and had some fringe flooding on the edge and most of the floodplains remained out of the water. There was some flooding on some of the lower wetland areas. The design of the park will allow for floodplains. The Huyser property sits up out of the floodplain, so the infrastructure would be protected.

Mr. Arwood asked about the boardwalk area and wondered if this was a wetland or a floodplain. Mr. Ricco responded that the County has not had a wetlands delineation done on the property yet. The plant species on the property indicate they are wetland plants. It is not underwater all the time and is more of a seasonal wetland. Mr. Arwood asked about the railroad tracks and wondered if it was active or inactive. Mr. Ricco responded that it is an active rail. Where the railroad bridge crosses the Kalamazoo River, there would be two large openings that would be used for access. The County is working with the CSX to get permission for this access. They have allowed this access, although anything the County designs would have to be approved by CSX engineers first.

Mr. Dennis Keiser, Supervisor, Bear Creek Township – 04-088, Walloon Lake Access.

Mr. Dennis Keiser, Supervisor for Bear Creek Township, made a presentation in support of the Walloon Lake Access-Jones Landing Park project (04-088). He provided the Board with handout materials containing photographs and maps to further illustrate the project. This project would be to acquire 333 feet of frontage on Walloon Lake to be used for a public boat launch, beach and access to the lake.

Bear Creek Township is located in Emmet County, just outside the City of Petoskey. It is a rural township, but has seen a 50 percent growth from 1990 to 2000, with a population of approximately 5200.

Mr. Keiser stated that there is a lot of recreation experienced in Northern Michigan, and he feels there is a need for passive recreation (walking and biking trails, picnic areas, swimming and fishing). He outlined Spring Lake Park's location, via photographs, for the Board's information. A pavilion picnic area and deck are proposed to be developed at Jones Landing Park similar to the one at Spring Lake Park. A nature walkway would be developed.

Walloon Lake is located on the south side of Bear Creek Township, with approximately 30 miles of shoreline in Emmet and Charlevoix Counties. There are 2-1/3rd miles in Bear Creek Township. Lakefront property does not become available very often. The landowner's desire is

that the property be open to the public. Acquisition would involve three parcels. Jones Landing is in close proximity to US-131.

Mr. Keiser continued his presentation by outlining proposed plans for boat access, picnic areas, pavilion, etc. on the property via a site plan. There are three buildings on the property. The Township would remove two of the buildings and keep one to use as a caretaker's cottage.

Chairperson Thompson noticed on the map provided to the Board that the acquisition is for three parcels. He wondered if these were three different property owners and if so, would there be a problem obtaining all properties. Mr. Keiser responded that these are all from the same family and there would not be a problem with acquisition.

Mr. Washington asked if there was access on Walloon Lake. Mr. Keiser responded that there is very limited access. Next to the proposed park is a boat ramp. In the Village of Walloon Lake there is a small park with access.

Mr. Arwood asked who controls the road end and wondered if it had been deeded to the Township. Mr. Keiser responded that it had not been deeded to the Township, but was given permission to use it. Mr. Arwood also asked if the property was acquired if the road end would be acquired as well. Mr. Keiser responded that it was not part of the acquisition. Mr. Jones, owner of the property, responded that the road end would go with the south portion of the property where the ramp is.

Mr. Gerald Jaloszynski, Green Space Commission Coordinator, Clinton County; and Dr. Chuck Nelson, Chairperson – 04-047, Searles Property Acquisition.

Dr. Chuck Nelson, Chairperson of Clinton County Green Space Commission, made a PowerPoint presentation in support of the Searles Property Acquisition (04-047). This commission was created in 2000. Prior to this time Clinton County had no parks and recreation organization. A need assessment survey was conducted of County residents to find out what the needs for parks, recreation and open space were. The results were the need for water-based recreation, conservation of open space, nonmotorized trails and not to duplicate existing facilities, such as athletic fields. A County parks and recreation plan was developed based on these results. A public hearing was held and there was strong support for recreation concepts.

The Searles Property Acquisition project was identified by County residents as the greatest recreation need. The acquisition would provide water-based recreation opportunities and would meet the number one goal in the County's recreation plan.

Mr. Gerald Jaloszynski, Green Space Commission Coordinator, Clinton County, further outlined the Searles Property. Clinton County does not have a County park and acquisition of the Searles property would be the first park. The County Board is very supportive of establishing a County park system and acquisition of this property.

Mr. Jaloszynski further stated that the property contains 42.3 acres of land. The property is located just north of the City of St. Johns. Proposed uses for the property include passive outdoor recreation (swimming with beach house, picnicking, fishing, and nonmotorized boating). Future plans for the park include developing a trail around the pond. The water quality is clean and it is anticipated that the park would not only service the County area, but regional visitors as well.

Benefits of acquiring the property include:

- Land, especially with clean water, will never be more favorable to obtain.
- Contributes to building attractive and vibrant communities and preserves a heritage for future generations to enjoy.
- Close to home and affordable.
- Establish fishery opportunities where none currently exist.
- Strengthens relationship with property owner for a future project on an adjoining larger piece of property.
- Gives “birth” to a new county park system.

Mr. Dan Duncan, Chief Planner; and Mr. Paul Muelle, Chief of Natural Resources, Huron-Clinton Metropolitan Authority – 04-027, Indian Springs Metropark Acquisition.

Mr. Dan Duncan, Chief Planner; and Mr. Paul Muelle, Chief of Natural Resources, Huron-Clinton Metropolitan Authority (HCMA), made a PowerPoint presentation in support of Indian Springs Metropark Acquisition (04-027).

Mr. Muelle stated that HCMA operates 13 parks in the five counties surrounding Detroit and southeast Michigan, consisting of over 23,000 acres and serving 9.4 million visitors last year. Indian Springs Metropark is located in Springfield Township in Oakland County. This park opened in 1982 and covers over 2200 acres and serves approximately 280,000 visitors a year. Existing facilities include an 18-hole golf course, nature center, eight miles of paved hike-bike trails and a new environmental education center currently being built. The environmental center focuses on native ecosystem restoration, biodiversity, environmental protection and education. The proposed land acquisition would tie into the environmental education center.

The acquisition consists of 197.39 acres and includes portions of Schmitt Lake, wetlands, upland forest and old field. This property was formerly a Girl Scout camp and is currently under private ownership. There are no buildings remaining on the property.

Mr. Muelle pointed out various aspects of the proposed project via a map. In 1997, the Michigan Natural Features Inventory identified and prioritized natural areas and ecosystems in Oakland County as part of the Shiawassee and Huron Headwaters Resource Preservation project. Out of 114 sites identified, the Schmitt Lake complex ranked 19th.

Acquisition of this property would expand the core protection areas, headwaters and important habitat and species. In addition, acquisition of the property would allow more public access to Schmitt Lake for recreation (fishing, wildlife viewing, and access to existing trails).

Mr. Arwood mentioned that there was an article in The Detroit News stating that HCMA defined a surplus of approximately 181 acres of property in the Novi area that could serve as a connecting point for two recreation opportunities. He finds this quite alarming, as at the recent Board retreat, it was discussed how we were losing opportunities to keep and protect public holdings, especially in southeast Michigan. He wondered if this surplus land had something to do with financing other critical holdings. Mr. Duncan responded that the surplus property in question is located in Milford Township. The original concept of HCMA was to devise a parkway system. These lands were purchased as part of the roadway system. In the past the Board has looked at HCMA properties, especially those that were in excess of our needs, as they related to the existing metroparks. The property in Milford Township is located between Proud Lake Recreation Area and Kensington Metropark. HCMA had an offer from a developer in July 2002,

and the HCMA Board adopted a resolution that any sale proceeds would be put towards the acquisition of additional property within the metroparks system for the adjacent properties. The 181 acres were originally purchased for roadway purposes for the parkway and were never intended to be part of Kensington Metropark. In an agreement with the developer, there will be a 100-foot easement maintained through this section for hiking-biking trail connections between Proud Lake and Kensington.

Chairperson Thompson expressed that the Board was concerned about the fact that HCMA is asking for funding for an acquisition project, but yet selling existing recreation property. Mr. Duncan responded the proceeds from the sale of the property in Milford Township would be used to cost-share portions of the proposed acquisition.

Chairperson Thompson also asked about the 181 acres that were originally acquired for roadways. Mr. Duncan responded that there was a lot of property acquired for roadways in southeast Michigan. When HCMA is looking to sell property, we contact the adjacent local community, or State agency, to see if there is an interest in acquiring. Mr. Dempsey asked if Milford was contacted and if they had an interest in acquiring this property. Mr. Duncan responded that a meeting was held with residents. Approval of a millage increase would have to be on the ballot and would not be voted on until November. HCMA has a bonafide offer for acquisition of the property at this time. Milford had not previously expressed an interest in this property. Mr. Dempsey stated that he would have a hard time approving funding for HCMA if their plan is to divest recreation property to private development. He feels the project presented is an important project for biological diversity and recreation, but has a problem with divesting funds.

Mr. Washington stated that the only way he would look favorably on HCMA's proposal is if they had a very specific targeted piece of land that could be swapped, such as an inholding. He has been contacted by citizens in the area who are very upset about the idea of selling this property. Land in Oakland County is very valuable and scarce for recreation. The cost of land is only going to rise in value. He has a real problem with selling any land that is currently in use by the public for recreation in this area.

Mr. Duncan provided the Board with a map to further illustrate the parcels in the Milford Township area.

Mr. Joseph Figa, Chief of Design and Development; and Mr. Jon Noyes, Landscape Designer, Oakland County – 04-002, Addison Oaks Acquisition.

Mr. Joseph Figa, Chief of Design and Development; and Mr. Jon Noyes, Landscape Designer for Oakland County, made a PowerPoint presentation in support of the Addison Oaks Acquisition project (04-002). This project is to acquire 346.2 acres adjacent to Addison Oaks, an existing park consisting of 800 acres. This is part of the Stony Creek Watershed and a major wildlife corridor in the area.

The acquisition is a blend of hardwood forests, meadows and wooded wetlands, and is one of the last large pieces of property that has not been acquired by developers.

Mr. Noyes informed the Board that Oakland County has approximately 6,000 acres in its parks system, which is spread across 11 parks. There are approximately 1.4 million visitors to the parks annually. In addition, there are outreach programs that extend further into both local communities and larger metropolitan areas.

Mr. Noyes further outlined the proposed acquisition project. The property is owned by the Sullivan family and is one of the largest privately owned lands adjacent to an Oakland County Park. It is located east of Addison Oaks County Park and Bald Mountain State Recreation Area. Less than 17 percent of the parcels in Oakland County are larger than 10 acres. By acquiring this property, it would add almost 350 acres of contiguous recreation land to Addison Oaks. The Michigan Natural Features Inventory has identified the Sullivan property as a priority one site for detailed ecological survey.

The property was originally farmed and it has drains that cut through to facilitate crop production. The property is separated from Addison Oaks by Walker Road. The property would provide unique recreation opportunities and focus on wildlife recreation, as well as providing access to open meadows and early-succession grasslands.

The Sullivan property is also a major pass-through drain of waters that are headwaters to the Stony Creek. The property receives water from Addison Oaks and the surrounding area which includes the Krohn drain. This drain has received very little attention since its excavation in the mid-1900s, and as a result has created riparian ecosystems.

Mr. Noyes further stated that Addison Oaks County Park is set on the grounds of the Buhl Estate, which features two lakes, spring-fed ponds and rolling topography. Recreational opportunities include swimming, nonmotorized boating, picnicking, tent and RV camping, rustic cabins, fishing, hiking, disc golf, six miles of mountain bike and hiking trails and banquet facilities. The Sullivan property would allow Addison Oaks visitors to traverse a variety of upland and wetland habitats through a network of trails, boardwalks and viewing platforms.

The projected cost of acquisition of the Sullivan property is \$4.8 million, approximately \$14,000 per acre. The Sullivan family will donate \$580,000 and Oakland County's local match will be \$2,568,000 from a 1/4th mil tax revenue source. The County is requesting \$1,712,000 from the MNRTF.

Mr. Arwood asked if the DNR acquisition target, which was shown on the site map, came out in the boundary review or was this a particular project. Mr. Wood responded he was not sure it came out in the boundary review, but this is a piece of property that has been viewed by the DNR over the years as a parcel they would like to acquire.

Mr. Washington asked if Oakland County Parks was interested in taking control over Pontiac Lake State Recreation Area. Mr. Figa responded that the County has had discussions with the DNR, but nothing has been determined at this time.

Mr. John A. Scholtz, Parks Manager, Ottawa County – 04-108, North Ottawa Dune Acquisition Project.

Mr. John Scholtz, Parks Manager for Ottawa County, made a PowerPoint presentation in support of the North Ottawa Dune Acquisition Project (04-108). The Land Conservancy of West Michigan is also a partner in acquiring the proposed property. The project would be to acquire 500 acres, a two-mile stretch of critical and barrier dunes linking existing parks and expanding access to existing public Lake Michigan shoreline. There are very diverse plant and animal species located on the property. Four different public properties would connect to this acquisition. There would be the potential for hiking and bike trails, as well as providing access to Lake Michigan.

Mr. Scholtz advised the Board that Ottawa County is a very fast-growing area, with a population of over 200,000 and regionally 1.3 million (from Grand Rapids to Muskegon). Land is being developed very rapidly. Ottawa County has a 10-year millage to expand the County park system. The County is seeking to add 3,000 acres to the system and is about halfway to their goal. There are very few opportunities for large acreage property, especially those with prime natural features.

This property would be the heart of a coastal greenway which would link several public properties along the lakeshore (a total of 1800 acres), including Hoffmaster State Park to the north (1100 acres), North Beach County Park, Coast Guard Park in the City of Ferrysburg, and an undeveloped township property that has been designated for recreation use. The township has indicated they will turn this property over to the County if the acquisition is secured. This acquisition would combine and protect over five miles of natural dunes and forests. It would also provide for extensive trail linkages between the public properties and would maintain a long-term wildlife corridor throughout the area.

The project was identified by Ottawa County Parks back in 1989 in the County's long-range parks plan. Contact was made with the owners at that time and the County has talked with them on a regular basis. Back in 1989, the owners were considering sand mining the property. Later they were defeated on the sand mining and looked at residential development. The owners are giving the County an opportunity to pursue acquisition. If the County is not successful in acquiring the property, Mr. Scholtz is sure this property will be sold for development.

Mr. Scholtz continued describing various significant aspects of the proposed acquisition, including wildlife habitat, dunes, trail linkages, etc. In addition, the County is proposing the property have controlled, limited hunting. The surrounding parks in this area are not open to hunting. Hoffmaster State Park is considering allowing hunting to control the deer population.

Mr. Scholtz further stated that there is strong regional support for this acquisition. An appraisal was done and the property was appraised at \$9.5 million. The owners would be willing to sell the property to the County for \$7 million. The County has a millage in place where resources could be applied for both acquisition and management of the property. In addition, the Land Conservancy of West Michigan will be assisting with fund-raising. The County is seeking \$4.9 million from the MNRTF, \$1.2 million from the County Parks millage, \$1 million fund-raising, and the owners donated value of \$600,000.

Mr. Steve Erickson, Co-Chairperson, Southern Links Trailway Management Council, and Village Manager, Village of Millington – 04-020, Southern Links Trailway.

Mr. Steve Erickson, Co-Chairperson of the Southern Links Trailway Management Council and Village Manager, Village of Millington, made a PowerPoint presentation in support of the Southern Links Trailways project (04-020). The project would be to acquire a former railroad right-of-way for future development of a nonmotorized recreational trail from the Village of Millington to the Village of Columbiaville.

Mr. Erickson stated that the project involves three counties and seven municipalities. The Council consists of representatives from Tuscola County, Lapeer County, Genesee County, Village of Columbiaville, Village of Millington, Village of Otter Lake, Forest Township, Marathon Township, Millington Township, Vassar Township and City of Vassar. There were public hearings held where there was a large audience. The counties and municipalities received legal

advice on setting up a management council and within a couple of months this was done. A "Friends of" the railways has also been established and are looking forward to getting involved in the project.

Patrick from Pollock Design further outlined the project. This project is to acquire 10.2 miles (115 acres) of a former railroad corridor. Mr. Lonnie Kester is the owner of the property. The cost of acquiring the property would be \$1.3 million, which \$962,000 is being requested from the MNRTF.

The property is located southeast of the City of Flint and linkage is anticipated to begin at the Polly Ann Trail, which is approximately 12 miles away to the north in the Saginaw area, as well as eventually linking up to the Pere Marquette Trail. The trail setting would be through natural areas and ecosystems, as well as cultural landscapes (pasturing and farming, both active and inactive). In addition, there is great potential for interpretation and education. The property also includes lakes, streams, rivers, and wetlands which are adjacent to the rail corridor. Adjacent to the project there are five State historical registered sites, and three of them are nationally registered.

Activities and opportunities for the trailway would include nature viewing, nature interpretation, historic, multiple users (biking, walking, in-line skating, etc.), outdoor classroom opportunities, and fishing. In addition, Murphy State Game Area, Holloway Reservoir (Flint River), Otter Lake Public Beach and Millington Creek are within or adjacent to the project area. The Lapeer State Game Area and King's Landing Kampground are close to the project area.

Accomplishments of the Southern Links Trailway include:

- Southern Links Trailway Management Council established
- Southern Links Trailway Master Plan 2004-2005 developed
- Friends of the Southern Links Trailway established
- Grant application to MNRTF submitted
- Private donations are being received
- Materials/labor donations

Project development costs in the future are projected as \$1,683,278 for Segment A (from Village of Millington to Sister Lake Road, approximately seven miles), and \$730,922 for Segment B (from Sister Lake Road to Village of Columbiaville).

Mr. Lonnie Kester informed the Board that his family acquired the property in 1998. He was originally going to sell the property to the adjacent landowner as he had had an offer to sell. In 2000 he attended a Rails-to-Trails conference in Midland. After the conference, he decided to hold on to the property to see if there was interest for acquisition and development of a trails linkage. In 2002, he approached the Village of Millington and the Village expressed interest. Another 2.74 miles of corridor was purchased in April to complete the linkage plan. Mr. Kester will donate part of the land value as well as \$18,000 worth of straw and mulch.

Mr. Tom Woiwode, Director, GreenWays Initiative for Southeast Michigan.

Mr. Tom Woiwode, Director of the GreenWays Initiative for Southeast Michigan, made a PowerPoint presentation on the GreenWays Initiative. He advised the Board that Mr. Paul Tait, Executive Director of SEMCOG, sits on the advisory board of the Initiative. SEMCOG has been

very instrumental in providing resources to various organizations. SEMCOG has donated map-making services to the Initiative.

The Initiative is \$25 million of private money designed to leverage at least an additional \$50 million in public monies. This is a five-year effort, which will “sunset” in a couple of years. Mr. Woiwode’s reason for his presentation today is to make sure that there is a way to collaborate with the MNRTF over time.

The Initiative initially does three things: 1) invest in the greenways themselves; 2) invest in the organizations; and 3) invest in public awareness. To date, the Initiative has awarded 65 grants over six grant periods, totaling \$7.1 million. The City of Detroit has received the most funding; however, monies have been invested in projects and programs throughout the seven-county region. Multi-jurisdictional partnerships are a requirement to receiving a GreenWays Initiative grants.

Mr. Dempsey wondered if the GreenWays Initiative was suggesting the MNRTF Board make greenways a priority in grant recommendations. Mr. Woiwode responded that he suggests the Board make greenways in southeast Michigan a Special Initiative of the Board, whereby these projects would get additional points.

Mr. Arwood asked if a greenway is a trail. Mr. Woiwode responded it is not necessarily a trail. A greenway is a linkage and does not have to be a pedestrian or nonmotorized pathway or bikeway.

Mr. Arwood recommended that the Board investigate the resources in southeast Michigan and how we can graphically understand them better.

Ms. Julie Stoneman, Executive Director, Land Conservancy of West Michigan – 04-108, North Ottawa Dune Acquisition, Ottawa County.

Ms. Julie Stoneman, Executive Director of the Land Conservancy of West Michigan, made some comments in support of the North Ottawa Dune Acquisition project (04-108) submitted by Ottawa County. Last December 2003, the Green Infrastructure Task Force of the West Michigan Strategic Alliance released its report to identify what the key priorities were for central west Michigan. Preliminary priorities are shoreline, coastal dunes, critical biodiversity areas, trail systems, and significant farmland areas. The North Ottawa Dune project clearly meets several of these criteria. The project would create within itself a trails system and also the potential for linkages to the regional trails system. It has the potential to hook to the Grand River greenways effort that Ottawa County has been working with for some time.

Because this project is critical dune land between the City of Saugatuck and City of Muskegon, there are few opportunities for large-scale purchases.

IV. OLD BUSINESS.

2004 Application Review – Notebooks.

Mr. James Wood, Chief, Grants, Contracts and Customer Systems, DNR, briefly outlined the 2004 application review notebooks that the Board had previously received. An initial item provided this year is the Need Statement for each application.

Sale of State Fair Land.

Mr. Wood outlined the distribution of funds regarding the sale of a portion of the State Fair land. The property was sold for \$6 million. Distribution of the proceeds was based on PA 232 of 1999, which directed the proceeds to both the DNR and the Department of Agriculture. A subsequent act, PA 52 of 2002, directed that all funds received from the sale of State-owned MNRTF purchased land would be directed to the MNRTF. The Department of Management and Budget (DMB) requested an informal opinion from the Attorney General's office regarding these two statutes. According to the opinion, the distribution method identified in PA 52 was appropriate and the MNRTF should receive \$5.25 million from the proceeds.

Mr. Dempsey asked if a constitutional amendment has less stature in this issue than a prior statute. Mr. Dempsey also asked if a formal Attorney General's opinion has been sought. Mr. Wood responded no. Mr. Dempsey stated that he would like further investigation into the distribution of funds.

Mr. Arwood stated that it was his understanding that \$742,500 of the proceeds were to go for transaction costs. According to the information provided to the Board, it now appears it is a statutory issue. Mr. Wood responded yes. Under the statute, 87.5 percent of the proceeds were to be deposited into the MNRTF, with the remainder going to the Department of Agriculture for the operation of the State Fair. Mr. Dempsey asked if the sale took place after the constitutional amendment. Mr. Wood responded yes.

Chairperson Thompson stated it is his understanding the MNRTF will have the \$5.25 million available for grants this year. Mr. Wood responded yes, and the funds will be awarded for acquisition projects. These funds are not "lapsed", but rather considered a "conversion."

Mr. Arwood asked if staff was going to request a formal opinion of the Attorney General's office on the distribution. Mr. Wood responded that he will discuss this issue with Director Humphries and Chief of Staff Fox to see if a formal opinion will be sought. Mr. Dempsey stated that he wished to convey to the Director the Board's interest in this issue.

V. NEW BUSINESS.

TF03-106, River Trail South Extension, City of Lansing – PROJECT CHANGE REQUEST.

There was no discussion by the Board or staff.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF03-106, RIVER TRAIL SOUTH EXTENSION, CITY OF LANSING, WHICH INVOLVES A LOCATION CHANGE FROM THE FIRST PHASE TO THE THIRD PHASE, WHICH WILL TRAVERSE SCOTT WOODS PARK AND LINK TO THE EXISTING PERIMETER TRAIL WITHIN INGHAM COUNTY'S HAWK ISLAND PARK. MR. WASHINGTON VOTED IN SUPPORT VIA CONFERENCE CALL. PASSED.

TF01-153, Lake Waterfront Boardwalk Addition, City of Hancock – PROJECT CHANGE REQUEST.

There was no discussion by the Board or staff.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF01-153, LAKE WATERFRONT BOARDWALK ADDITION, CITY OF HANCOCK, TO ELIMINATE THE BOARDWALK AND FISHING PIERS AT NAVY STREET AND CONSTRUCT A WATERFRONT WALKWAY WITH FOUR FISHING STATIONS, CONNECTING PORVOO PARK TO NAVY STREET. MR. WASHINGTON VOTED IN SUPPORT VIA CONFERENCE CALL. PASSED.

TF02-201, Acquisition of Deeryards, Wildlife Division, DNR – PROJECT CHANGE REQUEST.

There was no discussion by the Board or staff.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF02-201, ACQUISITION OF DEERYARDS, DNR, TO EXPAND THE PROJECT AREA TO INCLUDE ALL COUNTIES IN THE UPPER PENINSULA. MR. WASHINGTON VOTED IN SUPPORT VIA CONFERENCE CALL. PASSED.

TF89-114, Jean Klock Park, City of Benton Harbor – PROJECT CONVERSION REQUEST.

There was no discussion by Board or staff.

MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO APPROVE THE PROJECT CONVERSION REQUEST FOR TF89-114, JEAN KLOCK PARK, CITY OF BENTON HARBOR, TO CONVERT APPROXIMATELY FOUR ACRES AT THE NORTHERN END OF THE PARK, CONTINGENT ON APPROVAL BY THE DEPARTMENT OF NATURAL RESOURCES AND THE MNRTF BOARD OF ADEQUATE MITIGATION. MR. WASHINGTON VOTED IN SUPPORT VIA CONFERENCE CALL. PASSED.

Mr. Arwood had some concerns regarding partial funding of projects from the original amount requested in the grant application. He feels this could create problems in completing projects, or force conversions, and should be discussed further. Chairperson Thompson added in the past the applicant is asked if they were given a grant for partial funding if they could still complete the project.

Administrative Expenses of the MNRTF.

Mr. Dempsey stated that since the last MNRTF retreat, Mr. Arwood and Mr. Dempsey had discussions regarding formalizing one of the procedural changes identified. This specific change was that the Board requests the DNR, on an annual basis and before making its funding requests to the Legislature, to provide a breakdown of anticipated administrative expenses for the Board's review. The Board has been concerned about some of the administrative costs being charged to the MNRTF.

Mr. Arwood added that the Board has spent a considerable amount of time at meetings discussing administrative costs being charged to the MNRTF. He feels if the Board was provided with anticipated expenses in advance, they would better understand the budget request and expenditures. At the request of Board members at the retreat, he developed a formal motion requesting this information. The motion is as follows:

THE BOARD OF THE MNRTF BELIEVES THAT THEY HAVE A FIDUCIARY RESPONSIBILITY TO THE GENERAL PUBLIC TO ACCOUNT FOR THE EXPENDITURES OF PUBLIC TRUST FUNDS ON ADMINISTRATION.

THE BOARD NOTES THAT ADMINISTRATIVE EXPENDITURES OF THE FUND WILL EXCEED \$4,000,000 FOR FISCAL YEAR 2003-04 AND THESE EXPENDITURES TAKE PLACE ADMINISTRATIVELY AND OUTSIDE OF THE PURVIEW OF THE BOARD.

THE BOARD REQUESTS THE FOLLOWING PROCEDURE TO BE PUT INTO PLACE FOR THE BUDGETING AND EXPENDITURE OF ADMINISTRATIVE FUNDS:

- **IN ADVANCE OF MAKING BUDGET REQUESTS OF THE LEGISLATURE, THE DEPARTMENT WILL PREPARE AND TRANSMIT TO THE BOARD A BUDGET REQUEST DOCUMENT FOR APPROVAL.**
- **THE DOCUMENT WILL DETAIL ALL REQUESTED EXPENSES AND PROVIDE JUSTIFICATION FOR EACH EXPENSE AREA.**
- **THE DOCUMENT WILL BE PROVIDED AND DISCUSSED AT A REGULAR MEETING OF THE BOARD.**

Discussion ensued on how detailed the expenditures review would be. Mr. Fedewa stated that staff would support the Board with their request for full disclosure of expenditures; however, there is a high level of sensitivity in the budget process. It is a work in progress until it is formally presented to the Legislature.

Mr. Fedewa stated that in the near future he would like to institute quarterly reviews of expenditures of all protected revenue funds. This would include identification of administrative expenditures for MNRTF revenues and would be shared with the Board.

Chairperson Thompson asked if there was a time table when the Board would receive the budget information. Mr. Fedewa responded that the budget development process begins after Labor Day. The budget process continues on through October and the first part of November. Numbers are finalized and sent to DMB's State Budget Office for formal recommendation. There is a "give and take" between the State Budget Office and the DNR as to what new initiatives may or may not be part of the recommendation. That is why there is a degree of sensitivity of the full disclosure of the budget recommendation until it is formally presented by the Governor, which is usually the first week of February.

Mr. Dempsey inquired as to other departments going through DMB to assess or increase charges against the fund. The Board has had a concern regarding the Department of Information and Technology (DIT) charges to the MNRTF. He feels if the Board discusses expenditures in advance, and then ultimately additional expenditures are charged to the MNRTF, the Board and DNR has some leverage to identify this overage expenditure to DMB.

MOVED BY MR. ARWOOD, SUPPORTED BY MR. DEMPSEY, TO ADOPT THE AFOREMENTIONED MNRTF BUDGETING AND EXPENDITURE OF ADMINISTRATIVE FUNDS PROCEDURE. MR. WASHINGTON VOTED IN SUPPORT VIA CONFERENCE CALL. PASSED.

V. STATUS REPORTS.

Local Project Completion Report.

Mr. Wood informed the Board that there were four acquisition and nine development projects completed since the April meeting. Two of the acquisition projects completed were from the Small Acquisition Grants Initiative (SAGI) project (TF00-401).

Lump Sum Report.

Mr. Wood informed the Board that lump sum account balances are either exhausted or have very low balances.

Mr. Arwood mentioned the Acquisition of Deeryards (TF02-201) project change request that the Board had just approved would essentially be a lump sum. Mr. Wood responded that this will be included on the next lump sum report. In addition, the lump sum projects that the Board approved in 2003 will also be identified on the report.

MNRTF Financial Summary.

Mr. Wood outlined the MNRTF Financial Summary for the Board's information. This summary has been revised from the previous format. The summary has been modified to include a more concise reporting of key revenue and expenditure information. It includes the 2003 cycle actual amounts as well as projections for the 2004 cycle. The amounts for 2004 are projections of revenue and expenditures and will be updated as actual information becomes available.

Market Activity Report.

Mr. Arwood advised the Board that he is the MNRTF representative on the Natural Resources Commission's Policy Committee on Finance and Administration. On April 30, 2004, the Committee reviewed how the MNRTF did in the first quarter in the equities market after the constitutional amendment passed last summer. The gain for the money the MNRTF has taken out of common cash was a 9 percent return. It is anticipated we are up approximately 45 percent in the market based on the investments. The gain realized was \$4.6 million. Mr. Arwood feels we should track this with the Department of Treasury to see how well we have done. The partners to the MNRTF would like to know how the investments are doing.

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

Chairperson Thompson thanked SEMCOG for their hospitality and allowing the Board to meet in their facilities.

VIII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 A.M., Wednesday, August 18, 2004, at the Best Western Midway Hotel, 7711 West Saginaw, Lansing, Michigan.

IX. ADJOURNMENT.

**MOVED BY MR. DEMPSEY, SUPPORTED BY MR. ARWOOD, TO ADJOURN
THE MEETING. MR. WASHINGTON SUPPORTED VIA CONFERENCE CALL.
PASSED.**

The meeting was adjourned at 12:25 P.M.

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

James Wood, Chief
Grants, Contracts and Customer Systems

DATE