

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of August 19, 2020

Virtual Webinar Meeting

9:00 AM

Chair Rustem called the meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees (Board) to order at 9:00 a.m., Wednesday, August 19, 2020. Dan Lord, Grants Management Section Manager, provided an overview to all participants on how the Board's webinar meeting would be conducted and how to navigate the screens.

The following Board members were present:

Bill Rustem, Chair
Erin McDonough, Vice Chair
Sam Cummings
Steve Hamp
Daniel Eichinger, DNR Director

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

I. ADOPTION OF MINUTES FOR MEETING OF JUNE 17, 2020

Chair Rustem called for the adoption of the minutes for the June 17, 2020 MNRTF Board meeting.

**MOVED BY CUMMINGS, SUPPORTED BY McDONOUGH, TO ADOPT
THE MINUTES OF THE JUNE 17, 2020 MNRTF BOARD MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR MEETING OF AUGUST 19, 2020

Chair Rustem called for the adoption of the agenda for the August 19, 2020 MNRTF Board meeting.

**MOVED BY McDONOUGH, SUPPORTED BY HAMP, TO ADOPT
THE AGENDA FOR THE AUGUST 19, 2020 MNRTF BOARD MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.**

III. INTRODUCTIONS

The Board members introduced themselves.

Dan Lord, Grants Management Section Manager, DNR Finance and Operations Division, introduced himself and Grants Management staff: Jon Mayes (Recreation Unit and MNRTF Grants Program Manager), Mike Chuff (MNRTF Financial Specialist), Merrie Carlock, Lindsay Ross and Andrea Stay (Grant Coordinators), Tamara Jorkasky (former Grant Coordinator assisting the Section), and Yolanda Taylor (interim Administrative Assistant to staff and the Board). He also introduced Erik Eklund, Chief Budget Officer, Finance and Operations Division, who is available to address the MNRTF Financial Update or other budget questions.

Dan thanked staff once again for coordinating this third virtual meeting of the Board.

The Chair also mentioned there were 68 attendees on-line watching or participating in this virtual meeting.

IV. PUBLIC APPEARANCES

Chris Bunch, Executive Director, Six Rivers Land Conservancy

Chris Bunch first acknowledged the passing of Bill Ruemenapp, former Casco Township Supervisor (St. Clair County), who was intimately involved with and a great champion for the Bell River Nature Park in Casco Township that was funded with MNRTF dollars.

With all the uncertainty and challenges of the pandemic, including travel restrictions and in-person contact, the Six Rivers Land Conservancy has decided to move their invitation to host the Board to a visit/tour in Detroit from October of this year to June of 2021. However, he still strongly encourages and looks forward to the Board's visit.

Chris further reiterated his request that the Board consider accelerating the pace and amount of investment in southeast Michigan.

He again thanked the Board for their work and investment and relayed his excitement that the MNRTF is on the November ballot.

Written comments were provided and will be included as part of the official record.

Josh Bocks, Macomb Township Planning Director, with Brian Marzolf, Land Protection Manager, Six Rivers Land Conservancy

Josh Bocks gave a brief presentation on TF20-0150, Macomb Township Nature Park Acquisition (Macomb County) and the features of the proposed park. He mentioned this location is the hub that would connect eight different municipalities, countywide trails, Metro Park infrastructure, and is much needed parkland for a quickly growing township.

Brian Marzolf added that, from the Six Rivers Land Conservancy's perspective, they have a solid foundation and great community support for this proposed acquisition and future success in Macomb Township. He supports this grant application and acquisition of the land.

Both thanked the Board for the opportunity to present.

The county is seeking to acquire roughly 40 acres on two different parcels of land located in the northern portion of the township, requesting:

MNRTF Grant Request:	\$1,260,000 (70%)
Matching Funds:	\$ 540,000 (30%)
Total Project Cost:	\$1,800,000

Neal Hentschl, Secretary/Manager, Huron County Road Commission/Huron County Parks

Neal Hentschl had technical difficulties so Lori Ettema, Planner with Spicer Group, working with Huron County on TF20-0061, Lighthouse County Park Improvements (Huron County), gave a brief presentation on this proposed development project and asked the Board for their support. The county is asking for:

MNRTF Grant Request:	\$217,000 (60%)
Matching Funds:	\$144,800 (40%)
Total Project Cost:	\$361,800

George Demetrakopoulos, Citizen Comment, Oshtemo Charter Township

George Demetrakopoulos, contiguous landowner, expressed his opposition to TF20-0070, Fruitbelt Trail Acquisition; Oshtemo Charter Township (Kalamazoo County). He feels the township already has an abundance of outdoor public recreation areas and natural trails. He listed the existing public lands that are available within and surrounding the township, including the Kalamazoo River Valley Trail and the 34-mile state-owned Kal-Haven Trail. The township also plans to extend the trail across 6th Street, which is a county road with a 45-mph speed limit. He feels this would be a dangerous crossing. In closing, he expressed the impact this trail would have to him and other contiguous landowners, all with frontage ranging from 800 feet to 3,000 feet. He and his neighbors have already dealt with trespassers and intoxicated individuals.

He asks that the Board deny this application.

Shelly Corakis, Citizen Comment, Oshtemo Charter Township

Shelly Corakis, also a contiguous landowner, expressed her opposition to TF20-0070, Fruitbelt Trail Acquisition; Oshtemo Charter Township (Kalamazoo County), for all the same reasons mentioned by Mr. Demetrakopoulos. However, she added that the landowners have been researching the legal ownership of these lands as they are under the impression that they are the rightful owners. Historical documents indicate that, once the railroad was abandoned, those lands would revert to the property owners. Generations of families since the 1800s have kept amazing records, but with the onset of COVID they have not been able to research or verify ownership with the Register of Deeds office. She also mentioned that, during a June 9 meeting (which is posted on Facebook), Oshtemo Township stated that if these lands are acquired, the township would not be responsible for maintaining these lands. For the landowners, this is disheartening because they have been caring for and maintaining these lands for years.

Ms. Corakis asked that the Board deny this application to allow landowners the time to further research the records to determine clear title and/or seek legal counsel.

Gayle Stevens Miller, Citizen Comment, Oshtemo Charter Township

Gayle Stevens Miller, another contiguous landowner, also expressed her opposition to TF20-0070, Fruitbelt Trail Acquisition; Oshtemo Charter Township (Kalamazoo County). She also agrees with the reasons stated by Mr. Demetrakopoulos and Ms. Corakis. She stated her land has been in the family for over 80 years. They were always under the impression that they owned the land, and that Michigan Central Railroad just had the right-of-way/easement to use it. They also assumed that when the railroad was abandoned, the contiguous landowners owned the lands. The landowners are challenging ownership and are opposed to the township’s plans, especially for not informing or engaging them during a two-year planning process.

She asks that the Board deny the township’s application until legal ownership can be determined.

All three Oshtemo Charter Township landowners expressed their gratitude for the opportunity to address the Board and be heard.

The township has applied for a grant to acquire 35 acres of former railroad corridor, requesting:

MNRTF Grant Request:	\$58,000 (74%)
Matching Funds:	\$20,000 (26%)
Total Project Cost:	\$78,000

Beheshteh Makari, Southeast Michigan Council of Governments (SEMCOG)

Beheshteh Makari, Economic and Community Vitality Planner with SEMCOG, reviews all applications from Southeast Michigan communities for consistency with SEMCOG’s regional policies and priorities as part of their regional review requirement.

She commented that they have been working with several partners to collaborate on a visit/tour for the Board to showcase some exciting projects in and around the Metro Detroit area. However, she regretfully announced that, due to the pandemic, they will be postponing this visit/tour until the summer of 2021.

Ms. Makari also stated that their parks and trails, since the onset of COVID, have seen a dramatic increase in users. In some cases, up to three times higher use than in previous years. While many communities are focusing on adapting their programs and operations, there may also be an opportunity to consider how infrastructure is designed to better support public health into the future. High quality parks and trails are essential to providing a high quality of life. They designed an Access to Parks Analysis Tool. By having a better understanding of how many Southeast Michigan households access recreation opportunities, they can help communities plan improvements that serve more people.

She thanked the Board and staff for their time and for funding local parks and recreation projects and opportunities in Southeast Michigan.

Ralph Bednarz, Professional Limnologist and Retired State Employee

Ralph Bednarz is a professional limnologist and retired with 38 years of service with the DNR and the Department of Environment, Great Lakes and Energy (EGLE). He gave an overview of his past and current credentials and experience with inland lakes, water quality and assessments.

Bendarz stated he is in support of TF20-0074, Arbutus Lake #5 Park Renovations; East Bay Township (Grand Traverse County). However, he encourages the DNR, the Board, the township and the MNRTF program staff to include enhancements to this project and showcase it as a statewide example of how local units of government can restore natural shorelines and fish habitat on park property for lake and wildlife protection. He also encourages the township and MNRTF program staff to work with EGLE’s Michigan Natural Shoreline Partnership, the Certified Natural Shoreline Contractors program, and the Midwest Glacial Lakes Partnership to expand the natural shoreline component of this project, include large woody habitat recruitment and use this project as a demonstration site for contractor training and an educational interpretive site for the public. He further commented that the project should also follow the DNR’s Conservation Guidelines for Michigan Lakes (Fisheries Division Special Report 38), which recommends 75% natural shoreline and 25% developed (docks and water access) with natural slopes restored and a 35-foot vegetated buffer strip above the ordinary high water mark. Rock rip rap should also be minimized since this portion of Arbutus Lake is a no wake zone and natural vegetation should be sufficient to protect the shoreline from natural wave induced erosion.

Director Eichinger asked if there have been conversations with the applicant regarding these enhancements. Bednarz responded that the applicant has been contacted but are basically unresponsive to these recommendations.

Mr. Bednarz entertained additional questions from the Board and staff and thanked the Board for the opportunity to present this information. Written comments were provided and will be included as part of the official records.

The township is applying for a development grant, requesting:

MNRTF Grant Request:	\$300,000 (50%)
Matching Funds:	\$300,000 (50%)
Total Project Cost:	\$600,000

Rich Bowman, Director of Working Lands, The Nature Conservancy - Michigan

Rich Bowman gave the Board an update on a public awareness “Vote Yes” campaign they are working on to gain support for the constitutional amendments to the Michigan Natural Resources Trust Fund that are on the November ballot (Proposal 1). He strongly stated that this is for the Board’s **information only**. They are not asking for any involvement by the Board as, by law, they are not allowed to participate in any campaign, especially as it relates to the MNRTF. Next week, they will be kicking off a Vote Yes for MI Water, Wildlife and Parks campaign, and then transition into the Vote Yes for the MNRTF campaign. They conducted polling over the 4th of July holiday and reported that support for amendments to the MNRTF remain strong (at about 70%).

Mr. Bowman also reported they have been working on broadening their coalition beyond the initial core members and are receiving strong interest and support from various businesses, organizations, and individuals.

If the Board is interested in additional information, they are welcome to contact Rich directly. The Board thanked Rich for the updates and his efforts.

Jeff Muck, Director of Parks, Recreation and Cultural Services, City of Novi

Jeff Muck, Director of Parks, Recreation and Cultural Services for the City of Novi, commented that, although they have not applied for any grants this year, he thanks the Board for the projects and enhancements they have funded for their community over the years.

He also reported that he was recently appointed as the President-Elect of the Michigan Recreation and Park Association (mParks) Board. He will be taking office in September, serving a term of three years. He looks forward to continuing to work with the Board, mParks, and MNRTF staff to increase public recreation opportunities for local units of government statewide.

Jeff further commented that he is a resident of Hamburg Township, sits on the township's Parks and Recreation Board and is Chair of their Planning Commission. He gives his full support for the Hamburg Township proposed acquisition project that will be presented by Mike Dolan, township clerk, during this meeting; TF20-0093, Herndon Lake Nature Reserve Acquisition; Hamburg Township (Livingston County).

The Board congratulated Jeff and thanked him for his comments.

Chair Rustem called for a brief adjournment at 10:06 a.m. while staff prepared to transition to the next set of presentations; the Board reconvened at 10:10 a.m.

V. PRESENTATIONS FROM 2020 GRANT APPLICANTS

Chair Rustem announced that the Board will receive ten presentations on various MNRTF grant applications/projects. He asked that presenters adhere to their time. Questions by the Board were addressed during each presentation.

The August 2020 MNRTF application presenters included:

1. Jack Smiley, Consultant for Superior Charter Township
TF20-0085, Superior Greenway Expansion Project; Superior Charter Township (Washtenaw County)

Acquisition of Development Rights Grant Application	
MNRTF Grant Request:	\$2,285,000 (67%)
Matching Funds:	\$1,125,700 (33%)
Total Project Cost:	\$3,410,700

2. Brian Bailey, Director, Berrien County Parks Commission
TF20-0185, Paw Paw River County Park, Phase II Development; Berrien County Parks (Berrien County)

Development Grant Application

MNRTF Grant Request: \$300,000 (75%)
Matching Funds: \$100,000 (25%)
Total Project Cost: \$400,000

3. Marcy Hamilton, Senior Planner, Southwest Michigan Planning Commission
TF20-0165, Marquette Greenway Development; New Buffalo Township (Berrien County)

Development Grant Application

MNRTF Grant Request: \$ 300,000 (11%)
Matching Funds: \$2,690,500 (89%)
Total Project Cost: \$2,990,500

4. Daniel J. Acciavatti, Chesterfield Township Supervisor
TF20-0186, Salt River Nature Center Acquisition; Chesterfield Township (Macomb County)

Acquisition Grant Application

MNRTF Grant Request: \$199,500 (70%)
Matching Funds: \$ 85,500 (30%)
Total Project Cost: \$285,000

5. Mike Dolan, Hamburg Township Clerk
TF20-0093, Herndon Lake Park and Nature Reserve Acquisition; Hamburg Township (Livingston County)

Acquisition Grant Application

MNRTF Grant Request: \$3,615,200 (75%)
Matching Funds: \$1,205,100 (25%)
Total Project Cost: \$4,820,300

6. Mark Brochu, Director, St. Clair County Parks and Recreation
TF20-0073, North Channel Shoreline Acquisition; Clay Township (St. Clair County)

Acquisition Grant Application

MNRTF Grant Request: \$1,425,300 (74%)
Matching Funds: \$ 500,800 (26%)
Total Project Cost: \$1,926,100

7. Brian Mulligan, Landscape Architect, with Dan DeLooff, Park Superintendent, Kent County Parks
TF20-0058, Thornapple River Water Trail Acquisition; Caledonia Township (Kent County)

Acquisition Grant Application

MNRTF Grant Request: \$ 744,100 (70%)
Matching Funds: \$ 318,900 (30%)
Total Project Cost: \$1,063,000

8. Chad Young, Mundy Township Manager, with Brian Caine, Miracle League of Greater Flint Director (non-profit)
TF20-0132, Miracle League Field Project; Mundy Township (Genesee County)

Development Grant Application
MNRTF Grant Request: \$300,000 (69%)
Matching Funds: \$135,400 (31%)
Total Project Cost: \$435,400

9. Kiersten Stark, Charlevoix County Parks and Planning Director
TF20-0042, Boyne City to Charlevoix Trail Phase 3 Development (Charlevoix County)

Development Grant Application
MNRTF Grant Request: \$300,000 (31%)
Matching Funds: \$669,800 (69%)
Total Project Cost: \$969,800

At this time, Dan Lord announced that the meeting has reached its normal three hours. Since the meeting is running over, he asked the Chair if the Board could move from this portion of the agenda to take action on the project withdrawal under New Business while there is a quorum present. The Director and two other members will need to depart the meeting.

Chair Rustem approved the adjustment to the agenda. Action on the withdrawal was addressed and is noted under VI. New Business, item #3.

Director Eichinger had to depart the meeting momentarily for a conference call; Board members Hamp and McDonough departed the meeting. The Board continued with the regular agenda, and Director Eichinger returned to the meeting shortly thereafter.

10. Curt TerHaar, Park Planning and Development Coordinator, with Jason Shamblin, Parks Director, Ottawa County Parks and Recreation Commission
TF20-0175, Ottawa County Bend Area Expansion Phase II; Ottawa County Parks and Recreation (Ottawa County)

Acquisition Grant Application
MNRTF Grant Request: \$ 504,700 (49%)
Matching Funds: \$ 525,300 (51%)
Total Project Cost: \$1,030,000

The Board and Dan Lord thanked the presenters and department staff for coordinating these presentations. Chair Rustem asked if there were any additional comments or questions; none were offered.

Chair Rustem called for another brief adjournment at 12:22 p.m. while staff loaded the next presentation; the Board reconvened at 12:25 p.m.

VI. NEW BUSINESS

Funding Projections and Overall Investment Fund Management Update

Chair Rustem welcomed Woody Tyler, senior investment manager with the Michigan Department of Treasury. He explained that Woody Tyler was asked to return and provide an update from his last presentation to the Board in April.

Woody provided the Board with a financial market update, an update on the MNRTF portfolio and spending scenario.

He reminded the Board that the market bottomed out on March 23 with a 34% decline due to the pandemic, which was the fastest decline in recorded history. Since then, the federal reserve stepped in and said it would do whatever it takes for as long as it takes to get the economy back on track, which included lowering short-term rates to near zero percent and lowering long-term rates to as low as 0.65%. During his last presentation in April the market was down 15%, but he reported that the market continues to rebound and was up 47% by mid-July. He said this is mainly due to retailing and companies such as Apple, Microsoft, Amazon, Facebook, Alphabet/Google, and other software services. They are massive contributors to the performance of the S&P 500, contributing about 20%, and are now being referred to as the Fab 5. However, the average stock in the S&P 500 is still down seven percent. He also stated that immediate and significant response from the federal reserve and the federal stimulus in late March/early April helped turn financial markets in the second quarter ending June 30, 2020.

He further reported that the outlook for the market will, of course, depend on the outcome of the virus, to include social distancing and following all safety precautions, improved therapeutics, testing, and the possibility of a vaccine being available in 2021. The markets will highly depend on getting the virus under control moving into 2021, and the future of economic recovery will be governed more by the virus than by economics. By the end of 2021, the market should get back to where it was at the end of the fourth quarter in 2019, with the understanding that some markets will be slow to recover (i.e. hotels, entertainment, restaurants, retail, etc.).

Lan Chen, Investment Specialist, Michigan Department of Treasury, gave the Board a brief overview of the MNRTF portfolio. She reported that the MNRTF portfolio is expected to earn investment income (interest in dividend income) of approximately \$19.2 million (estimated income and dividends) over the next twelve months, which is roughly half of the 5.5% in returns that are being targeted. The fund also has appreciation and/or depreciation in assets, primarily coming from the equity portfolio, which was down 34% in the first quarter.

She also reported that investing in a way that preserves and protects the entire \$500 million MNRTF principal so that the interest and earnings of the MNRTF remain a perpetual source of money for its intended purpose is recommended. The MNRTF is expected to generate an estimated long-term return of 5.5% with an estimated risk (or volatility) of 7.8%. Most of this return is expected to come from investment income each year.

Woody continued with the MNRTF spending scenario, reiterating that spending should be reserved to protect the initial \$500 million principal. They are recommending an annual grant award of no more than \$21 million over the next ten years, while also taking into consideration open grants, payments in-lieu of taxes and administrative expenses.

Chair Rustem confirmed that if the Board continues to spend \$21 million in grants for the next ten years, the fund is looking at a little more risk than the 5.5%. Woody confirmed that it could be closer to a 9% risk of falling below the \$500 million.

Cummings also confirmed that if the Board spends over \$21 million in any year over the next ten years, then it would have to adjust by underspending in other years. Woody confirmed that the average spend rate per year for the next ten years should equal or be less than \$21 million.

Chair Rustem once again agreed the Board should stick to the \$21 million this fiscal year and possibly into future fiscal years.

Cummings agreed that the Board should keep their spending level conservative moving forward.

The Chair and Cummings expressed their appreciation to Woody Tyler, Lan Chen and the Michigan Department of Treasury for the updates, their work, and making sure good investments are made to preserve the MNRTF corpus.

MNRTF Staff Activities

Dan Lord, for the sake of time, gave a very brief update.

He first thanked all the presenters for their time working with his staff in advance and during the meeting. He further reported that staff continue to work remotely, and thanks to technology they are meeting all their work requirements and all program activities are running smoothly.

Dan also noted that on July 31, Governor Whitmer signed Public Act 145 which provides the funding for all grants recommended in 2019. Staff are now busy issuing and executing grant agreements and he is excited to get these projects off the ground.

In the current cycle, staff have completed preliminary group scoring for current applications. They plan to issue preliminary scores just after Labor Day. Applicants will then have until October 1 to make any updates or adjustments and resubmit their applications, at which time they will move into final scoring.

The Grants Management Section has also been able to reengage in some contractual activities that were paused in April due to the halt in discretionary spending. They are also upgrading their on-line grant system, MiRecGrants. They hope to launch the new system in January, just in time for the next grant application cycle, and conduct webinars to show applicants the changes that have been made to the system.

He thanked Mike Chuff who is working on year-end closing requirements, and expressed his appreciation for the support of grantees by submitting and updating progress reports, submitting last

minute reimbursement requests, and ensuring that agreements and amendments are all up-to-date by the end of September.

In closing, Dan reported that the department is still under a hiring freeze. Grants is down three positions, but he continues to thank Yolanda, Tamara, and others for stepping in to help. He also thanked Mike, Lindsay and Jon for coordinating and running things behind the scenes at these virtual meetings.

Project Withdrawals

Jon Mayes gave a brief overview of the following project withdrawal request:

- TF18-0203, Garden Island Land Acquisition – Charlevoix County; Grant Amount: \$240,000.00. An agreement could not be reached with the landowner, and a partner ended up buying out another partner so that changed the dynamics of this transaction. The department’s Wildlife Division is requesting the withdrawal of this project.

Chair Rustem called for a motion to accept the withdrawal of the Garden Island Land Acquisition (TF18-0203).

**MOVED BY CUMMINGS, SUPPORTED BY HAMP, TO ADOPT WITHDRAWAL
OF THE GARDEN ISLAND LAND ACQUISITION (TF18-0203).
MOTION PASSED WITHOUT DISSENTING VOTE**

VII. STATUS REPORTS

None.

VIII. BOARD PACKET REFERENCE MATERIALS

Chair Rustem asked Board members if they would like to discuss any of the Board Packet Reference Materials. With only two members present, an overview of the materials was declined.

IX. OTHER MATTERS AS PROPERLY BROUGHT BEFORE THE BOARD

Chair Rustem thanked department staff, the presenters, participants, and members of the public for their presentations and for once again adjusting to a virtual meeting.

X. ANNOUNCEMENTS

Chair Rustem announced that the next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for Wednesday, October 14, 2020, beginning at 9:00 a.m. It will be a virtual meeting and information will be posted on the Board’s website.

XI. ADJOURNMENT

Chair Rustem asked for additional comments or discussion. None were offered.

Since the meeting went over by an hour, only two members remained. Chair Rustem called for a motion to adjourn.

**MOVED BY RUSTEM, SUPPORTED BY CUMMINGS, TO ADJOURN THE MEETING.
MOTION PASSED WITHOUT DISSENTING VOTE.**

The meeting adjourned at 1:04 p.m.



Bill Rustem, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees



Dan Lord, Manager
Grants Management Section
Finance and Operations Division

October 26th, 2020

DATE