



**STATE BOARD OF LAND COMMISSIONERS**

Dirk Kempthorne, Governor and President of the Board  
Ben Yursa, Secretary of State  
Lawrence G. Wasden, Attorney General  
Keith L. Johnson, State Controller  
Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

**Final Minutes  
Regular Land Board Meeting  
June 21, 2005**

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 21, 2005 in Boise, Idaho. The meeting began at 9:03 a.m. in the second floor courtroom of the Borah Post Office Building. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Ben Yursa  
Honorable Superintendent of Public Instruction Marilyn Howard  
Secretary to the Board Winston A Wiggins

Attorney General Lawrence Wasden and Controller Keith Johnson participated in the meeting via conference call.

• **CONSENT**

**Director Wiggins provided background information on the Consent Agenda items.**

**A motion was made by Attorney General Wasden to approve the Consent Agenda in its entirety. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.**

**1. Director's Report – approved**

- A. Interest Rate on Department Transactions – May 2005
- B. Bureau of Real Estate, Land Sale Section, Official Transactions – April 2005, May 2005
- C. Bureau of Real Estate, Easement Section, Official Transactions – April 2005, May 2005
- D. Timber Sale Official Transactions – April 27, 2005 through May 26, 2005
- E. Timber Sale Activity Report

**2. Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved**

A. Backside Pole	CR-30-0493	520	MBF	Shoshone/Clearwater
		188,030	LF	
B. Benewah Lake	CR-30-0504	970	MBF	Benewah
C. Renfro Sawlog	CR-30-0512	5,205	MBF	Benewah
D. Mark Jacket OSR	CR-30-0513	4,510	MBF	Shoshone/Clearwater
E. Devil's Trail	CR-30-0520	8,055	MBF	Shoshone
F. West Fork Elk Creek	CR-40-0771	3,475	MBF	Clearwater
G. Reed Road	CR-40-0780	3,590	MBF	Clearwater
H. Southern Rock	CR-42-5007	9,345	MBF	Clearwater
I. Hailey	CR-50-0119	2,204	MBF	Idaho

3. **Approval Request for Disclaimer of Interest to Paul and LeAnn Pippenger for Accretion Land Adjacent to the Clearwater River in Clearwater County** – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – **approved**

*DEPARTMENT RECOMMENDATION:* Direct the Department to issue a disclaimer of interest for this one (1) parcel of land totaling 1.37 acres of the former bed of the Clearwater River and to require Paul and Lee Ann Pippenger to pay a fee of \$600.00 to the Department of Lands for this transaction.

*BOARD ACTION:* Approved.

4. **Approval Request for Disclaimer of Interest to Edward Lee and Virginia Moberly for Accretion Land Adjacent to the Boise River in Canyon County** – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – **approved**

*DEPARTMENT RECOMMENDATION:* Direct the Department to issue a disclaimer of interest for this one (1) parcel of land totaling 8.69 acres of the former bed of the Boise River and to require Edward and Virginia Moberly to pay a fee of \$600.00 to the Department of Lands for this transaction.

*BOARD ACTION:* Approved.

5. **Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in Fiscal Year 2005** – Staffed by Ron Litz, Assistant Director, Forestry and Fire – **approved**

*DEPARTMENT RECOMMENDATION:* Authorize the Department to issue deficiency warrants necessary to pay the fire suppression costs beyond the \$126,000 appropriation for Fiscal Year 2005.

*BOARD ACTION:* Approved.

6. **Minutes** – **approved**

A. Regular Land Board Meeting – May 10, 2005

• **REGULAR**

7. **Endowment Fund Investment Board Report** – Presented by Richelle Sugiyama, Interim Manager of Investments, EFIB, and Kathy Opp, Division Administrator, Support Services, IDL

A. Manager of Investments – Update – Presented by Ms. Richelle Sugiyama

As of June 14, 2005, the current value of the Fund is \$837.6 million. Fiscal year-to-date returns yielded approximately 9%. Month-to-date and quarter-to-date the Fund is experiencing up and down markets. Investors are waiting to see what the Fed will do. It is likely the Fed will increase rates another twenty-five basis points by the end of this month. There is optimism that by the end of this year another equity market rally will occur, which will help the Fund. The Fund is approximately 57% domestic equities, 15% international and just under 30% fixed income. International equity has been the top performer.

*DISCUSSION:* Governor Kempthorne asked what the benchmark would have been for the calendar year-to-date. Ms. Sugiyama stated approximately 0.57%. Calendar year-to-date shows the Fund is behind, but a rally occurred previously.

*BOARD ACTION:* No action taken on item 7-A.

B. Distribution Methodology – Presented by Kathy Opp, Division Administrator, Support Services, IDL and Richelle Sugiyama, Interim Manager of Investments, EFIB.

Ms. Opp stated it has been discovered that the Department of Lands and the Endowment Fund Investment Board have been using different expense allocations for land management costs.

Ms. Sugiyama explained that basically the Endowment Fund Investment Board calculated Lands expenses under an asset-based approach, a percent of the total market value of the underlying accounts, and took out a portion of the total market value. It is a difference between an asset-based approach on the Endowment side versus what IDL has been doing.

Ms. Opp stated IDL has followed an allocation strategy that more closely aligns with the long-term management on the ground. The IDL approach distributes cost based on various program attributes, such as timber acres managed, cottage sites managed, FTEs in a particular program. An endowment would only be involved in covering expenses for programs that they were actively participating in. As the EFIB was closing out its fiscal year-end costs with their beneficiary allocations, it was discovered that there are two divergent methodologies. It is recommended that the IDL methodology be adopted because it more closely aligns with the on-the-ground management. Basically the variance shows that Public Schools would pick up another \$902,000 in this year's cost, based on the IDL methodology. Ms. Opp pointed out that the increase does not have an adverse impact on the Fiscal Year 2006 distributions.

*DEPARTMENT RECOMMENDATION:* Allocate land management cost in the EFIB beneficiary accounts using the IDL methodology for FY 2005 and forward. This practice more closely aligns expense with on-the-ground activities.

*DISCUSSION:* Governor Kempthorne noted this is a bookkeeping change. However, he asked if it is a one-time adjustment for Public Schools in the amount of approximately \$900,000. Ms. Opp stated yes. The current year would be \$900,000, but the percentage that Public Schools would pay in the long term would be roughly the same. Under the EFIB methodology, Public Schools was paying approximately 67%. Under IDL methodology, Public Schools would pay approximately 73%. That 73% would hold true in forward years.

Attorney General Wasden asked which methodology applies the appropriate governmental accounting and auditing standards or do they both? Or is one better? Ms. Opp stated there are many different allocation methodologies that can be used in accounting. The Department is recommending the one it feels is most appropriate and represents actual on-the-ground activity.

Governor Kempthorne asked if the EFIB has voted on this. Ms. Sugiyama stated no. The issue has been passed by the EFIB. In terms of appropriateness, there is a difference. If all of the Lands assets were pooled, which was the original intent with Endowment Fund reform, then allocating expenses under the EFIB methodology would be appropriate because everything would be asset based. However, because the Lands assets are not pooled, it was felt that until the assets are pooled, the IDL methodology is the more appropriate methodology.

Governor Kempthorne asked if the EFIB concurred. He asked if they looked at this as simply information or did they recommend that the Land Board approve this. Ms. Sugiyama stated a recommendation was not provided because this matter came up after the last EFIB meeting. The EFIB meets tomorrow at which time an update on this item will be provided to them. If a recommendation by the EFIB is required or recommended, that can be accomplished at that time.

Governor Kempthorne noted it was stated that the EFIB is closing out its books. He asked what the timeframe is for that process. Ms. Sugiyama stated by June 30.

Secretary of State Ysursa asked what the bottom line is on the money being distributed to schools in the last distribution for the fiscal year. He asked if the commitment has been met for this year to education, especially. Ms. Sugiyama stated yes, distributions have been made. In the analysis of

assessing the impact on underlying accounts, Ray Houston from Legislative Services was included to ensure that the numbers generated, and the difference in methodology, would not have an impact on projections already calculated and presented.

Secretary of State Ysursa stated at one time there was a July 15<sup>th</sup> payout to Public Schools, which was attributed to the previous fiscal year. He asked where that payout is in relation to this change. Mr. Andy Potter, Endowment Fund Investment Board, responded that currently the EFIB is distributing to Public Schools the same as it does with other beneficiaries, which is on the 10<sup>th</sup> of each month throughout the year. The EFIB has moved away from two distributions per year to Public Schools, and equal payments are now made each month. Secretary of State Ysursa asked if the June 10<sup>th</sup> payment was the final payment to Public Schools for the fiscal year. Mr. Potter stated yes. Secretary of State Ysursa asked if it was affected by anything here. Mr. Potter stated it was not.

Controller Johnson remarked that his office believes the suggested change better reflects how costs should be allocated and his office supports the Department's recommendation, as well as from a governmental accounting standpoint.

Secretary of State Ysursa moved the recommendation of the Department. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.

Ms. Sugiyama asked if it is the recommendation of the Land Board that this matter go back to the Endowment Fund Investment Board for approval. Governor Kempthorne commented he would have preferred that the EFIB have the opportunity to examine this item first and then make a recommendation to the Land Board. However, currently the EFIB has a June 30 deadline that has to be met. If this item goes to the EFIB meeting tomorrow, and they provide a recommendation to the Land Board, the next Land Board meeting will occur after the books are closed. The dilemma is a decision needs to be made today to meet the June 30 deadline.

Governor Kempthorne asked Secretary of State Ysursa if he wished to amend his motion to add a caveat that the Land Board requests the EFIB examine this issue at their meeting and that they simply be on record as affirming the Land Board's action, or, if they do not concur, the Land Board should be notified so the issue can be discussed further.

Secretary of State Ysursa stated, with the consent of his second, he would amend his motion to approve the recommendation with the caveat that this not necessarily be contingent upon the EFIB, but to inform and to ask for their recommendation on the same item. If their recommendation is contrary, then a special meeting to discuss this matter may be necessary. Controller Johnson approved the amendment to the motion.

*BOARD ACTION:* Regarding the distribution methodology, a motion was made by Secretary of State Ysursa to move the recommendation of the Department. Controller Johnson seconded the motion. Subsequently, Secretary of State Ysursa amended his motion to approve the recommendation with the caveat that this not necessarily be contingent upon the EFIB, but to inform and to ask for their recommendation on the same item. If their recommendation is contrary, a special meeting to discuss the matter may be necessary. Controller Johnson approved the amendment to the motion. The motion carried on a vote of 5-0.

**8. Auction Results for Cropland Lease C-8845 – Presented by Denise Mills, Assistant Director, Lands, Minerals, Range**

*DEPARTMENT RECOMMENDATION:* Pending the outcome of any further appeals, accept the high bid submitted at the auction by DeLoy Ward for lease C-8845. Direct the Department to issue a new 10-year cropland lease to DeLoy Ward at the conclusion of the twenty-day appeal period (July 6, 2005) unless an appeal is filed.

*DISCUSSION:* Transcript available upon written request to Susan Terry, Idaho Department of Lands, P O Box 83720, Boise, Idaho 83720-0050.

*BOARD ACTION:* A motion was made by Superintendent Howard to move the Department's recommendation to issue a new ten-year cropland lease to DeLoy Ward. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Secretary of State Ysursa voting nay.

**9. Request for Final Approval to Sell Clear Creek Subdivision Lot 4, Block 1 – Presented by Denise Mills, Assistant Director, Lands, Minerals, Range**

*DEPARTMENT RECOMMENDATION:* Direct the Department to advertise and sell this parcel, without reservation of minerals, at public auction based on the recommended minimum bid of \$2,500,000, with proceeds to be deposited in the Land Bank for future acquisition of real property.

*DISCUSSION:* Governor Kempthorne asked for a refresher on why this property is being sold. Director Wiggins stated this property was nominated as part of the fiscal year 2005 Land Sale Plan. The reason for identifying this property is that the State owns, through a land exchange, two lots in this subdivision. The lots are currently generating low income from grazing and are not useable for anything other than perhaps a home site or something similar.

Governor Kempthorne asked Assistant Director Denise Mills if she believes starting the auction at \$2.5 million will generate interest with the possibility of the dollar figure going higher in an auction atmosphere. Assistant Director Mills stated she hope the property will bring a higher amount than the \$2.5 million.

Superintendent Howard asked if the current publication listings for this property give enough notice to connect with potential buyers. She noted it appears listings were placed in local papers, and she wonders if there is any way to create a wider advertising market. Assistant Director Mills stated the local papers and publications were recommended by local area agents, who felt the listings would receive a lot of attention. However, the Department has looked into other advertising venues as well. One idea suggested was to broadcast in regional magazines, such as Horizon or Alaska Airlines magazines. The Department will research other magazines to see what their lead times are to get ads in. Also, a couple of large events will be occurring in Sun Valley. One is an event sponsored by Paul Allen and that event is believed to attract the kinds of buyers who might be interested in this property. In addition, a wine festival is planned in the area and that event is expected to attract potential buyers. The Department is attempting to catch the summer window, which was missed last year because the Board approved the sale in August.

Attorney General Wasden stated it is his understanding with regard to this parcel that, at the close of the bidding process last year, the Department received inquiries regarding the property. In fact, an offer to pay the full auction price was received. Director Wiggins stated one phone call was received from an individual who offered to pay the full \$5.1 million. That individual had not pre-qualified and did not show up at the auction. Nothing in writing was received. It is unknown whether it was a serious offer. By setting the lower price, the hope is individuals, like that person, will show up at the table and the bidding effect will establish the true value of the property.

Controller Johnson asked if the Department has contact information for that potential buyer. Director Wiggins stated the Department has contact information and that individual will receive the information. Director Wiggins pointed out that real estate brokers in the area who generally sell properties like this will receive information. Two and a half percent of the sale price, or up to \$75,000, is being offered if one of those brokers brings someone to the table who actually purchases the property.

Secretary of State Ysursa suggested that an ad be placed in the western edition of the Wall Street Journal. He also suggested that the resort by Donnelly has been very successful in selling lots. Although it is not the same type of property, he wondered about the avenues they use to attract buyers. This parcel was part of a land exchange that originally included four lots. The State has two.

The idea is that perhaps the person who buys this lot would also buy the other lot. Having both lots would afford the buyer total seclusion. Secretary of State Ysursa is hopeful the auction will take off from the \$2.5 million start, but the Board knows it is obligated by the Constitution to make sure the property is sold for fair market value.

Governor Kempthorne commented he believes the Department can hit the summer window but should augment their effort by additional advertising. Director Wiggins stated last time ads were placed in the Wall Street Journal, Los Angeles Times, San Francisco, Seattle, Salt Lake City and Denver. To his knowledge, no responses were received from any of those ads. However, he stated the ads can be placed again.

Governor Kempthorne asked if anyone spoke with the caller who offered the full amount. Director Wiggins stated Susan Robbins, who worked for the Department at that time, spoke with the individual. Susan has since left our employ for the private sector.

Governor Kempthorne asked about the nature of the call. Director Wiggins stated the caller essentially said he was ready to send \$5.1 million to purchase the property that day, but at the time of the call, the auction date had passed and the auction had expired. Whether the party was legitimately interested is unknown. The party clearly knew about the ad and clearly knew about the auction date. He chose not to attend the auction, chose not to get pre-qualified and then made the phone call the day after.

*BOARD ACTION:* A motion was made by Secretary of State Ysursa to move the recommendation of the Department to offer the parcel for sale at the minimum bid of \$2,500,000. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.

- **INFORMATION**

**Director Wiggins briefed the Board on the Information Agenda item. No Land Board action is required on the Information Agenda.**

## **10. Snake River Basin Adjudication/Idaho Forestry Program Update**

- **ITEM NOT ON THE AGENDA**

A motion was made by Attorney General Wasden to award Director Wiggins a \$1,000 merit bonus. This motion is made in recognition of his outstanding performance as Director of the Idaho Department of Lands and because through his stewardship, significant management improvements have been made at the Department of Lands and he has worked diligently to improve state land management and to work with all of our constituency in that area. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

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*At 10:36 a.m., a motion was made by Secretary of State Ysursa to resolve into Executive Session. Superintendent Howard seconded the motion. The motion carried on a vote of 5-0.*

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- **EXECUTIVE SESSION**

**A. To Consider Records that are Exempt from Disclosure [\[Idaho Code § 67-2345\(1\)\(d\)\]](#)**

**B. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [\[Idaho Code § 67-2345\(1\)\(f\)\]](#)**

C. To Consider Personnel Matters [[Idaho Code § 67-2345\(1\)\(b\)](#)]

D. To Consider Acquiring an Interest in Real Property Which is Not Owned by a Public Agency [[Idaho Code § 67-2345\(1\)\(c\)](#)]

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*At 10:49 a.m. a motion was made by Secretary of State Ysursa to resolve into Regular Session. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.*

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There being no further business to come before the Board, the meeting adjourned at 10:49 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

*/s/ Dirk Kempthorne*

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President, State Board of Land Commissioners and  
Governor of the State of Idaho

*/s/ Ben Ysursa*

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Ben Ysursa  
Secretary of State

*/s/ Winston A Wiggins*

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Winston A Wiggins  
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the July 12, 2005 regular Land Board meeting.