



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
Ben Ysursa, Secretary of State
Lawrence G. Wasden, Attorney General
Donna M. Jones, State Controller
Tom Luna, Superintendent of Public Instruction

George B. Bacon, Secretary to the Board

State Board of Land Commissioners
Regular Meeting – June 19, 2008
Final Minutes
Meeting Held Off-site at Idaho State University, Pocatello

The June 19, 2008 regular meeting of the State Board of Land Commissioners was held on the campus of Idaho State University, Pocatello, Idaho.

The Idaho Department of Lands manages state endowment lands. When Idaho achieved statehood in 1890, over three and one-half million acres of land were granted to the state by the federal government to support public schools and other designated beneficiary institutions.

Of the endowment beneficiaries, the Normal School Fund (Idaho State University Department of Education and Lewis-Clark State College) and the Charitable Institutions Fund (Idaho State University Industrial Training School, State Hospital North, Idaho Veterans Homes and the School for the Deaf and Blind) jointly own about 137,499 acres. Our founding fathers outlined the purpose of endowment lands in Article 9, Section 8 of Idaho's Constitution. These lands are to be managed "in such manner as shall secure the maximum long-term financial return to the institution to which granted." Income is primarily generated through timber sales, livestock grazing, mining and other commercial ventures, such as communication sites, office buildings, parking lots and ski resorts.

The Idaho Constitution also established the State Board of Land Commissioners to oversee endowment land management. The Board consists of the Governor, Secretary of State, Attorney General, Superintendent of Public Instruction and the State Controller. The Land Commissioners act in the capacity of trustees on behalf of the beneficiary institutions.

On behalf of the Land Board, Governor Otter, Controller Jones and Secretary of State Ysursa presented Dr. Kent Tingey, Vice President for University Advancement, with a facsimile check in the amount of \$2,020,677. The check represents the contribution of endowment land management to Idaho State University's fiscal year 2009 budget.



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Final Minutes
Regular Land Board Meeting
June 19, 2008

The Idaho State Board of Land Commissioners meeting began at 9:00 a.m. in the Rendezvous Suite, Building 38, 921 South 8th Avenue, Pocatello, Idaho. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Ysursa
Honorable Attorney General Lawrence Wasden (via conference phone)
Honorable State Controller Donna Jones

Secretary to the Board George Bacon

Superintendent Luna was absent for this meeting. Attorney General Wasden joined the meeting by conference phone at 9:20 a.m.

• **CONSENT**

A motion was made by Secretary of State Ysursa to approve the Consent Agenda in its entirety. Controller Jones seconded the motion. The motion carried on a vote of 4-0, with Superintendent Luna being absent for this vote.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – June 2008
- B. Timber Sale Activity Report
- C. Timber Sale Official Transactions
- D. Legal Matter Summary
- E. Bureau of Surface and Mineral Resources, Official Transactions – April 2008
- F. Bureau of Real Estate, Official Transactions, Land Sale – April 2008
- G. Bureau of Real Estate, Official Transactions, Easement – April 2008
- H. Fire Settlement Information

DISCUSSION: Director Bacon noted that item B includes a graph showing monthly stumpage prices. The graph shows that stumpage prices for timber are fairly strong but have dipped down to 2003-2004 levels with the current economic downturn.

Governor Otter stated he has heard that housing market prices may come back in the second quarter of 2009. He noted that lumber prices started dropping at the same time that the housing market started to fall. He asked if the Department anticipates stumpage prices to come back in the second *quarter* of 2009. Director Bacon stated yes. In his experience over the last thirty years when the economy softens, the timber industry is usually one of the first to decline and is an indicator that the general

economy will follow shortly. He feels that occurred again this time. Decreasing prices have been seen over the last couple of years. Director Bacon added, however, that when the economy rebounds, the timber industry is also one of the last to see the effects of a rebound. Governor Otter asked if Director Bacon anticipates any management changes, cut schedules or other actions being taken to try to balance the downturn. Director Bacon stated the Department is working on recommendations to be presented to the Board in April 2009.

Governor Otter expressed concern about falling farther behind on the cut and, subsequently, the maturity of the stands. He expressed interest in having the Department convince the Board that any cuts should be held off the market. He believes management practices should not be changed simply to respond to the market. Director Bacon agreed and stated the Department will update the Board in the coming months on the status of the timber harvest analysis. The Department believes that some action needs to be taken to reduce stocking regardless of what is going on with the markets. The Department will bring forward recommendations for an increased harvest to keep the forest healthy and to do the right thing on the ground.

2. Timber Sales – Staffed by Roger Jansson, Operations Chief-North, and Kurt Houston, Operations Chief-South – approved

NORTH OPERATIONS

A. Lower Trapper Poles	CR-10-0377	305	MBF	Bonner
		84,875	LF	Bonner
B. POL Poles 2008	CR-20-0263	420	MBF	Bonner
		166,630	LF	Bonner
C. Trail Mix	CR-21-3017	4,495	MBF	Boundary
D. Mica Widespread OSR	CR-22-5010	2,600	MBF	Kootenai
E. D and D Pole	CR-30-0550	800	MBF	Benewah
		187,635	LF	Benewah
F. Lo-ol OSR	CR-30-0551	7,109	MBF	Benewah/Shoshone

SOUTH OPERATIONS

G. Captain John Fuel Break	CR-43-4112	3,385	MBF	Nez Perce
H. Beavertail	CR-50-0128	5,540	MBF	Valley
I. Spruced-Up Hat	CR-50-0136	4,645	MBF	Idaho
J. East Fork Shorts	CR-50-0144	2,905	MBF	Idaho
K. South Williams	CR-60-0177	5,285	MBF	Elmore

DISCUSSION: Governor Otter expressed concern that all of the southern timber sales are more than a hundred miles from the closest log mill and are not doing well. He suggested projecting sale information so a potential investor might consider retrofitting one of the closed mills. He encouraged the Department to contact the timber industry to investigate this scenario. Director Bacon stated the Department will contact the timber industry. Some studies have been completed on the south Idaho timber supply and a big issue is the lack of activity on federal lands. Director Bacon stated the Department will also contact the Idaho Department of Commerce to see if there are opportunities for incentives.

3. Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in Fiscal Year 2009 – Staffed by Brian Shiplett, Chief, Bureau of Fire Management

DEPARTMENT RECOMMENDATION: Authorize the Department to issue deficiency warrants necessary to pay the fire suppression costs beyond the \$231,800 appropriation for fiscal year 2009.

BOARD ACTION: Approved.

4. State Participation as a Member of: *[Staffed by Brian Shiplett, Chief, Bureau of Fire Management]*

- A. Southern Idaho Timber Protective Association
- B. Clearwater-Potlatch Timber Protective Association

DEPARTMENT RECOMMENDATION: That the State continue to participate as a member of the Southern Idaho Timber Protective Association.

BOARD ACTION: Approved.

5. IDL Strategic Plan FY 2009-FY 2012 – Staffed by Patrick Hodges, Division Administrator, Support Services

DEPARTMENT RECOMMENDATION: Direct the Department to submit the FY 2009-FY 2012 Strategic Plan to the Division of Financial Management by the July 3, 2008 deadline.

DISCUSSION: Governor Otter stated that last year the Board expressed the importance of establishing in the public mindset the difference between endowment lands and public lands and how the Board's fiduciary responsibility on endowment lands is directed by the Idaho Constitution and not necessarily by the will of the public. He reaffirmed his desire that the Department continue with this effort.

BOARD ACTION: Approved.

6. Minutes – approved

- A. Regular Land Board Meeting – May 15, 2008

• **REGULAR**

7. Endowment Fund Investment Board Manager's Report – Presented by Andy Potter, EFIB

A. Monthly Report

The Endowment Fund will meet on August 11 to develop a recommendation on distributions to the beneficiaries for Fiscal Year 2010. The Land Board will be asked to set the FY2010 distributions at its August 19, 2008 regular meeting. Guidelines proposed by the EFIB are included in the endowment fund section of the asset management plan.

B. Investment Report

For fiscal year through May 31 the Fund was up 2.8% and is ahead of its benchmark for the fiscal year. All managers are performing as expected.

C. Asset Management Plan – Endowment Fund Section

For the past two years, the EFIB has been developing a comprehensive set of workable guidelines to govern the administration of all endowment assets to ensure the fulfillment of the constitutional mandate to maximize the long-term revenues for the beneficiaries. The final land management sections were approved at the December 2007 meeting. The only section that remains to be completed is one that deals with the management of the financial assets of the endowments. Attachment 1 is a proposed section on endowment fund management for the Land Board's review and comment. Included in the financial asset section is a proposed policy on distribution to beneficiaries. The EFIB will use this to make recommendations to the Land Board at the August meeting. Approval is not being requested at this time, but comments and questions are welcome. A final draft of this section will be presented to the Land Board for approval at the July 17 meeting.

No action was taken on this agenda item.

8. Request to Clear Property Title by the Idaho Department of Fish and Game – Presented by Gregg Servheen, Wildlife Program Coordinator, Idaho Department of Fish and Game

DEPARTMENT RECOMMENDATION: Allow the Idaho Department of Fish and Game to clear title of property by approving quitclaim deeds to landowners Timm Johnson and Earl Wuthrich.

DISCUSSION: None.

BOARD ACTION: A motion was made by Secretary of State Ysursa to adopt the Department's recommendation. Controller Jones seconded the motion. The motion carried on a vote of 4-0, with Superintendent Luna being absent for this vote.

9. 2009 Rent Changes for the Payette Lake and Priest Lake Cottage Sites – Presented by Mike Murphy, Chief, Bureau of Surface and Mineral Resources, IDL

DEPARTMENT RECOMMENDATION: That the Board apply the rent increase to the 2009 Payette Lake cottage site rent consistent with the 2008 Valley County Assessed values. The Department also recommends that the Board apply the indexing method to the Priest Lake cottage sites as outlined in the cottage site lease for the 2009 rent at the Columbia Valuation Group recommended rate of 23%.

DISCUSSION: A verbatim transcript will be available upon written request to Susan Terry, Department of Lands, Post Office Box 83720, Boise ID 83720-0050. An electronic version of the transcript can be requested by email to sterry@idl.idaho.gov.

BOARD ACTION: A motion was made by Secretary of State Ysursa to raise the rate for cottage site rent across the board for next year at fifteen percent for waterfront and secondary lots at Payette Lake and lakefront lots at Priest Lake. Controller Jones seconded the motion for discussion purposes. Controller Jones noted that Secretary of State Ysursa indicated a need for additional time to continue reviewing this matter. She asked that Secretary of State Ysursa amend his motion to a time certain. Secretary of State Ysursa amended his motion that the Board raise the rate for cottage site rent across the board fifteen percent with the proviso that the subcommittee will report back to the Board on or before December 1, 2008, with a new methodology on price. Controller Jones seconded the amended motion. The amended motion carried on a vote of 4-0, with Superintendent Luna being absent for this vote.

At this point, the Board moved forward to Executive Session. At 10:30 a.m., a motion was made by Controller Jones to resolve into Executive Session pursuant to Idaho Code §§ 67-2345 (1)(b) and (1)(f) for the purpose of evaluating an employee and to communicate with legal counsel regarding pending litigation. The motion carried by unanimous consent.

• EXECUTIVE SESSION

- A. To consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student; [[Idaho Code § 67-2345\(1\)\(b\)](#)]
- B. ~~To conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency; [[Idaho Code § 67-2345\(1\)\(c\)](#)]~~ - WITHDRAWN
- C. To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement. [[Idaho Code § 67-2345\(1\)\(f\)](#)]

At 11:03 a.m., the Board resolved into Regular Session by unanimous consent. The Executive Session was conducted pursuant to Idaho Code § 67-2345 (1)(b) and (1)(f) for the purpose of evaluating an employee and to communicate with legal counsel regarding pending litigation. No action was taken by the Board during the Executive Session.

BOARD ACTION UPON RETURN TO REGULAR SESSION

At 11:05 a.m., a motion was made by Controller Jones that the salary of Director Bacon be increased to policy. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 4-0, with Superintendent Luna being absent for this vote.

At 11:07 a.m., Attorney General Wasden left the meeting.

For the record, Governor Otter complimented Director Bacon for doing a tremendous job in meeting expectations and for executing strategy, including the management of the resource base and personnel and for the strategic plan for the future. Director Bacon has demonstrated creativity in his efforts to increase the maximum return from the endowment assets of the state. Secretary of State Ysursa and Controller Jones concurred with Governor Otter's remarks.

• INFORMATION

Background information was provided by presenters as indicated below. No Land Board action is required on the Information Agenda.

10. Minerals Program Presentation – *Presented by Eric Wilson, Program Manager, Navigable Waters/Minerals Regulatory Program and Sharon Murray, Program Manager, Minerals Leasing, Bureau of Surface and Mineral Resources, IDL*

DISCUSSION: Governor Otter asked how the Department will handle leases on solar and wind. Director Bacon stated those activities are identified in the asset management plan as revenue sources, and it appears there are numerous opportunities in the future. In coordination with the Western States Land Commissioners, the Department has developed a draft lease that is currently under review by the Attorney General's office. The lease identifies royalties, payments and production requirements. A couple of projects are being floated around the state that will involve endowment land if the projects are allowed to go forward. Generally the state will be a minor player because of the disposition of the state land. Transmission lines are also incorporated into the lease language, as are outbuildings, maintenance sheds, access roads and substations. Director Bacon added that once the Attorney General's office provides their comments and the lease is finalized, the Department will be ready to move forward, and the timing may be right.

11. Idaho Admissions Act, Section 7 and Sale of Federal Public Land – *Presented by Bob Brammer, Assistant Director, Lands, Minerals, Range*

DISCUSSION: Secretary of State Ysursa noted BLM recently sold some tracts of land around Council. He asked how and when the state receives the money from BLM. Mr. Andy Potter responded that the EFIB receives the money from the Idaho Treasurer on a yearly basis, usually in late November or early December.

