



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

Final Minutes
Regular Land Board Meeting
February 17, 2009

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, February 17, 2009, in Boise, Idaho. The meeting began at 9:10 a.m. in the second floor courtroom of the Borah Building. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Ysursa
Honorable Attorney General Lawrence Wasden
Honorable State Controller Donna Jones
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter recognized the presence of a quorum.

• **CONSENT**

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

1. Director's Report – approved

- A. Interest Rate on Department Transactions – February 2009
- B. Timber Sale Activity Report
- C. Timber Sale Official Transactions – January 2009
- D. Legal Matter Summary
- E. Bureau of Surface and Mineral Resources, Official Transactions – January 2009
- F. Fire Settlement Information

DISCUSSION: Director Bacon referred to the Timber Sale Activity Report chart showing monthly harvest value. He noted the chart reflects a down turn in harvest levels, which typically occurs this time of year. More activity is generally seen after the spring break up. He commented it will be interesting to see if the activity comes back as normal or if it is delayed. To date approximately \$50 million has been earned and that figure could go as high as \$64-\$65 million. Last year \$75 million gross was earned.

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

<u>NORTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. White Creek	CR-20-0266	27,543	TONS	Bonner	Pend Oreille (Sandpoint)

SOUTH OPERATIONS

B. White Pine Seed	CR-40-0980	6,785	MBF	Clearwater	Clearwater (Orofino)
C. Johnson Meadow Commercial	CR-40-0987	3,270	MBF	Clearwater	Clearwater (Orofino)
D. French Pole	CR-40-0988	3,270	MBF	Clearwater	Clearwater (Orofino)
		154,175	LF		
E. South Reeds Pole	CR-40-1024	760	MBF	Clearwater	Clearwater (Orofino)
		190,310	LF		
F. 32 Select	CR-40-1025	6,200	MBF	Clearwater	Clearwater (Orofino)
G. Caribel Commercial	CR-42-5033	7,385	MBF	Idaho	Maggie Creek (Kamiah)

3. **Request for Approval to Sell the Wolf Lodge Holding Ponds Owned by the Idaho Department of Fish and Game (Kootenai County)** – Staffed by Tracey Rauch, Bureau of Surface and Mineral Resources and Steve Elam, Idaho Department of Fish and Game – **approved**

RECOMMENDATION: Direct the Idaho Department of Fish and Game to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

4. **Request to Surplus Property Owned by the Idaho Department of Fish and Game – Deep Creek (Boundary County)** – Staffed by Tracey Rauch, Bureau of Surface and Mineral Resources and Steve Elam, Idaho Department of Fish and Game – **approved**

RECOMMENDATION: Direct the Idaho Department of Fish and Game to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

5. **Request for Approval to Sell the Orofino/Grangemont Check Station Site Owned by the Idaho Department of Fish and Game (Clearwater County)** – Staffed by Tracey Rauch, Bureau of Surface and Mineral Resources and Steve Elam, Idaho Department of Fish and Game – **approved**

RECOMMENDATION: Direct the Idaho Department of Fish and Game to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

6. **Request for Approval to Sell St. Anthony Property Owned by the Idaho Department of Fish and Game (Fremont County)** – Staffed by Tracey Rauch, Bureau of Surface and Mineral Resources and Steve Elam, Idaho Department of Fish and Game – **approved**

RECOMMENDATION: Direct the Idaho Department of Fish and Game to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

7. **Request for Approval to Sell Gardenia Access Property Owned by the Idaho Department of Fish and Game (Boise County)** – Staffed by Tracey Rauch, Bureau of Surface and Mineral Resources and Steve Elam, Idaho Department of Fish and Game – **approved**

RECOMMENDATION: Direct the Idaho Department of Fish and Game to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

8. Request for Approval to Sell the Bennett Patrol Cabin Site Owned by the Idaho Department of Fish and Game (Elmore County) – Staffed by Tracey Rauch, Bureau of Surface and Mineral Resources and Steve Elam, Idaho Department of Fish and Game – **approved**

RECOMMENDATION: Direct the Idaho Department of Fish and Game to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

DISCUSSION ON AGENDA ITEMS 3-8: Secretary of State Ysursa asked if interest has been expressed in these parcels by private parties. Mr. Elam stated the parcels were offered to all state agencies and local counties. Calls have been received from private parties on a couple of the parcels. Secretary of State Ysursa asked if the September appraisal is still valid. Mr. Elam stated if adequate interest is not received at auction, it may be necessary to update the appraisals to reflect the current market value.

9. Minutes – approved

A. Regular Land Board Meeting – January 20, 2009

• **REGULAR**

10. Endowment Fund Investment Board Manager's Report – Presented by Larry Johnson, Manager of Investments, EFIB

A. Monthly Report

- For all endowments, estimated reserves as of December 31 are at least three times the size of the approved FY 2009 distributions.
- There were no meetings or actions of the Investment Board in the past month.
- The EFIB is supporting the Treasurer in developing legislation that would clarify the process by which school bonds are guaranteed by the state and the Public School endowment fund.
- On February 5, EFIB staff made its JFAC budget presentation and covered the updated forecast on earnings reserves and the Land Board's distribution policy. The presentation was well received.
- The EFIB is currently seeking new investment managers for Mid-Cap Growth and Emerging Markets mandates. Selection may be completed as early as February.
- HB 20 passed both the House and the Senate.

B. Investment Report

- Fiscal year-to-date loss through January is a negative 26.2%.
- 5.2% was lost in January.
- Investment managers are performing as expected.

No action was taken on this agenda item.

11. ~~FY 2010 Public School Endowment Distribution~~ — Requested by Tom Luna, Superintendent of Public Instruction – **This item was withdrawn at the request of Superintendent Luna.**

Superintendent Luna requested unanimous consent to withdraw this agenda item. Without objection, the item was withdrawn.

DISCUSSION: Superintendent Luna stated he previously submitted a budget to the Legislature identifying approximately \$62 million in cuts to the public education fund. He believes the cuts can be made without a long term negative impact on gains in student achievement. He made it clear that additional cuts would require looking at other sources of revenue, and last week he requested that this item be added to the agenda to discuss the possibility of a one-time distribution from the earnings

reserve. However, due to the potential of federal dollars coming to Idaho, specifically \$245 million in budget stabilization funds targeted for education only, more time will be needed to determine the necessity of such a request. For that reason, he asked for unanimous consent to withdraw this item with the caveat that should the budgetary situation change, he reserves the right to bring this topic before the Board at a later date.

Secretary of State Ysursa commented that should this item come back before the Land Board, it should be vetted first by the Endowment Fund Investment Board, with the EFIB providing a recommendation to the Land Board.

Attorney General Wasden added the Land Board has a fiduciary responsibility to its current beneficiaries as well as a commensurate fiduciary responsibility to future beneficiaries. Taking a dollar today inhibits the ability to distribute that dollar in the future. He commented the Land Board has to look at the whole issue in the context of its constitutional fiduciary responsibility.

12. Request for Authorization to Reoffer Sales Without Additional Land Board Approval – Presented by David Groeschl, Assistant Director, Forestry and Fire

DEPARTMENT RECOMMENDATION: Authorize the Department to reoffer sales that do not sell at the first auction without further Board approval as long as reappraised rates are not below minimum rates or development costs are not more than fifty percent of net value as per current Board policy. Sales where reappraised rates are below minimum rates or where development costs exceed 50% of net sale value will continue to be brought back to the Board for approval.

DISCUSSION: Governor Otter stated he understands that the Department needs to be able to take advantage of timely market placement. However, he would like the Department to suggest that if the price goes beyond a twenty or twenty-five percent reduction, or whatever figure the Board requires, that there be a reconnect between the Department and the Board.

Assistant Director David Groeschl stated this request does have sideboards. The Department currently follows two existing Land Board policies. One is fifty percent of net sale value. If the Department reappraised a sale, and the price dropped enough so that development cost exceeded fifty percent of net sale value, the Department would come before the Land Board for approval under that situation as well as the caveat on price. Once a sale is reappraised, if the reappraised rate is below minimum bid rates, the Department would return to the Board for re-approval. If a reappraisal for a second or third offering were to trigger either of those thresholds, the Department would return to the Board for re-approval.

BOARD ACTION: A motion was made by Secretary of State Ysursa to adopt the Department's recommendation. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

- *Governor Otter left the meeting at 9:30 a.m. Secretary of State Ysursa chaired the remainder of the meeting.*

13. Land Board Off-Site Meeting Locations for 2009 – Presented by George Bacon, Director

DEPARTMENT RECOMMENDATION: That the Board direct the Secretary to establish two regular meetings of the State Board of Land Commissioners outside of Boise with the June meeting in McCall and an October meeting in Moscow.

DISCUSSION: Attorney General Wasden asked about the possibility of video conferencing to reduce costs for the Moscow meeting. Land Board members would need to travel to Moscow, but it may not be necessary for other staff to travel.

Controller Jones suggested that the meeting time for the McCall meeting be moved to 1:00 p.m. to eliminate the need for overnight travel and per diem costs.

