



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

June 15, 2010

Prior to beginning the Land Board meeting, Governor Otter recognized Director Bacon and the Department of Lands for receiving the Platinum Level Alternative Transportation award for their May in Motion program this year. The May in Motion program is sponsored by the Ada County Highway District Commuteride. Sixty-seven companies participated in the event, and the Idaho Department of Lands was one of the few to be awarded Platinum-Level recognition. Through the efforts of May in Motion, vehicle trips dropped by 57,330, countless gallons of gasoline were saved and fewer harmful emissions were added to our air.

Governor Otter offered his congratulations to Director Bacon and the Department of Lands on their achievement. On behalf of the Department, Director Bacon recognized Jane Wright, Renee Miller and many other Department staff for their hard work in carrying this effort forward.

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 15, 2010, in Boise, Idaho. The meeting began at 9:08 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 (*via conference phone*)

Honorable Attorney General Lawrence Wasden

Honorable State Controller Donna Jones

Honorable Superintendent of Public Instruction Tom Luna (*via conference phone*)

Governor Otter recognized the presence of all members of the Board with the exception of Superintendent Luna. Secretary of State Ysursa joined the meeting via conference call at 9:08 a.m. and left the meeting at approximately 10:00 a.m. Superintendent Luna joined the meeting via conference call at 9:21 a.m. and left the meeting at approximately 10:05 a.m.

To accommodate a request from participants, Governor Otter requested that Director Bacon begin the Department's presentation with agenda item nine, approval of the i-minerals long-term commercial lease.

BOARD ACTION: A motion was made by Attorney General Wasden to amend the agenda to allow the Board to hear agenda item nine at this point. Attorney General Wasden also noted that Superintendent Luna has expressed a desire to address an item on the Consent Agenda and will be joining the meeting by conference call soon. Controller Jones seconded the motion. The motion carried on a vote of 4-0, with Superintendent Luna being absent from this vote.

9. Request for Approval of Long-term Commercial Lease to i-minerals USA, Inc. – Presented by Jane Wright, Strategic Business Unit and Eric Wilson, Lands, Minerals, Range Division

DEPARTMENT RECOMMENDATION: That the Board approve issuance of a long-term commercial lease to i-minerals USA, Inc.

DISCUSSION: Regarding the public hearing for this lease, Governor Otter asked if all legal notice requirements were met, such as notifying the public in a timely manner of the meeting date, location and time. Ms. Wright stated yes and added that legal counsel was involved throughout the process.

Governor Otter then asked if anyone in the audience wished to address the Board regarding this agenda item. Ms. Jane Wittmeyer, Wittmeyer & Associates, came forward on behalf of i-minerals USA, Inc. Ms. Wittmeyer stated i-minerals is a good project that will help fund the endowments and will provide sixty to eighty new jobs in the area, along with associated economic contributions in the form of taxes and revenues.

i-minerals is a minerals exploration and processing company organized and led by Roger Kaufman of Hayden Lake. The i-minerals team has over thirty-five years of experience in mining. Ms. Wittmeyer noted that some concerns have been expressed about i-minerals being a Canadian company. In response, she stated that Canadian financing companies are very familiar with this type of mining and exploration, and they have issued a letter indicating that once the lease is approved by the Board and signed by both parties, they will complete their due diligence on the company, but that they feel very strongly that i-minerals is a well-managed company that will be able to meet financing requirements. Ms. Wittmeyer stated i-minerals is also prepared to meet all of the lease requirements, including state and federal permits.

Ms. Wittmeyer expressed her appreciation to all of the staff who have worked with i-minerals on the details of this lease and stated i-minerals looks forward to working with the Department of Lands' local area manager, who has also been very helpful in putting this lease together.

At this time, Mr. Joe Baird, legal counsel for i-minerals USA, Inc., joined Ms. Wittmeyer to address the Board. Attorney General Wasden asked Mr. Baird, for confirmation that i-minerals has had an opportunity to read the draft lease and that they agree with its terms and agree to abide by those terms. Mr. Baird stated "there is no question about it. It was an extensive process." Mr. Baird stated that he and his partner worked closely with the Attorney General's office and developed a good understanding of each others' concerns. He expressed his belief that it was a very positive, educational process on both sides.

Governor Otter asked if the draft agreement was discussed at the public hearing. Mr. Lamar Long of i-minerals joined Ms. Wittmeyer at the table and stated that the overall lease was mentioned when the lease phases were explained, such as phase one includes the need for i-minerals to obtain permits before entering into phase two. He stated that was the only time the lease was discussed at the public hearing.

BOARD ACTION: A motion was made by Attorney General Wasden to approve issuance of a long-term commercial lease to i-minerals USA, Inc. Controller Jones seconded the motion. The motion carried on a vote of 5-0.

At the conclusion of agenda item nine, Governor Otter noted that the Board would, without objection, return to the Consent Agenda beginning with item one.

- **CONSENT**

1. **Director's Report – approved**

- A. Interest Rate on Department Transactions – June 2010
- B. Timber Sale Activity and Information Report – May 2010
- C. Division of Lands, Minerals, Range Official Transactions – May 2010
- D. Legal Matter Summary – May 2010
- E. Fire Settlement Information – May 2010

DISCUSSION: Director Bacon noted that the *Market Trends and General Outlook* section of the Timber Sale Activity and Information Report (item 1-B) indicates a softening of lumber prices but that this is a normal softening usually seen after the first throes of spring when a lot of timber is added under contracts. He commented that the Department is cautiously hopeful for a continued recovery throughout the nation and anticipates a fairly good year.

Related to the availability of stumpage and bidders for that stumpage, Governor Otter asked Director Bacon to provide an update on the status of the Three Rivers Timber mill. He noted that the mill closed, and it was anticipated that it would be dismantled, which would have rendered it useless for future use as a lumber mill and as a potential customer for stumpage. Currently, however, there is a successful bidder for the mill and within a few days the mill could be reopened, which would add about 180 jobs to the local economy. He asked if there is enough available inventory to get the mill up and running. Director Bacon stated it is the Department's understanding that an offer was made and accepted by the Receiver. The Receiver is now shopping that offer to see if anyone might want to beat it. That shopping will continue through the end of this week at which point a decision will most likely be made. The potential purchaser has expressed an interest in acquiring two of the three sales that Three Rivers Timber has under contract. He is not interested in the third sale because the timber is too large. It is the Department's understanding that the newly opened mill plans to run only the small mill side and not the entire operation. Director Bacon commented that there is timber that goes with the mill if the purchaser wants those sales, and it sounds like he does. That timber will get the mill started and the Department's sales plan and proposals that will come

forward throughout the rest of the summer will provide plenty of opportunity for the mill to bid for additional timber.

For the record, Attorney General Wasden offered a point of clarification that the discussion regarding the status of Three Rivers Timber is simply informational as it relates to the stumpage matter and that no action is required by the Board. Governor Otter agreed that the discussion is informational, and no action is required. He added that it is good news that the mill will not be dismantled and will be operational again.

2. Endowment Fund Investment Board Manager's Report – Staffed by Larry Johnson, Manager of Investments, EFIB – approved

A. Manager's Report

Referencing the Manager's monthly report, Mr. Johnson stated that, except for Public Schools, all endowments have reserves of four years or more. Public Schools is still on track to end 2012 with two years of reserves.

Mr. Johnson stated that at a prior Land Board meeting a question was raised about how quickly the Public School endowment could build its reserves. He stated that approximately \$90 million would need to be added to the reserves to reach the five-year level and that would take about seven years assuming average land revenues and an average fund return of seven to eight percent.

Attorney General Wasden commented that the earlier discussion concerned whether the timeframe was 28 years, or some other number, to bring Public Schools to the five-year reserve level. He asked Mr. Johnson if he was now informing the Board that it was not 28 years but about six or seven years instead. Mr. Johnson stated that 28 years was arrived at using a low case scenario related to land revenues and fund returns. If averages are used for the calculation, it would take about seven years. To clarify for the record, Superintendent Luna stated that the assumptions used previously to arrive at the 28-year figure were based on projections provided by endowment managers. The assumptions were the same assumptions used when the Board discussed whether to increase the distribution to public schools this year.

Mr. Johnson reported the Investment Board held its regular meeting on May 18, and, at that time, voted to formally recommend that the Land Board use the current policy when setting budgeted distributions for 2011. The Investment Board also discussed the four requests made by Superintendent Luna regarding distributions and developed a work plan to address those issues. Mr. Johnson stated most of the effort is contingent on a long-term land revenue forecast for each endowment, and the Department of Lands is working on that forecast. The Investment Board will be ready by the Land Board's December meeting to present options for adjusting the distribution rate and level of reserves should the Board chose to do so. Mr. Johnson noted that the timing of this decision would be late in the budget cycle. However, it is anticipated that the EFIB is unlikely to present options that

would result in any reduction in distributions from the August recommendations so it should not be materially disruptive to the budget process should the Land Board decide to maintain or increase distributions. Mr. Johnson stated the work plan and timeline for addressing the questions have been included in the notebooks for this meeting.

B. Investment Report

Regarding the Investment Report, Mr. Johnson stated a little over 5% was lost in May. Fiscal year-to-date returns dropped below 19%; however, it is likely to be a very good fiscal year. To date the June the market has been up, and the fund is performing well above its benchmarks for the fiscal year.

BOARD ACTION: Approved.

3. **Approve 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. Lower Devil	CR-10-0387	2100	MBF	Bonner	Priest Lake (Coolin)
B. Luckier Log	CR-10-0389	1800	MBF	Bonner	Priest Lake (Coolin)
C. Larch Resurrection	CR-30-0570	6070	MBF	Benewah	St. Joe (St. Maries)
D. Adams-Finn	CR-30-0575	5750	MBF	Benewah Shoshone	St. Joe (St. Maries)
E. Leinenkugel	CR-30-0576	5290	MBF	Benewah	St. Joe (St. Maries)
F. Mica-Green	CR-30-0582	5545	MBF	Shoshone	Cataldo (Kingston)
G. Coal Creek OSR	CR-31-0019	1450	MBF	Shoshone	Cataldo (Kingston)
<u>SOUTH OPERATIONS</u>					
H. West Hodson	CR-40-1033	7640	MBF	Clearwater	Clearwater (Orofino)
I. Rock Ridge	CR-42-5039	4305	MBF	Clearwater	Maggie Creek (Kamiah)
J. E.T. Pulp	CR-42-5040	13430	MBF	Clearwater	Maggie Creek (Kamiah)
K. DisSonner	CR-50-0156	27396	TONS	Adams	Payette Lakes (McCall)
L. South Howell	CR-60-0181	17059	TONS	Boise	Southwest (Boise)
M. Dry Buck Select	CR-60-0184	6925	TONS	Boise	Southwest (Boise)

DISCUSSION: Governor Otter asked about sale E, Leinenkugel. He noted a substantial increase for white pine over all of the other contracts. He asked why this contract was higher. Director Bacon stated it may be related to the timing of the appraisal and the logging costs associated with that particular species. If expensive systems are required for logging, such as skyline cable systems, logging costs are taken out of delivered log prices resulting in a much lower value.

BOARD ACTION: Approved.

4. **Disclaimer of Interest for the former bed of the Snake River – Idaho Power Company (Ada County) – Staffed by Kurt Houston, Operations Chief-South – approved**

DEPARTMENT RECOMMENDATION: That the Board direct the Department to issue a disclaimer of interest for seven parcels totaling 5.11 acres of the former bed of the Snake River and to require Idaho Power Company to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department of Lands for this transaction.

DISCUSSION: Governor Otter asked if the twenty-five foot easement and its proximity to the high watermark is an extension of the green belt. Director Bacon stated it is his understanding that Idaho Power plans to develop the area for recreational use; however, he does not know if it will connect to the green belt.

BOARD ACTION: Approved.

5. **Request to Change Disposal Method for the Idaho Department of Labor's Former Real Property Interest located at 771 North College Road, Twin Falls – Staffed by Tracey Rauch, Lands Program Specialist – approved**

DEPARTMENT RECOMMENDATION: That the Board direct IDL to proceed with the disposal of the surplus property by any of the methods authorized by Idaho Code § 58-332(3), including negotiation, which may result in a sale less than the appraised value.

DISCUSSION: Governor Otter asked if other agencies have been notified that this property is available. Ms. Rauch stated a notice was sent to all state agencies and no letters of interest have been received. Governor Otter asked if any other governmental entities have been notified. Ms. Rauch stated she recently received a letter expressing interest from a public charter school.

BOARD ACTION: Approved.

6. **Request to Complete the Sale and Transfer of the Idaho Department of Fish & Game Gardena Surplus Property to Boise County – Staffed by Steve Elam, Department of Fish and Game – approved**

DEPARTMENT RECOMMENDATION: That the Board direct the Department to complete the sale and transfer of the surplus property located in Boise County, Idaho, to Boise County based on Boise County's February 22, 2010 offer at the appraised price of \$125,000.

DISCUSSION: Governor Otter asked what the Department of Fish and Game had used this property for in the past. Mr. Steve Elam, Department of Fish and Game, responded that this is a 6.4-acre parcel on the Payette River. The property was acquired by the Department of Fish and Game through a legal matter in which an unauthorized individual sold some Department of Fish and Game property. This property was then deeded to the Department in exchange for that sale. Currently the property is an access site. It is not developed. Governor Otter asked if the

Department of Fish and Game plans to retain certain access easement rights. Mr. Elam stated as of now, the Department of Fish and Game does not have any access easement rights on the property.

BOARD ACTION: Approved.

7. Department of Lands' Annual Strategic Plan FY 2011 Update – Staffed by Patrick Hodges, Division Administrator, Support Services – approved

DEPARTMENT RECOMMENDATION: That the Board direct the Department to submit the FY 2011-FY 2014 Strategic Plan to the Division of Financial Management by the July 1, 2010 deadline.

DISCUSSION: NONE.

BOARD ACTION: Approved.

8. Minutes – approved

A. Regular Land Board Meeting – May 18, 2010

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

• **REGULAR**

9. Through action taken by the Board, this item was moved to the beginning of the agenda. (refer to page 2)

10. Communication Site Rental Rates – Presented by Mike Murphy, Chief, Bureau of Surface and Mineral Resources

DEPARTMENT RECOMMENDATION: That the Board adopt a new communication site rental rate policy that allows the Department to use a calculated base rate as the starting point for lease rental rate negotiations, to establish a 25% co-locator rate, and to establish an annual flat rate rent increase of 3%.

DISCUSSION: None.

BOARD ACTION: A motion was made by Attorney General Wasden to move the Department's recommendation that the Land Board adopt a new communication site rental rate policy that allows the Department to use a calculated base rate as the starting point for lease rental rate negotiations, to establish a 25% co-locator rate, and to establish an annual flat rate rent increase of 3%. Controller Jones seconded the motion. The motion carried on a vote of 3-0, with

Secretary of State Yursa and Superintendent Luna being absent from this vote. *[Aye: Otter, Wasden, Jones; Nay: 0; Absent: Yursa, Luna]*

- **INFORMATION**

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

11. Cottage Site Rental Rates – Presented by Mike Murphy, Chief, Bureau of Surface and Mineral Resources

DISCUSSION: None.

12. Idaho Joint Land Use Study: Mountain Home Air Force Base/Range Complex and the Gowen Field/Orchard Training Area – Presented by Kate Langford, Strategic Business Unit

DISCUSSION: Governor Otter asked if this study includes the addition of, or any needs for, the Joint Strike Fighter F-35. Ms. Langford stated the study is intended to support the ongoing mission of either the Air Force base or Gowen Field regardless of a change in mission. It will provide maximum flexibility whether it is the F-35 or some other aircraft or, in the case of Gowen Field and Orchard Training Area, some other tract vehicle that might come in for training. There is maximum flexibility with regard to noise and over flight considerations and some of the clear zones that have to be maintained at the ends of the runways. It is really to address encroachment issues. Idaho is in a unique situation to take pro-active measures in supporting the operations of the military base.

Ms. Langford noted that about four areas of trust lands will be impacted, or have the potential to be impacted, so some management issues will have to be worked out over time. The Department has a long standing relationship with both the Air Force and the National Guard in Idaho. They have been clients for quite some time so no difficulties are foreseen in reaching resolution on any issues that may arise.

- **EXECUTIVE SESSION**

None

There being no further business to come before the Board, at 10:11 a.m. a motion was made by Attorney General Wasden to adjourn. Controller Jones seconded the motion. The motion carried on a vote of 3-0, with Secretary of State Yursa and Superintendent Luna being absent from this vote. *[Aye: Otter, Wasden, Jones; Nay: 0; Absent: Yursa, Luna]*

Meeting adjourned.

