



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board

Ben Yursa, 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

October 19, 2010 – Off-site Meeting Location: Twin Falls City Council Chambers

The October 19, 2010 regular meeting of the State Board of Land Commissioners was held at the Twin Falls City Council Chambers, 305 3<sup>rd</sup> Avenue East, Twin Falls. Prior to beginning the meeting, Governor Otter presented a ceremonial check in the amount of \$1,345,229.67 to Patti O'Dell, Associate Superintendent of Twin Falls School District 411. The check represents moneys generated by the State Land Board and Idaho Department of Lands through active management of Public School trust lands.

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Final Minutes

Regular Land Board Meeting

October 19, 2010

The Idaho State Board of Land Commissioners' meeting began at 9:01 a.m. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Yursa

Honorable Attorney General Lawrence Wasden

Honorable State Controller Donna Jones

Honorable Superintendent of Public Instruction Tom Luna

Secretary to the Board George Bacon, Director, Idaho Department of Lands

For the record, Governor Otter noted all members of the State Land Board were present.

• **CONSENT**

**1. Director's Report**

A. Interest Rate on Department Transactions – October 2010

B. Timber Sale Activity and Information Report – September 2010

C. Division of Lands, Minerals, Range Official Transactions – September 2010

D. Legal Matter Summary – September 2010

E. Fire Settlement Information – September 2010

F. Fire Season Report

*DISCUSSION:* Regarding Item 1-B, Timber Sale Activity and Information Report, Director Bacon stated that timber revenue is the Department’s largest single source of income, and it drives the endowment funds. Currently the Department has reached the highest level it has ever had with 470 million board feet under contract with an estimated value of \$94 million. At this point projections are slightly above low income projections, and the Department is optimistic that medium projections will be reached by the end of the fiscal year.

**2. Endowment Fund Investment Board Manager’s Report – Prepared by the office of Larry Johnson, Manager of Investments, EFIB, and presented by George Bacon, Director, Department of Lands**

- A. Manager’s Report
- B. Investment Report

*DISCUSSION:* Director Bacon presented information provided by the office of the Endowment Fund Investment Board. The fund is up 7.2% month-to-date and 13% fiscal year-to-date. Reserves for all endowments are approximately 4.5 times the size approved for 2011 distributions, with Public School at 2.5 times. The Investment Board reports no significant actions, compliance or legal issues.

**3. Approve Timber Sales – Staffed by Roger Jansson, Operations Chief-North, and Kurt Houston, Operations Chief-South**

NORTH OPERATIONS

				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. Lost River Pig	CR-10-0398	2,550	MBF	Bonner	Priest Lake (Coolin)
B. Ruby Tuesday	CR-41-0058	8,620	MBF	Latah	Ponderosa (Deary)

SOUTH OPERATIONS

				<u>COUNTY</u>	<u>AREA OFFICE</u>
C. School Shelter Resale	CR-42-5053	1,302	MBF	Idaho	Maggie Creek (Kamiah)

*DISCUSSION:* Referring to South Operations Sale C, School Shelter Resale, Governor Otter asked if the State gained or lost income on this resale. Director Bacon stated if the School Shelter Resale is sold for the appraised price, the State will lose 40% to 50%; however, final results are not in. Governor Otter estimated the State’s loss at approximately \$125,000. Assistant Director Groeschl agreed stating “roughly, yes.”

Attorney General Wasden asked about the history behind the name of North Operations Sale A, Lost River Pig. Director Bacon stated “river pig” refers to old-time loggers who pushed logs down a river. This type of log drive historically occurred on Priest River hence the name for this sale.

**4. Revision of Signature Process on State Timber Sale Contracts – Staffed by David Groeschl, Assistant Director, Forestry and Fire**

*DEPARTMENT RECOMMENDATION:* That the Board direct the Department to discontinue the current practice of having the Governor and Secretary of State sign each timber sale contract and allow one of the following: Director, Deputy Director, Division Administrator of Forestry and Fire or the Forest Management Bureau Chief to sign and execute timber sale contracts.

*DISCUSSION:* Governor Otter asked if the Department will continue to alert him regarding any items related to Simplot to avoid a conflict of interest. Director Bacon stated yes. However, he noted the proposed signature process change deals specifically with timber sale contracts so that particular alert should not be necessary for these contracts. Currently a process is in place to alert Governor Otter about leases involving Simplot and that process will not change.

## 5. Approval of Minutes – September 21, 2010 Regular Meeting

**CONSENT AGENDA BOARD ACTION:** A motion was made by Controller Jones to approve the Consent Agenda as presented. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

- **REGULAR**

## 6. Mid-term Vision and Strategy for State Trust Land Assets and Performance – Presented by Kathy Opp, Deputy Director

*DEPARTMENT RECOMMENDATION:* That the Board (1) direct the Department to pursue a mid-term (10-20 year) strategy focused on developing and acquiring commercial income producing assets and in geographically strategic locations and of institutional investment quality and quantity as determined by the Department and the Board; (2) that the Board direct the Department to continue activities under the approved Forest Asset Management Plan as necessary to protect the vital revenue stream provided to beneficiaries by the State's forest management.

Deputy Director Opp provided the following update:

- *Biomass.* Division Administrator David Groeschl has performed substantial analysis on biomass in the last couple of years. Biomass has a symbiotic relationship with the Department's timber management program and should be worked in tandem with that program so that it is an outflow of timber management as opposed to a standalone.
- *Solar and Transmission Lines.* With regard to other alternative energy opportunities, solar is one option that the Department is exploring. The Department is close to finalizing a GIS model developed by Department employee Kimberly Pettit as part of her Master's thesis. This model will help identify slope, aspect and solar gain and how that filter can be used to market endowment properties in relation to transmission lines, et cetera.
- *Geothermal.* In addition, staff has been working on amendments to geothermal statutes. These geothermal statute amendments will stimulate that opportunity not only for the endowment trust but for private landowners as well.
- *Wind.* With regard to wind power, significant opportunities exist to elevate the performance per acre when wind generating capacity is layered on endowment lands.

*DISCUSSION:* Governor Otter commented that the intermittent nature of wind and solar will present some challenges for the State. The Office of Energy has advised that Idaho now has 800 megawatts of wind energy that will be available for the grid. However, when considering the

existing base load, only a certain percentage of wind and solar can be added should the wind not blow or the sun not shine. Therefore, Governor Otter expressed the need for the State to work in concert with private efforts recognizing power companies will be limited in how much wind and solar they can take.

Deputy Director Opp stated that the Department is watching what other states are doing. For example, the Land Commissioner in New Mexico has been working on a cooperative around the Four Corners area where an energy storage facility is being sited specifically to address the intermittent nature of alternative energy. Ms. Opp stated that same option could be a future opportunity for siting a similar facility on endowment lands, or on other areas, to assist with that intermittent nature of the alternative energy sources.

Governor Otter noted natural gas is another important area. The Land Board has never dealt with this exciting potential before. Currently in the neighborhood of 5.2 million cubic feet of “sweet gas” [natural gas] has been found. This sweet gas does not have to be dewatered. Where this find is on state lands, the Board has an important role to play. But even when the find is not on state lands, the Board has to consider the subsurface wealth because of the royalty received by the State from private lands.

Governor Otter requested that the Department bring professionals from this field to the next board meeting, or at a meeting in the near future, to provide their opinion on whether existing rules and statutes are strong enough to protect the State. In addition, the State should become “working partners” with private entities as Idaho’s sub-surface wealth is explored. Director Bacon noted the Department will have a presentation today covering part of what has been suggested and has plans to present additional information in the future.

Secretary of State Yursa commended the Department for bringing this information forward. He supports the motion with the understanding that this is a long-term strategy consistent with previous discussions regarding constitutional language changes that may be pursued in the future. He stated this is a good first step in the process.

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

**7. Request for Approval of Long-term Commercial Lease to Windland, Inc. – Presented by Bob Brammer, Assistant Director, Lands, Minerals, Range**

*DEPARTMENT RECOMMENDATION:* That the Board approve the draft long-term commercial lease to Windland, Inc.

*DISCUSSION:* None.

*BOARD ACTION:* A motion was made by Attorney General Wasden to approve the Department’s recommendation as presented. Controller Jones seconded the motion. The motion carried on a vote of 5-0.

