



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
September 21, 2010

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, September 21, 2010, in Boise, Idaho. The meeting began at 9:01 a.m. in the second floor courtroom of the Borah Building. The Honorable Secretary of State Ben Ysursa presided. The following members were present:

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

Secretary of State Ysursa noted the presence of a quorum. For the record, Secretary of State Ysursa stated Governor Otter was absent from this meeting due to his participation in the sendoff of the Idaho National Guard 116th Cavalry Troops. The 116th Cavalry departs Boise today for training at Camp Shelby, Mississippi and will then be deployed for a ten-month tour in Iraq under Operation New Dawn.

• **CONSENT**

1. Director's Report

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

Discussion: Referring to item B, Timber Sale Activity and Information Report, Director Bacon noted timber harvest receipts are tracking fairly well although stumpage prices are down. As a result of the Department's Forest Asset Management Plan, harvested volume is high. Harvest receipts are faring better than this time last year although housing markets are weak. The

Department has seen increased activity from its purchasers and wishes them the best of luck with the hope that the continuing economic recovery will help them sell the lumber they are producing.

Directing the Board’s attention to item C, Director Bacon noted transactions related to residential cottage sites show an assignment and a premium rent paid as a part of that transaction. In addition, the report shows that several late-paying cottage site lessees have been reinstated.

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

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

Mr. Johnson stated reserves are in good shape. A copy of the EFIB audited 2010 financial statements has been sent to each Land Board member. A formal report from the EFIB Audit Committee will be presented to the Land Board at its November meeting. There are no audit issues to report.

At the end of August, the fund ended at almost 3% fiscal year-to-date. However, Mr. Johnson reported to date the fund is up almost 6%, and all investment managers are performing as expected.

At this point Mr. Johnson introduced two investment managers: Todd Marvin, Portfolio Manager, and Tim McAvoy, Marketing and Client Services, from Marvin and Palmer. Marvin and Palmer manage the EFIB international growth portfolio and will meet with EFIB staff today to provide a review of their portfolio and of their firm.

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

<u>NORTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. Deer Flats	CR-30-0554	1820	MBF	Benewah	St. Joe (St. Maries)
B. Slim-Cat OSR	CR-30-0572	3400	MBF	Shoshone	St. Joe (St. Maries)
C. Freeman	CR-41-0053	11260	MBF	Clearwater	Ponderosa (Deary)
D. Tee South	CR-41-0056	6815	MBF	Latah	Ponderosa (Deary)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
E. Meadow View	CR-40-1028	4380	MBF	Clearwater	Clearwater (Orofino)
F. Price Pit	CR-50-0164	8588	TON	Adams	Payette Lakes (McCall)

4. **Application for Dredge/Placer Permit No. P31330, Garry Dodge (Shoshone County) – Staffed by Roger Jansson, Operations Chief-North**

DEPARTMENT RECOMMENDATION: That the Board approve issuance of the permit subject to the plan submitted in the application, submission of the required reclamation bonding to the U.S. Forest Service and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

5. **Agreement for Purchase of Conservation Easement on 3,939 acres for \$3,196,202.00 (Project: McArthur Lake Wildlife Corridor) – Staffed by David Groeschl, Assistant Director, Forestry and Fire**

DEPARTMENT RECOMMENDATION: That the Board authorize the Department to acquire a conservation easement on 3,939 acres.

6. **Minutes**

- A. Regular Land Board Meeting – August 17, 2010

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 4-0, with Governor Otter being absent from this vote.

- **REGULAR**

7. **Department of Lands' Fiscal Year 2012 Budget – Presented by Patrick Hodges, Division Administrator, Support Services**

DEPARTMENT RECOMMENDATION: That the Board approve the Department Fiscal Year 2012 budget proposal as submitted to the Division of Financial Management and the Legislative Services Office.

DISCUSSION: None.

BOARD ACTION: A motion was made by Attorney General Wasden to approve the Department budget as presented. Controller Jones seconded the motion. The motion carried on a vote of 4-0, with Governor Otter absent from this vote.

- **INFORMATION**

Background information was provided by Deputy Director Opp. No Land Board action is required on the Information agenda.

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

DISCUSSION: Superintendent Luna asked what the Department is doing to explore additional opportunities and what is a more specific timeline on energy production on state endowment lands. Specifically, Superintendent Luna noted the Department has been contacted by people regarding wind energy and geothermal. He asked what the Department expects in the way of additional revenues and what percentage of the growth would be part of that portfolio. Deputy Director Opp stated the Department envisions the current “All Other Assets” portfolio performance to be from \$5 million to \$52 million per year. The Department currently is working through a significant number of wind applications.

In addition, Kimberly Pettit of the Department’s GIS staff is working on a Master’s thesis in solar potential and has created a model that will assist the Department in targeting those areas. With that information, the Department will be in the forefront and will begin to proactively target opportunities on state endowment land. Kimberly has also created a filter with GIS tools, and the Department anticipates having that information available in the next few months. Through research and talking with Department of Energy resources, it has been determined that some legislative changes will be needed to incentivize that type of activity in Idaho, not just on trust lands but for solar potential in general.

Regarding geothermal, the Department is advancing legislation that will be key to channeling geothermal opportunities into a staged-lease concept to provide the ability for interested parties to conduct research and then move into a lease for production. Of the \$52 million mentioned earlier, the Department envisions about \$16-\$20 million associated with wind, geothermal and alternative energy. The Department would transition existing assets into higher earnings while continuing to allow traditional natural resource use to occur because the footprints are small or underground.

At 9:32 a.m., pursuant to Idaho Code §§ 67-2345(1)(d) and (1)(f), Attorney General Wasden moved that the Board resolve into Executive Session for the purpose of considering records that are exempt from disclosure as provided in chapter 3, title 9, Idaho Code, and to communicate with legal counsel regarding legal ramifications of and legal options for pending litigation or controversies not yet being litigated but imminently likely to be litigated. Attorney General Wasden requested that a roll call vote be taken and that the secretary record the vote in the minutes of the meeting. Controller Jones seconded the motion. Roll Call Vote – Aye: Ysursa, Wasden, Jones, Luna; Absent: Otter. The motion passed 4-0, with Governor Otter being absent from this vote.

- **EXECUTIVE SESSION**

- A. **Idaho Code 67-2345(1)(d)** – to consider records that are exempt from disclosure as provided in chapter 3, title 9, Idaho Code. Topic: Discussion of an attorney-client document exempt from disclosure (K. Langford)
- B. **Idaho Code 67-2345(1)(f)** – 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. Topic: Threatened Litigation (K. Langford)

At 10:37 a.m. a motion was made by Attorney General Wasden to resolve out of Executive Session and that the official minutes of the meeting reflect that no action was taken during the Executive Session. Controller Jones seconded the motion. The motion carried on a vote of 4-0, with Governor Otter being absent from this vote.

At 10:38 a.m. a motion was made by Attorney General Wasden to adjourn. Superintendent Luna seconded the motion. The motion carried on a vote of 4-0, with Governor Otter being absent from this vote. Meeting adjourned.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ C. L. "Butch" Otter

C. L. "Butch" Otter
President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Ben Yursa

Ben Yursa
Secretary of State

/s/ George B. Bacon

George B. Bacon
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the October 19, 2010 regular Land Board meeting.