



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

Final Minutes
State Board of Land Commissioners' Regular Meeting
July 19, 2011

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, July 19, 2011 in Boise, Idaho. The meeting began at 9:07 a.m. in the second floor courtroom of the Borah Building, 304 North 8th Street, Boise. 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 (*via conference phone*)

For the record, Governor Otter recognized the presence of all Board members, either in person or by telephone communication.

• **CONSENT**

1. Director's Report

- A. Interest Rate on Department Transactions – July 2011
- B. Timber Sale Activity and Information Report – June 2011
- C. Division of Lands, Minerals, Range Official Transactions – June 2011
- D. Legal Matter Summary – June 2011
- E. Fire Season Report – June 2011

DISCUSSION: Reviewing the Timber Sale Activity and Information Report, Assistant Director Brammer noted that the Department sold 20 timber sales in June; the total value of those sales represents an 83% up-bid from the overall appraised value. The Department has nearly 450 MBF of timber under contract and the value of that timber is just above \$200/thousand. Domestic markets continue to be soft, with housing construction still lagging behind targets; overseas markets are keeping the market buoyed up. Referring to the Division of Lands, Minerals, Range Official Transactions, Assistant Director Brammer indicated one residential cottage site lease assignment at Priest Lake; no premium rent as it was a transfer within the family. Looking at the first Fire Season Update for this year, Assistant Director Brammer

commented that we are having a good fire season thus far, with a delay in high elevation fires due to late snowmelt and cooler spring temperatures. The Department expects an average fire season in the IDL protection area, as low elevation grasses cure. The Department has had a number of resources on assignments outside of Idaho; these assignments are reimbursable expenses which result in a savings to Dedicated and General Funds.

2. Timber Sales for Approval – 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. Johnny Horton	CR-10-0399	2,400	MBF	Bonner/ Boundary	Priest Lake (Coolin)
B. Mollie Trap	CR-10-0403	2,600	MBF	Bonner/ Boundary	Priest Lake (Coolin)
C. 26 Purdue	CR-41-0066	4,380	MBF	Latah	Ponderosa (Deary)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
D. White Doe	CR-40-1081	4,370	MBF	Clearwater	Clearwater (Orofino)
E. Left Out Trout	CR-42-5052	11,225	MBF	Clearwater	Maggie Creek (Kamiah)

3. Endowment Fund Investment Board Manager’s Report – Presented by Larry Johnson, Manager of Investments, Endowment Fund Investment Board

A. Manager’s Report – Mr. Johnson stated that distributions for FY2012 are well secured for all endowments. There were no significant actions by the Board during the month. Mr. Johnson noted that the EFIB will be presenting a recommendation regarding FY2013 distributions at the August Land Board meeting.

B. Investment Report – Mr. Johnson remarked that the Endowment Fund finished FY2011 with a very strong return of 24.7%. In June the Fund lost 1.1% and July month-to-date the Fund is down approximately 0.8%. However, FY2011 was a very good year for the Endowment Fund and the EFIB anticipates that three more funds have crossed their gain benchmarks. All managers are performing as expected.

4. Request for Approval to Sell Withers Surplus Property Owned by the Department of Fish & Game – Staffed by Steve Elam, Idaho Department of Fish & Game

DEPARTMENT RECOMMENDATION: That the Board direct the Department to complete the fee simple sale and transfer the surplus property located in Valley County, known as the 80-acre Withers Ranch, to the US Forest Service at the appraised value of \$410,000.

DISCUSSION: Governor Otter inquired if any federal agency enjoys a first right of refusal in acquiring surplus property. Assistant Director Brammer responded that our process requires the Department to solicit interest from any public entity, including other state agencies. Governor Otter asked if a private party could out-bid a public entity. Assistant Director Brammer replied that they could not; the property would go to an interested public entity first. Governor Otter inquired if public entity includes city, county, and school district. Assistant Director Brammer noted that public entity is any tax-supported entity.

5. **Application for Dredge/Placer Permit No. P310331, Rod Stutzke** – Staffed by Roger Jansson, Operations Chief-North

DEPARTMENT RECOMMENDATION: That the Board approve issuance of Permit No. P310331 subject to the plan submitted in the application, submission of the required reclamation bonding to the Bond Assurance Fund and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

6. **Application for Dredge/Placer Permit No. P430350, Mike Conklin** – Staffed by Steve Douglas, Southwest Area Manager

DEPARTMENT RECOMMENDATION: That the Board approve issuance of Permit No. P430350 subject to the plan submitted in the application and terms of the permit, submission of the required payment \$72.50 to the Bond Assurance Fund, and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

DISCUSSION: Governor Otter noted that a comment letter with concerns from Idaho Department of Environmental Quality (DEQ) was referenced in the Board memo, but the letter is not attached. Governor Otter inquired about DEQ's concerns and indicated that such letter should be a matter of public record. Division Administrator Houston offered to make DEQ's letter available and remarked that DEQ's primary concern was having a stormwater pollution control plan in place. The Department received email confirmation that a plan was received and approved by DEQ.

7. **Agreement for Purchase of 3 Conservation Easements, known as the Bane Creek Neighbors Project** – Staffed by David Groeschl, Division Administrator-Forestry and Fire

DEPARTMENT RECOMMENDATION: That the Board authorize the Department to acquire three (3) conservation easements, comprising 723 acres.

8. **Approval of Minutes** – June 21, 2011 Regular Meeting (Boise)

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

- **REGULAR**

9. **Revision of IDAPA 20.02.14, Rules for Selling Forest Products on State Owned Endowment Lands** – Presented by David Groeschl, Division Administrator-Forestry and Fire

DEPARTMENT RECOMMENDATION: That the Board direct the Department to enter into negotiated rulemaking to revise IDAPA 20.02.14.

DISCUSSION: Secretary of State Yursa commented that there was some criticism heard, whether accurate or not, that smaller operators did not have a voice during the first rulemaking process. Secretary of State Yursa inquired if there would be representation from both large

and small entities in this proposed rulemaking process. Division Administrator Groeschl stated that the task force includes representation from large mills, small mills and Associated Logging Contractors, who represents small logging contractors. Governor Otter asked if the task force is just timber industry representatives, or grazing industry as well. Division Administrator Groeschl indicated most of the issues raised during the previous hearings were associated with the forest products industry. Governor Otter noted that other industries would have an opportunity for input during public hearings.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board direct the Department to enter into negotiated rulemaking to revise IDAPA 20.02.14. Secretary of State Yursa seconded the motion. The motion carried on a vote of 5-0.

10. Authorization of Venue for Cottage Site Sale Auctions – *Presented by Mike Murphy, Bureau Chief-Surface, Minerals, Range and Kate Langford, Strategic Business Analyst-Planning*

DEPARTMENT RECOMMENDATION: That the Board direct the Department to hold the auctions for the three cottage sites at a location within Valley County that establishes an optimal auction environment and which may be other than the county seat of Cascade.

DISCUSSION: Governor Otter asked if the cottage sites are contiguous. Mr. Murphy replied that they are not; the cottage sites are generally on the west side of Payette Lake, but not contiguous. Secretary of State Yursa inquired if the Department has done appraisals on these cottage sites for the auctions or used prior appraisal numbers. Mr. Murphy stated that the Department is in the process of contracting for new appraisals. Ms. Langford confirmed that residential, recreational property appraisals will be performed on the three cottage sites to be auctioned. Ms. Langford noted that in Valley County the Department has historically used assessed valuations, so appraisals are necessary for these auctions. Secretary of State Yursa expressed interest in county assessment values compared to appraisal values once they are completed.

BOARD ACTION: A motion was made by Secretary of State Yursa that the Board direct the Department to hold the auctions for the three cottage sites at a location within Valley County and anywhere within Valley County which may optimize the auction environment. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

• **INFORMATION**

11. Land Revenue Forecast – *Presented by Patrick Hodges, Division Administrator-Support Services*

DISCUSSION: None

12. Economic Impact of Idaho's Endowment Trust Land Management – *Presented by Kathy Opp, Deputy Director and Dr. Peter Crabbe, Professor of Finance and Economics, Northwest Nazarene University*

DISCUSSION: Governor Otter asked for clarification on the Agriculture multiplier (1.27) vs. the Timber multiplier (1.9), wondering why the Agriculture multiplier is lower. Dr. Crabbe stated that he has not studied the Agriculture industry specifically but supposed that the industry has

become much more capital intensive and that capital equipment is being purchased outside the United States. Governor Otter noted that in lumber mills, capital to build a half million board foot plant is about 3 times more than in the past, which is quite capital intensive. Dr. Crabbe offered that over the past couple of decades, capital in agriculture has become 5 or 6 times as much, which likely contributes to the lower multiplier for Agriculture. Attorney General Wasden thanked Dr. Crabbe for his presentation.

At 9:52 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345(1) subsections (c) and (f) for the purposes of considering the acquisition of an interest in real property not presently owned by a public agency 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. Secretary of State Yursa seconded the motion. Roll Call Vote: *Aye*: Yursa, Wasden, Jones, Otter; *Nay*: None; *Absent*: Luna.

- **EXECUTIVE SESSION**

- A. Idaho Code 67-2345(1)(c) – to conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency. [TOPIC: Olsons – Potlatch/Cottage Site LEX Proposal]
- 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: Payette River Island]

At 10:43 a.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

At 10:45 a.m. a motion was made by Attorney General Wasden to adjourn. Secretary of State Yursa seconded the motion. The motion carried on a vote of 5-0, aye. Meeting adjourned.

