



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

Tom Schultz, Secretary to the Board

Final Minutes
State Board of Land Commissioners' Regular Meeting
October 18, 2011

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, October 18, 2011 in Boise, Idaho. The meeting began at 9:04 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

For the record, Governor Otter recognized the presence of all Board members with the exception of Superintendent Luna. Superintendent Luna joined the meeting at 9:05 a.m.

• **CONSENT**

1. Director's Report

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

DISCUSSION: Referring to the Timber Sale Activity and Information Report, Director Schultz pointed out the Department had five timber sales for the month of September, with a 92% up-bid, putting the Department at nearly 100% above minimum bid price. Director Schultz commented that the Department is receiving almost double the appraised price when timber sales are bid at auction. The Department has close to 500 million board feet under contract at a value of more than \$100,000,000 with an average price of \$205/MBF which has been holding steadily the past few months. Timber harvest receipts to date are greater than \$16,000,000. Looking at trends, this is comparable to the same point in FY 2011. If those trends hold, that would be approximately \$54,000,000 generated from timber sales in FY 2012. Director Schultz also noted that the Department is at 70% of harvest target for FY 2012; 164 million board feet sold with a sales plan of about 234 million board feet this year. Director Schultz stated that timber sale receipts tend to be higher in the first half of year; that is a function of price in the markets and the Department has made an effort to sell more sales in the first half of the year to capture those higher prices.

Governor Otter noted that the Department has moved up to a harvest of 234 million board feet and recalled that in his first year on the Board the Department was at 212 million board feet – about 2 billion board feet behind in a sustainable harvest plan. Governor Otter inquired if the Department has updated that plan in the past four years. State Forester David Groeschl responded that the Department's Forest Asset Management Plan (FAMP) has harvest increasing from 212 to 247 million board feet. The sale plan for FY 2012 is 239; FY 2013 will be 247. The Department will be at full implementation of the sale plan and the FAMP increased harvest. The Department's goal is to hold the harvest level at 247 million board feet for ten years and over the next 2 to 3 years the Department will be reviewing and updating the Forest Asset Management Plan. The Department expects to update the FAMP every five years. Governor Otter asked if the Department has lost ground on the 2 billion board feet it was behind. Mr. Groeschl replied that stand based inventory and continuous forest inventory data is showing over the last fifteen years the Department is making headway in adjusting the overall volume downward, as our goal was in the FAMP. Total standing inventory is slowly going down, and age and size class distribution is being adjusted as well.

Discussing the Lands Minerals Range Official Transactions report, Director Schultz noted one premium rent resulting from assignment of a residential cottage site lease. Director Schultz stated that there will be no further premium rents beginning with FY 2012 for those properties.

Regarding the Fire Season Update, Director Schultz commented fire suppression expenditures are estimated at just under \$8 million for the year. The Department expects to recover about \$4.2 million with a net obligation of just over \$3.5 million. Director Schultz noted it was a fairly low year for acres burned, 11% of the twenty year average, and starts were about 59% of the average. Director Schultz indicated numerous out of state assignments helped create salary savings for the Department and bottom line savings for the state.

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. Big Skyline	CR-20-0296	3,300	MBF	Bonner	Pend Oreille (Sandpoint)
B. Congested Sawlog	CR-30-0555	5,720	MBF	Clearwater/ Shoshone	St. Joe (St. Maries)
C. Auricle OSR	CR-30-0583	4,365	MBF	Shoshone	St. Joe (St. Maries)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
D. Camp R	CR-40-1039	5,370	MBF	Clearwater	Clearwater (Orofino)

DISCUSSION: Governor Otter wondered about the differences in price between sales, especially the cedar, noting that Big Skyline was \$400 plus, \$195 for the second sale, and the other two sales were in the mid \$200 range. State Forester Groeschl replied that distance to markets is one aspect considered in appraised price, and longer hauls are usually reflected in the price. Governor Otter stated \$200 is pretty expensive trucking. Mr. Groeschl responded that quality of the cedar is also a consideration. The Floodwood area typically has very high quality cedar.

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 noted that reserves are very strong; there are no compliance or legal issues to report. The Endowment Fund Investment Board will attend the November Land Board meeting and will present the formal audit report.
- B. Investment Report – Mr. Johnson reported the Fund had a loss of 6.5% for the month of September, bringing Fiscal year-to-date to -11.4%. However, the month of October to date the Fund was up 4.5%, which will diminish year-to-date loss significantly. Managers are performing as expected in the current market environment.

4. Disclaimer of Interest - Phillips – Staffed by Sid Anderson, Program Manager-Public Trust/Residential

DEPARTMENT RECOMMENDATION: Direct the Department to issue a disclaimer of interest for one parcel totaling 1.580 acres of the former bed of the Payette River, and to require Kenneth C. Phillips and Joanne Phillips to pay the remaining processing fee of \$300 to the Department of Lands for this transaction.

5. Disclaimer of Interest - Swanson – Staffed by Sid Anderson, Program Manager-Public Trust/Residential

DEPARTMENT RECOMMENDATION: Direct the Department to issue a disclaimer of interest for one parcel totaling 17.85 acres of the former bed of the Payette River, and to require Verne B. and Beulah F. Swanson to pay the remaining processing fee of \$300 to the Department of Lands for this transaction.

COMBINED DISCUSSION (Items 4 and 5): Attorney General Wasden asked what process is used to determine the Ordinary High Water Mark (OHWM). Mr. Anderson replied that OHWM is determined by Area staff; they visit the site with the surveyor and identify that line. Depending on the areas, they analyze vegetation, water marks and those types of indicators. Governor Otter inquired if the claimant is with staff at that time. Sid responded that typically the claimant is present, but is not required to be present. More typically it is Area staff and the surveyor on site, but the claimant is encouraged to be there. Governor Otter asked what kind of restrictions the Department puts on that 25' set back. Mr. Anderson clarified that the Governor is asking what can be placed in the set back. Governor Otter replied yes. Mr. Anderson responded that the set back is a public use right of way; the claimant cannot encumber it with a structure. Governor Otter inquired if the claimant can place a fence. Mr. Anderson stated he was not certain but offered to research and forward information to the Board after the meeting. Governor Otter commented that these rights of way always end up as parcels. Neighbors up and down stream may not have granted an easement, so it would be a parcel that has no access. Governor Otter noted it wouldn't make sense to restrict it completely; however if in the future the Department issued 25' easements to neighboring parcels up and down stream and there is some reason to put Fish and Game or other access, it would make sense that the claimant would have to provide for ease of access by gate or other means. Mr. Anderson agreed to follow up with additional information to the Board. Attorney General Wasden added that the public could still access the right of way from the river; it does not have to be contiguous.

6. Request to Change Disposal Method for Health & Welfare Surplus Property – Rupert, ID – Staffed by Tom Long, Building Operations Manager, Department of Health & Welfare and Kurt Houston, Operations Chief-South

DEPARTMENT RECOMMENDATION: 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 inquired what those methods are, as authorized by Code. Mr. Houston replied disposal methods may include directed sale, listing with local real estate agents, and signage on the property itself. Governor Otter noted the appraised value is \$180,000, which was also the minimum bid amount, and asked if there was a limit on how low the sale price could go. Mr. Houston responded that there is not a limitation, other than the sale price needs to be for valuable and adequate consideration as determined by Department of Health and Welfare. Mr. Houston noted that this property has yearly maintenance costs of about \$11,000 to Health and Welfare, with no benefit to them. It is in their best interest to dispose of this property and limit their expenses.

7. Result of Grazing Lease Conflict Auction – Staffed by Neil Crescenti, Program Manager-Grazing, Agriculture and Conservation

DEPARTMENT RECOMMENDATION: Direct the Department to award the lease shown in Attachment 1 to the high bidder at auction.

DISCUSSION: Governor Otter commented that 225 AUMs on 640 seemed to be a lot. Director Schultz concurred that is a pretty good rating on that tract. Governor Otter asked if the land is irrigated. Attorney General Wasden suggested given the location, it probably is irrigated. Mr. Crescenti clarified that the land is not irrigated, but there has been some seeding on it in the past. Governor Otter wondered if, generally, 225 AUMs on a single section is a lot. Mr. Crescenti agreed, and stated it is most likely due to the improvements.

8. Approval of Minutes – September 20, 2011 Regular Meeting (Boise)

CONSENT AGENDA BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the Consent Agenda. Superintendent Luna seconded the motion. The motion carried on a vote of 5-0.

- **REGULAR**

9. Hansberger Enterprises LLC Land Exchange – Presented by Kate Langford, Strategic Business Analyst-Planning

DEPARTMENT RECOMMENDATION: Direct Idaho Department of Lands to complete the land exchange subject to the terms discussed herein.

DISCUSSION: A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recorder, PO Box 83720, Boise, Idaho 83720-0050 or by email to public_records_request@idl.idaho.gov.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board direct the Department of Lands to complete the land exchange subject to certain terms. Terms 1 through 4 as provided in the Department recommendation and in addition to that, the following terms; that is, that the Department complete appropriate improvements on the 50' access easement, identified on the map as the Hansberger [Saccoman] property; that the Department make a decision with regard to the replacement dock by June 2012 and that the improvements on that Hansberger [Saccoman] exchange property also be completed by June 2012; and that the Department explore the possibility of locating docks at either of those three northern access points, that is the Hansberger [Saccoman] property, the Driveways/rocky shore and the 50 foot Lake Access with sandy beach/dock. In addition, that the Department take matters to resolve the access issues on Wagon Wheel Bay, which is the area identified as the green, and also take under consideration what matters it may do with regard to the area in red. Secretary of State Yursa seconded the motion. The motion carried on a vote of 5-0.

- **INFORMATION**

10. Lot Solutions Update and Development Plats – *Presented by Kate Langford, Strategic Business Analyst-Planning*

DISCUSSION: Secretary of State Yursa noted that as the Board and the Department proceed in the Lot Solutions Process, the market will be a factor. The market is still flat. The Department recently held an auction of cottage site land at Payette Lake. Some sold but lakefront did not sell; no bids received even at a rather reduced price. Secretary of State Yursa also expressed that Lot Solutions Process is going to take time; a quick solution is not going to happen. Director Schultz added as clarification regarding the recent auction that there was confusion by some of the bidders who wondered whether the transaction was truly fee simple or a leasehold interest. The Department is working with the auctioneers to remarket that property and move forward.

- **EXECUTIVE SESSION**

None

At 12:11 p.m. a motion to adjourn was made by Attorney General Wasden. Controller Jones seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.

