



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

Tom Schultz, Secretary to the Board

Final Minutes
State Board of Land Commissioners' Regular Meeting
February 21, 2012 – 9:00 AM

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, February 21, 2012 in Boise, Idaho. The meeting began at 9:00 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 Ysursa
Honorable Attorney General Lawrence Wasden
Honorable State Controller Donna Jones
Honorable Superintendent Tom Luna

For the record, Governor Otter recognized the presence of four Board members, and noted the Attorney General would be briefly delayed. Attorney General Wasden joined the meeting at 9:12 a.m.

• **CONSENT**

1. Director's Report

- A. Interest Rate on Department Transactions – February 2012
- B. Timber Sale Activity and Information Report – January 2012
- C. Division of Lands, Minerals, Range Official Transactions – January 2012
- D. Legal Matter Summary – January 2012

DISCUSSION: Director Schultz noted on the Timber Sale Activity and Information Report that the Department had two sales in January: one sold at an up-bid of 47%; the other did not sell and will be reappraised and re-auctioned in April. The Department has just over \$90 million in timber under contract, with estimated value of \$205/MBF and total harvest receipts to date at \$37.2 million. The Department's FY2102 sale plan is 234 MMBF and we are at 81% of that target with this month's sales. Cumulative harvest receipts are keeping in line with FY2011, and are at 93% of the 5 year average.

On the LMR Official Transactions Report, Director Schultz pointed out a commercial downtown transaction with Carey Perkins LLP, leasing 10,000 SF of office space on the 2nd floor in the same building as Department of Lands. The Director also identified a commercial site with 20 year lease in Twin Falls, and 10 year lease to an Idaho Military Division. In addition, the Department has a 2 year commercial recreational lease with University of Idaho Board of Regents for their MOSS campus in McCall.

In the same LMR report, Director Schultz remarked on a residential transfer sale of \$25,000 in leasehold value without any improvements. For a perspective on the difference between the 2011 vs. 2012 lease payments with no premium rent, the Department calculated this one valued at 4% was about \$3,700/year in rent vs. the 2 1/2% rent would have been \$2,300/year for a difference of \$1,400. Within 2 years at the higher rents the Endowment will receive more revenue than under the old scenario of the 10% premium rent which would have been \$2,500.

Finally on the LMR report, Director Schultz noted a number of cancelled geothermal leases at the request of the lessee due to reprioritization of his projects. No exploration or other work had occurred on these leases, so all bonding was released.

Referring to the Legal Matter Summary on the Emerald Forest Products line item, Governor Otter inquired why there is an insurance deficiency to be cured if the Department is holding a cash bond. David Groeschl, State Forester, responded that Emerald Forest Products is in bankruptcy so the Department is holding on to the cash bond and the performance bond. Emerald Forest Products' insurance is lapsed right now during this time of inactivity; they are not currently operating on our timber sale. The Department is watching to see if they come out of bankruptcy; Emerald Forest Products' plan is to reopen their doors in April 2012. Their timber sale does not expire until early in 2013, so the Department will monitor activity on the timber sale this summer once they reopen and will hold off taking any action until that time. Governor Otter asked if Emerald Forest Products is restructuring under a Chapter 11 bankruptcy. Mr. Groeschl replied yes, that is his understanding. Governor Otter wondered if the cash bond will be called back by the court. Mr. Groeschl replied that the Department has not experienced that with other bankruptcies.

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. Brickel Stateline	CR-22-5014	5,065	MBF	Kootenai	Mica (Coeur d'Alene)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
B. Marsh Meadow	CR-40-1068	2,915	MBF	Clearwater	Clearwater (Orofino)

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

- A. Manager's Report – Mr. Johnson stated distributions for FY2012 and FY2013 continue to be well secured. Mr. Johnson shared that information with JFAC in EFIB's budget presentation the prior week and JFAC had no questions or significant comments. There are no compliance or legal issues of concern.
- B. Investment Report – Mr. Johnson commented that January was a good month; the Fund was up 4%, which brought fiscal year to date returns to near break even. Since the end of January through February 20, the fund is up an additional 3%, bringing fiscal year to date up to 2.5%. Mr. Johnson noted the Fund is slightly behind its benchmark fiscal year to date but all investment managers are performing as expected in this environment.

4. Application for Dredge/Placer Permit No. P310332 – Staffed by Roger Jansson, Operations Chief-North

DEPARTMENT RECOMMENDATION: Approve issuance of the attached permit subject to the plan submitted in the application, submission of the required reclamation bonding and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

DISCUSSION: Governor Otter asked if there has been very much dredge activity. Director Schultz replied the Department has seen some activity, but not a large amount.

5. Approval of Minutes – January 17, 2012 Regular Meeting (Boise)

CONSENT AGENDA BOARD ACTION: A motion was made by Secretary of State Ysursa that the Board adopt the Consent Agenda. Controller Jones seconded the motion. The motion carried on a vote of 5-0.

For the record, the Board took a brief recess at 9:13 a.m. and reconvened at 9:16 a.m.

• **REGULAR**

None

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

• **INFORMATION**

6. Legislative Update – Presented by Patrick Hodges, Division Administrator-Support Services

DISCUSSION: Governor Otter inquired if the Department intends to testify at the constitutional amendment hearings and asked about having a discussion regarding what input from the Board the Department would deliver at the hearings. Mr. Hodges replied the Department would give input as to the Board's direction in the past. Secretary of State Ysursa asked if the Department has seen the language of those proposed amendments. Secretary of State Ysursa remarked historically some of the grazing community and the timber community were not necessarily all in accord. Mr. Hodges, having not seen the draft language, deferred to the Director. Director Schultz responded the language in the draft legislation does appear similar to 2011 legislation; the difference primarily being the cap on acres was set at 10,000 acres. Director Schultz indicated there may still be similar reservations from the timber folks. The Department would like to have more of an outreach campaign as the Board had outlined in the memo from 2010 and has not been able to make that a priority in the last 2 years, so to advocate for that change right now is premature. Governor Otter asked is this essentially the same bill they had last year. Director Schultz replied in the affirmative.

• **EXECUTIVE SESSION**

None

There being no further business before the Board, at 9:22 a.m. a motion was made by Attorney General Wasden to adjourn. Controller Jones seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.

