



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
July 17, 2012

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, July 17, 2012 in the Senate and House Auditorium (Room WW02) at the State Capitol, 700 W Jefferson, Boise, Idaho. The meeting began at 9:07 a.m. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Yursa (*via conference phone*)
Honorable Attorney General Lawrence Wasden
Honorable Acting State Controller Brandon Woolf

For the record, Governor Otter recognized the presence of four Board members and the absence of Superintendent Luna; Secretary of State Yursa joined the meeting by conference phone.

• **CONSENT**

1. Director's Report

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

DISCUSSION: Director Schultz commented on the Timber Sale Activity and Information Report that the Department had 9 timber sales in June, with a 69% up bid over appraised value. Volume under contract is 441 MMBF with a value of just over \$86 million. Director Schultz stated timber harvest receipts for FY 2012 were \$50.5 million with an additional \$400,000 for the General Fund. The Department expects approximately \$3.7 million in stumpage for July. Governor Otter commented that a 69% up bid is pretty substantial and asked if that is reflective of the market or deficiencies in the Department's appraisals. Director Schultz replied that the Department uses an equation when formulating appraisal prices. Market trend indicators may influence an increase in price, as will the location of the sales and the amount of competition. Director Schultz added that June, July and August are historically better months for Department timber sales.

Director Schultz mentioned the Department sold just over 245 MMBF in FY 2012, 105% of target. The Department's sales plan for FY 2013 is 241.9 MMBF, up from 234.6 MMBF in FY 2012. The sales before the Board this month will put the Department at almost 40% of FY 2013 target. Director Schultz stated the Department had an all time record harvest of 320 MMBF in FY 2012. The Director noted that figure represents approximately 40% of total volume harvested in the state of Idaho.

Referring to the Lands, Minerals, Range Official Transactions Report, Director Schultz identified two residential leases under New Instruments. These leases were originally signed on an earlier version of the lease template that contained inaccurate numbering. These new leases are executed on the corrected lease template. Director Schultz noted a significant number of grazing leases cancelled due to nonpayment; lessees have until August 1st to pay lease payments with late fees and reinstate those leases. One residential lease was reinstated upon lease payment and late fees received from the lessee. Director Schultz also mentioned two new easements over submerged land, one cancelled easement and one assigned easement.

Director Schultz commented on the Fire Season Report, updated as of July 3, 2012, pointing out the expenses shown in the report are those incurred in calendar year 2012, not fiscal year 2012. Currently the report lists just over \$3 million in fire suppression expenditures, with a net obligation estimate of \$1.8 million. Director Schultz reported he visited the Avelene Fire and expenses from that fire add about \$900,000 to the total expenditures. Additionally, Director Schultz stated the C Fire just east of Donnelly is within IDL responsibility, and that fire adds another \$1 million, bringing expenses to date closer to \$5 million. Director Schultz indicated a 15 year average for fire season expenses is about \$6.5 million/year. Director Schultz noted the Department has sent engines and numerous employees on 166 fire assignments throughout multiple states.

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. Grassy Roads	CR-30-0606	5,010	MBF	Benewah	St. Joe (St. Maries)
B. Lower Bear	CR-31-0023	5,055	MBF	Shoshone	Cataldo (Kingston)
C. Alpha Elk	CR-41-0073	9,015	MBF	Clearwater	Ponderosa (Deary)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
D. Devils Slip	CR-50-0165	26,755	TONS	Washington	Payette Lakes (McCall)

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

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

DISCUSSION: Mr. Johnson stated that distributions are well secured by reserves in the Endowment Fund. There were no actions or areas of concern with the Investment Board this past month. Mr. Johnson noted the Investment Board will meet August 16th to develop its final

recommendation on FY 2014 Endowment Fund distributions and present to the Land Board at the August 21st meeting.

Mr. Johnson reported that for FY 2012, ended June 30th, the Fund earned just less than 1%. June finished at 2.7%, which brought the fiscal year to date into the positive column. July returns to date are at break even. Mr. Johnson stated all Fund managers are performing as expected. Attorney General Wasden noted the Fiscal YTD Total Endowment Returns graph shows Emerging Markets down nearly 20% and International Equity down 16.7% and inquired if the Board should take any corrective action on those funds. Mr. Johnson replied International Equity in total, including Emerging Markets, makes up about 21% of the Fund's total portfolio. Mr. Johnson stated the Investment Board will look for opportunities to rebalance the Fund in those international markets, but generally the Board looks at expected returns over a 10-20 year time frame when determining an asset mix.

4. Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in Fiscal Year 2013 – Staffed by David Groeschl, Division Administrator-Forestry and Fire

DEPARTMENT RECOMMENDATION: Authorize the Department to issue deficiency warrants necessary to pay the fire suppression costs beyond the \$151,600 appropriation for Fiscal Year 2013.

5. State Participation as a Member of the Clearwater-Potlatch Timber Protective Association and Southern Idaho Timber Protective Association – Staffed by David Groeschl, Division Administrator-Forestry and Fire

DEPARTMENT RECOMMENDATION: The Department recommends that the State continue to participate as a member of the Clearwater-Potlatch Timber Protective Association and Southern Idaho Timber Protective Association.

DISCUSSION: Director Schultz explained the Department is required annually to request approval for continued membership in the two Timber Protective Associations; with membership, the Department is assessed \$208,000 annually for protection of 350,000 Endowment acres, primarily pre-suppression activity. Governor Otter asked what is the cost per acre. Director Schultz responded the assessment is \$0.60 per acre.

6. Application for Dredge/Placer Permit No. P310333 – 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.

7. Approval of Minutes – June 19, 2012 Regular Meeting (Boise)

CONSENT AGENDA BOARD ACTION: A motion was made by Attorney General Wasden that the Board approve the Consent Agenda. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

- **REGULAR**

8. Covenants, Conditions and Restrictions for State Subdivisions at Priest Lake – Presented by Kate Langford, Strategic Business Analyst-Planning

DEPARTMENT RECOMMENDATION: Direct the Department to develop and record a Covenants, Conditions and Restrictions document for each state subdivision created at Priest Lake.

DISCUSSION: A verbatim transcript of this agenda item 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 hold this matter until a written legal opinion can be rendered by the Office of the Attorney General, such time period not to exceed 10 days and that thereafter a special meeting be scheduled and properly noticed in order for the Board to take up this matter. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

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

- **INFORMATION**

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

DISCUSSION: Governor Otter commented that the Board is required under Article IX, Section 8 of the Idaho Constitution to manage endowment lands for long term financial best interests. Governor Otter noted that with the timber asset, long term financial best interests is also the long term best health and asked how is the Department balancing long term health of the forest: is market price the only factor or is consideration given to whole forest health as well. Mr. Hodges remarked that the Department has a strong cadre of professionals that deal with forest health and also the financial returns. Mr. Hodges explained that timber presented by the Department for sale is based on the best practices available both in financial returns and in forest health. The Department offers an amount for sale and gives flexibility to the timber purchasers on when they time their harvests. Timber harvest is different than when timber is sold due to varying lengths of contracts but the Department offers a consistent amount that is long-term, sustainable and both keeps the forest health and the financial returns in mind.

For the record, Secretary of State Ysursa disconnected from the conference phone at 10:23 a.m.

At 10:26 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345(1) subsection (f) for the purpose of communicating 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 Woolf seconded the motion. Roll Call Vote: *Aye:* Wasden, Woolf, Otter; *Nay:* None; *Absent:* Ysursa, Luna.

