



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  
Brandon Woolf, Acting State Controller  
Tom Luna, Superintendent of Public Instruction

Tom Schultz, Secretary to the Board

Final Minutes  
State Board of Land Commissioners' Regular Meeting  
September 18, 2012

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, September 18, 2012 in the State Capitol Auditorium (Room WW02) at 700 West Jefferson, Boise, Idaho. The meeting began at 9:02 a.m. 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 Acting State Controller Brandon Woolf  
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter recognized the presence of four Board members when the meeting began, and acknowledged all Board members as present at 9:07 a.m. with the arrival of Superintendent Luna.

• **CONSENT**

**1. Director's Report**

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

*DISCUSSION:* Director Schultz commented on the Timber Sale Activity Report, stating the Department had 12 timber sales at auction in August, with a net upbid of 105% above appraised value, generating over \$10 million in sales. Volume under contract is nearly 475 MMBF, valued at approximately \$100 million; harvest receipts year to date are just over \$13 million. Director Schultz noted the Department is at 48% of its 242 MMBF target timber sale goal for FY2013.

Director Schultz had no additional comments regarding the LMR Transaction Report.

Director Schultz asked Deputy Attorney General Robert Follett to provide a brief overview of the Tamarack Foreclosure from the Legal Matter Summary. Mr. Follett reported that the foreclosure proceedings are continuing with the state court. Decrees of judgment have been issued by the court; the parties are contesting the actual language of those documents. One of the parties, Teufel Nursery, has appealed, which has placed a stay on all of the foreclosure proceedings. Credit Suisse is moving to have the stay lifted with regard to the foreclosure of their property which includes the state lease. Credit Suisse has indicated they plan to request a hearing within the next week or two. Mr. Follett noted the Department is in the same position it has been in each year with the potential of Tamarack Municipal Association (TMA) or some other entity requesting to continue the state lease and perhaps open the ski resort. Mr. Follett commented that as of this date he had not heard from any entity. Secretary of State Yursa inquired if Banc of America had removed any ski lifts. Mr. Follett replied they did successfully remove one lift in accordance with the terms of the agreement.

Director Schultz recapped the Fire Season Report, noting that although the number of fires and number of acres burned are about 40% of the 20-year average, expenses are approximately twice the average. Director Schultz indicated average year expenses are \$6 - \$6.5 million, and to date, this year the state's net obligation is \$11 million. Director Schultz explained the increased expenses are a result of seven fires requiring Incident Management Teams. Such teams afford greater protection and greater expertise with more resources to catch these fires and keep them from becoming multi-million dollar fires, but they do cost more for the shorter term. Director Schultz stated approximately 1.2 million acres in Idaho have burned this year.

**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. POL 2013 Poles	CR-20-0301	3,700	Poles	Bonner	Pend Oreille (Sandpoint)
		600	MBF		
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
B. Steamboat Relog	CR-60-0185	15,941	TONS	Boise	Southwest (Boise)

**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 reported that Endowment Fund reserves are well secured for FY2013 and FY2014. Mr. Johnson noted one significant action by the Investment Board is that NFJ Investment Group out of Dallas has been hired to manage a \$70 million International Value portfolio formerly managed by Tradewinds and currently in an index fund. Mr. Johnson mentioned that Land Board members have each received the 2012 Endowment Fund audited financial statement, as well as a report on some limited audit procedures that were performed on Department of Lands data. The Chair of the EFIB Audit Committee will make a full report at the November joint meeting; no issues were discovered in either audit.

Mr. Johnson introduced two guests from INTECH, investment managers Nancy Holden and Christian McCormick, who will lead a luncheon presentation at EFIB today. INTECH manages a U.S. Large Cap Growth portfolio for the Endowment Fund. Mr. Johnson stated the Fund earned 2% in August, which brought fiscal year to date results up to 3.4%. Mr. Johnson added that to date in September the Fund has earned just over 3% and fiscal year to date return is at 6.6%.

**4. Cottonwood Surplus Auction Results** – Staffed by Kurt Houston, Operations Chief-South

*DEPARTMENT RECOMMENDATION:* Approve the auction results and direct the IDL to proceed with sale closing.

*DISCUSSION:* None.

**5. Approval of Minutes** – August 21, 2012 Regular Meeting (Boise)

**CONSENT AGENDA BOARD ACTION:** A motion was made by Attorney General Wasden that the Board approve the Consent Agenda. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

- **REGULAR**

**6. Gay Simplot Quiet Title Stipulation** – Presented by Steve Schuster, Deputy Attorney General

*DEPARTMENT RECOMMENDATION:* The Department recommends approval of the proposed Stipulation.

*DISCUSSION:* Following review of the matter by Deputy Attorney General Steve Schuster, Secretary of State Ysursa noted his understanding that the quiet title action was recommended by the State and the State has been in cooperation with entire action all the way. Mr. Schuster replied that is correct.

For the record, the Chairman recused himself from voting on this agenda item.

*BOARD ACTION:* A motion was made by Secretary of State Ysursa that the Board approve the Department recommendation. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0, with Governor Otter abstaining.

**7. Approval of Riverbed Mineral Lease E500010, Mike Conklin** – Presented by Eric Wilson, Program Manager-Minerals

*DEPARTMENT RECOMMENDATION:* Approve the Director's Final Order for issuance of Riverbed Mineral Lease E500010.

*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 approve the Department recommendation. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**8. Department of Lands Fiscal Year 2014 Budget** – Presented by Lisa Johnson, Financial Officer

*DEPARTMENT RECOMMENDATION:* Approve the Agency FY14 Budget Request as submitted to the Division of Financial Management and the Legislative Services Office on September 4, 2012.

*DISCUSSION:* None.

For the record, Governor Otter stated that the Chairman will not vote on this item as the Governor's Office submits an Executive agency budget.

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board adopt the Department recommendation. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 4-0, with Governor Otter abstaining.

**9. Cottage Site Appraisals** – Presented by Bob Brammer, Division Administrator-Lands, Minerals, Range

*DEPARTMENT RECOMMENDATION:* Direct the Department to proceed with individual appraisals of all of the cottage sites at both Priest Lake and Payette Lake.

*DISCUSSION:* Division Administrator Bob Brammer outlined the Department recommendation. Governor Otter noted the timeline for completion of all cottage site appraisals is March 1, 2013. Mr. Brammer confirmed March 1, 2013, and reiterated that 30 lots in Valley County will be done well in advance of that date to accommodate the 2013 rent billing. That is a result of 30 lessees selecting to have an appraisal to determine lease value rather than using the Valley County assessment as has historically been used for Payette Lake cottage sites. Governor Otter asked about the absence of an estimated cost for the appraisals. Mr. Brammer explained the Department is negotiating with the appraisers and presently the negotiated prices are at \$250 - \$300 per appraisal, with a total estimate of approximately \$150,000 for the 500 plus cottage site lots. Secretary of State Ysursa commented that 30 cottage site lessees at Payette opted to go with a new appraisal and offered, not specifically in defense of assessors, just a clarification that the county assessor does follow an appraisal method that is mandated by state law. His understanding is 20% of the sites must be appraised every year and then an index is done on the remaining lots. Attorney General Wasden supported Secretary of State Ysursa's assertion; there is a statutory requirement that there be a physical re-appraisal every 5 years, and indexing is used in the interim.

*BOARD ACTION:* A motion was made by Secretary of State Ysursa to approve the Department recommendation. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

• **INFORMATION**

NONE

At 10:04 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 purpose of considering the acquisition of an interest in real property not presently owned by a public agency and 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. Secretary of State Ysursa seconded the motion. Roll Call Vote: *Aye*: Ysursa, Wasden, Woolf, Luna, Otter; *Nay*: None; *Absent*: None.

- **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: MOSS Campus LEX]
- 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 Lake Deeds and Conveyance Language]
- C. 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: Supreme Court Ruling on I.C. § 58-310(A)]
- D. 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 Islands]

At 11:01 a.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

There being no further business before the Board, at 11:01 a.m. a motion was made by Attorney General Wasden to adjourn. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0. 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 Ysursa

Ben Ysursa  
Secretary of State

/s/ Thomas M. Schultz, Jr.

Thomas M. Schultz, Jr.  
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the October 16, 2012 regular Land Board meeting.