



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 D. Woolf, State Controller  
Tom Luna, Superintendent of Public Instruction

Tom Schultz, Secretary to the Board

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

Prior to meeting in the Capitol Auditorium, Land Board members assembled in the 2nd floor Capitol Rotunda and enjoyed Christmas carols performed by choir students from Capital High School. The students then joined Land Board members in the Auditorium for the meeting.

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, December 18, 2012 in the State Capitol Auditorium (Room WW02) at 700 West Jefferson, Boise, Idaho. The meeting began at 9:05 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 State Controller Brandon Woolf  
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter recognized the presence of all Board members.

Department of Lands' staff presented 2012 Year in Review accomplishments, after which two of the Department's Employees of the Year – Ed Wingert, forester in the Priest Lake Area Office, and Eric Wilson, Minerals Program Manager – presented to the Capital High students and Superintendent Luna a \$31,292,400 check representing FY12 distributions from the endowment trust to public schools.

**1. Director's Report**

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

*DISCUSSION:* Director Schultz reported the interest rate on Department transactions is 3.25%. Governor Otter asked about the number of persons who use the Department rate rather than borrowing from a bank, which likely has a lower interest rate, and if lowering the interest rate to be more competitive with the financial market would encourage more people to use it. Assistant Director Bob Brammer noted the Department's interest rate has been used in the past on cropland rental extensions, but has not recently been used for that purpose to his knowledge. Director Schultz said Department staff will gather more information and bring it to the Board in January.

Director Schultz stated from the Timber Sale and Activity Report that the Department auctioned five timber sales in November, with an average upbid of 92% over advertised value. The Department's current volume under contract is just above 442 MMBF, valued at slightly more than \$87 million. Director Schultz noted that lumber prices have gone up about 31% the past year yet sawlog prices have not increased accordingly. Department stumpage prices have been flat at around \$200/MBF; prices are expected to catch up to lumber prices over the next year. The Department has sold 150 MMBF, or 62%, of its FY2013 timber sale plan target of 241 MMBF. Timber harvest receipts to date are nearly \$28 million. Director Schultz anticipates gross timber receipts for FY2013 to be similar to FY2012 receipts, in the \$50 million range.

Director Schultz reiterated that the LMR Transaction Report is a list of transactions that have already occurred, and not transactions for which the Board is taking action. Director Schultz mentioned the large number of grazing leases; three exploration locations, one in Valley County and two in Boise County; nine residential assignments, two of which were family transfers and seven at Priest Lake that were sales. Director Schultz noted reinstatements of three cottage site leases that had lapsed due to late payments. Attorney General Wasden asked about vacancy rate for the cottage sites. Director Schultz replied that of 525 cottage sites, 11 are not currently leased, so the vacancy is about 2%. The Department has not moved to either sell or re-lease those 11 yet while the lot solutions process is continuing. Attorney General Wasden remarked it is interesting the residential cottage site vacancy rate is about 1/3 of the Department's commercial real estate vacancy rate in Boise, as reported during the Department's Year in Review presentation earlier.

Before moving on to the EFIB report, Governor Otter mentioned that at the Western Governors Association fall meeting this year, there was a program presented on the pelletization of trees that were no longer good enough quality for paper or lumber. The intent is to pelletize into fuel and then convert some of the coal fired plants to lower the carbon monoxide emissions problems. Governor Otter asked if the Department is working on that type of program in Idaho.

Director Schultz responded that it is an issue that kind of waxes and wanes over time, like many of the alternative energies. Director Schultz stated the analysis shows there should be sufficient supply between forest service lands and state lands; typically what has been the stumbling block are the economics of it – getting the material out of the woods and actually making an economic product. Currently there are no proposals before the Department; in most cases prior proposals have looked for the material to essentially be given away or potentially for states to subsidize the removal of material. In Oregon they have actually paid loggers to remove some of that material. The Department has encouraged potential parties to negotiate with purchasers of Department timber sales contracts as to how they might treat the slash in slash piles. Director Schultz remarked there are opportunities if the economics for that material improve, such as the Fuels for Schools programs, but those opportunities may not be well-timed right now.

Governor Otter mentioned he toured the Fuels for Schools operation in Council. State Forester David Groeschl stated another one is in Kellogg. Mr. Groeschl acknowledged that the Department has received proposals in the past several years and will continue to evaluate any future proposals. Mr. Groeschl added that the Department's timber sale purchasers have expressed willingness to work with various entities who might want to pursue pelletization projects, as long as the material would simply pay its way out of the woods. Governor Otter wondered what the capitalization is for one of those pelletization plants, adding that in light of the \$200 million total firefighting cost to the state of Idaho this year, there may be some potential synergism.

**2. 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 endowment reserves continue to be strong. The Investment Board met in November but did not take any significant actions. Mr. Johnson reported that Governor Otter appointed Gary Mahn to the Investment Board to replace John Taylor following Mr. Taylor's retirement after 15 years of service. Mr. Johnson indicated the Land Board material contains Mr. Mahn's resume. Mr. Johnson noted the Endowment Fund earned 1.3% in the month of November, and fiscal year to date the Fund is up 6.8%. All investment managers are performing as expected.

- **CONSENT**

**3. Application for Dredge/Placer Permit No. P800351, Robert Nicolson** – Staffed by Eric Wilson, Program Manager-Minerals

*DEPARTMENT RECOMMENDATION:* Approve issuance of the attached permit subject to the plan submitted in the application, participation in the State Bond Assurance Fund, and compliance with the Rules and Regulations Governing Dredge and Placer Mining Operations in Idaho.

*DISCUSSION:* Attorney General Wasden mentioned that it would be helpful for the Board to receive additional information about comments received for an application, such as those comments and suggestions from the Department of Fish and Game on this dredge permit application. Attorney General Wasden explained that Department observations about the benefit, or not, of such suggestions would be appreciated. Attorney General Wasden acknowledged the Board does need to know whether comments fit within the confines of the statute as well. Director Schultz noted many of the recommendations were outside of the Department's authority to require of a private landowner, but the Department does make applicants aware of those recommendations to encourage them to apply best management practices. Director Schultz indicated in the future the Department will highlight comments in the memo and provide information on benefits or detriments.

**4. Disclaimer Adjacent to Bear Lake** – Staffed by Sid Anderson, Program Manager-Public Trust/Residential

*DEPARTMENT RECOMMENDATION:* Direct the Department to issue a disclaimer of interest for three parcels totaling 0.17 acre of land below the surveyed meander line and above the 5,923.65 foot elevation line of Bear Lake, and to require Tod B. Jones to pay the remaining processing fee of \$300.00 to the Department for this transaction.

**5. Approval of Minutes** – November 20, 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 Yursa seconded the motion. The motion carried on a vote of 5-0.

- **REGULAR**

6. **2014 Cottage Site Lease Template** – Presented by Sid Anderson, Program Manager-Public Trust/Residential

*DEPARTMENT RECOMMENDATION:* Approve the 2014 Cottage Site Lease Template as proposed by the Department.

*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 Secretary of State Yursa that the Board delay action on the 2014 Cottage Site Lease Template until the January 15, 2013 regular Land Board meeting. Controller Woolf seconded the motion. The motion carried on vote of 4-1 (Aye: Yursa, Woolf, Luna, Otter; Nay: Wasden).

- **INFORMATION**

NONE

At 10:39 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345(1) subsection (f) 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, Woolf, Luna, Otter; Nay: None; Absent: None.

- **EXECUTIVE SESSION**

- A. 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 Cottage Site Lots – West Side]
- 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 Cottage Site Lots – Pilgrim Cove]
- 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: Tamarack]

At 11:16 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 11:16 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. Meeting adjourned.

