



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
February 19, 2013

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, February 19, 2013 in the second floor courtroom of the Borah Building, 304 North 8th Street, Boise. The meeting began at 9:00 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.

1. Director's Report

- A. Interest Rate on Department Transactions – February 2013
- B. Timber Sale Activity and Information Report – January 2013
- C. Division of Lands, Minerals, Range Official Transactions – January 2013
- D. Legal Matter Summary – January 2013

DISCUSSION: Director Schultz stated that the interest rate on Department transactions is 3.25% for the month of February, which it has been for the past 3 months.

Director Schultz reported from the Timber Sale Activity and Information Report that the Department has nearly 400 MMBF under contract, at a value slightly more than \$84.5 million. Timber harvest receipts year to date are just under \$35 million; the Department expects to generate about \$50 million gross from timber sales this year. Director Schultz remarked that in the month of January almost 46 MMBF was removed to replenish log yards in many of the mills. Market analysts project U.S. lumber consumption to grow about 10% as slight recoveries continue in the residential marketplace. Director Schultz stated the Department is at 75% of its 242 MMBF target volume for FY2013 timber sales. The Department has sold 23,000 cedar poles, or 90% of FY2013 target sales. Governor Otter inquired if the Department expects to meet its target. Director Schultz responded yes; the Department anticipates total sales volume between 242-245 MMBF. Director Schultz noted harvest receipts to date are \$35 million, trending similar to FY2011, which would put receipts around \$50 million for FY2013. Cumulative harvest volume appears to be tracking at 300 MMBF to be harvested this year; fiscal year to date volume is 116% of the 5 year average. Director Schultz mentioned that monthly stumpage prices have been

averaging right around \$200/MBF since July of 2011. There was a small dip in April of 2012 and then a slight uptick last quarter, which may be a positive sign.

Director Schultz pointed out several items on the Lands, Minerals, Range Official Transactions, reiterating these transactions occurred in January 2013. The Department had two residential assignments, the first being a sale at Priest Lake, lease R1342. Total sale price was \$103,000; the improvement value was just over \$89,000 and the leasehold value was just over \$13,000. The second residential assignment was a home site in Garden Valley. Director Schultz noted a significant number of oil and gas leases that were dropped by Bridge Energy. When Bridge Energy transferred or sold their assets, many of their leases were acquired by Snake River Oil & Gas. These leases were not desired by Snake River Oil & Gas or Alta Mesa so were terminated. Director Schultz also mentioned several easements over submerged lands; three of them are hydroelectric dams at Oxbow, Hells Canyon and Brownlee reservoirs. All three dams are within the Payette Lakes Supervisory Area, the first two in Adams County and the third in Washington County. Governor Otter asked if there has been any interest by exploration companies other than Snake River Oil & Gas. Director Schultz replied the Department has had a few other applications for leasing and will hold a lease auction in the next month or two. Director Schultz recalled a newspaper article that mentioned a company with interest in leasing in Idaho and Oregon. Governor Otter asked which company it was; Director Schultz didn't immediately recall, but offered to locate and forward the name following today's meeting.

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 it is a routine report this month. Distributions for FY2013 and FY2014 are well secured; reserves are strong. Mr. Johnson noted the Investment Board held a meeting on February 13th and there were no significant actions to report. There are no compliance or legal issues to report. Mr. Johnson mentioned that a vacancy on the Investment Board was filled; Governor Otter appointed Representative Neil Anderson of Blackfoot in the place of former Representative Max Black. The Investment Board is again up to its full complement of nine members. Mr. Johnson reported the month of January was a very good month in terms of returns, up 3.4% for the Endowment Fund; fiscal year to date through the end of January was at 10.9%. Thus far in February the Fund has eked out about 0.8% and is nearly 11.9% for fiscal year to date through yesterday. Mr. Johnson indicated all investment managers are performing as expected, and remarked that the Investment Board conducted a thorough review of managers in its meeting of February 13th.

- **CONSENT**

3. 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. Cedar Mountain Poles	CR-22-5026	2,600 Poles 215 MBF	Kootenai Mica (Coeur d'Alene)

SOUTH OPERATIONS

				<u>COUNTY</u>	<u>AREA OFFICE</u>
B. Ove Dent Seed	CR-40-1112	3,770	MBF	Clearwater	Clearwater (Orofino)
C. Lingering Lolo	CR-42-5046	5,230	MBF	Clearwater	Maggie Creek (Kamiah)
D. Beaverhole	CR-50-0159	10,757	Tons	Valley	Payette Lakes (McCall)

4. Disclaimer of Interest – Payette River, Gem County, Idaho – Staffed by Sid Anderson, Program Manager-Public Trust/Residential

DEPARTMENT RECOMMENDATION: Direct the Department to issue a disclaimer of interest for one parcel totaling 3.286 acres of the former bed of the Payette River and require the Applicant to pay the remaining processing fee of three hundred dollars (\$300) to the Department of Lands for this transaction.

DISCUSSION: None.

5. Annual Report – Staffed by Patrick Hodges, Division Administrator-Support Services

DEPARTMENT RECOMMENDATION: Direct the Department to finalize and distribute the 2012 Annual Report.

DISCUSSION: Attorney General Wasden admired the photos included in the report. Director Schultz remarked that many of the photos were taken by Department staff.

6. Approval of Minutes – January 15, 2013 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 5-0.

• **REGULAR**

7. Department Organizational Structure – Presented by Tom Schultz, Director

DEPARTMENT RECOMMENDATION: The Department recommends implementing the interim organizational structure over the next 6 months, evaluating the interim structure and continuing communication with stakeholders over the next 12-18 months to gauge support for other recommended changes.

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 and adopt the proposed organizational restructure. Superintendent Luna seconded the motion. The motion carried on a vote of 5-0.

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

- **INFORMATION**

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

At 9:37 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345(1) subsections (c), (d) and (f) for the purposes of considering the acquisition of an interest in real property not presently owned by a public agency, to consider records that are exempt from disclosure under Idaho Code § 9-340D, and 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: CPTPA Update]
- 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: Hoyle Bankruptcy]
- 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: Cottage Site Valuations]
- D. Idaho Code 67-2345(1)(c) – to conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency. [TOPIC: Cottage Site Land Exchange(s)]

At 11:18 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 11:19 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.

