



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
April 16, 2013

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 16, 2013 in the State Capitol Auditorium (Room WW02) at 700 West Jefferson, Boise, Idaho. The meeting began at 9:48 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 (*via teleconference*)
Honorable State Controller Brandon Woolf

For the record, Governor Otter recognized the presence of four Board members and the absence of Superintendent Luna, with Attorney General Wasden joining the meeting via conference phone.

1. Director's Report

- A. Interest Rate on Department Transactions – April 2013
- B. Timber Sale Activity and Information Report – March 2013
- C. Division of Lands and Waterways Activity and Information Report – March 2013
- D. Legal Matter Summary – March 2013

DISCUSSION: Director Schultz noted that the interest rate on Department transactions is 3.5% for the month of April.

Director Schultz reported on timber sales activity, stating the Department had two sales last month that had 132% upbid. The Department is seeing significant increases in the value of stumpage. The most recent value is \$437/MBF; for the last several years the average value has been about \$200/MBF so significant short term increases in stumpage prices. Director Schultz remarked that the Department's timber volume under contract is slightly over 400 MMBF, valued at nearly \$82.5 million. Harvest receipts for FY13 to date are just above \$47 million. About market trends Director Schultz commented lumber prices will open the 2nd quarter at the highest level since 2004. Housing prices appear to be increasing, projects are underway in markets and there is increase in demand from home centers. Director Schultz noted the

Department has sold more than 224 MMBF of sawlogs, about 93% of its FY13 timber sale target. The Department has sold 26,200 cedar poles to date, exceeding its target of 25,400. Harvest receipts are paralleling pretty closely with FY11 receipts; the Department has been projecting somewhere in the realm of about \$50 million and is headed right there. Cumulative harvest volume is also tracking FY11 trends and the Department still anticipates somewhere around 300 MMBF being harvested for FY13.

Director Schultz commented on one transaction from the Lands and Waterways report – the residential transaction under Assignments. This was a sale and assignment; the sales price for the total transaction was \$125,000. The leasehold value attributed to that sale was just above \$96,000 and the improvement value was slightly more than \$28,000 on that tract.

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 reported that Endowment Fund reserves are strong as a result of great land revenues as well as strong returns in the Fund. Mr. Johnson advised that the Investment Board would attend the next Land Board meeting in May as part of its twice yearly routine. Mr. Johnson remarked that the State Treasurer had temporarily discontinued the state's school bond guarantee program last December, which automatically then discontinued the Endowment Fund's guarantee program because EFIB requires a state guarantee first. The Treasurer has reinstated that program effective yesterday so once again the Endowment Fund program to guarantee school bonds will also be effective; in fact EFIB received its first application today. Mr. Johnson noted the month of March was good for the endowment funds, up 2.4%, giving a fiscal-year-to-date total of 14.5% through the end of March. All investment managers are performing as expected.

● **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. Butler Cleanup	CR-20-0300	1,555	MBF	Bonner	Pend Oreille (Sandpoint)
B. First and Last	CR-30-0604	8,040	MBF	Benewah	St. Joe (St. Maries)
C. Mica Berry	CR-30-0608	5,630	MBF	Shoshone	St. Joe (St. Maries)
D. Lower Blackrock	CR-31-0022	2,985	MBF	Kootenai	Mica (Coeur d'Alene)
 <u>SOUTH OPERATIONS</u>				 <u>COUNTY</u>	 <u>AREA OFFICE</u>
E. Huckleberry Patches	CR-40-1071	10,215	MBF	Clearwater	Clearwater (Orofino)
F. Snake Bowl Pole	CR-40-1114	1,400	MBF	Clearwater	Clearwater (Orofino)
		3,425	Poles		
G. Snake River Butte Ton	CR-80-0108	16,252	TONS	Fremont	Eastern (Idaho Falls)

4. Results of April 3, 2013 Oil and Gas Lease Auctions – Staffed by Eric Wilson, Program Manager-Minerals

DEPARTMENT RECOMMENDATION: Approve the results of the April 3, 2013 oil and gas lease auctions, and direct the Department to issue 26 oil and gas leases to the successful bidders following their timely payment of bonus bids, rent, and advertising costs.

DISCUSSION: None.

5. Approval of Minutes – March 21, 2013 Regular Meeting (Boise)

CONSENT AGENDA BOARD ACTION: A motion was made by Controller Woolf that the Board approve the Consent Agenda. Attorney General Wasden seconded the motion. The motion carried on a vote of 3-1-1 [*aye:* Wasden, Woolf, Otter; *nay:* Ysursa; *absent:* Luna].

• **REGULAR**

6. Negotiated Rulemaking, IDAPA 20.02.01, Rules Pertaining to the Idaho Forest Practices Act – Presented by Ara Andrea, Program Manager-Service/Regulatory

DEPARTMENT RECOMMENDATION: Direct the Department to initiate rulemaking to update IDAPA 20.02.01, Rules Pertaining to the Idaho Forest Practices Act.

DISCUSSION: None.

BOARD ACTION: A motion was made by Secretary of State Ysursa that the Board approve the Department recommendation. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

7. FY 2014 Timber Sales Plan – Presented by Bob Helmer, Bureau Chief-Forest Management

DEPARTMENT RECOMMENDATION: Direct the Department of Lands to proceed with publication and implementation of the FY14 Timber Sales Plan.

DISCUSSION: Governor Otter remarked that in 2007, in his recollection, the Department harvested 213 MMBF and at that time was about 2 billion board feet behind in sustainable yields. Governor Otter asked where the Department is today on its sustainable cut, sustainable yield. Mr. Helmer replied that the Department has about 2 billion board feet in excess standing volume out there on the ground. Mr. Helmer explained the Department is attempting to reduce that standing volume with the additional harvest being done – the harvest over the amount being grown each year. The Department's efforts will make the stands healthier, reduce disease, insect infestations and the threat from fire.

BOARD ACTION: A motion was made by Secretary of State Ysursa that the Board approve the Department recommendation for the FY14 Timber Sales Plan. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

8. Request for Approval to Include Unleased Cottage Site Lots in 2013 Voluntary Cottage Site Auctions – Presented by Kate Langford, Strategic Business Analyst-Planning

DEPARTMENT RECOMMENDATION: Direct the Department to:

1. Proceed with auctioning the three residential lots located at 1958 Warren Wagon Road, 1982 Warren Wagon Road and 1039 Plymouth Court in Valley County, Idaho.
2. The auction of the unleased lots at Payette Lake shall be held within either Ada County or Valley County and said auction may occur at a location other than the county seat.

DISCUSSION: Governor Otter inquired if the appraisal amount received by the Department would be the minimum bid at auction. Ms. Langford replied the appraisal amount would be the minimum sale price that the Department could accept.

Secretary of State Ysursa commented that he is in favor of auctioning these lots as a good way to find out market value. Secretary of State Ysursa noted two of these lots are right near each other and asked if the Department is concerned about that at this point. Ms. Langford replied the Department is not concerned by that. Secretary of State Ysursa remarked that these are three lakefront lots at Payette Lake and mentioned a few years ago the Department tried to auction two up at Priest Lake – lots with no improvements on them, just empty lots to lease – and did not get any bids. Secretary of State Ysursa wondered if the Department has considered putting those two lots up for sale again, in a market savvy manner. Ms. Langford explained these unleased sites at Payette Lake are intended to be included with the entire auction cycle for this year; the Department will be opening an auction window in May for leased sites for voluntary auction. Ms. Langford indicated that depending upon the response, which at this point is unknown, but it is anticipated that the Department will get a number of responses for auction, certainly there is an option to put some of the unleased sites at Priest Lake into that mix as well, lots that have never been leased and have no history. Ms. Langford stated that would be evaluated at the time that the Department returns with the specific sites that have been nominated by the lessees themselves.

BOARD ACTION: A motion was made by Controller Woolf that the Board direct the Department to review market conditions and if financially prudent: 1) proceed with auctioning the residential lots located at 1958 Warren Wagon Road, 1982 Warren Wagon Road, and 1039 Plymouth Court in Valley County, Idaho; 2) the auction of the unleased lots at Payette Lake shall be held within either Ada County or Valley County and said auction may occur at a location other than the county seat. Secretary of State Ysursa 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. Default and Delinquent Procedures – Presented by Kathy Opp, Deputy Director

10. Analysis of Federal Lands Transfer (HCR021/HCR022) – Presented by Tom Schultz, Director

DISCUSSION: Governor Otter noted the Department's analysis indicated federal forest harvest per year could potentially be up to 800 MMBF and asked what was the actual harvest on federal land in Idaho last year. State Forester David Groeschl stated it was around 100 MMBF. Governor Otter inquired what the average sized fire is on state lands during a fire season, over the last 20 years, compared to the average sized fire on federal lands. Mr. Groeschl explained the Department's goal always is to catch 94% of fires at 10 acres or less. Last year roughly 4,000 acres burned over the course of the year. Governor Otter asked how many fires that was. Mr. Groeschl replied he would have to verify specific records, but estimated it was probably a couple hundred fires last year and that was about half of the 20 year average. Mr. Groeschl remarked he did not have any facts regarding fires on federal lands but would provide that information at the next Land Board meeting. Governor Otter requested that the average size fire per incident on private lands be researched as well, and then the Department could factor that data into its hypothetical analysis.

11. Legislative Update – Presented by Tom Schultz, Director

12. Factual Errors in Cottage Site Appraisals – Presented by Kathy Opp, Deputy Director

DISCUSSION: Governor Otter asked if the individual appraisals, including pictures, have been made available to all cottage site lessees. Deputy Director Opp replied that the Department is providing appraisals through public records requests, and added that most lessees are requesting a copy of their appraisal. Director Schultz indicated the Department has received requests for 255 appraisals, out of approximately 522 that were completed. Secretary of State Ysursa asked if most requests were for a certain lake; Director Schultz stated the numbers were not broken down by lake at this time.

Secretary of State Ysursa inquired about the number of lease applications received by the Department to date. Director Schultz responded that as of this morning, the Department has received 41% from Payette Lake and 24% from Priest Lake. Director Schultz noted that one comment the Department heard at the recent Priest Lake State Lessees' Association meeting was that a number of individuals submitted an application prior to knowing the value of their lots; what percent of those that may have reconsidered in light of their value issue is unknown.

Governor Otter asked how that matches up with the earlier analysis, of 10-12%. Director Schultz replied the Department estimates somewhere between 8-30% of lessees may be in some default status or not renew their lease. Many people may wait until the last minute to submit applications. Right now, overall for both lakes combined, applications have been received for about 30%. Secretary of State Ysursa inquired if any conflict applications have been received. Director Schultz stated none have been received thus far.

At 10:55 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. Secretary of State Ysursa seconded the motion. Roll Call Vote: *Aye*: Ysursa, Wasden, Woolf, Otter; *Nay*: None; *Absent*: Luna.

- **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: Cottage Site Valuations/Leases]

At 11:45 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 11:45 a.m. a motion was made by Secretary of State Ysursa to adjourn. Controller Woolf seconded the motion. The motion carried on a vote of 4-0. 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 May 21, 2013 regular Land Board meeting.