



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
Ben Ysursa, 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
June 18, 2013

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 18, 2013 in the State Capitol Lincoln 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 Ysursa
Honorable Attorney General Lawrence Wasden (*via teleconference*)
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter recognized the presence of all Board members, with Attorney General Wasden joining the meeting via conference phone.

1. Director's Report

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

DISCUSSION: Director Schultz stated the interest rate for Department transactions is 3.50% for the month of June.

Referring to the Timber Sale Activity report, Director Schultz mentioned the Department sold six timber sales last month at auction with an average 142% upbid and net average value just under \$300/MBF. Prices were around \$200/MBF for the past several years. Prices have come down somewhat from where they were in March but are still holding very well. Director Schultz noted volume under contract is nearly 416 MMBF at a value just over \$92 million. Timber harvest receipts to date are \$54.2 million with another \$6.5 million projected for June; that would put timber receipts for FY2013 at \$60 million plus, which is a very good number for the Department. Director Schultz commented that there has been some infestation of Douglas fir beetle on endowment lands between the Clearwater River and Priest Lake. The Department's foresters are working quickly to prepare salvage sales before any value is lost on those stands.

Director Schultz reported with the sales to be approved by the Board this month the Department is at 102% of target on sawlog sales and 103% of target on cedar pole sales for the FY2013 timber sales plan. Many of the sales submitted this month for Board approval are actually for the Department's FY2014 sale program. Director Schultz restated timber sales receipts are tracking with FY2008 figures to approach \$60 million. It would be a timber program record if FY2013 receipts top \$60 million. Harvest volume is on a similar path with FY2012 which also was a record year at over 330 MMBF harvested. The Department continues to follow trends in stumpage price which currently sits at about \$300/MBF.

On the Lands & Waterways transaction sheet this month, Director Schultz indicated the Department had a fair number of assignments – oil and gas leases from Bridge Energy to Alta Mesa which has acquired many of the Bridge Energy assets. Director Schultz commented that the Department has been working with the Attorney General's Office to collect on defaults. The efforts of the Department's legal counsel have generated over \$105,000 for the endowments on leases that have been in default; that number continues to grow. Director Schultz expressed appreciation for the assistance provided by the Attorney General's Office; the Department will continue working closely together to improve that situation.

Director Schultz noted there are no new developments on the Legal Matter summary since the last Board 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 that Endowment reserves are strong due to both the high land revenues the Director mentioned as well as good returns in the Fund. Mr. Johnson stated at its last meeting in May the Investment Board reviewed preliminary estimates of distributions for FY2015. Mr. Johnson noted that distributions are set in August but the Investment Board takes a preliminary look at where distributions would be if the year ended in March. The result is that total FY2015 distributions would increase about 3.3% with 7 of 8 endowments showing increases. Strict application of the formula (5% of the permanent fund) would also result in a distribution increase for Public School; however the reserves for that fund are less than the target of 5 years. The Investment Board does not support an increase for that endowment until that 5 year level is reached; there has been much progress toward that goal in the last year or two. Mr. Johnson reiterated that the Investment Board will provide a final recommendation on FY2015 distributions at the August Land Board meeting. That recommendation will be based on the actual balances at the end of June as well as the Department's new land revenues forecast. The Investment Board is optimistic that forecast will be favorable.

Mr. Johnson reported the Fund was up 0.4% for the month of May, above the benchmark. The Fund return fiscal year to date is 16.7% and for the last five years is 5.9%. In the month of June the Fund has lost about 0.2% but still is anticipated to end the fiscal year with a very strong return. Mr. Johnson commented that all investment managers are performing as expected in this environment.

- **CONSENT**

Director Schultz announced the retirement of Roger Jansson, Operations Chief-North. Mr. Jansson worked for the Department 44 years; one of his numerous responsibilities in his position as Operations Chief was requesting Board approval each month for timber sales in the Department's northern areas. Director Schultz expressed appreciation for Mr. Jansson's many years of service, and also thanked Board members for signing a commemorative framed photograph of Priest Lake that will be presented to Mr. Jansson at his retirement celebration later this month.

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. Dickensheet North	CR-10-0413	2,200	MBF	Bonner	Priest Lake (Coolin)
B. High School	CR-21-3021	6,000	MBF	Boundary	Pend Oreille (Sandpoint)
C. Danby Ridge	CR-22-5025	5,835	MBF	Kootenai	Mica (Coeur d'Alene)
D. Farmers Market Ton	CR-30-0596	8,908	TON	Benewah	St. Joe (St. Maries)
E. Wilfro	CR-30-0607	6,200	MBF	Benewah/ Shoshone	St. Joe (St. Maries)
F. Davis Renfro	CR-30-0613	3,850	MBF	Benewah	St. Joe (St. Maries)
G. Pole Vault	CR-41-0074	1,180	MBF	Clearwater	Ponderosa (Deary)
		7,220	POLES		
H. Tammy Jackson	CR-41-0082	6,330	MBF	Latah/ Clearwater	Ponderosa (Deary)
 <u>SOUTH OPERATIONS</u>				 <u>COUNTY</u>	 <u>AREA OFFICE</u>
I. Hildebrand	CR-40-1106	2,055	MBF	Clearwater	Clearwater (Orofino)
J. South Reeds	CR-40-1140	3,845	MBF	Clearwater	Clearwater (Orofino)
K. Mad Hornet OSR	CR-42-5061	1,999	MBF	Clearwater	Maggie Creek (Kamiah)
L. Skunk Point Ton	CR-50-0170	35,728	TON	Adams/ Washington	Payette Lakes (McCall)

4. Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in FY 2014 – Staffed by David Groeschl, State Forester/Deputy Director, 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 2014.

5. State Participation as a Member of SITPA and CPTA – Staffed by David Groeschl, State Forester/Deputy Director, 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.

6. Strategic Plan FY2014-FY2017 – Staffed by Patrick Hodges, Division Administrator-Support Services

DEPARTMENT RECOMMENDATION: Direct the Department to submit the FY2014 – FY2017 Strategic Plan to the Division of Financial Management by the July 1, 2013 deadline.

7. Approval of Minutes – May 21, 2013 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**

8. Auction of Unleased Lot(s) at Priest Lake – Presented by Thomas Felter, Program Manager-Commercial and Residential

DEPARTMENT RECOMMENDATION: Direct the Department to proceed with auctioning of the three sites at Priest Lake.

DISCUSSION: Secretary of State Yursa inquired about the Department's time frame for the auction. Mr. Felter replied that with Board approval today, the Department will begin the process of appraisals and marketing, and expects to hold an auction in late August or early September. Governor Otter asked, with nationwide marketing, will bidders have representatives, or bid by phone; what is the process. Mr. Felter indicated bidders will be able to call in, and bid online as well; multiple options will be available.

BOARD ACTION: A motion was made by Secretary of State Yursa to approve the Department recommendation to auction the three sites at Priest Lake. Superintendent Luna seconded the motion.

FURTHER DISCUSSION: Governor Otter asked for clarification that these parcels would be offered at the same time, as one cluster. Mr. Felter responded, yes, the lots will be marketed as a multi-parcel offering; each lot will be offered individually, and they will also be grouped. For example, if a certain individual would prefer to have two lots, then he or she has the option to bid on the two as one unit. This method will maximize the value for the endowments. Governor Otter mused that if an individual bid \$100,000 on the first lot, then that person would be offered the other two also at \$100,000. Mr. Felter stated that is correct and added if someone wants to bid \$300,000 on two lots, then that sets the value of the third. Offering parcels in a manner that potential purchasers want, whether it is two, three or just one, will maximize the value. Controller Woolf asked if a multi-parcel offering will meet the Department's goal of determining overall comparables. Mr. Felter affirmed that it would establish bare ground value.

Governor Otter restated the motion and called for a vote. The motion carried on a vote of 5-0.

9. Extension of Purchase Option between State of Idaho and U.S. Forest Service for State Surplus Property in Valley County, Idaho – Presented by Kurt Houston, Operations Chief-South

DEPARTMENT RECOMMENDATION: Direct the Department to amend the Purchase Option and Contract between the State of Idaho and the US Forest Service for the Lawman Ranch parcel, to extend the expiration date to December 31, 2014.

BOARD ACTION: A motion was made by Secretary of State Yursa to adopt the Department recommendation. Attorney General Wasden seconded the motion.

DISCUSSION: Following Secretary Yursa's motion, Governor Otter asked what the typical length of time is for an appraisal to remain valid. Director Schultz responded for the Department's purpose a typical appraisal is effective for 12 months. Governor Otter surmised that this then would be an 18 month appraisal life. Director Schultz remarked the initial appraisal in this transaction was conducted in 2011 and with Board approval the purchase option would be extended to 2014, making it a three year appraisal period. Controller Woolf repeated the Director's earlier statement that this transaction does not involve endowment land, and commented that perhaps the appraisal process is different. Director Schultz explained that the Forest Service uses what is called Yellow Book appraisal, so there are some different standards that the Forest Service requires that would not necessarily be required on endowment lands. Typically, the Forest Service also looks at a one year appraisal time frame; however, both of the parties in this transaction have agreed to proceed with the 2011 appraised value.

Governor Otter restated the motion and called for a vote. The motion carried on a vote of 5-0.

For the record, at 9:33 a.m. Attorney General Wasden excused himself from the meeting to attend another commitment.

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

- **INFORMATION**

10. Rangeland Fire Protection Associations – Presented by David Groeschl, State Forester/Deputy Director, Forestry and Fire

DISCUSSION: Secretary of State Yursa asked about the Department's prediction for the upcoming fire season. State Forester Groeschl replied that long range predictions are for warmer than average temperatures and below normal precipitation across much of the state. In addition, fuel moistures are lower than normal for this time of year. State Forester Groeschl stated that given current circumstances, the Department is preparing for an above normal, active fire season.

Governor Otter commented that there was more interest in Rangeland Fire Protection Associations (RFPAs) than the State was able to fund this year and wondered how many groups actually requested to form an association. State Forester Groeschl responded that three came forward as anticipated [Owyhee, Saylor Creek, Three Creek]; the Department estimated needing

\$75,000 - \$100,000 for each RFPA. Several positive actions happened to lower the cost, with much of the savings as a result of efforts by the Department's fire cache manager in acquiring both personal protective equipment and radios at substantially reduced cost. In addition, he was able to get the three water tenders at much less cost than was anticipated. Another positive was receiving additional funding from other sources: the Department contributed \$91,000 from volunteer fire assistance federal grant money, Bureau of Homeland Security gave \$20,000 and U.S. Fish & Wildlife Service donated \$36,000. Adding these onetime contributions to the \$300,000 appropriated by the Legislature, and the considerable cost savings for equipment, the Department was able to fund formation of the three RFPAs mentioned, with monies remaining to fund an additional three prior to the 2014 fire season.

Governor Otter noted territories of responsibility seem to vary in size and asked if there is additional savings on equipment, personnel, etc., if the area is smaller rather than larger. State Forester Groeschl replied that an economy of scale has yet to be determined. The size of the area is driven by geographic features as well as the community of ranchers who decide to work together and form an association. Governor Otter extended appreciation for the leadership of the ranchers and their efforts in starting this voluntary program and seeking appropriate authorization, and remarked that several sizeable sportsmen's organizations are also participating or willing to be volunteers. State Forester Groeschl acknowledged a variety of groups: ranchers, sportsmen, and corporate owners all willing to not only participate but to help offset some of the expenses within those Rangeland Fire Protection Associations.

- **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 9:46 a.m. a motion was made by Secretary of State Yursa to adjourn. Controller Woolf seconded the motion. The motion carried on a vote of 4-0. Meeting adjourned.

