



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  
December 17, 2013

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, December 17, 2013 in the State Capitol, Senate Hearing Room WW55, 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  
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 YEAR IN REVIEW**

*Department of Lands' staff presented a video of 2013 Year in Review accomplishments.*

**1. Director's Report**

A. Interest Rate on Department Transactions – December 2013

*DISCUSSION:* Director Schultz noted the interest rate on Department transactions is 4.25% for December.

B. Timber Sale Activity and Information Report – November 2013

*DISCUSSION:* Director Schultz reported the Department had two timber sales in November with a 73% upbid over advertised value. The Department currently has 472 MMBF under contract, worth slightly more than \$103 million. Director Schultz remarked the Department had over \$9 million in harvest receipts for the month and close to \$6 million projected for December. The Department has had a phenomenal year for both harvest to date as well as revenue to date from the timber sales. The Department has reached approximately 70% of its fiscal year target for sawlog sales and about 30% of its target for cedar pole sales. Director Schultz noted cumulative harvest receipts are nearly \$43 million for the year, which is 152% of the 5 year average, and harvest volume is at 200 MMBF, far eclipsing historical averages on both revenue and volume harvested this first half of the year. Director Schultz commented that stumpage prices have moderated back to about \$250/MBF from a high of \$300/MBF earlier in the year.

C. Division of Lands and Waterways Activity and Information Report – November 2013

*DISCUSSION:* Director Schultz mentioned the Department had a number of new transactions in November, primarily grazing leases. Director Schultz also pointed out a few residential cottage site leases were signed and provided an update by lake: at Payette Lake there are 118 leases signed and 9 one year extensions signed, with a total of 19 lessees choosing the reappraisal option that was approved by the Land Board in October. At Priest Lake there are 58 leases signed and 35 one year extensions signed. Director Schultz noted that some individuals at Priest Lake who had signed a lease were participants in an exchange and may now choose the one year lease extension and the reappraisal option, so those numbers may change somewhat.

D. Legal Matter Summary – November 2013

*DISCUSSION:* Director Schultz gave a brief update on the Tamarack issue. The Department signed forbearance documents with Tamarack Resort LLC and Tamarack Municipal Association so the ski resort could open for the season, which it did on Saturday, December 14th. The lease payment is due by January 2nd. Governor Otter asked how much is the lease payment, and how much have they already paid. Director Schultz replied the lease amount is \$277,000 and has not been paid yet, but there is a commitment from Credit Suisse to pay by January 2nd.

**2. Endowment Fund Investment Board Manager's Report – Presented by Larry Johnson, EFIB Manager of Investments**

- A. Manager's Report
- B. Investment Report
- C. Analysis of Required Years of Reserves (Preliminary Results)

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to [public\\_records\\_request@idl.idaho.gov](mailto:public_records_request@idl.idaho.gov).

• **CONSENT**

- 3. **Approval of Minutes – November 12, 2013 Special Meeting (Boise)**
- 4. **Approval of Minutes – November 19, 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.

• **INFORMATION**

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

- 5. **Proposal for Auctions at Payette and Priest Lakes – Presented by Brian Rallens and Mark Bottles, Mark Bottles Real Estate Services, and Kent Corbett, Corbett Bottles Real Estate Marketing**

**6. Endowment Fund Reform Progress Report** – Presented by Bob Maynard, Chief Investment Officer, Public Employee Retirement System of Idaho (PERSI)

*A verbatim transcript is available for the above information items by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public\_records\_request@idl.idaho.gov.*

At 11:01 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345(1) subsections (d) and (f) to consider records that are exempt from disclosure as provided in chapter 3, title 9, Idaho Code, 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)(d)(f) - to consider records that are exempt from disclosure as provided in chapter 3, title 9, Idaho Code, and 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. [TOPICS: Ownership of Grays Lake; Voluntary Auctions]

For the record, at 12:01 p.m. Governor Otter excused himself from the Land Board meeting to attend another commitment. Secretary of State Yursa presided for the remainder of the meeting.

At 12:24 p.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

- **REGULAR**

**7. Payette Lake Voluntary Cottage Site Auction for Former Land Exchange Participants** – Presented by Kathy Opp, Deputy Director-Lands and Waterways

*DEPARTMENT RECOMMENDATION:* The Department recommends that the Land Board direct the Department to offer the voluntary auction opportunity to the lessees of the twenty-one (21) Payette lots listed on Attachments 1A – 1C, as shown in the former proposed land exchange memorandums, and subject to the seven (7) criteria outlined above.

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, 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 adopt the Department's recommendation as outlined on page 2 of 2, Tab 7 that is that the Land Board direct the Department to offer the voluntary auction opportunity to the lessees of the twenty-one (21) Payette lots listed on Attachments 1A through 1C as shown in the former proposed land exchange memorandums and subject to the seven (7) criteria outlined above on page 2 of 2, Tab 7. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

**8. Priest Lake Voluntary Cottage Site Auction for Former Land Exchange Participants** – Presented by Kathy Opp, Deputy Director-Lands and Waterways

*DEPARTMENT RECOMMENDATION:* The Department recommends that the Land Board direct the Department to offer the voluntary auction opportunity to the lessees of the seventy-four (74) Priest Lake lots listed in Attachments 1A and 1B, subject to the nine (9) criteria outlined above.

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, 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 adopt the Department recommendation that is that the Land Board direct the Department to offer the voluntary auction opportunity to the lessees of the seventy-four (74) Priest Lake lots listed in Attachments 1A and 1B and subject to the nine (9) criteria outlined on page 2 of 2, Tab 8 in the current Board book. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

**9. Recommendations from Endowment Fund Reform Progress Report** – Presented by Larry Johnson, EFIB Manager of Investments, and Tom Schultz, Director

*DEPARTMENT RECOMMENDATION:*

1. Direct the EFIB, with support from the Department of Lands and Land Board staff, to recommend consultants to perform a comprehensive strategy review of endowment assets, policies, procedures and studies, and 1) consult with subcommittee in item 2 to determine what constitutes a significant investment for the Trust that should be reviewed by third party experts, 2) recommend strategic priorities for acquisition/divestiture of Idaho endowment land, 3) recommend adjustments to the fund portfolio to reflect the cash earnings of the land, 4) recommend operating framework to best meet prudent investor standards, and 5) evaluate the long term investment outlook for Idaho timber land. Final selection of any consultant would be made by the Land Board.
2. Establish a Land Board Subcommittee on Endowment Fund Investment Governance Strategy that would be comprised of two Land Board members or staff, one EFIB Board member, EFIB Manager of Investments, IDL Director, and one Deputy Attorney General. The purpose of the Subcommittee would be to review investment decisions and recommend to the full Land Board a governance structure for those decisions that warrant outside expert review, consistent with the prudent expert approach.

3. Direct the Department of Lands, pending completion of the overall asset allocation review to discontinue consideration of any property acquisitions other than for the purposes of 1) obtaining access for currently owned endowment lands, and 2) blocking up of ownership of endowment lands
4. Direct the EFIB and the Department of Lands to jointly report, in May and November of each year, on the status of implementing the recommendations and observations of the Reform Progress Report, including:
  - Basing asset allocation on all trust assets
  - Basing distribution policy on all trust assets
  - Obtaining independent verification of investments by the Department of Lands
  - Enhancement of governance policies and procedures
  - Enhancing performance measurement and reporting to summarize all trust assets – total trust performance/returns
  - Investment of idle funds while held in the Land Bank.
5. Direct the EFIB to consult with the State Treasurer on the optimal investment of endowment assets while they are held in the Land Bank and present a recommendation to the Land Board.

*DISCUSSION:* A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to [public\\_records\\_request@idl.idaho.gov](mailto:public_records_request@idl.idaho.gov).

*BOARD ACTION:* A motion was made by Controller Woolf that the Board adopt, with the correction to the subcommittee name in recommendation number 2, that the word "Fund" is removed, that the Board accept recommendation number 1, 2, 3, 4 and 5 as stated on page 2 of 2, Tab 9. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0.

There being no further business before the Board, at 1:09 p.m. a motion was made by Attorney General Wasden 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

