



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  
January 21, 2014

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, January 21, 2014 in the second floor courtroom of the Borah Building, 304 North 8th Street, Boise. The meeting began at 8:59 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 (*via teleconference*)

For the record, Governor Otter recognized the presence of four Board members and remarked that Superintendent Luna intended to join the meeting via conference phone. Superintendent Luna joined the meeting at approximately 9:02 a.m.

**1. Director's Report**

A. Interest Rate on Department Transactions – January 2014

*DISCUSSION:* Director Schultz stated the interest rate on Department transactions is 4.25%; over the past year the interest rate has crept up about one percent.

B. Timber Sale Activity and Information Report – December 2013

*DISCUSSION:* Director Schultz remarked that the Department had four timber sales last month at auction, with an 82% up-bid over the advertised value. The Department has just over 454 MMBF of timber under contract worth slightly more than \$101 million. Director Schultz commented this has been a very positive year for the beneficiaries through timber harvest receipts with \$5.1 million in receipts for December and \$7.3 million projected for January. Director Schultz noted that the Department is again looking at record harvest and record revenue generation from timber sales. Cumulative harvest volume is around 225 MMBF (128% of the 5 year average) and cumulative receipts are at approximately \$48 million (154% of the 5 year average). The Department will likely see \$60 to \$65 million by year end from timber harvest. Governor Otter asked about the status of the Prairie Block fire salvage, and which office administers that area. Director Schultz replied that the Southwest Area Office administers that sale. Between 50-70% of the volume has been removed, and the total volume on that sale is 40 MMBF.

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

*DISCUSSION:* Director Schultz commented that the majority of the transactions are cottage site leases and rather than discussing all of them, the Director covered only those that have not yet been signed or not yet been paid. To date there are three leases for which the Department has neither received payment nor a signed lease; those files have been turned over to legal for follow through. Governor Otter asked if those three are at Payette Lake. Director Schultz responded two are at Priest Lake and one is at Payette Lake. Director Schultz noted there are 14 leases for which the Department received payment but no lease; those are all at Priest Lake. Finally, there are eight leases, three at Priest Lake and five at Payette Lake, for which the Department received a signed lease but not payment. Governor Otter inquired if those lessees requested a payment schedule. Director Schultz stated, no, there is simply confusion in some cases. Department staff have followed up with the lessees and are doing their best to clarify the process.

D. Legal Matter Summary – December 2013

*DISCUSSION:* Controller Woolf asked if the Department received payment for the Tamarack lease. Director Schultz replied yes, Credit Suisse made that \$277,000 lease payment and Tamarack is operational; the ski hill is running.

E. Revenue Update

*DISCUSSION:* Director Schultz reported the Department has just under \$56 million in gross revenue year to date. The sources of revenue are \$48 million in timber receipts; \$4 million in cottage site rentals to date; \$2.5 million in commercial properties, which includes office buildings as well as other commercial leases; \$1.7 million in minerals, which does not include last week's oil and gas lease auction; \$290,000 in agriculture and \$208,000 in grazing. The grazing and agricultural leases were just billed out and the Department has not received all of those payments yet. Director Schultz pointed out the aqua blue cylinders to the far right on the bar chart show the revenue by month for fiscal year 2014 to date (July-December). Each month has exceeded the past years' revenues received on a monthly basis and the Department is very pleased with those results.

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

A. Manager's Report

*DISCUSSION:* Mr. Johnson stated that reserves are in excellent condition due to a combination of terrific land receipts and good results in the Fund. Mr. Johnson mentioned the executive committee of the Investment Board met this last month and selected a new international growth equity manager. The committee selected a firm called WCM of Laguna Beach, CA to manage international growth equities for the Endowment Fund. There are no compliance issues to report. Next month the Investment Board will provide a report on its study of distribution rates and reserve levels as well as an update on the progress of the comprehensive endowment strategy review. Governor Otter asked what percentage of the Fund portfolio is international. Mr. Johnson replied international provides about 30% of the Fund's total equity portfolio. The equity portfolio is 70% of the total Fund; international is 30% of the equity and 21% of the total Fund portfolio. The Fund is approximately \$1.6 billion; international is about \$320 million.

B. Investment Report

*DISCUSSION:* Mr. Johnson reported the last month of the calendar year was positive. The Fund earned 1.5% which resulted in a little over 20% return for calendar year 2013. Fiscal year to date the Fund is up 12.7%, over 100 basis points ahead of benchmarks. Through yesterday, the month of January is flat so the Fund stands at about 12.7% fiscal year to date as well. All investment managers are performing as expected. Governor Otter inquired about the difference between global equity and international equity. Mr. Johnson noted those are two different mandates in terms of geography. For global equity those managers look at buying stocks in both the United States and non U.S. countries. The Investment Board's international managers only buy stocks for the most part outside of the U.S. Governor Otter then asked is a multi-national corporation in the United States considered global or international. Mr. Johnson replied that is somewhat of a technical definition and it is usually based on which primary stock exchange the company is listed. It is possible to buy into a U.S. company that does all of its business overseas, or buy into an overseas company that does all of its business in the U.S. Many of the big companies do business globally and there are in fact global stock markets. As the markets mature and companies get bigger they start to do more business overseas internationally and those distinctions between global and international start to become a little less important than they were 20 years ago.

- **CONSENT**

**3. Timber Sales for Approval** – Staffed by Eric Besaw, Regional Operations Chief-North, and Kurt Houston, Regional Operations Chief-South

<u>NORTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. Ranger	CR-20-0305	3,900	MBF	Bonner	Pend Oreille (Sandpoint)
<u>SOUTH OPERATIONS</u>				<u>COUNTY</u>	<u>AREA OFFICE</u>
NONE					

*DISCUSSION:* None.

**4. Results of December 3 and December 5, 2013 Conflicted Residential Lease Auctions** – Staffed by Thomas Felter, Program Manager-Commercial Office/ Residential/ Industrial

*DEPARTMENT RECOMMENDATION:* Direct the Department to award residential leases to Brady Peterson (R5316) and Jim Hollingsworth (R1211), the high bidders of the two (2) non-appealed conflict lease auctions.

*DISCUSSION:* None

**5. Approval of Minutes** – December 17, 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.

At 9:17 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. Controller Woolf seconded the motion. Roll Call Vote: *Aye*: Ysursa, 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: Echo Springs Fire]

At 9:36 a.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

- **REGULAR**

- 6. **Echo Springs Fire Settlement** – *Presented by David Groeschl, State Forester/Deputy Director-Forestry and Fire*

*DEPARTMENT RECOMMENDATION*: The Department recommends that the State Board of Land Commissioners accept the proposed mediated settlement offer of \$765,000.

*DISCUSSION*: None.

*BOARD ACTION*: A motion was made by Attorney General Wasden that the Board approve the Department recommendation that the State Board of Land Commissioners accept the proposed mediated settlement offer of \$765,000. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.

- 7. **Conflict Auction Appeal Cottage Site Lease R1057** – *Presented by Steve Strack, Deputy Attorney General*

*DEPARTMENT RECOMMENDATION*: The Department recommends that the appeal of Jan Nunemaker challenging the results of the conflict auction of Priest Lake Lease R1057 be rejected, and that the Board confirm the award of the lease to conflict bidder Peter Mounsey.

*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 Attorney General Wasden that the Board adopt the Department's recommendation that the appeal of Jan Nunemaker challenging the results of the conflict auction of Priest Lake Lease R1057 be rejected and that the Board confirm the award of the lease to the conflict bidder Peter Mounsey. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

