



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
June 17, 2014

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 17, 2014 in the State Capitol Lincoln Auditorium (Room WW02) at 700 West Jefferson, Boise, Idaho. The meeting began at 9:06 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 – June 2014

B. Timber Sale Activity and Information Report – May 2014

DISCUSSION: Governor Otter asked why the Department's stumpage price is running about \$200 behind the Inland lumber price (per MBF), and also asked if that is net value. Director Schultz replied it is net value on both and asked State Forester Groeschl to explain the price difference. Mr. Groeschl stated the Department's stumpage price is price for standing lumber (logs) and the Inland lumber price is for finished board products. Finished lumber price reflects expenses incurred by the mills, such as transportation costs, production costs and yield.

C. Division of Lands and Waterways Activity and Information Report – May 2014

DISCUSSION: Director Schultz provided the most recent update on 2015 cottage site lease applications. Priest Lake: 269 applications mailed to lessees; 258 have been received by the Department. Of the 258 received, 113 lessees (44%) accepted appraisals, and 86 of those in acceptance have returned signed leases as well; 145 lessees (56%) are challenging appraisals.

Lessees who are challenging their appraisals will choose one of the two appraisers under contract by the Department, and pay the challenge appraisal fee (\$750); many lessees have already started this process. Payette Lake: 16 applications mailed; all 16 have been received by the Department, with all 16 lessees accepting appraisals and returning a signed lease.

D. Legal Matter Summary – May 2014

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

- A. Manager’s Report
- B. Investment Report
- C. Distribution Update

DISCUSSION: Mr. Johnson stated in May the Fund earned 2% and fiscal year to date as of May 31 is 16.9%. Thus far in June the Fund has gained another 0.7%, bringing it to 17.5% as of yesterday. A strong return is expected for the Fiscal Year which ends June 30. Mr. Johnson reviewed the Distribution Update and advised that the Endowment Fund Investment Board (EFIB) will bring a final recommendation to the Land Board at its August or September meeting. Attorney General Wasden inquired about efforts to inform the public about how the increase in the Fund has occurred over time, asking if EFIB has issued any press releases or contemplates doing so. Mr. Johnson responded that EFIB has not yet created any press releases, but has started working with the Department on a Citizen-Centric Report that is planned for release at the end of the fiscal year. The report would highlight both the performance of the Endowment Fund and the high revenues from the Department of Lands. This is a format that has been developed by the Association of Government Accountants as a way to inform citizens, in a brief form, of the activity of their government over the past year. Some departments in the state and certain local governments have already issued them. Attorney General Wasden asked that EFIB consider a press release, noting this is important information. Land Board members often encounter confusion and a press release would be of benefit when Board members talk with folks out in the community. Mr. Johnson indicated a press release at the end of the fiscal year will published.

Superintendent Luna noted that the Investment Board recommendation based on this update would be to increase the distribution to Public Schools from \$31.3 million to \$31.5 million, about a \$200,000 increase. Mr. Johnson stated that is correct. Superintendent Luna asked for clarification that once the reserve funds exceed 5 years then anything above 5 years is transferred out of the reserve fund, and into the permanent fund; it is transferred out of the reserve fund down to a 5 year level. Mr. Johnson replied a better way to express it is the reserve funds achieve the 5 year level first then distributions are increased, keeping reserves at 5 years. Once distributions reach targeted level of distribution which is 5% of the permanent fund, and reserves still have 5 years, then any excess above that would be transferred. Mr. Johnson commented there will not be any transfers of reserves from the Public School Fund until a distribution level of \$40 or \$41 million is reached.

Governor Otter asked if the Investment Board has considered bifurcating distributions, or suggesting that if a distribution is considerably more than previously, X number of dollars ought to be looked at as ongoing and the remainder targeted as one time. Mr. Johnson responded that the Investment Board's objective when increasing a distribution is it will be a continuing amount of money into the future. The Investment Board does not think there is value in encouraging beneficiaries to think about that as one time money. Mr. Johnson added that is one reason EFIB keeps reserves at the Endowment level so that beneficiaries do not have to worry about keeping reserves on their own or having uncertainty about receiving the money in future years.

- **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. Golden Sawlog	CR-20-0309	2,930	MBF	Bonner	Pend Oreille (Sandpoint)	
B. Twin Lakes	CR-22-5033	3,250	MBF	Kootenai	Mica (Coeur d'Alene)	
C. Thompson Lake	CR-30-0618	5,160	MBF	Kootenai	St. Joe (St. Maries)	
D. End of the Line	CR-30-0628	6,110	MBF	Shoshone	St. Joe (St. Maries)	
E. Lower Cole	CR-41-0086	6,750	MBF	Clearwater	Ponderosa (Deary)	
<u>SOUTH OPERATIONS</u>					<u>COUNTY</u>	<u>AREA OFFICE</u>
F. Harris Creek	CR-40-1166	7,315	MBF	Clearwater	Clearwater (Orofino)	
G. McKinnon Face	CR-40-1150	6,390	MBF	Clearwater	Clearwater (Orofino)	
H. Kennally Ton	CR-50-0171	26,688	Tons	Valley	Payette Lakes (McCall)	
I. Spanish Elk Ton	CR-60-0186	17,336	Tons	Boise	Southwest (Boise)	

DISCUSSION: Governor Otter noted a \$5/ton difference between the first and second ton sales, and asked why there is such a difference on the Spanish Elk Ton sale, also recalling the Elk Fire salvage sales sold at \$22/ton. Director Schultz commented the primary species between these two ton sales are different; the Kennally Ton sale is 51% grand fir hemlock. The Spanish Elk Ton sale is primarily a Ponderosa pine sale. Additionally, there may be differences in the cost of hauling the logs. Director Schultz indicated on the Elk Fire salvage, the first several sales were extensions of existing sales. The Department sold those sales when they were green sales and was able to negotiate a price for the burnt timber that was very similar to the green sale. When the Department actually put for auction the sale that had burned, that was not part of the green sale, the price was in the \$14 - \$15/ton range.

Attorney General Wasden thanked Director Schultz for the report and expressed curiosity regarding the average age of trees; how long does it take for the Department to grow those trees to harvestable level? Director Schultz replied the Department is in a 60 year rotation age on average. Historically it would have probably been an 80 to 100 year rotation. It is partly driven by the needs of the logging community; as the mills harvest smaller diameter trees the Department does not need to grow big trees that are 100 or 120 years old.

4. Bunker Hill Endowment Fund – Presented by Larry Johnson, EFIB Manager of Investments

DEPARTMENT RECOMMENDATION: Authorize the EFIB to manage the Bunker Hill Water Treatment Endowment Fund under such terms as the Endowment Fund Investment Board and the Department of Environmental Quality determine are appropriate.

DISCUSSION: Attorney General Wasden inquired if the Investment Board has expressed any consternation or concern about managing this fund. Mr. Johnson replied no. Governor Otter recalled that as the agreement was being drafted there was a block of money, \$45 to \$50 million, that was provided for the Chief Executive of the state to manage and use for purposes of the cleanup. Governor Otter asked if this is that money. Mr. Johnson replied that his understanding is there are two sets of money, one to be managed by the Environmental Protection Agency (EPA) and one to be managed by the State. Mr. Darrell Early, Deputy Attorney General for Department of Environmental Quality spoke to the Governor's question, stating the Consent Decree did have separate monies that did go to the State of Idaho. This particular money though that is being discussed today with respect to the Endowment Fund Investment Board is specifically allocated and was paid to a court registry account. For the last 2 years it has been held by the District Court in Idaho for this exclusive purpose of establishing if possible an endowment fund using the state process. Secretary of State Ysursa, as a point of interest, asked how the federal court is investing the monies while they hold it. Mr. Early did not know the precise investment other than it is a very low rate of return. Mr. Early noted the court does collect a small management fee which he thought to be 10% of the interest that the account accrues during the time that the court holds it.

5. Strategic Plan FY2015-FY2018 – Staffed by Donna Caldwell, Division Administrator-Support Services

DEPARTMENT RECOMMENDATION: Direct the Department to submit the FY2015 – FY2018 Strategic Plan to the Division of Financial Management by the July 1, 2014 deadline.

DISCUSSION: None.

6. Approval of Minutes – May 22, 2014 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**

NONE

