



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D. Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction

Tom Schultz, Secretary to the Board

FINAL Minutes
State Board of Land Commissioners Regular Meeting
January 19, 2016

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, January 19, 2016, in the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Lawrence Denney
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, Governor Otter recognized the presence of all Board members.

1. Director's Report

- A. Interest Rate on Department Transactions – January 2016
- B. Timber Sale Activity and Information Report – December 2015
- C. Division of Lands and Waterways Activity and Information Report – December 2015
- D. Cottage Site Voluntary Auction for Ownership Update
DISCUSSION: Director Schultz called attention to the second table in this update which shows the total number of cottage site lots in 2010 was 523, before the voluntary auctions began. The table lists the remaining number of lots after each auction cycle through 2015. At the end of 2015 there were 337 lots remaining. The numbers are broken down by lake as well. Director Schultz indicated the forecast for 2016 voluntary auctions is 45 leased lots at Priest Lake and 20 leased lots at Payette Lake, as well as a number of unleased lots at each lake. Director Schultz also remarked that the Department anticipates presenting an updated cottage site plan at the February Board meeting to cover auctions in years 2016-2019.

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

A. Manager's Report

DISCUSSION: Mr. Johnson noted that reserves are in good shape; at the end of December, all Endowments were within half a year of their maximum set target. Mr. Johnson commented that is primarily due to strong land returns rather than fund returns as the market has shown weak financial returns lately. Mr. Johnson stated there are no legal or compliance issues to report. Mr. Johnson introduced Michelle Watts, EFIB's new Fiscal Officer. Mr. Johnson mentioned that three Investment Board members who were reappointed when their terms expired in April 2015 have their confirmation hearings scheduled on February 1st before the Senate State Affairs Committee. Mr. Johnson stated the Investment Board will present the agency's budget report before JFAC on February 1st. JFAC members are always very interested in the distributions and the amount that the Land Board has approved. Mr. Johnson commented that work is continuing on draft legislation to clarify the Treasurer's authority to invest idle Endowment funds; a copy will be provided to Land Board members and staff when complete.

B. Investment Report

DISCUSSION: Mr. Johnson reported the month of December was down modestly, down 1.8% for fiscal year-to-date return of -2.8%. Unfortunately the market in January is much worse. Through yesterday, the Fund was down another 6.4% for fiscal year-to-date return of -9%. Mr. Johnson remarked this is about the worst return since 2008. Mr. Johnson noted that investment managers are performing as expected in this type of volatile environment.

Attorney General Wasden restated the negative returns shown in the EFIB reports and noted there is frequent discussion about the five years of reserves. Attorney General Wasden remarked the reason for those five-year reserves is to smooth out market ups and downs and maintain the Board's ability to make distribution payments consistently in the future. Attorney General Wasden asked if Mr. Johnson would comment about that. Mr. Johnson agreed with the Attorney General's statement that the stock market is volatile. EFIB tracks this statistically and remains confident that over time equities will outperform bonds but the equity markets are very volatile and that is an essential reason for having substantial reserves. Mr. Johnson mentioned the other reason is the timber market has its own level of volatility. Fortunately the timber market is currently strong. The Land Board can be more confident distributions will be maintained because reserve targets are set at robust levels.

• **CONSENT**

3. Approval of Minutes – December 15, 2015 Regular Meeting (Boise)

CONSENT AGENDA BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt and approve the Consent Agenda. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

- **REGULAR**

NONE

- **INFORMATION**

NONE

At 9:12 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code Section 74-206(1)(d) to consider records that are exempt from disclosure under Idaho Code Section 74-107(1) and 74-107(3). 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*: Denney, Wasden, Woolf, Ybarra, Otter; *Nay*: None; *Absent*: None.

- **EXECUTIVE SESSION**

A. Idaho Code 74-206(1)(d) - to consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code. [TOPIC: Commercial Business Plans]

At 9:48 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 9:49 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.

