



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

Be it remembered, that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.

FINAL Minutes
State Board of Land Commissioners Regular Meeting
March 21, 2017

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 21, 2017, in Boise City Council Chambers, 150 N. Capitol Blvd., Boise, Idaho. The meeting began at 9:03 a.m. The Honorable Governor Brad Little presided in place of Governor C. L. "Butch" Otter who was attending to business out of state. The following members were present:

Honorable Secretary of State Lawrence Denney
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf

For the record, Governor Little recognized the presence of four Board members and the absence of Superintendent of Public Instruction Sherri Ybarra. Also for the record, Attorney General Wasden noted the presence of a quorum.

1. Director's Report

- A. Interest Rate on Department Transactions – March 2017
- B. Timber Sale Activity and Information Report – February 2017
DISCUSSION: Governor Little asked about the Canadian softwood agreement. State Forester David Groeschl relayed his understanding that there is continued work to try and renegotiate the softwood lumber agreement. There is concern about dumping of lumber onto the U.S. market and softening the market; the Department so far has not seen much of this happening. However, industry representatives continue trying to renegotiate the softwood lumber agreement; it is part of a larger trade agreement with Canada.
- C. Division of Lands and Waterways Activity and Information Report – February 2017
- D. Cottage Site Update

E. Legislative Update

DISCUSSION: Governor Little, referring to S1099a, inquired where the Division Administrator position will fit into the Department's organizational structure. Director Schultz replied that under this law, the position will report to the Director of the Department of Lands. Director Schultz commented that ideally the position will report directly to the Oil and Gas Conservation Commission but for now reports to the Director.

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

A. Manager's Report

DISCUSSION: Mr. Johnson reported that Earnings Reserves are in great shape due to reasonable land revenues and Fund returns. There were no actions of the Investment Board to report, nor any compliance or legal issues. Mr. Johnson informed the Board that Governor Otter appointed Jerry Aldape and Mary Hughes to the Endowment Fund Investment Board. One vacancy remains.

Mr. Johnson noted that in its February meeting, the Investment Board determined the need to spend time thinking about long-term returns and the Investment Board's expectations. Mr. Johnson referred to the second page of the Manager's Report, which is a summary of what is considered by EFIB staff to be a reasonable long-term expected return for the Endowment Fund. Based on equity returns of around 7% and fixed income of 3%, the average return over the next 10 years will be approximately 6.3%. Mr. Johnson commented that this is down modestly from the 6.6% expected average return as reported last year. Mr. Johnson remarked that a Fund with nearly 70% of its assets exposed to the equity market can expect volatility in return of almost 17% a year in one year. The Investment Board expects equities to outperform bonds over the long term, but there is a lot of potential volatility in the short term. The Investment Board believes the Endowment Fund has a perpetual long-term investment horizon and therefore endorses having a significant proportion of the funds invested in equity, even though that volatility is high, recognizing that equities will outperform bonds over time.

B. Investment Report

DISCUSSION: Mr. Johnson stated equity markets were fairly strong in February; the Fund was up a total of 2.2%, putting the fiscal year-to-date at 8.7%. This month to-date the Fund is up almost 0.6% and fiscal year-to-date is 9.4%.

Secretary of State Denney commented that the recession is pretty well past and asked what the return on the Permanent Fund has been over the last 10 years, approximately. Mr. Johnson replied that it averaged 6-7%.

- **CONSENT**

- 3. Timber License Plate Fee Recommendations** – Staffed by Betty Munis, Director, Idaho Forest Products Commission

RECOMMENDATION: Direct the Department to proceed with the recommended educational projects developed jointly with the Idaho Forest Products Commission and listed in Attachment 1.

DISCUSSION: Attorney General Wasden noted that the Department is requesting that the Board authorize an expenditure of \$50,000 and there is currently \$40,500 available. Attorney General Wasden wondered if the remaining \$9,500 is not accrued, will spending be curbed until funds are available. Director Schultz responded yes, in that event spending would be curtailed.

- 4. Hall Creek Forest Conservation Easement** – Staffed by Karen Sjoquist, Program Specialist-Forest Legacy

RECOMMENDATION: Authorize the Idaho Department of Lands to acquire the Hall Creek conservation easement, comprising 317 acres.

DISCUSSION: Controller Woolf observed that the support letter from Boundary County Commissioners is nearly four years old and references Hall Mountain Forest Legacy Program. Controller Woolf wondered if the Hall Creek Conservation Area is part of the Hall Mountain area. Director Schultz directed the Board to the map included as Attachment 2 and stated that the red blocks within the circled area are all potential easements that, along with the Hall Creek Easement, are included in the Hall Mountain Forest Legacy Program.

Attorney General Wasden referred to Attachment 3, which lists individuals and entities in support of this easement. Attorney General Wasden noted that Senator Shawn Keough is included; the list seems to indicate that there is local support for this conservation easement. Director Schultz responded that is correct; to the extent the Department is aware, there is broad support for this project.

- 5. Approval of Minutes** – February 21, 2017 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 4-0.

- **REGULAR**

- 6. Cottage Site Parcels** – Presented by Sid Anderson, Program Manager-Residential

RECOMMENDATION: Direct the Department to dispose of that portion of Lot 6, Block 7, Cove Replat as proposed in the attached settlement agreement and in this memo.

Direct the Department to dispose of that portion of Lot 4, Block 7, Cove Replat as proposed in the attached settlement agreement and in this memo upon execution of the settlement agreement by Schmoeger and Dominguez.

DISCUSSION: Attorney General Wasden expressed his understanding that this endeavor by the Department is to ensure that the Land Board is meeting its Constitutional requirement to dispose of lands by public auction. Mr. Anderson affirmed that understanding is absolutely true.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board direct the Department to dispose of that portion of Lot 6, Block 7, Cove Replat as proposed in the attached settlement agreement and in this memo, and the Board direct the Department to dispose of that portion of Lot 4, Block 7, Cove Replat as proposed in the attached settlement agreement and in this memo upon execution of the settlement agreement by Schmoeger and Dominguez. Controller Woolf seconded. The motion carried on a vote of 4-0.

7. Tamarack Assignment – *Presented by Robert Follett, Deputy Attorney General*

RECOMMENDATION: The Department recommends the Land Board approve the assignment and assumption of Lease No. M-5042 from New TRAC to Tamarack Municipal Association, Inc. (Attachment 2).

DISCUSSION: Attorney General Wasden inquired if the Department has quelled all potential risks associated with the easement to the best extent possible, based on review of the lease process and successive assignments as they have occurred. Mr. Follett asserted that based on his analysis this lease assignment is in the best interest of the beneficiaries.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board approve the Department recommendation to approve the assignment and assumption of Lease No. M-5042 from New TRAC to Tamarack Municipal Association as shown in Attachment 2. Controller Woolf seconded. The motion carried on a vote of 4-0.

8. St. Maries Acquisition – *Presented by Ryan Montoya, Bureau Chief-Real Estate Services*

RECOMMENDATION: 1. Direct the Department to acquire the St. Maries property from the Idaho Department of Fish and Game in the amount of \$4,320,000. 2. Direct the Department to use Land Bank funds of the Public School endowment for the purchase of St. Maries.

DISCUSSION: An audio recording 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 direct the Department to acquire the St. Maries property from the Idaho Department of Fish and Game in the amount of \$4,320,000 and to use the Land Bank Funds of the Public School endowment for the purchase in St. Maries. Controller Woolf seconded the motion. The motion carried on a vote of 3-1.

9. Negotiated Rulemaking IDAPA 20.04.01, Rules Pertaining to Forest Fire Protection – Presented by JT Wensman, Bureau Chief-Fire Management

RECOMMENDATION: Authorize the Department to initiate negotiated rulemaking to update IDAPA 20.04.01, Rules Pertaining to Forest Fire Protection.

DISCUSSION: An audio recording 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 authorize the Department to initiate negotiated rulemaking to update IDAPA 20.04.01, Rules Pertaining to Forest Fire Protection. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

- INFORMATION**

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

10. 2018 Grazing Lease Rate – Presented by Jason Laney, Program Manager-Grazing, Ag, Conservation

11. Land Transaction Audit and Database – Presented by Ryan Montoya, Bureau Chief-Real Estate Services

- EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 10:28 a.m. a motion to adjourn was made by Attorney General Wasden. 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

/s/ Lawrence E. Denney

Lawrence E. Denney
Secretary of State

/s/ Thomas M. Schultz, Jr.

Thomas M. Schultz, Jr.
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the April 18, 2017 regular Land Board meeting.