

STATE BOARD OF LAND COMMISSIONERS OPEN MEETING CHECKLIST

FOR MEETING DATE: January 16, 2018

Regular Meetings

| | |
|--------------------|--|
| 1/3/18 | Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) calendar days before meeting. |
| 1/3/18 | Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) calendar days before meeting. |
| 1/3/18 | Notice of Meeting posted in prominent place at meeting location five (5) calendar days before meeting. |
| 1/3/18 | Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) calendar days before meeting. |
| 1/10/18 1/12/18 | Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting. |
| 1/10/18 1/12/18 | Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting. |
| 1/10/18 1/12/18 | Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting. |
| 1/10/18 1/12/18 | Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting. |
| 12/22/17 | Annual meeting schedule posted – Director's Office, Boise and Staff Office, CDA |

Special Meetings

| | |
|--|---|
| | Notice of Meeting and Agenda posted in a prominent place in IDL's Boise Headquarters office twenty-four (24) hours before meeting. |
| | Notice of Meeting and Agenda posted in a prominent place in IDL's Coeur d'Alene Headquarters office twenty-four (24) hours before meeting. |
| | Notice of Meeting and Agenda posted at meeting location twenty-four (24) hours before meeting. |
| | Notice of Meeting and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting. |
| | Emergency situation exists – no advance Notice of Meeting or Agenda needed. "Emergency" defined in Idaho Code § 74-204(2). |

Executive Sessions

| | |
|--|---|
| | If Executive Session only to be held, Notice of Meeting and Agenda posted in IDL's Boise Headquarters office twenty-four (24) hours before meeting. |
| | If Executive Session only to be held, Notice of Meeting and Agenda posted in IDL's Coeur d'Alene Headquarters office twenty-four (24) hours before meeting. |
| | If Executive Session only to be held, Notice of Meeting and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting. |
| | Notice contains reason for the executive session and the applicable provision of Idaho Code § 74-206 that authorizes the executive session. |



RECORDING SECRETARY

January 12, 2018

DATE



IDAHO 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

NOTICE OF PUBLIC MEETING JANUARY 2018

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, January 16, 2018 in the **Borah Building, 2nd Floor Courtroom (Room 214), 304 N. 8th Street, Boise, Idaho**. The meeting is scheduled to begin at 9:00 AM (MST).

IDAHO DEPARTMENT OF LANDS

Please note meeting location.

First Notice Posted: 1/3/2018-IDL Boise; 1/3/2018-IDL CDA

Idaho Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0242

This notice is published pursuant to § 74-204 Idaho Code. For additional information regarding Idaho's Open Meeting law, please see Idaho Code §§ 74-201 through 74-208.



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
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Tom Schultz, Secretary to the Board

Revised Final Agenda
State Board of Land Commissioners Regular Meeting
January 16, 2018 – 9:00 AM (MT)
Borah Building, 2nd Floor Courtroom, Room 214, 304 North 8th Street, Boise

*Please note change in venue. Regular Land Board meetings
will be at this location while the 2018 Legislature is in session.*

- **REGULAR**

1. **Appointment of Agency Acting Director**

- **UPDATE**

2. **Director's Report**

- A. Interest Rate on Department Transactions – January 2018
- B. Timber Sale Activity and Information Report – December 2017
- C. Division of Lands and Waterways Activity and Information Report – December 2017
- D. Land Bank Fund
- E. Cottage Site Update

3. **Endowment Fund Investment Board Manager's Report** – *Presented by Chris Anton, EFIB Manager of Investments*

- A. Manager's Report
- B. Investment Report

- **CONSENT**

4. **Approval of Minutes** – December 19, 2017 Regular Meeting (Boise)

- **INFORMATION**

NONE

- **EXECUTIVE SESSION**

NONE

State Board of Land Commissioners
Revised Final Agenda-v0112
Regular Meeting (Boise) – January 16, 2018
Page 1 of 1



Idaho Statutes

TITLE 74 TRANSPARENT AND ETHICAL GOVERNMENT

CHAPTER 2 OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS -- WHEN AUTHORIZED.[EFFECTIVE UNTIL JULY 1, 2020] (1) An executive session at which members of the public are excluded may be held, but only for the purposes and only in the manner set forth in this section. The motion to go into executive session shall identify the specific subsections of this section that authorize the executive session. There shall be a roll call vote on the motion and the vote shall be recorded in the minutes. An executive session shall be authorized by a two-thirds (2/3) vote of the governing body. An executive session may be held:

(a) To consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general;

(b) To consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student;

(c) To acquire an interest in real property which is not owned by a public agency;

(d) To consider records that are exempt from disclosure as provided in [chapter 1, title 74](#), Idaho Code;

(e) To consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(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. The mere presence of legal counsel at an executive session does not satisfy this requirement;

(g) By the commission of pardons and parole, as provided by law;

(h) By the custody review board of the Idaho department of juvenile corrections, as provided by law;

(i) To engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed. The mere presence of a representative of the public agency's risk manager or insurance provider at an executive session does not satisfy this requirement; or

(j) To consider labor contract matters authorized under section 67-2345A [[74-206A](#)](1)(a) and (b), Idaho Code.

(2) The exceptions to the general policy in favor of open meetings stated in this section shall be narrowly construed. It shall be a violation of this act to change the subject within the executive session to one not identified within the motion to enter the executive session or to any topic for which an executive session is not provided.

(3) No executive session may be held for the purpose of taking any final action or making any final decision.

History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125.]

AGENDA ITEM 1

NO BOARD MATERIALS
ARE PROVIDED FOR THIS ITEM

The logo of the Idaho Department of Lands is a large, faint watermark in the background. It features a stylized mountain peak on the left, a central diamond shape with a green-to-yellow gradient, and a horizontal bar across the middle containing the text "IDAHO DEPARTMENT OF LANDS" in white capital letters.

IDAHO DEPARTMENT OF LANDS

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IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

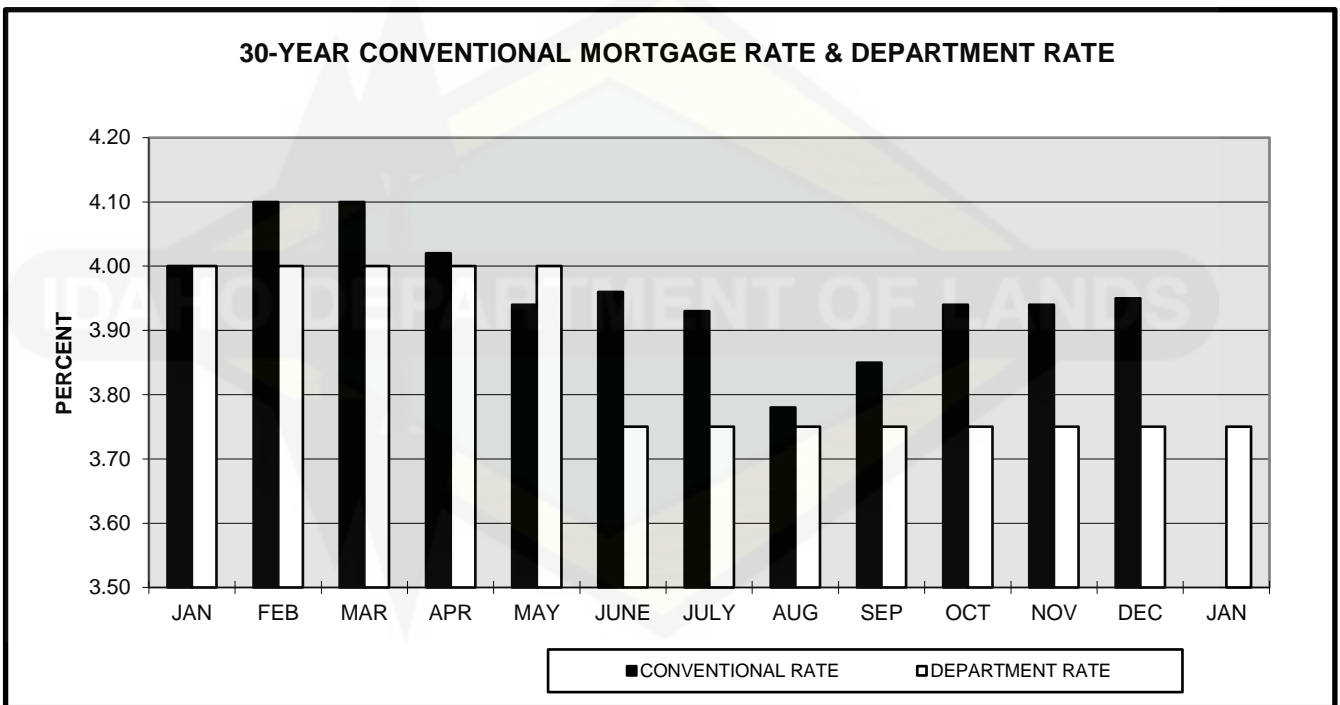
January 16, 2018

SUBJECT: Interest Rate on Department Transactions

BACKGROUND: On December 15, 1986 the Board approved the Department recommendation that the Department use the average monthly rate for conventional mortgages as quoted in the federal reserve statistical release as a basis for setting interest rates on departmental transactions. The rate is rounded down to the nearest one-quarter percent on the tenth of the month following the statistical releases.

DISCUSSION: The interest rate on Department transactions is **3.75%** effective January 10, 2018

The graph and chart compare the average conventional rate to the Department rate for the preceding calendar year. As shown on the graph, the Department rate lags the conventional rate by one month since the implementation of this policy.



| | 2017 JAN | 2017 FEB | 2017 MAR | 2017 APR | 2017 MAY | 2017 JUNE | 2017 JULY | 2017 AUG | 2017 SEP | 2017 OCT | 2017 NOV | 2017 DEC | 2018 JAN |
|-------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CONVENTIONAL RATE | 4.00 | 4.10 | 4.10 | 4.02 | 3.94 | 3.96 | 3.93 | 3.78 | 3.85 | 3.94 | 3.94 | 3.95 | |
| DEPARTMENT RATE | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |

Information Posted on Intranet (Programs / Land Board)

email: D Caldwell; D Buck; K Miller; W Kimball; C Woodworth; M Major

R Farmer; B Rheinschmidt; D Barbour; R King; M Sanborn; R Miller, D Griffin

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IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS
January 16, 2018
Director's Timber Sale Report

TIMBER SALE TRANSACTIONS AND ACTIVITY

During December 2017, the Department of Lands sold one endowment timber sale at auction. The endowment net sale value represents a 22% up bid over the advertised value.

| TIMBER SALE AUCTIONS | | | | | | | | |
|----------------------|-------------|----------|-----------|----------------|----------|---------------------|----------------|------------|
| SALE NUMBER | SAWLOGS MBF | POLES LF | POLES MBF | CEDAR PROD MBF | PULP MBF | APPRAISED NET VALUE | SALE NET VALUE | NET \$/MBF |
| TS224268 | 1,870 | | | | | \$ 192,507.00 | \$ 235,337.65 | \$125.85 |
| | 1,870 | 0 | 0 | 0 | 0 | \$ 192,507.00 | \$ 235,337.65 | \$125.85 |

| PROPOSED TIMBER SALES FOR AUCTION | | | | |
|-----------------------------------|------------|----------------------|------|------------------------|
| North Operations | | | | |
| Sale Name | Volume MBF | Advertised Net Value | Area | Estimated Auction Date |
| McPhee OSR | 4,075 | \$ 578,011 | Mica | 2/7/2018 |
| Preachers Plunge | 3,260 | \$ 1,345,241 | SJ | 2/21/2018 |
| Upper Cardiac | 8,000 | \$ 1,041,205 | SJ | 2/21/2018 |
| South Operations | | | | |
| Sale Name | Volume MBF | Advertised Net Value | Area | Estimated Auction Date |
| Mixed Rice | 1,470 | \$ 250,573 | MC | 1/31/2018 |

| VOLUME UNDER CONTRACT as of December 31, 2017 | | | |
|---|----------------|---------------|---------------|
| | Total | Public School | Pooled |
| Active Contracts | 174 | | |
| Estimated residual volume (MBF) | 351,024 | 222,021 | 129,003 |
| Estimated residual length (LF) | 882,035 | 601,572 | 280,463 |
| Estimated residual weight (Ton) | 596,180 | 348,960 | 247,220 |
| Total Residual MBF Equivalent | 463,736 | 288,373 | 175,363 |
| Estimated residual value | \$ 135,123,607 | \$ 82,926,719 | \$ 52,196,888 |
| Residual Unit Value (\$/MBF) | \$ 291.38 | \$ 287.57 | \$ 297.65 |

| | TIMBER HARVEST RECEIPTS | | | | |
|----------------------|-------------------------|---------------|------------------|-------------------|-----------------|
| | December | | FY to date | January Projected | |
| | Stumpage | Interest | Harvest Receipts | Stumpage | Interest |
| Public School | \$ 1,829,880.10 | \$ 197,913.49 | \$ 20,224,808.22 | \$ 4,267,610.50 | \$ 666,031.48 |
| Pooled | \$ 1,334,332.35 | \$ 119,843.58 | \$ 16,411,617.86 | \$ 3,176,562.25 | \$ 428,481.69 |
| General Fund | \$ 0.17 | \$ 0.00 | \$ 162,703.34 | \$ 116,046.21 | \$ 8,088.25 |
| TOTALS | \$ 3,164,212.62 | \$ 317,757.07 | \$ 36,799,129.42 | \$ 7,560,218.96 | \$ 1,102,601.42 |

MARKET TRENDS AND GENERAL OUTLOOK

Timber harvest for the month of December is historically low due to the holidays. Projections for January should increase if the predicted colder weather continues.

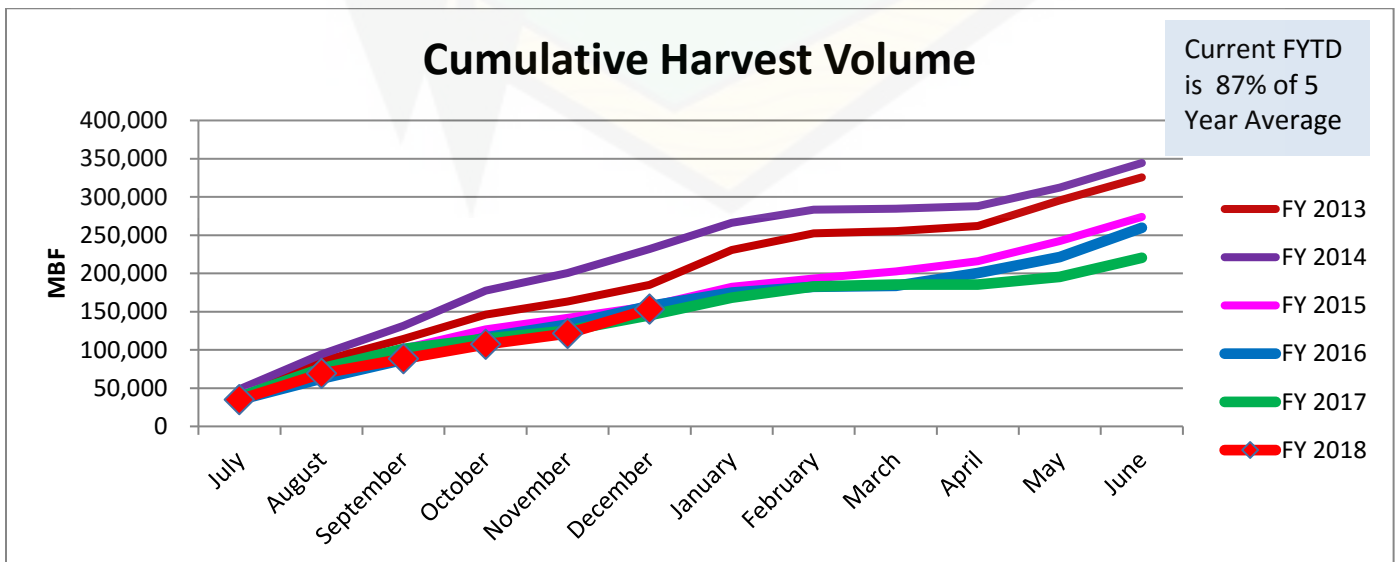
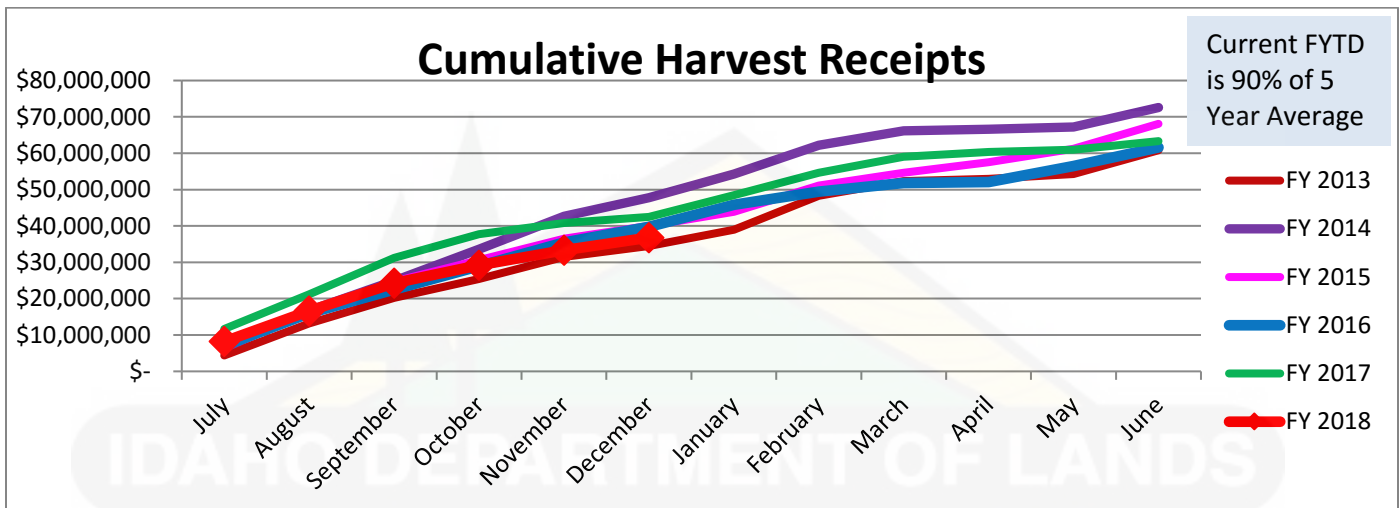
The U.S. International Trade Commission voted 4-0 December 7th that the U.S. lumber industry was injured by lumber imports from Canada. As a result, countervailing and anti-dumping duties against Canadian exports will be collected retroactive to December 28th, with an average duty of around 20%.

The new year will open amid forecasts for continued slow but steady growth in U.S. housing. Starts are expected to finish 2017 at around 1.2 million units, with forecasts for 2018 in the 1.25-1.30 million range.

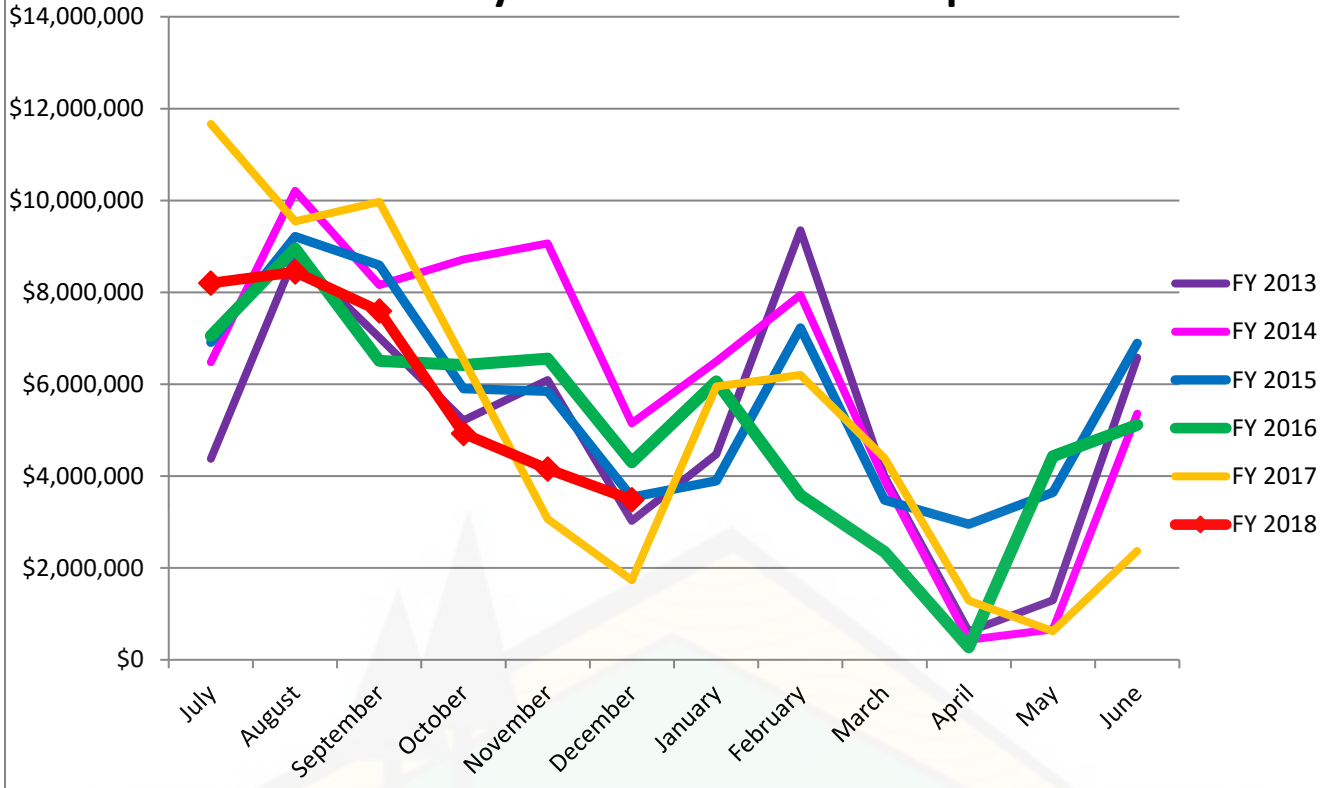
According to Random Lengths, the Random Lengths Framing Lumber Composite Price was on pace through mid-December to hit a 20-year high and reach one of the highest annual averages on record.

| Status of FY 2017 Timber Sale Program | | | | | | |
|---------------------------------------|---------------|---------|----------------|--|---------------|----------------|
| | MBF Sawlog | | | | Number Poles | |
| | Public School | Pooled | All Endowments | | Public School | All Endowments |
| Sold as of December 31, 2017 | 133,981 | 114,806 | 248,787 | | 22,756 | 34,106 |
| Currently Advertised | 0 | 0 | 0 | | 0 | 0 |
| In Review | 0 | 0 | 0 | | 0 | 0 |
| Did Not Sell | 410 | 0 | 410 | | 0 | 0 |
| TOTALS | 134,391 | 114,806 | 249,197 | | 22,756 | 34,106 |
| FY-2017 Sales Plan | | | 243,540 | | | 17,300 |
| Percent to Date | | | 102% | | | 197% |

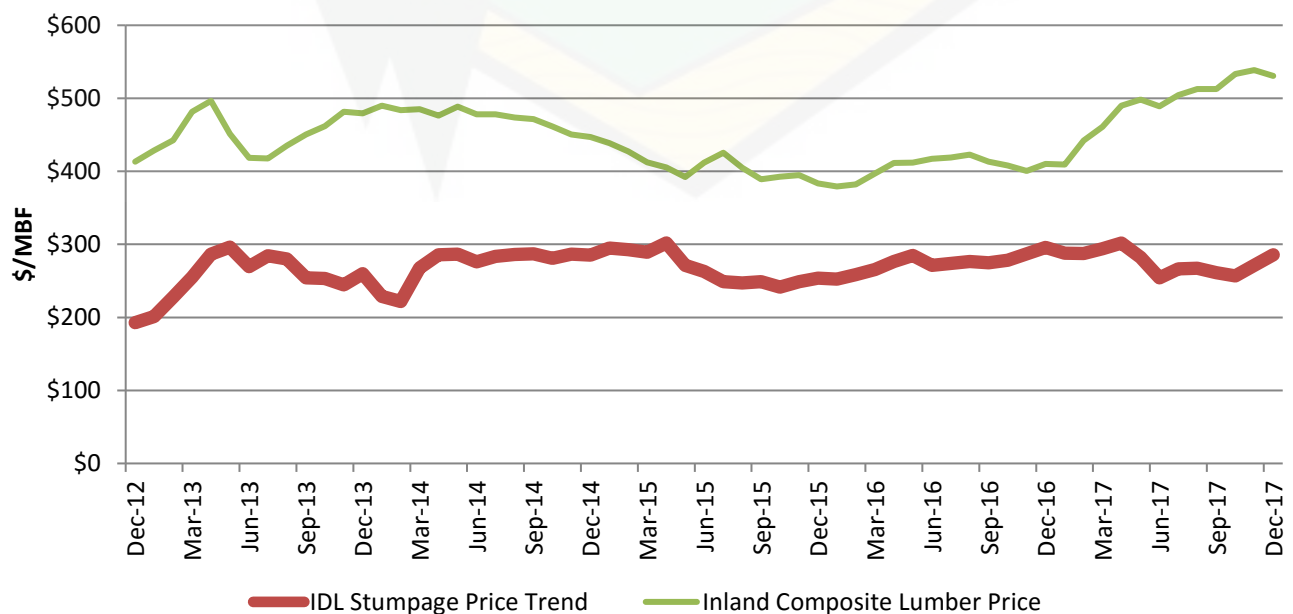
| Status of FY 2018 Timber Sale Program | | | | | | |
|---------------------------------------|---------------|---------------|----------------|---------------|--------------|----------------|
| | MBF Sawlog | | | Number Poles | | |
| | Public School | Pooled | All Endowments | Public School | Pooled | All Endowments |
| Sold as of December 31, 2017 | 48,314 | 39,737 | 88,051 | 2,000 | 0 | 2,000 |
| Currently Advertised | 23,521 | 17,249 | 40,770 | 2,318 | 1,337 | 3,655 |
| In Review | 9,605 | 835 | 10,440 | 0 | 0 | 0 |
| Did Not Sell | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTALS | 81,439 | 57,821 | 139,261 | 4,318 | 1,337 | 5,655 |
| FY-2018 Sales Plan | | | 247,550 | | | 20,505 |
| Percent to Date | | | 56% | | | 28% |



Monthly Timber Harvest Receipts



Monthly Stumpage Price Net Selling Value



STATE BOARD OF LAND COMMISSIONERS

SUBJECT

Division of Lands and Waterways Activity and Information Report for the month of December 2017.

New Instruments

| Endowment Programs | Instrument No. | Name | Area |
|--------------------------|----------------|--|----------------|
| Com Military | M600063 | United States Air Force | Southwest |
| Commercial Office/Retail | MC800002 | Ryan Carter dba Auto Image Auto Sales | Eastern |
| Exploration Location | L600159 | Nadia Church | Southwest |
| Exploration Location | L600160 | Julie Ann Faylor | Southwest |
| Farming | C800051 | Warren Jeffrey Walters | Eastern |
| Farming | C800047 | Richard Kopp | Eastern |
| Farming | C800053 | Larry C. John and Terri Ann John | Eastern |
| Farming | C800043 | Kay M. Behrend | Eastern |
| Farming | C800046 | Station Creek, Inc. | Eastern |
| Farming | C800052 | Evans Farms | Eastern |
| Farming | C800050 | Reynold L. Ralphs | Eastern |
| Farming | C800048 | Kress Ag Partnership | Eastern |
| Grazing | G430024 | OX Bow Ranch, LLC. | Craig Mountain |
| Grazing | G500125 | Douglas Boggan dba Boggan Ranches, LLC | Payette |
| Grazing | G700281 | Three Creek Ranch Company | South Central |
| Grazing | G800370 | Eastern Idaho Grazing Association | Eastern |
| Grazing | G800371 | Fall Springs Ranch, LLC | Eastern |
| Grazing | G700273 | Marty Bennett | South Central |
| Grazing | G700272 | Bruce C. Newcomb | South Central |

STATE BOARD OF LAND COMMISSIONERS

New Instruments

| Endowment Programs | Instrument No. | Name | Area |
|--------------------|----------------|--|----------------|
| Grazing | G500120 | Daniel E. Jones | Payette |
| Grazing | G500118 | Harry Bettis | Payette |
| Grazing | G800367 | G. David Dalling & Theresa Dalling | Eastern |
| Grazing | G430025 | Paul Richard Eke | Craig Mountain |
| Grazing | G700275 | Flying Triangle, Inc. | South Central |
| Grazing | G500116 | W/T Land & Cattle, Inc. | Payette |
| Grazing | G700279 | Burmah Triangle, LLC | South Central |
| Grazing | G500117 | Seid Ranches, LLC | Payette |
| Grazing | G800384 | 6X Ranches LLC | Eastern |
| Grazing | G800383 | Phillips' Brothers Farm & Livestock, LLC | Eastern |
| Grazing | G700280 | Timmerman Grazing Association | South Central |
| Grazing | G700278 | Louis Leguineche | South Central |
| Minerals | E300019 | Granatus Septem, LLC | St. Joe |

New Instruments

| Regulatory Programs | Instrument No. | Name | Area |
|---------------------|----------------|--|------|
| NavWaters | B220092 | RL Post Falls, LLC | Mica |
| NavWaters | B220098 | The Marina at Black Rock, LLC | Mica |
| NavWaters | B220103 | Silver Beach Resort, Inc. | Mica |
| NavWaters | B220106 | Beauty Bay Home Owners Association, Inc. | Mica |
| NavWaters | B220109 | Marc and Nancy Sue Wallace Family Trust | Mica |
| NavWaters | B220115 | Leonard Hodge | Mica |
| NavWaters | B220116 | Mark and Marlo Faulkner | Mica |
| NavWaters | B220096 | SunUp Bay Resort, Inc. | Mica |

STATE BOARD OF LAND COMMISSIONERS

New Instruments

| Regulatory Programs | Instrument No. | Name | Area |
|---------------------|----------------|---|-------------------|
| NavWaters | B220121 | Blackwell Island RV Resort, LLC | Mica |
| NavWaters | B220105 | Tack Holdings, LLC | Mica |
| NavWaters | B200020 | Kathleen Anne Holland and Rose Marie Willy | Pend Oreille Lake |
| NavWaters | B220093 | Carlin Bay Property Owners' Association, Inc. | Mica |
| NavWaters | B220099 | Helen F Stowell Irrevocable Trust | Mica |

Assignments

| Endowment Programs | Instrument No. | Assignor | Assignee | Area |
|--------------------|----------------|-------------------------------|---------------------------|-------------|
| Farming | C800027 | Steven Wood | Dee Jay Wood | Eastern |
| Grazing | G600231 | Donald A. Freeberg 1976 Trust | Sierra Del Rio Ranch, LLC | Southwest |
| Grazing | G600018 | Frankie C Dougal | Charlene Dougal Stanford | Southwest |
| Grazing | G800282 | George E Perschon | Perschon Farms LLC | Eastern |
| Grazing | G800071 | Julie Braun-Williams | Blaine Hillman | Eastern |
| Grazing | G600232 | Donald A. Freeberg 1976 Trust | Sierra Del Rio Ranch, LLC | Southwest |
| Grazing | G8852 | Hull Brothers | Day Mountain Ranch | Eastern |
| Residential | R100287 | Maureen M. Erickson | Mark W. Houk | Priest Lake |
| Residential | R100155 | Gary S. Buechner | Ralph Eberts | Priest Lake |

Terminations

| Regulatory Programs | Instrument No. | Name | Month Terminated | Area |
|---------------------|----------------|---------------------------------|------------------|-----------|
| Reclamation Plan | S00508 | Idaho Transportation Department | Dec | Jerome |
| Reclamation Plan | S01021 | Hardcastle Excavating | Dec | Southwest |

STATE BOARD OF LAND COMMISSIONERS

Easements Issued

| Transaction Type | Instrument No. | Name | County | Area |
|------------------------|----------------|--|----------|--------------|
| Esmt on Endowment Land | ES220014 | Todd and Cheryl Telow | Kootenai | Mica |
| Esmt on Endowment Land | ES200039 | David Rehbein, Mirror Lake LLC, Gold Cup LLC | Bonner | Pend Oreille |

Acquired Easements Issued

| Transaction Type | Instrument No. | Name | County | Area |
|------------------|----------------|--------------------------------------|----------|--------------|
| Acquired Esmt | AE200034 | Dudley I, LLC and Patricia j. Weimer | Kootenai | Pend Oreille |
| Acquired Esmt | AE600293 | Elmore County | Elmore | Southwest |

Disclaimer of Interest

| Transaction Type | Instrument No. | Name | County | Area |
|------------------------|----------------|---------------|--------|-----------|
| Disclaimer of Interest | DI600281 | Elmore County | Elmore | Southwest |

IDAHO DEPARTMENT OF LANDS

| LAND BANK AGING REPORT | | | | | |
|--|----------------|----------------|----------------------|----------------|--------------------|
| Current Remaining Principal Balance By Quarter Receipted - As of December 31, 2017 | | | | | |
| FY Quarter IN | Public Schools | Normal Schools | State Hospital South | All Endowments | FY Quarter EXPIRES |
| 2016-02 | \$ 16,628,959 | \$ 100,129 | \$ 4,741,500 | \$ 21,470,588 | 2021-02 |
| 2016-03 | \$ 1,355,100 | \$ 946,000 | \$ 1,190,000 | \$ 3,491,100 | 2021-03 |
| 2016-04 | \$ 29,248 | \$ - | \$ - | \$ 29,248 | 2021-04 |
| 2017-01 | \$ 16,590,224 | \$ - | \$ - | \$ 16,590,224 | 2022-01 |
| 2017-02 | \$ 3,721,604 | \$ 2,858,000 | \$ 9,747,500 | \$ 16,327,104 | 2022-02 |
| 2017-03 | \$ 5,766,250 | \$ 10,431,970 | \$ 1,593,780 | \$ 17,792,000 | 2022-03 |
| 2017-04 | \$ - | \$ 25,100 | \$ - | \$ 25,100 | 2022-04 |
| 2018-01 | \$ - | \$ 3,331,000 | \$ 4,439,000 | \$ 7,770,000 | 2023-01 |
| 2018-01 | \$ 27,869,832 | \$ - | \$ 125,500 | \$ 27,995,332 | 2023-02 |
| TOTAL PRINCIPAL REMAINING | \$ 71,961,217 | \$ 17,692,199 | \$ 21,837,280 | \$ 111,490,696 | |

| | | | | |
|--|---------------|---------------|---------------|----------------|
| LAND BANK CASH BALANCE (with Interest) | \$ 72,667,183 | \$ 17,863,272 | \$ 22,087,751 | \$ 112,618,206 |
|--|---------------|---------------|---------------|----------------|

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IDAHO DEPARTMENT OF LANDS

| 2018 VAFO/ULA Cottage Site Auction Cycle Update January 16, 2018 | | | | | | | | |
|---|----------------|---------------------------|------------------------|-------------------------|----------------------|------------------|----------|-------------------|
| VAFO/ULA Auction Cycle | Lots Available | Application Received | Title Reports Received | Send Rights to Continue | Clear Title Deadline | Send AAA Packets | AAA Due | Auction Date |
| 2018 VAFO Payette Lake | 10 | 10 | 10 | 01/12/18 | 02/23/18 | 03/23/18 | 04/20/18 | June 15, 2018 |
| 2018 ULA Payette Lake | 4 | Applications Due 03/29/18 | n/a | n/a | n/a | n/a | n/a | |
| 2018 VAFO Priest Lake | 59 | 59 | 59 | 02/08/18 | 03/09/18 | 05/30/18 | 06/27/18 | Aug 24 & 25, 2018 |
| 2018 ULA Priest Lake | 8 | Applications Due 6/15/18 | n/a | n/a | n/a | n/a | n/a | |

IDAHO DEPARTMENT OF LANDS

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IDAHO DEPARTMENT OF LANDS



M. Dean Buffington :: Chairman
Jerry F. Aldape Irving Littman
Neil A. Anderson Gary L. Mahn
Warren R. Bakes Richelle A. Sugiyama
Gavin M. Gee Chuck Winder

Chris J. Anton :: Manager of Investments

Monthly Report to the Board of Land Commissioners

Investment performance through December 31, 2017

Month: **1.0%** Fiscal year: **8.2%** Calendar Year: **17.1%**

Global equity markets were very strong in calendar year 2017 as a result of “synchronized” economic growth, low interest rates and growing corporate profits. U.S. equity markets ended the year with a strong fourth quarter in anticipation of economic stimulus from tax reform in the U.S. While equity valuation are stretched by historical standards and the Fed has started the long anticipated process of normalizing interest rates and monetary policy, there is cautious optimism as we enter the new year.

Status of endowment fund reserves

Distributions for FY 2018 and FY 2019 are **well secured**. For all endowments, estimated reserves as of December 2017 were at least **5 times** the size of the approved FY 2019 distributions.

Significant actions of the Endowment Fund Investment Board

Meetings: **None.**

Compliance/legal issues, areas of concern

Material deviations from Investment Policy or compliance guidelines for investment managers: **None.**

Material legal issues: **None.**

Changes in board membership or agency staffing: **None.**

Upcoming issues/events

EFIB staff will present the agency’s budget and the Land Board’s approved distributions to **JFAC on February 6, 2018.**

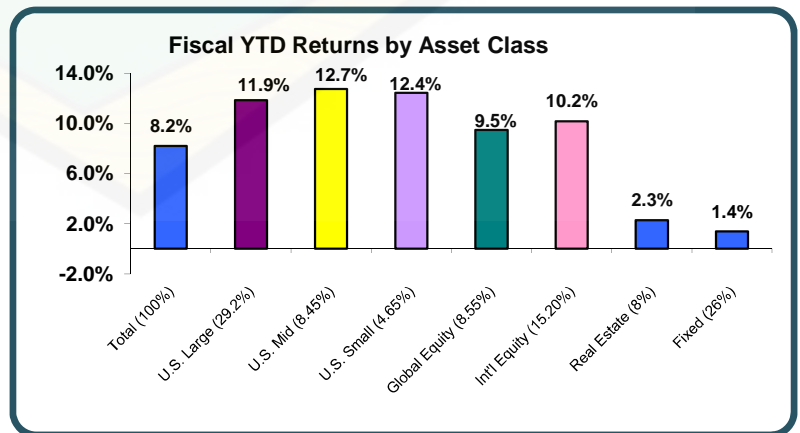
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IDAHO DEPARTMENT OF LANDS

| | <u>Month</u> | <u>FYTD</u> |
|---|---------------|---------------|
| Beginning Value of Fund | 2,241,747,459 | 2,107,702,271 |
| Distributions to Beneficiaries | (6,123,600) | (36,741,600) |
| Land Revenue net of all Management Expenses | 3,440,710 | 6,753,242 |
| Change in Market Value | 22,664,652 | 184,015,308 |
| Current Value of Fund | 2,261,729,221 | 2,261,729,221 |

| <u>December-17</u> | | <u>Fiscal Year to Date</u> | | <u>Last Five Years</u> | |
|---|-------------|---|--------------|---|--------------|
| Total Fund | 1.0% | Total Fund | 8.2% | Total Fund | 9.7% |
| 42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD | | 42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD | | 42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD | |
| Total Fixed | 0.6% | Total Fixed | 1.4% | Total Fixed | 1.8% |
| 85% BB Agg, 15% TIPS | | 85% BB Agg, 15% TIPS | | 85% BB Agg, 15% TIPS | |
| Total Equity | 1.3% | Total Equity | 11.4% | Total Equity | 12.8% |
| 70% R3, 30% Ax | | 70% R3, 30% Ax | | 70% R3, 30% Ax | |
| Domestic Equity | 1.0% | Domestic Equity | 12.1% | Domestic Equity | 15.6% |
| Russell 3000 (R3) | | Russell 3000 (R3) | | Russell 3000 (R3) | |
| Global Equity | 1.3% | Global Equity | 9.5% | Global Equity | 7.9% |
| MSCI ACWI (AC) | | MSCI ACWI (AC) | | MSCI ACWI (AC) | |
| Int'l. Equity | 2.0% | Int'l. Equity | 10.2% | Int'l. Equity | 7.2% |
| MSCI ACWI ex-US (Ax) | | MSCI ACWI ex-US (Ax) | | MSCI ACWI ex-US (Ax) | |
| Real Estate | | Real Estate | 2.3% | | |
| Real Estate Index (OD) | | Real Estate Index (OD) | | | |

| | <u>Mkt Value</u> | <u>%</u> |
|------------------------|-------------------|---------------|
| Domestic Equity | \$ 995.0 | 44.0% |
| Large Cap | 681.6 | 30.1% |
| Mid Cap | 207.3 | 9.2% |
| Small Cap | 106.1 | 4.7% |
| Global Equity | 196.6 | 8.7% |
| Int'l Equity | 356.1 | 15.7% |
| Fixed Income | 541.4 | 23.9% |
| Real Estate | 160.2 | 7.1% |
| Cash | 12.4 | 0.5% |
| Total Fund | \$ 2,261.7 | 100.0% |



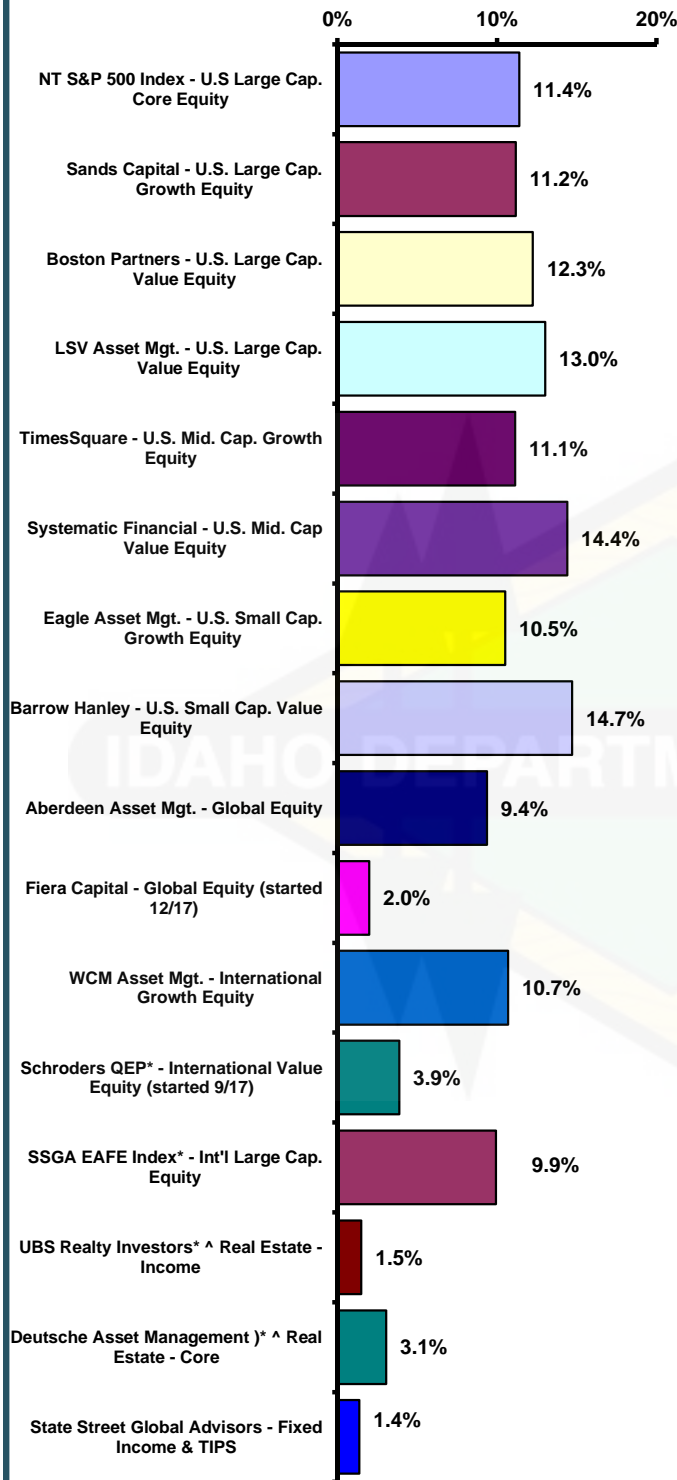
Endowment Fund Staff Comments:

The fund was up 1.0% for the month, 0.2% under the benchmark. The Russell 3000 index was up 1.0%, Russell Midcap up 0.9% and Russell 2000 (small cap) down 0.4%. International equities (MSCI ACWI ex-US) were up 2.2%. Value outperformed Growth, while International equity outperformed Domestic equity. Bonds, as measured by the BBC Aggregate index, were up 0.9% and TIPS were up 0.9%. 8 of 11 active managers beat their benchmark this month. On a fiscal Y-T-D basis, the fund is up 8.2%, 0.3% over benchmark, and 8 of 11 active equity managers beat their benchmark.

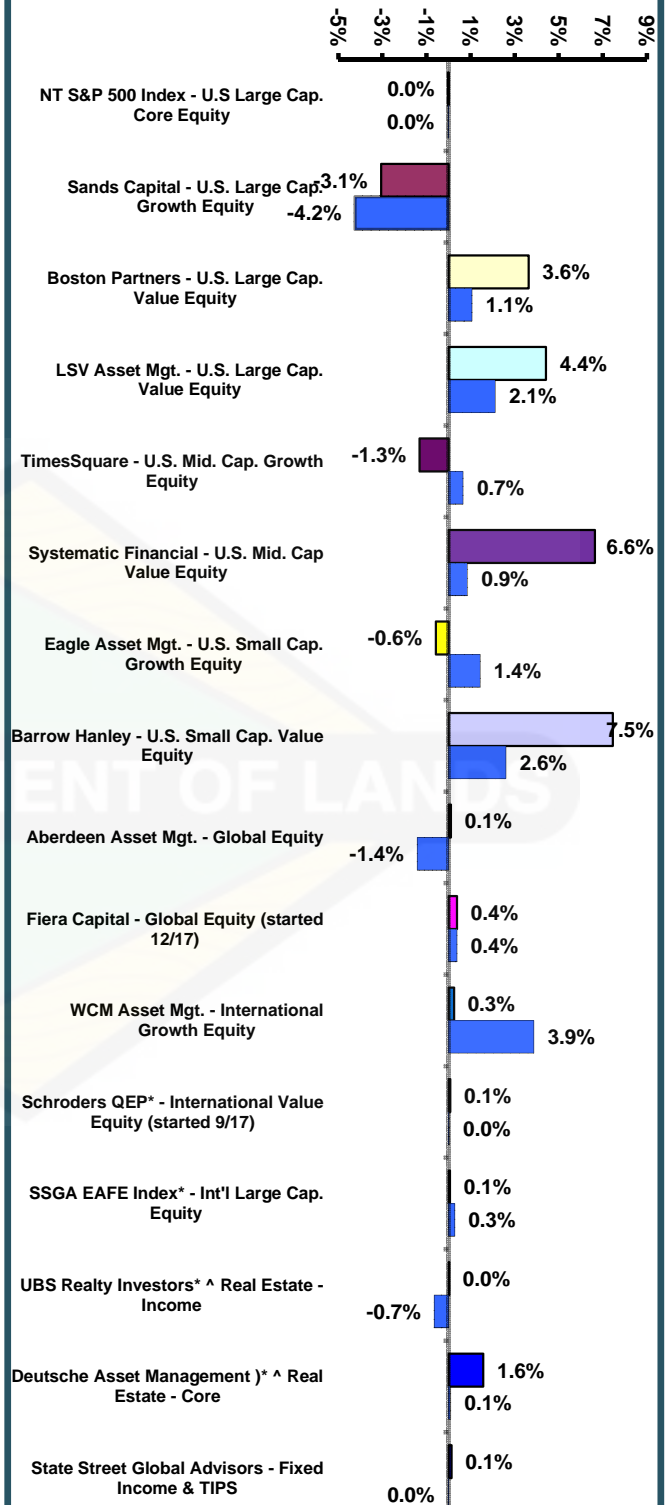
December 31, 2017

INVESTMENT REPORT

FYTD Manager Returns



Manager Relative Returns Fiscal YTD and 3-Yr Ave. Annualized*



* ITD return used when manager has less than 3 years. ^ Most recent valuation.



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.

DRAFT Minutes
State Board of Land Commissioners Regular Meeting
December 19, 2017

Prior to the meeting, a Capital High School student choir entertained Land Board members with Christmas carols in the 2nd floor Capitol rotunda. Following the music, Land Board members presented the students with a check to Idaho's Public Schools in the amount of \$47,049,600, representing FY2018 distributions from the endowment trust to public schools. Land Board members, students and others in attendance then moved to the scheduled meeting room.

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, December 19, 2017, in the State Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 West Jefferson Street, Boise, Idaho. The meeting began at 9:08 a.m. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

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 with the exception of Secretary of State Lawrence Denney.

Department of Lands Year in Review

Department of Lands' staff presented a video of 2017 Year in Review accomplishments.

1. Director's Report

A. Interest Rate on Department Transactions – December 2017

B. Timber Sale Activity and Information Report – November 2017

DISCUSSION: Governor Otter inquired about the status of the sustainable yield program. Director Schultz said the Department's target volume is 247 MMBF of saw logs and that number is currently being evaluated. The Department will be recalculating it as part of its LIMS software implementation; a full recalculation is anticipated within the next two years. The Department is

planning on coming forward in Spring of 2018 and making some recommendations to increase the harvest in the short term until that model can be replicated across the entire state.

Governor Otter recalled that in 2007 sustainable yield was 2 billion board feet behind and there was concern about larger logs because few mills had the carriage capacity to handle them. Director Schultz explained that in the early 2000s, the Department was harvesting 165 MMBF a year; the number eventually expanded to 247 MMBF. The Department increased harvest and targeted some of those larger trees to address the additional standing volume, which was reduced by several hundred million board feet. Director Schultz said more aggressive harvest creates younger age classes of stands, which grow at a faster rate. Director Schultz said there is not a swift drop in the overall standing volume, but the Department sees a different age class distribution. Director Schultz asked David Groeschl, State Forester and Deputy Director of Forestry and Fire at the Idaho Department of Lands, to speak on this issue. Governor Otter asked if those younger stands sequester more carbon. Director Schultz confirmed they do.

Mr. Groeschl explained that Director Schultz just described the sustained yield effect. Mr. Groeschl stated that when the Department calculated sustained yield in 2007 and 2008, it was at a rotation length of about 100 years. The Department is now looking at 65-year rotations and a 36 percent growth response is anticipated. Mr. Groeschl said the result is a healthy and thrifty forest. There is less risk of loss to insect and disease mortality as well as internal decay.

Governor Otter commented that he met with Forest Service Chief Tony Tooke and Department of Agriculture Secretary Sonny Perdue and they were very impressed with Idaho's Good Neighbor Authority program. Governor Otter told Mr. Groeschl he is doing a great job and said the Good Neighbor Authority became a model for the West.

C. Division of Lands and Waterways Activity and Information Report – November 2017

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

- A. Manager's Report
- B. Investment Report

DISCUSSION: Mr. Anton reported that the Endowment Fund continues to perform well; the Fund is up 1.4% for the month of November and 7% for the fiscal year-to-date. At the close of markets the day prior, the Fund was up further to 7.9%, so it has been a very strong year. Mr. Anton commented that global financial markets are strong and economic growth can be seen across the globe. Investors are excited for potential tax reform in the United States that could provide additional stimulus. Mr. Anton stated distributions for FY2018 and FY2019 are well-secured and in place.

Mr. Anton reported that the transition from one of the Investment Board's global equity managers, Lazard, to another company, Fiera, has been complete. Mr. Anton noted the Investment Board is already seeing good results from Fiera. Mr. Anton also stated the Investment Board is seeking Legislative approval to increase their Board per diem compensation from \$50 to \$100.

Attorney General Wasden commented that when he and Governor Otter began working as part of the Land Board, the Fund was around \$1.7 billion and now it is about \$2.2 billion. Attorney General Wasden congratulated the Investment Board and the Department for the \$500 million in additional value, saying it has been a tremendous job.

- **CONSENT**

- 3. Hayden Lake Surplus Property (Fish and Game)** – *Staffed by Josh Purkiss, Program Manager-Real Estate Services*

RECOMMENDATION: Direct the Department to offer the Hayden Lake Park property for disposition pursuant to Idaho Code § 58-331 et seq.

- 4. Approval of Minutes** – November 21, 2017 Regular Meeting (Boise)

- 5. Approval of Minutes** – December 5, 2017 Special 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 Leasing Plan** – *Presented by Mike Murphy, Bureau Chief-Endowment Leasing*

RECOMMENDATION: Approve the Department's recommended Cottage Site Leasing Plan, which includes the following key elements:

- As the staggered cottage site leases expire (beginning on December 31, 2018), new leases will be offered through December 31, 2024, using the cottage site lease template (Attachment 9);
- An appeal process will be available to non-conflicted applicants for new leases (Attachment 6);
- A One-Year Land Use Permit will be offered for 2019 VAFO participants with a 2018 expiring lease; and
- A Two-Year Land Use Permit will be offered as an option to those parties not wishing to enter into a lease through 2024.

DISCUSSION: Attorney General Wasden stated he wanted to ensure the Department is comfortable with the appeal process on the valuation. Mr. Murphy responded that the Department is comfortable, noting that Steve Hall (Hall-Widdoss) is in place. Mr. Murphy explained that the lessees have seen the values through the VAFO procedure and Mr. Hall uses the same appraisal instructions. Mr. Murphy said he feels everyone is becoming more comfortable with the process. The Department has confidence the appraisals Mr. Hall is completing are compliant with the Uniform Standards of Professional Appraisal Practice.

Governor Otter asked who pays for the appraisals. Mr. Murphy answered that the lessee or the applicant pays for the appraisal if they are in the VAFO process. If they are not in the VAFO process, the Department pays.

Director Schultz noted no audience members are speaking on this issue and said that speaks volumes on the leadership of the Board and the execution by the Department. Director Schultz stated Mr. Murphy has done an excellent job, and that he and Ms. Tamara Armstrong met with folks involved in the VAFO process at Priest Lake. Director Schultz said he considers it a success story. Attorney General Wasden commented that few issues have been as contentious as cottage sites and the fact that it has been resolved in this way is really remarkable.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the Department's recommended Cottage Site Leasing Plan as outlined in agenda item 6, page 3 of 3. 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.

7. Oil and Gas Lease Royalty Audit – Presented by Mike Murphy, Bureau Chief, Endowment Leasing

DISCUSSION: Controller Woolf asked about the cost of the contract with Oppertune. Mr. Murphy stated the contract was \$94,000. Mr. Murphy explained that in developing the scope of work for this project, the Department contacted other oil and gas producing states such as Texas, North Dakota and Colorado. When states are in full production, it is not unusual for an auditing process to exceed \$250,000. The Department scaled back the scope of work for auditing in Idaho because there are a small number of wells and low production.

8. Results of December 6, 2017 Commercial Property Auctions and Caine Center Update – Presented by Ryan Montoya, Bureau Chief-Real Estate Services

DISCUSSION: Governor Otter, noting that the research performed on that property involved sheep diseases, asked if there were any environmental problems with the property and if they had been cleaned up. Mr. Montoya responded that there was Scrapie contamination, but the University of Idaho performed remediation. Governor Otter inquired if the Department received a bill of health. Mr. Montoya confirmed that it had.

Director Schultz commented that the Battelle building sold for \$5.3 million, which was a \$125,000 up bid. When the building was acquired in 2012, it was done so through a land exchange process and the value placed on the property was \$6.1 million. Director Schultz explained that although the building sold for less than it was worth when acquired, it generated rentals totaling \$2.9 million while in the Department's possession. The nominal return to the beneficiaries was over \$2.1 million.

9. Financial Stewardship Update – Presented by Donna Caldwell, Division Administrator-Support Services

- **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 10:13 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.

