

STATE BOARD OF LAND COMMISSIONERS OPEN MEETING CHECKLIST

FOR MEETING DATE: March 20, 2018

**Regular Meetings**

2/27/18	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) calendar days before meeting.
2/27/18	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) calendar days before meeting.
2/27/18	Notice of Meeting posted in prominent place at meeting location five (5) calendar days before meeting.
2/27/18	Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) calendar days before meeting.
3/14/18	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
3/14/18	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
3/14/18	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
3/14/18	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

March 14, 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

David Groeschl, Secretary to the Board

# NOTICE OF PUBLIC MEETING MARCH 2018

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, March 20, 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: 2/27/2018-IDL Boise; 2/27/2018-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

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Final Agenda

State Board of Land Commissioners Regular Meeting

March 20, 2018 – 9:00 AM (MT)

Borah Building, 2nd Floor Courtroom, Room 214, 304 North 8th Street, Boise

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*Please note meeting venue. Regular Land Board meetings are at this location while the 2018 Legislature is in session.*

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**1. Director's Report**

- A. Timber Sale Activity and Information Report – February 2018
- B. Division of Lands and Waterways Activity and Information Report – February 2018
- C. Cottage Site (VAFO) Update
- D. Legislative Update

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

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

• **CONSENT**

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

**4. Forest Legacy Project, Hall Mountain - Gause and Lindgren** – *Staffed by Ara Andrea, Bureau Chief-Forestry Assistance*

**5. Disclaimer of Interest Request DI600284-Baserri, LLC/Premier Industrial, LLC, Boise River** – *Staffed by Andrew Smyth, Program Manager-Public Trust*

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State Board of Land Commissioners  
Final Agenda  
Regular Meeting (Boise) – March 20, 2018  
Page 1 of 2

6. **Disclaimer of Interest Request DI600290-Rominator, Payette River** – Staffed by Andrew Smyth, Program Manager-Public Trust

7. **Callan Contract Amendment** – Staffed by Kari Kostka, Strategic Planning Manager

8. **Approval of Minutes** – February 20, 2018 Regular Meeting (Boise)

- **REGULAR**

NONE

- **INFORMATION**

NONE

- **EXECUTIVE SESSION**

NONE







# 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.]

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**IDAHO DEPARTMENT OF LANDS**

STATE BOARD OF LAND COMMISSIONERS  
 March 20, 2018  
 Director's Timber Sale Report

**TIMBER SALE TRANSACTIONS AND ACTIVITY**

During February 2018, the Department of Lands sold five endowment timber sales at auction. The endowment net sale value represents a 71% 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
TS224277	4,075					\$ 578,011.00	\$ 1,070,063.00	\$262.59
TS204278	5,105					\$ 916,776.00	\$ 1,906,244.00	\$373.41
TS304279	7,975			25		\$ 1,041,205.00	\$ 1,504,610.00	\$188.08
TS304280	2,910			350		\$ 1,345,240.50	\$ 2,077,834.25	\$637.37
TS204281	835					\$85,990.00	\$215,938.00	\$258.61
	20,900	0	0	375	0	\$3,967,222.50	\$6,774,689.25	\$318.43

PROPOSED TIMBER SALES FOR AUCTION				
North Operations				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
Mountain Meadows	2,570	\$ 513,986	POL	3/8/2018
Freebo	1,880	\$ 508,598	POL	4/5/2018
South Operations				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
Bullwinkle OSR	2,110	\$ 657,138	MC	4/13/2018
French III	8,205	\$ 2,293,278	CLW	4/27/2018
Last Stand Pulp	4,365	\$ 550,504	CLW	4/27/2018
Murray Ton	3,420	\$ 592,107	SWI	3/22/2018

VOLUME UNDER CONTRACT as of February 28, 2018			
	Total	Public School	Pooled
Active Contracts	165		
Estimated residual volume (MBF)	366,294	230,535	135,759
Estimated residual length (LF)	615,841	403,841	212,000
Estimated residual weight (Ton)	566,229	357,789	208,440
Total Residual MBF Equivalent	472,358	297,620	174,738
Estimated residual value	\$ 135,832,820	\$ 83,881,599	\$ 51,951,221
Residual Unit Value (\$/MBF)	\$ 287.56	\$ 281.84	\$ 297.31

	TIMBER HARVEST RECEIPTS				
	February		FY to date	March Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
<b>Public School</b>	\$ 3,151,493.86	\$ 521,061.10	\$ 28,584,304.33	\$ 2,586,519.10	\$ 244,443.89
<b>Pooled</b>	\$ 2,307,931.68	\$ 303,345.12	\$ 22,375,465.31	\$ 2,134,185.05	\$ 271,276.87
<b>General Fund</b>	\$ 50,298.87	\$ 3,762.06	\$ 340,898.77	\$ 75,832.58	\$ 6,020.88
<b>TOTALS</b>	\$ 5,509,724.41	\$ 828,168.28	\$ 51,300,668.41	\$ 4,796,536.73	\$ 521,741.64

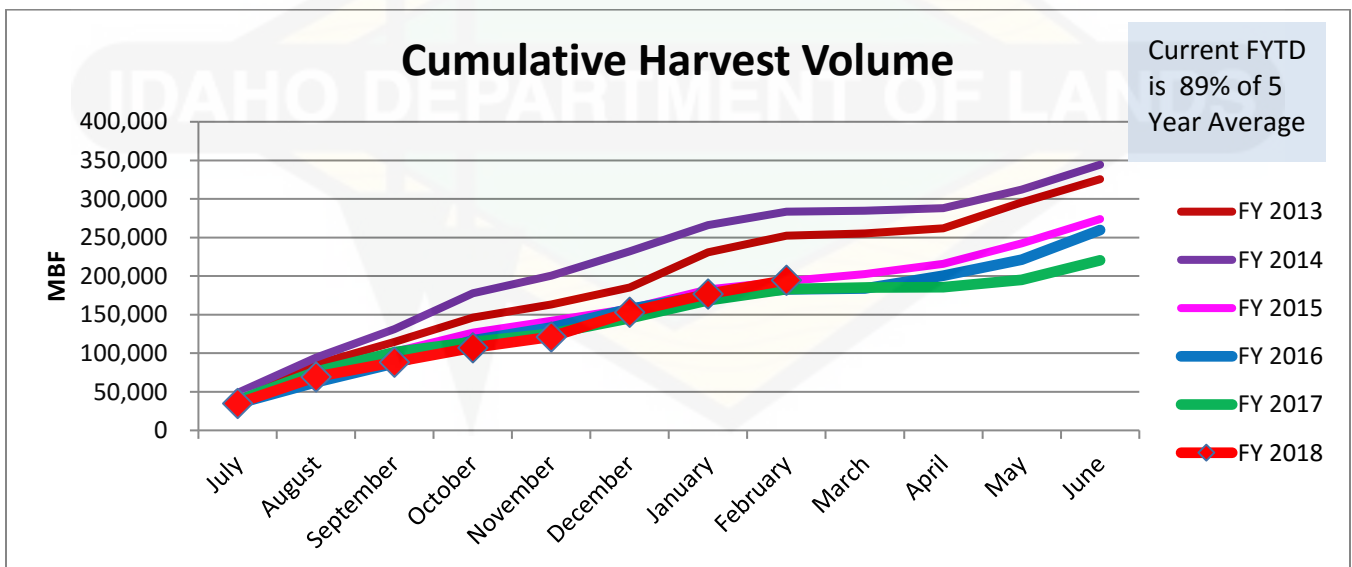
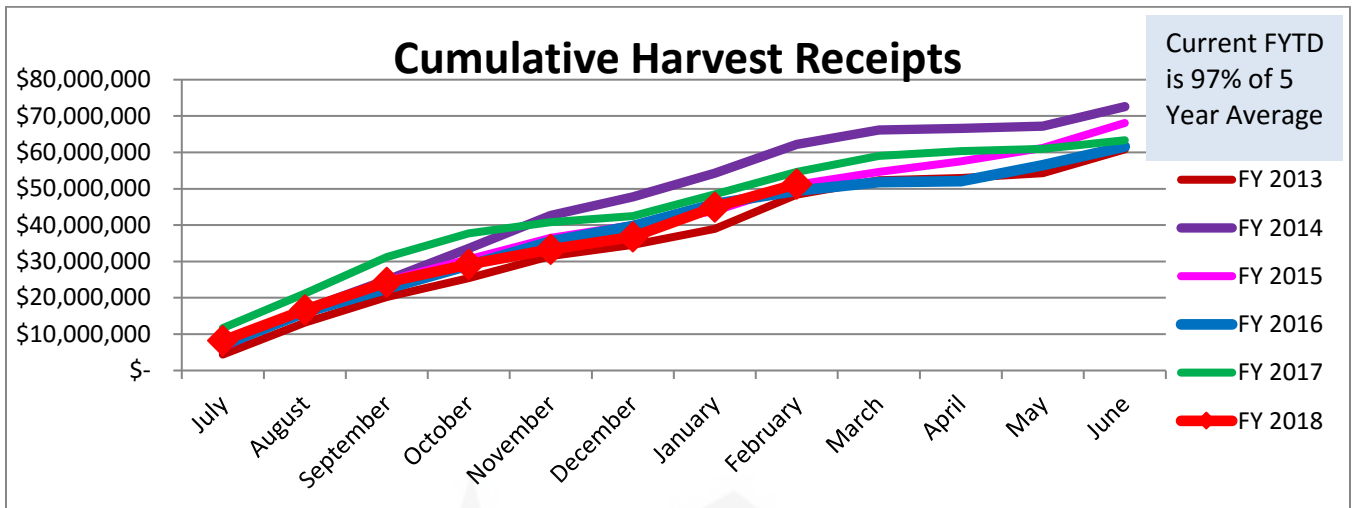
## MARKET TRENDS AND GENERAL OUTLOOK

Colder weather has returned and allowed our state purchasers to harvest more timber than previously projected. Most of the northern mills are well-stocked moving into breakup, while mills to the south have improved their low inventory considerably.

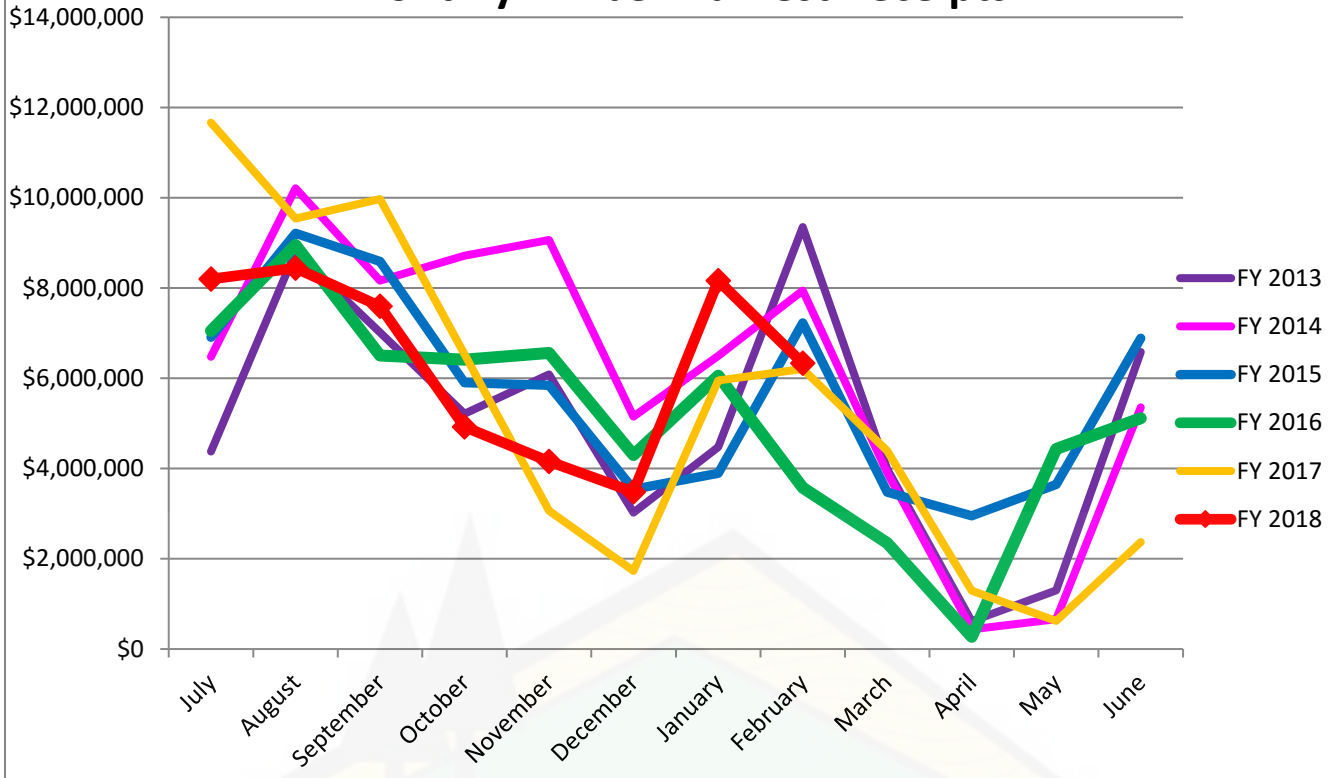
With the merger of Potlatch Land and Lumber LLC and Deltic Timber Corporation, the Department will initiate contract modifications on 10 state timber sales to change the purchaser name from Potlatch Land and Lumber LLC to PotlatchDeltic Land and Lumber LLC. The modifications and reassignments of the sales should be completed by May 1, 2018.

From RANDOM LENGTHS, housing starts opened the new year on a strong note, with a jump in multifamily activity and a solid gain in the single-family sector lifting the seasonally adjusted annual rate of starts to 1.326 million units. The January reading only trailed October 2016 as a post-recession high. Multifamily starts were up 23.7% from the previous month and 6.7% from a year ago. Single-family starts were up 3.7% from December and 7.6% from January 2017.

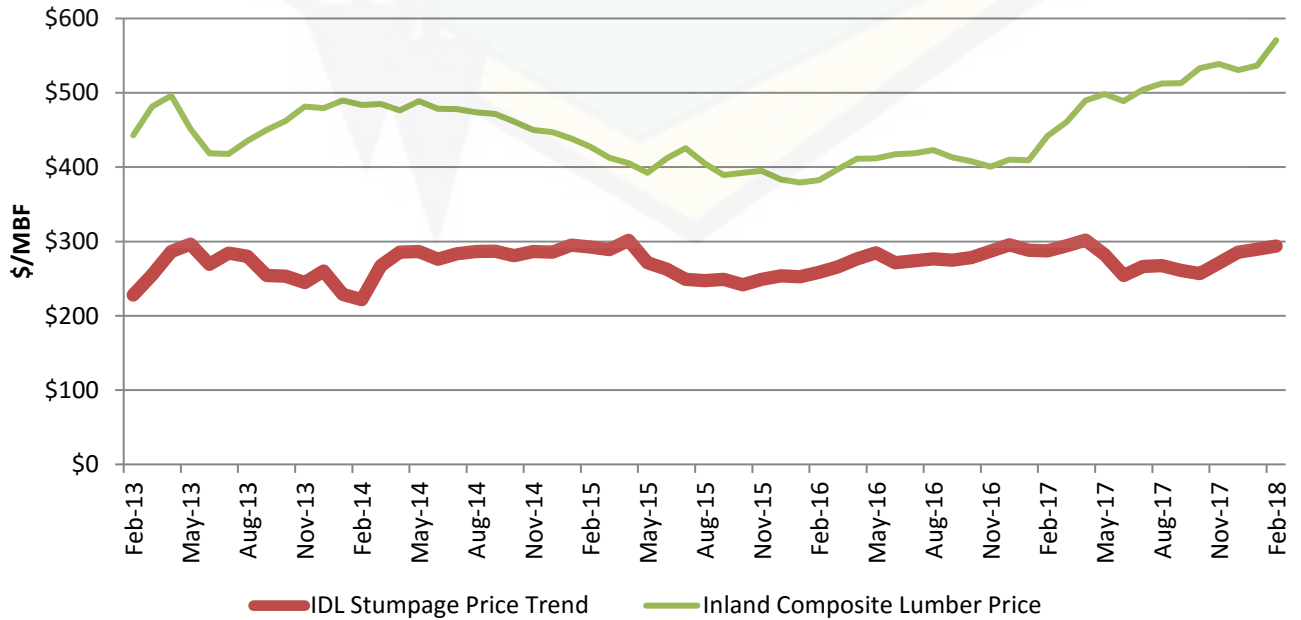
Status of FY 2018 Timber Sale Program						
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of February 28, 2018	77,240	57,982	135,222	4,318	1,337	5,655
Currently Advertised	10,490	2,110	12,600	0	0	0
In Review	10,719	6,191	16,910	0	0	0
Did Not Sell	0	0	0	0	0	0
<b>TOTALS</b>	98,449	66,283	164,732	4,318	1,337	5,655
FY-2018 Sales Plan			247,000			20,790
Percent to Date			67%			27%



## 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 February 2018.

**New Instruments**

Endowment Programs	Instrument No.	Name	Area
Conservation	M430003	Idaho Department of Fish & Game	Craig Mountain
Farming	C800045	Lance & Lisa Funk Partnership	Eastern
Grazing	G800387	Jay VanOrden	Eastern
Grazing	G800382	Jay VanOrden	Eastern

**New Instruments**

Regulatory Programs	Instrument No.	Name	Area
Reclamation Plan	S422905	Justin Brinkerhoff Trucking and Excavating LLC	Maggie Creek
Reclamation Plan	S802948	Western Construction Inc	Eastern
Reclamation Plan	S602948	Knife River Corporation - Northwest	Southwest

**Assignments**

Endowment Programs	Instrument No.	Assignor	Assignee	Area
Farming	C600004	Thomas Wilke	Nederend Farms, LLP	Southwest
Grazing	G700031	Fish Creek Angus LLC	Telfer, Inc.	South Central
Grazing	G700231	Craig Hawker	Cactus Ranch, LLC	South Central
Grazing	G800207	William Wallace	Wade and Katie Wallace	Eastern

## STATE BOARD OF LAND COMMISSIONERS

### Assignments

Endowment Programs	Instrument No.	Assignor	Assignee	Area
Grazing	G800144	Edwin Hanson	Shane Jacobson	Eastern
Grazing	G800304	The Clinton Bitton and Esther Bitton Family LP	Kevin and Dana Donahue	Eastern
Minerals	E800027	NU-West Industries Inc	Itafos Conda, LLC	Eastern
Minerals	E800021	NU-West Industries Inc	Itafos Conda, LLC	Eastern

### Assignments

Regulatory Programs	Instrument No.	Assignor	Assignee	Area
Reclamation Plan	S02731	Natural Stone Products	Oakley Mountain Corp	South Central
Reclamation Plan	S02207	Capital Paving Company	Knife River Corporation, Northwest	Southwest

### Terminations

Endowment Programs	Instrument No.	Name	Month Terminated	Area
Com Office/Retail	MC600095	Travis Jeffries	February	Bureau
Com Office/Retail	MC800001	Battelle Energy Alliance, LLC	February	Bureau
Com Office/Retail	MC6021	The Car Park Partial Termination: 211 N 5th Street, Boise ID 417 W Jefferson Street, Boise ID 401 W Bannock Street, Boise ID	February	Bureau

### Terminations

Endowment Programs	Instrument No.	Name	Month Terminated	Area
Minerals	E500016	G & M, LLC	February	Payette Lakes



## STATE BOARD OF LAND COMMISSIONERS

### Terminations

Regulatory Programs	Instrument No.	Name	Month Terminated	Area
Reclamation Plan	S01366	Estate of George Shira	February	Maggie Creek
Reclamation Plan	S02363	Low's Ready Mix Inc	February	Southwest

### Deeds Issued

Transaction Type	Instrument No.	Name	County	Area
Commercial	SD14213	51-1031, LLC	Ada	Bureau
Commercial	SD14214	51-1032, LLC	Ada	Bureau
Commercial	SD14215	51-1033, LLC	Ada	Bureau
Commercial	SD14216	Idaho Farm Bureau	Ada	Bureau
Commercial	SD14217	ERC 1, LLC	Bonneville	Bureau

IDAHO DEPARTMENT OF LANDS

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**IDAHO DEPARTMENT OF LANDS**

**2018 VAFO PAYETTE LAKE APPRAISED VALUES**

CS Address	Subdivision	Lot	Block	Acreage	Lake Front / Non-Lake Front	2018 Overall Value	2018 Personal Property Value	2018 Land Value	2012 Land Value	Total Land Percent Change	Land Avg. Percent Change Per Year
2244 Payette Drive	SW Payette Cottage Sites	1	9	0.33	Lake Front	\$1,180,000	\$455,000	<b>\$725,000</b>	\$550,000	32%	5%
2109 Water Lily Way	Cove Replat	1	1	0.57	Lake Front	\$1,400,000	\$336,000	<b>\$1,064,000</b>	\$993,700	7%	1%
2107 Water Lily Lane	Cove Replat	2	1	0.66	Lake Front	\$1,525,000	\$331,000	<b>\$1,194,000</b>	\$1,040,000	15%	2%
996 Rocky Shore	Amended Pinecrest Addition	4	1	0.33	Non-Lake Front	\$161,000	\$78,000	<b>\$83,000</b>	\$38,000	118%	20%
2025 Warren Wagon Road	Amended Pinecrest Addition	3	3	0.34	Non-Lake Front	\$251,000	\$169,500	<b>\$81,500</b>	\$35,000	133%	22%
2005 Warren Wagon Road	Amended Pinecrest Addition	1	4	0.34	Non-Lake Front	\$525,000	\$443,000	<b>\$82,000</b>	\$35,000	134%	22%
1902 Agate	Agate	1	2	0.23	Non-Lake Front	\$74,000	\$0	<b>\$74,000</b>	\$23,000	222%	37%
997 Chipmunk Trail	SW Payette Cottage Sites	1	12	0.56	Non-Lake Front	\$106,000	\$10,000	<b>\$96,000</b>	\$60,000	60%	10%
2239 Tamarack Road	Amended Cedar Knolls Acres	3	7	0.34	Non-Lake Front	\$106,000	\$24,000	<b>\$82,000</b>	\$48,000	71%	12%
2035 Payette Drive	Amended Pinecrest Addition	4	7	0.46	Non-Lake Front	\$202,000	\$114,000	<b>\$88,000</b>	\$43,500	102%	17%
<b>Totals</b>				<b>4.16</b>		<b>\$5,530,000</b>	<b>\$1,960,500</b>	<b>\$3,569,500</b>	<b>\$2,866,200</b>	<b>25%</b>	<b>4%</b>

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**IDAHO DEPARTMENT OF LANDS**

STATE BOARD OF LAND COMMISSIONERS  
March 20, 2018

2018 Legislative Session – Status of Legislation Monitored by the Department of Lands

**IDL LEGISLATION**

***BUDGET***

[H0685 - Appropriations-Department of Lands](#) – Appropriates \$59,362,800 to the Department of Lands for fiscal year 2019; limits the number of authorized full-time equivalent positions to 321.15; exempts certain appropriation object transfer limitations; appropriates and transfers \$20,000,000 from the General Fund to the Fire Suppression Deficiency Fund for fiscal year 2018; and provides legislative authorization for prior period adjustments.

**Status:** House PASSED 67-0-3. Senate Third Reading.

[H0650 - Appropriations-Endowment Fund Investment Board](#) – Appropriates \$722,700 to the Endowment Fund Investment Board for fiscal year 2019; limits the number of authorized full-time equivalent positions to 3.70; authorizes continuous appropriation authority for certain costs; and expresses legislative intent with regard to transfers from the earnings reserve funds to the income funds.

**Status:** Sent to Governor for Signature.

***MINERAL LEASING***

[H0373 - Mineral Rights in State Lands](#) – Amends existing law to remove a provision regarding the rental paid for any year being deducted from the royalties as they accrue for that year.

**Status:** Failed in committee.

***MINING***

[H0374 - Mining](#) – Amends existing law to revise notification provisions regarding placer and dredge exploration and regarding exploration operations to locate minerals.

**Status:** LAW.

**OTHER LEGISLATION BEING MONITORED**

***EFIB***

[H0460 - Public Funds Investment](#) – Amends existing law to authorize the investment board or investment managers to take certain actions with respect to the investment of certain public funds with the approval of the State Board of Land Commissioners.

**Status:** House FAILED 21-47-1.

[S1213 - Endowment Fund Investment Board](#) – Amends existing law to revise compensation provisions regarding board members.

**Status:** LAW.

### **MISCELLANEOUS**

[H0418 - Lobbyists](#) – Adds to existing law to prohibit state agencies from taking certain actions regarding lobbying.

**Status:** Held in committee. Replaced by H0636.

[H0420 - Public Notices](#) – Adds to existing law to provide for electronic publication of legal notices on government websites.

**Status:** Failed in committee.

[H0424 - State Funds](#) – Adds to existing law to require the consent of the Legislature to enter into certain cost-sharing agreements and grants.

**Status:** Held in committee.

[H0506a - Motor Vehicles](#) – Adds to existing law to establish provisions regarding the registration and use of military vehicles.

**Status:** House PASSED 65-3-1. Amended in Senate; Senate PASSED 35-0-0. House PASSED 67-0-03.

[H0636 – Lobbyists](#) – Adds to existing law to prohibit state agencies and political subdivisions from taking certain actions regarding lobbying.

**Status:** Held in committee.

[S1264 - Motor Vehicles](#) – Amends and adds to existing law to provide that former military vehicles may be titled and registered under certain circumstances.

**Status:** Senate PASSED 35-0-0. House – Held in committee.



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 February 28, 2018

Month: **-2.8%**      Fiscal year: **9.0%**

The U.S. economy is growing stronger. We are close to full employment, inflation and interest rates remain low despite modest increases and corporate profits are strong. Fiscal policy is providing further economic stimulus thorough tax cuts, policy reform and additional infrastructure and military spending. The Fed is trying to balance its goals of supporting full employment while sustaining an inflation level of two percent. The new Fed chair, Jerome Powell, has indicated they plan to gradually increase the federal funds rate and reduce the debt it has accumulated on the balance sheet. The gradual reversal of monetary accommodation has been greeted with caution by the financial markets.

### Status of endowment fund reserves

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

### Significant actions of the Endowment Fund Investment Board

Meetings: **The EFIB agreed to adjust the endowment portfolio's asset allocation to 38% domestic equity, 19% international equity, 9% global equity, 8% real estate and 26% fixed income.**

### 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

**The EFIB plans to review a draft of Callan's Asset Allocation and Distribution Study on March 12<sup>th</sup>. The goal is to present the report to the Land Board in April.**

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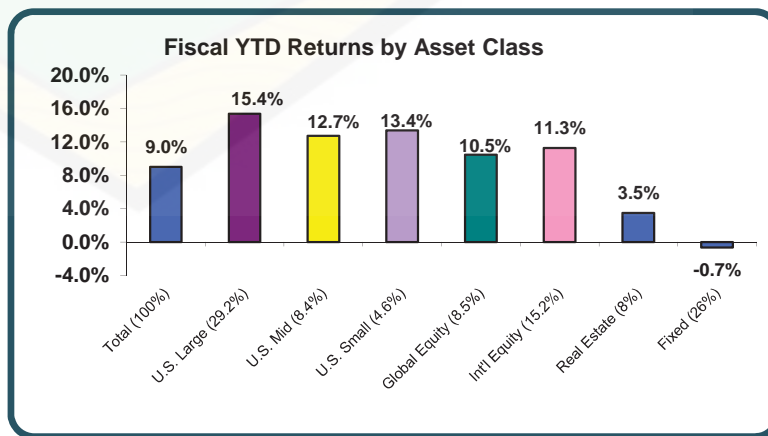
**IDAHO DEPARTMENT OF LANDS**



	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	2,338,039,971	2,107,702,271
Distributions to Beneficiaries	(6,123,600)	(48,988,800)
Land Revenue net of all Expenses	7,176,263	13,107,906
Change in Market Value	<u>(65,660,606)</u>	<u>201,610,651</u>
Current Value of Fund	2,273,432,028	2,273,432,028

<u>February-18</u>		<u>Fiscal Year to Date</u>		<u>Last Five Years</u>	
<b>Total Fund</b>	<b>-2.8%</b>	<b>Total Fund</b>	<b>9.0%</b>	<b>Total Fund</b>	<b>9.0%</b>
42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD	-2.9%	42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD	8.3%	42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD	8.8%
<b>Total Fixed</b>	<b>-0.9%</b>	<b>Total Fixed</b>	<b>-0.7%</b>	<b>Total Fixed</b>	<b>1.4%</b>
85% BB Agg, 15% TIPS	-1.0%	85% BB Agg, 15% TIPS	-0.7%	85% BB Agg, 15% TIPS	1.4%
<b>Total Equity</b>	<b>-3.7%</b>	<b>Total Equity</b>	<b>13.3%</b>	<b>Total Equity</b>	<b>11.9%</b>
70% R3, 30% Ax	-4.0%	70% R3, 30% Ax	12.6%	70% R3, 30% Ax	12.0%
<b>Domestic Equity</b>	<b>-3.4%</b>	<b>Domestic Equity</b>	<b>14.7%</b>	<b>Domestic Equity</b>	<b>14.5%</b>
Russell 3000 (R3)	-3.7%	Russell 3000 (R3)	12.7%	Russell 3000 (R3)	14.4%
<b>Global Equity</b>	<b>-4.5%</b>	<b>Global Equity</b>	<b>10.5%</b>	<b>Global Equity</b>	<b>7.3%</b>
MSCI ACWI (AC)	-4.2%	MSCI ACWI (AC)	12.6%	MSCI ACWI (AC)	10.1%
<b>Int'l. Equity</b>	<b>-4.0%</b>	<b>Int'l. Equity</b>	<b>11.3%</b>	<b>Int'l. Equity</b>	<b>6.6%</b>
MSCI ACWI ex-US (Ax)	-4.7%	MSCI ACWI ex-US (Ax)	12.1%	MSCI ACWI ex-US (Ax)	6.3%
<b>Real Estate</b>		<b>Real Estate</b>	<b>3.5%</b>		
Real Estate Index (OD)		Real Estate Index (OD)	3.2%		

	<u>Mkt Value</u>	<u>%</u>
<b>Domestic Equity</b>	<b>\$ 869.8</b>	<b>38.3%</b>
Large Cap	599.3	26.4%
Mid Cap	174.0	7.7%
Small Cap	96.5	4.2%
<b>Global Equity</b>	<b>208.1</b>	<b>9.2%</b>
<b>Int'l Equity</b>	<b>435.7</b>	<b>19.2%</b>
<b>Fixed Income</b>	<b>577.5</b>	<b>25.4%</b>
<b>Real Estate</b>	<b>161.6</b>	<b>7.1%</b>
Cash	<b>20.8</b>	<b>0.9%</b>
<b>Total Fund</b>	<b>\$ 2,273.4</b>	<b>100.0%</b>

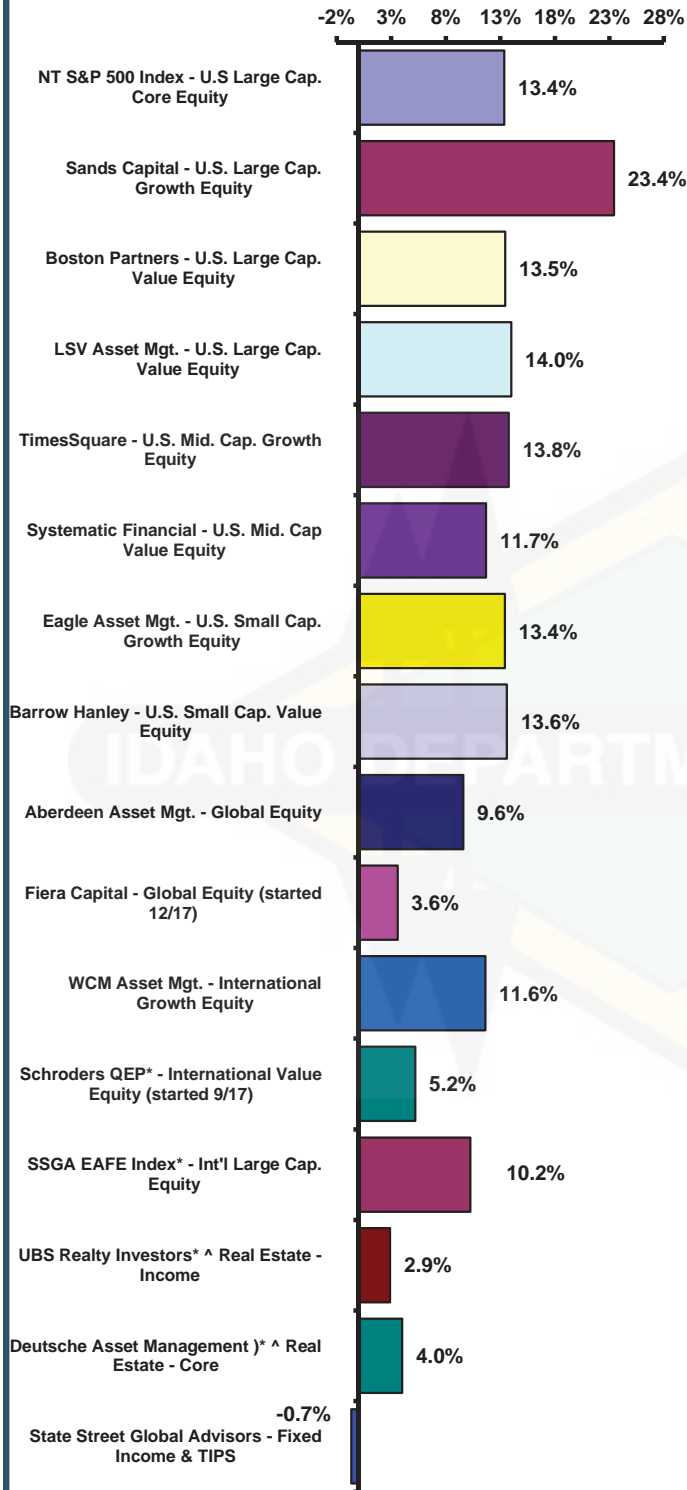


### Endowment Fund Staff Comments:

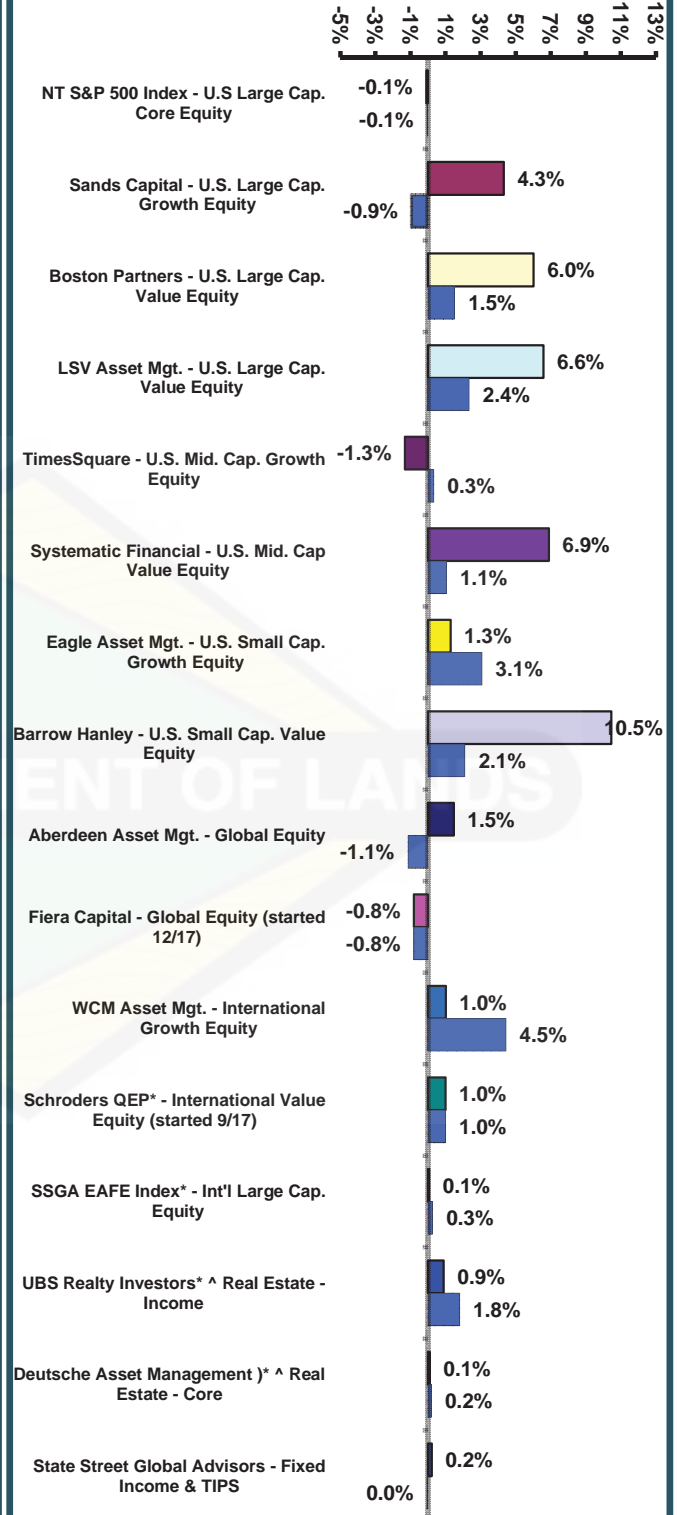
The fund was down -2.8% for the month, 0.1% over the benchmark. The Russell 3000 index was down 3.7%, Russell Midcap down 4.1% and Russell 2000 (small cap) down 3.9%. International equities (MSCI ACWI ex-US) were down 4.7%. Value outperformed Growth, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were down 1.0% and TIPS were down 1.1%. 10 of 13 active managers beat their benchmark this month. On a fiscal Y-T-D basis, the fund is up 9.0%, 0.7% over benchmark, and 11 of 13 active managers beat their benchmark.

# 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  
March 20, 2018  
Consent Agenda

SUBJECT

Timber License Plate Fee Recommendations

BACKGROUND

Idaho's timber license plate is established in Idaho Code under Title 49-417A, and has been available since 1997. Twenty-five dollars of each initial fee and fifteen dollars of each renewal fee are deposited in the Department of Lands Fund for reforestation activities or for education. Educational efforts must help build public understanding of reforestation or the management and conservation of forest resources on public and private lands in Idaho. Such funds are to be expended as agreed by the State Board of Land Commissioners upon recommendations developed jointly by the Idaho Department of Lands (IDL) and the Idaho Forest Products Commission (IFPC).

DISCUSSION

In calendar year 2017, a total of 2,474 timber plates were sold, transferred or renewed. As of March 7, 2018, a total of \$38,575.80 unobligated funds are in this account. The Department and Idaho Forest Products Commission have jointly agreed on a plan to expend \$50,000 on educational efforts for calendar year 2018 (Attachment 1).

RECOMMENDATION

Direct the Department to proceed with the recommended educational projects developed jointly with the Idaho Forest Products Commission.

BOARD ACTION

ATTACHMENT

1. IFPC/IDL Recommendations

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**IDAHO DEPARTMENT OF LANDS**



**FOREST PRODUCTS**  
*Commission*

Post office Box 855  
Boise, Idaho 83701  
Tel: (208) 334-3292  
Toll Free: 800-ID-WOODS  
Edu. (208) 334-4061  
Fax (208) 334-3449  
email: ifpc@idahoforests.org  
plt@idahoforests.org  
www.idahoforests.org

TO: State Board of Land Commissioners

Michael D. Boeck  
District 1 - (208) 437-2412

FROM: Betty J. Munis - Director, Idaho Forest Products Commission  
David Groeschl – Interim Director, Idaho Department of Lands

Jack A. Buell  
District 2 - (208) 245-2501

RE: Timber License Plate Fee Recommendations

Jesse D. Short  
District 3 - (208) 848-2301

Idaho's timber license plate has been available since 1997. In the year 2017, a total of 2,474 timber plates were sold, transferred or renewed. Twenty-five dollars of each initial fee and fifteen dollars of each renewal fee are available for educational efforts or reforestation activities. As of March 7, 2018 there was \$38,575.80 of unobligated funds in this account.

Darin R. Ball  
District 4 - (208) 748-2030

Gerry Ikola  
District 4 - (208) 634-2640

Betty J. Munis  
Director

The following list of educational projects is recommended by the Idaho Forest Products Commission and the Idaho Department of Lands to be supported by Timber License Plate fees as authorized in Section 49-417A, Idaho Code:

Michelle Youngquist  
Education Coordinator

**1. Arbor Day Billboard Campaign**

**Background:** Arbor Day is a special holiday set aside to appreciate and plant trees. This project would provide an educational statewide billboard campaign in conjunction with the Arbor Day celebration. The billboards would target the general public with a positive message about Idaho forests. This campaign would be part of a statewide Arbor Day 2018 project.

**Amount Requested from Timber Plate Fees:** \$ 17,000  
**Total Project Estimated Costs:** \$ 50,000

**2. Seedlings**

**Background:** This project would provide 19,200 seedlings for the Arbor Day 2018 celebration and educational expos. The seedlings will be grown at the University of Idaho and packaged with information about reforestation and an educational brochure with information about Arbor Day and Idaho's forests will also accompany seedlings. The seedlings would be available throughout the state at various points of distribution.

**Amount Requested from Timber Plate Fees:** \$ 4,500  
**Total Project Estimated Costs:** \$ 13,750

(Over)

### 3. Arbor Day 2018

**Background:** Each year the last Friday in April is designed as Arbor Day, a special holiday celebrating trees. The Arbor Day 2018 project includes promotional materials, brochures and posters with information about Idaho's forests and reforestation, a seedling give-away, television and radio public service announcements, social media postings, a special Arbor Day t-shirt and event at the statehouse on Arbor Day. There will also be programs for Idaho educators focusing on the many things renewable trees bring to our lives and need for good forest stewardship, management and reforestation.

**Amount Requested from Timber Plate Fees:** \$ 2,000  
**Total Project Estimated Costs:** \$ 10,500

### 4. Arbor Day Photo Contest

**Background:** In 2011, IFPC began a statewide photo contest providing an opportunity for Idaho students to engage in Arbor Day and consider the role trees as a renewable resource play in their daily lives. The project has been a true success with hundreds of 5<sup>th</sup> to 12<sup>th</sup> grade students participating each year. The contest was developed with input from the Idaho Department of Education and asks students to show what they see when they "Look to the Forest" through a photograph and to describe their work in an artist statement. Cash prizes are awarded to the winners of three age categories. One grand prize is honored at the state Arbor Day Celebration where a tree is planted in their honor. Winning photos are used to promote Arbor Day and forest education in Idaho.

**Amount Requested from Timber Plate Fees:** \$ 500  
**Total Project Estimated Costs:** \$ 1,000

### 5. Arbor Day Tree Planting Effort

**Background:** Attached

**Amount Requested from Timber Plate Fees:** \$ 2,000  
**Total Project Estimated Costs:** \$ 2,000

### 6. Teachers' Sustainable Forest Tour

**Background:** This project provides forty-three educators with an exceptional hands-on opportunity to learn about sustainable forest management and the forest products industry during a 4-day forest tour. Its goal is to provide an opportunity for educators to talk directly with the people that grow, manage, harvest and process trees into useful wood products as well as the managers who care for the air, water, soil, fish and wildlife.

**Amount Requested from Timber Plate Fees:** \$ 1,000  
**Total Project Estimated Costs:** \$ 45,000

(Over)

**7. Forest Tour**

**Background:** This project provides an on-the-ground educational opportunity for Idaho leaders to learn about the forests of Idaho and gain a first-hand understanding of forest management. In the past, *Miracle at Work Forest Tours* have been conducted in central and north Idaho and feature private, state and federal forest managers and resource professionals.

**Amount Requested from Timber Plate Fees:** \$ 3,000

**Total Project Estimated Costs:** \$ 24,000

**8. Project Learning Tree**

**Background:** Project Learning Tree is a nation-wide, award winning environmental education program. PLT is based on the principles of teaching youths “how to think, not what to think” and preparing students to make wise decisions about resource use and conservation. Since 1994, over 9,250 teachers have participated in PLT workshops with the potential to reach thousands of Idaho students *each* year.

**Amount Requested from Timber Plate Fees:** \$ 20,000

**Total Project Estimated Costs:** \$ 150,000

**Total License Fee Appropriation Request** **\$ 50,000**



IDAHO DEPARTMENT OF LANDS





**Coeur d'Alene Staff Headquarters**  
3284 W. Industrial Loop, Coeur d'Alene, ID 83815  
Telephone: David Stephenson - (208) 666-8621  
Joyce S. Jowdy - (208) 666-8622  
Fax No. (208) 769-1524

## Memorandum

**TO:** David Groeschl, Director, IDL  
Betty Munis, Director, IFPC

**FROM:** David Stephenson, Urban Interface/Planning Program Manager 

**SUBJECT:** Arbor Day Funding Request

**DATE:** January 8, 2018

**CC:** Craig Foss, Forestry & Fire Division Administrator  
Ara Andrea, Forestry Assistance Bureau Chief

---

I am writing to request \$2,000 from the Idaho Timber Special License Plates program to assist Idaho Department of Lands area offices in promoting tree planting on public and private lands in and around Idaho communities. This funding request is for FY 2018, as Timber license plate funds are available.

The Department of Lands will use the \$2,000 to encourage IDL area field offices to help communities plan and conduct local Arbor Day celebrations. A similar project conducted in the spring of 2017 received outstanding support from IDL field offices and the communities they assisted. Funds were used to purchase trees, Arbor Day T-shirts, and other educational materials for communities throughout Idaho.

The Arbor Day project provided many opportunities for partnerships between urban and rural forestry interests. IDL foresters worked with local governments, schools, service clubs, businesses, USFS offices, and forest products companies to plan and conduct local celebrations.

Thank you for your consideration of this request. I will be glad to provide additional information as needed, and look forward to your response.



## STATE BOARD OF LAND COMMISSIONERS

March 20, 2018

Consent Agenda

### SUBJECT

Authorization to purchase two Forest Legacy Program conservation easements, known as Hall Mountain–Gause and Hall Mountain–Lindgren, comprising 61 and 100 acres, respectively

### BACKGROUND

- The Idaho State Board of Land Commissioners (Land Board) authorizes the Idaho Department of Lands (Department) to acquire such interests by voluntary, cooperative means and to create a conservation easement pursuant to Title 36, Chapter 1, and Title 55, Chapter 21 Idaho Code.
- The Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101 et. seq.), as amended by Section 1217 and Title XII of the Food, Agriculture, Conservation Trade Act of 1990 (16 U.S.C. 2103c), established the federal Forest Legacy Program (FLP) to protect environmentally important forestlands threatened with conversion to non-forest use.
- The FLP is funded through the Land and Water Conservation Fund, which was established by Congress in 1965, in part, to assist states in conserving vital working lands; wildlife habitats and outdoor recreation. These are not taxpayer dollars, but a small portion of the royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf.

### DISCUSSION

The Forest Legacy Program (FLP) — a federal program in partnership with states — seeks to keep working forests working (Attachment 1). Through a federal grant, Idaho's FLP purchases conservation easements (Conservation easements) on private forestlands that might otherwise be converted to non-forest uses. Idaho's FLP Conservation easements are designed to conserve the economic and environmental values that forestlands provide without removing the property from private ownership.

The FLP is an entirely voluntary program that offers willing landowners the opportunity to capture part of the "development value" of their land while receiving assurance that the forestland will remain a working forest forever. Idaho's FLP Conservation easements restrict development and subdivision, require sustainable forestry practices through the implementation of a Forest Stewardship Plan and protect other environmental values. Federal grant funds provide up to 75% of the program costs for the purchase of Conservation easements on private forestlands with a 25% non-federal match requirement. Eligible program costs include conservation easement value as well as associated due diligence expenses.

These Conservation easements are the final of five easements that are part of the federal FY2015 Hall Mountain FLP Project (Attachment 2). In 2016, an FLP Conservation easement was purchased on the adjacent property to the south. In January 2018, two FLP Conservation easements were established directly east of the properties. Currently, Dave and Janet Gause, and Barbara Lindgren wish to convey Conservation easements to the Idaho Department of Lands to conserve their working forestland in perpetuity, thereby protecting the economic and

environmental values while keeping their properties in private ownership. The non-federal match for these purchases is in the form of donated easement value. The table below summarizes project costs.

Landowner	Appraised CE Value	Due Diligence Expenses	Donated CE Value**	Total Project Cost	FLP Contribution
Gause	\$125,000	\$23,000	\$49,333	\$197,333	<b>\$148,000</b>
Lindgren	\$130,000	\$23,000	\$51,000	204,000	<b>\$153,000</b>

\* Estimated due diligence expenses: baseline report, survey, appraisal, professional services, closing fees and title insurance.

\*\* In accordance with FLP guidelines, the required 25% non-federal cost-share will consist of a donated conservation easement.

The Hall Mountain easements are consistent with the goals and objectives of Idaho's FLP and will protect the following significant conservation values:

- Timber: Idaho's Forest Action Plan identifies the area where the project lands are located as one of the highest priority areas for forestland protection in the state. According to Boundary County's Comprehensive Plan, the harvest of timber and other products from forestland in Boundary County is essential to the local economy.
- Wildlife Habitat: Project lands contain some of the most valuable wildlife habitat in Idaho, supporting an abundant assortment of game and non-game species including federally listed threatened and endangered species such as grizzly bear and Canada lynx.
- Landscape Scale Conservation Impact: The Hall Mountain project is located in an area of high conservation priority. Nine existing FLP conservation easements and two FLP projects are located within 10 miles.

The project has garnered broad public support by various public and private entities (Attachment 3). These forestlands have substantial and significant conservation and economic values that are of great importance to the people of Idaho. The protection of these values will yield a significant public benefit.

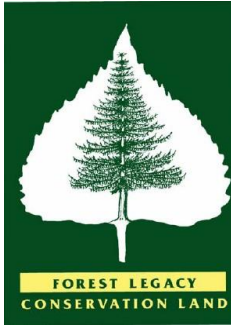
### RECOMMENDATION

Authorize the Idaho Department of Lands to acquire the Hall Mountain–Gause and Hall Mountain–Lindgren conservation easements, comprising 61 and 100 acres, respectively.

### BOARD ACTION

### ATTACHMENTS

1. FLP Fact Sheet
2. Map
3. Public Support



## Forest Legacy Program Informational Fact Sheet

The Forest Legacy Program (FLP) is a program that seeks to protect privately owned, economically and environmentally important forestlands that are threatened by conversion to non-forest uses. FLP is a voluntary program that, through the purchase of conservation easements, operates on the “willing buyer, willing seller” principle. Lands covered by a FLP conservation easement stay in private ownership and continue to be managed for traditional uses such as forest management.

### 1. What is a conservation easement?

- A legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency. The grantee organization does not gain the right to subdivide or develop; rather, it holds those restrictions “in trust” and ensures that no one uses the rights restricted by the grantor. A conservation easement is perpetual and runs with the land. Idaho Code Title 55, Chapter 21 is Idaho’s Uniform Conservation Easement Act.

### 2. Where does FLP funding come from?

- Federal FLP grant funds **are not** tax-payer dollars.
- FLP is funded through the Land and Water Conservation Fund (LWCF), which was established in 1965, in part, to assist states in conserving vital working lands, wildlife habitats and outdoor recreation.
- Each year, a small percentage of royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf is deposited into the LWCF account in the federal treasury. The premise of LWCF is essentially to protect one natural resource in exchange for the depletion of another.
- The U.S. Forest Service (USFS) administers the program at the national level and provides grants from LWCF to states to carry out the FLP.

### 3. What qualifies projects for consideration?

- Meets FLP’s primary objective to keep working forests working
- 75% forested
- Privately owned
- 5 acres or larger
- Includes a minimum 25% non-federal match
- Must be within a Priority Landscape Area as identified in Idaho’s Forest Action Plan
- Must be carried out in partnership with another state agency or land trust organization

### 4. How are projects evaluated and selected?

- Projects are evaluated using the following criteria:
  - Importance: criteria reflect the environmental, economic and social values the forest provides

- Threat: criteria evaluate the likelihood of conversion from forest to non-forest uses that would result in a loss of forest values and public benefits
- Strategic: criteria reflect the relevance to conservation efforts in a broader perspective (contributes to a conservation strategy and complements other intact forests)
- Projects are evaluated and ranked by a national review panel in Washington DC. The review panel, comprised of 6 state agency representatives and 6 USFS representatives from across the U.S., is tasked with ranking all projects submitted nationwide.

5. How are conservation easement values determined?

- A conservation easement purchase price is determined by an appraisal which conforms to the guidelines of two professional appraisal standards: the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards of Federal Land Acquisitions (UASFLA or “Yellow Book”). Prior to the acquisition, the FLP requires an independent appraisal review.
- Appraisers meet rigorous private and federal appraisal standards, education, and training and must have considerable experience appraising projects of the same type and complexity.

6. How are federal funds conveyed for Forest Legacy acquisitions?

- Federal funds are directly distributed by the USFS to a title company that handles the closing transaction and recording of the conservation easement.
- The federal funding used to purchase a conservation easement *cannot* be higher than 75% of the appraised fair market value.

7. Who holds title to the FLP easement?

- The State of Idaho

8. How do conservation easements impact property taxes?

- The property is still in private ownership and taxed as such. Current property taxes are not impacted.

9. Do these FLP conservation easement acquisitions result in any impact on the state general fund?

- No. Project funds are allocated directly from the USDA Forest Service for the conservation easement purchase. No general fund dollars are used for the acquisition, nor are they used to fund administration of the Idaho FLP.

## ***Idaho Forest Legacy Program***

### Program Goals

- Identify high priority forestlands in Idaho
- Maintain the cultural and economic stability of rural communities by conserving *working* forest landscapes
- Conserve and/or enhance water quality
- Maintain unique forest habitats
- Protect and provide habitat for native fish, wildlife and plants
- Protect the social values that forests provide such as public recreation, scenic, cultural and historical values

### Program Objectives

- Promote wildlife connectivity between undeveloped areas
- Focus efforts on projects with large areas of contiguous forest
- Promote sustainable forest management practices
- Contribute to a large scale organized conservation plan
- Protect Threatened and Endangered species habitat
- Complement previous investments in forestland conservation

### To Date Statistics

30 conservation easement purchases: 95,768 acres

8 donated conservation easements: 2,661 acres

- 4 industrial landowners: 90,423 acres
- 19 non-industrial landowners: 8,006 acres

Federal Funds: \$37,468,274

Non-Federal Cost-Share: \$25,939,721

41% non-federal cost-share

95,768 acres open to public recreation, free of charge, in perpetuity

### Pending Project Grants

FFY2016 Hall Mountain/Kootenai Valley: 3,281 acres (Boundary County)

###

For more information, visit:

<http://www.idl.idaho.gov/forestry/forest-legacy/index.html>

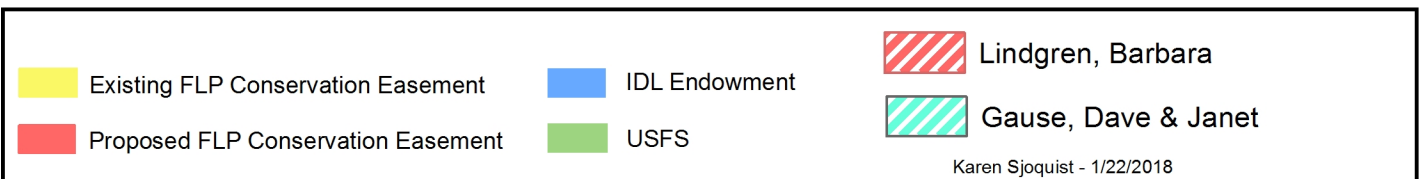
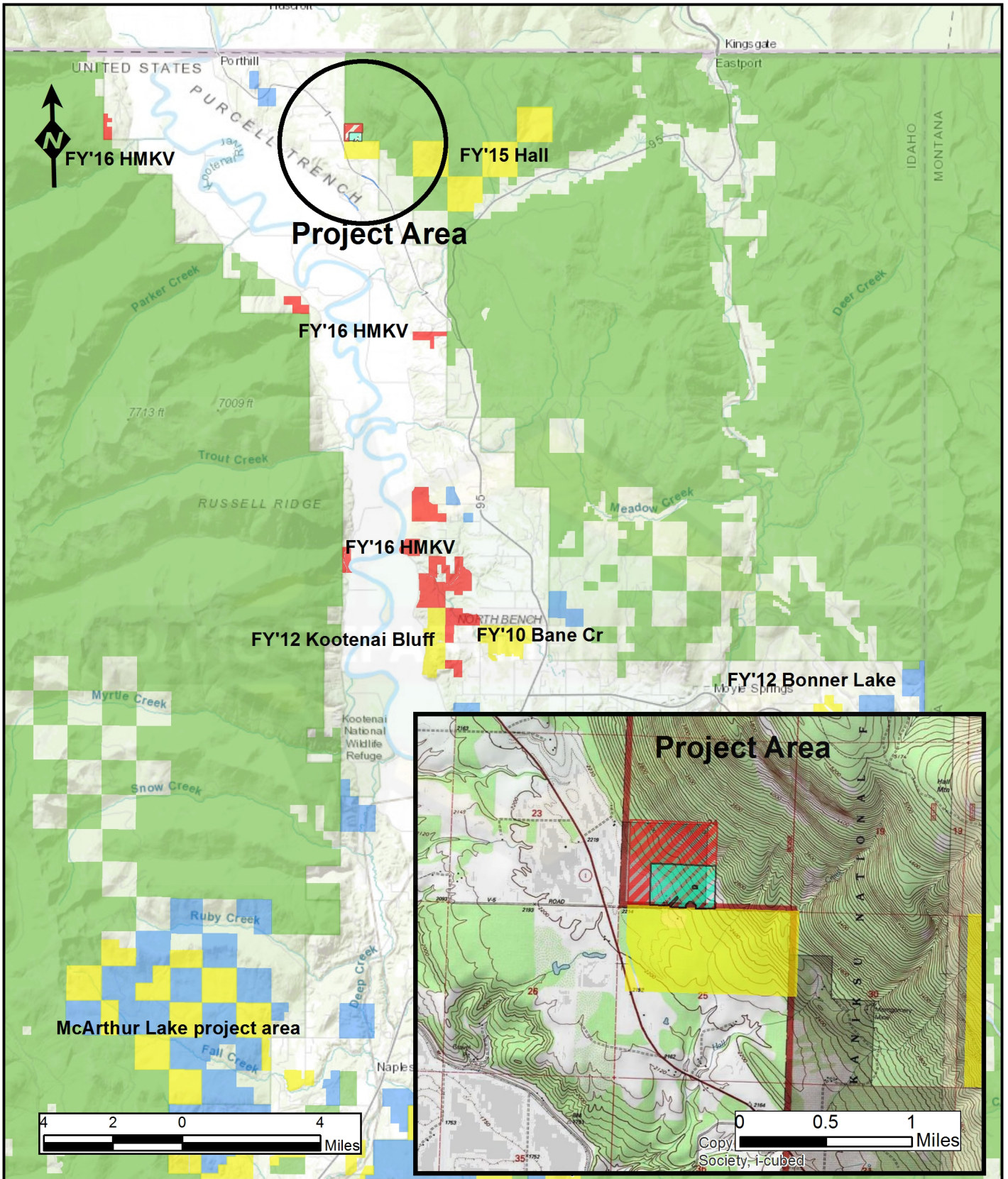
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**IDAHO DEPARTMENT OF LANDS**



# Gause and Lindgren Proposed Conservation Easements Boundary County, Idaho



Karen Sjoquist - 1/22/2018

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**IDAHO DEPARTMENT OF LANDS**



## Public Support of the FY2015 Hall Mountain Project in Boundary County

The following local, state and federal government agencies and local, state and regional conservation organizations have provided written letters in support of the purchase of a conservation easement on the Hall Mountain project lands:

- United States Senator Mike Crapo
- United States Senator James Risch
- Idaho State Senator Shawn Keough
- Kootenai Valley Resource Initiative
- Boundary County Board of Commissioners
- Bonners Ferry City Council
- The Kootenai Tribe of Idaho
- US Department of Agriculture Rocky Mountain Research Station
- US Forest Service
- US Fish and Wildlife Service
- Bureau of Land Management
- Interagency Grizzly Bear Committee
- Idaho Forest Group
- Idaho Forest Landowners Association
- Yellowstone to Yukon Initiative
- The Vital Ground Foundation
- Inland Northwest Land Trust
- Owens Foundation for Wildlife Conservation

IDAHO DEPARTMENT OF LANDS

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**IDAHO DEPARTMENT OF LANDS**

STATE BOARD OF LAND COMMISSIONERS  
March 20, 2018  
Consent Agenda

SUBJECT

Disclaimer of interest for the former bed of the Boise River, Canyon County, Idaho

BACKGROUND

Upon statehood, Idaho gained title to the beds and banks of navigable waterways below the ordinary high water mark under the Equal Footing Doctrine. The state holds these lands in trust for the benefit of the public. The State Board of Land Commissioners (Land Board) is the statutorily designated trustee of these lands. When a river moves as a result of accretion (the natural, gradual process whereby deposited material causes the river to move), title to the riverbed moves as well. The Idaho Department of Lands (Department) issues disclaimers of interest to clear title to the accreted land.

DISCUSSION

Baserri, LLC and Premier Industrial, LLC have applied for a disclaimer of interest for one parcel of accretion land totaling 28.02 acres, more or less, located within the original surveyed river meander lines of the Boise River adjacent to the applicants' deeded property. The land subject to this disclaimer is the former bed of the Boise River located adjacent to Government Lot 1 of Section 7, Township 4 North, Range 2 West (Attachment 1).

The ordinary high water mark was identified by Department personnel and surveyed by a licensed surveyor for the applicants. Following a review of the survey, deeds and tax documents and a field inspection by staff, it is the Department's judgment the subject property is above the ordinary high water mark of the Boise River.

Baserri, LLC and Premier Industrial, LLC will grant the State of Idaho an easement 25 feet in width for a public use right-of-way along and adjacent to the existing ordinary high water line of the Boise River.

RECOMMENDATION

Direct the Department to issue a disclaimer of interest for the parcel totaling 28.02 acres of the former bed of the Boise River, and to require Baserri, LLC and Premier Industrial, LLC to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department of Lands for this transaction.

BOARD ACTION

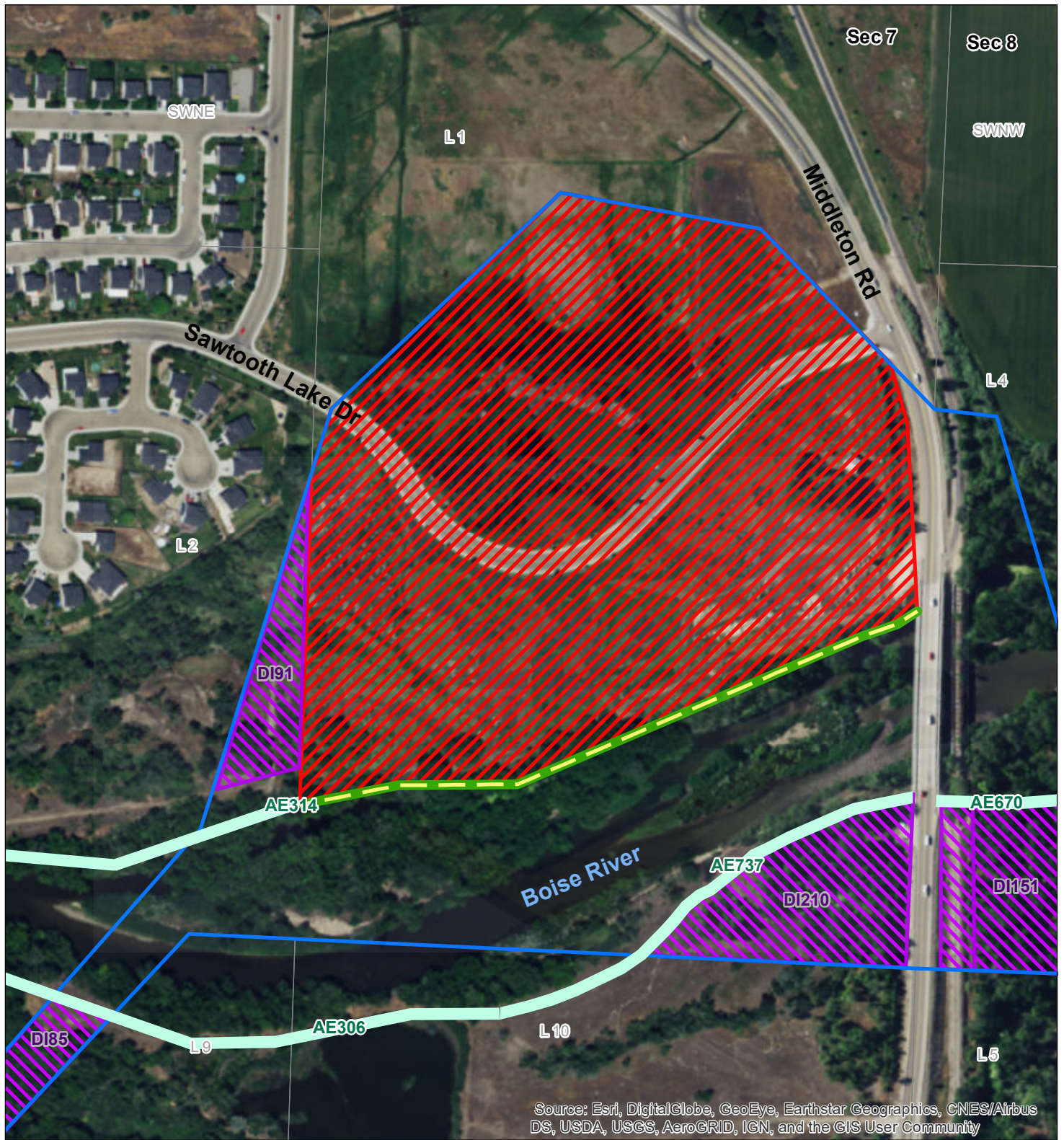
ATTACHMENTS

1. Map

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**IDAHO DEPARTMENT OF LANDS**

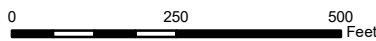




- Proposed ROW
- Meander Line
- Ordinary High Water Mark
- Disclaim by State of Idaho
- Existing Disclaimers
- Acquired Easement

**D600284**  
**T04N R02W Sec 7**

3/5/2018  
 Scale 1:3,500

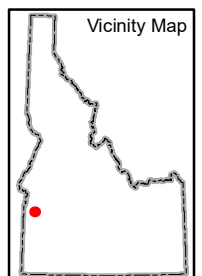


**Map Notes**

Projection: Idaho Transverse Mercator, NAD 83

Map Notes and Data Sources

**Disclaimer:**  
 This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.



**ATTACHMENT 1**

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**IDAHO DEPARTMENT OF LANDS**

STATE BOARD OF LAND COMMISSIONERS  
March 20, 2018  
Consent Agenda

SUBJECT

Disclaimer of Interest for the former bed of the Payette River, Payette County, Idaho

BACKGROUND

Upon statehood, Idaho gained title to the beds and banks of navigable waterways below the ordinary high water mark under the Equal Footing Doctrine. The state holds these lands in trust for the benefit of the public. The State Board of Land Commissioners (Land Board) is the statutorily designated trustee of these lands. When a river moves as a result of accretion (the natural, gradual process whereby deposited material causes the river to move), title to the riverbed moves as well. The Idaho Department of Lands (Department) issues disclaimers of interest to clear title to the accreted land.

DISCUSSION

Cynthia A Rominator has applied for a disclaimer of interest for one parcel of accretion land totaling 1.519 acres, more or less, located within the original surveyed river meander lines of the Payette River adjacent to the applicant's deeded property. The land subject to this disclaimer is the former bed of the Payette River located adjacent to Government Lot 9 of Section 10, Township 8 North, Range 5 West (Attachment 1).

The ordinary high water mark was identified by Department personnel and surveyed by a licensed surveyor for the applicant. Following a review of the survey, deeds, tax documents and a field inspection by staff, it is the Department's judgment the subject property is above the ordinary high water mark of the Payette River.

Cynthia A Rominator will grant the State of Idaho an easement for a public use right-of-way along and adjacent to the existing ordinary high water mark of the Payette River. The easement is 25 feet in width, except in two locations where the width of the easement narrows to circumvent existing structures. Idaho Code § 58-119A requires the Land Board's approval prior to finalization of an agreement that seeks to reserve a public use right-of-way less than 25 feet wide.

RECOMMENDATION

Direct the Department to issue a disclaimer of interest for the parcel totaling 1.519 acres of the former bed of the Payette River; approve the public use right-of-way that is in part, less than twenty-five (25) feet in width; and to require Cynthia A Rominator to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department of Lands for this transaction.

BOARD ACTION

ATTACHMENTS

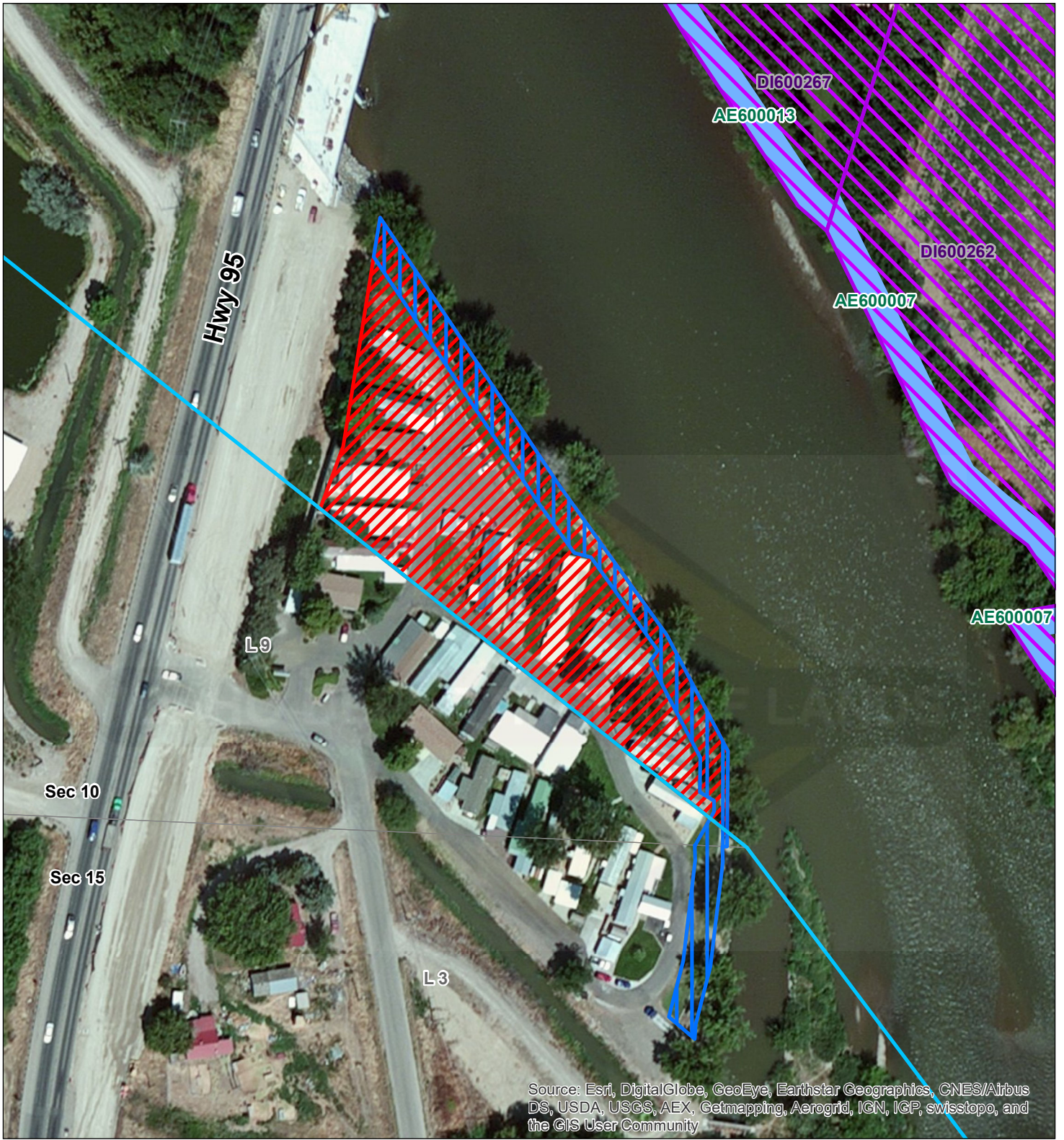
1. Map








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**IDAHO DEPARTMENT OF LANDS**



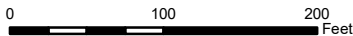


Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community

-  DI600290
-  Access Easement
-  Meander Line
-  Existing Disclaimers
-  Acquired Easement

**D600290**  
**T08N R05W Sec 10**

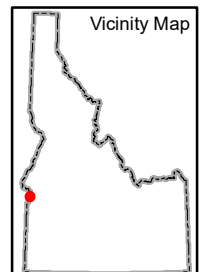
12/18/2017  
 Scale 1:1,500



**Map Notes**

Projection: Idaho Transverse Mercator, NAD 83  
 Map Notes and Data Sources

Disclaimer:  
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**ATTACHMENT 1**

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**IDAHO DEPARTMENT OF LANDS**



STATE BOARD OF LAND COMMISSIONERS  
March 20, 2018  
Consent Agenda

SUBJECT

Consultant Agreement Amendment with Callan LLC

BACKGROUND

Through a competitive search process, Callan Associates was retained by the Idaho State Board of Land Commissioners (Land Board) in May 2014 to review the findings and recommendations of the Subcommittee on Endowment Investment Governance Strategy; identify shortcomings and make recommendations for improvement; review the internal policies and procedures of the Idaho Department of Lands (Department) regarding valuation and forecasting methodologies; and conduct an asset allocation study incorporating the Department-managed land assets with the financial assets.

Callan Associates was later retained by the Land Board under a Consultant Agreement (Attachment 1) signed April 1, 2015, to assist with implementing Land Board-approved recommendations. The term of the Consultant Agreement is through March 31, 2018, but the Land Board may terminate it at any time.

The Consultant Agreement provides that Callan Associates, Inc. will assist the Land Board with the following tasks:

- Professional review and analysis of the investment policies, strategies, and annual plans associated with the management of endowment assets, including, but not limited to investment of the proceeds from the sale of endowment land.
- Professional review and analysis of any proposed investment initiatives for consistency with Land Board investment policies and strategies, but not individual transactions.
- Professional evaluation of the investment performance of endowment assets and the combined trust of land and fund assets, including:
  - a) Written recommendations on whether and which benchmarks to adopt.
  - b) Annual written analysis and attribution of the endowment land return and the total combined trust of land and fund assets, including but not limited to recommendations for opportunities to add value.
  - c) Written review of post-audit reports prepared by Department staff for reasonableness and consistency with Land Board investment policies, typically three years after completion of investment transactions of \$1 million or more.
- Support the Land Board in hiring and monitoring project consultants related to endowment land investment management, including a transaction review consultant, a

commercial real estate management and disposal consultant, and other specialized real estate or timber related consulting services. Such support shall include:

- a) Developing search criteria (RFPs and RFIs, scope of engagement) for Land Board approval, conducting searches, evaluating firms, and providing recommendations.
  - b) Assisting the Land Board in the negotiation of contract terms and conditions.
  - c) Monitoring consultant contracts, including reviewing the consultants' progress and work product for conformance with contracts.
- Attend, in person, two Land Board meetings per year to present an annual performance review and an annual investment policy review, and, if requested, four additional meetings by teleconference.
  - Assist the EFIB and the State Board of Land Commissioners (the "Named Fiduciaries") in obtaining the level of expertise they need to prudently fulfill the Named Fiduciaries' fiduciary responsibilities.

Additionally, under the First Amendment to the Consultant Agreement (Attachment 2) dated August 1, 2017, Callan Associates, Inc. was retained to complete an Asset Spending Study for each individual endowment on behalf of the Land Board to determine the best and highest use of assets in the Land Bank—reinvestment into land assets or transfer to the financial asset portfolio. This work is nearing completion and results should be available for review by the Land Board in April 2018.

## DISCUSSION

In consultation with the Attorney General's Office, the Department has determined a second amendment to the Consultant Agreement with Callan Associates, Inc. (now Callan LLC) is advisable to extend the term of the existing contract through fiscal year 2019 with a termination date of June 30, 2019. This allows time for completion of the Asset Spending Study and avoids any disruption to current services while the Department develops a Request for Proposal (RFP) for a new general consultant contract. Furthermore, a 15-month extension provides an opportunity to update and/or revise the current scope of work to be consistent with the needs of the Land Board. The Department intends to work with the Land Board to issue an RFP this fall and have a new consultant agreement prepared for the Investment Subcommittee and Land Board to review in the spring. This timeline mirrors EFIB's recruitment schedule for an investment consultant.

All other terms and conditions set forth in the Consultant Agreement, as amended, between the Land Board and Callan LLC would remain in full force including the Land Board's ability to terminate the contract at any time.

The consultant's listed fees would also remain unchanged. The current annual fee is \$148,193 paid quarterly which may be increased annually by the rate of CPI inflation or three percent, whichever is less. There is an additional \$35,000 fee for each completed project consultant search and a \$2,500 fee for each additional in-person meeting.

On March 13, 2018, the Investment Subcommittee met to review the proposed contract extension and voted to recommend the Land Board approve the Second Amendment to Consultant Agreement (Attachment 3) without any changes.

### RECOMMENDATION

Authorize the Secretary of the Land Board to enter into a second contract amendment on behalf of the Land Board substantially in accordance with the Second Amendment to Consultant Agreement shown here as Attachment 3 to extend the termination date of the Consultant Agreement, as amended, with Callan LLC to June 30, 2019.

### BOARD ACTION

### ATTACHMENT

1. Consultant Agreement dated April 1, 2015
2. First Amendment to Consultant Agreement dated August 1, 2017
3. Second Amendment to Consultant Agreement

The logo for the Idaho Department of Lands is centered on the page. It features a stylized mountain range in the background with a sunburst at the top. In the foreground, there is a large, light-colored diamond shape with a yellow border. Overlaid on this diamond is a horizontal banner with the text "IDAHO DEPARTMENT OF LANDS" in white, uppercase letters.

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**IDAHO DEPARTMENT OF LANDS**

## CONSULTANT AGREEMENT

THIS CONSULTANT AGREEMENT ("Agreement") is made and entered into as of the 1st day of April 2015, by and between the State of Idaho, by and through the Idaho Board of Land Commissioners ("Land Board") and Callan Associates Inc., a California corporation ("Consultant").

### RECITALS

A. Through a competitive search process, Consultant was retained by the Idaho State Board of Land Commissioners (Land Board) in May 2014 to review the findings and recommendations of the Subcommittee on Endowment Investment Governance (Subcommittee); identify shortcomings and make recommendations for improvement; review the internal policies and procedures of the Idaho Department of Lands (IDL) regarding valuation and forecasting methodologies; and conduct an asset allocation study incorporating the IDL-managed land assets with the financial assets.

B. Consultant presented its final report dated November 7, 2014 (the Final Report) to the Land Board on November 18, 2014. The Land Board voted to accept the November 7, 2014 report as completion of the contract.

C. The Final Report made several recommendations, including increased use of expert advisors by the Land Board to support certain investment-related decisions. The Subcommittee, at its November 13 meeting, concluded that Consultant is uniquely qualified as a general investment consultant to assist the Land Board in implementing Land Board-approved recommendations. Consultant has extensive and specialized knowledge of the endowment trust. Through its work with both the Endowment Fund Investment Board (EFIB) and the Land Board, Consultant has a proven track record of providing a high quality and insightful work product.

D. On December 15, 2015, the Land Board authorized the Secretary to execute an Agreement with Consultant on the terms and conditions herein.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

1. Term. The term of this Agreement commences on April 1, 2015 and terminates on March 31, 2018, unless terminated earlier as provided herein.

2. Scope of Services.

The Consultant shall serve as the Land Board's non-discretionary general investment and governance consultant. Consulting services shall include:

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CONSULTANT AGREEMENT - 1

- A. Providing professional review and analysis of the investment policies, strategies, and annual plans associated with the management of endowment assets, including, but not limited to, investment of the proceeds from the sale of endowment land.
- B. Providing general professional review and analysis of any proposed investment initiatives for consistency with Land Board investment policies and strategies. The Consultant will not underwrite, re-underwrite or otherwise opine on individual transactions.
- C. Providing professional evaluation of the investment performance of endowment land and the combined trust of land and fund assets, including:
  - i. Written recommendations on whether and which benchmarks to adopt.
  - ii. Annual written analysis and attribution of the endowment land return and the total combined trust of land and fund assets, including but not limited to recommendations for opportunities to add value.
  - iii. Written review of investment project post-audit reports prepared by IDL staff for reasonableness and consistency with Land Board investment policies. The audit reports will typically be conducted 3 years after an investment transaction of \$1 million or more is completed. It is anticipated that there will be two reports to review annually.
- D. Support the Land Board in hiring and monitoring project consultants related to endowment land investment management, including a transaction review consultant, a commercial real estate management and disposal consultant, and other specialized real estate or timber related consulting services. Such support shall include:
  - i. Developing search criteria (RFPs and RFIs, scope of engagement) for Land Board approval, conducting searches, evaluating firms, and providing recommendations.
  - ii. Assisting the Land Board in the negotiation of contract terms and conditions.
  - iii. Monitoring consultant contracts, including reviewing the consultants' progress and work product for conformance with their contracts.

It is anticipated that there will be two searches for consultants in the first year and one each year thereafter. Legal support for the development of contracts and enforcing compliance with contract terms, from a legal standpoint, will be provided by an Idaho Deputy Attorney General.

- E. Attend, in person, two Land Board meetings per year to present an annual performance review and an annual investment policy review, and, if requested, four additional meetings by teleconference. It is anticipated that the performance review will be in September and the investment policy review will be in April.

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BOISE, IDAHO



F. The parties acknowledge and understand that the Consultant's role is to act as a consultant and to assist the EFIB and the State Board of Land Commissioners (the "Named Fiduciaries"), in obtaining the level of expertise they need to prudently fulfill the Named Fiduciaries' fiduciary responsibilities. The Named Fiduciaries shall retain and exercise all decision-making authority with respect to the management and administration of the funds to which Consultant is providing services. The Consultant has not and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of the assets under management and administration by the Named Fiduciaries.

3. Payment.

A. IDL shall pay Consultant the fees for the services performed pursuant to this Agreement as more particularly set forth on Exhibit 1 attached hereto and by this reference incorporated herein. Neither the Land Board nor IDL shall be liable to the Consultant for any costs or expenses paid or incurred by the Consultant unless specifically set forth in this Agreement or otherwise agreed to in writing by the Land Board and the Consultant. In compliance with United States Securities and Exchange Commission Regulations ("SEC"), Consultant shall supply an ADV, Parts 2A and 2B, to IDL upon the filing of such document with the SEC. IDL acknowledges receipt of Consultant's disclosure statement, Form ADV, Parts 2A and 2B, more than 48 hours prior to the date of the execution of this Agreement. Additionally, going forward, Consultant shall supply to IDL on an annual basis its Form ADV, Parts 2A and 2B, and more frequently should there be material amendments.

B. IDL will pay Consultant quarterly for all fees in accordance with the schedule set forth in Exhibit 1. The Consultant shall submit an invoice for payment to IDL at the address specified for notices to the Land Board in this agreement. The invoice shall clearly identify the fee. The Consultant shall certify that all charges submitted for payment represent services performed and charges incurred under the terms of this Agreement. IDL will process payments in accordance with Idaho Code Section 67-2302.

6. Contract Relationship. The Consultant's status under this Agreement shall be that of an independent contractor, and not that of an agent or employee. Consultant is solely liable for all labor, taxes, insurance, required bonding and other expenses, except as specifically stated herein. The Consultant shall exonerate, indemnify and hold the State harmless from and against and assume full responsibility for payment of all federal, state and local taxes or contributions imposed or required under unemployment insurance, social security, workers' compensation and income tax laws with respect to the Consultant or Consultant's employees engaged in performance under this Agreement.

7. Consultant Personnel and Staff. Consultant shall provide all services under this Agreement by and through the consulting team represented in Exhibit 2. Consultant shall not reassign or replace consulting team members without the prior written concurrence of the Land Board. Consultant shall notify the Land Board of the resignation of any consulting team manager in a timely manner, but in no event shall notice be later than twenty-four (24) hours after the resignation.

8. Conflicts of Interest. Consultant shall disclose and shall require its employees, agents and staff to disclose to the Land Board any personal, economic or business activity interests in any current Land Board, IDL, or EFIB contracts or investment and in any Land Board, IDL, and EFIB contracts or investment proposed, reviewed or recommended by Consultant or its employees, agents and staff. The Land Board acknowledges receipt of Consultant's disclosure list of investment manager clients no later than the date of the execution of this Agreement.

9. Fiduciary Standard/Prudent Investor Rule. The Consultant acknowledges that it is a fiduciary with respect to the services provided under this Agreement. The Land Board acknowledges that Consultant's services do not include the exercise of decision-making authority with respect to the management and administration of the funds to which Consultant is providing services. The Consultant shall discharge all of its duties and exercise all of its powers hereunder (i) solely in the interest of the Land Board and the beneficiaries of the endowments, (ii) with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent person who is familiar with such matters would use in discharging such duties and exercising such powers, and (iii) otherwise in accordance with the Title 68, Chapter 5 of the Idaho Code, if applicable.

10. Representations and Warranties.

A. The Land Board hereby represents, warrants and covenants to the Consultant as of the date of this Agreement that:

- i. The Land Board has the full authority to enter into the Agreement.
- ii. The execution of the Agreement and the performance by the Land Board of its obligations hereunder has been duly and validly authorized.
- iii. The Agreement is executed on behalf of the Land Board by a person authorized to transact business on behalf of the Land Board and the Agreement shall be binding upon the Land Board in accordance with its terms.
- iv. Each of the foregoing representations, covenants and warranties are continuing. The Land Board shall promptly notify Consultant in writing in the event that any of the foregoing are no longer true and correct.

B. Consultant hereby represents, warrants and covenants to the Land Board as of the date of this Agreement that:

- i. Consultant has the full authority to enter into the Agreement.
- ii. The execution of the Agreement and the performance by the Consultant of its obligations hereunder has been duly and validly authorized.

iii. The Agreement is executed on behalf of the Consultant by a person authorized to transact business on behalf of the Consultant and the Agreement shall be binding upon the Consultant in accordance with its terms.

iv. There is no conflict as to the duties required to be performed by Consultant pursuant to this Agreement and any other contract, engagement, or employment of Consultant.

v. Except as disclosed to the Land Board in writing, Consultant receives no fees, commissions or services and no reduction in expenses or costs from any individual or entity based upon any activity conducted and transacted by the Land Board, IDL, or EFIB.

vi. Consultant has completed, obtained and performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority for all acts contemplated by this Agreement and has complied or will comply, with all existing, new or amended laws that apply to its performance under the Agreement.

vii. Except as disclosed to the Land Board in writing, neither the Consultant nor, to its knowledge, any of its officers or directors, nor any of its affiliates, has (i) had coverage under a fidelity bond or investment counselor's errors and omissions insurance policy denied or revoked; (ii) filed a bankruptcy or insolvency petition or been declared bankrupt; or, (iii) had its registration revoked or its activities restricted.

viii. There is no action, suit, investigation or proceeding pending or, to the best knowledge of the Consultant, threatened in writing against the Consultant which may have a material adverse effect on the Consultant in the performance of the Agreement.

ix. Each of the foregoing representations, covenants and warranties are continuing. Consultant shall promptly notify the Land Board in writing in the event that any of the foregoing are no longer true and correct.

#### 11. Insurance.

A. For the duration of this Agreement and until all work specified in this Agreement is completed, Consultant shall have and maintain, at Consultant's expense, fiduciary liability or investment consultant's error and omissions insurance and shall comply with all limits, terms and conditions of such insurance. Combined single limit per occurrence shall not be less than two million dollars \$2,000,000, or the equivalent.

B. Consultant shall ensure that all policies of insurance are endorsed to read that there shall be no cancellation, material change, potential exhaustion of aggregate limits or intent not to renew insurance coverage(s) without sixty (60) days' prior written notice from the Consultant or its insurer(s) to the Land Board. Consultant shall further ensure that all policies of insurance are endorsed to read that any failure to comply with the reporting provisions of this

insurance, except for the potential exhaustion of aggregate limits, shall not affect the coverage(s) provided to Land Board, or IDL and EFIB's officers and employees.

C. As evidence of the insurance coverages required by this Agreement, Consultant shall furnish certificates of insurance to the Land Board prior to beginning work pursuant to the Agreement. The Land Board may further require copies of the specific insurance policies or endorsements evidencing the coverages required under this Agreement. Insurance coverage required under this Agreement shall be obtained from insurance companies acceptable to the Land Board, authorized to transact business in Idaho, and with no less than an A M Best rating of A. The Consultant shall be financially responsible for all deductibles, self-insured retentions and self insurance.

D. If any of the insurance required under this Agreement is arranged on a "claims made" basis, "tail" coverage will be required at the completion of this Agreement for a duration of twenty-four (24) months thereafter. Consultant shall be responsible for furnishing certification of "tail" coverage or continuous "claims made" liability coverage for twenty-four (24) months following Agreement completion. Continuous "claims made" coverage will be acceptable in lieu of "tail" coverage provided its retroactive date is on or before the effective date of this Agreement.

12. Indemnification. Consultant shall indemnify, defend and save harmless the Land Board IDL and EFIB and all three their officers, agents and employees from and against any and all liability, claims, damages, losses, expenses, actions, attorneys' fees and suits caused by or arising out of Consultant's negligent or wrongful performance, acts or omissions under this Agreement or Consultant's failure to comply with any state or federal statute, law, regulation or rule. This indemnification shall not apply to liability, claims, damages, losses, expenses, actions, attorneys' fees and suits solely caused by or arising out of negligent or otherwise wrongful acts, errors, omissions or fault of the Land Board, IDL, or EFIB or either of their employees, agents, representatives, or assigns. To the extent permitted by applicable law, Consultant, its officers, directors, employees and shareholders shall not be liable the Land Board, IDL, or EFIB except for losses caused by or arising from a material breach by Consultant of its duties, obligations and responsibilities under this Agreement or from Consultant's willful misconduct, gross negligence or bad faith. Notwithstanding the foregoing, Consultant shall discharge its duties as a consultant in accordance with the terms of this Agreement and applicable law. Land Board, IDL and EFIB acknowledge and agree (i) that Consultant has no authority or responsibility to manage or in any way direct the investment of any assets that are the subject of Consultant's consulting services provided under the terms of this Agreement, (ii) that Consultant has not and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of such assets, and (iii) that Consultant will not be liable for any losses or expenses incurred as a result of any action or omission by an investment manager, custodian or unrelated third party, including a project consultant.

13. Public Announcements and Use of a Party's Name. The Consultant shall not make news releases or public announcements pertaining to this Agreement, or to work completed under this Agreement without prior written approval from the Land Board. The parties shall not, prior to, in the course of, or after performance under this Agreement, use the other party's name,



trademarks, service marks or logo without the prior written consent of such party except that the Consultant may list the Land Board as its client in its client listing which such display of client name shall be no more or less prominent than any other Consultant client. Either party may withhold approval of the use of its name, trademarks, service marks or logo in its sole discretion.

14. Public Records. Pursuant to Idaho Code section 9-335 *et seq.*, information or documents received from the Consultant may be open to public inspection and copying unless exempt from disclosure. The Consultant shall clearly designate individual documents as “exempt” on each page of such documents and shall indicate the basis for such exemption. The Land Board will not accept the marking of an entire document as exempt. In addition, the Land Board will not accept a legend or statement on one (1) page that all, or substantially all, of the document is exempt from disclosure. The Consultant shall indemnify and defend the State against all liability, claims, damages, losses, expenses, actions, attorney fees and suits whatsoever for honoring such a designation or for the Consultant’s failure to designate individual documents as exempt. The Consultant’s failure to designate as exempt any document or portion of a document that is released by the State shall constitute a complete waiver of any and all claims for damages caused by any such release. If the State receives a request for materials claimed exempt by the Consultant, the Consultant shall provide the legal defense for such claim.

15. Confidentiality. Pursuant to this Agreement, Consultant may collect, or the Land Board, IDL, or EFIB may disclose to Consultant, financial, personnel or other information that they regard as proprietary or confidential (“Confidential Information”). Confidential Information shall belong solely to the Land Board, IDL, and EFIB. Consultant shall use such Confidential Information only in the performance of its services under this Agreement and shall not disclose Confidential Information or any advice given by it to the Land Board, IDL, or EFIB to any third party, except with the Land Board’s prior written consent or under a valid order of a court or governmental agency of competent jurisdiction or pursuant to a subpoena and then, only upon timely notice to the Land Board. The Land Board may require that Consultant’s officers, employees, agents or subcontractors agree in writing to the obligations contained in this section. The Land Board may require that Confidential Information be returned to the Land Board, IDL, or EFIB upon termination of this Agreement subject to Consultant’s document retention procedures as required by the SEC. The confidentiality obligation contained in this section shall survive termination of this Agreement.

Information shall not be considered Confidential Information to the extent that such information: (i) is already known to Callan free of any restriction at the time it is obtained from Land Board, IDL or EFIB (ii) is subsequently learned from an independent third party free of any known restriction and without breach of this Agreement; (iii) becomes publicly available through no wrongful act of Callan or (iv) is independently developed by Callan without reference to any Confidential Information of Land Board, IDL or EFIB.

16. Consultant's Records.

A. Any and all reports, analyses and data, whether statistical or otherwise, transmitted to the Land Board, IDL, or EFIB by Consultant shall become the property of the Land Board for such uses as it shall deem appropriate and shall not be disclosed to any person by the Consultant without prior written consent of the Land Board or as required by law. Notwithstanding the foregoing, Land Board acknowledges that Callan shall retain all of its rights in its methodologies, methods of analysis, ideas, concepts, know-how, techniques, skills, knowledge and experience possessed by Callan before the commencement of the term of this Agreement or acquired by Callan during the provision of the services pursuant to this Agreement.

B. All records and documents related to this Agreement, including working papers, shall be available for and subject to inspection, review or audit, and copying by the Land Board and other personnel duly authorized by the Land Board. Upon reasonable notice from the Land Board, Consultant shall make its records available to such parties at all reasonable times, at either the Consultant's principal place of business or upon premises designated by the Land Board. Consultant may impose reasonable conditions upon access to records and documents including the time and location of access. Consultant may impose a reasonable charge for copies of records and documents requested by the Land Board. Notwithstanding any provision to the contrary in this subsection, the Land Board's access to records and documents, including work papers, shall be subject to the following: 1. Access limitations imposed by law or by licensing and regulatory agencies governing the Consultant; and, 2. The Land Board shall not have access to the Consultant's records that are protected by the attorney-client privilege.

C. Subject to Consultant's document retention policy, Consultant shall maintain all records and documents relevant to this Agreement for seven (7) years from the date of final payment to Consultant. If an audit, litigation or other action involving records is initiated before the seven (7) year period has expired, the Consultant shall maintain records until all issues arising out of such actions are resolved, or until an additional three (3) year period has passed, whichever is later.

D. If the existence of the Consultant is terminated by bankruptcy or any other cause, all records related to this Agreement in Consultant's possession shall become the property of the Land Board and Consultant shall immediately deliver such records to the Land Board.

17. Compliance with Law. Consultant shall comply with all requirements of federal and state statutes, rules, and regulations applicable to Consultant or to the services performed by Consultant pursuant to this Agreement.

18. Termination.

A. This Agreement may be terminated by the Land Board in its sole discretion and without cause upon written notice to Consultant. Such termination shall be effective as of 5:00 p.m. Mountain Time on the day which it is received if such day is a business day, and if not, as of 5:00 p.m. Mountain Time on the next business day.

B. This Agreement may be terminated by the Consultant upon written notice to the Land Board if IDL fails to pay Consultant undisputed, material amounts due under the Agreement and fails to make such payments within five (5) business days of notice to the Land Board of the failure to make such payments.

C. This agreement may be terminated by the Consultant in its sole discretion and without cause upon ninety (90) days prior written notice to the Land Board.

D. Either party may terminate the Agreement immediately upon written notice if at any time: (a) the other party is in material breach of any warranty, term, condition, covenant or obligation under the Agreement and fails to cure that breach within fifteen (15) days written notice thereof; (b) judicial interpretation of federal or state laws, regulations, or rules renders fulfillment of the Agreement infeasible or impossible; (c) Consultant's license, registration or certification required by law is suspended, not renewed, or is otherwise not in effect at the time service is provided; (d) Consultant fails to comply with any applicable law, regulation, or rule; or, (e) termination is required by the provisions of applicable law or the rules or standards of licensing and regulatory agencies governing the Consultant.

D Upon termination by the Land Board, Consultant shall: (a) promptly discontinue all work, unless the termination notice directs otherwise; and, (b) promptly deliver or otherwise make available to the Land Board all data, reports, estimates, summaries and such other information and materials as may have been accumulated by Consultant in performing the Contract, whether completed or in process, not previously provided to the Land Board, IDL, or EFIB, except as such information and materials are required to be kept by Consultant per SEC rules. Land Board shall pay Consultant for the work it has performed up to the time of termination, on a pro-rata basis.

19. Notices. Any notice given in connection with the Agreement shall be given in writing and shall be delivered either by hand to the other party or by certified mail, return receipt requested, to the other party at the other party's address stated below. Either party may change its address by giving notice of the change in accordance with this paragraph.

Consultant: Callan Associates Inc.  
1900 16<sup>th</sup> Street  
Suite 1175  
Denver, Colorado 80202  
Attention: Janet Becker-Wold

Land Board: Idaho Board of Land Commissioners  
300 N. 6th Street, Suite 103  
Boise, Idaho 83702  
Attention: Secretary, Land Board

20. Assignment, Subcontracting, Merger, Consolidation or Change of Consultant.

A. Consultant shall not assign all or a portion of this Agreement without the Land Board's prior written permission, and any other approvals required by State law. The Consultant shall not subcontract any services or obligations of Consultant under this Agreement without receipt of prior written permission from the Land Board. The Land Board's approval of a subcontract or assignment shall not relieve the Consultant of responsibility for the professional and technical accuracy and adequacy of the services or obligations of Consultant. The Consultant shall remain liable for all damages to the State caused by negligent performance or non-performance of work under this Agreement by subcontractors and assignees.

B. Any entity into which Consultant may be merged or with which it may be consolidated, any entity resulting from any merger or consolidation to which Consultant is a party, or any entity succeeding to the business of Consultant shall not become the successor of Consultant without first obtaining the prior written approval of the Land Board.

C. Consultant shall notify the Land Board of any changes or severance of partners or principals in Consultant's organization providing services pursuant to this Agreement in a timely manner, but in no event shall notice be later than twenty-four (24) hours after the change or severance.

21. Complete Statement of Terms. The Agreement constitutes the entire agreement between the parties hereto and shall supersede all previous proposals, oral or written, negotiations, representations commitments, and all other communications between the parties. This Agreement may not be modified without the written consent of the Consultant and the written approval of the Land Board.

22. Sufficient Appropriation. This Agreement shall in no way be construed so as to bind or obligate the Land Board, IDL, or EFIB beyond the term of any particular appropriation of funds by the State Legislature as may exist from time to time. The Land Board reserves the right to terminate this Agreement if, in its sole judgment, the legislature of the State fails, neglects or refuses to appropriate sufficient funds as may be required for IDL to continue payments. Any such termination shall take effect on sixty (60) days' prior notice and be otherwise effective as provided in this Agreement.

23. Officials Not Personally Liable. In no event shall any official, officer, employee or agent of the State of Idaho be liable or responsible for any representation, statement, covenant, warranty or obligation contained in, or made in connection with, this Agreement, express or implied.

24. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Idaho and the parties hereto consent to the jurisdiction of the state courts of Ada County in the State of Idaho in the event of any dispute with respect to this Agreement.

25. Attorney Fees. In the event of a legal proceeding of any kind instituted under this Agreement or to obtain performance of any kind under this Agreement, the prevailing party shall be awarded such additional sums as the court may adjudge for reasonable attorneys' fees and to pay all costs and disbursements incurred in such proceeding.



26. Force Majeure. Neither party shall be liable for or deemed to be in default for any delay or failure to perform under this Agreement if such delay or failure to perform results from an act of God, civil or military authority, act of war, riot, insurrection or other occurrence beyond that party's control. In such case, the intervening cause must not be caused by the party asserting it and the excused party is obligated to promptly perform in accordance with the terms of this Agreement after the intervening cause ceases.

27. No Waiver. The waiver of any breach or default of this Agreement shall not be construed as or deemed to be a waiver of any subsequent breach or default.

28. Survival. Any termination, cancellation, or expiration of this Agreement notwithstanding, provisions which are intended to survive and continue shall survive and continue.

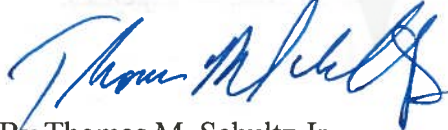
29. Headings. The captions and headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Agreement.

30. Third Party Beneficiaries. IDL and EFIB are intended third party beneficiaries of this Agreement.

31. ERISA Fee Disclosure. Land Board acknowledges receipt of Callan's fee disclosure statement under the Employee Retirement Income Security Act of 1974 and included as an attachment to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the first day set forth above.

**State of Idaho**  
Board of Land Commissioners



By Thomas M. Schultz Jr.

Its Secretary

**Callan Associates, Inc.**



By Sally J. Haskins

Its Senior Vice President

## **EXHIBIT 1**

### **Fee Schedule**

Consultant's fee below covers the services within the scope of work described in this Agreement, except as set forth in this Exhibit 1. Also included in such fee is membership in the Callan Investment Institute which provides access to research, conferences, and other educational opportunities (with the exception of the "Callan College" which has a separate fee).

Fees are as follows:

\$145,000 per year, paid in quarterly installments (the "Annual Fee").

\$35,000 per completed project consultant search (the "Search Fee").

\$2,500 for each additional in-person meeting (the "Meeting Fee").

The Annual Fee shall be billed quarterly in arrears, beginning on June 30, 2015.

The Search Fee shall be paid as soon as practicable after receipt of invoice for completed searches.

The Meeting Fee shall be paid as soon as practicable after receipt of invoice for completed meetings.

The Annual Fee may be increased annually by the rate of CPI inflation, or three percent (3%), whichever is less, after the initial twelve (12) months of the Agreement, upon prior written notice by Consultant to the Land Board. For the first April 1 renewal, inflation will be measured from January 2015 to January 2016. The Land Board shall not pay any other costs or expenses.

**Exhibit 2**

**The Callan consultants assigned to the Land Board account are as follows:**

**Sally Haskins  
Janet Becker-Wold**



March 30, 2015

**Rule 408b-2 Disclosure**  
**Callan Associates Inc. ("Callan")**

Guide to Services & Compensation for:  
Prepared for the (the "Client")

Idaho Board of Land Commissioners  
Idaho Board of Land Commissioners

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The following is a guide to important information that you should consider in connection with services provided by Callan to your fund(s).

Should you have any questions concerning this guide or the information provided to you concerning services or compensation, please do not hesitate to contact:

Contact Person  
Contact Info-Consultant E-mail

Sally Haskins  
haskins@callan.com

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<u>Required Information</u>	<u>Details</u>
Description of services that Callan Associates Inc. will provide to your plan.	See Consultant Agreement Item 2 Scope of Services between Callan and the Idaho Board of Land Commissioners
A statement concerning the services that Callan will provide as a registered investment adviser.	Callan is an investment adviser registered under the Investment Advisers Act of 1940.
Compensation Callan will receive from your Plan ("direct compensation"), and manner of receipt	<p>In connection with the services described above, Callan expects to receive an annual consulting fee of \$145,000. This fee will be increased annually by the rate of CPI inflation, or three percent (3%), whichever is less, after the initial twelve (12) months of the Agreement, upon prior written notice to the client.</p> <p>Callan will be paid \$35,000 for each completed project consultant search.</p> <p>Fees for additional meetings beyond those specified in the contract will be billed at \$2,500 for each additional in person meeting.</p> <p>Fees for additional consulting services may also be mutually agreed upon by the parties.</p> <p>The Client will be billed for the advisory services on a quarterly basis, in arrears.</p>
Compensation Callan will receive from other parties that are not related to Callan ("indirect compensation")	Not Applicable.
Compensation that will be paid among Callan and related parties	Not Applicable.
Compensation Callan will receive if you terminate your service agreement	Not Applicable.
The cost to your Plan of recordkeeping services	Not Applicable.
Fees and expenses relating to your Plan's investment options	Not Applicable.

**Callan**

## **FIRST AMENDMENT TO CONSULTANT AGREEMENT**

THIS FIRST AMENDMENT TO CONSULTANT AGREEMENT (“First Amendment”), modifying that certain April 1, 2015 Consultant Agreement (“Agreement”), by and between Callan Associates Inc., a California corporation (“Consultant”), and the State of Idaho, Board of Land Commissioners (“Land Board”). Consultant and Land Board are collectively referred to herein as the “parties,” or individually as a “party.”

### **RECITALS**

A. Pursuant to the Agreement, Consultant has been providing general investment consultant services to the Land Board.

B. Consultant previously conducted an asset allocation study incorporating Idaho Department of Lands (“IDL”) managed endowment land assets with endowment financial assets.

C. Section 2 (“Scope of Services”). of the Agreement authorizes and contemplates the Land Board utilizing Consultant’s services to provide review and analysis of the Land Board’s investment policies, strategies, and annual plans associated with management of endowment assets, and to provide a professional evaluation of the investment performance of endowment land and the combined trust of land and fund assets.

D. The parties desire to amend the Agreement to provide for Consultant’s services in conducting an asset allocation study by individual endowment, and to provide for compensation for those services by amending the Agreement by this First Amendment as set forth below.

### **AGREEMENT**

WHEREFORE, in consideration of the mutual covenants, agreements, and conditions contained in this First Amendment, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The above-recitals are hereby incorporated in this First Amendment as if fully set forth herein.

2. The Agreement shall remain in full force and effect in accordance with its terms except as specifically modified herein. All of the terms used herein shall have the same meaning as contained in the Agreement, except as specifically defined otherwise herein.

3. The Agreement is hereby amended to add the following tasks to the Scope of Services in Section 2 of the Agreement, by adding a new Subsection D thereto. Subsections A, B, and C of Section 2 of the Agreement, shall remain unchanged. Previous subsection D shall be renumbered as subsection E; previous subsection E shall be renumbered as subsection F, and previous subsection F shall be renumbered as subsection G. In accordance with the above, subsections D through F of Section 2 to the Agreement are hereby deleted in their entirety, and are hereby amended to read as follows:

- D. Providing further refinement of the previous endowment asset allocation, including the following:
- i. Confirm, for the Public Schools, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University endowments individually, the criteria to be used to evaluate the best and highest use of monetary assets in the Land Bank-whether to redeploy those Land Bank assets into traditional Idaho land investments or transfer to the financial asset portfolio.
  - ii. Confirm, for the combined smaller endowments (Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University), the criteria to be used to evaluate the best and highest use of monetary assets in the Land Bank-whether to redeploy those Land Bank assets into traditional Idaho land investments or transfer to the financial asset portfolio.
  - iii. Assess the impact of cabin or cottage site sales on the volatility of income for the three endowments (Public Schools, Normal Schools and State Hospital South) where it represents a meaningful percent of historical cash inflows.
  - iv. Determine whether the asset allocation, reserves or distribution policy of the eight individual endowments should be changed.
  - v. Update the Endowment Asset Allocation in light of the 2017 capital market expectations developed by Consultant.
- E. Support the Land Board in hiring and monitoring project consultants related to endowment land investment management, including a transaction review consultant, a commercial real estate management and disposal consultant, and other specialized real estate or timber related consulting services. Such support shall include:
- i. Developing search criteria (RFPs and RFIs, scope of engagement) for Land Board approval, conducting searches, evaluating firms, and providing recommendations.
  - ii. Assisting the Land Board in the negotiation of contract terms and conditions.
  - iii. Monitoring consultant contracts, including reviewing the consultants' progress and work product for conformance with their contracts.

It is anticipated that there will be two searches for consultants in the first year and one each year thereafter. Legal support for the development of contracts and enforcing compliance with contract terms, from a legal standpoint, will be provided by an Idaho Deputy Attorney General.

- F. Attend, in person, two Land Board meetings per year to present an annual performance review and an annual investment policy review, and, if



requested, four additional meetings by teleconference. It is anticipated that the performance review will be in September and the investment policy review will be in April.

- G. The parties acknowledge and understand that the Consultant's role is to act as a consultant and to assist the EFIB and the State Board of Land Commissioners (the "Named Fiduciaries"), in obtaining the level of expertise they need to prudently fulfill the Named Fiduciaries' fiduciary responsibilities. The Named Fiduciaries shall retain and exercise all decision-making authority with respect to the management and administration of the funds to which Consultant is providing services. The Consultant has not and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of the assets under management and administration by the Named Fiduciaries.

4. That specific portion of Exhibit 1 of the Agreement, the "Fee Schedule", and only that portion, reading:

Fees are as follows:

\$145,000 per year, paid in quarterly installments (the "Annual Fee").

\$35,000 per completed project consultant search (the "Search Fee").

\$2,500 for each additional in-person meeting (the "Meeting Fee").

is hereby deleted in its entirety and is hereby amended to read as follows:

Fees are as follows:

\$145,000 per year, paid in quarterly installments (the "Annual Fee").

\$35,000 per completed project consultant search (the "Search Fee").

\$2,500 for each additional in-person meeting (the "Meeting Fee").

\$75,000, to be paid upon the satisfactory completion of all tasks identified in Section 2.D., of the Agreement.

5. The individual executing this First Amendment on behalf of each party has been duly and validly authorized by such party to execute this First Amendment, and no further action by such party is required to approve this First Amendment or to undertake the obligations contemplated hereby.

6. All of the terms and conditions of the Agreement, unless specifically amended herein, shall remain in force and effect. No other understanding, whether oral or written,



whether made prior to or contemporaneously with this First Amendment, shall be deemed to enlarge, limit or otherwise affect the operation of the Agreement.

7. This First Amendment shall be effective on the date executed by the last of all necessary parties to execute this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment to the Agreement.

**CALLAN ASSOCIATES, INC.,**  
a California corporation

Dated: July 21, 2017

By: Janet Becker-Wald  
Its: Senior Vice President

IDAHO DEPARTMENT OF LANDS

**STATE OF IDAHO,**  
**BOARD OF LAND COMMISSIONERS**

Dated: 8/1/17

By: Thomas M. Schultz Jr.  
Its: Secretary *ms*

DEPT. OF LANDS  
2017 JUL 25 PM 2:17  
BOISE, IDAHO

## **SECOND AMENDMENT TO CONSULTANT AGREEMENT**

THIS SECOND AMENDMENT TO CONSULTANT AGREEMENT (“Second Amendment”), modifying that certain April 1, 2015 Consultant Agreement (“Agreement”), by and between Callan Associates Inc., a California corporation (“Consultant”), and the State of Idaho, Board of Land Commissioners (“Land Board”). Consultant and Land Board are collectively referred to herein as the “parties,” or individually as a “party.”

### **RECITALS**

- A. Pursuant to the Agreement, Consultant has been providing general investment services to the Land Board.
- B. On August 1, 2017, the Land Board and Consultant amended the Agreement to provide that Consultant would conduct an additional study of asset allocation by individual endowment. (“First Amendment”).
- C. The Agreement, as amended by the First Amendment, terminates on March 31, 2018. However, Consultant requires additional time to complete the study of asset allocation by individual endowment.
- D. The Land Board desires to retain the services of Consultant for an additional fifteen (15) months, and Consultant is willing to continue to provide those services, as set forth in the Agreement and First Amendment.
- E. Effective September 1, 2017, Callan Associates Inc. converted to “Callan LLC.”

### **AGREEMENT**

WHEREFORE, in consideration of the mutual covenants, agreements, and conditions in this Second Amendment, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The above-recitals are hereby incorporated in this Second Amendment as if fully set forth herein.
2. The Agreement, as modified by the First Amendment, shall remain in full force and effect in accordance with its terms except as specifically modified herein. All of the terms used herein shall have the same meaning as contained in the Agreement, except as specifically defined otherwise herein.
3. The name of the Consultant, as set forth in the first paragraph of the Agreement, shall be changed from “Callan Associates Inc.” to “Callan LLC”.
4. Section 1 of the Agreement is hereby amended to extend the termination date of the Agreement, as amended, to June 30, 2019, unless terminated earlier as provided in the Agreement.

5. The individual executing this Second Amendment on behalf of each party has been duly and validly authorized by such party to execute this Second Amendment, and no further action by such party is required to approve this Second Amendment or to undertake the obligations contemplated hereby.

6. All of the terms and conditions of the Agreement, unless specifically amended herein, shall remain in full force and effect. No other understanding, whether oral or written, whether made prior to or contemporaneously with this Second Amendment, shall be deemed to enlarge, limit or otherwise affect the operation of the Agreement.

7. This Second Amendment shall be effective on the date executed by the last of all necessary parties to execute this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second amendment to the Agreement.

**CALLAN LLC,  
a California limited liability company,  
formerly known as "Callan Associates  
Inc.", a California corporation**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**STATE OF IDAHO,  
BOARD OF LAND COMMISSIONERS**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_



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

David Groeschl, Secretary to the Board

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*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  
February 20, 2018

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, February 20, 2018, in the Borah Building, 2nd Floor Courtroom, Room 214, 204 North 8th Street, 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.

Prior to presentation of the Director's Report, Attorney General Wasden remarked he had a motion to amend the agenda to remove the Executive Session matter that was scheduled. Attorney General Wasden explained he is making that request because he believes Board members need additional time to consider that item.

A motion was made at 9:01 a.m. by Attorney General Wasden to amend the meeting agenda pursuant to Idaho Code § 74-204(4)(c) to remove the final agenda item, a proposed Executive Session. Governor Otter inquired if Attorney General Wasden was moving the Executive Session to a specified meeting date. Attorney General Wasden responded that is up to the Chair. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**1. Director's Report**

A. Interest Rate on Department Transactions – Final Report

*DISCUSSION:* Attorney General Wasden said it is important to realize that the Board was essentially financing the purchase of these lands; the Board was in the finance business in that regard. Attorney General remarked it is good that it now comes to an end but wanted to

recognize that much of the history of the Board as it was originally constituted in the Constitutional Convention was to compete in the marketplace by financing the purchase of lands.

B. Timber Sale Activity and Information Report – January 2018

*DISCUSSION:* Governor Otter inquired how Good Neighbor Authority [GNA] money is handled and if it goes into a special account. Director Groeschl responded that program income generated from GNA timber sales goes into a Supplemental Project Account for that particular national forest. For example, funds from the Jasper timber sale will go into the Panhandle National Forest account. Director Groeschl explained that the Forest Service reimburses Department expenses and some of the proceeds go to the Forest Service as minimum stumpage payments. The money paid to the Forest Service is subject to 25% receipts back to the county. The rest of the funds in the project account are used for restoration work on that forest. Governor Otter asked who cuts the checks to the counties. Director Groeschl replied that the Forest Service issues them.

C. Division of Lands and Waterways Activity and Information Report – January 2018

D. Legislative Update

*DISCUSSION:* Governor Otter asked how royalties would be credited to mineral companies' rental payments. Director Groeschl explained that under the current structure, mineral companies make an annual rental payment of approximately \$1 per acre; on a 160-acre lease, annual rent would be \$160. If there is production throughout the year, the mineral companies also make royalty payments based on production. Director Groeschl said annual rents go into Earnings Reserve and royalty payments go into the Permanent Fund because minerals are a depletable resource. Director Groeschl stated that current statute allows mineral companies to credit royalty payments against their annual rental payment. Thus, instead of paying the royalty payment, if it were \$60, the company could credit that against the annual payment. The Department would transfer \$60 from Earnings Reserve into the Permanent Fund. Director Groeschl commented this is the only lease program where the Department allows royalty payments to be credited against annual rents. Typically, royalties go into the Permanent Fund, and administration costs are deducted from annual rent. Governor Otter noted that in other programs, the royalty payments would be received in addition to rent; Director Groeschl confirmed that is the case. Director Groeschl indicated that the Department has roughly 240 mineral leases and about 19 of them choose to credit their royalty payment against annual rent. Most mining companies pay their annual rent at the beginning of the year and then make their royalty payments in addition to their rent. Director Groeschl said it is an issue the Department attempted to resolve with House Bill 373.

Governor Otter questioned how the Department audits the amount of royalty owed. Director Groeschl responded that it is based on the production report for what has been removed. If the mineral companies choose the option to credit the royalty payment against the annual rent, once the annual rent has been fully depleted, they start making royalty payments, which go directly into the Permanent Fund. Director Groeschl stated a transfer from Earnings Reserve to the Permanent Fund is made to ensure the Fund is kept whole, but that leaves little revenue in Earnings Reserve to deduct management expenses.

Governor Otter asked why it is done this way. Why rent is not paid to cover management and royalty paid as the price of extraction, due to the loss of value for the state. Director Groeschl said that is how it works in all other of the Department's leasing programs where there is a permanent removal of a resource, such as oil and gas. The annual rent payment is made and then the royalties go into the Permanent Fund. Director Groeschl commented that current statute allows for this in the minerals leasing program; the Department is attempting to change it because none of the other programs function in that manner. Governor Otter asked what the Department was trying to do. Director Groeschl stated it was a simple change to strike one sentence in a section of code; with that change, annual rent payments would be made and in addition royalty payments would be paid based on production. Governor Otter remarked that is how it should be.

Secretary of State Denney, returning to the discussion on agenda item 1B, asked how many projects are currently under contract under the Good Neighbor Authority and what the volume, acreage and board feet were. Director Groeschl responded that there are currently 11 projects under contract. They cover a little over 10,000 acres of area to be treated and the volume is approximately 65 MMBF. It is expected to generate about \$14-15 million in value over the next two to three years. Mr. Groeschl said additional projects are also being considered.

Governor Otter recalled that 1.8 million acres were identified as appropriate for Good Neighbor Authority. Director Groeschl explained that the original designation submitted to the Secretary of Agriculture in 2014 was for 50 proposed areas totaling 1.8 million acres. The Panhandle National Forest, Nez Perce-Clearwater National Forest and Payette National Forest have since designated additional insect and disease areas; instead of 1.8 million, the total now stands at 4.5 million. Director Groeschl noted that this is beneficial, as it allows the Forest Service to apply some of the streamlined National Environmental Policy Act (NEPA) categorical exclusions for projects up to 3,000 acres as well as some other streamlined NEPA decision-making processes. Governor Otter asked if categorical exclusions allowed for roads. Director Groeschl said that it allows for temporary new roads for harvesting, and for road maintenance, but it does not permit road reconstruction of permanent roads or new construction of permanent roads. Director Groeschl added that the goal under the 2018 Farm Bill is to allow for reconstruction of existing roads to help improve watersheds and fish passage. Governor Otter questioned what the process was for using Good Neighbor Authority for fire salvage. Director Groeschl used the Woodrat Salvage as an example, explaining that harvest on that 2015 fire salvage is about 90% complete. When the sale is done, the Forest Service will do the slash abatement and planting. The funds generated from the sale have helped pay for the seedlings and forest recovery and restoration work to be done by the Forest Service.

Secretary of State Denney noted that over 4 million acres of land that needs treatment has been identified and 10,000 are currently under contract; there is a lot of work still to do. Secretary of State Denney asked how much time was left before that timber is worthless. Director Groeschl clarified that designation simply means those areas are at high risk of insect and disease or meet a certain fire condition class code. He explained that right now, the Forest Service is treating about 15,000 acres a year. The objective is to double that and to be treating



30,000 acres a year within the next 10 years. Secretary of State Denney asked if enough money will be generated from the timber sales to continue to expand the program. Director Groeschl said the goal within the next five years is to make the program completely self-sustaining and funded out of program income that is generated by these projects.

**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 January was another strong month in the equity markets. The Endowment Fund portfolio was up 3.6% for the month and 12.1% year-to-date. Mr. Anton described significant volatility in the markets in late January and early February, noting the markets were down approximately 10% in total, ironically in response to good news, as job reports account for at or very near full employment. There are signs of inflation, primarily on the wage side, and interest rates are going up. Mr. Anton stated that the economy is still very strong and that the rate increases are natural. Mr. Anton said reserves are solid, over five times reserves for both FY2018 and FY2019 are in place.

There were no significant actions to report from the last Investment Board meeting. Mr. Anton informed the Land Board that the Investment Board made a modest change to the asset allocation by moving approximately 4% from domestic equities to international equities, as U.S. equity valuations appear to be a bit stretched. In addition to providing further diversification, international equities are slightly behind the U.S. in terms of economic recovery, so the Investment Board believes it will last longer.

Mr. Anton reported that the Investment Board met with representatives from the Department of Fish and Game regarding investing proceeds for two new funds Fish and Game received from Bonneville Power Administration. The total — about \$7.8 million — relates to maintaining and preserving habitat near the Albeni Falls Dam in northern Idaho. Mr. Anton stated that the Investment Board recommends approval of the investment mandate for these two funds. Governor Otter asked if those would be short-term equities. Mr. Anton responded they would not be short-term equities; they would be invested in the general Endowment Fund. Mr. Anton explained that the Investment Board is not developing any kind of a custom portfolio, so any income will be used for the preservation efforts. Governor Otter inquired if the money is for hatcheries or fish habitat. Mr. Anton answered that during the construction of the dam, there was some damage to the habitat and the income will be used for mitigation and to preserve that habitat.

Mr. Anton mentioned that the Investment Board had its budget setting meeting this morning and their budget for FY2019 was approved.

Controller Woolf commented that it is great to continue to add and build economies of scale with additional funds. In reference to House Bill 460, Controller Woolf noted a municipality in southeast Idaho received a gift and by statute is limited on being able to put that into the Treasurer's Office; that municipality is looking to add it to the Endowment Fund for the



Investment Board to manage. Controller Woolf asked at what point it becomes a diminishing return on the Investment Board's staffing or bandwidth to handle more money coming in. Mr. Anton responded that this was discussed considerably at the Investment Board's last meeting. The Investment Board does not want to construct custom portfolios, but if the money is long-term and can be invested using the same strategy in use today, the Investment Board can do that very efficiently through its custodian. The Investment Board sets up an account and the money is invested in the overall pool, which requires very little staff effort. Mr. Anton said the Investment Board is not seeking new business, but if it can be of assistance and there are no conflicts in the way, EFIB staff is here to provide support.

Governor Otter commented that \$7 million is not that much more when compared to \$2.25 billion. Mr. Anton stated that the Investment Board can set up separate accounts with its trustees and comingle the funds so it is invested in the same portfolio as the \$2.2 billion with little effort. Governor Otter expressed the concern is whether the Endowment beneficiaries are paying for activities that cost the Fund money and asked who is paying for the \$7 million to be managed. Mr. Anton answered that the Investment Board charges Fish and Game for fund management. The costs for the custodians, consultants and Investment Board staff are all spread pro rata across all participants.

Governor Otter inquired if the end of the month is the only time the Investment Board marks to market. Mr. Anton responded that the Investment Board marks to market daily; EFIB staff can look at performance every day. All fund managers have separately managed accounts within EFIB's trust account, and EFIB holds individual securities; other than some real estate that is in a private fund, staff can see balances daily. Governor Otter asked Mr. Anton if he had an estimate of the price/earnings ratio in the portfolio. Mr. Anton said that on the domestic equity side, for large U.S. companies, the average is approximately 21 to 22 times earnings; for small companies, it is closer to 40. On the international side, in emerging markets, it is about two-thirds of that. Mr. Anton explained that valuations on the U.S. side appear to be fairly steep, so the Investment Board was not surprised to see some volatility in the marketplace. However, there are a lot of factors in the economy that could continue to drive corporate profits. Corporate earnings are growing at a very rapid rate, which seems to support those type of valuations.

- **CONSENT**

- 3. Albeni Falls Dam (Lake Pend Oreille) Endowments** – *Presented by Chris Anton, EFIB Manager of Investments*

**RECOMMENDATION:** Authorize the EFIB to provide investment management for the Albeni Falls Dam Endowments under such terms as the EFIB and the Department of Fish & Game determine are appropriate.

#### 4. Approval of Minutes – January 16, 2018 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**

#### 5. Recruiting Process for Department of Lands' Director – Presented by Andrea Ryan, Human Resource Officer

*RECOMMENDATION:* The Department recommends the following process and timeline for conducting an open, competitive recruitment for the Director of the Idaho Department of Lands.

##### 1. Recruiting

- a. Time Frame: March 1, 2018 – April 15, 2018
- b. Pay Range: \$129,000 – \$139,000 (\$62.02 – \$66.83)
- c. Recruiting Sources:
  - i. Passive Advertising
    1. Standard Boards: DHR, IDL, and DOL websites
    2. Social Media: Facebook, LinkedIn, and Twitter
    3. Specialty Boards: TheLadders, Indeed, SAF
  - ii. Active Search
    1. Leverage Current Leadership: Leverage current leadership connections on LinkedIn
    2. Seek Referrals: Internal and external outreach
    3. Specialty Resume Databases: Indeed, TheLadders, and eforester.org, to build targeted recruitment campaigns
- d. Announcement Language: Recommended language (Attachment 1)

##### 2. Applicant Screening

- a. Idaho Department of Lands Human Resources receives the applicants' resumes and cover letters, tracks them, and conducts a pre-assessment based on defined criteria. Applicants who meet criteria will be provided to the Land Board to select interviewees.
  - i. Recommended Criteria:
    1. Total years of management experience
    2. Total years of experience in natural resources field
    3. Highest position held
      - a. Company size
    4. Degree(s) attained

##### 3. References

- a. IDL Human Resources will conduct reference checks for all selected interviewees and will provide a written report for the Land Board prior to the interview date.

4. Interviews

- a. IDL Human Resources will schedule interviews for the selected applicants on May 22, 2018 in the Garnet Conference room in the IDL Staff office. IDL Human Resources will provide recommendations for interview questions.

5. Post Interview

- a. IDL Human Resources will provide the Land Board with an offer letter to present to the chosen applicant.
- b. Prior to announcing, IDL Human Resources will conduct a background check and credit check of the applicant who is offered the position.
- c. Prior to announcing, IDL Human Resources will notify all unsuccessful interviewed applicants.
- d. IDL Human Resources and IDL Public Information Officers will draft and distribute a press release for the Land Board. Concurrently, an internal announcement will be drafted and distributed to agency personnel.

6. Recruiting Timeline

<u>Action</u>	<u>Dates</u>
Recruiting Plan Approved	February 20
Open Recruitment	March 1 – April 15
Applicant Screening	April 15 – April 30
Schedule Interviews/Reference Checks	April 30 – May 18
Interviews	May 22

*DISCUSSION:* Governor Otter inquired if Attachment 1 will be the job posting that is provided to everyone interested in the position. Ms. Ryan responded that Attachment 1 is the full announcement that will be put in the Applicant Tracking System through the Department of Labor's website. A shorter posting will be used for more public websites such as Indeed.com.

Governor Otter commented that the Director is referred to as 'him' or 'his' throughout the announcement and suggested that it be made gender-neutral. Ms. Ryan explained that it is common practice to use 'his' or 'her' but not 'his/her,' as it gets repetitive; she recommended they maintain the full announcement as written.

Controller Woolf asked Ms. Ryan to step through the interview process in more detail. Will Land Board staff be involved in the interview process and will the May 22 interviews be documented as a separate meeting? Ms. Ryan said the last time the Department hired a director, the Board held hour-long interviews with half-hour breaks in between each. It was noticed as a special meeting. Ms. Ryan stated she could not recall if Land Board staff was involved, but they can be. The decision was made during that special meeting, what the offer was going to be and to whom.

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board approve the Department recommendation concerning the hiring process as outlined in Tab 5 of the Board materials. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

- **INFORMATION**

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

6. **Legislation Proposed by Flood Control District No. 10 - Boise River** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance, and Daniel Steenson, Attorney, Sawtooth Law Offices, PLLC*

- **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 10:07 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.

