



## **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

Dustin T. Miller, 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.*

### Final Minutes

#### State Board of Land Commissioners Regular Meeting

December 18, 2018

Prior to the meeting, a student choir from Capital High School entertained Land Board members with Christmas carols in the 2nd floor Capitol rotunda. Following the music, Land Board members presented the students with a check to Idaho's Public Schools in the amount of \$50,325,600, representing FY2019 distributions from the endowment trust to public schools. Land Board members, students and others in attendance then moved to the scheduled meeting room.

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, December 18, 2018, in the Capitol, Lincoln Auditorium, Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho. The meeting began at 9:02 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.

Director Dustin Miller observed that this was the last meeting for calendar year 2018, and the final meeting for Governor Otter. Director Miller recognized a number of Department employees in the audience from around the state; some new to the Department attending as part of employee onboarding, and some attending a Land Board meeting for the first time. Director Miller introduced several special guests: U.S. Department of Agriculture Undersecretary Jim Hubbard; U.S. Forest Service Region 1 Forester, Leanne Marten, and U.S. Forest Service Region 4 Forester, Nora Rasure. Director Miller noted that Undersecretary Hubbard, Ms. Marten and Ms. Rasure would be presenting on the Good Neighbor Authority and Shared Stewardship agenda item. Director Miller added that following that presentation, the Forest Service, Governor Otter, Governor-elect Little, and the Department would be signing the first-ever shared stewardship agreement. Director Miller added that refreshments will be served in the legislative dining room following the meeting, and invited everyone to come enjoy.

Director Miller remarked that the first item today is the Department's annual year-in-review video, created by Emily Callihan, Public Information Officer, and that this will be Ms. Callihan's final project

for the Department as she is leaving for another career opportunity. Prior to start of the video, Attorney General Wasden invited the Capital High choir students into the auditorium to find a seat and more comfortably watch the video. As the students were being seated, Governor Otter commented that they put on a great performance.

### **Department of Lands' Year-in-Review Video**

Department of Lands' staff presented a video of 2018 Year-in-Review accomplishments.

At the conclusion of the video, Director Miller mentioned that the Department has a presentation not on the agenda, and asked Governor Otter to join him and Deputy Director David Groeschl at the front of the room. Director Miller and Mr. Groeschl presented Governor Otter with a mounted Pulaski, a special tool used in wildland firefighting. Director Miller shared that during Governor Otter's twelve years of service on the Land Board, he helped generate nearly \$700 million to the endowments. Governor Otter has been a staunch supporter of the Department's forestry and fire programs; he helped jump-start programs like rangeland fire protection associations and Good Neighbor Authority. Director Miller read the inscription on the plaque: *Presented to Governor C.L. Butch Otter from the employees at Idaho Department of Lands with gratitude for your 12 years of service as Chairman of the State Board of Land Commissioners and to your commitment to stewardship of Idaho's natural resources.* Governor Otter thanked Land Board members, Director Miller, Mr. Groeschl, and the Department.

## **1. Department Report**

### **Endowment Transactions**

#### A. Timber Sales – November 2018

**Discussion:** Superintendent Ybarra asked if any of the Department's active timber contracts are at risk of default. Director Miller said that he is not aware of any. Deputy Director Groeschl affirmed that there are no contracts at risk right now.

#### B. Leases and Permits – November 2018

**Discussion:** None.

### **Status Updates**

#### C. Land Transaction Report

**Discussion:** None.

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

#### A. Manager's Report; and

#### B. Investment Report

**Discussion:** Mr. Anton began by sharing a letter from Chairman Dean Buffington, Endowment Fund Investment Board, thanking Governor Otter for his outstanding service. Mr. Anton read from the letter, which was included in the Board materials. Governor Otter thanked Chairman Buffington and Mr. Anton.

Mr. Anton reported that the Fund has experienced a bit of a rocky period. The month of November was fairly solid; the Fund was up 1.4%, leaving fiscal year-to-date at -1.4%. Mr. Anton remarked that through yesterday, however, the Fund was down -5.8%. Mr. Anton noted that both the equity and fixed income markets did rebound late during the month, as Federal Reserve Chairman Jerome Powell indicated that interest rates were approaching a neutral level. Mr. Anton stated that interest rates have been going up throughout the year and those interest rate increases have affected certain areas of the markets. For example, housing starts have slowed as mortgage rates have gone up; Director Miller's timber report showed that lumber prices have come down. Mr. Anton mentioned the same thing in the auto industry—sales have slowed as loan rates have gone up.

Mr. Anton commented that oil prices have dropped, inflation seems to be under control, and the economy is moderating a bit. There is hope that the Federal Reserve will slow, if not halt, future rate increases. The financial markets are certainly optimistic that there has been enough of the interest rate increases. Mr. Anton said the other big variable that has affected the markets is the trade war with China. Shortly after the end of the month, U.S. and China announced that there was a trade truce. Under the terms of the truce, tariff rates are held at 10%, to provide the U.S. and China 90 days to try to work out a resolution. While there is considerably more work to be done, it appears that the President is trying to aggressively reach a constructive solution. Mr. Anton observed that it is a very complicated matter; it is less about tariffs and more about how intellectual property is managed, and how China opens up its markets to others. There is expectation that a resolution will be reached to allow the market to relax and have some certainty moving forward. Overall, the economy seems to be strong, profits are strong, and evaluations seem to be much more attractive now with this pullback in the market.

Mr. Anton reported that earnings reserves are strong. In the last couple weeks there has been a dent in the reserves as the endowments dropped a bit but they are still in a very healthy position. Mr. Anton noted that during the Investment Board meeting on November 20th, the Investment Board approved providing investment management services for the Department of Lands' Forest Legacy Fund, subject to Land Board approval. Craig Foss will present that item later during this meeting. Mr. Anton mentioned that the Endowment Fund Investment Board will welcome a new fiscal officer in January, Kathy Van Vactor, and staff is excited to have her join the team.

### **Consent—Action Item(s)**

#### **3. Forest Legacy Program Stewardship Fund Investment** – *Staffed by Craig Foss, Division Administrator-Forestry and Fire*

**Recommendation:** Authorize the Department to transfer the Forest Legacy Program Stewardship Fund from the Idaho State Treasurer's Office to the Endowment Fund Investment Board for long-term investment management.

**Discussion:** Attorney General Wasden inquired if the Department knows of any opposition to this transfer. Mr. Foss replied he has not heard of any opposition to this proposed transaction. The Department did reach out to all the landowners who have agreements and that have contributed to that stewardship fund; all are in agreement with this transition. Governor Otter surmised that most of these funds are expressed in terms of equities, stocks, bonds, or something similar.

Governor Otter asked when the transfer from the Treasury's office to the Endowment Investment Board is made, can those instruments of investments be transferred instead of having to sell them from one to transform them to another; will there be a cost in transferring the funds. Mr. Foss said the Department met with the Treasurer's office, and deputy attorneys general for both, to review any ties to the monies invested and make sure there were no restrictions in transitioning from the Treasurer's Office to the Endowment Fund Investment Board. Mr. Anton explained the legacy funds are currently held in the idle pool at the Treasurer's office, which is a short-term, fixed-income investment with daily liquidity. The Department does have the ability to move the cash to the Endowment Fund for investment at no charge.

Secretary Denney asked if transferring the funds affects the liquidity. Mr. Anton noted his understanding is that all but the interest portions of the legacy fund will be moved out of the Treasurer's office. The interest will remain there and be used to fund activities for fiscal years 2018 and 2019. The principle will be moved to the Endowment Fund. By leaving the interest, it permits some time at the Endowment Fund to build up a cushion, in terms of the fund. Secretary Denney then asked about any effects on liquidity in the long term. Mr. Anton replied the investments can be sold or traded and go to cash in one day if needed.

Controller Woolf inquired if Idaho Code § 58-136, as referenced in the memo, authorizes the Land Board to make this change without any statutory changes needed. Mr. Foss said that is correct.

Superintendent Ybarra asked for confirmation that the money being contemplated for transfer in this request is not endowment funds. Mr. Foss confirmed that none of the funds in this request are endowment funds.

**4. Disclaimer DI600293-Kevin Rich, Boise River** – *Staffed by Andrew Smyth, Program Manager-Public Trust*

**Recommendation:** Direct the Department to issue a disclaimer of interest for the parcel totaling 39.754 acres of the former bed of the Boise River, and require Mr. Rich to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department for this transaction.

**Discussion:** Governor Otter asked if this disclaimer is expressed in terms of means and bounds, or is it just 25 feet off the high water mark. Governor Otter said the reason for his question is if this disclaimer is for a river bed, and the river changes and meanders, as long as the disclaimer is expressed in means and bounds does it mean that if 25 feet go away from what appears would be the north bank, or the north side of the river, that the 25 feet does not then ascend to the next 25 feet. Mr. Smyth replied, yes, this disclaimer is identified in means and bounds and corroborated the Governor's interpretation.

**5. Disclaimer DI600296-City of Payette, Payette River** – *Staffed by Andrew Smyth, Program Manager-Public Trust*

**Recommendation:** Direct the Department to issue a disclaimer of interest for the parcel totaling 0.87 acres of the former bed of the Payette River, and require the City of Payette to pay the remaining processing fee of \$300 or actual cost, whichever is greater, to the Department for this transaction.

**Discussion:** None.

## 6. Approval of Minutes – November 20, 2018 Regular Meeting (Boise)

For the record, Attorney General Wasden offered Christmas greetings to Board members, and noted that in Governor Otter's twelve years of service on the Land Board, the Governor and Attorney General have participated in over 150 Land Board meetings together. Attorney General Wasden thanked Governor Otter for his service and leadership on the Land Board.

**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—Action Item(s)

None

## Information

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

- 7. Good Neighbor Authority (GNA) and Shared Stewardship** – Presented by David Groeschl, Deputy Director and State Forester; Nora Rasure, Regional Forester-Intermountain Region, U.S. Forest Service; Leanne Marten, Regional Forester-Northern Region, U.S. Forest Service; and special guest Jim Hubbard, Under Secretary of Natural Resources and Environment, U.S. Department of Agriculture

**Discussion:** The audio recording of this agenda item is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to [public\\_records\\_request@idl.idaho.gov](mailto:public_records_request@idl.idaho.gov).

## Executive Session

None

Director Miller reminded the audience that signing of the shared stewardship agreement would take place following meeting adjournment.

There being no further business before the Board, at 10:40 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.

**Idaho State Board of Land Commissioners**

/s/ Brad Little

Brad Little  
President, State Board of Land Commissioners and  
Governor of the State of Idaho

/s/ Lawrence E. Denney

Lawrence E. Denney  
Secretary of State

/s/ Dustin T. Miller

Dustin T. Miller  
Director

<p>The above-listed final minutes were approved by the State Board of Land Commissioners at the February 19, 2019 regular Land Board meeting.</p>
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