



STATE BOARD OF LAND COMMISSIONERS

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

Tom Schultz, Secretary to the Board

Final Minutes
State Board of Land Commissioners Regular Meeting
August 18, 2015

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, August 18, 2015, in the State Capitol, Lincoln Auditorium (WW02), at 700 West Jefferson Street, Boise, Idaho. The meeting began at 9:01 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 (*via teleconference*)
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, Governor Otter recognized the presence of all Board members, with Attorney General Wasden joining the meeting via conference phone.

1. Director's Report

A. Interest Rate on Department Transactions – August 2015

B. Timber Sale Activity and Information Report – July 2015

DISCUSSION: Governor Otter asked if the Department had halted any logging operations due to the wildfires. State Forester Groeschl replied there are areas in which smoke and fire activity have prevented work from occurring. Governor Otter inquired if operators are given a commensurate amount of time on their contract when such delays occur. Mr. Groeschl indicated he would answer more fully during the fire season update, but in short, timber sales that have been impacted by fire will be assessed and adjustments made for the purchasers as needed.

C. Division of Lands and Waterways Activity and Information Report – July 2015

DISCUSSION: Director Schultz provided an update on cottage site voluntary auctions. The 2015 Priest Lake voluntary auction for leased lots will be held on August 28, and an auction for Priest Lake unleased lots will occur on September 26. The 2015 Payette Lake voluntary

auction will take place in November. In addition, Department staff has begun the process for the 2016 Priest Lake voluntary auction; pre-application meetings are being held this week in Coeur d'Alene.

D. Fire Season Update

DISCUSSION: A verbatim transcript 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.

E. Land Revenue Forecast

• **CONSENT**

2. Dredge and Placer Permit Application P500332, Wendell Keenan – Staffed by Eric Wilson, Program Manager-Minerals

RECOMMENDATION: Approve issuance of the attached permit subject to the plan submitted in the application and submission of a copy of the \$5,000 bond being held by the USFS. This bond amount exceeds IDL's maximum allowable bond of \$1,980 for the permit.

DISCUSSION: None.

3. Stimson Easement Exchange – Staffed by John Nichols, Bureau Chief-Real Estate Services

RECOMMENDATION: Approve the sale of Easement No. ES300013 with a value of \$88,685.00.

DISCUSSION: Controller Woolf asked if the Department has continuing discussions regarding cooperative road use agreements with groups in addition to Stimson. Director Schultz replied that the Department does have ongoing discussions with others, such as Potlatch, attempting to acquire easements for permanent access to endowment tracts.

4. Cure Boundary Dispute - Snyder Quitclaim Deed – Staffed by Ryan Montoya, Program Manager-Real Estate

RECOMMENDATION: The Department recommends that the Land Board execute a Quitclaim Deed in the Snyder property. Upon execution of a quitclaim deed, Snyder will dismiss the action against the State.

DISCUSSION: None.

5. Approval of Minutes – July 21, 2015 Regular Meeting (Boise)

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

- **REGULAR**

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

A. Manager's Report

DISCUSSION: Mr. Johnson reported that earnings reserves are well secured. The Investment Board met on August 11 and developed recommendations on 2017 distributions and related reserve levels and transfers. The Investment Board authorized staff to develop legislation which would clarify the Treasurer's authority to continue investing certain Endowment idle cash and legislation to expand the limits of the School Bond Credit Enhancement Program from the maximum limit per district of \$20 million to \$40 million. Also on August 11 the Land Board Audit Committee met and reviewed the independent auditor's report; there were no findings to report. The Audit Committee approved the 2015 Endowment Fund financial statements; those will be published and delivered in the next couple of weeks. Additionally, the Audit Committee reviewed and approved enhancements to the independent audit of certain IDL financial information for fiscal year 2016. Mr. Johnson stated there are no compliance or legal issues of concern to report.

Mr. Johnson mentioned that EFIB, working together with IDL and Callan, has prepared a preliminary report on FY2015 Endowment land returns and combined land and Fund returns (pie chart, p.3 in report). The first step in establishing endowment returns is to determine the asset base and the investment base. Values were put on endowment lands using several different methodologies. As shown on the chart, the land and the Fund values total \$3.3 billion. The Fund makes up about 56% of that and the land makes up almost 44%. The largest component is the timberland. All land assets are generally valued based on their cash flow values. A table on page 4 of the report sums all this together. Mr. Johnson called attention to the column on the right labeled 'Last Year' showing the Endowment Fund earned 3% in FY2015, and the land earned 3.85%; the Fund and the land together had a combined return of 3.4%. Mr. Johnson indicated that by November a more detailed report is planned for FY2015 with a breakdown of the 3.8% land return into major components: timber, grazing, residential, commercial, and other. In addition, the intent is to produce this report on a more frequent basis. Mr. Johnson explained that work remains to establish a robust land valuation methodology in order to cost-effectively calculate appreciation and depreciation in the land base.

B. Investment Report

DISCUSSION: Mr. Johnson stated during the month of July, the first month of the fiscal year, the Fund was up 0.8%. Thus far into August the Fund has lost half a percent and fiscal year-to-date return is 0.3%.

C. FY2017 Distributions and Transfer

RECOMMENDATION: Approve the recommended distributions totaling \$63.2 million and transfers totaling \$39.5 million.

DISCUSSION: Mr. Johnson reviewed the memo and attachments in detail. Secretary of State Denney referred to the Manager's report (item 6A) that listed returns of 3.03% for the Permanent Fund and 3.85% for the land and inquired if cabin site sales contributed to the return on the land. Mr. Johnson replied that gains from the sale of cabin sites are not recognized in those land returns. Only sustainable cash income is incorporated, which would include lease revenues from cabin sites that year but not any proceeds from the sales.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the EFIB recommendation and approve the recommended distributions totaling \$63.2 million and transfers totaling \$39.5 million. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

7. FY2017 Budget Enhancements – Presented by Debbie Buck, Financial Officer

RECOMMENDATION: Direct the Department to include these enhancement requests in the Fiscal Year 2017 budget proposal due on September 1, 2015.

DISCUSSION: Director Schultz clarified that the request in Priority 12 is for work to be done on federal lands not state lands. Governor Otter asked if that was also true for the sage grouse rehabilitation (Priority 8) and commented that \$195,000 didn't seem like much. Director Schultz explained that the \$195,000 request for FY2017 is the same as requested and received in FY2016 for work that the Department is doing on state trust lands. Governor Otter clarified that it was for trust lands only? Director Schultz replied yes, and assured that given what has happened on the Soda Fire and elsewhere, the \$195,000 received by the Department in FY2016 has been allocated and will be spent wisely on those projects on the state trust lands.

BOARD ACTION: For the record, Governor Otter stated the Chair will not vote on this item.

A motion was made by Attorney General Wasden that the Board approve the Department recommendation and direct the Department to include the described enhancement requests in the FY2017 budget proposal due on September 1, 2015. Controller Woolf seconded the motion. The motion carried on a vote of 4-0, with Governor Otter recused from this vote.

• **INFORMATION**

NONE

