

STATE BOARD OF LAND COMMISSIONERS OPEN MEETING CHECKLIST

FOR MEETING DATE: January 16, 2018

**Regular Meetings**

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

**Special Meetings**

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

**Executive Sessions**

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



RECORDING SECRETARY

January 12, 2018

DATE



## IDAHO STATE BOARD OF LAND COMMISSIONERS

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

Tom Schultz, Secretary to the Board

# NOTICE OF PUBLIC MEETING JANUARY 2018

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

IDAHO DEPARTMENT OF LANDS

*Please note meeting location.*

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

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

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



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board  
Lawrence E. Denney, Secretary of State  
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Brandon D Woolf, State Controller  
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Tom Schultz, Secretary to the Board

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

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

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- **REGULAR**

- 1. Appointment of Agency Acting Director**

- **UPDATE**

- 2. Director's Report**

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

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

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

- **CONSENT**

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

- **INFORMATION**

NONE

- **EXECUTIVE SESSION**

NONE

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



# Idaho Statutes

## TITLE 74 TRANSPARENT AND ETHICAL GOVERNMENT

### CHAPTER 2 OPEN MEETINGS LAW

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

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

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

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

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

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

(f) To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement;

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

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

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

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

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

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

#### History:

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

## AGENDA ITEM 1

NO BOARD MATERIALS  
ARE PROVIDED FOR THIS ITEM

A large, faint watermark of the Idaho Department of Lands logo is centered on the page. The logo features a stylized mountain range in the background, a central diamond shape with a light green fill and a yellow border, and a horizontal banner across the middle containing the text "IDAHO DEPARTMENT OF LANDS" in white capital letters.

IDAHO DEPARTMENT OF LANDS

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**IDAHO DEPARTMENT OF LANDS**

STATE BOARD OF LAND COMMISSIONERS

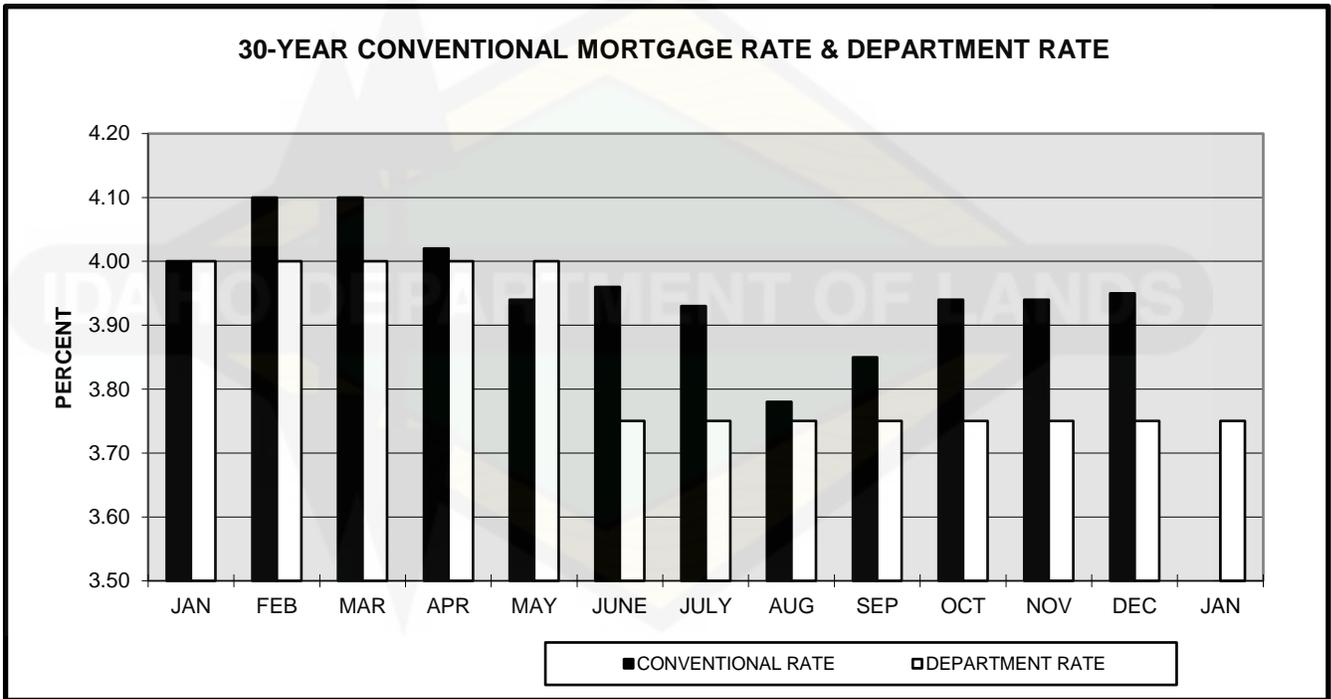
January 16, 2018

SUBJECT: Interest Rate on Department Transactions

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

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

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



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

Information Posted on Intranet (Programs / Land Board)  
 email: D Caldwell; D Buck; K Miller; W Kimball; C Woodworth; M Major  
 R Farmer; B Rheinschmidt; D Barbour; R King; M Sanborn; R Miller, D Griffin

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**IDAHO DEPARTMENT OF LANDS**

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

**TIMBER SALE TRANSACTIONS AND ACTIVITY**

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

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

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

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

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

## MARKET TRENDS AND GENERAL OUTLOOK

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

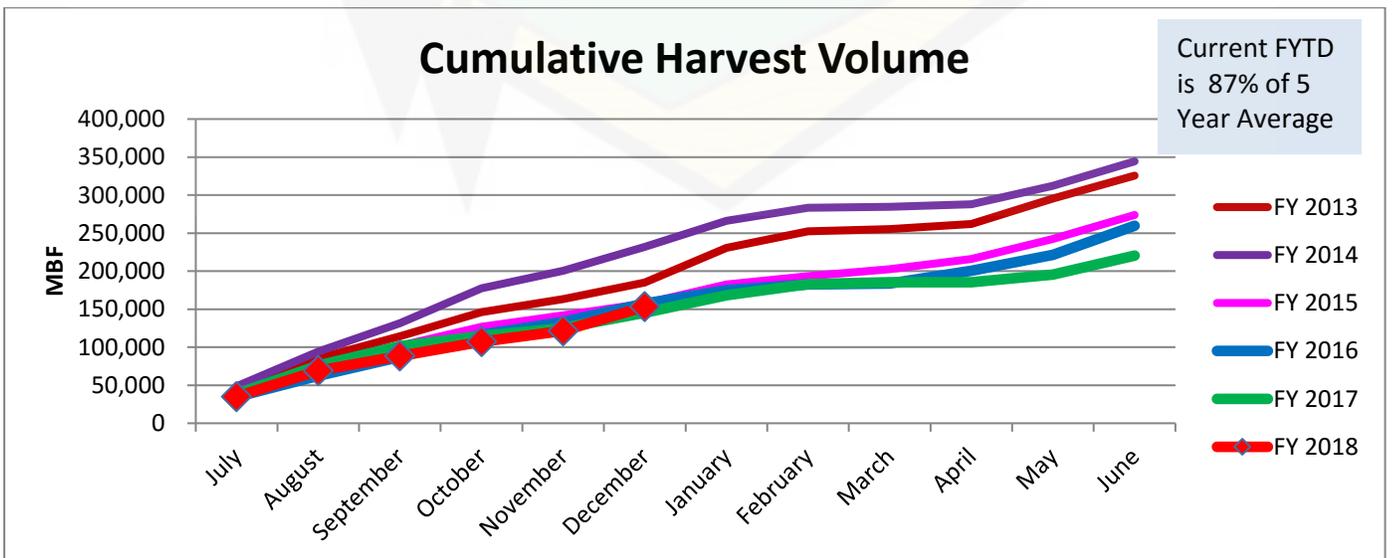
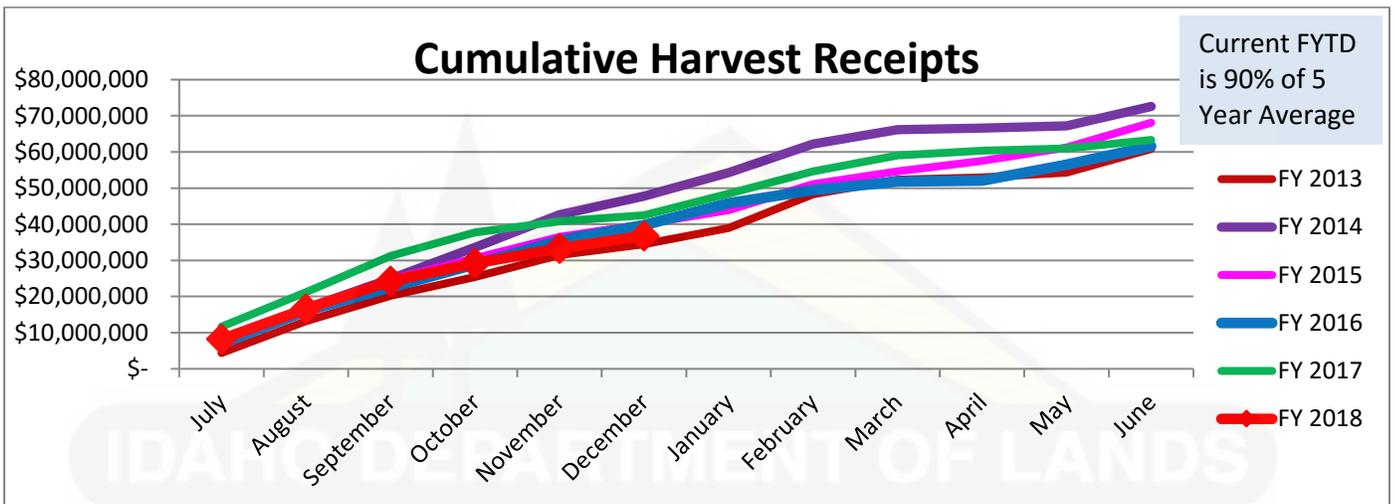
The U.S. International Trade Commission voted 4-0 December 7th that the U.S. lumber industry was injured by lumber imports from Canada. As a result, countervailing and anti-dumping duties against Canadian exports will be collected retroactive to December 28th, with an average duty of around 20%.

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

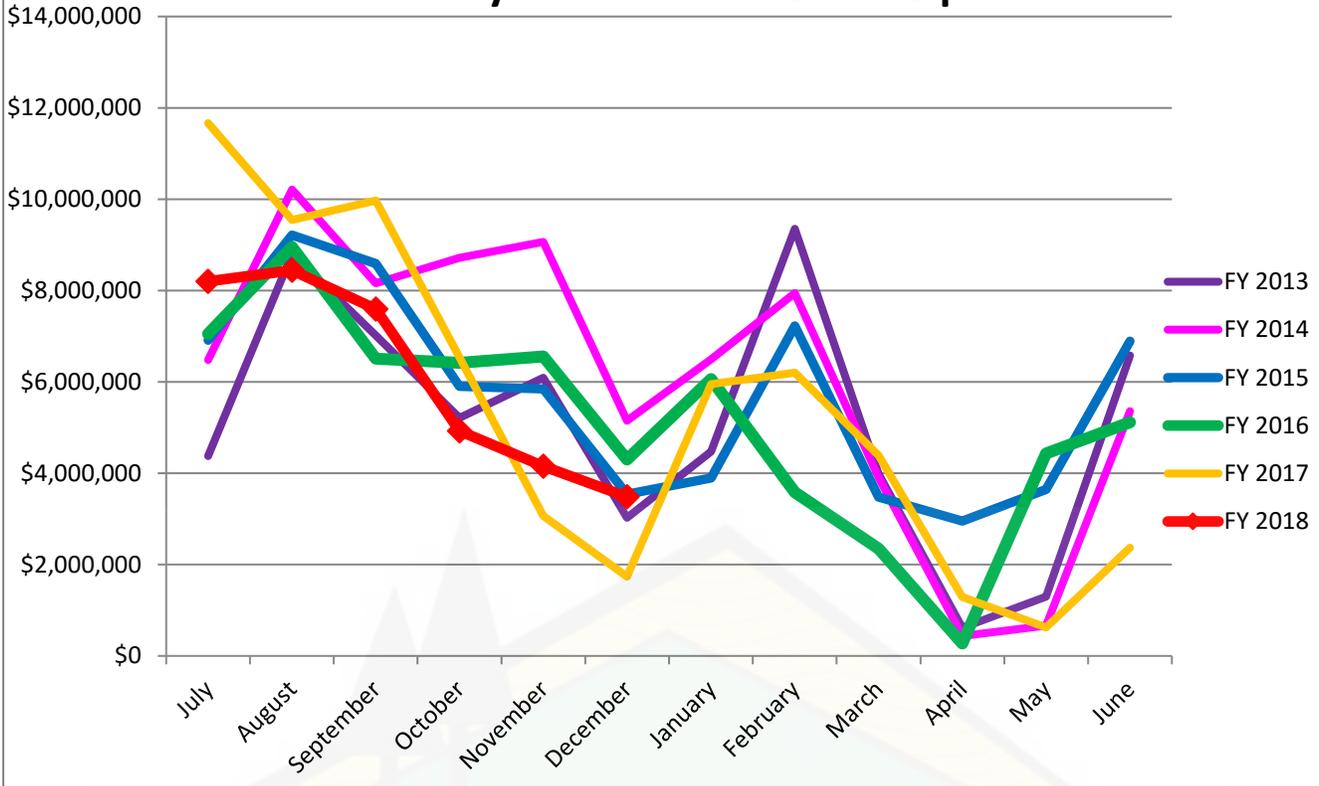
According to Random Lengths, the Random Lengths Framing Lumber Composite Price was on pace through mid-December to hit a 20-year high and reach one of the highest annual averages on record.

Status of FY 2017 Timber Sale Program						
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of December 31, 2017	133,981	114,806	248,787	22,756	11,350	34,106
Currently Advertised	0	0	0	0	0	0
In Review	0	0	0	0	0	0
Did Not Sell	410	0	410	0	0	0
<b>TOTALS</b>	134,391	114,806	249,197	22,756	11,350	34,106
FY-2017 Sales Plan			243,540			17,300
Percent to Date			102%			197%

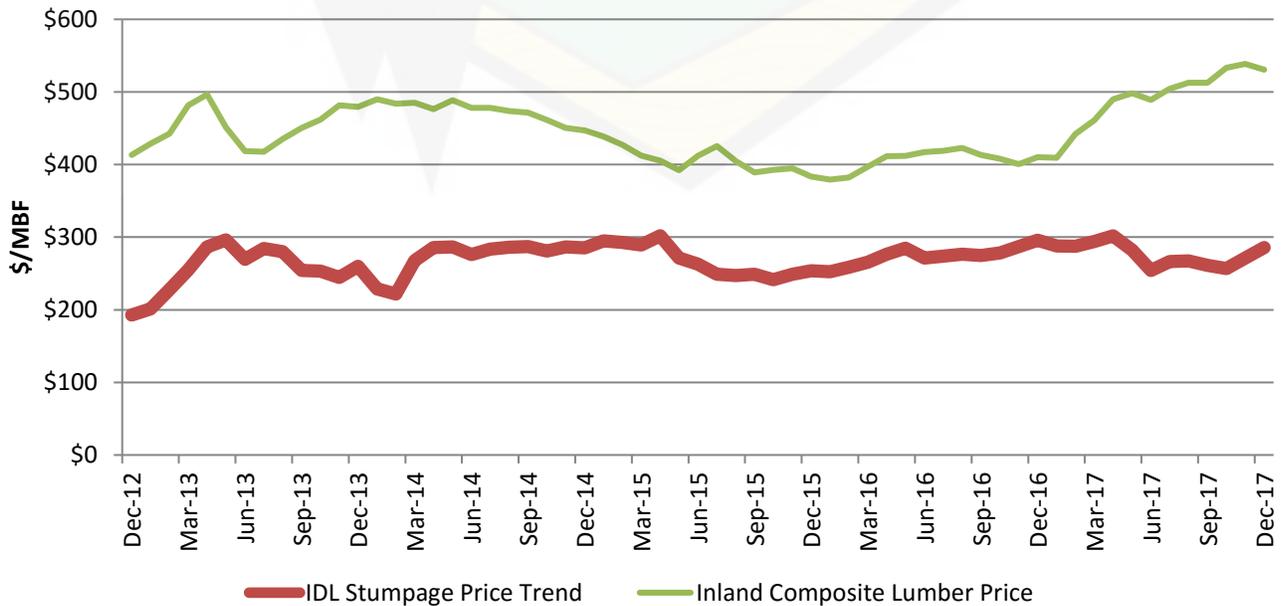
Status of FY 2018 Timber Sale Program						
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of December 31, 2017	48,314	39,737	88,051	2,000	0	2,000
Currently Advertised	23,521	17,249	40,770	2,318	1,337	3,655
In Review	9,605	835	10,440	0	0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



## Monthly Timber Harvest Receipts



## Monthly Stumpage Price Net Selling Value



**STATE BOARD OF LAND COMMISSIONERS**

**SUBJECT**

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

**New Instruments**

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

## STATE BOARD OF LAND COMMISSIONERS

### New Instruments

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

### New Instruments

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

## STATE BOARD OF LAND COMMISSIONERS

### New Instruments

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

### Assignments

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

### Terminations

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

## STATE BOARD OF LAND COMMISSIONERS

### Easements Issued

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

### Acquired Easements Issued

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

### Disclaimer of Interest

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

IDAHO DEPARTMENT OF LANDS

**LAND BANK AGING REPORT**

**Current Remaining Principal Balance By Quarter Received - As of December 31, 2017**

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

<b>LAND BANK CASH BALANCE (with Interest)</b>	<b>\$ 72,667,183</b>	<b>\$ 17,863,272</b>	<b>\$ 22,087,751</b>	<b>\$ 112,618,206</b>
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**IDAHO DEPARTMENT OF LANDS**

**2018 VAFO/ULA Cottage Site Auction Cycle Update**  
**January 16, 2018**

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

IDAHO DEPARTMENT OF LANDS

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**IDAHO DEPARTMENT OF LANDS**



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

## Monthly Report to the Board of Land Commissioners

### Investment performance through December 31, 2017

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

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

### Status of endowment fund reserves

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

### Significant actions of the Endowment Fund Investment Board

Meetings: **None**.

### Compliance/legal issues, areas of concern

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

Material legal issues: **None**.

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

### Upcoming issues/events

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

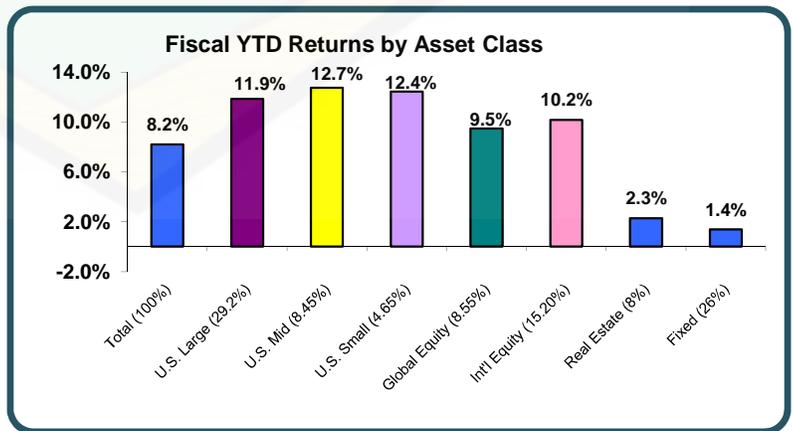
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**IDAHO DEPARTMENT OF LANDS**

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

<u>December-17</u>		<u>Fiscal Year to Date</u>		<u>Last Five Years</u>	
<b>Total Fund</b> <i>42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD</i>	<b>1.0%</b>	<b>Total Fund</b> <i>42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD</i>	<b>8.2%</b>	<b>Total Fund</b> <i>42.3% R3 15.2% Ax 8.5% AC 26% BB 8% OD</i>	<b>9.7%</b>
<b>Total Fixed</b> <i>85% BB Agg, 15% TIPS</i>	<b>0.6%</b>	<b>Total Fixed</b> <i>85% BB Agg, 15% TIPS</i>	<b>1.4%</b>	<b>Total Fixed</b> <i>85% BB Agg, 15% TIPS</i>	<b>1.8%</b>
<b>Total Equity</b> <i>70% R3, 30% Ax</i>	<b>1.3%</b>	<b>Total Equity</b> <i>70% R3, 30% Ax</i>	<b>11.4%</b>	<b>Total Equity</b> <i>70% R3, 30% Ax</i>	<b>12.8%</b>
<b>Domestic Equity</b> <i>Russell 3000 (R3)</i>	<b>1.0%</b>	<b>Domestic Equity</b> <i>Russell 3000 (R3)</i>	<b>12.1%</b>	<b>Domestic Equity</b> <i>Russell 3000 (R3)</i>	<b>15.6%</b>
<b>Global Equity</b> <i>MSCI ACWI (AC)</i>	<b>1.3%</b>	<b>Global Equity</b> <i>MSCI ACWI (AC)</i>	<b>9.5%</b>	<b>Global Equity</b> <i>MSCI ACWI (AC)</i>	<b>7.9%</b>
<b>Int'l. Equity</b> <i>MSCI ACWI ex-US (Ax)</i>	<b>2.0%</b>	<b>Int'l. Equity</b> <i>MSCI ACWI ex-US (Ax)</i>	<b>10.2%</b>	<b>Int'l. Equity</b> <i>MSCI ACWI ex-US (Ax)</i>	<b>7.2%</b>
<b>Real Estate</b> <i>Real Estate Index (OD)</i>	<b>0.2%</b>	<b>Real Estate</b> <i>Real Estate Index (OD)</i>	<b>2.3%</b>	<b>Real Estate</b> <i>Real Estate Index (OD)</i>	<b>6.8%</b>

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

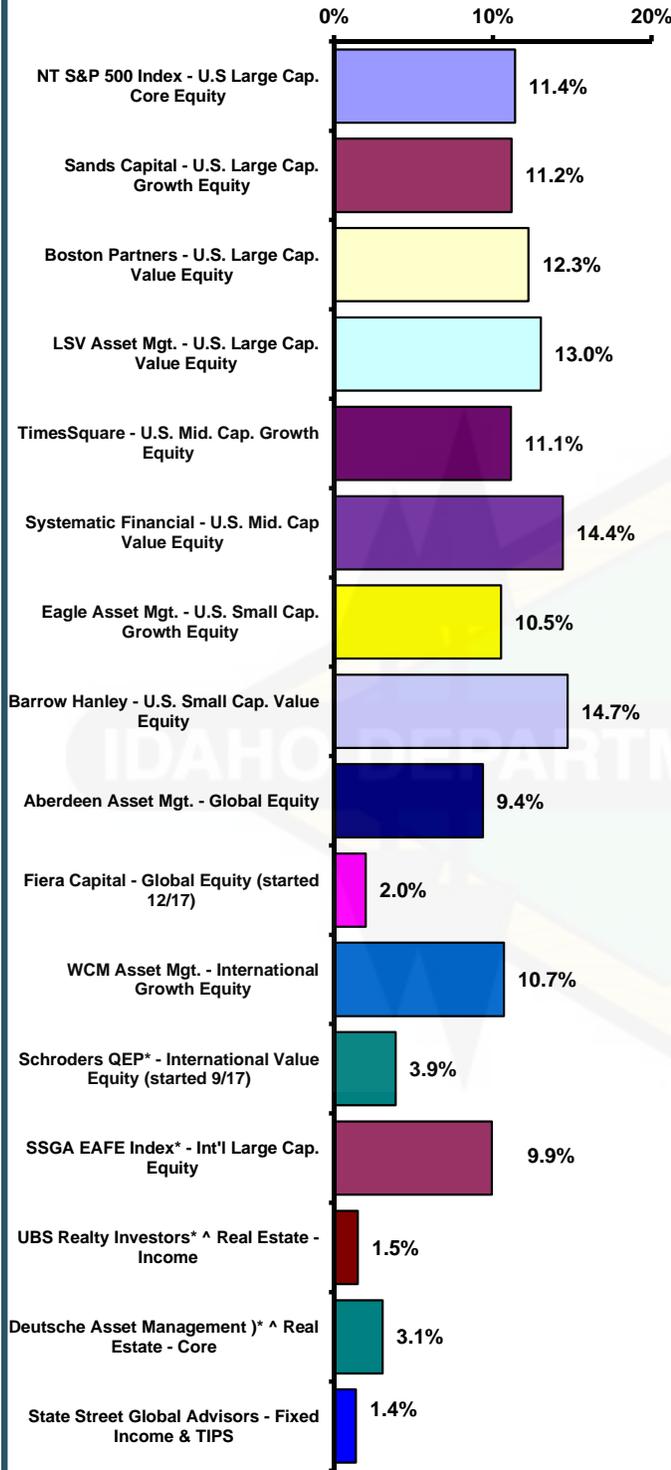


**Endowment Fund Staff Comments:**

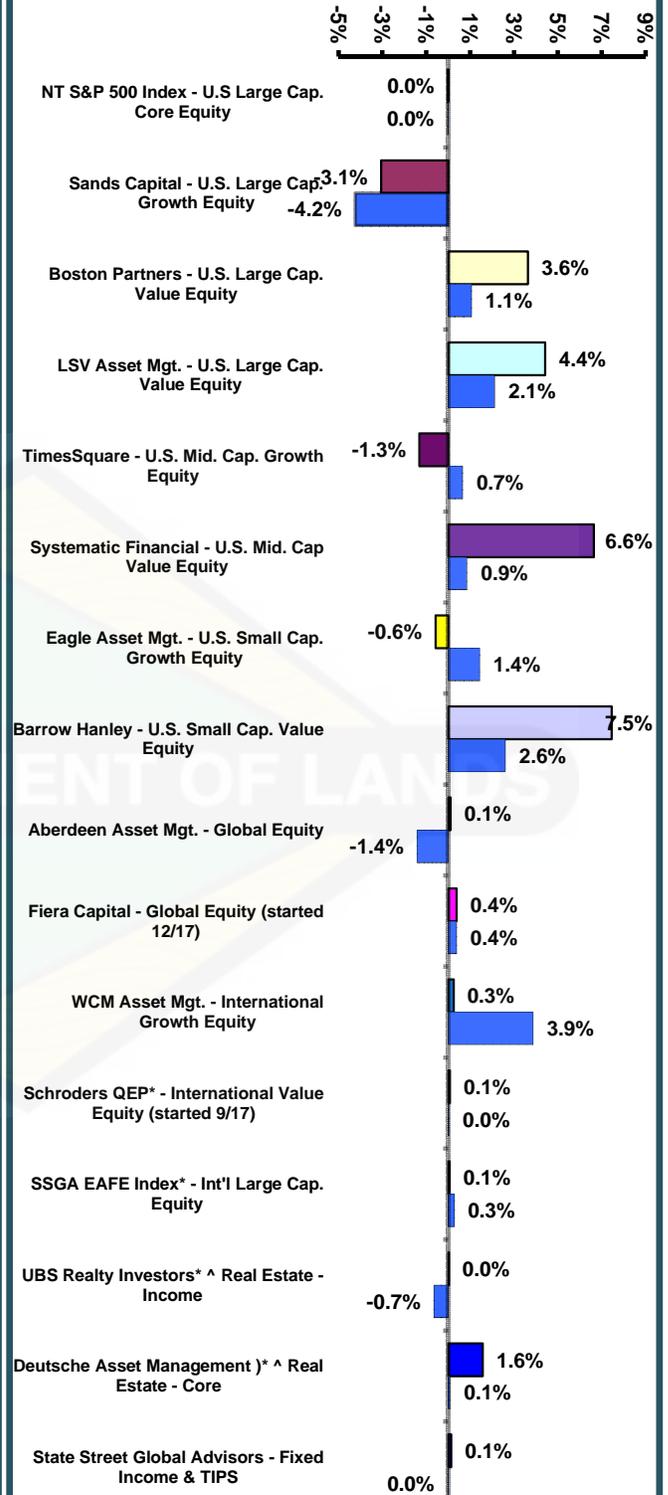
The fund was up 1.0% for the month, 0.2% under the benchmark. The Russell 3000 index was up 1.0%, Russell Midcap up 0.9% and Russell 2000 (small cap) down 0.4%. International equities (MSCI ACWI ex-US) were up 2.2%. Value outperformed Growth, while International equity outperformed Domestic equity. Bonds,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

# INVESTMENT REPORT

## FYTD Manager Returns



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



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



STATE BOARD OF LAND COMMISSIONERS

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

Tom Schultz, Secretary to the Board

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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  
December 19, 2017

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

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

Honorable Attorney General Lawrence Wasden  
Honorable State Controller Brandon Woolf  
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, Governor Otter recognized the presence of all Board members with the exception of Secretary of State Lawrence Denney.

**Department of Lands Year in Review**

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

**1. Director's Report**

A. Interest Rate on Department Transactions – December 2017

B. Timber Sale Activity and Information Report – November 2017

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

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

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

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

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

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

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

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

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

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

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

- **CONSENT**

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

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

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

5. **Approval of Minutes** – December 5, 2017 Special Meeting (Boise)

*CONSENT AGENDA BOARD ACTION:* A motion was made by Attorney General Wasden that the Board adopt and approve the Consent Agenda. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

- **REGULAR**

6. **Cottage Site Leasing Plan** – Presented by Mike Murphy, Bureau Chief-Endowment Leasing

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

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

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

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

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

*BOARD ACTION:* A motion was made by Attorney General Wasden that the Board adopt the Department's recommended Cottage Site Leasing Plan as outlined in agenda item 6, page 3 of 3. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

- **INFORMATION**

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

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

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

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

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

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

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

- **EXECUTIVE SESSION**

NONE

There being no further business before the Board, at 10:13 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 4-0. Meeting adjourned.

