



Idaho State Board of Land Commissioners

Brad Little, 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, Director and Secretary to the Board

Be it remembered, that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.

Final Minutes
State Board of Land Commissioners Regular Meeting
December 17, 2019

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, December 17, 2019 in the State Capitol, Lincoln Auditorium WW02, 700 W Jefferson Street, Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Secretary of State Lawrence Denney presided. The following members were in attendance:

Honorable Governor Brad Little (*via teleconference*)
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, all Board members were present, with Governor Little joining via conference call.

Director Miller recognized 20 Department employees, from multiple area offices around the state, who are in Boise participating in a quarterly onboarding event. Attorney General Wasden welcomed everyone.

Director Miller indicated that every December Land Board meeting, the Department presents a video that highlights activities that occurred throughout the year. This year's video was created by Robbie Johnson, one of the Department's public information officers. Director Miller really liked that the video highlights the people on the ground that, day in and day out, allow the Department to meet its mission.

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

A. Timber Sales – October/November 2019

Discussion: None.

B. Leases and Permits – October/November 2019

Discussion: None.

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

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

Discussion: Mr. Anton stated that November was another strong month. The endowment fund was up 2.2% for the month and up 4.5% fiscal year-to-date through November 30. Through December 16, the fund was up 6.1%. Mr. Anton declared that returns on a calendar year basis are pretty spectacular, up 21.8% calendar year-to-date. Mr. Anton said it would be easy to take the view that the glass is half empty; there are plenty of challenges with the global economy, yet the financial markets are looking forward with cautious optimism in saying the glass is half full. There are many good things taking place. The U.S. economy overall has been slowing, struggling in terms of the manufacturing sector, and yet new home sales are picking up. Unemployment is near a 50-year low, the money supply is growing, and there is ample liquidity in the market for businesses and for individuals.

Mr. Anton commented that Germany is in a recession; they have been hurt by the slowdown in China, by some of the Brexit challenges, and by tariff threats from the U.S. in terms of the auto sector. However, the trends are starting to turn; Germany is starting to show improvement and that is what the markets are seeing. Similarly, China has grown at an extremely rapid rate over the last 10 years and in doing so has accumulated a significant amount of debt, particularly in their financial sector. Over the last couple of years their economy has begun to slow as they have tried to restructure their banks and reduce their levels of debt, but China has realized with the tariff wars and some of those discussions that they have to shift gears, so they have moved toward trying to stimulate their economy. Things are starting to improve in China; recent announcements that the U.S. is not imposing tariffs as of December 15, and the U.S. trying to make progress with trade negotiations has also helped China's markets. Mr. Anton observed there is optimism that this long growth cycle is not at an end yet, and that there is still improvement to take place, so the markets have had a nice growth period.

Mr. Anton remarked that reserves are fully funded. At the end of October, there were 6 years of reserves for public schools and 6.8 years or more for all other endowments; a very healthy position. There have been no significant actions by the Investment Board since the last meeting. Mr. Anton noted that EFIB's budget hearing is scheduled on January 31, the same day as the Department of Lands. EFIB's next board meeting is February 13. Mr. Anton mentioned that EFIB typically presents its audit report at the November Land Board meeting; that meeting was cancelled, so EFIB will present the report today. Mr. Anton introduced Paul Niedermuller, a partner with CliftonLarsonAllen. Mr. Anton acknowledged staff at both the Department of Lands and EFIB, thanking Debbie Buck and her team for all of their efforts in preparing the agreed-upon procedures report, and Kathy Van Vactor, Liz Wieneke, and Chris Halvorson for their efforts on the EFIB audit. Mr. Anton then turned the podium over to Gary Mahn, chair of the Land Board audit committee.

- C. Annual Audit

Discussion: Mr. Mahn commented that he is chair of the audit committee and affirmed that EFIB had an excellent year, as described by Mr. Anton. Mr. Mahn indicated that it would be best to have Paul Niedermuller, a principal with CliftonLarsonAllen, report on the audit so Board members get a feel for what is going on financially and procedurally.

Mr. Niedermuller stated that CliftonLarsonAllen presented the results of the EFIB and the IDL agreed-upon procedures to the Land Board audit committee on August 15, 2019. The endowment fund financial statements and the audit report were reviewed and accepted by the Land Board audit committee. Each year EFIB commissions an independent audit of the financial results to ensure accurate financial reporting, solid internal controls, and transparency to the stakeholders. The audit committee was pleased with the results and accepted it at that meeting. CliftonLarsonAllen (CLA) has presented three formal reports: an unmodified opinion on the financial statements which represents that the financial statements presented fairly, in all material respects, the financial position of the State of Idaho Endowment Fund as of June 30, 2019 and 2018. Also, in accordance with governmental accounting auditing standards, CLA issued a report of its financial reporting and compliance with certain laws, provisions, regulations, and contracts and found no issues to report. Finally, CLA conducted certain agreed-upon procedures to the Idaho Department of Lands and again had no findings to report. CliftonLarsonAllen is a national firm with a local office here in Boise. CLA values its relationship with the State of Idaho, specifically the Endowment Fund Investment Board. Attorney General Wasden asked Mr. Niedermuller if in his view, and to his knowledge, the Endowment Fund Investment Board, the Department of Lands, all of the people with whom Mr. Niedermuller worked in terms of doing this audit, gave full access and truthful information. Mr. Niedermuller replied that is correct.

3. Performance Review of Total Endowment – *Presented by Dustin Miller, Director*

Discussion: None.

Consent—Action Item(s)

4. Forest Legacy Project, Hall Mountain-Kootenai Valley: Lefebvre Family – *Presented by Craig Foss, Division Administrator-Forestry and Fire*

Recommendation: Authorize the Idaho Department of Lands to acquire the Kootenai Valley–Lefebvre conservation easement comprising 107 acres.

Discussion: Controller Woolf asked if all parties, for the three forest legacy projects today, are in agreement and want to go forward with the projects. Mr. Foss replied yes, the program is entirely voluntary, with willing buyers and willing sellers. Controller Woolf recalled a previous time the Department brought forward conservation easements, that staff mentioned the commitment of public officials in north Idaho, and that the Boundary County commissioners were apprised. Controller Woolf inquired if there are any concerns, comments, or feedback from the county commissioners or any other public officials about supporting these projects. Mr. Foss responded that whenever the Department brings forward a project, staff communicates with all of the different parties and asks them for letters of support. When the Department put this project forward in 2016, it received that support. The Department has experienced other situations where time passes, elected officials change, and staff makes it a point to continue to communicate, particularly with the county commissioners. Commissioners have expressed concerns for projects going forward, but they have indicated that they will continue to support the projects for which the Department has received funding to date. The Department is going to continue to meet with commissioners because there continue to be land owners in Boundary County that are interested in participating in this program. Staff will continue to have dialogue with those folks and will continue to keep the Board apprised of those conversations.

5. **Forest Legacy Project, Hall Mountain-Kootenai Valley: Placer Creek** – Presented by Craig Foss, Division Administrator-Forestry and Fire

Recommendation: Authorize the Idaho Department of Lands to acquire the Kootenai Valley–Placer Creek conservation easement comprising 95 acres.

Discussion: None.

6. **Forest Legacy Project, Hall Mountain-Kootenai Valley: North Bench 9** – Presented by Craig Foss, Division Administrator-Forestry and Fire

Recommendation: Authorize the Idaho Department of Lands to acquire the Kootenai Valley–North Bench 9 conservation easement comprising 120 acres.

Discussion: None.

7. **Approval of Minutes** – October 17, 2019 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—Action Item(s)

None

Information

None

Executive Session

None

There being no further business before the Board, at 9:45 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.

