



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
January 21, 2020

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, January 21, 2020 in the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
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, all Board members were present.

1. Department Report – *Presented by Dustin Miller, Director*

Endowment Transactions

A. Timber Sales – December 2019

Discussion: None.

B. Leases and Permits – December 2019

Discussion: Director Miller reported that revenue fiscal year-to-date is \$3.1 million. Governor Little noted that the forecasted revenue is \$6.7 million; Director Miller said that is correct.

Status Updates

C. Land Bank Fund

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 the endowment fund had a strong month during December. The portfolio was up 2.3% which left the fund up 6.9% fiscal year-to-date. Through the close of market on Friday, January 17, the fund was up 9%; a very good run midway through the fiscal year. Mr. Anton recalled that at the end of 2018, the financial markets were in turmoil as investors grew concerned that interest rate hikes by the Federal Reserve, and the trade war with China, would stall out the longest running economic expansion in U.S. history. Mr. Anton observed that turbulence was very short lived. The financial markets staged a very strong recovery in 2019 as the Federal Reserve reversed course and cut rates, and central banks around the world did the same. Global economic indicators have started to pick up, and the U.S. signed Phase One of the trade agreement with China. Mr. Anton was pleased to state that as a result of the positive progress, the endowment portfolio was up 22.7% during calendar year 2019.

Mr. Anton noted that earnings reserves are all fully funded: 6.2 years for public schools and 6.8 years or more for all other funds. There was no significant action of the Investment Board since the last Land Board meeting. EFIB's budget presentation is before JFAC on January 31; the next Investment Board meeting is scheduled for February 13.

Governor Little remarked that the endowment fund's 10-year average of 60 basis points above benchmark is incredible; those long-term results are what matters. Governor Little offered congratulations to Mr. Anton, his predecessors and the Investment Board.

Consent—Action Item(s)

3. Disclaimer of Interest Request DI500270-Cascade River, LLC, North Fork of the Payette River – Presented by Andrew Smyth, Program Manager-Public Trust

Discussion: Governor Little asked what the high water mark is based on, recalling a severe June storm approximately six years ago that caused the high water mark to be underwater at that time. Mr. Smyth noted that the ordinary high water mark (OHWM) would not be based on the highest water level the river had ever reached. Mr. Smyth explained that when Department staff conducts an inspection to determine the OHWM, they look for the impressions in the soil, the change in vegetation, and the markings on trees, if there are any. Governor Little inquired about FEMA¹ maps. Mr. Smyth replied that OHWM is not based on FEMA maps, it is based on physical indicators on the ground. Governor Little wondered about public input and if disclaimers are advertised in the local papers. Mr. Smyth responded that disclaimers are not advertised. Typically a disclaimer of interest is initiated by an entity that owns property adjacent to the river who has discovered a cloud on the property title. That entity contacts the Department about seeking a disclaimer, as opposed to seeking a quiet title action in the court.

¹ Federal Emergency Management Agency

Attorney General Wasden asked if there is a means on the Department's website for the public to identify these 25-foot easements acquired through the disclaimer process. Mr. Smyth stated that there is an easements layer in the online Digital Land Records database.

Recommendation: Direct the Department to issue a disclaimer of interest for the parcels totaling 2.807 acres of the former bed of the North Fork of the Payette River, and to require Cascade River, LLC to pay the remaining processing fee of \$300 to the Department for this transaction.

4. Disclaimer of Interest Request DI600282-Mianco Limited Partnership, Boise River – Presented by Andrew Smyth, Program Manager-Public Trust

Discussion: None.

Recommendation: Direct the Department to issue a disclaimer of interest for two parcels totaling 11.08 acres of the former bed of the Boise River, and to require Mianco Limited Partnership to pay the remaining processing fee of \$300 to the Department for this transaction.

5. Approval of Minutes – December 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)

6. Department of Lands Organizational Restructure – Presented by Dustin Miller, Director

Recommendation: Approve the new organizational structure as outlined in Attachment 1 and authorize the Department to begin implementation during fiscal year 2020.

Discussion: Attorney General Wasden requested that Director Miller and the Department put in place a review process and undertake periodic reviews of the new organization structure to assess if the structure is working as intended, and if it is not working, to advise the Land Board. Director Miller said it is his priority to ensure that the Department is gaining the expected results and efficiencies as the new structure is implemented.

Testimony: David New, of Boise, Idaho, commented that he was familiar with public communication describing the Department's proposed reorganization, and thanked the Land Board for that. Mr. New remarked that this reorganization is important to the Department's continued successful endowment asset management and asked Land Board members to share their key objectives of this reorganization.

Governor Little noted that the Department of Lands has been around a long time. Any dynamic growing organization – the Governor reminded everyone that Idaho, the Department, did not even have Shared Stewardship and Good Neighbor Authority just a few years ago. The modernization of any organization to reflect what has changed in its role and mission is always a good thing to do. Governor Little said this restructure illustrates the new role and mission while still being focused on the Department's biggest responsibilities which is to maximize the long-term return to the endowment for the beneficiaries.

Controller Woolf observed that the Land Board hired Director Miller in October 2018 and gave him direction to run the Department as he determined best, and gave him the resources to be successful and make his team successful. Controller Woolf expressed full confidence and trust in Director Miller to do that. Controller Woolf noted that the Department has reviewed this proposed structure change, both from the regulatory and the endowment side, to determine what would work best. Controller Woolf expressed excitement for this reorganization and the opportunities it presents, and gave his full support.

Superintendent Ybarra expressed her support and added to Land Board members' comments that the new organization structure is a way to improve internal and external communications; Superintendent Ybarra appreciated the effort put into that.

Attorney General Wasden found the question to the members of the Land Board a little odd, but said that part of management is to create the atmosphere where the manager, the one that is responsible, can exercise authority and responsibility, and organize a structure that allows him to accomplish his responsibility. The Land Board's function is to address the question of review. Is the organization structure working or is it not working? The Land Board will not know that until it has been implemented and exercised for some time. If it is working, the Director will tell the Land Board. If it is not, he will tell the Land Board that, too. Attorney General Wasden remarked that it is not appropriate for the Land Board to look over Director Miller's shoulder in every decision that he makes or the organizational structure that he chooses. The Land Board hired him to be responsible and the Land Board is going to let him organize, and exercise his authority and responsibility. If it works, great; if not the Department and the Land Board will go back to the drawing board and try something else.

Secretary of State Denney agreed with Board members' statements. Secretary Denney commented that the Land Board puts a lot of trust in the Director and wants him to have that flexibility to run his operation as he sees fit. Secretary Denney supported the Attorney General's suggestion that there be periodic reviews; that is just good management and was already on the slate to happen. Secretary Denney said he certainly supports Director Miller and his reorganization, including giving him time to make sure that he gets the Department running in the way he would like it to run.

Board Action: A motion was made by Attorney General Wasden that the Board approve the new organizational structure as outlined in attachment 1 and authorize the Department to begin implementation in fiscal year 2020. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Information

None

Executive Session

None

At the conclusion of the agenda, and prior to adjournment, Director Miller recognized Deputy Director and State Forester David Groeschl for his service to the Department of Lands for the past 12 years, and noted that Mr. Groeschl will be leaving the Department to pursue other opportunities.

