



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, 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
April 20, 2021

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, April 20, 2021 at the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho, and via webinar. The meeting began at 9:00 a.m. The Honorable Secretary of State Lawrence Denney presided in place of Governor Brad Little who was managing other matters of state. The following members were in attendance:

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, the Governor's Stage 3 Stay Healthy Order, dated 2/2/2021, allowed for gatherings, including public meetings, of 50 persons or less in physical attendance. Secretary of State Denney and Controller Woolf were present at the physical meeting location with Attorney General Wasden and Superintendent Ybarra joining via Zoom webinar. Governor Little was not able to participate.

Director Miller recognized eight Department employees, from multiple area offices around the state, who were in Boise participating in a quarterly onboarding event. Director Miller stated that due to the COVID-19 situation over the past year, this event has not been held as consistently as it once was. As a reminder, onboarding is an opportunity for new or returning staff to become acquainted with the executive team and other staff in the Boise office; attending a Land Board meeting is a key part of the experience. Secretary of State Denney welcomed everyone and commented that it is almost standing room only at the meeting location.

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

Trust Land Revenue

- A. Timber Sales – March 2021
- B. Leases and Permits – March 2021

Discussion: None.

Before concluding the Real Estate portion of the report, Director Miller introduced Josh Purkiss as the Department's new Real Estate Services Bureau Chief. Director Miller noted that Mr. Purkiss started in this position last week and remarked that he is the right man for the job.

Status Updates

- C. Legislative Update
- D. Land Bank Fund

Discussion: None.

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

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

Discussion: Mr. Anton reported that the \$1.9 trillion American Rescue Plan Act, a significant decline in COVID-19 infections, and accelerating rollout of the vaccine gave investors confidence that the economy will continue to improve and gain strength in the month ahead. As a result of this optimism, there were gains in the portfolio. For the month of March, the portfolio was up 1.6% and up 22.4% fiscal year-to-date. Through close of the markets yesterday [April 19] the fund is up 26.2%. At the end of March the fund had increased over \$500 million, and the endowment fund balance is very close to \$3 billion today. Mr. Anton noted that greater optimism about the strong rebound and global economic growth heightened inflation fears which drove up global bond yields and caused some challenges for equities, particularly those growth and technology companies whose valuations are really tied to low interest rates. Overall equity performance continues to be very strong but under the surface there is a lot of dynamics taking place. There was a big rotation away from growth and technology that led the market out of the quarantine period last March and now the equity markets are rotating into value stocks particularly those in financials, energy, and retail sectors. As an example of that, Mr. Anton said during the month of March the fund's large cap manager Sands was down 4.9% whereas two large cap value managers LSV and Boston Partners were up 7.7%. There is a change regarding which companies are starting to perform better in the market. As a result of the inflation fears mentioned earlier, fixed income was down about 0.8% during the month as interest rates continued to climb which left the portfolio near break-even fiscal year-to-date. Since the end of March, interest rates stabilized a bit, certainly a positive thing for fixed income. The yield on the ten-year treasury is about 1.6%. Overall, fiscal year-to-date, the endowment portfolio is having a great year.

Mr. Anton commented that target reserve levels are 6 years for public schools and 7 years for all of the other endowments. As of the end of March, there were 7.1 years of reserves for public schools and between 7.8 and 9.6 years for all of the other endowments. On average, there is one year of extra reserves for all of the endowments; reserves are in a very healthy spot. Mr. Anton stated there were no significant actions by the Investment Board recently. A compensation committee meeting was held on April 7th. A Land Board Audit Committee meeting is planned for May 6th to review the audit plan and schedule for EFIB and the agreed upon procedures for the Department of Lands. The next Investment Board meeting is May 18th. Attorney General Wasden thanked Mr. Anton for the report and his hard work. Attorney General Wasden remarked that reserves are at about the right level and asked if too much is being retained in terms of the balance between reserve funds and the monies available. Mr. Anton explained that the target reserves reflect two important variables. One is the volatility seen in the financial

assets and the other is volatility in timber revenue. The public schools have a broader base of timber, a much larger portion of the land, so there is less volatility; that is the rationale for why public schools are set at 6 years and all of the others are set at 7 years. Every November, after fiscal year end, EFIB reviews any excess reserves relative to targets and at that point the Land Board is provided the opportunity to either retain those or move those into the permanent portion of the endowment fund, which generally has been done. Mr. Anton remarked that current reserves are reasonable given the volatility in the markets that may be experienced over time. Right now the markets feel fairly stable, but historically have had considerable volatility and that is expected to continue in the future. The Land Board could consider bringing public schools to 7 years without a lot of pain; normally it would be difficult, it would take many years to get to that level. Mr. Anton concluded that current reserve levels are reasonable and there is a process for reviewing those annually with the Land Board. It is fortunate that big returns in the financial market resulted in all funds having a year extra in reserves.

Consent—Action Item(s)

3. Approval of Draft Minutes – March 16, 2021 Regular Meeting (Boise)

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

Regular—Action Item(s)

4. FY2022 Timber Sales Plan – Presented by David Greenwood, Bureau Chief-Forest Management

Recommendation: Direct the Department to proceed with implementation of the FY22 Timber Sales Plan.

Discussion: Controller Woolf asked for additional update on the cedar poles plan; how much longer will the pilot program continue and has it been working well. Mr. Greenwood replied when the Department started the cedar sale pilot program it was going to be a two year program. After some analysis it was extended another two years. The Department will continue to use the cedar sale designation for selling the majority of cedar poles; Land Board policy is to sell 20,000 poles on an annual basis. The Department reviewed auction data for the first four years. The cedar sale pilot program included both single-entry and dual-entry methods, and prices to date have shown that the cedar sale average price is similar between the single-entry and dual-entry methods. The non-cedar sale price is slightly higher on dual entries. Mr. Greenwood mentioned there are multiple factors that go into the price per thousand. Many single-entry methods had higher logging costs such as helicopter logging on two sales and greater haul distance to the mill which dragged those prices down some. One of the dual-entry methods had a non-sawlog price of \$920/MBF and that was about \$550/MBF higher than the next closest price. Weighing all of those effects, the Department will continue to provide cedar sales to attract future bidders; there is a benefit to increase the amount of bidding on those sales.

Board Action: A motion was made by Controller Woolf that the Land Board direct the Department to proceed with the implementation of the FY22 Timber Sales Plan. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0.

5. Approval of Hells Gulch FY22 Timber Sale – Presented by Jim Elbin, Division Administrator-Trust Land Management

Recommendation: Approve the Hells Gulch timber sale.

Discussion: None.

Board Action: A motion was made by Controller Woolf that the Land Board approve the Hells Gulch Timber Sale as recommended by the Department. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0.

6. Approval of Rocky Point FY21 Timber Sale – Presented by Jim Elbin, Division Administrator-Trust Land Management

Recommendation: Approve the Rocky Point timber sale as prepared and presented.

Discussion: Controller Woolf inquired how many trees per acre are done for the shelterwood and the seed tree; how many trees are left in those areas. Mr. Elbin responded that for this sale specifically the shelterwood unit is going to have approximately 15 trees, shelterwood is usually 15-30 trees, and the seed tree portion will have 5-7, normally that is about 5-15. Those numbers are trees per acre.

[Editor's note: The Public Comment portion of this item is written in first-person format. This is not a verbatim transcript.]

Public Comment:

Jake Weimer: Good morning, my name is Jake Weimer and I represent JD Lumber, a small family forestry business based out of Priest River. My family leases a cottage site from IDL adjacent to the proposed timber sale area. I am here today in both a professional and a personal capacity. First, it is well within the State's rights to harvest state timber as the State sees fit. On the other hand, as a neighbor I would appreciate it if there was not a heavy timber harvest right behind my family's summer cabin. Other adjacent cabin owners have similar opinions. I am sure you can understand this sentiment just as we can understand IDL's mission and how important generating timber income is for trust beneficiaries. Part of the timber sale is labeled as a shelterwood harvest, but area foresters mentioned they found few desirable leaf trees so much of the area will actually resemble a light seed tree or even a clearcut harvest. Either way the proposed harvest is definitely not a light selective thinning. I am sure IDL faces public comment every day and it wouldn't be practical for IDL to change operational plans every time a comment was filed. To seriously engage in a discussion about this timber sale, IDL staff recommended that we come up with a robust alternative proposal. Our guidance from local and regional IDL staff was that the alternative proposal needs to ensure the IDL trust beneficiaries are financially made whole or made better off by changing the timber sale plans. We took that advice. In March, we submitted a JD Lumber land exchange proposal for the non-waterfront portion of the IDL Rocky Point ownership. We believe this proposal achieves all of IDL's stated land exchange criteria and is an exciting opportunity for IDL. The exchange is contingent on the timber on Rocky Point remaining in its current state. If the exchange is successful, we would manage the forest on Rocky Point to reduce disease and fire risk. Since timber income is not our primary objective, we would be able to do this slowly over a number of years, rather than all at once to achieve logging equipment economies of scale and maximum stumpage values. This is not the appropriate forum

for further discussion of an exchange, but I do hope our proposal is seriously considered in conjunction with the approval process of the Rocky Point timber sale. We went through the proper channels and followed the guidance of IDL staff in submitting this land exchange proposal. Throughout the entire process IDL staff have been very open and helpful. This includes staff from Priest Lake, Coeur d'Alene, and here in Boise. I just wanted to say thank you for that and also thank you for your time today.

Craig Lee: Good morning; thanks for letting me speak to you today. My name is Craig Lee and I represent the Rocky Point Forest Park Inc., a non-profit corporation that was formed to explore alternative plans regarding the proposed timber harvest on Rocky Point. We are supporting the land exchange that JD Lumber submitted to IDL regarding the timberlands on Rocky Point. We believe this land exchange will result in the highest and best use of the lands owned by IDL on Rocky Point. JD Lumber's land exchange includes nearly three times the timber acreage of Rocky Point. If this exchange is accepted JD Lumber plans to place Rocky Point in the IDL's Forest Legacy Program. As is noted in the Forest Legacy Program, "In order to protect all forest values and the benefits that society derives from forested lands, it is first necessary to maintain those lands as forests." By enrolling Rocky Point in the Forest Legacy Program, the forests on Rocky Point will be managed in a sustainable fashion forever. These exchanged acres are bordered by 400 acres of timber property that has been part of IDL's Forest Stewardship Program for more than 30 years. One of the Forest Legacy Program's objectives is to focus efforts where there is an adjacent forest property of more than 100 acres. This land exchange is a very unique opportunity to increase the income for the endowment program and at the same time increase the land in IDL's Forest Legacy Program. We think that's a big win-win for IDL and the citizens for Idaho. We also understand that the IDL owned forest on Rocky Point is past due regarding the removal of diseased and dead trees and the reduction of underbrush fuel for fires. These tasks will be part of the sustainable forest management practices that will be employed by JD Lumber and also supported by the Rocky Point Forest Park group. Rocky Point could be an outstanding example of how IDL can optimize both the financial mandates of the endowment program and the social values that forests provide such as public recreation, scenic, cultural, and historical values. Thanks for your consideration today of an alternative plan for the future of Rocky Point.

Additional Discussion: Secretary of State Denney noted that the Land Board has not seen the proposal, observed that it seems late in the game to be bringing forth a proposal and asked Mr. Elbin if it is a workable option. Mr. Elbin indicated the Department received JD Lumber's proposal and it is 3 acres to 1, but Department staff does not believe the values of timberland for timberland at that rate meet the land value of the Rocky Point parcels, even with shoreline parcels excluded. Controller Woolf said he appreciated Mr. Weimer and Mr. Lee coming down and presenting and recognized the thoughtful process by which they came up with their proposal. Controller Woolf thanked the Department for its work on this; staff did a great job of reaching out to neighbors. Based on Mr. Elbin's presentation, the Controller supported the Department recommendation. Attorney General Wasden recognized and complimented the Department for an exceptional job and excellent outreach on this timber sale. Director Miller expressed a similar opinion; timber program staff knows best what needs to be done on this piece of ground; outreach and coordination with the community was top notch.

Board Action: A motion was made by Controller Woolf that the Land Board approve the Rocky Point Timber Sale as prepared and presented. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0.

Information

None

Executive Session

None

There being no further business before the Land Board, at 9:44 a.m. a motion to adjourn was made by Controller Woolf. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0.

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

The above-listed final minutes were approved by the State Board of Land Commissioners at the May 18, 2021 regular Land Board meeting.