



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
June 21, 2022

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, June 21, 2022 at the Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 West Jefferson, Boise, Idaho, and via webinar. The meeting began at 9:03 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 Land Board members were present at the physical location.

[Editor's note: the Discussion portions, if any, for most agenda items are written in first-person format. This is not a verbatim transcript.]

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

- A. Timber Sales – May 2022
- B. Leases and Permits – May 2022

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: Governor, members of the Land Board, good morning. It feels like the world has changed fairly dramatically since I prepared this report two weeks ago; I will go briefly through the May numbers and then give you an update on where we are at today. May was really a bifurcated month. During the first half of the month the market was very concerned with rising interest rates, the Federal Reserve planned to increase interest rates to fight inflation because that slows the economy over time. The market sold off a bit early in May, and then in the back-half as China began to reopen, gained control of the COVID situation, and as valuations started to look fairly attractive, the market bounced back. The portfolio was actually up 0.3% for the month which left us down 7.1% fiscal year-to-date. About a week and a half ago, the inflation numbers came out for May and that spooked the markets. In April, inflation was at 8.4%, many felt that was the peak and inflation would start to soften a little bit. Unfortunately, when the numbers came out, we were at 8.6%.; people panicked. The Federal Reserve, when they met, indicated they were increasing rates 0.75% instead of 0.5% in an effort to really try to push hard to fight inflation. The markets are worried at this point that all these efforts to raise rates are really going to stall the economy and force us into a recession. The yield on the 10-year went up to about 3.4%; it is a little lower than that today, but rates have jumped dramatically over the last year. As a result, we are down now 7.9% just during the first couple weeks here of June which has left us down about 14.5% fiscal year-to-date. We have a little time before the end of the year, today is a pretty good day, but it is a tough year; the level of earnings reserves has come down from what I had in the report. My estimate based on Friday's data is that we are at about 5.8 years of reserves for public schools and between 5.4 and 6.0 years for the other funds. The Land Board's initiative to increase the reserves when things were really great last year was very prudent and is paying off. We still have healthy reserves, but it is painful to be down 14.5%.

Governor Little: I see we still have Sands; how often do you review those managers.

Mr. Anton: The Governor is referring to Sands Capital, they are our large cap growth manager. If you look at the detail report, you can see they are down 44.8% fiscal year-to-date. Through yesterday they were down 51%; they have had a tough year. The market has been beat up the most in growth and technology companies.

Governor Little: The second graph shows down 33%, but that is relative to the index, is that right.

Mr. Anton: Yes, let me give you the current numbers. Through Friday [June 17, 2022], fiscal year-to-date, Sands is down 51.8% compared to benchmark which is down 21.3%. They are down about 30% more than the benchmark. The benchmark is a technology growth index that the NASDAQ's down from its peak about 33%. They are those types of companies that are growing very rapidly, and they have had some hiccups and are really down. To your point, Chris and I review it every day, and with the Investment Board at least quarterly. We recognize where they are at. Historically, they have added value. During most of the period as a manager, they have outperformed the benchmark. We are in a period where growth has been punished, particularly hypergrowth. Quality growth companies that are growing but are profitable are still doing reasonably well; many of those are in the benchmark. Companies that their growth is projected to be way out in the future have been punished and Sands is in many of those companies. We

have not decided to change managers at this point, but we are watching them closely. It is painful, I agree.

Governor Little: What is the policy of the Investment Board when you establish a benchmark, how far does your selection vary from the benchmark? You are insinuating that these are large cap ultra-growth...do you go out and find another manager that offsets that, or do you gamble on that?

Mr. Anton: If you look at our portfolio, we have an allocation of 5% to Sands, but we have an allocation of 10% to two large cap value managers. We have known all along that Sands plays in this sort of hypergrowth space and our portfolio has double the amount of large cap value to offset that. We knew going in there would be times when they are going to get really beat up, but there are also times when they do exceptionally well. We are not surprised by it, we do not like it, we are watching it. We do not have a firm policy that says if they are under their benchmark for a year, we automatically terminate them; we are keeping a close eye on things.

Consent—Action Item(s)

- 3. Disclaimer of Interest Request DI600315—C & L Family Farms, LLC, Boise River** – *Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance*

Recommendation: Direct the Department to issue a Disclaimer of Interest for one parcel totaling 28.77 acres of the former bed of the Boise River to C & L Family Farms, LLC, following their payment to the Department of the remaining processing fee of \$300.

Discussion: Governor Little asked if that fee is set in rule or code. Mr. Wilson replied that the fee is set by Land Board policy. Governor Little commented that 28 acres for \$600 is a good buy. Governor Little asked for an account of all costs as part of the discussion when disclaimers are discussed at a future Land Board meeting. Mr. Wilson indicated the Department has started preliminary research and maybe a slight adjustment in fees could be made.

- 4. Strategic Plan FY2023-FY2026** – *Presented by Dustin Miller, Director*

Recommendation: Direct the Department to submit its FY2023-FY2026 Strategic Plan to the Division of Financial Management by July 1, 2022.

Discussion: None.

- 5. State Membership in Timber Protective Associations** – *Presented by Dustin Miller, Director*

Recommendation: Authorize state participation as a member of the Clearwater-Potlatch Timber Protective Association and Southern Idaho Timber Protective Association.

Discussion: None.

- 6. Deficiency Warrant Authority for FY2023 Fire Suppression** – *Presented by Dustin Miller, Director*

Recommendation: Authorize issuance of deficiency warrants to pay the fire suppression costs in FY2023.

Discussion:

Governor Little: In previous years, we voted on some innocuous \$50,000 bill and I think I protested a little bit. Did we get that problem taken care of and we just are authorizing the deficiency warrants, do I have that correct?

Director Miller: Governor that is all this agenda item does. We have the place holder in there. The place holder has always been, for whatever reason, \$151,000.

Controller Woolf: Director, we already know you have put down payments for aviation costs; you are reserving helicopters or wildland firefighting planes. That is around \$1 million to \$2 million up front. Is it worth to even start there?

Director Miller: Governor, Mr. Controller, it probably is worth starting there. Looking at our numbers here, aviation resources, our estimated costs to keep those resources on contract is about \$2 million annually. Our balance in the deficiency fund is about \$73 million as of July 1; that includes the \$40 million that was added by the Idaho Legislature this year. Money is there. Craig and I need to talk in the future about this place holder and why it exists.

Governor Little: Director, it is early now, and we are going to go through the fire season, but I think maybe 8-10 months from now, if the Department as they are working through this can say what are our fixed costs and what are our variable costs. What would it cost us if we did not burn one acre of state land, our fixed costs, because I think that was where Controller Woolf was going. You guys are going to be busy now that the fire season is starting. Depending on what the rest of the Board thinks, I think it would be a good idea as we are going forward to be a little more transparent about it, if we knew what our fixed costs and what our variable costs were going forward. As you are doing your budget and your fire suppression work, if your financial people are just thinking about that it would be helpful to me.

Director Miller: Absolutely, Governor.

7. Approval of Draft Minutes – April 19, 2022 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 5-0.

At 9:27 a.m., a motion was made by Attorney General Wasden to resolve into Executive session pursuant to Idaho Code § 74-206(1)(f) – to communicate with legal counsel for the Land Board to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated; and pursuant Idaho Code § 74-206(1)(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. Attorney General Wasden requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Controller Woolf seconded the motion. *Roll Call Vote: Aye:* Denney, Wasden, Woolf, Ybarra, Little; *Nay:* None; *Absent:* None.

Executive Session

A. Disposition of Cougar Island on Payette Lake

Idaho Code § 74-206(1)(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.

B. Performance Evaluation – Director, Department of Lands

Idaho Code § 74-206(1)(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.

At 9:57 a.m., a motion was made by Attorney General Wasden to resolve out of Executive session. A roll call vote was taken. *Roll Call Vote: Aye:* Denney, Wasden, Woolf, Ybarra, Little; *Nay:* None; *Absent:* None. No action was taken by the Land Board during Executive Session.

Regular—Action Item(s)

8. Disposition of Cougar Island on Payette Lake – Presented by Josh Purkiss, Bureau Chief-Real Estate Services

Recommendation: Reaffirm the Land Board's 2018 decision to dispose of Cougar Island at public auction in Valley or Ada County.

Discussion:

Attorney General Wasden: In the interest of transparency and in compliance with the Idaho Open Meeting Act, I want to disclose that one of my staff met with Mr. James Laski, the current lease holder and applicant for the 2022 VAFO. The meeting occurred on June 16 between Mr. Laski and my staff representative Darrell Early who is also counsel to the Board. There is nothing unusual about this; oftentimes members of the Board or our staff will meet with folks. There is nothing untoward here, but I wanted to make certain that you were of it. Mr. Laski had questions concerning the process for handling the county's letter and its objection and how the Board would approach the matter procedurally. Mr. Laski also expressed his interest in pursuing the VAFO process including his reasons and concerns about delaying the VAFO process further as it relates to his interest. He discussed the current efforts at perc testing the island and his history of ownership. Mr. Early relayed the nature of the process generally consistently with Idaho Code section 58-313A and did not otherwise discuss the business of the Board. I simply disclose this so it is on the record; again, there is nothing unusual about this. These kinds of meetings take place all the time.

Governor Little: Mr. Purkiss.

Mr. Purkiss: Thank you Governor, members of the Land Board. Again, for the record, Joshua Purkiss, Real Estate Services Bureau Chief at the Department of Lands. Idaho Statute 58-313A requires the Department to provide written notice to the county commissioners when the Board's intent is to sell land within their county. On April 20th of this year, the Department provided Valley County Commissioners a written notice outlining our plans for the disposition of

endowment land in the 2022 voluntary auction for ownership and the unleased lot auction in 2022. On May 9th, the Department received a written response from Valley County Commissioners in opposition of the sale of endowment land on Cougar Island. Pursuant to 58-313A, the objection must be presented at the next Land Board hearing, so here we are. Given the recent letter, the Department is asking the Land Board to reaffirm the decision of the 2018 approval to sell Cougar Island at public auction. Some background here: in 2010, the Board directed the Department to unify the split estates; in response, the Department created a lot solution team to address legal access, accurate easements and platting the subdivisions. As part of the process, the Department created five legal parcels on Cougar Island. You can see them on the map on the screen, as well as attachment A is the recorded plat of the island. In 2014, the Board directed the Department to auction both Priest and Payette Lake cottage sites, which did not include the unleased lots. So, you have Lot 2, which is the blue highlighted lot. That is the leased lot that Mr. Laski currently leases, and the four additional lots are unleased. In 2018, the Department came back to the Board and asked for approval to include the 14 unleased lots at Payette Lake in the cottage site auction. All but four of those remain to be sold and those are the four lots on Cougar Island. This was done primarily as a way to increase the activity around the auction. We saw a number of upbids on the unleased lots; they tend to sell for about 128% above appraised value versus the leased lots that sell for about 103% of appraised value. In June 2020, the Board directed the Department to prepare a plan for the management of endowment land in the McCall area. This became known as PELS or the Payette Endowment Land Strategy. The PELS plan included approximately 5,500 acres of endowment land located in the McCall area of impact. The development of the plan included various public meetings and the formation of a focus group with stakeholders from all across the state. During the development of PELS, Cougar Island was identified as a Tier 1 property which means that it met certain criteria and should be sold in the next 1-5 years. The PELS plan was adopted by the Land Board in March of 2021. In 2021, Cougar Island generated \$32,400. It was appraised for \$4.8 million, which equates to a 0.6% return. Currently the Department has no applications, no valid applications on Cougar Island, since the adoption of PELS other than the existing lessee's current request for disposition through the VAFO auction. Given the lack of leasing opportunities, the fact the island is underperforming at 0.6%, and the recent adoption of the PELS plan the Department recommends that the Land Board reaffirm the auction of Cougar Island.

Governor Little: Thank you Mr. Purkiss. Director, can you give us a dashboard of where we are going now.

Director Miller: Governor, I believe we have a couple of individuals that would like to say a few words on this topic before the vote from the Board. Valley County will be the first to speak.

Governor Little: Okay, Commissioner Maupin, I assume you are representing your county, welcome.

Ms. Sherry Maupin: Good morning, Governor, members of the Board. I am here regarding the sale of the Cougar Island representing the Valley County Board of Commissioners; I am Sherry Maupin a county commissioner. Cougar Island is a historical gem of Valley County. This island, which has been accessible for public use is one of the many areas used to enhance our recreation economy. Public lands are being transferred from public to private or proposed wilderness designations right now in Valley County. Valley County's economy is built upon recreation and its

access to recreation lands. Questions that we feel that should be answered prior to any sale: What will the island's sensitive environment resources allow? Septics and wells are being proposed on each lot. Has this testing been completed to ensure that Central District Health will approve these systems? Should five systems be allowed on an island in the middle of McCall and other communities drinking pool? Can five wells be supported? Will access to the island for building create the potential for environmental concerns? The continued need to ferry items to build back and forth from the island also create a great concern for potential impacts to the lake. Valley County is currently in the process of completing a waterways management plan for the region. The sale of this property is before all of the environmental research has been completed and the county has a chance to create and enforce new ordinances surrounding lake water quality. As part of this plan, the county may enforce our current code which is for development within areas of critical concern. This ordinance requires an environmental assessment of any lands that are within these critical areas; this island would meet these requirements. This assessment would be incumbent upon any future owners of such land. Valley County is in the process of forming a recreational infrastructure committee that will provide for future use plans, and opportunities to grow our programs in Valley County. The sale of this island is before any assessment can be made on how this impacts our recreation plans for the future; opportunities could be identified which may allow for the purchase and use of the island for conservation of public space for future generations. Valley County is requesting that if the sale of these lands be allowed, that we be able to utilize statute title 58. This title allows for the creation of an installment note to be paid by the purchaser of the land over an agreed upon term and interest rate not to exceed 20 years. This note would allow the endowment board to secure an additional funding source from the interest paid on such note. The auction process for purchasing state endowment land possesses significant barriers for state departments, county governments, or local municipalities wanting to participate in obtaining land crucial to their economic and open space needs. The need to allocate public funding for an undetermined purchase price makes it extremely difficult for public entities to participate in the auction process. Allowing the use of existing state statute to create agreements between the Land Board and a public entity to complete the transaction over the course of 20 years can provide the necessary flexibility for the purchase and transfer of these transitional lands from the endowment to another state department, county, or city government. Specifically, this would allow Valley County to budget for the purchase over time and partner with local non-profits, allow us to apply for grants, and work with private individuals to acquire the necessary funding to complete the transaction. As an example, this would allow for entities to grow state, county, and city parks on land which have traditionally been seen as public open space. This provides a win for the endowment by disposing of the land in a manner which meets the constitutional requirement at the same time providing a win for Valley County and securing land which is crucial to the local economy, environment, and our heritage. This could also provide a win for the people of Idaho by creating a new avenue for the growth of state and local parks. With the use of current statutes and sufficient prior notice necessary for planning, Valley County could become an essential partner with the Land Board in solving the problem of transitional lands within the endowment portfolio. Further, we have already started identifying some issues. ISDA has identified that Eurasian milfoil is present in Payette Lake and further testing and eradication may be needed. They will be working with Valley County this year to remove and monitor ongoing concerns for this invasive species which is already present. The last thing, Valley County does own 10 acres. We would love to exchange those 10 acres with the State. We have talked to the Idaho Department of

Transportation in potentially using this as a rest stop so right as you come out of the canyon on the right side at Sixty Lane. If there is some way to exchange a portion of these lands to be able to utilize this as an opportunity for Valley County, we would put that on the table also. I have a copy of an ad that is going out this week. We are advertising to our local community this pending auction allowing us to raise funds if the auction does go forward. We are asking you not to do that, but if it should we are trying to raise funds as fast as we can. It is very difficult for governments to do this on such a short notice. I will stand for questions.

Attorney General Wasden: Commissioner Maupin, nice to see you again.

Commissioner Maupin: And you.

Attorney General Wasden: This is the first I have heard of the potential exchange. Have you approached the Department on that issue...made an application, or anything of that nature?

Commissioner Maupin: We have not. We are working with United Payette; I believe that they have been in conversation. We do have a pending lease right now, not certain whose office it is in, but it has been presented on some of the other endowment lands in the greater area. We are waiting to hear back on that to see how that goes and how we can partner on leasing some of this property.

Attorney General Wasden: In your presentation you raised some really interesting issues, appropriate issues. I am interested in knowing if you have any information in terms of the financials. That is, we have an obligation to obtain the maximum long-term return. Do you have any information that can enlighten us in that regard, what the return on this land would be, etc.? If you have anything like that, I would like to know what it would be.

Commissioner Maupin: Unfortunately, because of an auction situation we never know what the price is going to be; postponing that auction would allow us the opportunity to negotiate potentially a settlement or some type of a process going forward. Right now, it is such a time restraint for us that it has not been possible. We could certainly negotiate that through a lease.

Attorney General Wasden: Thank you.

Secretary of State Denney: Thank you, Commissioner Maupin. This particular parcel was auctioned several years ago, and it was requested a second time and yet this is the first time that Valley County has objected to that auction. Can you enlighten us as to why that would be?

Commissioner Maupin: I believe that we have been woken during the process of the 28,000 acres of endowment lands. I do not think anybody really understood the full potential to our recreation base in the past. We have certainly engaged at this moment in time; our community is very engaged in this conversation as you probably all know through your email chains. It is something that we are trying to find long-term solutions. This is our recreation base, and we are obviously a recreation community. I cannot answer to the past, I do know that since I have been on the board, the subject has come up and been proposed, and we are very engaged in the conversation. Again, we do have a lease agreement in front of someone's office in other areas and when this came up and was brought to our attention, we immediately responded with a letter asking for a little more time to try and find solutions for all of us, and this is throughout the state is my understanding. Let us try and find solutions so that we create this open space and

protect the heritage. This is historical to Payette Lake. Having housing out there would be a huge change and so we are just asking for some time to try and find something that we can do together for the future to take care of not only your responsibilities but also to create an opportunity for the residents of Valley County to potentially own this.

Secretary of State Denney: Thank you.

Governor Little: Anything else? Thank you, Commissioner.

Commissioner Maupin: Thank you for the opportunity.

Governor Little: Mr. Laski.

Mr. Jim Laski: Thank you Governor, Land Board, my name is Jim Laski. I have resided in Bellevue, Idaho for the last 25 years. I am an attorney. My wife Jennifer Card is a large animal veterinarian, served for five years on the State Board of Veterinary Medicine in the 2000s and we have two children who are now of college age. The purpose of my remarks today is to urge you not only to proceed with the disposition of Cougar Island as suggested by the Board but also to maintain the July 30 auction date, at least for my lot, regardless of whether the unleased lots are included in that auction or not. Ten summers ago, I had the opportunity to acquire the leasehold on lot 2 of Cougar Island. Since then, my family and I have spent as much time during the summer as possible enjoying the island and the unique beauty an Idaho mountain lake has to offer. Because of both the wild and delicate nature of Cougar Island, we have occupied our lot conscientiously and with a very light footprint. We have never used fertilizers; we have never created lawns or irrigated areas or incorporated unnatural landscaping. We take stewardship of the property and protecting the watershed very seriously. We have never rented out the property. Over the years, I have also spent considerable time and heartache with several of the good members of the Department of Lands digesting various appraisals, some of which resulted in close to 100% increases in my rental amounts, as well as trying to navigate the VAFO process with the goal of my family ultimately buying out the lease and keeping the home for future generations. I understand and respect your constitutional and statutory duty to maximize the long-term financial return on the cottage properties. I also understand that to meet this duty, your Board directed the Department of Lands to unify the estates so that the improvements and the underlying ground would no longer be held in separate estates by separate parties. That decision led to the VAFO program which unifies title through the auction process to maximize return on the properties. As your staff briefing shows, when the present 2024 VAFO process was adopted in 2018, 140 of the 168 Payette cottage sites, just like mine, have been disposed through the VAFO program. Since the 2024 cycle commenced, I have been an active lessee participant. After expressing interest, I was invited to participate in the 2020 auction and completed the application and paid non-refundable \$3,000 for an appraisal and title work. In spring of 2020, the COVID pandemic added some uncertainty to the process, but in August of 2020, Sid Anderson, then the Real Estate Chief suggested a fall auction could be held. When I submitted the auction administration agreement at the beginning of September, I was advised there would be no fall auction. I was again invited to participate in the 2021 cycle; to make application I had to pay for another appraisal. When the appraisal came in, I was advised that an auction would be held in late fall 2021. My wife and I completed a new auction administration agreement and I worked with DL Evans bank to get a commitment regarding financing. That is not an easy task for an off the grid, island property, no car access. At this point, I thought I was good to go, but in late

October I was advised that the Department wanted to auction the whole island, the VAFO lot of mine plus the ULA auction of the unleased lots together, and that none of the lots would be included in the December auction to allow more time for marketing. At that time, I expressed concern that the August 2021 appraisal that I obtained for the '21 process would only last for a year and was advised that at least my lot would be included in an auction before August 2022. Since then, I have worked diligently to maintain the commitment for financing from DL Evans and to press the Department of Lands for a firm date on the auction. I have also worked with United Payette on their steering committee – I believe the same United Payette that the Valley County Commissioner is discussing – toward a plan to acquire the unleased lots for conservation should they be included in the auction. This spring, I watched, read, and heard numerous news reports about the entire island being on the auction block, each of which spurred countless inquiries from friends and acquaintances. In May, at the request of the Department, we again completed an auction administration agreement, the third time in less than two years, and were advised that the auction would be scheduled for July 30th in Eagle. Then, just two weeks ago, Mr. Purkiss called to say the auction may be delayed again to allow for more marketing of the unleased lots, to check for septic availability on the unleased lots, and because Valley County objected to the auction of the island. With respect to Valley County's objection, on May 9th the Valley County Commissioners asked the Board to reconsider the auction of Cougar Island until such time as a long-term solution could be found. Per Idaho Code 58-313A the Land Board is required to determine whether the county has presented good cause to delay the sale. I would submit they have not. First, on May 14th, 2018, the Land Board presented the 2024 VAFO plan, which included the disposition of Cougar Island, to the Valley County Commission and at that time the commissioners declined to provide any form of comment. Also, I would note that the island has been on the auction block before, and Valley County has not commented in the past. Second, based on the May 9 letter, the county's primary objection is to the development of the four unleased lots, not the leased lot. They focus on water quality being adversely impacted by additional development, but not by the improvements on my leased lot. Moreover, based on the discussion with the county commissioners at their meeting a week ago on June 13th, at least one of the commissioners is hoping that I will forfeit my improvements at the end of my lease term, which obviously makes me feel a bit uncomfortable. He suggested taking over the house and using it as a public rental or for some sort of park outpost for camping, either of which would increase any adverse impacts on the water quality well beyond the relative minimal use the property gets now. Finally, the county suggests it is working with United Payette on a plan to find alternative solutions for Cougar Island. I am a member of the steering committee of United Payette, and I have been working with them closely for over the past year; at no time during that period have they suggested that a VAFO for my lot was objectionable to their organization or that they wish to acquire my improvements. Based on the foregoing, I would submit that Valley County has not provided good cause to delay my inclusion in the VAFO auction for July 30, 2022. We are all aware that property values in Idaho have increased significantly in 2020 and 2021, however now appear to be leveling off. As such the August 2021 appraisal represents a value at or near the top of the market thus maximizing the return on lot 2 for the endowment. Both my VAFO lot and the ULA lots have been marketed since at least early spring and state code only requires four weeks' notice for an auction. As such there is an ample time for marketing. Finally, further diligence by the Department with respect to septic, which I believe they have done and determined that there is only septic availability on lot 3 as well as mine, should have no impact on the timing of the VAFO auction for my lot. Importantly, the 2024 VAFO plan does not tie VAFO

auctions to ULA process auctions and only combines them when prudent based on third party interest in the lots and broker recommendation. I keep hearing that the island is unique and thus is not the same as other VAFO properties. I would submit that the fact that four new unleased lots were created by the Department on Cougar Island less than 10 years ago should not in fairness and equality impact my ability to participate in the VAFO process just like all other cottage leaseholders. It is not fair to me nor the interest of maximizing return to the endowment to allow a controversy over whether or not the newly created lots should be developed, remove me, or delay me from my ability to participate in the auction. Thus, if you are inclined to delay the ULA auction for the unleased lots, I request that you follow the 2024 VAFO plan and not combine the auctions. In any case, do not delay my lot from being included in the July 30th auction. Proceeding with the auction on lot 2 Cougar Island now, knowing you have at least one committed bidder for the property, will meet the stated goals of unifying the two estates and maximizing return to the endowment for legacy leased properties. Finally, if my leased lot is not included in the July 30 auction, it will impact me and my family both emotionally and financially. We have now paid for two appraisals for the state's sponsored appraiser to stay in the VAFO process; it is not a free process to participate in. Further delay means more unreimbursed costs for us to stay in the process. More importantly we spend considerable time, energy, and money working with DL Evans so that we can finance the acquisition of the lot should we be the prevailing bidder. This was set up for the fall of 2021, working in good faith with the Department, and as that auction was extended, I have been able to extend my commitment with them contingent on having an auction prior to August 2022 because it is based on the appraisal that was done a year ago. As we are all aware interest rates are rising rapidly. If this auction does not proceed for me as previously scheduled, we will likely lose the commitment from DL Evans and have to start all over. Perhaps we will lose the ability of the chance to keep the house we have enjoyed for years. In conclusion, I ask you to please treat me and my family as you have treated all of the other VAFO cottage site lease holders, include my leased lot in the auction scheduled for July 30, 2022, consistent with the presently pending auction agreement which was timely submitted and accepted by the Department of Lands in May 2022. Doing so would be completely consistent with the VAFO 2024 plan by unifying the estates and my leasehold and maximizing return to the endowment. Thank you for your attention in letting me speak before you and I will stand for questions if you have any.

Attorney General Wasden: Mr. Laski, I compliment you on your good sense of Idaho and that you live in Bellevue, a beautiful place and you have a place in McCall, a beautiful place, so well done. I noticed in your comments, you addressed some of the market issues. The market does seem to be peaking. Have you done additional financial analysis as to the long-term return that is our responsibility? I am just asking if you have done anything in that nature.

Mr. Laski: As I understand the VAFO process, the return on the investment is actually liquidating those lots and I think you would be liquidating them at the high point of the market based on a minimum bid which is consistent with the August 2021 appraisal.

Attorney General Wasden: Thank you.

Governor Little: Further questions? Thank you, Mr. Laski.

Mr. Laski: Thank you.

Governor Little: Mr. Purkiss, do you want to wrap this thing up for us?

Mr. Purkiss: There were a number of things brought up, one being the appraisal. When we take endowment land to market it is important to have an accurate appraisal and we have been working through that process. This appraisal that Mr. Laski has been referring to is set to expire. We also received more information about the island, about its inability to perc. We met with Central District Health and went out there and dug a couple of test pits. The only lot other than Mr. Laski's lot that can perc is the one highlighted up there which is lot 3. We anticipate that will have a significant impact on the appraisal of the whole island. We have the appraiser working on that now and should have that within a week. Our plan now is to bring it to market, to auction early September, between getting an appraisal and having everything published it is probably going to take at least 45 days. Again, a very unique island that is an underperforming asset for the endowment returning only 0.6%; we would like to see this sold here in early September. Mr. Bottles is here, if you have any questions about the market right now, but that concludes my presentation and recommendation.

Attorney General Wasden: Thank you, Mr. Purkiss. Our decision-making basis is that we are objective as to obtain the maximum long-term financial return, so I am interested in your thoughts as our representative and also interested in the experts that we retain to help us understand what these market conditions are. My understanding is that the market is at a significant high in its cycle, and that we do see some mellowing of that market. I am interested in your thoughts, advising us as to how we are able to obtain the maximum long-term financial return that is our duty, help us understand how we do that under these conditions with this parcel of property.

Mr. Purkiss: Thank you Governor, members of the Board, Mr. Attorney General. I have been talking to brokers in the area independent from Mr. Bottles, asking them what they thought about the market – is it softening too much? Is it too late to take this? All of them have said no, you need to bring this to market sooner rather than later because of the things happening with interest rates and then the softening of the financial markets that Chris was talking to you about earlier. I think now is the right time. I do not think waiting for the next cycle is prudent. This again is not generating very much revenue and getting it sold is in the best interest of the endowments. Then if it is okay, I will defer to Mr. Bottles.

Controller Woolf: Governor, before Mr. Purkiss steps down one question. What is the direction the Department is looking to do if it were September? A combination of keeping the five lots individually, or knowing what the perc results will be, what do you see going forward?

Mr. Purkiss: Governor, members of the board, Mr. Controller, as of right now we have it scheduled to do a parcel auction like we have done in the past, even with the Caldwell property, where we have taken them individually, have them go to auction, and then we take the island as a whole, we can even chunk it out into two separate properties. We will offer it in various ways and whichever one generates the most revenue at auction will be the winner.

Controller Woolf: Thank you.

Attorney General Wasden: Governor, I am interested in Mr. Bottles' expertise on this matter.

Mr. Mark Bottles: Good morning, Land Board and Governor. Number one, I think it is still a great time to sell. There is no doubt bumps in the roads, but for these high-end assets we are still seeing activity. We had that December auction, and that was crazy hot; the upbid was 80-471% over. I wish I could say it was just due to my and our team's marketing ability, but there is a lot of other factors going into it. We still see a lot of interest in recreational property, talking to people all the time in that activity. Speaking to the value, Mr. Wasden, we talk about it as a whole, and then we talk about it individually, and my job is consulting with folks and giving them advice on what to do. I think as a whole it is phenomenal. Individually, I will give you some perspective, and the appraisal reflects this, it was a higher price as a whole as it was individually. The disparity may even be bigger than that especially in light of just recent information on the septic. We only had one lot additional that perced and it was only for two bedrooms. They typically do those percing based on how many bedroom units. A two-bedroom lot on a private island probably limits the buyer pool where someone who says I want more bedrooms, that really limits them to that. From a marketability standpoint, on the additional lots, if we were to go to auction with it as a whole, I think the market is really good. If we did them individually, I think we might sell two or three lots; I am going to say two lots. I think it might be a challenge to sell the other three. The reason why I think it is worth more as a whole, just personally aside from the appraiser, when I talk to individuals who want to buy lots up there, that want to buy bigger lots, the value people want is they like the exclusivity of things. People want the wider lots because their neighbors are further away. The island in particular, it takes a unique buyer to buy that. I think it was mentioned you are not driving a car there, you have limitations, construction costs, all the other things you have are a lot more. That limits the pool. When I talked to a few buyers after the article in the paper, whether it was intentional or unintentional, my phone got lit up and asking what is going on with this. I had buyers saying they would be interested in it as a whole not as a subdivision is what they called it. They would rather have something that was more exclusive. My recommendation would be I am fine with the auction as a whole and I am fine auctioning it individually but if you are unable to sell say three of the lots and you cannot get the whole number, then I do not know that you sell it. If you came to me in six months after we sell two lots and said, can you get the balance of the money and say it is \$3 million bucks, I am not confident based on the information that I have with percing that I can get there because I have a camp site is what I have at that point. This is just my opinions here.

Attorney General Wasden: Thank you. You have worked with us for a long time, and we rely on what you say and appreciate your expertise and your willingness to let your hair down and tell us what you think.

Mr. Bottles: I appreciate that.

Governor Little: Thanks, Mark. Okay, that is the end of the testimony.

Board Action: A motion was made by Attorney General Wasden that the Land Board reaffirm its 2018 decision to dispose of Cougar Island at public auction in Valley or Ada counties. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

9. **Asset Allocation Study 2022** – Presented by Janet Becker-Wold, Senior Vice President, Callan, and Jim Van Heuit, Senior Vice President, Callan

Recommendation: Approve the Asset Allocation Study updated by the Land Board's General Consultant (Callan).

Discussion:

Attorney General Wasden: Based upon the numbers on the rangeland, does that give us an idea of what we should be doing with rangeland when the return changes in about an 8-year period from 3.5 to 2.35?

Ms. Becker-Wold: The purpose of this analysis is not to suggest a change, it is just to reflect that the timber demand had gone up; you had that property appraised and that appraised value went up fairly significantly. Since that appraised value went up, the appreciation component was pretty healthy here, whereas there was not a commensurate reappraisal of the rangeland. We had to do that based almost solely on the income. Jim is that a fair statement?

Mr. Van Heuit: Yes, it is. We did have a reappraisal of rangeland but that only, on average over the time period that we studied, contributed 0.66% to the total return. The primary source of the return in the rangeland was from revenue.

Governor Little: Was from premium sales? Overbid?

Mr. Van Heuit: Yeah.

Governor Little: Do we still have the timber ground at \$1,500 and the range ground at \$45? That was the last Callan data I saw or Department data. A little hard to figure the yield if you do not know what it is valued at.

Mr. Van Heuit: The yields are historical and consistent with the historical data. The one distinction that we had on that is for timberland we used the high and low revenue forecasts and we assumed that the land would appreciate at our forecast greater inflation. Given that rangeland had not historically appreciated at the rate of inflation we just applied the historical value for appreciation that we had seen from the reappraisal.

Secretary of State Denney: One question for Jim. What does the current rate of inflation do to this? I know in 2014 the study it was 2.25 and it is much higher now. What impact does that have?

Mr. Van Heuit: Yes, for our forward-looking rate of inflation, we are currently using 2.25%. We are probably going to revise that up to about 2.5%. On the order of about 2.25-2.5% is a reasonable forecast for inflation. Remember we are looking at this on a strategic basis as opposed to a short-term basis, so this is on average over the next ten years. We anticipate that inflation will be higher for the remainder of 2022 and into 2023, but after that we believe that the current Federal Reserve hikes are going to be effective and reduce inflation down to somewhere in excess of 2%.

Ms. Becker-Wold: One of the things that the Land Board will see that is a little different, or a lot different, from what we did in the 2014 analysis, and was a subject of some discussion around

the 2017 study and the reinvestment subcommittee discussions that came after that in terms of deployment of the land bank assets, is that we did not include any ranges around this asset allocation. We just gave you exactly what we think that current asset allocation is expected to deliver in terms of return and risk. There are a lot of reasons around that. One is that setting ranges implies that you need to be in that range when the Land Board and the EFIB board have very little control in terms of how to move the asset allocation from where it is now to any other place even within a range because you have constitutional prohibitions of moving assets back out of the permanent fund and into lands. The only source of trying to get to any kind of a target would be land bank assets. The land bank assets are not going to be sufficient to move you anymore. I know that there is some money that could be coming in, but it is just not enough to move the needle. We just said instead of making this in a range, let us think about it as where we are and then where do we go from here in terms of how we invest any incremental new money. The way we have done that in the past, which I think is very consistent with the way we are thinking about it now, is using the expected return on land assets, in this case timberland, of that 3.35 on a real basis as the guidepost for additional investments in timber. None of that analysis says that timberland is not a good investment. On the contrary we think it is a good investment. It is not a good investment at any cost, at any price. We feel that the moderator on that decision should be the go forward expected return for timber on a real return basis. That is why we got rid of the ranges because you have no ability to actually do that, to really go back to that range. Investments in timber and rangeland are good diversifiers, but we believe they should meet this return hurdle. From the total endowment point of view, asset classes should be kind of a valuator regardless of their ownership, when I say ownership, I mean do they fall in the EFIB purview, or do they fall in the Department of Lands purview because really at the end of the day the Land Board owns all of the assets in the trust. We are trying to move to a way of thinking about this where IDL and EFIB are really one big pool of assets. Instead of thinking about them in terms of their location of ownership, think about the role those assets play in the total trust, which is the concept we were trying to get to in 2014, but it took us a little while to think that all the way through, take these confines off, use the hurdle rate as the moderator for asset allocation into lands and then look at the trust as a whole. What I am trying to show in the schematic at the bottom is that there is an intersection between these two pools. IDL has the private assets in rangeland and timber, EFIB controls the bonds and stocks in the public markets but commercial real estate, which was put in the portfolio after the 2014 analysis that said you should divest of the cabin sites. We took that and said we cannot really replicate a broad commercial real estate portfolio within IDL, but we can do it in the EFIB, but it still has a lot of characteristics in common with the private assets. It falls in that intersection between the two yet is under the direct purview of EFIB, yet ultimately under the purview of the Land Board. I hope that that conceptually makes some sense. We started to think if there are other things that could fall into that area that could be accretive to the total return, because at the end of the day what we are trying to do is provide a steady distribution and grow that over time. When I say steady, I mean really to put a floor on it. Years ago, when we got engaged in this analysis, we understood then and I think it still holds today is that one of the things that the beneficiaries have as a high priority is putting a floor to the extent possible on the level of distributions year to year, so they have some idea of how much money they are going to receive. That is particularly important to public schools, but the other beneficiaries as well. All of these policies combined – the investment policy, the distribution policy, the reserve policy – all play together to make sure that we can do that, that we can provide some sort of a floor, yet have a mechanism to grow the

distributions over time. This system has worked out beautifully because with the exception of very few years, and one of those was during the financial crisis, we have been able to do that, to grow distributions year to year and to keep that floor. This has all worked out very well, so if the Land Board approves this analysis, we would like to go back and revise the key documents, which is the strategic reinvestment plan and the investment policy statement, for the Land Board to reflect these new expectations and to update the hurdle rate.

Controller Woolf: Thank you, Janet, and Jim. I understand what you are talking about with what you showed in the 2014 asset allocation, you gave us target ranges for the various assets and you talk about because of the friction of what we have as a Board it is difficult to make those movements. Help me understand what Chris and the EFIB board have a little bit more flexibility to adjust and to move around. If I understand you correctly, you are saying even with that we would not be moving the needle that much, is that correct?

Ms. Becker-Wold: The EFIB board does have a lot of discretion to do things within their own portfolio and we try to coordinate that to some extent, to look at the total because we trying to keep our eyes on it.

Controller Woolf: My key part here is back in 2014 you gave us a target range for the various asset classes and here for the 2022 your recommendation is not to include that, and you gave your reasons, but I am trying to help understand how does EFIB...in your third bullet it says we are supposed to look at this as an enterprise, as a full thing here. How do we help identify what EFIB, who has a lot more flexibility, what direction do they need then to know what target classes, what is the target range? I feel that we still need some type of direction even if it is the EFIB financial portion.

Ms. Becker-Wold: That direction is that what we are really trying to do is meet the distribution objective which is 5% of the rolling 3-year average. This whole thing is guided by that distribution policy. We will continue to work on the asset allocation in the EFIB purview that will help meet that objective. We are trying to continue to grow the fund prudently, which means how can we take risk in a way that is not going to violate any of the priorities set by the distribution policy. While that does not seem very specific, there is a target return we are trying to hit, embedded in the distribution policy, which is a 5% plus 2.25 at a minimum; that is a 7.25% rate of return that we are trying to hit. Everything that Lands can do to improve their side, everything that we can do to improve the EFIB side, and anything that we can do together to improve it should move us towards that target.

Controller Woolf: You state at the end of 2021 that our Idaho timberland was 31% of the assets and I imagine with a financial market going up and down over time, is it a true statement that timberland class would continue to go down as an overall for the whole portfolio?

Ms. Becker-Wold: You are correct that the markets have been terrible this year. We are on pace to have the worst 6-month period since back almost in the Great Depression. This has been a huge correction in the markets. I remind the Land Board that this correction has only really taken us back in terms of the equity markets to the fall of 2021. We still had a phenomenal 10-year period of equity returns; we have only corrected literally back to last fall. If you think of this as a mountain we just kind of blew off the top of the volcano. The market is doing something that is a little different right now than what we normally see, which is that both equities and bonds would

be down at the same time. Some of that has been exacerbated by the COVID crisis because the Federal Reserve cut interest rates to zero. They stimulated a massive amount of quantitative easing into the economy, and all of that turned out to be highly inflationary. According to some people in the markets, they might have been a little behind the curve in terms of recognizing that inflation was not going to be transitory that it was going to be much more ingrained in the economy based on low interest rates. We are bursting bubbles all over the place. We are bursting a bond bubble, a cryptocurrency bubble, equity, real estate, they are doing everything all at the same time and they are doing it by raising interest rates. When interest rates rise, bond prices fall and that means you have a negative return from bonds. At the same time rising interest rates also impacts equities and impacts the economy and impacts earnings if we go into a recession. You can see how these things have aligned. But in terms of the asset allocation and the ability for this trust to sustain through this we have every confidence that you can because of all of the fail safes that are in place here. You have a balanced asset allocation on the EFIB side, you have steady income coming from timber, you have a good return as Jim highlighted, and we have healthy reserves that will protect the distributions.

Mr. Van Heuit: If I could just add one more comment, as you see here on slide 30 the 10-year expected compound return for the portfolio as a whole is 6.05%. To the extent that the timber return is below that, means that the financial assets will grow faster than the timber assets will and consequently we would expect under a normal environment for the timber allocation to fall as a percentage of total assets.

Ms. Becker-Wold: That is what it has done. I think in 2017 timber might have been as much as 41% and now it is down to 31; that is because of phenomenal growth in the financial assets.

Governor Little: Okay, further questions? Alright, thanks Janet.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Asset Allocation Study updated by the Land Board's General Consultant (Callan). Controller Woolf seconded the motion. The motion carried on a vote of 4-1; Governor Little cast the opposing vote.

10. Land Bank Fund Transfer to Permanent Fund – Presented by Dustin Miller, Director

Recommendation: Approve the transfer of \$44,242,795 plus accrued interest amount of \$2,893,157 from the Land Bank to the permanent endowment fund.

Discussion: Controller Woolf asked whether this recommendation is for a one-time transfer or a transfer on each of those quarters. Director Miller replied that this is a one-time transfer. Secretary of State Denney inquired if the Department has anything in the pipeline, given the recommendation from Callan to invest in timberland, that the \$44 million could be used for in the next three quarters. Director Miller responded that there are five potential acquisitions, across the state, that the Department is looking at, but the timing is not right yet for these five acquisitions. Governor Little pointed out there is still plenty of money in the Land Bank. Director Miller elaborated that if this transfer is approved, it would leave a balance of about \$105 million. There is \$23 million that could potentially be used for transactions related to the University of Idaho's CAFE center, which would leave about \$82 million available. Cash inflows over the next two years could be about \$32 million to bring it to \$114 million in the fund.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the transfer of \$44,242,795 plus accrued interest in the amount of \$2,893,157 from the Land Bank to the permanent endowment fund as recommended. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

11. Approval of Upper McKinnon Timber Sale with Clearcut Harvest Units – *Presented by Jim Elbin, Division Administrator-Trust Land Management*

Recommendation: Approve the Upper McKinnon Timber Sale with clearcut harvest units exceeding 100 acres.

Discussion: Controller Woolf relayed his appreciation for openness and transparency; with clearcuts at 101 or 102 acres, the Department could have easily gone under that and avoided bringing this for Land Board approval.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Upper McKinnon Timber Sale with clearcut harvest units exceeding 100 acres. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

12. Approval of Moose Drool Timber Sale with Clearcut Harvest Unit – *Presented by Jim Elbin, Division Administrator-Trust Land Management*

Recommendation: Approve the Moose Drool Timber Sale with clearcut harvest unit exceeding 100 acres.

Discussion: Controller Woolf wondered if there are any impacts of these clearcuts on the viewshed from Highway 3 heading north out of Bovill. Mr. Elbin said looking at unit 1 with the county road going right by it there will be some visibility; the terrain is generally rolling and flat so it should be minimal, and there has been a lot of timber management in that area.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Moose Drool Timber Sale with clearcut harvest unit exceeding 100 acres. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

13. Personnel Matter

Board Action: A motion was made by Controller Woolf that 1) the Land Board approves for Director Miller a 3% salary increase as directed for all state employees by the 2022 Legislature, 2) the Land Board approves a \$1.75/hour increase above that, so that Director Miller's new hourly rate will be \$70.62, and 3) an effective date of June 12, 2022 for both, which will make it the first pay period in FY2023, with pay date of July 8, 2022. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

Information

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

14. Pre-Season Fire Forecast/Update – *Introduction by Craig Foss, State Forester/Division Administrator-Forestry and Fire*

Discussion:

Mr. Foss: Just a few notes just to kick us off here, as of yesterday [June 20, 2022] we have responded to 14 wildfires burning 30 acres. That represents about 41% of the 20-year average for number of fires and 16% of the 20-year average for the acres burned to date. At this time last year, in 2021, we had experienced 102 fires consuming 425 acres. Those number of fires, those 102 fires were about 278% of the 20-year average and the acres burned was about 216% of the 20-year average. And as you will hear from the weather forecast, much different situation than what we were facing last year. With regard to staffing, we provide our forest protective districts with funding sufficient to hire three benefited positions for eight months of service; three non-benefited five-month positions; and three non-benefited three-month positions. Our districts are given discretion based on time of the year, severity of fire conditions. Their personnel needs vary, so we allow them discretion in terms of how they hire as long as they stay within budget given. Over time, we have learned that this approach works well; it allows for local decision making for hiring and insures we are fiscally responsible, and we are able to deploy personnel when they are needed most.

Given the scarcity of resources that we all experienced in 2021, we were anticipating significant challenges going into this fire season. Fortunately, the combination of the increased starting wages, which you were influential in bringing about, as well as hazard pay and paid R and R, we have had a very successful year in terms of recruiting for the 2022 fire season. At this time, I am pleased to report that our agency and the TPAs have been able to fill the desired number of engine boss positions at all but three districts. Southwest here in Boise has hired two, they intended to hire three engine bosses. Maggie Creek in Kamiah, Idaho hired two and they intended to hire three. Then our Craig Mountain District has only been able to hire one engine boss and they had intended to hire three. All other seasonal firefighting positions at all of our districts, except the Southwest office and our helitack group out of the Coeur d'Alene office have been able to fill their seasonal crews. In those situations where we have shortfalls, we will use permanent staff, non-fire staff as well as permanent fire staff with engine boss qualifications to address the needs during the fire seasons.

A. Predictive Services Forecast – *Jim Wallman, Meteorologist, NIFC*

Discussion:

Mr. Wallman: Good morning, Governor, members of the Board. I am going to talk about the upcoming summer fire season for Idaho. For the record, my name is Jim Wallman, National Interagency Fire Center Predictive Services. Showing you an overview of the drought nationally, it is looking better for Idaho, and I will zero in on that in a second. But first, we are continuing with extreme to exceptional drought in much of the West, in the Southwest if you have been hearing in the news lately, however, we have been seeing some improvement up North. But it has stretched out onto the Plains. Locally here, just looking at statewide ranks for precipitation over the last year, close to average overall statewide. It has been looking pretty good and much of that we have been above normal for the last three months and has actually continued into the middle of June. We are doing a lot better for precipitation this spring. That has increased one,

the grass growth, and two, the reduction in drought has really improved as a result of that. On the next slide, statewide average temperatures, we have been much above normal, kind of near record territory top 10%, but a lot of that was at the end of last year from July through really February when we saw all those above normal temperatures. Recently with the cooler, wetter, weather we have been below normal temperatures for the last three months. Looking at the drought situation last year, much of Idaho was in drought or abnormally dry. This year we are looking a lot better because of the cooler and wetter spring that we had; drought has been removed from all of northern Idaho. We still have some drought in the southern portions of the state with the worst conditions along the Nevada and Utah borders.

Looking at what it is going to do for our rangeland fire probability, I know for those of you that are local or in the southern part of the state, we have had exceptional grass growth. This rangeland fire probability that I am showing here is a few weeks old, but one thing that it does show is the above normal potential for grass fires and range fires in the Treasure Valley and out into the Snake River Valley in eastern Idaho as well. Because this is old, one thing I am going to ask you to do is kind of extrapolate what we are seeing here just in the Treasure Valley and then include the whole southern portion of the state, that is what we are seeing for grass growth. I could not get an updated image and I apologize for that, but just to give you an idea we do have a lot of grass out in the southern portion of the state. The drought outlook for Idaho, really not much change. We are going into our drier summer periods, not looking at any change, just looking for general persistence in the southern portion of the state and then up north we are not expecting any drought to develop this summer. What we are expecting is maybe a typical summer, maybe a little above normal for temperatures. Going over these national significant fire potential outlooks monthly. We just did this one from June 1st. Our next one will be updated on July 1st, and we are working on the process of updating them right now. This looks out four months and combines current situation with forecast weather and climate, and these are really good for our planning purposes, severity requests, resource allocation, anything that is needed during the fire season. Looking at July, at least for Idaho, we are expecting near normal fire potential. It may even be on the lower end of normal because of the wet spring and cool spring we have had that has continued well into June. Even over the last weekend we had quite a bit of precipitation in some areas. Areas out in the Plains obviously above normal, but we are looking very good here at least in Idaho for July. As we move into August, some of this we are going to be reanalyzing, but with some of the grass growth that we have seen in southwest Idaho and portions of eastern Idaho expecting above normal potential as we get towards late July really into August when that grass cures and will be available to burn. We also have some areas of the east central Idaho mountains highlighted as well. That is something that we are not as confident in at this time, and we will be reassessing as we go to our next month's outlook that will be released on the first of July. And then into September we are keeping the above normal potential, significant fire potential out in the eastern portions of the state. We may have to reanalyze all of southern Idaho again for September because of the grass growth and to look at what is going to happen in September climatologically. Right now, we are looking at normal in southwest Idaho to above normal in the east and then continuing possibly in the lower end of normal in the northern part of the state. To sum it all up, most of the West remains in drought, but in Idaho less than 50% of the state is drought and most severe along the border. Southeast, eastern Idaho will have above normal potential into August and September also in southwest

Idaho in August. The biggest concern here from our perspective is the heavy grass load, once it cures as we get into August we are going to be watching.

Attorney General Wasden: Mr. Wallman, thank you for telling us what we need to know rather than what we want to hear.

Mr. Wallman: You are welcome, that is what we try to do.

B. Resource Readiness – *Josh Harvey, Bureau Chief-Fire Management*

Discussion:

Mr. Harvey: Good morning, Governor, members of the Land Board. For the record, my name is Josh Harvey. I am the Fire Management Chief for the Department of Lands, glad to be here this morning. It is always nice to follow good news, Predictive Services, we base a lot of our pre-planning off information throughout the winter and the updated information this morning also helps quite a bit. I have some guests with me today. I brought members of my fire bureau down to participate in this meeting as well as do some other activities this afternoon. If I could get the folks in the back row to stand up. They represent our operations, logistics, aircraft, business, and training functions within the fire bureau; these folks are responsible for most of the operations that happen within our fire program.

Governor Little: I hope we do not have a fire today.

Mr. Harvey: No fire today, but we could take care of it if one did occur. I will just jump right into it. You have the attachments there with the maps identifying where our resources are located. I will get a little more specific with that and start with our aircraft. We have contracted for aviation resources that will be located within the Coeur d'Alene, Grangeville, and McCall areas. These resources will be available statewide as always. They will be available to our interagency partners and neighboring states. We have exclusive use contracts in place for two Type 2 helicopters. One will be located in Coeur d'Alene and one in Lewiston. We are staffing two 7-person helitack crews to man those ships. Those helicopters will start their contract June 15 and July 1, we stagger that start. Both of those helicopters are Type 2 helicopters and capable of carrying approximately 300 gallons of water per drop, as well as the personnel assigned to it. We also have contracts in place for amphibious water scoopers. We will be bringing two of those on this year and they will be starting July 1st. They will be based out of Coeur d'Alene at least initially for this year. Both of those aircraft are capable of up to 800 gallons of water or retardant. They are also capable of in-flight mixing with Blaze Tamer, a gel used to make water wetter. It is much more efficient at suppressing fires. The difference between the gel and the retardant – the gel and water mixture is actually a direct fire suppressant; the retardant is more of an insulation and preventive measure that we use to keep fire from spreading.

Governor Little: Josh, are there any issues with applying this on waterways or forest ground?

Mr. Harvey: There are restrictions in place to keep it out of streams. Usually what we try to do is use our air attack platforms to really direct and limit...

Governor Little: We have an agreement with the Forest Service; there is no issue with using Blaze Tamer 380 on forest ground.

Mr. Harvey: Correct.

Governor Little: Okay, good.

Mr. Harvey: We also have contracts in place for four single engine airtankers. Initially those airtankers will be located in Grangeville and two will be in McCall. They are also capable of up to 800 gallons of water or retardant. These aircraft will also be available to our interagency partners and our neighboring states; when they get busy, we share those resources. We also have seven call-when-needed agreements in place for aircraft; it is more specifically for helicopters, but they are used directly for fire suppression and other resource projects. We have taken the steps to incorporate four drones into our fire bureau. We have six certified UAS pilots on staff to fly those aircraft. We have another several individuals that are in training to get carded to fly those aircraft. Those unmanned aerial platforms, we utilize those with infrared cameras, and they save a lot of money, thousands of dollars a day, in flying helicopters to do detection. The infrared cameras detect hotspots along the fire line or even outside the fire perimeter that can take quite a bit of time to detect by hand or in person.

As far as engines and staffing goes, we will be staffing 28 engines across our 10 districts this year. The timber protective associations will be staffing eight engines between the two districts. We also have provided funding for our districts to ensure that seven-day staffing is met once we get into the core part of fire season. Typically, our districts come on to seven-day staffing around July 4th depending on conditions. We will also be staffing a full 20-person Type 2 IA crew this year; we refer to this crew as the Teakean hand crew. This crew has been building towards a full 20-man crew for the last several years and proud to say that this year they will be a stand-alone resource. We also are going to be staffing a 6-person booster crew out of north Idaho this year; they will be based out of Sandpoint. That is a statewide resource as well as the Teakean crew. They will be ready at a moment's notice to respond anywhere within the state to support fire suppression. In total, this year we will be bringing on approximately 170 firefighters. This is a significant increase over years past where we have typically brought on 140 folks. I am glad to say we have been able to use that additional funding from last year's session to put more firefighters on the ground. On the national scale, IDL is a very active member of the Northern Rockies Coordinating Group, the Great Basin Coordinating Group, and the Northwest Compact. This includes the northwest territories, British Columbia, Alberta, Saskatchewan, Alaska, Washington, Oregon, Montana, and Wyoming. Through the Northwest Compact, we can share resources very easily and fast in comparison to other methodologies for moving resources around the state and the nation. It is our understanding this year that unlike the last two years, we will be able to utilize our neighbors to the north. The Canadians have already been a part of moving to Alaska and working in fire suppression there so that is also good news for this year.

There are still COVID concerns that are in place. The coordinating groups are addressing those, and we have mitigation measures that will be utilized when incident management teams are brought in on large fire events. As in years past, there will be more use of dispersed camping, less in-person contact in exchanging paperwork and filling out time and things like that to minimize risk. There are ongoing discussions nationally regarding resource availability. It is still in question, but the outlook for this year is much better than it has been in years past. I think we have had significant success over some of our neighboring agencies in hiring. There are still some struggles, my understanding the federal government has not hired to the level that they wanted to as far as

firefighters on the ground. As I mentioned, Predictive Services lends a big part in how we prepare for the spring, and contract resources are one of the tools that we utilize. The last couple of years we have contracted up to 11 engines preseason. Last year, we utilized 9 because we were able to bring on some more engine bosses and staff our engines at a higher level. This year, we are going to reduce that number to five. We have seen a significant decrease in our initial expensive contract resources. We have arrangements in place with the contractors in the northwest; in the event that we do see a more significant fire season, we can bring those resources on very easily and quickly. We do not anticipate bringing on a Type 2 20-man hand crew, as we have in the last couple of years. With Teakean being fully staffed this year, I believe we will be saving a significant amount of money in not having to bring on a contract crew early in the season.

Readiness reviews were just completed as Director Miller alluded to earlier. By code we are obligated to review 50% of our districts and both TPAs. The districts reviewed and the TPAs met or exceeded our minimum requirements for being ready for fire season. Our guard schools, our basic firefighting training this year, was held in person. The advanced guard school was hosted by interagency partners, and I believe those were also in person. Mr. Governor, as requested the last couple of years, we worked very closely with Shawn Keough and the ALC in developing a training program for our logging contractors. Our training program, Mr. Hicks is our training program manager. He spent a significant amount of time this winter in developing a program that is very comprehensive. It is very fast for our logging contractors; it is online readily available and very easy for them to take. There is also a separate program that was developed for industry's foresters. They like to assist in heavy equipment operations and there was training developed for them as well. It is all online, very easily accessible, and to date we have had 108 people that complete the training. This does not change our ability to sign up equipment and operators during the preseason, but as requested, we have taken some big steps in engaging our logging contractors in the woods and bringing those folks up to speed with some training.

All of our equipment will continue to be dispatched through our dispatch centers, but our districts also have the ability to sign up a piece of equipment on the spot and put it to work immediately. We continue to work with the Idaho Fire Chiefs Association in updating the mobilization agreement with our fire chiefs and our rural fire departments. It is the Idaho Cooperative Mobilization Agreement. This agreement is the framework for how these fire service organizations get mobilized and reimbursed for suppression assignments outside of their jurisdiction when they are mobilized through the national system. The current agreement is set to expire in 2022; under the Idaho Cooperative Agreement, I am working with the Idaho Fire Chiefs Association. IDL currently has 87 fire service organizations signed up. We continue to work with the National Guard on wildfire training. In 2022, IDL worked with the National Guard to conduct wildland fire management training for 60 guardsmen. The training is currently ongoing and is the same training provided annually to state, federal, and tribal wildland firefighters during our weeklong guard school. When completed, these individuals achieve wildland firefighter certification and can operate as multiple hand crews should the Governor make an emergency declaration. They are located out of the Orchard training center south of Boise. In '21 the National Guard helicopters were successfully used to support ongoing fire suppression in the northern part of the state. They did an outstanding job for us, much appreciated. The National Guard plans to provide up to four helicopters with air crews to support emergency response missions if needed for 2022. Also on a side note, we have been working with Department of Corrections the last couple of years; COVID prevented Corrections from being able to field hand

crews as they have in the past. This year it sounds like they will have personnel available, staffed, equipped, and trained to assist in the event that they are needed.

Fire prevention has been a point of focus for us the last couple of years. Our fire prevention program has grown in leaps and bounds. Last year, they took a big step in doing PSA announcements on gas station TVs; some of you may have seen those. Those PSAs reached approximately 1.2 million people over the course of the summer. They continue to work with our forestry assistance bureau and shared stewardship in identifying critical areas across the state where wildfire danger needs to be messaged to the public. They are currently installing 17 fire danger signs. We have conducted a home fire risk assessment class to educate 25 professionals, mostly private citizens, across the state to help identify home and property maintenance that homeowners can do on their own to prevent the risk of wildfire in their own backyards. We are currently working with the Idaho Transportation Department to establish protocols to use their reader boards over our highways during times of extreme fire behavior. We have initiated the use of reader boards as a pilot area down on the St. Joe to message the need for burn permits, fire danger, and other relevant information that needs to be put out in a timely manner. As you may have seen last week Governor, when you were at the fire cache, we have wrapped a couple of semi-truck trailers. I do not have a graphic with me here today, but they have QR codes right on the back of the semi-truck trailer so someone can click a picture of it, lead them directly to our burn permit system, and it is basically a rolling advertisement and reminder to the public to continually be on guard for threats and wildfire. We have also wrapped our Type 3 incident management team trailer to serve as a rolling billboard, and we are using other billboards across the state to get message out to the public. Mr. Governor, thank you for your visit to fire cache last week. I do not have much to report out on the fire cache readiness other than what you saw last week; they are ready to go for this fire season. Last year was truly a test for them; they definitely met the challenge, and they are ready to go for this year.

Governor Little: How many guardsmen and women have got red cards?

Mr. Harvey: I believe it is 60.

Governor Little: How many Corrections, if everything goes according to Hoyle, are available?

Mr. Harvey: It is my understanding they are anticipating two crews, but that could change. Mr. Finis is more of our Department of Corrections expert.

C. Rangeland Fire Protection Associations – *Rick Finis, South Idaho Fire Liaison*

Discussion:

Mr. Finis: Good morning, Governor, members of the Land Board, Rick Finis, Southern Idaho Fire Program Liaison here to report on the RFPAs. To start, I will go back to Corrections. Orofino is looking at possibly staffing a 10-man module. They are down with staff up there; they only have one qualified and we are still working on south Idaho to see where they are going to be at.

This year, 2022, marks the 10th anniversary of the first RFPA in Mountain Home, the first Idaho RFPA. Since then, the RFPAs have responded to over 350 fires from east to west across southern Idaho. A fairly light season for them in 2021 with 31 reported fire responses. Currently we have one reported fire, not to be biblical, but it was a burning bush reported by Mr. Gary. I hope it is

not a harbinger of things to come down here. Currently we have 10 RFPAs in Idaho with Weiser River standing up this year. They finally got their approval from the IRS late last fall, and they have over 50 members at this time that have been trained. The 10 RFPAs protect approximately 9 million acres of private, state, and federal lands. We met with the Bingham County Commissioners last month; they are interested in having an RFA formed in the western, northern part of Bingham County, that blue circle up there. They had no landowners show up to the meeting, so they are going to start an outreach program.

Governor Little: We will work on that this week, Director Miller.

Director Miller: Yes, we will Governor.

Mr. Finis: They plan on having an outreach program and hope to have an informational meeting late fall. In 10 years, over 650 members have received basic wildland fire training through the BLM and now, with Weiser River, Forest Service is going to be much more involved. Over 350 members are red carded for this year and have received their red cards already. IDL continues to provide PPE equipment and apparatus to the RFPAs with our funding and additional funding from the Governor's Office of Species Conservation. This includes PPE, radios, and firefighting apparatus. Henry's Creek RFA this year will be receiving two Type 6 slip-ins through funding from OSC. With that I will stand for questions.

Governor Little: Questions? Hope they do not have to do anything this summer.

There being no further business before the Land Board, at 11:55 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.

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 July 19, 2022 Land Board meeting.