



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

November 15, 2022

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, November 15, 2022 at the State 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 Secretary of State Lawrence Denney presided in place of Governor Brad Little who was administering 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, Secretary of State Denney acknowledged the presence of four Land Board members. Secretary of State Denney and Superintendent Ybarra were present at the physical location; Attorney General Wasden and State Controller Woolf joined by Zoom webinar.

Deputy Director Bill Haagenson was acting Secretary to the Board, sitting in for Director Dustin Miller. Mr. Haagenson announced that a group of employees was in town for onboarding. That is a chance for agency leadership to meet with new staff and get to know them, and the employees learn about the various divisions and programs. Onboarding includes the opportunity to come to a Land Board meeting. Mr. Haagenson asked those employees to stand up and be recognized. Secretary of State Denney thanked and welcomed the group to Boise. Secretary of State Denney remarked that Land Board meetings are not always this scarce, plenty of seats available, and the Land Board is happy to see everyone.

[Editor's note: the Discussion portions, if any, for agenda items may be 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 – October 2022
- B. Leases and Permits – October 2022

Discussion: None.

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

Introduction

Mr. Tom Wilford: Good morning, Mr. Secretary, members of the Land Board; I am Tom Wilford, the Chair of the Endowment Fund Investment Board. Usually, we attend both the May and the November meetings to keep open communications with the Land Board and we are here today to do the same. If I could take a few minutes to introduce the members of our board and staff that are here. Jerry Aldape is here, he is the Chair of the Land Board Audit Committee; Dr. Bob Donaldson was not able to attend; Joe Forney is here as a member of our board; Representative Steve Harris; Irv Littman; Richelle Sugiyama, who is Vice Chair of our board and new Chief Investment Officer of PERSI. We commend her on her new position. Senator Winder was not able to attend, and Brian Yeargain is here. Others that are here: Janet Becker-Wold is our consultant from Callan; and our legal support Julie Weaver is here; and then our staff, Chris Anton, manager of investments; Chris Halvorson, our investment officer; Kathy Van Vactor, our fiscal officer; and Liz Wieneke our office manager. Today's reports, Chris Anton will provide a summary of our fiscal 2022 results and Jerry Aldape will discuss our fiscal 2022 audit and agreed-upon procedures, and then Chris Anton will provide fiscal year-to-date information.

Attorney General Wasden: I just wanted to mention, Tom, as I did last month as well, but let me tell you how much I appreciate, we appreciate, your effort, your work, on behalf of the citizens and the endowments in this state. You bring your expertise, your time, your effort, and to all the members of the board, and all of the staff, I want to say thank you. I have done this for a long time, and I do not know that we could have asked for anything more than you have provided and I wanted to publicly say thank you for what you do.

Mr. Wilford: Thank you, General Wasden, I appreciate that.

Secretary of State Denney: That goes from all of us.

- A. FY2022 Annual Report

Discussion:

Mr. Chris Anton: Mr. Chairman, members of the Board, good morning. Included in your Board books is the fiscal 2022 annual report. I do not plan to go through every page of that, I just want to hit some of the performance highlights for the year. As all of you know, fiscal 2022 was a challenging year for the land grant endowment fund; after exceptional gains of 29.7% in fiscal 2021, the endowment fund balance declined by 12.4% (\$383.3 million) to \$2.7 billion as of June 30, 2022. However, due to prudent management by the Land Board and the intentional efforts to build solid reserves, the earnings reserve levels remain strong, but certainly below

target at fiscal year-end. The target level of earnings reserves is the equivalent, as all of you know, of 7 years of beneficiary distributions, and the actual level on June 30, 2022, was 5.8 years for public schools and between 5.4 and 6.7 years for the other beneficiaries. Despite a challenging year in the financial markets, we are still well reserved. The endowment fund had investment losses of 13% which ranked in the 91st percentile when compared to our peers in the Callan public fund sponsored database. Net land revenue declined 5.2 % to \$56.5 million, however beneficiary distributions increased 4.3% to \$88.1 million and the Land Board approved distributions of \$100.3 million this fiscal year, and also in fiscal 2024. All in all, despite challenges we are well positioned for the future, and we continue to provide strong support for all of our beneficiaries.

B. Land Board Audit Committee Report

Discussion:

Mr. Jerry Aldape. Mr. Secretary, members of the Land Board, let me introduce myself. My name is Jerry Aldape; I have been on the endowment fund since 2017, and head of the Land Board Audit Committee for about a year and a half. Our goal is to have an unqualified, or a no opinion; we have done that this year. If you have looked at the audit report you see no findings; we are very happy how it came out, the timing and professionalism of CLA (CliftonLarsonAllen), and how well our staff did. The members of Land Board Audit Committee are Tom Wilford, Brian Yeargain, Robin Lockett from the Attorney General's Office, and Brandon Woolf, the State Controller. Each year, the State of Idaho Endowment Fund Investment Board commissions an independent audit of its financial results, and the Idaho Department of Lands conducts certain agreed-upon procedures, primarily focused on tracking and accounting for Idaho Department of Lands revenue by beneficiary. These reports are intended to ensure accurate financial reporting, solid internal controls, and transfers to the stakeholders. The Land Board Audit Committee met with representatives from the independent auditors CLA, and with the members of the Endowment Fund Investment Board and Idaho Department of Lands staff, on August 17th, to review the results of these procedures. I am pleased to report the endowment fund's audit report, and the Idaho Department of Lands agreed-upon procedures were reviewed and accepted by the Idaho Land Board Audit Committee. CLA issued three formal reports. The one we all like to see is an unmodified opinion and that came in for the last two years; they tested our internal controls, and they found no issues. CLA has a local office here, this year was probably the best year we have ever had for an audit, the timing, the professionalism.

Attorney General Wasden: Mr. Aldape, thank you very much; well done.

Secretary of State Denney: Good job; thank you.

C. Manager's Monthly Report

Discussion:

Mr. Anton: Equity markets rebounded during the month of October following poor performance in the prior two months. The portfolio was up 4.8% for the month which left us up 0.1% fiscal year-to-date. Following month end we have continued to see some improvements in the financial markets and as of yesterday we were up 3.2%. Part of what drove the markets up during the quarter was that corporate earnings remained solid, and corporate revenue growth

continued to grow. Overall, despite the Federal Reserve's efforts to jack up interest rates, corporate profitability remained fairly strong. Employment also stayed strong; job openings actually increased during September, despite signs that wages are starting to soften. GDP after two down quarters grew 2.6 %. This generally strong state of the economy has allowed the Federal Reserve to continue rate increases to fight inflation. Shortly after the end of the month, the Federal Reserve raised its federal funds benchmark rate by 0.75% to a range of 3.75% to 4% and cautioned that they will likely need to take interest rates higher than they had anticipated to fight inflation. The good news, however, is over the last week, we have seen some signs that inflation may have peaked; it was not a huge decline, but the rate dropped from 8.1% to 7.7%. The market seemed to celebrate that, and that is part of what has driven the market up the last few days here. We will see where this ends up, the Federal Reserve is going to continue to push forward, but the good news is the economy is remaining fairly resilient despite those efforts. Reserves continue to be strong. No other items to report other than our next board meeting will be held on February 16th.

Attorney General Wasden: Mr. Anton, I recognize that over the last number of months the market has been difficult, and then it has made some sort of a rebound at least, and I wanted to know what you were going to do to make certain that the market continues to go up. *[laughter]*

Mr. Anton: I think that is Chris Halvorson's job. Praying is probably my best bet. *[more laughter]*

3. Performance Review of Total Endowment – Presented by Bill Haagenson, Deputy Director

Discussion: None.

Consent—Action Item(s)

4. Approval of Draft Minutes – October 18, 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. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

Regular—Action Item(s)

5. Negotiated Rulemaking for IDAPA 20.03.01, Rules Governing Dredge and Placer Mining Operations in Idaho – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.01 *Rules Governing Dredge and Placer Mining Operations in Idaho*.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.01 *Rules Governing Dredge and Placer Mining Operations in Idaho*. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

6. Negotiated Rulemaking for IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 Rules Governing Administration of the Reclamation Fund.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 Rules Governing Administration of the Reclamation Fund. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

7. Negotiated Rulemaking for IDAPA 20.03.05, Riverbed Mineral Leasing in Idaho – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.05 Riverbed Mineral Leasing in Idaho.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.05 Riverbed Mineral Leasing in Idaho. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

8. Statement of Investment Policy Annual Review – Presented by Jim Elbin, Division Administrator-Trust Land Management

Recommendation: The Department recommends that the Land Board approve the revised Statement of Investment Policy.

Discussion:

Controller Woolf: Mr. Chairman, this is not a question but a quick comment. I think it is important that we have the target allocations that were done away with last November. I understand the recommendation, but I think it is helpful for the Board to know if we are going in the right direction, are we targeting in the right way. I hope that we can continue to look at and make sure we are progressing the right way in our different allocations. Thank you.

Attorney General Wasden: I wanted to say thank you to Callan and to the Department for updating this document. I think it is important for us and gives us direction.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the revised Statement of Investment Policy. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

Mr. Haagenon: Mr. Chairman, if I may, one small clarification. Jim mentioned the Reinvestment Subcommittee in his presentation. It is actually the Investment Subcommittee. A small clarification for the record.

9. Governance Structure Review – Presented by Jim Elbin, Division Administrator-Trust Land Management

Recommendation: The Department recommends increasing the delegated authority for routine land investment decisions to \$1,250,000 per transaction, increasing the delegated authority for other land investment decisions to \$250,000 per transaction, and changing the time period for post-audits of other land investment decisions over \$1,000,000 in value to five (5) years, as outlined in Attachment 2.

Discussion:

Attorney General Wasden: The fact that land values are increasing, the recommendation makes sense to me. My question is, for routine land investments the change is to \$1.25 million, the delegated authority for other land investment decisions is from \$100,000 to \$250,000. Why those specific numbers?

Mr. Elbin: Mr. Chairman and Attorney General, the main thing with the \$1.25 million, we wanted to leave ourselves some cushion because we know as our harvest has gone up, our planting costs and those things have gone up. We want to leave ourselves a little cushion knowing that we have another FAMP update coming that we expect to potentially see an increase in our harvest levels and management level with that. On the land value, the \$100K to \$250K is to be more nimble when we are going after access, right of way and easement purchase across other landowners, to secure long-term management capability for our lands.

Attorney General Wasden: Okay, thank you.

Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the Department recommendation, that is increasing the delegated authority for routine land investment decisions to \$1,250,000 per transaction, increasing the delegated authority for other land investment decisions to \$250,000 per transaction, and changing the time period for post-audits of other land investment decisions over \$1,000,000 in value to five (5) years, as outlined in Attachment 2. Superintendent Ybarra seconded the motion. The motion carried on a vote of 4-0.

For the record, Controller Woolf left the meeting at approximately 9:48 a.m. to attend other business.

Information

None

At 9:48 a.m., a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(c) – to acquire an interest in real property which is not owned by a public agency. Attorney General Wasden requested that a roll call vote be taken, and that the Secretary record the vote in the minutes of the meeting. Superintendent Ybarra seconded the motion. *Roll Call Vote: Aye: Denney, Wasden, Ybarra; Nay: None; Absent: Woolf, Little.*

Executive Session

A. Acquisition

Idaho Code § 74-206(1)(c) – to acquire an interest in real property which is not owned by a public agency.

At 10:05 a.m., a motion was made by Attorney General Wasden to resolve out of Executive Session. Superintendent Ybarra seconded the motion. The motion carried on a vote of 3-0. No action was taken by the Land Board during Executive Session.

Regular—Action Item(s)

10. Property Acquisition

Board Action: A motion was made by Attorney General Wasden that the Land Board authorize the Director of the Department of Lands to proceed with negotiation of a purchase and sale agreement to acquire the lands identified as Vandals Won, aka Project One, during the Executive Session, upon the prices and terms consistent with the land acquisition policy adopted by this Board. Attorney General Wasden further moved that the Land Board authorize the Director to expend funds in excess of \$100,000 for such purpose from the Land Bank Fund. Superintendent Ybarra seconded the motion. The motion carried on a vote of 3-0.

For the record, following the motion on agenda item 10, Mr. Garrick Baxter, Deputy Attorney General, noted that the Land Board had not stated in open session that no action was taken by the Land Board during the Executive Session. Attorney General Wasden affirmed that the Land Board met in Executive Session and that no action was taken during the Executive Session.

There being no further business before the Land Board, at 10:10 a.m. a motion to adjourn was made by Attorney General Wasden. Superintendent Ybarra seconded the motion. The motion carried on a vote of 3-0.

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 December 20, 2022 Land Board meeting.