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STATE LAND BOARD MEETING

June 8, 2010

State Lands Building

775 Summer Street NE, Salem, Oregon

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TRANSCRIPT OF PROCEEDINGS

GOVERNOR KULONGOSKI: The meeting of the Land Board for June 7, 2010, is in session.

DIRECTOR SOLLIDAY: That would be June 8th, but thank you.

GOVERNOR KULONGOSKI: June 8th? Oh, I read in the memo, I'm sorry.

DIRECTOR SOLLIDAY: That's okay. Governor, first thing I want to do is welcome Amy Wilson, who is sitting in for Barry Pack as the Land Board Assistant for the Secretary of State today while Barry is off on vacation somewhere, I think.

SECRETARY OF STATE BROWN: No, actually he's getting leadership training so we're a little excited about his opportunity.

DIRECTOR SOLLIDAY: Okay. Great. And then I also want to introduce two new assistant directors here at the agency. And we're going to recognize a retiree that resulted in us getting one of the new assistant directors, and that's Jim Paul, who comes to us from the Department of Forestry, who is the new assistant director for the Land Management Division, replacing Steve Purchase, not that Steve Purchase could ever be replaced.

And then the second one is Bill Ryan, who is our new assistant director for the Wetlands and Waterways Conservation Division, who comes to us from ODOT. And he's replacing Kevin

1 Moynahan, who went to the Corps of Engineers as the chief of
2 the regulatory branch at the Corp. So just wanted to let you
3 know we have a couple of new assistant directors. And they're
4 the folks to call if you got questions about what's going on in
5 their division.

6 **GOVERNOR KULONGOSKI:** I will forget this if I don't
7 ask. I need to talk to you at the end of this.

8 **DIRECTOR SOLLIDAY:** Okay.

9 **GOVERNOR KULONGOSKI:** About what's going on over in
10 Baker County.

11 **DIRECTOR SOLLIDAY:** Baker County?

12 **GOVERNOR KULONGOSKI:** Okay. So I have an idea.

13 **DIRECTOR SOLLIDAY:** I will do that. Okay. On the
14 Consent Agenda today are two items. The first is a request for
15 approval of the minutes of the April 13th Land Board Meeting.
16 And the second is a request for authorization to initiate
17 rulemaking governing the leasing of geothermal resources. The
18 geothermal rules that we have in place were adopted in 1974.
19 And they're very out of date and need to be brought up to date
20 both in terms of revenues that we might collect from those, as
21 well as clarifying the process for acquiring a geothermal
22 lease.

23 We've had some interest expressed from geothermal
24 operators about geothermal resources on our lands. And they
25 are confused by the 1974 rules. So we'd like to go through

1 some rulemaking to update and clarify those rules.

2 **SECRETARY OF STATE BROWN:** Governor, I would move
3 approval of the consent agenda.

4 **STATE TREASURER WHEELER:** Second.

5 **GOVERNOR KULONGOSKI:** Any further discussion?
6 Hearing none, consent agenda approved.

7 **DIRECTOR SOLLIDAY:** The first action item today is a
8 request for concurrence with the Board of Forestry's adoption
9 of the Northwest and Southwest Forest Plans for our Common
10 School Fund Forestlands. And I'm going to ask Nancy Hirsh from
11 the Department of Forestry to join me to present the item. And
12 we do have one person who will be providing public testimony on
13 this item today. So I'll have Nancy go through the agenda
14 item. Then we'll bring our public testifier up to testify, and
15 then see if there are questions that need to be answered, and
16 make the staff recommendation. You do have in front of you an
17 amended staff recommendation that I put at your place this
18 morning. With that, I'll turn it over to Nancy.

19 **MS. HIRSCH:** Good morning, Governor Kulongoski,
20 Secretary Brown and Treasurer Wheeler. Nancy Hirsch with
21 Department of Forestry, Chief of the State Forest Division.
22 First --

23 **SECRETARY OF STATE BROWN:** She's got to turn the
24 volume up a little bit.

25 **GOVERNOR KULONGOSKI:** Yeah, she's going to turn the

1 volume up.

2 **MS. HIRSCH:** First, I need to send regrets from State
3 Forester Marvin Brown, who's not able to be here to present
4 this item today. As you may already know, he's over in
5 Enterprise at a two-day Board of Forestry meeting. So that
6 said, I'm happy to be here to present this item. As you
7 probably know, the Board of Forestry adopted proposed, revised
8 management plans on their Board of Forestry lands at their
9 April 22nd Board meeting.

10 That decision on their Board of Forestry lands
11 affects about 620,000 acres in the northwest and southwest
12 planning areas. On your Common School Forestland these two
13 revised plans would affect about 26,000 acres, which is about
14 four percent of the total area. A little bit of background on
15 these plans: The original plans were adopted in 2001. At that
16 time the State Land Board concurred with the Board of Forestry
17 decision.

18 What I want to share with you first is not really the
19 changes but how much of these plans remain the same. In 2001
20 we implemented a management approach called structure based
21 management. The principles of that remain the same.
22 Specifically, to actively manage for a diverse array of forest
23 stand structures, to provide a landscape design for a
24 functional arrangement of stand types in terms of habitat
25 values.

1 Thirdly, to manage to provide for key structural
2 components, which include things like downed wood, legacy trees
3 and snags. And then lastly, to also actively manage for
4 economic and social benefits. In addition, the aquatic and
5 riparian strategies embedded in the original forest management
6 plan remain constant in the revised plan as well as the forest
7 health strategies.

8 And lastly, the 2001 plan was built upon an adaptive
9 management framework. That framework also is still contained
10 in these revised plans. Recognizing that new information will
11 come in from research and monitoring and that the plans allow
12 for policies to be adapted at the appropriate level. So why
13 change and what has changed? There are two revisions being
14 proposed to address two issues.

15 First under the 2001 plan there was an assumption
16 that if you grew these forests towards a more complex forest
17 habitat, at that point 50 percent of the forest was planned to
18 be on a projectory toward the more complex structure. There
19 was another assumption with that that you would realize high
20 harvest levels. And at that point in 2001 the harvest levels
21 expected were similar to those that you would achieve from an
22 industrial management approach.

23 What we learned quickly as we evolved our plans from
24 forest management plans to ten-year implementation plans was
25 that those harvest levels could not be achieved while

1 simultaneously putting those forests on a projectory of a long-
2 term 50 percent goal. So the Board of Forestry has directed
3 the Department over the last six to seven years to; one,
4 improve our forest inventory.

5 Secondly, we have incorporated that new inventory
6 into new models with updated growth and yield. As a result,
7 what we've learned is a lot more about that interrelationship
8 between growing structure towards more complex habitats and the
9 effect and the relationship that has on harvest levels. So
10 what we ultimately learned from that analysis and the
11 recommendation that the State Forester made to the Board of
12 Forestry in April was to essentially lower both of those
13 expectations so that the long-term structure goals would
14 replace the 40 to 60, would in turn go to 30 to 50 for that
15 long-term goal.

16 And that harvest levels specifically on the north
17 coast would be adjusted to about 70 percent of what was
18 originally anticipated. This structure goal and the range of
19 30 to 50 percent is still within the historic range for these
20 lands. The 2001 plan identified that range as between 15 and
21 85 percent. So those volume estimates that I've shared with
22 you are more specifically known right now on the Tillamook and
23 Clatsop State forests.

24 We'll be going through the same deliberate process to
25 better understand that interrelationship on the remaining

1 districts before implementation. Second revision, then, is to
2 address species of concern. When the 2001 plans were adopted
3 there was language in that plan that said these plans would
4 likely be implemented through the attainment of a habitat
5 conservation plan.

6 At the same time the plans were adopted by the Board
7 of Forestry, they also adopted intent statements that directed
8 the Department of Forestry to further analyze and understand
9 the outcomes associated with using a draft HCP and strategies
10 that we had at that time, and then determine if it was the best
11 approach for achieving the sweep of economic, environmental and
12 social outcomes.

13 Again, through the further analysis, improved
14 inventory and a better understanding of Northern Spotted Owls,
15 particularly in the north coast, it was decided that the use of
16 a habitat conservation plan was not the best approach, at least
17 in the near term. So what the Department did, then, under the
18 direction of the Board of Forestry, was to further expand,
19 which was a requirement in the 2001 plan, was to further expand
20 upon the species of concern strategies.

21 We worked very closely with Department of Fish and
22 Wildlife Service and identified a list of 40 species of concern
23 in the north coast. An analysis of those strategies was
24 presented to the Board of Forestry prior to their approval of
25 those. What I can share with you is again, much of the

1 fundamental strategies remain the same within the Forest
2 Management Plan.

3 And in addition, through the principles we've
4 identified around species of concern, they're applying through
5 other policies additional aquatic anchor habitats as well as
6 some (unintelligible) anchor habitats. A couple other points
7 related to the change; of course the Board adopted these in
8 rules so we went through a formal rulemaking process, which
9 included a public comment period.

10 Our analysis of the issues identified in the hearings
11 officer report are in your attachment A. Secondly, as you
12 know, the Board in its direction as well as your own direction
13 on Elliott State Forestlands has operated under a continuous
14 improvement model. That is to say that it recognizes that
15 change, new information will come in and we will adapt to that.

16 Under this 2001 plan there were outside reviews
17 completed on that work in 1996/1998, and then again further
18 outside review of this plan heard not only on the plan and some
19 of the strategies, but the modeling itself in 2004, 2005 and
20 2006. Due to this most recent work the Board has directed the
21 Department to undertake a scientific review. And we are
22 working currently with the Institute of Natural Resources to
23 get that work underway.

24 It's not expected to be completed until late this
25 winter. And so we expect that by early 2011 we could provide

1 that information back to both Boards as well as recognize that
2 if information is revealed, that we will adapt policies as
3 necessary. And that really concludes my report, unless you have
4 any questions.

5 **SECRETARY OF STATE BROWN:** Thank you. Actually,
6 Louise, my first question is for you. I know that Bob Van Dyk
7 is here to present. I'm curious whether you asked folks from
8 the timber side and the counties to present as well today.

9 **DIRECTOR SOLLIDAY:** Secretary Brown, we did invite
10 them and they declined that offer.

11 **SECRETARY OF STATE BROWN:** Governor, could I ask a
12 couple more questions?

13 **GOVERNOR KULONGOSKI:** Go ahead. Please go right
14 ahead.

15 **SECRETARY OF STATE BROWN:** Nancy, could you talk
16 about strategic differences between the threatened species on
17 the Elliott as opposed to the northwest and southwest state
18 forests. Are there difference between the forest structure on
19 the Elliott and in this northwest and southwest plan that would
20 warrant different strategies or different plans for those
21 forests?

22 **MS. HIRSCH:** Certainly, Secretary Brown, members of
23 the Board, the current condition of the forests that we manage
24 really becomes a key driver in terms of what we're actually
25 able to do over time. And of course, as you know, up in the

1 north coast we basically took responsibility and ownership and
2 management of the Board of Forestry lands and those Common
3 School Forestlands after a time in which most of those acres
4 were burned over. So the projectory that these lands are on
5 will be an improvement for decades from the state that we took
6 them in and replanted essentially in the '30s, '40s and '50s.

7 **SECRETARY OF STATE BROWN:** And why is that different
8 than a management plan we would pursue on the Elliott?

9 **MS. HIRSCH:** Secretary Brown, members of the Board, I
10 would say there's actually a lot of similarities and parallels.
11 One of the other key differences on the north coast versus the
12 Elliott State Forest is the amount of currently Marbled
13 Murrelets and Northern Spotted Owls. And we just don't have the
14 same kind of habitat to begin with. And so therefore, the
15 trajectory we're on is going to look a little bit different.

16 **SECRETARY OF STATE BROWN:** Governor, can I ask a
17 couple other questions?

18 **GOVERNOR KULONGOSKI:** Please go ahead.

19 **SECRETARY OF STATE BROWN:** Thank you. My
20 understanding when we adopted the 2001 plan was that there was
21 an independent science review prior to the plan adoption, and
22 that at this point in time that we are currently doing a
23 science review, but that the results haven't been considered or
24 aren't final prior to adoption of this plan. Is that correct?

25 **MS. HIRSCH:** It's correct that, Secretary Brown,

1 members of the Board, prior to the 2001 plan being adopted
2 there were a couple of different reviews that I talked about.
3 One was in 1996 and then there was another one in 1998. And
4 then following the adoption of that plan there was further
5 analysis and review completed on the aquatic and riparian
6 strategies in 2004, and further peer review of the models that
7 we've improved upon.

8 So the idea here is that the Board of Forestry would
9 like to be able to continue with is recognize that there will
10 be a continued effort of research and monitoring that may
11 inform further adaptations of the Forest Management Plan.

12 **SECRETARY OF STATE BROWN:** Okay. We anticipate that
13 this plan may be changed to moving forward.

14 **MS. HIRSCH:** That is correct, Secretary Brown.

15 **SECRETARY OF STATE BROWN:** And then, Governor, just
16 one last question. My understanding of the 2001 plan is that
17 the harvest level was at about 289 million board feet. Was
18 that the actual harvest level?

19 **MS. HIRSCH:** Secretary Brown, members of the Board,
20 the expected outcomes on the Tillamook and Clatsop State
21 Forests specifically was around 289 million board feet.
22 Essentially since the adoption of the 2001 plan, harvest levels
23 have varied between the bookends that were established based on
24 information we knew at that time, but specific to the Tillamook
25 and Clatsop harvest levels have averaged to be around 185

1 million board feet over the last ten years.

2 **SECRETARY OF STATE BROWN:** And so the anticipated
3 harvest level under this new plan will be in what amount?

4 **MS. HIRSCH:** Secretary Brown, members of the Board,
5 the estimated increase right now that was established by some
6 performance measure targets that the Board of Forestry adopted
7 for their lands is about a nine percent increase to go from
8 about 185 million board feet per year to about 195 million
9 board feet per year.

10 **SECRETARY OF STATE BROWN:** Thank you.

11 **STATE TREASURER WHEELER:** Governor, just a few quick
12 questions. First of all, there was not a habitat conservation
13 plan associated with this process originally in 2001. It was
14 the goal to have an HCP. And that never materialized. So this
15 plan uses a species of concern strategy. Could you just help
16 me understand what the difference is between those two
17 approaches and is there anything that we're losing by using a
18 species of concern strategies opposed to an HCP?

19 **MS. HIRSCH:** Treasurer Wheeler, members of the Board,
20 a habitat conservation plan is one tool for insuring compliance
21 with the Endangered Species Act. So very similar to what is
22 happening on the Elliott right now where, as you know, we're
23 working towards a habitat conservation plan there because we
24 think it's the best approach. On the north coast, since 2001
25 we have a better understanding of our forest as well as a

1 better understanding of what's going on with Northern Spotted
2 Owls and Marbled Murrelets.

3 And so as a result of further analysis we're able to
4 apply protection measures in at least the first few decades,
5 very similar to what we would achieve with a habitat
6 conservation plan, but we're able to also proceed with the
7 strategies and not commit to the habitat conservation plan and
8 get the outcomes that we actually anticipate.

9 **STATE TREASURER WHEELER:** Governor, may I ask a
10 follow-up to that question? It's my understanding, and I may
11 be completely wrong about this, but as I was reading through
12 materials, it looks like the species of concern strategy is a
13 locally or state-adopted solution. Whereas, the HCP requires
14 federal involvement, is that correct?

15 **MS. HIRSCH:** That's correct.

16 **STATE TREASURER WHEELER:** And so would it be
17 advantageous, then, for us to be able to control that decision
18 locally and that process locally or do you see that as being a
19 detriment?

20 **MS. HIRSCH:** Treasurer Wheeler, members of the Board,
21 our experience so far in working with the federal agencies it's
22 probably definitely in our benefit to manage at this point and
23 do our ongoing coordination to insure that we're complying with
24 the Endangered Species Act but not get ourselves locked into an
25 HCP for the north coast.

1 **STATE TREASURER WHEELER:** Thank you, and one more
2 question, Governor, if I may. With regard to some of the
3 specific conservation elements of the new plan, the report
4 mentions the aquatic and riparian conservation plan as well and
5 the forest health plan. And it indicates that with regard to
6 the former, the three key concepts of the 2001 plan are still
7 in tact. And with regard to the forest health, it reflects that
8 the two key concepts are still in tact. I just want to make
9 sure that is the totality of the core concepts around this
10 conservation goals that were embodied in the 2001 plan. Is
11 there anything that's fallen out in those two key areas?

12 **MS. HIRSCH:** Treasurer Wheeler, members of the Board,
13 I think you're speaking specifically to the aquatic and
14 riparian protection measures.

15 **STATE TREASURER WHEELER:** Yes.

16 **MS. HIRSCH:** And those embedded in the 2001 plan
17 remain exactly the same under the revised plan, as well as the
18 forest health strategies.

19 **STATE TREASURER WHEELER:** Okay.

20 **MS. HIRSCH:** We're managing for insect and disease.

21 **STATE TREASURER WHEELER:** Thank you. Thank you,
22 Governor.

23 **GOVERNOR KULONGOSKI:** Secretary Brown.

24 **SECRETARY OF STATE BROWN:** Thank you, Governor. I
25 just have a follow-up as a result of Treasurer Wheeler's

1 question. And sort of the bigger question for me in terms of
2 on the ground and the distinction between adopting a habitat
3 conservation plan versus a species of concern approach. Do we
4 have any measurements or outcomes to show that one is more
5 successful than the other?

6 I mean if I were talking to a group of school kids,
7 other than saying we've got federal involvement with an HCP, do
8 we know that we do better in terms of species recovery under an
9 HCP or a species of concern approach? Do we have a sense of
10 that at all at this point?

11 **MS. HIRSCH:** Secretary Brown, members of the Board, I
12 have to reflect on that for a moment. But given what we know
13 currently about species of concern, given the surveys that we
14 do and those are on an ongoing basis, we do have a very good
15 idea that we've been protecting those that exist to the degree
16 that we have control over that. In regards to that compared to
17 the habitat conservation plan, certainly we haven't had one so
18 we don't necessarily understand or know that difference on the
19 north coast. Having said that, on the Elliott I think we'll
20 soon understand the results of the habitat conservation plan,
21 given the updated surveying that's going on there right now.

22 **SECRETARY OF STATE BROWN:** Okay. Thank you.

23 **GOVERNOR KULONGOSKI:** I just want to get something;
24 it's more of a procedural issue so I have a better
25 understanding of this on the record. The Forest Management

1 Plans that we're talking about are for the northwest and
2 southwest forestlands. There's about 650,000 acres in those
3 two plans. What we're talking about today is about 26,000
4 acres of that 650(000). And the 26,000; are those lands
5 contiguous to each other? Or are they interspersed throughout,
6 and in the northwest plan, because I know that the southwest
7 plan is a little different. But on the northwest are they
8 contiguous with each other or are they interspersed?

9 **DIRECTOR SOLLIDAY:** So Governor, in the case of our
10 ownership in the Tillamook, we are contiguous to the Board of
11 Forestry ownership. In the southwest part of the state we are
12 scattered parcels and not necessarily contiguous to Board of
13 Forestry lands.

14 **GOVERNOR KULONGOSKI:** So since I'm dealing with four
15 percent of the total lands of what the Board of Forestry's
16 adopted I want you to on the record state why the Land Board is
17 making this decision.

18 **DIRECTOR SOLLIDAY:** Governor, the Board of Forestry
19 and the Department of Forestry is directed by statute to manage
20 Oregon's forestlands. Our Department, Department of State
21 Lands contracts with the Department of Forestry to manage our
22 Common School Forestlands for us. And the goal there, I think
23 on the part of the Legislature, was to not have multiple State
24 agencies managing forestlands in the state of Oregon.

25 The way the Department of Forestry manages, they

1 manage under these Forest Management Plans. And the northwest,
2 the southwest and then the Elliott has its own Forest
3 Management Plan. In the case of the northwest and the
4 southwest the Land Board is the minority owner of those lands.
5 So the Board of Forestry owns 96 percent of the lands. The Land
6 Board owns four percent of the lands.

7 In the Elliott it's almost the reverse. We own 91
8 percent of the lands. The Board of Forestry manages/owns nine
9 percent. But all of those lands are managed at a landscape
10 scale under these Forest Management Plans. And so when we make
11 a decision about the Elliott we ask the Board of Forestry to
12 concur in those decisions. When the Board of Forestry makes a
13 decision about northwest and southwest, they ask the Land Board
14 to concur because we are a part owner.

15 **GOVERNOR KULONGOSKI:** I want to go back to the
16 questions that were asked about species of concern versus the
17 HCP. After listening to this discussion for the last four years
18 or eight years over an HCP on the Elliott and understanding it,
19 the point I want to make sure of is that -- and the issues of
20 species is always the issue inside of this. My understanding
21 is the species of concern actually looks at a broader range of
22 species within the plan than the HCP does because the HCP deals
23 with just those species that are on the endangered species
24 list. Is that correct?

25 **DIRECTOR SOLLIDAY:** Governor, actually under the

1 proposed HCP for the Elliott we are looking at a broader suite
2 of species that are at risk of potentially being listed at some
3 point in the future.

4 **GOVERNOR KULONGOSKI:** How broad is the species of
5 concern in relationship to the HCP again? You said this once
6 so I just want to make sure I understand.

7 **MS. HIRSCH:** Governor Kulongoski, members of the
8 Board, as I mentioned on the north coast we've gone through a
9 very collaborative process. Looking at both threatened and
10 endangered species as well as species at risk using obviously
11 federal lists as well as the Department of Fish and Wildlife's
12 conservation strategy, which also identifies species. And so
13 that combined for a list about 40 species that were included in
14 our species of concern strategy on the north coast.

15 **GOVERNOR KULONGOSKI:** Okay.

16 **DIRECTOR SOLLIDAY:** Okay. At this time I'd suggest
17 we invite Mr. Van Dyk up to present his public testimony.

18 **GOVERNOR KULONGOSKI:** Please.

19 **DIRECTOR SOLLIDAY:** Then we'll give the staff
20 recommendation.

21 **MR. VAN DYK:** Greetings, Land Board members. My
22 name's Bob Van Dyk. And I work for the Wild Salmon Center,
23 which is a conservation organization based in Portland, Oregon.
24 I want to thank you very much for the opportunity to address
25 you today. We do not concur with the decision by the Board of

1 Forestry to move forward with these changes to the Northwest
2 and Southwest Forest Plans.

3 And we ask you not to concur as well. I'll outline
4 several reasons why that's the case. First, most broadly, we
5 think that Oregon's really in desperate need of a new vision
6 for forest management in the state. And from our view, there
7 should be three main components to that forest vision. One is
8 to strive for collaboration; the second to maintain a strong
9 anchor in science; and a third is to comply of course with
10 relevant legal standards.

11 And unfortunately we're concerned that none of these
12 standards are met in the plan before you today. Regarding
13 collaboration, we don't feel like this process was
14 collaborative. A wide range of groups, Wild Salmon Center
15 included, entered into this process expressing a desire to find
16 some kind of incremental win/win; to find a way to increase
17 harvest but also to be more strategic about habitat
18 protections. But from our view that's not where the process
19 ended up.

20 Instead what we've got is really just a strong move
21 toward higher timber production without any strategic
22 improvements and protections for a habitat. The Board of
23 Forestry ended their longstanding consensus process. They did
24 not address the concerns of minority members of the Board nor
25 the many groups that opposed these changes. So from our view,

1 they didn't meet that standard for collaborative forest
2 management.

3 Second, regarding a scientific betting (phonetic)
4 that's come up already in your discussions today; we don't see
5 this as an incremental change in the plan at all. We now know
6 that the 2003 implementation plans would have produced about
7 140 million board feet. And this plan's going to move us
8 toward about 195. So it's a 40 percent increase in timber
9 harvest.

10 Not mentioned today, which I think is quite
11 important, is the goal for older forest structure is coming
12 down. But they didn't mention that the goal for clear-cut
13 harvest is going up. Under the 2003 plan ten percent of the
14 landscape could be a recent clear cut. Under this change 25
15 percent of the land could be a clear cut. So those are the
16 reasons we're troubled and those are the reasons we think there
17 needs to be an independent scientific review completed of these
18 changes before they're approved.

19 I've included for you a map there of the east fork of
20 the Trask River. This was a salmon anchor habitat, an area
21 identified for special protection by ODF and ODF&W in the 2003
22 plantation (phonetic) plans. That image shows from ODF data
23 projected clear cuts in the next 20 years in that watershed.
24 And that causes us great concern; this kind of treatment of a
25 salmon anchor habitat.

1 So the IMST I know has been contacted about doing a
2 review and we'd like to see the results of that scientific
3 review before there's a final decision here. On the third
4 point, of course, compliance with applicable law; we're
5 concerned that this doesn't actually comply with applicable
6 law. The current State plan requires "a high probability of
7 maintaining and restoring properly functioning aquatic
8 habitat." And we're not at all sure that that standard will be
9 met here.

10 In fact, an earlier ODFW assessment found that for
11 many species habitat would not be enhanced. And in fact this
12 watershed I show you here; they described as being in a high
13 risk category. So in closing I'd like to say that the Wild
14 Salmon Center is not opposed to a robust timber harvest program
15 on the State forests. We are, however, opposed to the kind of
16 clear cutting that's anticipated in this plan, particularly in
17 key salmon watersheds.

18 And as Ms. Hirsch noted, these watersheds are already
19 recovering from pretty severe degradation from the 1930s and
20 the 1940s. So we look to you as broad representatives of a
21 public interest. We'd like you to send this plan back to the
22 Board and ask them to work for more collaborative way forward;
23 one that's undergone an independent scientific review. So with
24 that I close, and I thank you very much for the opportunity to
25 address you today.

1 **GOVERNOR KULONGOSKI:** Thank you. Questions? Thank
2 you very much.

3 **MR. VAN DYK:** Thank you.

4 **DIRECTOR SOLLIDAY:** So Governor, the staff
5 recommendation in this comes from both the Department of
6 Forestry staff as well as staff at the Department of State
7 Lands. And that is that the Land Board concur with the
8 management direction described in the Northwest and Southwest
9 Forest Management Plans adopted by the Board of Forestry on
10 April 22, 2010, as consistent with the purpose of the Common
11 School Fund Forestlands. And therefore, by direct that the
12 Oregon Department of Forestry manage the Common School Fund
13 Forestlands within these two planning areas in the same manner
14 contingent upon two actions.

15 First, that the Department of Forestry provide
16 results of the science review to the Board of Forestry and to
17 the State Land Board prior to changes being implemented. And
18 that the Board of Forestry make or direct any necessary changes
19 based on that science review.

20 **STATE TREASURER WHEELER:** Governor, I move that we
21 adopt the amended staff recommendations for Agenda Item 2.

22 **GOVERNOR KULONGOSKI:** You second?

23 **SECRETARY OF STATE BROWN:** I'll second.

24 **GOVERNOR KULONGOSKI:** Further discussion? Hearing
25 none, clerk call the roll. Aye.

1 **SECRETARY OF STATE BROWN:** Aye.

2 **STATE TREASURER WHEELER:** Aye.

3 **GOVERNOR KULONGOSKI:** Motion's adopted.

4 **DIRECTOR SOLLIDAY:** Great. Governor, next action
5 item is a request for approval of submission of the Department
6 of Forestry's budget for managing our Common School Fund
7 Forestlands for the 2011-13 biennium to the Department of
8 Administrative Services for consideration in the Governor's
9 recommended budget process. And I'm going to again ask Nancy
10 Hirsch to describe the proposal.

11 **MS. HIRSCH:** Nancy Hirsch, Chief of State Forest
12 Division, Oregon Department of Forestry. Governor Kulongoski,
13 Secretary Brown, Treasurer Wheeler, key point on the Department
14 of Forestry's budget is that we are not in what's called an
15 early submittal agency in the entire budgeting process. So our
16 numbers are estimates at this point, just at a little different
17 phase than what your Department of State Lands numbers are at.

18 Essentially what we've done is to apply a standard
19 inflation rate of about 2.4 percent and provided an estimated
20 increase on PERS and flexible benefits. There are no specific
21 numbers included here for some potential policy option
22 packages, which I will describe here in a moment. So what you
23 have in front of you is a base budget that represents those
24 adjustments, which equals about \$11.3 million, and with that
25 would include 32 full-time equivalents.

1 This is an estimated increase of about seven percent
2 over the current biennium. Again, those estimates are not
3 certain at this point, given where we are at in our own budget
4 process. In regards to policy option packages that may move
5 forward between now and when the Department of Forestry
6 completes our agency request, we don't expect to have any
7 specific to the management of the Elliott State Forest.

8 We have right now within this budget that we're
9 proposing about one-plus FTE that we would be able to utilize
10 in the event we're able to implement a new revised plan on the
11 Elliott State Forest. So we're not asking for any specific
12 increases there. The policy option packages that our
13 Department is currently evaluating to possibly submit through
14 the agency request would include things for increasing our
15 capacity, and particularly in information technology.

16 We are like many other agencies. We have pretty old
17 systems. And we've been going through a pretty thoughtful
18 (phonetic) process under our forestry business improvement
19 process to identify key improvements to insure our systems are
20 able to be maintained and insure security. There's also some
21 potential increases through our Human Resources Program.

22 And then lastly there may also be an additional debt
23 service that would be paid off through a certificate of
24 participation again in regards to that forestry business
25 improvement initiative. So those numbers are not included right

1 now. I think if they do get through the agency request budget,
2 that it's not very likely that we're going to see those come to
3 fruition just because of the impacts that those other policy
4 packages would have on the general fund as well.

5 So the bottom line here is, is for the revenue
6 anticipated during the next biennium our January 2010 forecast,
7 assuming a new Elliott State Forest forest management plan, the
8 forecast results at about \$33.3 million. Comparing that to the
9 estimated cost you have a cost to revenue ratio of about 34
10 percent. And with that, unless you have questions, I don't
11 have anything else to add.

12 **DIRECTOR SOLLIDAY:** Governor.

13 **GOVERNOR KULONGOSKI:** With this understanding, this
14 is another fund's budget request for the management of the
15 Common School Fund. I understand that. We are going through a
16 reset process and it's going to redefine a lot of what the
17 State does and how much money we have. And I'm going to
18 support this. I'm going to tell you until we finally get this
19 all together on the budget submission for '11-'13 I reserve the
20 right at that time to do something consistent with this if I
21 find it necessary. Okay.

22 **MS. HIRSCH:** Governor Kulongoski, I very much respect
23 that. And I would certainly want members of this Board to know
24 that due to the economic conditions that we've obviously all
25 been enduring this last fiscal year, overall the State forest

1 budget combined between Common School Forestland and the Board
2 of Forestry lands we have already implemented a 30 percent
3 reduction across those two areas. And I can tell you right now
4 specific on Common School Forestland that we're very conscious
5 of our expenditures. And currently we are actually under-
6 expending our current fiscal budget.

7 **SECRETARY OF STATE BROWN:** Governor, I actually have
8 a question. But prior to my administration I believe the
9 Secretary of State's office conducted an audit. And I believe
10 it was a 2008 audit regarding financial transactions between
11 the Department of Forestry and the Division of State Lands.
12 Could you confirm or deny whether the recommendations of that
13 audit have been adopted fully and completely, please?

14 **MS. HIRSCH:** Secretary Brown, members of the Board,
15 I'd like to definitely confirm that the recommendations from
16 the audit have taken place. And in fact we're working
17 collaboratively I think both of the agency auditors to do a
18 compliance audit as to confirm that again. And I guess I would
19 just state that the key piece there had to do with the
20 administrative costs that are outdated in the budget. And we
21 are allocating those costs based upon the most recent work
22 study.

23 **SECRETARY OF STATE BROWN:** Thank you.

24 **GOVERNOR KULONGOSKI:** Mark this moment, first time,
25 last time.

1 **SECRETARY OF STATE BROWN:** I don't think so,
2 Governor.

3 **DIRECTOR SOLLIDAY:** So the staff recommends that the
4 Board approve submission of the Department of Forestry's budget
5 to the Department of Administrative Services.

6 **STATE TREASURER WHEELER:** So moved.

7 **GOVERNOR KULONGOSKI:** Second?

8 **SECRETARY OF STATE BROWN:** I'll second it.

9 **GOVERNOR KULONGOSKI:** Any further discussion?

10 **STATE TREASURER WHEELER:** If I may, Governor.

11 **GOVERNOR KULONGOSKI:** Please go ahead.

12 **STATE TREASURER WHEELER:** I just want to be on the
13 record supporting what you said earlier. We are submitting a
14 current service level budget, which to my mind doesn't seem
15 realistic in this budget environment in terms of how it's
16 actually going to land. So I want to just second what the
17 Governor said in terms of his discretion as the Chief Executive
18 for the State to do something different when the budget process
19 actually unfolds.

20 **GOVERNOR KULONGOSKI:** Any further discussion?

21 Hearing none, adopted.

22 **DIRECTOR SOLLIDAY:** Next item is a request for the
23 Department of State Lands to submit its 2011-13 agency request
24 budget, and also to approve proposed changes to our key
25 performance measures. The staff at DSL; we're actually head of

1 the Department of Forestry. We're one of these early-
2 submission agencies, has developed four policy option packages
3 for submission. Most of, with the exception of one, allows us
4 to live within our current service level budget.

5 The first is simply continuation of federal funds
6 limitation to support a grant-funded position for a grant that
7 we have from the Environmental Protection Agency. The second
8 is to add two seasonal positions at South Slough during the
9 peak season, as well as to reclassify a management position
10 that DAS has already approved the reclassification for. Those
11 actions at South Slough would be paid for by moving
12 professional services money up from services and supplies up to
13 personal services so we would be living within our existing
14 resources.

15 The third package, which is the one we can't do
16 within our existing CSL is for Portland Harbor. We expect that
17 the cost allocation process is going to continue into the 2011-
18 13 biennium and possibly beyond that, and need additional
19 resources for our expert contractor consultants that we have on
20 board to help with the 79 parcels that we manage in the
21 Portland Harbor Superfund site area as well as some additional
22 recourses for the Department of Justice to represent us in the
23 cost allocation process and the natural resource damage
24 assessment process.

25 And that's \$200,000 in other funds and \$1.2 million

1 in general fund. And I want to mention; I mentioned this at a
2 previous meeting. It's unusual for us to have to request
3 general fund. We normally generate our own revenue and actually
4 produce net revenue for the State. But because of the fund
5 sweeps that have occurred of our statutory revenue both in 2002
6 and in 2009, our statutory revenue is barely meeting the
7 expenses of our statutory programs at this point. And so we
8 don't have excess statutory revenue sitting in the Common
9 School Fund, which we normally would have, had those sweeps not
10 taken place. And that's resulted in our need to request
11 general fund.

12 And then the fourth budget package is to actually
13 reduce the budget associated with the Natural Heritage Program.
14 We have a legislative concept that we have put forward to
15 transfer the program to the Department of Parks and Recreation.
16 And so we would reduce our other funds limitation and federal
17 funds limitation that supports that program for the 18 months
18 of the next biennium when the Parks Department would be
19 assuming responsibility for that program.

20 In addition to the budget proposals, we also spent
21 some time going through all of our key performance measures and
22 are proposing several changes. And I would say the major
23 changes come in two categories. We have four key performance
24 measures that are tied to the price of timber, which we don't
25 control. And so we are proposing to delete all of those

1 (phonetic) and to revise what we're measuring on a couple of
2 those so that we are not graded on whether we're successful or
3 not based on the price of timber. And so you will see several
4 revisions in your packet related to that.

5 And then the second category I would talk about is we
6 have several performance measures that are related to meeting
7 statutory deadlines for processing wetland delineations,
8 removal/fill applications. And whether we meet a statutory
9 deadline or not is not for me a good measurement of an outcome.
10 It's whether we're complying with the law, and we're supposed
11 to be doing that. So we're proposing to change those targets
12 to average number of days that it takes us to process so we can
13 really see how the work flow is going and whether the
14 efficiencies that we're making are resulting in shorter turn-
15 around times for our customers. And so we've proposed several
16 changes related to that.

17 And then one other change I might mention; we have
18 been struggling with the South Slough key performance measure
19 related to their education programs. And we have tried two
20 different ones so far, neither of which we have been able to
21 figure out how to adequately measure. And so we have a proposal
22 for a little different way to come at that particular key
23 performance measure that we think really will measure whether
24 we are listening to the target audiences that we're trying to
25 target and developing our training programs to meet the needs

1 of those target audiences.

2 And with that, the staff would recommend that the
3 Board approve submission of the agency request budget to the
4 Department of Administrative Services and to propose changes to
5 our key performance measures as outlined in the agenda item.
6 And I'd be happy to answer any questions.

7 **GOVERNOR KULONGOSKI:** Louise, my comments on Action
8 Item Number 3 --

9 **DIRECTOR SOLLIDAY:** They go for this one?

10 **GOVERNOR KULONGOSKI:** --is applicable to this one
11 too.

12 **DIRECTOR SOLLIDAY:** Yes. We understand.

13 **GOVERNOR KULONGOSKI:** Is there a motion?

14 **SECRETARY OF STATE BROWN:** I'll move approval.

15 **STATE TREASURER WHEELER:** Second.

16 **GOVERNOR KULONGOSKI:** Any further discussion? Any
17 objection? It's adopted.

18 **DIRECTOR SOLLIDAY:** Last action item is a request for
19 approval to purchase the Eugene Motor Pool in Lane County.
20 This is a parcel that the Department of Administrative Services
21 put on their disposal list along with motor pools in Portland
22 and Springfield. The property is located at Fourth and High
23 Street near the Fifth Street Market in Eugene. It's 1.63
24 acres.

25 There are two older buildings that were constructed

1 to accommodate the motor pool operations there. There are 135
2 parking spaces on the property. And the property is currently
3 under lease to the owner of the Fifth Street Market for their
4 use both for employee parking and for customer parking. The
5 Department of State Lands put in a bid. We were the successful
6 bidder. We were also the only bidder; although there were some
7 other folks in Eugene who took a look at the property but
8 deciding against bidding.

9 Our bid price was just around \$50,000 under the
10 appraised price. We think this is a great purchase for the
11 Board. It's part of our strategy with our Asset Management
12 Plan to dispose of the isolated scattered forestland and
13 rangeland parcels and to invest in more industrial, commercial,
14 residential properties that we think we will enhance revenues
15 to the Common School Fund over a long period of time.

16 This particular parcel also is adjacent to a newly
17 proposed redevelopment plan for the parcel, the 27 acres that
18 the Eugene Water and Electric Board owns also in the downtown
19 area in Eugene. And with that, the staff would recommend
20 approval for the Director to sign the bargain and sale deed to
21 acquire this property.

22 **GOVERNOR KULONGOSKI:** Louise, can I ask you a
23 question? You're going to get this piece of property. It's a
24 motor pool. As you and I have talked about this; this is
25 investment property.

1 **DIRECTOR SOLLIDAY:** Governor, that's correct. It's
2 actually zoned for commercial use.

3 **GOVERNOR KULONGOSKI:** And so you're trying to find a
4 buyer.

5 **DIRECTOR SOLLIDAY:** Governor, we will do one of two
6 things. We may hold it and wait for the real estate values to
7 come back up and we could sell it. The other thing we would
8 likely look at is entering into a partnership with a private
9 developer to develop the parcel.

10 **GOVERNOR KULONGOSKI:** That's the piece I wanted you
11 to talk to me about because I didn't ask you that yesterday. So
12 that is an option.

13 **DIRECTOR SOLLIDAY:** Governor, it is.

14 **GOVERNOR KULONGOSKI:** That you would have a partner
15 to develop this piece of property.

16 **DIRECTOR SOLLIDAY:** That's correct. It's similar to
17 what we anticipate doing with our Stevens Road tract on the
18 southeast corner of Bend and the South Redmond tract that we've
19 acquired, both of those for industrial, commercial and
20 residential property.

21 **SECRETARY OF STATE BROWN:** Governor, my granny said
22 location, location, location.

23 **GOVERNOR KULONGOSKI:** Oh, it's great.

24 **SECRETARY OF STATE BROWN:** And with that, I would
25 move approval that the Director sign a bargain of sale

1 agreement with the Department of Administrative Services.

2 **GOVERNOR KULONGOSKI:** I just see this huge parking
3 structure down there.

4 **STATE TREASURER WHEELER:** Second.

5 **DIRECTOR SOLLIDAY:** Governor, one thing I just want
6 to put on the record. This transfer will include the mineral
7 rights that underlie that parcel as well.

8 **STATE TREASURER WHEELER:** Could I ask a couple of
9 questions?

10 **GOVERNOR KULONGOSKI:** Go right ahead.

11 **STATE TREASURER WHEELER:** Just a couple of questions
12 because the Governor's question spurred one in my mind. Since
13 we are looking at this from an investment opportunity, there
14 were no other bids. Was this a written bidding process or was
15 it an open public bidding process?

16 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, it was a
17 closed bid process.

18 **STATE TREASURER WHEELER:** And so no other bids were
19 submitted.

20 **DIRECTOR SOLLIDAY:** That's correct.

21 **STATE TREASURER WHEELER:** And second of all, just
22 help me understand the process of one agency selling to another
23 agency. Who determines what the minimum acceptable bid price
24 is?

25 **DIRECTOR SOLLIDAY:** Treasurer Wheeler and members of

1 the Board, each agency has their own process for disposing of
2 property. In almost all cases that I'm aware of, the minimum
3 bid price has to be the appraised price or something in the
4 vicinity of the appraised price. In this case the Department
5 of Administrative Services set the minimum bid price at \$50,000
6 below the appraised price.

7 **STATE TREASURER WHEELER:** So to clarify, then, there
8 is some standard whereby the price that we are paying for that
9 property is somewhere incorporated in statute in terms of what
10 the minimum bid price is.

11 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, that's
12 correct. We did talk about putting in an offer below the
13 minimum bid and decided against that, believing there were
14 going to be other bidders. And in fact, we bid \$1001 above the
15 minimum bid price because we really did want to acquire this
16 property.

17 **STATE TREASURER WHEELER:** And may I ask another
18 question, Governor; actually two more if I may? The first is
19 are there any targeted purchasers of this property that you
20 have in mind?

21 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, I think the
22 Fifth Street Market at some point may be interested in it to
23 acquire additional parking for their customers.

24 **STATE TREASURER WHEELER:** Okay. And then my final
25 question, if I may, Governor, relates to any environmental

1 concerns on this particular piece of property, given its
2 location.

3 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, this was a
4 site that was cleaned up after the motor pool use ended. And
5 so there's a letter from DEQ indicating that the site has been
6 cleaned up. There is a restriction that comes with that
7 cleanup and that is that there cannot be residential units on
8 the ground floor of any structures that are placed on the
9 property.

10 **STATE TREASURER WHEELER:** May I ask why?

11 **DIRECTOR SOLLIDAY:** I think that's just to insure
12 protection. This was a motor pool facility. There were gas and
13 oil contaminants that I'm sure seeped into the property over a
14 long period of time. While the cleanup has been certified as
15 having been completed, I think you never know for sure that
16 you've gotten everything out of there. And this is just to
17 protect to make sure that residents are not living on that
18 ground level where those contaminants would have gone.

19 **STATE TREASURER WHEELER:** Thank you.

20 **GOVERNOR KULONGOSKI:** Is it classified as a brown
21 field (phonetic) site?

22 **DIRECTOR SOLLIDAY:** Governor Kulongoski, it is not.

23 **GOVERNOR KULONGOSKI:** Okay.

24 **SECRETARY OF STATE BROWN:** I moved already, I think.

25 **GOVERNOR KULONGOSKI:** Oh, I did. I'm sorry. Any

1 further discussion? Hearing none, is there any objection?
2 Hearing none, it's approved.

3 **DIRECTOR SOLLIDAY:** Then Governor, we have two
4 updates that we want to give you; first on the unclaimed
5 property program. And I'll say a couple things about the
6 unclaimed property program. The trends are continuing upward
7 both in terms of holder reporting and the amount of claim
8 traffic that we are seeing.

9 Our claims staff has been swamped for about the past
10 year with claims. Unfortunately the result of that is our
11 processing time is taking a little longer to process those
12 claims. We are doing some things to try and expedite those
13 claim processes. But we are not able to respond quite as
14 quickly. You have in your notebook a couple of charts that
15 show you the increasing trend both in terms of holder reporting
16 and claims that have come in and the amount of money that's
17 been returned to Oregonians.

18 I might mention we have over \$350 million sitting in
19 Common School Fund in the deposit/liability portion of that
20 related to unclaimed property. We have over a million names in
21 the database that is available for folks to search. There's
22 been quite a bit of publicity about the unclaimed property
23 program nationally as well as in the state. And that is
24 resulting in a lot of people now searching our website
25 regularly, looking for lost money.

1 And with the down economic situation we've had some
2 folks who have found some money and it's helping them out in
3 this poor economic climate that we've gone through the last
4 year or so. The program also is continuing to do significant
5 outreach. In fact, we're doing holder workshops right now to
6 make sure that our holders understand the requirements for
7 reporting property to the Department. And we are also
8 continuing to do our own outreach related to claims.

9 I might just mention one other thing. There was
10 legislation passed in the 2009 legislative session that
11 requires that lawyer trust accounts go to the Bar Association.
12 The proceeds from those go the Bar Association for their use.
13 And so we have been working with the Bar Association to
14 implement that new statutory provision in a way that's going to
15 work for both us and for the Bar Association. And with that,
16 I'd be happy to answer any questions. Okay.

17 **STATE TREASURER WHEELER:** I have just a comment, if I
18 could. There are a preponderance of new offers coming in to
19 citizens in Oregon offering for a small fee to help people
20 track down lost and unclaimed property that might be held by
21 the State of Oregon. And if there's anything that we can
22 collectively do to help get the word out that people can do
23 that for free and easily on the State website, that would be a
24 good thing because we're getting lots of complaints from people
25 who are paying. And then they find out after the fact that

1 they're paying somebody to basically come to our website for
2 free.

3 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, I appreciate
4 that. And we do try and make people aware that they don't need
5 to pay a finders fee to someone else; that they can get their
6 property here without having to pay any fee at all. And we'll
7 continue to put out press releases about that periodically just
8 to make people aware.

9 **STATE TREASURER WHEELER:** And we'll do that with you
10 too.

11 **DIRECTOR SOLLIDAY:** Great.

12 **STATE TREASURER WHEELER:** Thank you.

13 **GOVERNOR KULONGOSKI:** Louise, let me ask you a
14 question. Your Department website; do you have a spot on that
15 that actually tells people about this program that they may
16 have unclaimed property?

17 **DIRECTOR SOLLIDAY:** Governor, right on our home page
18 is a link you can click to go right into the searchable
19 database. So we do.

20 **GOVERNOR KULONGOSKI:** You know, at least with the
21 three of us, I'm just going to speak for myself but if you will
22 write me up -- actually with habit --

23 **DIRECTOR SOLLIDAY:** The link?

24 **GOVERNOR KULONGOSKI:** I would put it on my home page
25 for the State.

1 **DIRECTOR SOLLIDAY:** We can do that. Great.

2 **GOVERNOR KULONGOSKI:** So that people could -- because
3 I get a lot of hits on it and it would just tell people.
4 Instead of just your department, I would do it.

5 **DIRECTOR SOLLIDAY:** We can do that. I think the
6 Treasurer's office already has the link on theirs. So we can
7 get it to the two of you to do that.

8 **SECRETARY OF STATE BROWN:** We do have a link.

9 **DIRECTOR SOLLIDAY:** Yeah.

10 **GOVERNOR KULONGOSKI:** I'll do it.

11 **DIRECTOR SOLLIDAY:** Great.

12 **GOVERNOR KULONGOSKI:** You let us know.

13 **DIRECTOR SOLLIDAY:** We will do that.

14 **STATE TREASURER WHEELER:** It would be ideal if the
15 Governor's website could link to the Treasurer's website, if
16 you can swing that, let us know. We got three hits last month
17 so --

18 **SECRETARY OF STATE BROWN:** Well, Treasurer Wheeler,
19 you should run elections.

20 **GOVERNOR KULONGOSKI:** I think the part that I will
21 refer over to the Treasurer is statements that people write in
22 in the little blog that says, "Do you have any comments?" I'll
23 just send them over. Louise, I meant to tell you on your
24 sweeps and you were talking about them and I know how you feel
25 about that. But I'm going to tell you if the Legislature comes

1 back in in a special session, hang on. And that's one of the
2 things I've tried to tell them that I do not think is good
3 public policy. But they're going to be under extreme pressure
4 to do that again.

5 **DIRECTOR SOLLIDAY:** Yeah, and Governor, I can tell
6 you the Treasurer -- we put out a press release on the latest
7 gains that we've had in the Common School Fund, thank you very
8 much. But it precipitated a call from (unintelligible) to say,
9 "Gee, can you send me the latest flash report on the Common
10 School Fund." So they are looking under every rock to try and
11 find resources.

12 **GOVERNOR KULONGOSKI:** I thank you.

13 **DIRECTOR SOLLIDAY:** Yeah. Then the last information
14 item we have is we do annual customer service survey.
15 Although, we'll be doing it biennial from this point going
16 forward. So in March of 2010 we conducted our customer service
17 survey. We sent out about 3800 surveys. We had a great return
18 rate of about almost 30 percent. 1100 of them came back.

19 The good news is that our customer service rate, the
20 number of people who are rating us as excellent or good in our
21 customer service is trending upward in all of the categories
22 that we ask folks to rate us on. Our target in our key
23 performance measure is to have 93 percent of the folks rate us
24 as excellent or good. We're not meeting the target but we are
25 trending in the correct direction.

1 Customer service has been one of my focus points
2 since coming to the agency. We have done training. We have
3 constantly reminded staff that it's important to return phone
4 calls and emails and not leave people hanging. And I think
5 we've seen some significant improvements, as people are looking
6 at the change in the way we are addressing our customers.
7 We'll continue to take customer service very seriously. Not
8 surprisingly if we break these responses out for each of our
9 divisions and for South Slough, the unclaimed property program
10 gets the high ratings because we're sending money to people.

11 And South Slough gets high ratings because it's a
12 warm and fuzzy program and a great place to go visit. Our
13 regulatory programs and our land management programs who are
14 making decisions that don't always please our customers, the
15 rankings are not quite so high. But again, all of them still
16 trending in a positive direction. And I'd be happy to answer
17 any questions on that.

18 **GOVERNOR KULONGOSKI:** Did my good friend Senator
19 Johnson send in a comment? Don't answer it, Louise.

20 **DIRECTOR SOLLIDAY:** Governor, the responses are
21 anonymous unless people sign their names and --

22 **GOVERNOR KULONGOSKI:** I'm sure she would if she --

23 **DIRECTOR SOLLIDAY:** I do have to share with you; I
24 shared with the staff yesterday that there was a comment about
25 me for the first time in the customer service survey. It was

1 pretty derogatory. Well, I think most people will find it
2 derogatory. It referred to me as a femme Nazis direct -- I
3 can't remember what the total term was. But somebody who was
4 not -- somebody who I didn't recognize. He actually signed his
5 name.

6 **GOVERNOR KULONGOSKI:** Oh, Senator Johnson did send
7 you one.

8 **DIRECTOR SOLLIDAY:** No comment.

9 **GOVERNOR KULONGOSKI:** Thank you.

10 **DIRECTOR SOLLIDAY:** So Governor, we have one last
11 thing we want to do today and that is to recognize Steve
12 Purchase, who has retired from the agency. And so with that,
13 if I can get Steve to come up here and join me. Have a little
14 seat here, Steve. So Steve and I did not cross paths on his
15 last day in the office, which was a dangerous thing because
16 when I got to the office on Monday morning; his last day was a
17 week ago Friday, there were three shovels in my office.

18 And I'm not sure what that message is other than when
19 you're in a hole, quit digging. But I wanted to take this
20 opportunity to thank Steve for his 22 years of service to the
21 State, all at the Department of State Lands; started at the
22 Division of State Lands. And I wanted to talk about a couple
23 things that I think Steve did for the State of Oregon, one of
24 which I think most people don't even know he did.

25 And that is that the boundary of the territorial sea

1 was something that Steve drew early in his career working for
2 the mineral management service. So we have Steve to thank for
3 the boundary line that you see on all of the maps of Oregon's
4 territorial sea; big project, big undertaking and something
5 that Steve led the charge on early in his career at the
6 Department.

7 And then the second thing I think Steve would say was
8 one of his biggest accomplishments was seeing the New Carissa
9 removed from that territorial sea, and Steve was here when it
10 ran aground as well as managed the contract; the largest
11 contract the agency has had in its history. He oversaw the
12 contract to remove the New Carissa. It went very smoothly.
13 Steve built in contingencies for almost every disaster that
14 could have happened.

15 Fortunately we didn't have to implement any of those.
16 And so I just wanted to mention those two highlights of Steve's
17 career. There are many things that he has done for this
18 agency; from when he first started to his final position, which
19 was as the assistant director for land management. He also
20 served as the acting director in between agency directors on
21 more than one occasion, and did a great job handling the helm
22 of this agency during those periods of time.

23 When I told the staff at the previous celebration
24 that we had for Steve, when you come to the Department of State
25 Lands it's a lot like peeling back the layers of an onion. And

1 Steve was the one, I think, who peeled back most of the layers
2 for me when I became the director. And I have a feeling that
3 he left before he peeled back all of the layers, and that there
4 are a few skeletons that are yet to be found that we will
5 discover with Steve no longer with us.

6 I also wanted to share with Steve; Governor Kitzhaber
7 was hoping to be here today but his campaign had other plans
8 for him, and he wanted us to extend his best wishes and his
9 thanks to you for your great contribution to Oregon. And
10 that's well deserved. And then on behalf of the Board and all
11 of us here at DSL and all of the customers and all of the
12 agency folks that you worked with and all of the former
13 directors, we have a little parting gift.

14 And I'm not a big fan of giving folks things that
15 hang on walls. And so this is something you're not going to
16 hang on your wall but hopefully will put in your new RV and use
17 every day, and think of all of us as you're traveling around
18 the country with your wife. So Steve, thank you very much for
19 your years of service.

20 **MR. PURCHASE:** Thank you. Governor, members of the
21 Board, Steve Purchase, Retiree. One thing I would say is --
22 and to ask all of you to keep in mind is that the staff and
23 this agency are absolutely wonderful. And I have had the
24 pleasure and the honor to work in this agency and to work with
25 these great bunch of people who have been absolutely stellar in

1 their work, have done as much as they can possibly do to make
2 the job as easy for me as it possibly could be, including
3 helping Oregonians get what they really need.

4 And when these kind of budget times are uncertain and
5 economic times are uncertain, the staff here; I hope that you
6 keep that in mind when you look at things. And the staff here
7 has been absolutely wonderful. And I've thoroughly enjoyed my
8 time here. And I look forward to watching what the Board does
9 and what the agency does over the years. Thank you for all
10 your support as well. Louise, thank you for your support. I
11 look forward to seeing what goes on here. Thanks.

12 **GOVERNOR KULONGOSKI:** What's in the box?

13 **MR. PURCHASE:** I'm a little scared to look. Tissue
14 paper.

15 **DIRECTOR SOLLIDAY:** It's a State of Oregon cutting
16 board.

17 **GOVERNOR KULONGOSKI:** That's good.

18 **MR. PURCHASE:** That's pretty cool; I like that.

19 **GOVERNOR KULONGOSKI:** Very practical, you know.
20 Steve, if I could, on behalf of the Board and I think I speak
21 for all three of us is that times like this we're conflicted.
22 One, we're very, very happy for you and your family for
23 retiring and getting an opportunity to travel and enjoy
24 yourselves. The other side is in these difficult times we all
25 recognize when we lose senior managers like you that not only

1 does the Department lose a very valued employee, but the State
2 of Oregon loses a very valued public servant to them.

3 It is not easy, the job that you have done recently
4 and the jobs you have done in this Department. They are
5 difficult. They are controversial and people sometimes look
6 upon us as the opponent rather than the person that's trying to
7 help them. But you have always done this with a class that I
8 think that reflects upon you and the people you work with. So
9 I am happy for you but I do wish that during the difficult
10 times the State now has and we will face here in this next
11 decade, I have to tell you I do wish you were still here. But
12 I understand. Congratulations to you and your family. And
13 thank you. Thank you so much for making Oregon a better place
14 for all of us. Thank you.

15 **MR. PURCHASE:** Thank you.

16 **DIRECTOR SOLLIDAY:** So having a picture of Steve with
17 the three of us.

18 **GOVERNOR KULONGOSKI:** Sure.

19 **DIRECTOR SOLLIDAY:** Then we're also going to do a
20 photo of the three of you so we can update our photos.

21 **GOVERNOR KULONGOSKI:** Oh. We're going to do that
22 today too.

23 **DIRECTOR SOLLIDAY:** Just real quick, we're just going
24 to do some candid shots.

25 **GOVERNOR KULONGOSKI:** Oh.

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DIRECTOR SOLLIDAY: Not the formal ones.

GOVERNOR KULONGOSKI: It's not the formal one?

DIRECTOR SOLLIDAY: No.

GOVERNOR KULONGOSKI: Okay.

DIRECTOR SOLLIDAY: And we do have food and drinks
back there for everybody to honor Steve so lead the way.

GOVERNOR KULONGOSKI: Great.

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CERTIFICATE

I, Jayne Rosamond, hereby certify that I am an electronic transcriptionist for Business Support Services of Salem, Inc., that as such electronic transcriptionist I prepared from an electronic recording provided by Business Support Services, Inc., the foregoing typewritten transcript of the meeting had upon the matter at the time and place set forth in the caption hereof; and that the foregoing pages, which are numbered 1 through 48, both inclusive, are the true, accurate and complete transcript of the proceedings adduced had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 14th day of June 2010.

Jayne Rosamond, Transcriptionist

jr/jr