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STATE LAND BOARD MEETING

Tuesday, April 14, 1992

State Lands Building

775 Summer Street NE, Salem, Oregon

10:00 a.m.

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1 **GOVERNOR BARBARA ROBERTS:** Well, I wonder if maybe
2 we should take a couple of info--
3 (OFF THE RECORD)
4 **JANET NEUMAN:** Remarks if you don't mind,
5 Governor, and so--
6 **GOVERNOR BARBARA ROBERTS:** Why don't we just take
7 a couple of the informational items? Well, let's start
8 with the consent item agenda and deal with that first,
9 Janet, and then by then maybe Tony will be here.
10 **JANET NEUMAN:** Great.
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AGENDA ITEM NO. 3

JANET NEUMAN: Governor, members of the Board, on the consent agenda, in the printed agenda, there are two items: request for approval of the February State Land Board meeting minutes; and request for approval of two recreational gold mining proposals. Item 3.b., the gold mining proposals have been withdrawn and will be taken up at a later time. Some issues arose at the last minute that we'd like to clarify with some of the interest groups, so those are not to be considered today. That leaves only the minutes approval on the consent agenda.

SECRETARY OF STATE PHIL KIESLING: I'll move to approve the minutes from the February 11, 1992, State Land Board meeting.

GOVERNOR BARBARA ROBERTS: Second. Those in approval will say aye; those opposed, nay. Motion is passed. Let's move on to 4.a., Janet, if we can to the data processing plan and see where we are by then.

JANET NEUMAN: Okay.

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AGENDA NO. 4

JANET NEUMAN: Item 4.a. is simply a status report on the Division's data processing plan. You've been provided a copy of the plan. The budget note for our 1991/93 budget specified that we were to complete the planning process required by the Exec Department Information Systems Division. That's a very detailed planning process. We have gone through that process in great detail and have produced a data process plan as a result of that. We've identified needs in the data processing planning process for some additional computer equipment and software and for some additional staff support; however, at this time we are not making any requests for expenditure limitation or staffing. We are simply presenting the report as a completed data processing plan. We're taking it to the joint legislative committee on data processing tomorrow for their acceptance and review and we're taking it to the Emergency Board for their review as provided in our budget note on Thursday and Friday of this week.

We do not plan at this time to ask for expenditures for staff. Obviously it's not a very good time for that. And what we intend to do first is to conduct an extensive review of the possible compatibility and coordination of our data processing with other natural resource agencies, in particular those that are being

1 considered for possible merger into a Department of Lands
2 and Water. Although we're not trying to prejudge that
3 decision, we don't want to make any expenditures or
4 investments of any kind in systems that would not be
5 possible in a recombined or merged agency, and we think
6 that whether or not there's a merger, any enhanced
7 compatibility and coordination of our data processing
8 systems will be useful no matter what form the agencies
9 are in next biennium, so we're doing a second-level review
10 with good assistance from the Exec Department Information
11 Systems Division, and with the combined efforts of the four
12 agencies.
13 The executive summary in the report does highlight
14 the findings that we made. This was a painful but
15 educational planning process and we were aided substantially
16 by the goal-setting procedures that we have done before at
17 the Division, because that led the way in terms of our
18 information systems planning. So it's simply a status
19 report, and if in reviewing it you have any questions,
20 staff can answer those for you, so that is the item 4.a.,
21 on the informational agenda.
22 **GOVERNOR BARBARA ROBERTS:** Okay. Any questions
23 about that or we'll just give people a chance to be able
24 to review that, and if you've got questions, we can always
25 raise them at the last meeting. Thank you, Janet. Now,

1 let me take our agenda a little bit more out of order,
2 and we are going to look at informational item number 4.b.
3 Governor Atiyeh is here who is going to talk to us about
4 the Whale Cove item. Vic, it's good to have you back at
5 the Land Board. We've missed you after your eight-year
6 stint on this side of the table, and we're delighted to
7 have you here this morning.
8 GOVERNOR VICTOR ATIYEH: Thank you, Governor.
9 This is about the seventh time I've been to Salem since
10 1987. I've been--
11 GOVERNOR BARBARA ROBERTS: Good for you.
12 GOVERNOR VICTOR ATIYEH: Delighted to be really
13 on this side of the table. Appreciate the time that
14 you've given us. We have the two owners of the property
15 with us here. I'm going to introduce the subject. I
16 will, I guess, turn it to Michael and then we can fill
17 in with whatever questions that you might have. I
18 appreciate your response to my letter of February 20. I
19 just noticed it was February 20. I say that because that
20 was my birthday. I didn't realize that's when I sent it,
21 but in any event, if anyone wants to take note of that,
22 that's okay.
23 GOVERNOR BARBARA ROBERTS: Send him gifts next
24 year.
25 GOVERNOR VICTOR ATIYEH: These gentlemen approached

1 me prior to the time I wrote you a letter and I was
2 aware of Whale Cove. It was involved in some controversy
3 in the courts and we'll speak about that. They will, just
4 briefly. But they said that they had decided they wanted
5 to dispose of the property, but they'd be more than
6 willing to give the State an opportunity to acquire it
7 prior to the time they try to sell it into private
8 ownership.
9 In my letter, Governor, as you know, I'd indicated
10 my pride in being involved in the acquisition of the
11 Deschutes River for public access, and this seemed to be
12 another unique opportunity to acquire a very special piece
13 of land. And so we proposed that the Land Board might
14 consider this possibly as a swap, and I really approached
15 the Land Board in the sense that I'm aware of the tight
16 restrictions on government now in terms of acquisition,
17 dollars that might be available, and this might be a way
18 to acquire it without any cash outlay. You were kind
19 enough to say, "Yes, we'll take a look at it," and as we
20 know this is an informational hearing, and we'll try to
21 give as much information as we can.
22 I would say having been a member of the Land
23 Board, that I would really consider this transitional,
24 transitional in the sense that the State Land Board would
25 acquire it but really more to hold it until a time that

1 probably State Parks would be able to add it to the state
2 park they have now. Now, not quite that because it
3 doesn't connect, but Rocky Creek Park is just south of
4 this, and so that you'd be able to protect the increased
5 values that coastal property has, hold it until the time
6 that the State Parks could acquire it, so this would be
7 a transition really in terms of the State Land Board. I
8 wasn't thinking of the State Land Board being in the
9 business, simply we need something for preservation. That's
10 not your job. But this is a chance that you have.
11 There are photographs and some rather large charts
12 and really we ought to -- they were visible until the
13 chairs went in, but I think if we could get those maybe,
14 a chance to give you a close look, they're very well done.
15 I was just informed that these three larger ones are in
16 sequence. The first of them was -- was it a Corps of
17 Engineer? What year? 1939 Corps of Engineer. The last
18 one is in the middle '80s. And so they're here to give
19 you some information. We'll try to be as brief as
20 possible and be glad to answer any questions that you
21 have. Appreciate the opportunity at least to give us a
22 chance, the state that is, to make this, I think, a very
23 unique and valuable piece of property for the public. And
24 so, Michael, I'll turn it to you.
25 **MICHAEL LYNCH:** Thank you, Governor Atiyeh, and

1 thank you to the Land Board for hearing this.

2 **GOVERNOR BARBARA ROBERTS:** Michael, will you

3 identify yourself for the tape so we'll be sure to--

4 **MICHAEL LYNCH:** You bet I will. I'm Michael

5 Lynch, Portland, Oregon, one of the property owners of

6 Whale Cove. And we're in the position at this time where

7 we are beginning to put Whale Cove on the market. We're

8 confident that the property is a very, very unique parcel

9 of Oregon Coast real estate that offers some of the most

10 unusual combinations of environmental, ecological, historical,

11 and just scenic beauty aspects that this state has. It

12 was our intent that when we came into the property we were

13 intending on developing it ourselves. As Vic alluded to,

14 we did get into some litigation over a beach bill and over

15 issues such as that that put a considerable strain on our

16 resources and, in fact, made it so that we're unable to

17 develop the property ourselves. But was always our intent

18 to put it to the highest and best use in terms of a

19 stewardship form of preservation. We feel that the State

20 and as an ultimate goal would also be of that same mindset

21 where they would be inclined to keep this as a resource

22 for the people to enjoy.

23 Whale Cove offers significantly an unusual set of

24 circumstances. Number one, it's one of the few southern

25 facing beaches on the Pacific Ocean. While we may not

1 think that that means much, southern-facing beaches are, in
2 fact, most unusual on the Pacific and they offer shelter
3 and marine life in ecological balance that don't exist.
4 Those combinations don't exist often elsewhere.
5 At the same time, it offers a few historical
6 potentials, one of which is the possibility and active
7 theory that Sir Francis Drake may have landed there in
8 1579. While this has not been proven by any means and
9 proving that would be very difficult, to say the least,
10 the fact is if it were true it would be the first outpost
11 of the British Empire, which would be in the State's
12 interests to have as something to hold. In addition, it
13 was a very important spot in the rum running and the
14 bootlegging throughout the '30s where it held considerable--
15 **GOVERNOR BARBARA ROBERTS:** Another piece of
16 American history.
17 **MICHAEL LYNCH:** Absolutely proven history as well.
18 That provide a level lively action along the coast, at
19 least. In fact, there's a placard that features some of
20 that that you should take a look at. The environmental
21 balance in Whale Cove is a very unusual one. It's been
22 held private for it's eternity basically and within it
23 it has an unusual combination of basalt and sandstone that
24 has -- well, in the words of Scuba Northwest magazine,
25 it's the -- "There is more forms of sea life there than

1 anywhere else in the United States with the exception of
2 Hawaii," and this is by someone who should know.
3 You can see by looking at some of these photos--
4 **GOVERNOR BARBARA ROBERTS:** Michael, would you like
5 to bring one of the big photos over here? Just maybe it
6 would make it easier for the Land Board to appreciate your
7 conversation and to identify with it a little more clearly.
8 Most of us don't see Whale Cove from this perspective very
9 often.
10 **UNIDENTIFIED MALE VOICE:** This is the top of the
11 photo, be more--
12 **GOVERNOR BARBARA ROBERTS:** Okay.
13 **UNIDENTIFIED MALE VOICE:** And the portion of the
14 property that we own includes what appears to be the
15 islands which actually--
16 **MICHAEL LYNCH:** You bet. Are actually islands.
17 It includes -- there's a point that holds at the same
18 time. It includes all of the headland in front of the
19 southern facing beach. Thank you.
20 **GOVERNOR BARBARA ROBERTS:** There. That will make
21 it easier.
22 **MICHAEL LYNCH:** All of the headland in front of
23 the southern-facing beach, the upland access to that beach.
24 There is no public access currently to this at all. It
25 does include a small portion of the beach at Little Whale

1 Cove, and this is the Little Whale Cove Basin right here,
2 those of you who are familiar with it. And by a small
3 portion, this is the portion that, in fact, was involved
4 in a lawsuit where we stood on one part and it was our
5 contention and the State's contention that by standing here
6 we could walk there. Unfortunately, we did not win in
7 that action and we were not successful.
8 GOVERNOR BARBARA ROBERTS: If I remember
9 correctly, you and the State were on the same side of
10 this.
11 MICHAEL LYNCH: Oh, absolutely.
12 GOVERNOR BARBARA ROBERTS: I'd just like to
13 clarify that for people who may not be familiar with the
14 suit.
15 MICHAEL LYNCH: In fact, I'd like to say that
16 with all State agencies, LCDC as well as major environmental
17 groups, Thousand Friends, Nature's Conservancy, many, many
18 others, we've always worked hand in hand with them
19 concerning the future of Whale Cove and we're proud of our
20 relationships, which is one of the reasons why we're here
21 today as a result.
22 The land also includes this portion of land
23 abutting Highway 101 and the significant portion
24 ecologically would be that that abuts the rack areas here
25 where there's significant seal pods. I'm not sure what

1 the summer population is, but the winter population is
2 still in excess of 60 -- 70 seals in the area that live
3 upon the rocks. They're actually on the upland area on
4 the land of ownership. It comes around to abut a small
5 piece of the Department of Transportation land that is
6 basically the side of the highway. And then there is one
7 small sliver, 1.3 acre spot, where Whale Cove Inn lies.
8 Whale Cove Inn is in an unusual situation, that
9 it's not served by utilities and/or normal services and is
10 basically falling down over time. Should Whale Cove go
11 into State hands, that would seal the fate upon Whale Cove
12 Inn not being able to get new services such as sewer and
13 so forth and at some eventual time that would be available
14 for the State at what would generally be considered a
15 reasonable price because you couldn't build on it otherwise.
16 And then that would complete the connection to Rocky Creek
17 State Park that is a current day use park, and I'm going
18 to have them continue to hold that.
19 **GOVERNOR BARBARA ROBERTS:** Do you feel like Vanna
20 White?
21 **MICHAEL LYNCH:** While I bring the 1939 --
22 **STATE TREASURER TONY MEEKER:** Whale of Fortune,
23 is that--
24 **MICHAEL LYNCH:** By the way, both these photos are
25 at 50 feet to one inch exactly, so you can get a sense

of scale here. We can see that very little has changed over time, and I'm sorry to be rude to the people outside that can't see the other side of this because they're beautiful photos that expose some of the natural beauty that's involved in Whale Cove.

You can also see that it's all wave protected. Waves from the ocean come in at this angle here and actually do not hit the beach or intertidal areas. This is one of the reasons why spectacular marine life lives in here. One of the reasons why there are more forms of marine life living in Whale Cove than would otherwise live elsewhere on the Oregon Coast. In fact, we have abalone in Whale Cove as a result of a State experiment to see whether abalone fishing could be profitable as an industry. They came into Whale Cove, seeded it, came back, tested it. It was very successful. In their wisdom they went to the Legislature, got some money, took the money, seeded an area outside of Coos Bay and nothing happened. The result was that the water temperature was slightly warmer here and the natural nutrients here were such that it could support life in Whale Cove that couldn't be supported elsewhere on the Oregon Coast by again showing some of the unique environmental features to it.

Depoe Bay is approximately as much as 35 feet through here. There are no otter or other sea lions

1 within the cove. The significance of that is that it's
2 a very healthy ecosystem that balances itself very, very
3 well. And it is true that whales come in. Whales, as
4 we know, don't eat live animals as a general rule, and
5 they eat the dead plankton that falls off of kelp.
6 Outside of Whale Cove, one of the healthiest kelp beds in
7 the state of Oregon, a three- to five-mile long bed that's
8 up to three miles wide -- as a result there's a lot of
9 dead plankton, the whales come through, scrape up the
10 bottom, silt it off, their byproducts and their waste feed
11 the other population. It's a very healthy system. The
12 whales stop there every year. It's much like a diner sign
13 in a roadway. And have been and they do come all the
14 way into the cove. In fact, if you want to go whale
15 watching at the Oregon Coast, the boat takes you none
16 other than to Whale Cove.
17 So we have significant environmental resources that
18 we feel would certainly are well worth maintaining and well
19 worth preserving to the highest aspect available. In fact,
20 when we discovered some people harming some of the
21 tidepools, we went to the Department of Fish & Wildlife.
22 We asked them for a ruling that would ban the taking,
23 removal, and/or harm of any marine life within the cove.
24 It was at first a piece of privately-owned upland. We
25 felt it was important because as you can see some of these

1 pools here, they're rich. They're ripe. These sea
2 urchins, they're a soft animal. They've been sitting --
3 you can see some of the holes there. There is -- they're
4 up to six inches deep and for a sea urchin to sit on a
5 piece of basalt and dig a hole six inches deep, we're
6 talking thousands of years. When they're cleaned out, as
7 they are by overuse or by improper care and so forth, they
8 don't grow back. We've seen that time and time again.
9 Whale Cove is one of the few spots where this type of
10 thing still remains.
11 You have some incredible scenic features of value
12 also that you should take a look at that show some of the
13 unique parcels -- portions of the property. And basically
14 what you have we have the epitome of the Oregon Coast
15 wrapped up into one small site. And we feel -- we'd ask
16 you to consider ways that the State might acquire this and
17 to look at that and we want to give you every possible
18 opportunity to do that. Whether that means outright
19 acquisition, trade, or otherwise, we'd be more than willing
20 to discuss with you. And we recognize that your mission
21 and duty needs to be to the highest and best use and with
22 an obvious eye towards revenues, and we have to keep that
23 in mind, but there may be some surplus properties of some
24 sort or some ways that the public might be served by this
25 acquisition. I'd like to introduce Tom McDonald, another

1 owner of the property. In fact, it's been in Tom's family
2 for a number of years, and Tom might have a few things to
3 add here.
4 **TOM MCDONALD:** Yeah, I have some articles done in
5 England here by a historian named Bob Ward. And I'd like to
6 pass that out to you and it's a real unique article about
7 Whale Cove, and Bob Ward came over to the United States last
8 summer to do further research on a Winston Churchill
9 Foundation Grant and you'll find a letter on the back of
10 this material I'm going to pass out to you a letter of
11 thanks from Winston Churchill Foundation which is headed by
12 Queen Elizabeth. And quite unique that there's a lot of
13 interest in this property and (unintelligible), so I'm going
14 to pass it out to you and (unintelligible).
15 **GOVERNOR BARBARA ROBERTS:** Thank you very much, all
16 three of you. Are there questions or comments from members
17 of the Land Board? Mr. Treasurer?
18 **STATE TREASURER TONY MEEKER:** Thank you, Governor. I
19 noticed that in some of the materials sent by the Governor
20 that there was a price on this parcel. Can you tell us how
21 that price was arrived? Did you have an appraisal or
22 anything of that sort that could serve as a backup to that?
23 **MICHAEL LYNCH:** The price was arrived at by looking at
24 a number, the variable methods of development, means of
25 development for the property in terms of number of units
26 built and as to the price.

1 **STATE TREASURER TONY MEEKER:** So the price is
2 based on development of the area that you've outlined?
3 **MICHAEL LYNCH:** Yes, sir. And the actual price
4 itself is fixed in the lower middle of those figures. Off
5 the top of my head, the max development figures is
6 slightly over five million dollars. When you move the
7 density up in the realm of things, this property does lie
8 within the UGB and has passed through the Land Use Board
9 of Appeals and the Court of Appeals for zoning of up to
10 300 and some odd units.
11 **STATE TREASURER TONY MEEKER:** That's the southern-
12 most piece, is that correct?
13 **MICHAEL LYNCH:** That's the combination of the
14 pieces.
15 **STATE TREASURER TONY MEEKER:** So there is some
16 development that's potential in the upper left?
17 **MICHAEL LYNCH:** I'm going to have to look to see
18 where you are pointing.
19 **STATE TREASURER TONY MEEKER:** Well, I was just
20 looking at the map.
21 **MICHAEL LYNCH:** Yes, there is some development
22 potential up here, about a two-acre building site there.
23 **STATE TREASURER TONY MEEKER:** Okay. But all the
24 rest is down here?
25 **MICHAEL LYNCH:** Right. Yes and no. On lower-

1 density construction you could actually build further out.
2 The area that we're discussing here, I'll bring the photo
3 back and show you what are the buildable areas of Whale
4 Cove.
5 The majority of the buildable area does lie in
6 through here. The second buildable area is this half
7 right here. The half off the significant back side is
8 actually all those in front (phonetic). In addition to
9 that, a low-density building where the -- let me say
10 minimal number of single-family homes (unintelligible).
11 This planning (unintelligible) have said that a home could
12 be built right here. We feel strongly that that would
13 take away from the development, so we've tried to maintain
14 them back here. Our plans call for building -- limited
15 building here and greater building here. To answer your
16 question more fully, this is ocean-front property and ocean-
17 front property on the coast of Oregon is currently selling
18 for a minimum of $1,000 front foot (phonetic) and up to
19 $3,000 a front foot. If you multiply that by the amount
20 of front land you have, three and a half million dollars
21 is a bargain price.
22 GOVERNOR BARBARA ROBERTS: Any questions or
23 comments? Let me see if I can ask a couple of questions.
24 As I was thinking about this today and looking at the
25 agenda item in addition to the discussion we're having here

1 today have you had discussions with any other agency of
2 the state government about potential land exchanges or with
3 private groups like the trust for public lands or the
4 Nature Conservancy about purchases who purchase things that
5 have unique value of this kind?
6 **MICHAEL LYNCH:** There was some discussion with the
7 Nature Conservancy a number of years ago. Their position
8 on it was that their philosophy is to acquire larger
9 tracts of land as the Cascade Head type size parcels, and
10 we were not able to offer that with our 26 acres.
11 Nonetheless, they did have interest in acquiring it, but
12 they didn't have the fund means to do so for that piece
13 of property. We have not had discussions with other state
14 agencies or recent discussions with others. I thank
15 Governor Atiyeh for his interest in preserving it. I went
16 to Governor Atiyeh with the concept that the State might
17 have some interest and ability and then that precipitated
18 his letter to you, so we're here exploring that and hoping
19 that as State Land Board members that you explore that
20 within the State Land Board's realm as well as within the
21 realm of other agencies. We're not attempting to limit it
22 here. We're attempting to open the discussion and open
23 the conversation up and so we're coming straight to you
24 with it.
25 **GOVERNOR BARBARA ROBERTS:** I -- oh, excuse me.

1 **MICHAEL LYNCH:** State Parks was discussed whether
2 funds were available within State Parks and, yes, we did
3 go through the motions of finding that out, that the
4 answer is evident, and I can see it in your nods of the
5 heads and we know that. At the same time there are
6 possibilities that Parks might have the funding ability in
7 the future, and should a type of property like this be of
8 interest to the State Parks, well, I believe that a
9 diminishing resource that has this kind of scenic ecological
10 historical beauty would be.
11 **GOVERNOR BARBARA ROBERTS:** Let me ask you a
12 question as you brought this to us for the beginning of
13 a discussion here with obviously potentials that could go
14 in a number of directions. Are you sitting on a time
15 frame that's critical to you? Is this a discussion that
16 could go on for a period of time as we awaited any
17 potentials that might exist within or without state
18 government that would hold the land in some kind of public
19 trust or are you under some kind of a tight time frame
20 for that decision?
21 **MICHAEL LYNCH:** Well, I can't give you an exact
22 time schedule. I can say that we're in the process of
23 beginning to actively market the property, and that in a
24 piece of property like this you're not going to find a
25 sale overnight. That's the brutal honesty and, in fact,

a sale takes a considerable amount of time. We believe that by coming to the State here, we're giving the State an active window that if the conversation could begin that got us towards where we thought there might be an acquisition, then we would have the resources to withdraw it from active marketing elsewhere if we felt that the State was going to carry through.

GOVERNOR BARBARA ROBERTS: Anything else? Governor Atiyeh, I thank you for bringing this to our attention, and for both of your gentlemen being here to make us aware of potential of the unique piece of land being held in a very unique way for long periods of time. I appreciate your concern about it and the care with which you've obviously managed it up to now, and it is a discussion I think -- though we can't tell under our current economic climate what is possible, I think certainly one that raises all of our awareness of what a unique and wonderful piece of property it is.

SECRETARY OF STATE KEISLING: I just wanted to add one thing. If you look at what previous generations did in this state to invest in everything from reforesting the Tillamook Burn to having the money to acquire parks in the past, even during the 1930's which were very hard times for Oregonians, we had the foresight to put money aside for things that today we are real thankful that people did.

1 It frustrates a lot of us in government that I think we
2 have really fallen short on that kind of ongoing
3 commitment. I think the last state park we brought into
4 the system was in 1971. I think Governor Atiyeh was in
5 the State Legislature when that happened. We have done
6 very little in the last 20 years, so I very much
7 appreciate as somebody who grew up enjoying the Oregon
8 Coast and having a chance to benefit from the foresight
9 that others had, a lot of us feel very strongly about the
10 need to in a sense reinvigorate that general commitment.
11 Something like this may very well fit under it. Timing
12 is everything in this business and we're in tough times
13 here, but I very much appreciate your willingness to bring
14 this to us and we'll explore our options, I think. That's
15 a good thing to do.
16 **STATE TREASURER TONY MEEKER:** Governor, I'm glad
17 to hear that kind of comment because we're going to give
18 you an opportunity, all Oregonians an opportunity to put
19 some money aside to -- oh, about around the 1st of May
20 we're going to start selling commemorative coins, the
21 proceeds of which go to park acquisition and construction.
22 I'll come down and try and sell you the first one.
23 **SECRETARY OF STATE PHIL KIESLING:** Sign me up.
24 Sign me up.
25 **GOVERNOR VICTOR ATIYEH:** Governor, when I was at

1 your side of the table, people would come to the Land
2 Board a little nervous, but I must tell you this is a
3 very pleasant experience. Thank you very much.
4 **GOVERNOR BARBARA ROBERTS:** It's wonderful to have
5 you back, Governor.
6 **GOVERNOR VICTOR ATIYEH:** Thank you.
7 **GOVERNOR BARBARA ROBERTS:** Thank you. Now, let's
8 go back to our agenda in order here. We will take item
9 one, the update on the Elliott State Forest. Janet, do
10 you want to set that up for us? Jim is here and others,
11 so--
12 **JANET NEUMAN:** Yes, thank you.
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1 AGENDA ITEM NO. 1

2 **JANET NEUMAN:** Jim Brown, State Forester, will
3 join me at the table to give you an update. We are
4 anticipating very shortly receiving the legal advice from
5 the Attorney General's Office that will help us sort
6 through some of these issues as well, but today Jim will
7 give us an interim update on the planning process and
8 timber sales.

9 **STATE TREASURER TONY MEEKER:** Does "shortly" mean
10 today or--

11 **JANET NEUMAN:** No, Bill may have a comment on that
12 but it is in its final stages.

13 **GOVERNOR BARBARA ROBERTS:** We had hoped it would
14 be ready today, but the Attorney General's Office didn't
15 quite finish it in preparation for this meeting.

16 **JIM BROWN:** Governor, members of the Land Board,
17 I'm Jim Brown, the state forester. As Janet indicated,
18 I'll do a couple of things, give you an update on where
19 we are with timber sales, and then very briefly talk about
20 the planning process.

21 Two months ago, you approved several sales going
22 forward. The auction date was set for April 22, which is
23 next Wednesday. We are on target to hold those sales and
24 that auction. That will be five sales and about 13
25 million board feet. We have also reviewed 11 sales at

1 about 34 million feet that is a combination of '91 and '92
2 sales. We've got the preliminary advice back from the
3 Department of Fish & Wildlife field organization and then
4 the next step is for Randy and I to sit down and go
5 through those and then out of that we'll put sales on the
6 market over the next six to nine months, and that would
7 be the normal window during which we would auction a
8 series of sales over time as opposed to just dumping them
9 all on the market at one time. Also, Clark Seeley
10 (phonetic) met with the local Department of Fish & Wildlife
11 people regarding what's called the 1993 sale plan. There
12 are eight sales in that with about 18 million feet and
13 that too, we've got their preliminary input on that and
14 then we'll be moving those through the pipeline onto the
15 market.
16 With respect to the planning process that you
17 authorized back in December, I've appointed Clark Seeley,
18 the manager of the Elliott, to lead the team that will do
19 the planning. We will have Salem-based technical staff
20 that will work closely with Clark. We will be asking the
21 other agencies to have somebody serve on the planning team
22 with us so that as we put the forest management plan for
23 the Elliott we'll be looking at all the resources and the
24 values that are out there. And then I think once you get
25 the Attorney General's Opinion then we'll be able to move

1 forward on that. In the meantime, we will be assembling
2 the inventory data of where the different resources are and
3 getting that into a GIS system so that we can start the
4 planning process once we have all the direction.
5 **GOVERNOR BARBARA ROBERTS:** Jim, does there seem
6 to be interest of any notable degree on the April 22
7 sales?
8 **JIM BROWN:** We've had a number of companies
9 expressed interest in that, yes.
10 **GOVERNOR BARBARA ROBERTS:** All right.
11 **JIM BROWN:** I think it'll be a good auction.
12 **GOVERNOR BARBARA ROBERTS:** Questions, comments from
13 members of the Board?
14 **STATE TREASURER TONY MEEKER:** Let's see if I've
15 got this right. The five sales that we thought we weren't
16 going to have on Friday we do have today?
17 **JIM BROWN:** Yes.
18 **STATE TREASURER TONY MEEKER:** And the other sales,
19 the 11, which were authorized--
20 **JIM BROWN:** By the Land Board.
21 **STATE TREASURER TONY MEEKER:** By the Land Board
22 but were hung up on owl count or survey this spring will
23 move forward.
24 **JIM BROWN:** The 11 sales we're hung up on, do
25 they comply with the State ESA?

1 STATE TREASURER TONY MEEKER: Right.

2 JIM BROWN: And the federal -- that the State's
3 ESA will dovetail to some degree with the federal ESA, and
4 the federal ESA or recovery plan is scheduled to be out
5 the 1st of May and we'll be able to have a look at that
6 and see what role the federal government believes the state
7 should play to form -- not the state -- nonfederal lands
8 should play in the recovery of the owl, if any. And then
9 based on that, Randy's department will move forward with
10 a recovery plan for at least state lands, and we'll be
11 able to look at these 11 sales plus the eight to make
12 sure that we're in compliance with the State ESA once that
13 federal pans out, and so that's kind of a window we need
14 to look at. And we'll be able to do that within the
15 next couple of months so that would not interrupt our
16 auction process onto either the 11 sales that are prepared
17 or the preparation of the eight.

18 STATE TREASURER TONY MEEKER: Do we know the
19 rules that we're going to use in case we find an owl?
20 Is it going to be 70 acres, 2400 acres, or do we know
21 what those rules were or are we waiting for the federal
22 guidelines?

23 JIM BROWN: Well, today the guidance we're using
24 are the biology behind the rescinded US Fish & Wildlife
25 guidelines in order to avoid a take.

1 **STATE TREASURER TONY MEEKER:** That's the mile and
2 a half?
3 **JIM BROWN:** Well, it's a series of screens of
4 protecting the 70-acre core, and then half of an area
5 within the next seven-tenths of a mile, and then within
6 the next mile and a half protecting, I think it's 40
7 percent of the suitable habitat. I think that gets the
8 set of screens, so all of the 11 sales and the eight
9 sales past that screen. So the next hurdle then is do
10 we comply with the State ESA in terms of not appreciably
11 reducing the likely survival and recovery of the owl.
12 The language and the bill.
13 **STATE TREASURER TONY MEEKER:** So that it differs
14 from site to site is what you're telling me?
15 **JIM BROWN:** That's right it does, and you have
16 to evaluate that on the site-by-site basis.
17 **STATE TREASURER TONY MEEKER:** And who makes that
18 evaluation?
19 **JIM BROWN:** The Department of Fish & Wildlife in
20 conjunction with our agency.
21 **STATE TREASURER TONY MEEKER:** Who is accountable
22 for the decision that's made on that site, you, Fish &
23 Wildlife?
24 **JIM BROWN:** In my opinion, Randy and I are
25 responsible for it.

1 GOVERNOR BARBARA ROBERTS: Jointly.

2 JIM BROWN: Jointly.

3 STATE TREASURER TONY MEEKER: However, am I also
4 to understand that as the federal ESA develops and the
5 State develops one, that all of that could change? I
6 guess the reason I'm asking all these questions is because
7 this has been one of the most frustrating times of
8 changing goalposts that I've ever seen. You know, one day
9 we're going to harvest timber, the next day we're not.
10 So I just don't understand totally where this is going.

11 JIM BROWN: Well, my concern last week that I
12 visited with you about was that the US Fish & Wildlife
13 guidelines for the survey of the owl to determine whether
14 you have an area free of owls or not had changed. They
15 had updated the standards that they'd used from 1991, and
16 there were a couple points in there that were of concern
17 to me, that on these five sales and on the 11. And
18 there was a lot of conversation by several people -- I
19 mean, in Randy's shop, in my shop and in the Attorney
20 General's shop and in the Division of State Lands shop
21 with US Fish & Wildlife about what those protocols we're
22 calling mean and how to interpret them and how to use
23 them. And it's both Randy's and my advice to the Land
24 Board that with the survey we did last summer coupled with
25 their biological opinion that we can move forward on these

1 five sales on Wednesday.

2 GOVERNOR BARBARA ROBERTS: Further questions?

3 STATE TREASURER TONY MEEKER: Probably, but not

4 at the moment.

5 GOVERNOR BARBARA ROBERTS: I don't have anything

6 further.

7 JIM BROWN: Okay.

8 GOVERNOR BARBARA ROBERTS: Thank you very much,

9 Jim. We appreciate your efforts to move this process

10 forward. It is, as Tony says, frustrating for all of us

11 because I think we're in a learning mode and trying to

12 meet a number of standards that are still somewhat in

13 flux, and I think that has made this a difficult process

14 for all of us--

15 STATE TREASURER TONY MEEKER: Well--

16 GOVERNOR BARBARA ROBERTS: But I appreciate the

17 work that you and Randy and others have done in moving us

18 forward to get these sales on the 22nd and moving the

19 prepared sales forward.

20 STATE TREASURER TONY MEEKER: Governor, I do have

21 one more question. You know, I think a lot of us forget

22 that once a decision is made to move forward with the sale

23 there's a long period of time that evolves before there's

24 actually anything accomplished. You have to go out for

25 bid. Could you remind us of that process? I mean, if

1 you got done on May 1--

2 JIM BROWN: It takes us six weeks by law to

3 advertise and then hold the auction.

4 GOVERNOR BARBARA ROBERTS: But, Jim, these sales

5 on the 22nd have already gone through that process--

6 STATE TREASURER TONY MEEKER: I'm not talking

7 about that.

8 GOVERNOR BARBARA ROBERTS: Okay.

9 JIM BROWN: No, no, no. The date was set prior.

10 GOVERNOR BARBARA ROBERTS: Yeah.

11 JIM BROWN: Yeah, you're right. There is a

12 little -- you know, about a year to a year and a half

13 lead time on putting sales from the time you conceive the

14 idea and do all the staff work, field work necessary and

15 then do the auction, actually hold it. But legally, once

16 we clear the sales, it takes six weeks to advertise them

17 and hold the auction.

18 STATE TREASURER TONY MEEKER: Okay. So the

19 sale -- the 11 sales that you're talking about have

20 already been through all of that other stuff. You're just

21 waiting for a known parameter about the owl?

22 JIM BROWN: That's correct.

23 STATE TREASURER TONY MEEKER: Then after the sale

24 occurs, how long is it before somebody gets in there and

25 begins to harvest?

1 JIM BROWN: That's dependent on a purchaser.
2 Once we have the auction and we what is called award the
3 sale, that generally takes a couple weeks, because they
4 have to provide us insurance or proof of insurance and
5 bonding. Once that's done and the contract is signed,
6 they can start immediately.
7 GOVERNOR BARBARA ROBERTS: With the price being
8 what it is, that's probably likely to happen.
9 JIM BROWN: We've had a lot of our sales being
10 involved in the first year as opposed to the -- you know,
11 when prices are down, they tend to log them in the third
12 year of the contract.
13 STATE TREASURER TONY MEEKER: Yeah. Well,
14 Governor, the reason I have all these questions and
15 concerns is that I think a lot of us tend to forget that
16 last year in 1991 there was a quarter of a billion dollars
17 paid by state/federal/BLM/federal forestry to counties and
18 school districts in this state. A quarter--
19 GOVERNOR BARBARA ROBERTS: I don't think we tend
20 to forget that at all, Tony.
21 STATE TREASURER TONY MEEKER: Well--
22 GOVERNOR BARBARA ROBERTS: I don't know who
23 forgets that.
24 STATE TREASURER TONY MEEKER: Well, you don't see
25 it in print very often. A quarter of a billion, and that

1 is protected somewhat by federal BLM and federal forestry
2 by the Senator Hatfield's measure that provides for sort
3 of a safety net that is racheting down. You know, it
4 provides 90 percent of the prior two years, I believe the
5 way the formula works. Prior five years. And the State
6 funds only flow when there's a harvest, so as the
7 federal -- as public timber land is pulled off the market
8 not only does it affect jobs, but it affects government,
9 state and local, so I'm very interested in time lines and
10 the number of sales here because it impacts the economy of
11 the state in a rather dramatic way.
12 **GOVERNOR BARBARA ROBERTS:** I think one of the
13 things, though, I would say, Mr. Treasurer, that because
14 we in state government have moved forward responsibly we
15 now have sales going through the bid process without legal
16 challenge, and the worst thing that can happen to us is
17 to not do the groundwork and end up in the courts as
18 we've seen with the federal lands being tied up because we
19 haven't laid the groundwork, and so in the end I think the
20 time we've taken for these sales and the ones that are
21 on the prepared list in the '93 list is that we have laid
22 that groundwork so that we don't find further delay in the
23 courtroom, and I think that that's the kind of thing
24 you've seen in other states, California for one, as they
25 have moved forward for a responsible planning and now are

1 being allowed to harvest, and I think that's the thing
2 more than anything that will allow us to continue to move
3 forward with these sales is that we have done it in a
4 responsible manner and as a result are not making
5 challenges to the bids and to the cuts right now. Thank
6 you. I appreciate your being here.
7 **SECRETARY OF STATE PHIL KIESLING:** Also wanted to
8 thank Jim. You don't need to answer this in a question,
9 but I was down on the Elliott last week and almost got
10 hit by a log truck.
11 **GOVERNOR BARBARA ROBERTS:** Oh-oh.
12 **SECRETARY OF STATE PHIL KIESLING:** There was
13 actually a sale that was being logged. I think it'd been
14 sold a number of years before, but, no, actually we were
15 well within the margin there, but--
16 **GOVERNOR BARBARA ROBERTS:** Well, I don't want to
17 forget to say, too, that we need to give a lot of credit
18 to state forestry and the Fish & Wildlife for helping us
19 move this process. It's taken a lot of people to get us
20 to where we are and sometimes we sort of look at the
21 finished product and forget how many people it took us to
22 get where we really are with the sale, so that's good
23 news. Janet, do you want to take item number two?
24 **JANET NEUMAN:** Yes.
25 *****

1 AGENDA ITEM NO. 2

2 **JANET NEUMAN:** The last item which was item
3 number two is now our last item, is an informational item
4 only about the short-term cash account in the Common School
5 Fund. As the Board members all know, the Common School
6 Fund is basically invested in three different kinds of
7 investments, long term, mostly bond investments. That's the
8 bulk of the fund, about 150 to 160 million dollars of the
9 principal. The equity investments which we began just two
10 years ago and the amount of equity investments are now at
11 about 40 million dollars in the invested funds, and the
12 third account is short-term cash account, and that is the
13 money that hasn't been put into some of those other
14 investments, but is available for operating expenses and
15 other liquid cash needs.

16 About a year ago the Board directed through the
17 Treasurer's office that we engage a consultant to do an
18 asset allocation study of the various investments of the
19 Common School Fund, and that work is almost complete. We
20 expect to review that with the Board at its next meeting.
21 They've been doing that for the past year. As a result
22 of the data exchange necessary for us to give them the
23 information they need to perform their study and give us
24 some advice about the best mix of investments with the
25 fund's money, we've been able to get a lot more detail

1 down on paper about our ongoing cash needs, and as a
2 result we've determined that we probably have a lot more
3 money in the short-term cash account at this point in time
4 than we really need. We have ongoing needs to just cover
5 Division and state forestry operating expenses. Other than
6 that, we don't have need for liquid cash except on the
7 semiannual school distribution schedule. It used to be
8 that it didn't make much difference how much was in the
9 short-term cash account and how much was in permanent bond
10 investments, because the interest rate wasn't that far
11 apart.
12 In current times, the interest rate has -- the
13 gap has grown by as much as 2 percentage points and on
14 even a short-term basis that's a lot of money that we
15 would be losing in terms of interest on those short-term
16 cash investments because they're about two points below, two
17 percentage points below the long-term bond interest rate.
18 So we were going to be discussing this further with the
19 investment managers at the State Treasurer's Office, but the
20 notion is to reduce the short-term cash account to the
21 reasonable level needed for liquid payments out for
22 operating expenses and others, to manage a portion of that
23 short-term cash account for cash flow needs, for the school
24 distribution, which is on a six-month basis and to make
25 the rest available for longer term, higher yield

1 investments. Whether those over the long term are bonds
2 or stocks will depend on our further discussion and review
3 of the Wilshire & Associates study when that's made
4 available to us within the next month. But what we want
5 to do is to get it out of the short-term cash account,
6 make it available for longer-term investments, because
7 there's a potential of approximately $700,000 of interest
8 income that we could get on a yearly basis by shifting
9 into the higher yield investments, so we think that's a
10 good -- we don't need any action on this item. We just
11 wanted to let you know, and to let interest groups know
12 that that will be done so that there will be additional
13 distributable income made available that way.
14 **GOVERNOR BARBARA ROBERTS:** Thank you. Mr.
15 Treasurer, you had a comment or are you just nodding
16 approval?
17 **STATE TREASURER TONY MEEKER:** I was just nodding
18 with approval that the Division has done their work on
19 this by cranking down their -- no, let's put it this
20 way -- by understanding their cash needs better. If every
21 state agency would do what they've done, there'd be more
22 money in the short-term account and everybody would earn
23 more. We've been really lucky, Governor. The indexed
24 fund has been a home run. You know, the equity fund last
25 year earned 35 percent. You could not have started an

1 indexed fund for the Common School Fund at a better time
2 in American history.
3 GOVERNOR BARBARA ROBERTS: Isn't this great?
4 STATE TREASURER TONY MEEKER: The 25 million
5 dollars is now worth 45 million.
6 GOVERNOR BARBARA ROBERTS: As we begin to talk
7 about that when we first made some of those changes, and
8 you can remember we sort of edged into it a little gently
9 wondering about what it's long term--
10 STATE TREASURER TONY MEEKER: That's always the
11 best way to do it.
12 GOVERNOR BARBARA ROBERTS: Yeah, and that's why
13 it worked so well, but I think it's really an indicator
14 that even when we're doing something well we can always
15 learn to do it better, and I think this is one of those
16 indicators, so that's good news.
17 SECRETARY OF STATE PHIL KIESLING: I also have
18 great affection for this because when I met my wife, who
19 was deputy at the Division of State Lands at the time,
20 this is exactly what she was working on was the piece of
21 legislation--
22 GOVERNOR BARBARA ROBERTS: Yep.
23 SECRETARY OF STATE PHIL KIESLING: The
24 constitutional amendment to allow us to make that kind of
25 investment.

1 GOVERNOR BARBARA ROBERTS: And I remember us
2 trying to explain it to some members of the Legislature
3 who were afraid we were taking risks when, in fact--
4 SECRETARY OF STATE PHIL KIESLING: Yeah.
5 GOVERNOR BARBARA ROBERTS: We were laying a very
6 safe foundation for doing exactly what's occurred,
7 investment council and others--
8 STATE TREASURER TONY MEEKER: Well, Wilshire &
9 Associates will give us a recommendation on what the mix
10 should be, because the fund now has several pieces of real
11 estate, bonds, cash and stocks, so they'll give us a
12 recommendation on the appropriate mix, and that's when we'll
13 use some of this cash, I would think.
14 GOVERNOR BARBARA ROBERTS: This is the one that
15 you mentioned earlier. This is when our school kids win
16 too, so that's--
17 STATE TREASURER TONY MEEKER: Everybody wins.
18 GOVERNOR BARBARA ROBERTS: Yeah, this is a good
19 measure. Janet, I appreciate your moving forward with such
20 clarity on what it would take to do this, and it's very
21 clear the long-range planning and other things that have
22 occurred in the agency have made this kind of positive
23 decision possible, and we appreciate that. Anything else
24 from the Board? Anyone in the audience with anything
25 pressing? If not, we stand adjourned.

1 JANET NEUMAN: Thank you.

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