

DIVISION OF  
STATE LANDS

STATE LAND BOARD

BARBARA ROBERTS  
Governor

PHIL KEISLING  
Secretary of State

ANTHONY MEEKER  
State Treasurer

The Oregon State Land Board met in regular session on April 14, 1992, at 10:00 a.m. in the Land Board Room of the State Lands Building, 775 Summer Street N.E., Salem, Oregon, 97310.

Present were:

Barbara Roberts	Governor
Phil Keisling	Secretary of State
Tony Meeker	State Treasurer

<u>Assistants</u>	<u>Dept. of Justice</u>	<u>Staff</u>
Martha Pagel Nina Johnson Steve Smith	Bill Cook	Janet Neuman Gary Gustafson Earle Johnson Gary Van Horn Steve Purchase agency staff

The meeting was called to order by Governor Roberts. The topics discussed and the results of those discussions are listed as follows. Further details of the discussions may be obtained in the written transcript of the meeting available at the Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310 (phone: 378-3805).

**Minutes** Request for approval of regular session minutes of the February 11, 1992, Land Board meeting.

Secretary of State Keisling moved that the minutes be approved. Governor Roberts seconded the motion and the approval was unanimous.



**Data Processing** Status report on the Division's data processing plan.

Director Neuman introduced this report, stating that the Board members were each provided copies of the data processing plan. She explained that a fiscal note in the agency's 1991-93 budget required the Division to complete this planning process. The plan will be presented to the Joint Legislative Committee on Data Processing and to the Emergency Board. No expenditure limitation requests or additional staffing requests are being made at this time, though the report identifies some needs in these areas. An extensive review of the compatibility and coordination of the Division's data processing system with the other three agencies being proposed for a merged Department of Land and Water is being conducted, to ensure that the system will be useful if a merger does take place.

**Whale Cove** Information regarding former Governor Vic Atiyeh's request that the Land Board consider the acquisition of a 25-acre parcel of private land at Whale Cove, south of Depoe Bay.

Governor Roberts introduced former Governor Vic Atiyeh who presented a request for the Land Board to consider acquisition of the 25-acre Whale Cove property. He suggested the Land Board acquire and hold the property until the time that State Parks could fund acquisition of it. He also introduced Tom McDonald and Michael Lynch, the current owners of the property.

Michael Lynch explained some of the unique environmental features of Whale Cove such as protection from the normal wave pattern and the southern-facing beaches, contributing to a favorable ecological balance for a high number of unusual species of marine life. He also described the historical and scenic aspects of the area, and his hopes that the area would be preserved for its highest and best use.

Tom McDonald distributed an article written by a historian named Bob Ward who researched the Whale Cove property using a grant provided by the Winston Churchill Foundation. There is some evidence suggesting that Sir Francis Drake may have anchored in Whale Cove during one of his voyages.

In response to a question by Treasurer Meeker, Michael Lynch described the process used to arrive at the value of the property.

Governor Roberts asked if other state agencies or private groups had been approached about purchasing the property. Mr. Lynch responded that The Nature Conservancy normally acquires tracts of land that are larger than this 26-acre parcel. State Parks was initially considered for the purchase of the property, but does not have available funds.

Secretary of State Keisling noted that the last state park brought into the system was in 1971. He reinforced the importance of having the foresight to place a high priority on investing in special areas such as this one and committing them to preservation. He stated that we are in tough times right now, but promised to explore the Land Board's options on acquisition of the property.

State Treasurer Meeker commented that early in May, commemorative coins will begin to be sold, with proceeds to go to park acquisition and construction.

Governor Roberts thanked former Governor Vic Atiyeh and both the owners of the property for their presentation.

**Elliott State Forest**      Update on Elliott State Forest - timber sales and planning process.

Director Neuman informed the Board that legal advice from the Attorney General's office on Elliott Forestry issues is expected shortly. She introduced Jim Brown, State Forester, for an interim update on the planning process and timber sales.

Jim Brown reported that an auction date of April 22 was set for five timber sales totaling about 13 million board feet (mmbf). Preliminary advice was received from the Department of Fish and Wildlife on 11 other timber sales totaling approximately 34 mmbf. Randy Fisher, Director of the Department of Fish and Wildlife and Jim Brown will review these sales for compliance with the state and federal Endangered Species Acts (ESA's) and place the approved ones on the market in the next six to nine-month period. The 1993 timber sale schedule includes eight additional sales with 18 mmbf. Preliminary information has been received from Fish and Wildlife regarding those sales as well, and they will be further reviewed against ESA requirements.

Clark Seely, Elliott Forest Manager for the Department of Forestry, will lead a planning team as authorized by the Land Board in December. A group of Salem-based technical forestry staff will work closely with Seely on this team, as well as individuals from the other agencies. Inventory data will be assembled regarding the location of different resources and information will be compiled into a Geographic Information System. The planning process will proceed as advice from the Attorney General's office and further direction from the Board are received.

In response to a question by State Treasurer Tony Meeker, Jim Brown stated that a number of companies have expressed interest in the April 22 timber sales.

Jim Brown stated the guidance used today is the biology behind the rescinded U.S. Fish and Wildlife Service owl take avoidance guidelines. The protection area, he stated, consists of a 70-acre core and 40 percent of the suitable habitat within the next mile and one-half. The next step, he said, is determining whether we comply with the State ESA in terms of not appreciably reducing the likely survival and recovery of the owl. Sales are evaluated on a case-by-case basis, with Randy Fisher, Department of Fish and Wildlife, and himself being accountable.

State Treasurer Meeker asked about the actual length of time for the timber sale process. Jim Brown stated that from conception of the idea, the staff and field work involved and the auction usually take from one to one and one-half years. He said once the sale is legally clear, the advertising and auction take only six weeks. Once a sale is awarded, proof of insurance is provided, the contract is signed, and the harvest may begin immediately.

State Treasurer Meeker commented that a quarter of a billion dollars was paid in 1991 by state and federal forestry to county school districts in the state. He said that state funds only flow when there's a harvest, so as the public timber land is pulled off the market it impacts the economy of the state in a dramatic way.

Governor Roberts said that because state government has moved ahead with responsible planning, there are now sales going through the bid process without legal challenges, which tie up the harvesting.

**Common School Fund**      Discussion of possible reduction of cash balance in the Common School Fund to make cash available for additional long-term investments to improve distributable earnings.

Director Neuman introduced this informational item regarding the short-term cash account in the Common School Fund. She explained that the moneys in the Common School Fund are allocated among long-term investments (primarily bonds), equity investments (stock), and short-term cash investments (i.e., money market funds). For the last two years, the amount in the cash account has grown substantially (to over \$41 million in December of 1991). Bond investments have remained fairly constant, between \$150 and \$160 million, and stock investments are currently at \$40 million.

Approximately one year ago, the Board directed the agency to work with a consultant to do an asset allocation study of the various investments of the Common School Fund. A review of that study done by Wilshire and Associates is expected by the next Land Board meeting. During the process of providing information for this study, the

Division determined that there is considerably more money in the short-term cash account than needed. Aside from the semi-annual school distribution schedule, the only need is to cover the operating expenses of the Division and State Forestry. The short term cash investments are currently earning two percentage points below the long-term bond investment rates.

Director Neuman explained the Division's intent to reduce this short-term cash account to a reasonable level needed for operating needs and for the school distribution; making the rest available for longer term, higher yield investments. By shifting into the higher yield investments, she said, the Division has the potential of realizing approximately \$700,000 of extra interest income on a yearly basis. Because of the significant earnings differential, the cash balance will be reduced immediately to make the additional funds available for other investments. Director Neuman stated that no action is required on the item. Whether the funds are used for stocks or bonds will be determined in consultation with Treasury and the Oregon Investment Council; and depend on the results of the Wilshire study.

State Treasurer Meeker commended the Division on its careful analysis of the agency's cash needs. He also stated that the agency couldn't have started the index fund at a better time, since it earned 35 percent last year. This increased the fund from \$25 million to over \$45 million.

Secretary of State Keisling said that when he first met his wife, she was working on the piece of legislation allowing the Division to make this kind of investment.

Governor Roberts said it's very clear the long-range planning and other things that have occurred in the agency have made this kind of positive decision possible. She expressed her appreciation.

Governor Roberts adjourned the meeting.

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Janet C. Neuman  
Director

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Barbara Roberts  
Governor