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STATE LAND BOARD MEETING

June 9, 1992

Division of State Lands

State Lands Building

775 Summer Street, N.E., Salem, Oregon

10:00 a.m.

TABLE OF CONTENTS

1		
2	<u>AGENDA ITEM NO.</u>	<u>PAGE:</u>
3	Agenda Item No. 1	1
4	Agenda Item No. 2	62
5	Consent Items A - F	83
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 UNIDENTIFIED FEMALE VOICE: Is that working?

2 UNIDENTIFIED MALE VOICE: No.

3 UNIDENTIFIED FEMALE VOICE: How's that? How's
4 that?

5 DIRECTOR JANET NEUMAN: I think that solves it.

6 UNIDENTIFIED FEMALE VOICE: How about if--

7 DIRECTOR JANET NEUMAN: I'll stay here, and if
8 Steve Purchase could come up and point out the parcels,
9 I'll just describe it from here.

10 UNIDENTIFIED MALE VOICE: (unintelligible)?

11 UNIDENTIFIED FEMALE VOICE: Modern technology, it
12 would.

13 DIRECTOR JANET NEUMAN: Yeah, really. We've got
14 a shakedown cruise (phonetic).

15 UNIDENTIFIED MALE VOICE: (unintelligible)--

16 DIRECTOR JANET NEUMAN: The agricultural land is
17 the bulk of the property, and that is currently under an
18 agricultural lease that produces \$14,000 of income per year.
19 There's a small filbert orchard on site, which is a
20 producing filbert orchard and has the potential for lease
21 income of approximately \$2,000 per year. The property does
22 contain a small area that was used as a sewage-disposal
23 plant by Dammasch State Hospital, and a small landfill
24 area; and as you will see in the staff materials, part of
25 the conditions that are attached to our proposal to go

1 forward with this property relate to those two parts of
2 the property, with very strict documentation of no hazardous
3 waste problems, and documentation that any hazardous waste
4 or decommissioning of the sewer plant, will be continued
5 by Dammasch State Hospital, and will not become a
6 responsibility of the Division of State Lands.

7 There is a small portion of wetlands on site; a
8 natural wetland that is included in the area that's leased
9 for farming purposes but is not actually farmed, and then
10 there are some timbered areas on site which have an
11 appraised timber value of approximately half a million
12 dollars. It is not clear how much of that would actually
13 be logable, but there is some potential value there. We
14 have not counted timber value in the calculations, the
15 cost-benefit calculations that we have made because of the
16 uncertainty of that particular part of the acquisition.

17 Because the property has been surplusd by General
18 Services it is available on a preferential basis to other
19 State agencies. And because of that, we can obtain it for
20 reimbursement of the administrative costs for DGS; and that
21 is approximately \$60,000. That is what makes this purchase
22 so attractive; the property has market value in its current
23 form of about 1.2 million dollars. More important than
24 that to us, however, is the existing income stream. At
25 an acquisition price of about \$60,000, no change in use

1 whatsoever and no development, the property would pay for
2 itself in four years and then would have a very
3 substantial internal rate of return, which we've laid out
4 for you in the appendix to the Land Board agenda item.

5 And it is on that basis only, not on speculative
6 potential uses, that we are recommending the purchase;
7 because taking the property now, continuing existing lease
8 uses, would have a higher rate of return than most of the
9 properties that we manage for the common school fund right
10 now. The internal rate of return starts right out at
11 about 26 percent, climbs to over 100 percent by the end
12 of year 4 or 5.

13 As you said, there are a number of individuals
14 here who would like to be heard on this item, and I think
15 I will hold off on the conclusions of our staff
16 recommendations until you have heard that testimony.

17 GOVERNOR BARBARA ROBERTS: All right. Would
18 either member of the Board like to comment now or would
19 you rather hear from the people who are here to make
20 comment?

21 TREASURER ANTHONY MEEKER: I have a number of
22 questions, but I'll wait.

23 GOVERNOR BARBARA ROBERTS: Okay. Why don't we
24 do it that way, then. Why don't we start with Greg
25 Carter, who's here from the city of Wilsonville. Greg?

1 GREG CARTER: I'm Greg Carter with the City
2 Council in Wilsonville. Our address is 30000 Southwest
3 Town Center Loop East (phonetic), in Wilsonville, 97170.
4 We had, as your staff report states, quite a bit of
5 discussion over this land within the city of Wilsonville
6 since we surround this property on three sides (phonetic).
7 We generally as a Council support this transfer. However,
8 in researching the statutes, we saw some ambiguity, and
9 that ambiguity is that the DSL could sell this land
10 without surplusing it back to General Services, which would
11 exclude the city of Wilsonville in future options on this
12 land should it come to that level. So we passed a
13 resolution in our council meeting on the 1st of June, and
14 I'll spare you the whereas clauses. That's how I've--

15 GOVERNOR BARBARA ROBERTS: Thank you. We're
16 appreciative of that.

17 GREG CARTER: Yes, but the resolution states that
18 we respectfully request that any approval by the State Land
19 Board of the transfer of the 256-acre parcel cited above
20 from the Department of General Services and the Division
21 of State Lands, be subject to a revisionary condition that
22 in the event the Division of State Lands should no longer
23 control the land or offer to sell or otherwise transfer or
24 dispose of the 256 acres, they revert back to the General
25 Services, so they may be declared surplus and offered to

1 governmental entities on a priority basis as provided by
2 law. And all we're asking you to do is to write this
3 into the condition of (unintelligible).

4 GOVERNOR BARBARA ROBERTS: All right. Questions
5 of Mr. Carter?

6 GREG CARTER: Yes, sir?

7 TREASURER ANTHONY MEEKER: Am I correct that this
8 is inside the urban growth boundary -- it is not?

9 GREG CARTER: It's outside of the growth boundary.

10 TREASURER ANTHONY MEEKER: It's outside.

11 GREG CARTER: The city of Wilsonville has annexed
12 both the Callahan Center and the Dammasch property because
13 of the DEQ problems with the sewer plant that was
14 mentioned. But this parcel of land was excluded from the
15 annexation. It is outside the urban growth boundary.

16 TREASURER ANTHONY MEEKER: Obviously, by your
17 testimony that -- the City has had some hearings on the
18 subject?

19 GREG CARTER: Yes, sir.

20 TREASURER ANTHONY MEEKER: What was the--

21 GREG CARTER: There were--

22 TREASURER ANTHONY MEEKER: The outcome or the
23 nature of those hearings?

24 GREG CARTER: Okay. There was strong support
25 that we do a -- then we propose a public/private

1 partnership with the owner of Callahan to essentially, on
2 the portion that is agricultural, that that be developed
3 into a golf course and that we support that for this
4 Board. The conclusion of that was that the Council was
5 not prepared to step forward and support this, because we
6 feel that the commitments from DSL, that the process would
7 go through a management study, and as far as -- and look
8 for other options for this property should you decide to
9 take it out of agricultural, that the management plan that
10 the city of Wilsonville, the Clackamas County and Metro
11 would be involved in. I mean, it is more to our benefit
12 than to basically take the first offer that comes along,
13 which was the golf course. And there seemed to be other
14 and better uses in the eyes of the Council, and I will
15 say the majority of the Council, to this property rather
16 than a golf course at this time.

17 TREASURER ANTHONY MEEKER: So the Council has
18 already voted on this matter?

19 GREG CARTER: We voted to support the transfer,
20 and that's basically what this resolution says
21 (unintelligible)--

22 TREASURER ANTHONY MEEKER: Just out of curiosity,
23 what was the vote? Was it--

24 GREG CARTER: 3, 1, and 1.

25 GOVERNOR BARBARA ROBERTS: Three "aye's," one

1 "no," and one "abstention."

2 GREG CARTER: Yes.

3 TREASURER ANTHONY MEEKER: We can't abstain, can
4 we?

5 GOVERNOR BARBARA ROBERTS: I know. I've always
6 sort of resented that about people who abstain when the
7 vote is taken, you know--

8 GREG CARTER: Right.

9 GOVERNOR BARBARA ROBERTS: If the legislature
10 can't do it, maybe we shouldn't let local government do
11 it.

12 TREASURER ANTHONY MEEKER: The person who
13 abstained is the one who wants to do the golf course.

14 UNIDENTIFIED MALE VOICE: Yeah.

15 GREG CARTER: But Ms. Speaker, I would like to
16 clarify that. On the transfer, on this resolution, it was
17 3, 1, and 1; but on the transfer, the Council was 4 to
18 1 in favor of the transfer based upon a management plan
19 moving forward with the commitments that we've gotten from
20 DSL.

21 TREASURER ANTHONY MEEKER: You're aware of what
22 the Land Board's function in land management is?

23 GREG CARTER: Yes.

24 TREASURER ANTHONY MEEKER: It's to make money.

25 GREG CARTER: We understand that. That is why

1 we have -- that's why we ask you not to -- or we're
2 asking DSL not to go outside of the normal process to
3 essentially get behind the whole process to sell this
4 property. And if you should, and we were put under the
5 gun, that I think that the Council would, were there no
6 other funding resources and where this is going to be sold
7 for a subdivision, say, or for other -- for housing
8 interests, then we would probably scramble to support the
9 golf-course idea given no other options. But we -- the
10 feeling of the Council is that this land is best used for
11 public benefit. And to sell it for development at this
12 (phonetic), is not in the best interest of the city of
13 Wilsonville.

14 TREASURER ANTHONY MEEKER: Did you receive any
15 testimony on the timber that's on that? Because one of
16 the things here is that there's -- oh, let's see, 73 acres
17 of marketable timber appraised at one-half million dollars.

18 GREG CARTER: Yes, we did, and we were aware of
19 that. A lot of it is old growth, and I think that there
20 would be major opposition were that to be offered for
21 harvesting. In fact, (unintelligible)--

22 TREASURER ANTHONY MEEKER: Then it doesn't have
23 any value.

24 GREG CARTER: Pardon me?

25 TREASURER ANTHONY MEEKER: Then this half-million

1 dollar value is of no value, is what you're telling me.

2 GREG CARTER: I would say that's the case. And
3 in fact, when the City of Wilsonville was looking into the
4 possibility of the public-private partnership, we were
5 discounting the timber value because we felt that it was
6 not likely to be harvested because of just -- there's old
7 growth there and we're doing too much against the esthetics
8 of profit.

9 TREASURER ANTHONY MEEKER: Thank you.

10 GOVERNOR BARBARA ROBERTS: Okay. Questions, then?

11 UNIDENTIFIED FEMALE VOICE: I just -- I want to--

12 SECRETARY OF STATE PHIL KEISLING: You said that
13 if we were to decide at the end of a process to offer it
14 for sale, you would like it to go back to GSA--

15 GREG CARTER: Yes.

16 SECRETARY OF STATE PHIL KEISLING: For that to
17 happen. Is that because the City would like to in a
18 sense have that first crack at buying it, which you -- is
19 provided under the GSA law?

20 GREG CARTER: That's exactly right.

21 SECRETARY OF STATE PHIL KEISLING: Could the same
22 thing be accomplished by just simply deciding up front that
23 should there be a sale that we as a Land Board might just
24 say, "We will, as a matter of policy, give the city the
25 same first crack at it"?

1 GREG CARTER: If--

2 SECRETARY OF STATE PHIL KEISLING: Rather than
3 actually reverting it to GSA, which seems a little--

4 GOVERNOR BARBARA ROBERTS: Yeah.

5 SECRETARY OF STATE PHIL KEISLING: Clumsy as a
6 process. Would that satisfy your concerns about that if
7 we said, "Any sale would first be offered to the City"?

8 GREG CARTER: In fact, that was my first
9 preference. However, our City attorney felt that that was
10 asking too much of this Board, and if you would give us
11 first right of refusal, I would come away from this
12 hearing elated. So yes, we would be very much in favor
13 of that.

14 SECRETARY OF STATE PHIL KEISLING: Okay. But
15 that's the reason you proposed having it revert back to
16 GSA is because the law provides--

17 GREG CARTER: Because that (unintelligible)--

18 SECRETARY OF STATE PHIL KEISLING: That's a
19 local political subdivision?

20 GREG CARTER: Absolutely.

21 TREASURER ANTHONY MEEKER: Yeah, till they're
22 ready to buy it.

23 SECRETARY OF STATE PHIL KEISLING: And I think
24 Metro would be in the same legal standing, if I'm
25 not -- is that our understanding that -- Janet, do you

1 know? I mean, political -- the law--

2 DIRECTOR JANET NEUMAN: Yeah.

3 SECRETARY OF STATE PHIL KEISLING: References
4 political subdivisions--

5 DIRECTOR JANET NEUMAN: I don't know if they
6 would count as one of those political subdivisions who
7 would have a right of first refusal. I don't know if
8 Bill knows that.

9 BILL COOK: I'm afraid I don't know, offhand.

10 SECRETARY OF STATE PHIL KEISLING: Okay. City
11 for sure, and county for sure, but a district like
12 that, we're -- maybe that needs to be clarified. Thank
13 you.

14 GREG CARTER: Our understanding is Metro would
15 be at the same level that the county and city are.

16 GOVERNOR BARBARA ROBERTS: Yeah. Thank you
17 very much, Greg. Charlotte LeHan (phonetic) also from
18 the City of Wilsonville. Charlotte?

19 CHARLOTTE LEHAN: My name is Charlotte LeHan.
20 I'm also a city counselor with the City of Wilsonville,
21 but I'm also one of the founders and representatives of
22 Principle 5 (phonetic) and there's a letter in your
23 packet from Principle 5. We have been -- Principle 5
24 has been active in trying to protect this piece of
25 property. We've been following--

1 GOVERNOR BARBARA ROBERTS: Would you turn the
2 mic just a little. I think people are having
3 difficulty hearing. Thank you.

4 CHARLOTTE LEHAN: We've been -- sure. We've
5 been following it from the beginning of the annexation
6 process when the urban growth boundary expanded, and have
7 been concerned about the pressures on this parcel with
8 the expansion of the urban growth boundary; the pressures
9 to develop it and to take it out of exclusive farm
10 use. We do feel that it's an important resource for
11 the citizens of Oregon and we support the transfer to
12 DSL, that at this time, so many government bodies are
13 trying to protect open spaces and green spaces and
14 natural areas and acquire them, and the State of Oregon
15 already has this one, and I think it would be
16 unfortunate if we were to lose this parcel, which is
17 so close to the metropolitan area and has really
18 significant natural features.

19 What we would like to see is -- and as I
20 understand it, what the Division of State Lands has said
21 they would do is enter into a management-planning process
22 that would include public input from the various friends
23 groups and the wetlands conservancy and as well as local
24 jurisdictions, Metro green spaces, and the City of
25 Wilsonville, to figure out what their management plan was

1 going to be. And I do understand that DSL's objective
2 is to make money for the common school fund, but I
3 think that that could be done in a number of ways.
4 I mean, there are different proposals that have come
5 forward over the years, that might include the continued
6 leasing for agricultural.

7 It has been -- the idea of a State arboretum,
8 operated by the Oregon Association of Nurserymen, has
9 been put forward. People have talked about a golf
10 course, of course. And another one has been an
11 equestrian center of some sort. I think there are a
12 number of options, and I think that DSL should be
13 looking at all those options as far as the income flow.
14 But I would like to see that in a public-planning
15 process along with protecting the significant natural
16 areas of the wetlands and the timber. And I would be
17 happy to take any questions.

18 GOVERNOR BARBARA ROBERTS: Questions? Phil?
19 Tony? All right. Thank you very much. We appreciate
20 you being here today, and thanks for taking the time.

21 CHARLOTTE LEHAN: Sure.

22 GOVERNOR BARBARA ROBERTS: Next, Richard Devlin
23 from Metro.

24 RICHARD DEVLIN: I have some originals, some
25 copies of documents here for the Board.

1 GOVERNOR BARBARA ROBERTS: Okay.

2 RICHARD DEVLIN: All three copies of the
3 documents are the same. There's just one that's an
4 original, though. My name is Richard Devlin, I'm a
5 member of the Metro Council, and I'm Chair of the
6 Metropolitan Green Spaces policy advisory committee.
7 That's a group of governmental officials and interests
8 relative to environmental and development interests in the
9 Portland metropolitan area that includes representatives
10 from both the State of Oregon and the State of
11 Washington, the four metropolitan counties, including Clark
12 County, the cities in those areas, the special districts
13 providing park services, and a number of other interests.

14 I'm here today basically to relay this
15 particular letter to this Board. I'm not going to read
16 the letter because I've been in many positions before
17 where letters have been read to me, but I will read
18 simply the first paragraph in the letter, and then just
19 comment briefly.

20 "The Metropolitan Green Spaces Policy Advisory
21 Committee urges the State General Services
22 Administration to sell or transfer the surplus
23 property of approximately 256 acres which is
24 adjacent to Dammasch State Hospital near
25 Wilsonville to the Oregon Division of State
Lands. DSL should then develop a management
plan which would maintain the site as a natural
area, open-space resource, an agricultural setting
and perpetuity for the citizens of the State."

1 As the Chair of the Green Spaces Policy Advisory
2 Committee, rather than read the letter, one of the
3 things I wanted to put in perspective from a
4 metropolitan perspective, just to give a clear idea of
5 the position that we are in, this is really a very
6 unique resource, one that can't be really duplicated
7 anywhere else in the region. It's probably not of the
8 significance or it's considerably not of the size of
9 Forest Park, but it's a particular site that there just
10 isn't any duplication for in the region.

11 Some people have compared the wooded area on
12 the site to a smaller Tryon (phonetic) Creek State Park.
13 We simply can't replace this type of a site. To give
14 you an example, a community that's only about four or
15 five miles north from this site, and this was all in
16 the Portland metropolitan area, had approximately about
17 a million dollars to spend for park-land acquisition in
18 the last five years. They have acquired four sites,
19 totaling a total of 55 acres, and thought that they
20 have done very well.

21 This is a site of 256 acres, it can't be
22 replaced, we can't buy it. Metro is planning to in
23 the near future acquire many sites of this character in
24 the region, but there will be very, very few of this
25 level of significance. Its loss to the metropolitan

1 region would be a major impact. And while I clearly
2 understand, and the members of the Policy Advisory
3 committee, clearly understand that one of the primary
4 purposes of the Division of State Lands is to provide
5 basic school support. We think that can be done with
6 the site, with Division of State Lands' management, and
7 also can be maintained in perpetuity for the 1.1 million
8 current residents of the metropolitan region and the 1.6
9 prospective residents of the metropolitan region in the
10 next 20 years.

11 GOVERNOR BARBARA ROBERTS: Thank you. Questions
12 from members of the Board? If not, thank you very
13 much, Richard, for bringing your information to our
14 attention.

15 Next, I have Jim O'Connell, and some other
16 students who are here from Wood Middle School. Janet,
17 do you think we could maybe garner a couple of extra
18 chairs there, or a few extra chairs?

19 JIM O'CONNELL: I'll introduce our group. My
20 name is Jim O'Connell. I'm a life science teacher at
21 Wood Middle School, which lies directly adjacent to the
22 parcel of land that we are dealing with. Mr. Keisling
23 had the opportunity to visit our classroom, which
24 includes the parcel of land, and we--

25 SECRETARY OF STATE PHIL KEISLING: Last time

1 I saw you, I had hip boots on.

2 JIM O'CONNELL: Yeah, well, pretty much, all
3 of us did. And these students are here on the last
4 day of school. They decided to give a full day to
5 something that meant a great deal to them, to let all
6 of you know what the educational significance is of this
7 piece of land. Dmitry White would be the first.

8 DMITRY WHITE: Okay.

9 GOVERNOR BARBARA ROBERTS: Welcome. We're
10 delighted you're here. Thank you for giving up your
11 last school day to do this. The fact that the sun
12 isn't shining, probably made it easier, but thank you
13 for coming.

14 DMITRY WHITE: I'm here to tell you a little
15 bit about the history of Arrowhead Creek and surrounding
16 watershed. There was at one time, a Native American
17 campground at the site, and they came there to -- on
18 their way to larger rivers, such as the Willamette.
19 They would fish out of the stream, and then it was a
20 year-around creek, which it isn't now. Development of
21 that land would change the current watershed, and it
22 would redirect the water away from the creek, which is
23 already very low, and it would probably dry it all the
24 way up. And our school recommended the creek be named
25 Arrowhead Creek in honor of the Native Americans who

1 first used it.

2 GOVERNOR BARBARA ROBERTS: You can just move
3 that microphone over there, I think, if you just pick
4 it up carefully. Yeah. Thank you very much.

5 BEN BRUENDERMAN: This land provides a
6 sanctuary--

7 GOVERNOR BARBARA ROBERTS: Would you identify
8 yourself, please?

9 BEN BRUENDERMAN: My name is Ben Bruenderman.

10 GOVERNOR BARBARA ROBERTS: Okay. That's fine.

11 BEN BRUENDERMAN: This land provides a sanctuary
12 for wildlife. The parcel provides water, shelter, and
13 food for native species. The current drought has
14 decreased the amount of water in the pond and creek.
15 If developed, the changes would destroy the pond and
16 probably the creek behind the school. The land also
17 provides a corridor for wildlife to move. It would
18 eliminate duck, quail, and pheasant nesting areas.

19 GOVERNOR BARBARA ROBERTS: Thank you.

20 PETER SPICER: Hi, I'm Peter Spicer, and I'm
21 here to talk about one of the larger problems if there
22 is a golf course built. It will be that there's going
23 to be fertilizers and pesticides, which when it rains
24 will be washed off and washed into the watersheds, which
25 could kill many animals such as fish, and also other

1 little animals that live underneath the ground, which
2 could go into their nests and infect and kill off their
3 young, and stuff like that.

4 GOVERNOR BARBARA ROBERTS: All right. Thank
5 you.

6 LAURIE BRANCH: Hi, my name is Laurie Branch,
7 and I'm here to show you what our school's done, and
8 what we've accomplished. We've worked on this watershed
9 this whole year and took data of -- we've taken pH and
10 water quality, and dissolved oxygen. We've tested the
11 stream flow and we have graphs showing what we've done.
12 We've made -- this watershed in a really nice place.
13 We have a picture of it in color, and we made this
14 brochure. And if anyone wants one, we have them. We
15 made that brochure.

16 UNIDENTIFIED FEMALE VOICE: Can I have one
17 (phonetic)?

18 LAURIE BRANCH: And we have them for anyone
19 who wants them.

20 GOVERNOR BARBARA ROBERTS: Mr. O'Connell, can
21 we get you to maybe hand that material to the Secretary
22 of State, and then we can sort of pass it down and
23 look at the pictures as we're talking. I think it
24 might be nice for us to be able to see them closer.

25 SECRETARY OF STATE PHIL KEISLING: And we can

1 keep a copy of the brochure?

2 GOVERNOR BARBARA ROBERTS: Yeah.

3 UNIDENTIFIED MALE VOICE: (unintelligible).

4 LAURIE BRANCH: Okay. We made a videotape of
5 our watershed, but there's no TV in here.

6 GOVERNOR BARBARA ROBERTS: Did you bring popcorn
7 in case we can get it?

8 LAURIE BRANCH: And we have this map which is
9 student made. It's of our watershed.

10 GOVERNOR BARBARA ROBERTS: When we see the map,
11 do you want to turn the map around (unintelligible)?

12 LAURIE BRANCH: We have another paper on how
13 we've tried to protect wetlands.

14 GOVERNOR BARBARA ROBERTS: All right. Thank
15 you.

16 LAURIE BRANCH: And, that's it.

17 GOVERNOR BARBARA ROBERTS: Are there questions
18 from the Board of the students? Mr. Treasurer? This
19 is Tony Meeker, the State Treasurer.

20 TREASURER ANTHONY MEEKER: One of the things
21 you mentioned was a measurement of pH. Could you share
22 with us what you discovered?

23 JIM O'CONNELL: I know that one. The average
24 was about 6.7 to 7.1. And we checked ranges from
25 November all the way through May -- 6.43.

1 TREASURER ANTHONY MEEKER: Considering that seven
2 percent is ideal, that's not bad.

3 JIM O'CONNELL: No, that's pretty good.
4 (unintelligible).

5 SECRETARY OF STATE PHIL KEISLING: I just
6 wanted to say how nice it was to come out and have
7 a chance to visit with you and help you perform some
8 of those experiments. I didn't fall in the river and
9 the creek, which I was very happy with, but was
10 delighted to have the chance to see you again and
11 appreciate all the work you've done. It sounds like
12 a very exciting project. I wish I'd had a chance to
13 do something (unintelligible)--

14 JIM O'CONNELL: We hope that we can definitely
15 be a part of the management plan, too, if -- and we
16 hope that the Division of State Lands does decide to
17 keep this as forest state land. We definitely would
18 like to be a part of that--

19 GOVERNOR BARBARA ROBERTS: Okay.

20 JIM O'CONNELL: And I'm speaking for students.

21 GOVERNOR BARBARA ROBERTS: Okay. Can I ask
22 the students a question?

23 JIM O'CONNELL: Sure.

24 GOVERNOR BARBARA ROBERTS: Can you tell me from
25 the opportunity you've had to work with this piece of

1 land what you think the most significant thing you've
2 learned out of (phonetic) process has been?

3 DMITRY WHITE: Well, we've taken our science
4 classes out there and observed and we've learned about
5 the wildlife that lived there and some of the -- in
6 the stream -- we've learned a lot about the wildlife
7 that live around there.

8 GOVERNOR BARBARA ROBERTS: Do other students,
9 besides junior high school students from your school, use
10 that facility for science purposes or that area for
11 science purposes?

12 JIM O'CONNELL: Not at this time, no.

13 GOVERNOR BARBARA ROBERTS: But it would be
14 available as you have used it--

15 JIM O'CONNELL: Oh, certainly.

16 GOVERNOR BARBARA ROBERTS: Okay. Anything else
17 the students might like to add about the experience
18 you've had?

19 JIM O'CONNELL: I don't usually get a chance
20 to see them this quiet, so--

21 GOVERNOR BARBARA ROBERTS: Well, there's
22 something sort of frightening about a Governor, a
23 Secretary of State, and State Treasurer, all looking at
24 you at the same time, you know. This is about as
25 scary a group as you can find anyplace in Oregon.

1 BEN BRUENDERMAN: I'd like to say, behind that
2 watershed there is a big nesting ground for many water
3 quail and different types of ducks and things, and if
4 that is -- that would be destroyed through the
5 development because it would be dried up and the water
6 there for the ducks where they nest would be destroyed
7 and it would not be there anymore, and they would have
8 to move to a different area, and that would be
9 overcrowded even more and would create more problems in
10 the environment, maybe -- probably over half of the
11 little baby ducks and their eggs would not hatch or
12 would be killed off, 'cause there's not enough water or
13 food for them to go around. And it would block
14 off -- if it is sold and developed, it would block off
15 the major travel area for the different types of species
16 of animals traveling through there, and it would decrease
17 the amount of area for them which would cause more
18 animals to be hit on the road.

19 GOVERNOR BARBARA ROBERTS: Anything else?

20 JIM O'CONNELL: Thanks for giving us an
21 opportunity--

22 GOVERNOR BARBARA ROBERTS: Well, and let me say
23 to you as a faculty member who has worked with these
24 kids, you've obviously done a superb job of not only
25 teaching science but some other things that I think

1 those of us who serve in government are very proud to
2 see. So, thank you.

3 JIM O'CONNELL: Thank you.

4 GOVERNOR BARBARA ROBERTS: Let's see. I've had
5 one other person sign up -- oh, no, two other people
6 on the sign-up, Ruth McFarland from Metro is here.
7 Good morning, Ruth.

8 RUTH MCFARLAND: Good morning, Madame Chair.

9 GOVERNOR BARBARA ROBERTS: Good to see you back
10 doing government with us.

11 RUTH MCFARLAND: Thank you. For the record,
12 I am Ruth McFarland, Metro Counselor from District 7,
13 which is east Multnomah County. In fact, our Governor
14 may know where that is.

15 GOVERNOR BARBARA ROBERTS: I remember.

16 RUTH MCFARLAND: And members of the committee,
17 Mr. Keisling and Mr. Meeker, nice to see you all. I
18 am here in support of the government retaining the
19 ownership of this 256-acre piece that is near Dammasch,
20 and it is -- as you've just heard, it is a superb
21 educational unit for the students. But not only the
22 students, you are looking at an old fat woman who
23 traversed that trail a week or two ago, and though I
24 was a little late in getting through it all, I was
25 cheered when I reached the finish line. And what they

1 learn in there, and I heard some of what they said,
2 but what you can take people through -- and it isn't
3 just for children, it's for adults, too. You too,
4 should get the opportunity of going uphill and down
5 dale, and under logs, and across the creek and -- but
6 to see the new growth that comes out of a log that's
7 left lying in the old growth, and to see a snag that
8 becomes a veritable apartment house for the dwellers of
9 the forest when it's relatively undisturbed. And while
10 these young people will take their information into the
11 future, that future may be grossly modified if we don't
12 do some things today. So as I spoke to a group of
13 schools a week or two ago who did similar projects in
14 other areas, we are not only in the future with these
15 people, but we are in partnership today with them to
16 keep what we have and to use it.

17 Another thing, and I don't know whether this
18 was spoken to or not, but scientifically speaking, this
19 little unit of land will contribute a little bit on the
20 positive side right now of environmental concerns. The
21 water that comes off of that and the pH of 7,
22 Mr. State Treasurer, that's not percent, that's the
23 log -- the negative log to the base 10 of the number
24 of hydrogenized and oxygenized -- and pH of 7 is
25 distilled water, it's the equivalent of distilled water.

1 So what they're getting out of there is something that
2 is -- if it's between 6-something and 8 -- and 7-
3 something, it's relatively pure. And it certainly
4 matches favorably for us to put into our environment,
5 into our streams, in an effort to clean up the world.
6 It matches the witches brew that comes off of a
7 manicured, sprayed, fertilized, mowed, utilized golf course
8 that would be making a negative impact on our
9 environment rather than a positive one. And I hate to
10 tell you this, but they do, the way they're presently
11 operated.

12 Another thing, of course, would be the
13 atmosphere. And you know about the ozone layer and the
14 carbon dioxide and oxygen levels and the difference
15 between what the green living organisms contribute, and
16 we do have a partnership with them. And our
17 partnership is that we utilize that oxygen and give off
18 carbon dioxide, and they utilize the carbon dioxide and
19 the net return is oxygen. And if we don't utilize
20 that partnership with them, it doesn't matter how many
21 economic programs you have and it doesn't matter how
22 many kinds of other changes that you make, without that
23 basic web, we will not be supported as human beings.
24 We will live here for a time, and then in the way of
25 all parasites, we'll destroy our environment and die.

1 And there's another thing, and I try to be
2 brief, but it's hard, but I don't know whether my claim
3 to some Native American ancestors has an impact on this
4 attitude I have or not, maybe it does, but I do
5 believe that we have a mystic relationship with some
6 relatively undisturbed land. It is where our psychic
7 roots lie, so to speak. And this little piece that
8 they have there, gives us an opportunity to refurbish
9 that.

10 Now, the experimental part of it which is in
11 an experimental filbert grove, I'm sure that that's
12 operated largely by Oregon State, and that filbert is
13 spelled with a "ph," but -- educated kind of filbert --
14 but that maybe too will make a contribution because I'm
15 told, and you may hear, that the nurserymen of the
16 State have some plans for putting in indigenous species
17 and having a variety of things available for people to
18 see and do that we can make that. But if we have
19 this one little opportunity to reestablish and be
20 reminded again of our roots that go into the relatively
21 disturbed biosphere of the land, I think not only will
22 it be important to the people from Wilsonville and
23 surrounds who have spoken to it, not only to the
24 region -- the Metro region -- not only to the State,
25 maybe not only to the nation, but make one more little

1 tiny contribution to one step for a better world,
2 ecologically speaking, so to speak. Thank you.

3 GOVERNOR BARBARA ROBERTS: Thank you. I may
4 remind those who do not know or do not remember, and
5 it should have been evident, I think, a moment ago,
6 that in addition to her role of Metro and her former
7 political activities of the State legislature,
8 Dr. McFarland is also a scientist who taught many, many
9 years at the Mt. Hood Community College in a number of
10 science arenas. So she comes to us with a great deal
11 of understanding of the ecological things of what she
12 speaks, so we appreciate that, Ruth.

13 RUTH MCFARLAND: Thank you.

14 GOVERNOR BARBARA ROBERTS: Questions from either
15 of the members of the Board? Tony, go ahead.

16 TREASURER ANTHONY MEEKER: Senator, do you think
17 we should continue farming there?

18 RUTH MCFARLAND: I don't know that I'm the
19 person to answer that. I believe that you can do a
20 variety of things. I think that part of it that is
21 in the old growth so to speak should not be disturbed.
22 I'm not at all sure what should be done. You're
23 talking about the--

24 TREASURER ANTHONY MEEKER: The land that is
25 current--

1 RUTH MCFARLAND: The filbert grove and the
2 other--

3 TREASURER ANTHONY MEEKER: It looks like there's
4 a, you know, a good 60-percent of it's in farm use
5 right now.

6 RUTH MCFARLAND: I think you may want to
7 modify it and have less of it in farm use. The thing
8 that's happened is, what is this, 256 acres, I think,
9 a unit that size has some capacity to be a different
10 thing to which smaller units are. And I'm not sure,
11 there are -- I have an ongoing discussion with Fish &
12 Wildlife and some people like that that there are
13 farming practices that can be done in conjunction with
14 wildlife uses and with other kinds of usefulness. But
15 I'm not sure how many of those and how compatible
16 they'll be. And I would have some reservations about
17 continued farming in the way that it's being farmed now.

18 TREASURER ANTHONY MEEKER: You understand that
19 one of our mandates when we invest money is to make
20 money. And the proposal from the staff is that we
21 continue farming it.

22 RUTH MCFARLAND: The parts of it that are
23 being farmed now.

24 TREASURER ANTHONY MEEKER: Right. So that we
25 can get a return on our investment.

1 RUTH MCFARLAND: Well, I understand your dual
2 constraints; the one is to manage the money in the best
3 way possible and get a return from it, but -- and you
4 may want to continue farming it. I certainly wouldn't
5 oppose you if you chose to do that with part of it.
6 But I remind you that there is a larger gain and a
7 larger return which for the most good of the most
8 people there are times when ignoring the short-term
9 bottom line is more productive than not.

10 TREASURER ANTHONY MEEKER: Thank you.

11 GOVERNOR BARBARA ROBERTS: Phil, any questions
12 or comments? Thank you very much, Ruth.

13 RUTH MCFARLAND: Thank you.

14 GOVERNOR BARBARA ROBERTS: Let's see. Jeff
15 Backrach, representing Ed Freeman. Did you wish to
16 speak?

17 JEFF BACKRACH: I'll speak for one brief
18 moment.

19 GOVERNOR BARBARA ROBERTS: Okay.

20 JEFF BACKRACH: I am representing Ed Freeman
21 and he apologizes he couldn't be here today. And I
22 really have nothing more to add. We too, support DSL
23 taking it over, developing a management plan, and
24 answering a lot of the questions that have been asked
25 here today, "Is farming the right use? Isn't it? How

1 do you protect the wetlands the best? How do you
2 maximize the usage of the land?" And we're glad to
3 participate in it and whether or not we end up being
4 involved or not is fine with Mr. Freeman. If it turns
5 out he can participate in the ultimate use of the
6 property, great. If the result of a management plan
7 is there's no role for a private partner, that's fine,
8 too. We're just anxious to see DSL move forward and
9 decide for the benefit of everybody, what's the best
10 use, so--

11 GOVERNOR BARBARA ROBERTS: Just for clarification
12 of the Board and the audience, Mr. Freeman is involved
13 in consideration of the potential of a golf course, is
14 that correct?

15 JEFF BACKRACH: Mr. Freeman owns the Callahan
16 Center to the immediate north.

17 GOVERNOR BARBARA ROBERTS: Right.

18 JEFF BACKRACH: He was approached several years
19 ago by the City of Wilsonville about developing a golf
20 course. It was the City of Wilsonville's concept
21 originally, and they came to Mr. Freeman, who has
22 experience developing golf courses, and said, "What do
23 you think? Can you help us do it? How might we do
24 it?" That's what stimulated the thinking about, "Does
25 a golf course make sense? Can it be done in an

1 environmentally sound way that protects and enhances the
2 wetland area, protects and enhances the other natural
3 areas?" And Mr. Freeman spent some time with that
4 concept. Subsequently, Wilsonville has had second
5 thoughts about that. A lot of other groups have had
6 second thoughts, and we respect that. And if the
7 decision is to do something different than what was
8 originally broached to Mr. Freeman, that's fine. No one
9 is looking to turn this into a controversial issue.
10 Whatever a management plan decides makes sense, I suspect
11 we'll be comfortable living with it.

12 GOVERNOR BARBARA ROBERTS: Questions from either
13 member of the Board? Thank you very much, Jeff.

14 JEFF BACKRACH: Thank you.

15 GOVERNOR BARBARA ROBERTS: I have no one
16 further signed up who wishes to comment on this item.
17 Is there anyone in the audience who wanted to and
18 missed the opportunity to sign up? If not, Janet,
19 would you proceed with the agenda item?

20 DIRECTOR JANET NEUMAN: Yes.

21 GOVERNOR BARBARA ROBERTS: Oh, excuse me.

22 SECRETARY OF STATE PHIL KEISLING: There was,
23 I think, one other letter that we got from Jack Broom
24 that somehow came through us that somehow didn't get
25 distributed. Is that right?

1 DIRECTOR JANET NEUMAN: Right. I was going
2 to mention there were three letters that came in this
3 morning. And I believe they should be in your
4 materials or next to your materials. One of them was
5 from Jack Broom of the Wetlands Conservancy. Also
6 urging favorable action on the proposal to acquire the
7 property, and encouraging continued public ownership with
8 some of the open space and wetland preservation land
9 uses. There's a letter from the United States
10 Department of Interior Fish & Wildlife Service, also
11 supporting continued public ownership and stressing some
12 of those open-space uses. And a letter from Mike
13 Lindberg, City Commissioner of the City of Portland, also
14 suggesting that DSL's purchase of a site and development
15 of a management plan is appropriate.

16 GOVERNOR BARBARA ROBERTS: Thank you, Janet.

17 DIRECTOR JANET NEUMAN: The last couple of
18 items that I wanted to mention on this agenda item are
19 that the proposal is to acquire this property with the
20 use of revolving funds, not common school fund principle.
21 That means that the management standard, as set out by
22 previous AG's opinions, would be a net financial return
23 to the common school fund, and managing the property in
24 the best interest of the people of the State as the
25 Land Board determines that to be. In other words, it

1 would be in the statutory classification of lands, not
2 in the strict trust classification of lands. We have
3 talked through that acquisition scenario with the Attorney
4 General's office and I believe that is the appropriate
5 source of funds and that would be the appropriate
6 management standard. That would enable the Board or the
7 Division to manage for the net financial return for
8 income production, but also have associated other benefits
9 served on the site as long as those were not
10 interfering with some of that income production as well.

11 The other item that I wanted to mention has already
12 been talked about by some of the individual testifiers,
13 and that is that we would propose to do a master
14 planning process to scope out some of these proposals
15 that have been made by a number of different interest
16 groups and individuals, and to just analyze the benefits
17 of the land and the possible options for its management,
18 given the whole range of things you've heard this
19 morning. And that would be our first endeavor would
20 be to do a fairly rapid management planning process, to
21 consider the options, and then to come back to the
22 Board with specific management recommendations at that
23 time after the purchase is complete.

24 GOVERNOR BARBARA ROBERTS: Comments or questions
25 from Board members?

1 SECRETARY OF STATE PHIL KEISLING: Janet, when
2 would you anticipate that point would be?

3 DIRECTOR JANET NEUMAN: I think we could do
4 that kind of a management plan in six to eight months
5 with current budget limitations.

6 SECRETARY OF STATE PHIL KEISLING: So we would
7 have that -- and then we would come back sometime end
8 of the year?

9 DIRECTOR JANET NEUMAN: Correct.

10 SECRETARY OF STATE PHIL KEISLING: First of the
11 year?

12 GOVERNOR BARBARA ROBERTS: Tony, do you have
13 questions?

14 TREASURER ANTHONY MEEKER: Yes. I have a
15 couple -- three.

16 GOVERNOR BARBARA ROBERTS: Okay.

17 TREASURER ANTHONY MEEKER: Janet, you've listed
18 the marketable timber appraised at a half million, and
19 then we've heard comments here that it was "old growth,"
20 and I've yet to really understand what that means, but
21 anyway, what did you use to come up with a \$500,000
22 figure on a timber if it can't be harvested?

23 DIRECTOR JANET NEUMAN: The \$500,000 timber
24 appraisal figure was given to us by the realty staff
25 at the Department of General Services. That is a

1 number they had obtained in an appraisal of the
2 property. As I mentioned earlier, we did not calculate
3 that value into the cost-benefit analysis that we did
4 because of not having gone through that appraisal process
5 ourselves and because of the apparent opposition and
6 question as to whether -- how marketable that timber
7 really would be.

8 TREASURER ANTHONY MEEKER: Is the half-million
9 dollar figure part of the 1.2 million?

10 DIRECTOR JANET NEUMAN: I believe it is, yes.

11 TREASURER ANTHONY MEEKER: So that means, if
12 we discounted it, we're now at \$700,000?

13 DIRECTOR JANET NEUMAN: Correct. In terms of
14 market value for the property, right. The analysis that
15 we have done is based on a \$60,000 acquisition price
16 and the \$14,000 to \$16,000 per year income stream. And
17 so we didn't figure in the speculative value either of
18 intensive development or of timber production on the
19 property to come up with the figures that we're using
20 to support our recommendation.

21 TREASURER ANTHONY MEEKER: How long is the
22 lease that's been entered into by General Services and
23 the -- whoever it is that's farming it?

24 UNIDENTIFIED MALE VOICE: One year
25 (unintelligible).

1 DIRECTOR JANET NEUMAN: I think it's a year --
2 year-to-year -- it's a year-to-year lease with options.
3 We would probably move to, you know, do some longer
4 term lease as part of our initial efforts.

5 TREASURER ANTHONY MEEKER: What have you
6 estimated the cost of developing a management plan?

7 DIRECTOR JANET NEUMAN: We--

8 TREASURER ANTHONY MEEKER: You say it's going
9 to take six to eight months. What do you think that
10 will cost?

11 DIRECTOR JANET NEUMAN: Probably in the range
12 of \$25,000, at the high end, I believe.

13 TREASURER ANTHONY MEEKER: Was that calculated
14 in your rate of return, then?

15 DIRECTOR JANET NEUMAN: No.

16 TREASURER ANTHONY MEEKER: You also mentioned
17 in your statutory revolving fund -- how much money is
18 in that revolving fund?

19 DIRECTOR JANET NEUMAN: I think it's at about
20 \$100,000 right now. And that has just been taking
21 funds for a very short period of time.

22 TREASURER ANTHONY MEEKER: What does it take
23 it from?

24 DIRECTOR JANET NEUMAN: It takes it from sale
25 of the isolated, unmanageable parcels of land set up

1 under ORS 273. Some of those are -- a lot of it,
2 I think, that's in the fund right now is from
3 settlement of filled (phonetic) lands disputes, as well
4 as some isolated grazing parcels.

5 TREASURER ANTHONY MEEKER: Do you have to
6 have -- do you have legislative approval? Is that part
7 of your budget that's been approved?

8 DIRECTOR JANET NEUMAN: It is--

9 TREASURER ANTHONY MEEKER: To expend that
10 \$100,000?

11 DIRECTOR JANET NEUMAN: Yes, it's -- the
12 statute establishing that revolving fund also provides for
13 continuous appropriation of the proceeds in the fund for
14 these kinds of purchases.

15 TREASURER ANTHONY MEEKER: Do you have
16 authorization to spend \$25,000 on a management plan?

17 DIRECTOR JANET NEUMAN: We could accommodate
18 that within current budget limitations, yes.

19 TREASURER ANTHONY MEEKER: That's interesting.

20 GOVERNOR BARBARA ROBERTS: There's no new staff
21 involved in the study, is there anything of that nature?

22 DIRECTOR JANET NEUMAN: That's correct.

23 GOVERNOR BARBARA ROBERTS: Other questions,
24 comments?

25 TREASURER ANTHONY MEEKER: Yeah, I have one

1 more.

2 GOVERNOR BARBARA ROBERTS: Okay.

3 TREASURER ANTHONY MEEKER: If, you know, you're
4 not the General Services, so maybe someone from their
5 shop ought to answer this question, but if the Division
6 doesn't purchase the land, what happens?

7 DIRECTOR JANET NEUMAN: I guess I would differ
8 to Bill Nickelberry, who's here from DGS to answer that
9 question.

10 BILL NICKELBERRY: Morning. I'm Bill
11 Nickelberry. I'm the lands manager for the Department
12 of General Services. If the land is not sold to the
13 Division of State Lands, General Services' next step in
14 the process of disposing of the property would be to
15 offer it to political subdivisions. If it was not sold
16 to political subdivisions, it would then be offered to
17 the public. If it is offered to political subdivisions
18 or to the public, then we would -- the sale price
19 would be based on the appraised value of the property.

20 GOVERNOR BARBARA ROBERTS: Does that answer your
21 question?

22 TREASURER ANTHONY MEEKER: Yeah, well, now I've
23 got another question.

24 GOVERNOR BARBARA ROBERTS: Okay. Go ahead.

25 TREASURER ANTHONY MEEKER: Has any other agency

1 of State government expressed an interest in this?

2 BILL NICKELBERRY: Mr. Meeker, yes, originally
3 there were two other agencies who had written letters
4 of interest; one was the Military Department, and the
5 other one was Department of Corrections. They both
6 withdrew interest without explanation.

7 TREASURER ANTHONY MEEKER: Parks didn't show any
8 interest?

9 BILL NICKELBERRY: No, they didn't. I talked
10 to Parks directly about the property and they were not
11 interested.

12 TREASURER ANTHONY MEEKER: Boy, everything I've
13 heard today tells me it would make a great State park.

14 GOVERNOR BARBARA ROBERTS: Okay. Other
15 questions? Okay. Thank you very much, Mr. Nickelberry.

16 BILL NICKELBERRY: Thank you.

17 GOVERNOR BARBARA ROBERTS: We appreciate your
18 time.

19 DIRECTOR JANET NEUMAN: That concludes the staff
20 remarks unless you have additional questions.

21 GOVERNOR BARBARA ROBERTS: Yeah, I have one
22 question. Janet, if we should decide to go forward in
23 the purchase of the property, in the process of dealing
24 with the details of the contract of purchase, we would
25 have an opportunity to examine some of the questions

1 that were raised here today in terms of Metro or the
2 City of Wilsonville, other kinds of factors that could
3 then be examined as part of that contract before it
4 came back and was finalized by the Board, or would a
5 decision today make that difficult?

6 DIRECTOR JANET NEUMAN: No, I think that we
7 could very possibly bring back the actual finalized
8 transaction or conveyance documents for approval by the
9 Board. There would be no problem with that.

10 SECRETARY OF STATE PHIL KEISLING: And then
11 that's, Madame Chair, and deal with those kinds of
12 questions about both contingencies, which would still
13 obviously be part of it, but also question the one that
14 Mr. Carter (unintelligible).

15 GOVERNOR BARBARA ROBERTS: Because I think that
16 it would be possible for us to handle something in a
17 purchase contract that might be less cumbersome than the
18 process of going all the way back through General
19 Services, but I think there are some legal questions we
20 need to know that we have clarified in that process,
21 I believe. This is a -- really, I really believe this
22 is an unusual opportunity, both economically -- it's not
23 very often, even if you count the cost, Mr. Treasurer,
24 of the management study, that you can pay off in say
25 five years a purchase of this kind and still leave the

1 kind of asset that we would have in our hands with
2 this purchase, a really higher return than most of that
3 which we have on other land in the State of Oregon
4 under our jurisdiction. So I think it is an unusual
5 opportunity, and it's interesting that it should come at
6 this time. And I agree with you, Mr. Treasurer, I'm
7 surprised Parks didn't jump on this opportunity.

8 TREASURER ANTHONY MEEKER: Well, they still have
9 the option if we were to not do anything.

10 GOVERNOR BARBARA ROBERTS: Yeah, well, if we
11 were not to do anything, they -- but obviously, if they
12 don't express an interest, I suppose there may be other
13 reasons. The fact that you do have some of that land,
14 I believe, in EFU (phonetic), and some other things, may
15 make it less than--

16 TREASURER ANTHONY MEEKER: That's--

17 GOVERNOR BARBARA ROBERTS: Or there may be road
18 problems or congestion problems, or other things that I'm
19 unaware of that would make Parks not look at this
20 issue, so obviously that option was there.

21 TREASURER ANTHONY MEEKER: Well, Governor, you
22 know, I'm a little troubled with the arithmetic. If
23 we've got a one-year lease on it, I would assume --
24 now, I don't -- I haven't seen the details of that
25 lease, but if we were to acquire that property, I'm not

1 sure we'd get all the income this year, you know, that
2 it hasn't been in our ownership, and harvest is just
3 like a month away. And in a \$25,000 management study,
4 in the next six to eight months, \$14,000, we now have
5 \$76,000, not \$66,000. So somehow the arithmetic isn't
6 adding up very quickly on how we're going to do such
7 a magnanimous rate of return on this investment.

8 GOVERNOR BARBARA ROBERTS: Well, I would venture
9 to guess just off the top of my head seeing what was
10 here and in the talking of longer-term contracts on
11 agricultural land, that there's probably more guarantee
12 of return on this than some of the early investments
13 we made at Tongue Point--

14 DIRECTOR JANET NEUMAN: That's correct.

15 GOVERNOR BARBARA ROBERTS: In terms of not only
16 a pretty -- a much more likely rate of return, but a
17 much more clearer situation where the land has been
18 farmed and productive for as long as it has been under
19 contract with the State in this other operation. There
20 doesn't seem to be any indication that that would be
21 altered in any dramatic way by our owning it rather
22 than Dammasch Hospital owning it. I don't know why
23 that would alter the income stream.

24 DIRECTOR JANET NEUMAN: This property was under
25 agricultural lease for quite some time prior to this

1 particular lease term, and I think -- I may be
2 corrected by Mr. Nickelberry, but I think one reason
3 that he entered into a one-year lease only was because
4 of the pending possible transfer to us, because this
5 is -- the old lease expired during the time that we
6 were beginning negotiations with DGS about possible
7 transfer. Is that correct? Okay.

8 TREASURER ANTHONY MEEKER: Well, Governor, it's,
9 you know, to compare to Tongue Point is very difficult
10 because before that, any transactions were entered into
11 by the Land Board on Tongue Point, we had all kinds
12 of documentation before us on the contracts. But I
13 don't see anything here on the contract. Is the
14 current lessee willing to enter into an agreement with
15 the Division knowing what is being heard? I just think
16 it would be prudent for us to have some more
17 information before we acquired it. We also heard some
18 additional legal concerns that were issued by the City.
19 Can we acquire -- one of the questions I have about
20 that is, can we acquire property out of this particular
21 statute with those kind of contingencies on it? I
22 don't know.

23 GOVERNOR BARBARA ROBERTS: Well, obviously,
24 Mr. Treasurer, that's a decision for this Board. I
25 think it's very clear that as we at least express our

1 intent today as a Board, that the legal ramifications
2 of the contract, or any other contracts that are part
3 of this negotiation, and part of this legal framework,
4 we have opportunity to clarify those before we take
5 final action. I know in looking back at Tongue Point
6 and as the longest serving member of this Board, I know
7 that early on, we did management studies on some of the
8 issues we dealt with prior to purchase, with intent to
9 purchase and other things of that nature.

10 So I know we have variables within this process
11 that we can use as we purchase, and if indeed the
12 short-term contract and agricultural land was related to
13 a transfer of property, it would seem reasonable to
14 expect that conversations with the agricultural lessee may
15 indicate a longer-term interest that might be easily
16 identified prior to any final sale. And I think we
17 have all of those opportunities in this period of time
18 while the contract is being finalized.

19 SECRETARY OF STATE PHIL KEISLING: Madame Chair,
20 would a motion be in order?

21 GOVERNOR BARBARA ROBERTS: It's always in order.

22 SECRETARY OF STATE PHIL KEISLING: I understand
23 the concerns of the Treasurer, but we do have the fact
24 that the finalization of the contract would not occur
25 at this meeting. I also am quite impressed with the

1 range of people who have urged us to go forward with
2 this; everyone from the City of Wilsonville to the
3 developer, who was interested originally in a golf
4 course, and would be interested in our management plan
5 process, and the importance of trying to make a decision
6 and move expeditiously on it with what is the best
7 future for this unusual parcel.

8 I'd like to move that we authorize acquisition
9 of the 256 acres subject to the contingencies that were
10 laid out in the staff report, and of course, with the
11 understanding that finalization with the actual contract
12 would take place at a future Board meeting. Is that,
13 Janet, the correct way to state the motion?

14 DIRECTOR JANET NEUMAN: I think that's correct,
15 and I would just add -- not add to your motion, but
16 comment that at that time, we would bring specifically,
17 copies of the lease, any information we've been able to
18 develop on the possible extension of that arrangement,
19 and clarification of the legal question raised--

20 SECRETARY OF STATE PHIL KEISLING: Right.

21 DIRECTOR JANET NEUMAN: By the City of
22 Wilsonville as to whether a contingency -- I mean, a
23 condition that they've requested would be consistent with
24 the legal management standards of the Board.

25 GOVERNOR BARBARA ROBERTS: Is there a second?

1 If not, I will second. Is there further discussion on
2 the motion? You've heard the motion, I won't repeat
3 it again for you. Further discussion?

4 TREASURER ANTHONY MEEKER: Governor, there's room
5 for amendments, right?

6 GOVERNOR BARBARA ROBERTS: Yes, we have a
7 motion on the table, there's room for amendment.

8 TREASURER ANTHONY MEEKER: Okay. I would like
9 to move that we amend the motion that in addition to
10 the contingencies that were brought by the City, that
11 it be contingent on the Division showing evidence of a
12 longer term lease on the agricultural lands to
13 demonstrate the prudence of the investment, and yeah,
14 that's my first amendment.

15 GOVERNOR BARBARA ROBERTS: Okay. Is there a
16 second?

17 SECRETARY OF STATE PHIL KEISLING: Okay. Can
18 I ask a clarification question, Mr. Treasurer? Would
19 that in effect say that you would have to have a lease
20 longer than a year before it would be demonstrated that
21 it was a prudent investment?

22 TREASURER ANTHONY MEEKER: Well, we've already
23 heard that they existed before, so--

24 SECRETARY OF STATE PHIL KEISLING: A multi-year
25 lease?

1 TREASURER ANTHONY MEEKER: Yeah.

2 SECRETARY OF STATE PHIL KEISLING: Right. But
3 that if somehow we were unable to negotiate in the next
4 30 days of lease longer than a year for the
5 agricultural land, we would not go ahead with
6 acquisition? Would that be the effect of that
7 amendment? Failure--

8 TREASURER ANTHONY MEEKER: Well, I just--

9 SECRETARY OF STATE PHIL KEISLING: Failure to
10 come up with a signed lease for longer than a year for
11 the agricultural portion of the property would in effect
12 veto our acquisition of the property?

13 TREASURER ANTHONY MEEKER: Well, let me explain
14 to you where I'm coming from on this. You know, we're
15 setting a precedent here. And that precedent being that
16 the Division of State Lands is going to be sort of a
17 warehouse for lands that have purposes other than income.
18 And -- 'cause every one of the purposes that we have
19 heard here have been for wetlands preservation, for old-
20 growth preservation, for parkland potential, those kinds
21 of things. And we're in the business to make money.
22 I think that we avoid setting a precedent to use common
23 school fund or the revolving fund for purposes other
24 than that if we can show prudently that we have made
25 an investment that covers the management plan costs, that

1 develops a prudent rate of return on our investment.
2 Because, you know, just at the last Land Board meeting,
3 Governor Atiyeh sat right there and offered up an idea
4 for an acquisition of some land that would have made
5 a great State park and had development, but we turned
6 him down.

7 SECRETARY OF STATE PHIL KEISLING: It was a
8 lot more expensive.

9 TREASURER ANTHONY MEEKER: Well, you bet it's
10 a lot more--

11 GOVERNOR BARBARA ROBERTS: I don't think we
12 turned him down. I think we're actually looking at,
13 examining that offer. I didn't think we turned him
14 down.

15 TREASURER ANTHONY MEEKER: Well--

16 GOVERNOR BARBARA ROBERTS: There just was no
17 money to take on that expensive acquisition.

18 TREASURER ANTHONY MEEKER: Well, I'm just very
19 cognizant of the fact we can go around the state and
20 find some beautiful parcels of land that would make
21 great parks, great wetlands, great everything else, and
22 here's this pot of money that could be used to resolve
23 those problems, and I think we need to protect that and
24 make sure that our precedent setting has some numbers
25 development that fits our goals and objectives. I'm

1 very concerned about that. So the purpose of the
2 amendment would be to instruct the Division to show on
3 a sheet of paper, like we've done on every other
4 investment we've ever done, that there is a rate of
5 return that's commensurate with the money that we invest;
6 which is the acquisition price, the management plan, and
7 then a potential, not necessarily, as you've pointed out,
8 locked in stone, but a potential from a longer term
9 contract than one year to prove up (phonetic) that
10 investment.

11 SECRETARY OF STATE PHIL KEISLING: Madame Chair?

12 GOVERNOR BARBARA ROBERTS: Go ahead.

13 SECRETARY OF STATE PHIL KEISLING: There's
14 actually a number of issues rolling around in here, and
15 maybe I want to weigh in on one that I think is
16 important to clarify. I've visited the site, and walked
17 around. I would like to think that we have 76 acres
18 of complete old-growth forest, that somehow escaped
19 development right here outside the Wilsonville urban
20 growth boundary. That's not really an accurate
21 characterization of those 76 acres. There is certainly
22 old growth on that acreage, trees that are up to, I
23 think, 400 -- 500 years old, but a good portion of --
24 but the vast majority of that 76 acres, unless I'm
25 wrong, would be probably more accurately characterized as

1 second-growth forest than an old-growth forest. So I,
2 for one, do not close off going into this, the issue
3 of any, "Don't take a single tree off of that land,"
4 because I'm cognizant of the income-producing potential.
5 You compare \$80 an acre agricultural use to the value
6 of even a very small selective harvest on that land,
7 you immediately, you make those numbers even better than
8 what they are. The staff did go through the lease,
9 I think you're -- that the management plan probably
10 should have been factored into that.

11 DIRECTOR JANET NEUMAN: Could be.

12 SECRETARY OF STATE PHIL KEISLING: It looks at
13 a six-year payback, or a 5.3 year payback versus a
14 four-year payback--

15 DIRECTOR JANET NEUMAN: Correct.

16 SECRETARY OF STATE PHIL KEISLING: Under those
17 assumptions. Twenty-five percent -- not quite 25
18 percent, but maybe in the order of 16 to 20 percent,
19 it's still a very, very sizeable rate of return. I
20 think that, you know, if we can do even more work on
21 this and to make contact with the lessees between now
22 and when we would sign the contract, I think that would
23 be helpful, but I do think staff was fairly responsive,
24 and in effect, taken the most conservative assumption at
25 all, which is that literally not a single second-growth

1 tree is cut off of that land, also assuming that the
2 \$80 an acre that we're now getting for that agricultural
3 land will not go up, and we may find that we can
4 actually get more for it.

5 GOVERNOR BARBARA ROBERTS: Right.

6 SECRETARY OF STATE PHIL KEISLING: And even at
7 that--

8 TREASURER ANTHONY MEEKER: Well--

9 SECRETARY OF STATE PHIL KEISLING: It was a
10 high rate of return, so I'm not -- I guess, I'm just
11 not sure we need to in a sense -- maybe the spirit
12 of this is enough, rather than amending the motion.
13 I'm just not clear that that's necessary to address the
14 concern.

15 GOVERNOR BARBARA ROBERTS: And I think one of
16 my concerns is, if we pin this down saying that we
17 cannot purchase this parcel of land without guaranteed
18 multi-year agricultural contracts being in place, at the
19 same time we're doing a management study on the best,
20 both economic and other uses of the land, we may limit
21 our ability to use it to its best economic advantage,
22 even agriculturally. I think the Nurseryman Association
23 interest area may be something that has a broader use
24 and may be greater income potential. So if we nail
25 down the purchase of this land, which we could turn

1 around and sell any given day for more than we're
2 purchasing it for, if we nail it down to multi-year
3 contracts, how will we in fact be able to use the
4 management plan to its best productivity? So I don't
5 think there's a question about the income stream being
6 available. I think the question is, which portion of
7 the income stream is most valuable to that parcel.

8 DIRECTOR JANET NEUMAN: Right. I think also,
9 the thing that we would be concerned about as staff,
10 is that if the Board says today that we need that kind
11 of a lease, we don't have a lot of leverage with the
12 lessee to negotiate the best possible deal. They know
13 that they've got us over a barrel and will -- could
14 take us to the cleaners on that. It also would not
15 be possible to do the normal process of an open-ended
16 lease advertisement, you know, Notice, bidding, et cetera,
17 in a very short period of time. And so we wouldn't
18 want to truncate that process unnecessarily.

19 However, what we could possibly do to
20 accommodate some of these concerns, would be to get a
21 copy of the appraisal, because the appraisal, although
22 it does include the timber land, the appraisal also is
23 based right now on the value of the property as EFU-
24 zoned, agricultural land. And so there's a substantial
25 documentation of the value and the potential income

1 stream supported by the appraisal, by the lease -- the
2 existence of a current lease, and by the leasing
3 history. I mean, that set of documentation might give
4 the Board more comfort without putting us in a box to
5 negotiate a possibly less favorable deal with the lessee,
6 who knows that we have to negotiate with them.

7 GOVERNOR BARBARA ROBERTS: Let me stop just a
8 minute. What we're doing is doing something we should
9 never do, which is debating a motion we don't even have
10 a second on yet, so the Treasurer had an amendment to
11 the main motion. There has not been a second to that
12 amendment. Is there a second to the amendment? Okay.
13 The amendment fails for lack of a second. We now have
14 before us--

15 TREASURER ANTHONY MEEKER: I'm getting used to
16 that.

17 GOVERNOR BARBARA ROBERTS: We now have before
18 us, the main motion. Tony, I remember when I used to
19 be on the Board and I was the only democrat, and you
20 know, it kind of worked the other way. So these
21 things--

22 TREASURER ANTHONY MEEKER: Well, I--

23 GOVERNOR BARBARA ROBERTS: Time goes through
24 this process.

25 TREASURER ANTHONY MEEKER: Governor, this is --

1 God help us if this is a partisan issue.

2 GOVERNOR BARBARA ROBERTS: It is not, Tony, but
3 it's--

4 TREASURER ANTHONY MEEKER: I mean, if that's
5 what you're--

6 GOVERNOR BARBARA ROBERTS: I wish
7 (unintelligible)--

8 TREASURER ANTHONY MEEKER: If that's what you're
9 telling me--

10 GOVERNOR BARBARA ROBERTS: No.

11 TREASURER ANTHONY MEEKER: Then I'm the one
12 that's upset.

13 GOVERNOR BARBARA ROBERTS: Tony, we mustn't lose
14 our sense of humor in this process. I was--

15 TREASURER ANTHONY MEEKER: I haven't.

16 GOVERNOR BARBARA ROBERTS: I was the one person
17 who got -- was the one vote against two for a very
18 long time on this Board, so I think it's part of the
19 thing that there's always a variety of interests on this
20 Board, and a variety of viewpoints, and I think that's
21 a nice healthy place for all of us to be. Is there
22 further discussion on the main motion or are there
23 amendments to the main motion? If not, I will call
24 for the motion. Janet, would you like to restate the
25 motion again since there's been some discussion in

1 between that time?

2 DIRECTOR JANET NEUMAN: Okay. I'll give it
3 a try--

4 GOVERNOR BARBARA ROBERTS: And see if we can
5 do this--

6 DIRECTOR JANET NEUMAN: With the Secretary of
7 State's help. He moved authorization to proceed with
8 the acquisition subject to the contingencies outlined in
9 the staff report or the Land Board agenda item, and
10 subject to Board approval of the final contract and
11 transaction.

12 GOVERNOR BARBARA ROBERTS: You've heard the
13 motion. Those in favor will signify by saying "aye."
14 Aye.

15 SECRETARY OF STATE PHIL KEISLING: Aye.

16 GOVERNOR BARBARA ROBERTS: Those opposed, "nay."

17 TREASURER ANTHONY MEEKER: Nay.

18 GOVERNOR BARBARA ROBERTS: The motion is passed
19 on a two to one vote.

20 TREASURER ANTHONY MEEKER: And Governor, I will
21 talk to Governor Atiyeh, it looks like we've got a
22 great opportunity to use the common school fund to buy
23 parkland.

24 GOVERNOR BARBARA ROBERTS: Well, if Governor
25 Atiyeh wants to bring us that piece of property back

1 for \$60,000, we'll probably (unintelligible), you know,
2 I would jump at the chance to have that parcel of land
3 if we had the money.

4 DIRECTOR JANET NEUMAN: With some income as
5 well.

6 GOVERNOR BARBARA ROBERTS: But I think, clearly,
7 Mr. Treasurer, we are not buying parkland. We are
8 buying very sound agricultural land, good timber land,
9 no matter what happens to it, and some opportunities to
10 do a number of other things, both agriculturally and
11 nonagriculturally. The incidental value beyond that
12 economic asset is that we are also able in the process
13 of this to do some other things that I think we would
14 consider long-term assets for Oregon that may or may not
15 be monetary.

16 TREASURER ANTHONY MEEKER: Well--

17 GOVERNOR BARBARA ROBERTS: And I think it's the
18 combination of those things that we think are positive.

19 TREASURER ANTHONY MEEKER: I was very encouraged
20 to hear that Secretary of State would be interested in
21 harvesting some timber, and if the management plan will
22 show that, I'd love to have you prove me wrong. Let's
23 make a ton of money on this.

24 GOVERNOR BARBARA ROBERTS: Okay. We will make
25 money on it--

1 SECRETARY OF STATE PHIL KEISLING: I didn't
2 say, "Clear cut it."

3 TREASURER ANTHONY MEEKER: I know that... I
4 know that.

5 GOVERNOR BARBARA ROBERTS: We appreciate that
6 clarification.

7 SECRETARY OF STATE PHIL KEISLING: (unintelligible)

8 GOVERNOR BARBARA ROBERTS: Moving on, Janet, I
9 wonder if there are people in the audience who might
10 be awaiting that other item, that we could maybe
11 announce now that it's not available. Would that be
12 fine?

13 DIRECTOR JANET NEUMAN: Yes.

14 GOVERNOR BARBARA ROBERTS: I just want to say
15 to you that at the bottom of the agenda, and I
16 apologize for not doing this sooner, there is an
17 information item, 4A, that has to do with the
18 presentation by the Department of Justice, of a legal
19 opinion, on the Elliott State Forest. And that did not
20 get finished, it is not available today, and if any of
21 you are waiting on that, it will not be before us
22 today. And I apologize for not remembering to announce
23 that earlier. Okay. Let's look at Agenda Item
24 Number 2 on the Elk Creek scenic waterway issue.

25

1 activities -- excuse me, small mining activities from
2 that prohibition. And the objection is primarily to
3 that rule that allows this activity to happen at all.
4 We understand that the Sierra Club representative is here
5 and you received a letter with your materials that came
6 in this morning from Neil Kagen (phonetic) representing
7 Oregon Natural Resources Council.

8 My understanding is that Sierra Club's concerns
9 will be focused on attempting to change the Water
10 Resources rule, and that they recognize that our permits
11 are within the letter of the law, expressed both in the
12 statute and the rule, and that we have appropriately
13 conditioned these permits at the request of the various
14 State agencies. The letter from Oregon Natural Resources
15 Council suggests that issuance of these permits would
16 perhaps be challenged legally. Bill Cook may be able
17 to speak to whether there is a legitimate challenge
18 there, but our staff recommendation is that these permits
19 should be issued for this season only, and you have
20 revised agenda materials that were passed out at your
21 place this morning that make it very clear that this
22 permission would only go through September of 1992, and
23 we have suggested to the environmental groups that they
24 focus attention on a possible change of the Water
25 Resources rule because the way our permits go, they are

1 within the line allowed by the Water Resources rule.
2 And I think you have one person signed up who may or
3 may not wish to speak on this subject.

4 GOVERNOR BARBARA ROBERTS: Liz, are you going
5 to comment on this agenda item? Did you wish to?

6 LIZ FRENKEL: (unintelligible).

7 GOVERNOR BARBARA ROBERTS: Okay. No, not
8 unless you wanted to. You had a possible, and I
9 wanted to give you an opportunity. I think Janet has
10 clearly identified the framework in which we're operating,
11 under all of the current rules of all agencies involved
12 and the jurisdiction that we have in relation to those,
13 this item meets that requirement. The question she has
14 raised is whether they may be an issue later whether
15 Water Resources' rule meets the letter of the law.

16 But within the framework that we're operating,
17 we have done everything correctly and the applicant has
18 done everything correctly, under all of the current
19 administrative rules is my understanding. This would be
20 a one-season only, I guess is the way to describe it,
21 between now and September, opportunity and under all of
22 those requirements, it appears that if the applicant has
23 met those requirements, Bill, is there anything that you
24 would like to add as we consider this item?

25 BILL COOK: Governor Roberts, members of the

1 Board, just to clarify, Mr. Kagen's letter calls into
2 question an opinion that our office issued back in 1982,
3 in which we were specifically asked whether agencies
4 could define the placer mining definition in the scenic
5 waterway statute, and we said, "Yes." And they further
6 asked whether the agency defining that phrase could
7 differentiate between commercial mining and recreational
8 mining. And we also said, "Yes." It's a fairly
9 detailed opinion and we stand by it.

10 DIRECTOR JANET NEUMAN: Okay. I should add
11 one thing, and this is one of the things that really
12 makes us feel that it is Water Resources that is at
13 issue here. The provision of the statute that's
14 involved is ORS 390.835, where it talks about the uses
15 that are allowed in scenic waterways, and the last
16 sentence of the first paragraph of that statute says,
17 "The Water Resources Commission shall administer and
18 enforce the provisions of this subsection." They are
19 specifically given jurisdiction to do the rule making and
20 to do the administration of that portion of the statute.

21 GOVERNOR BARBARA ROBERTS: And it's my
22 understanding that some environmental organizations or
23 persons who had concern about this, will be speaking to
24 Water Resources about the issues that have been raised,
25 but they're not necessarily applicable to the request

1 that we have before us today.

2 DIRECTOR JANET NEUMAN: That's my understanding
3 as well.

4 GOVERNOR BARBARA ROBERTS: Okay. Is there a
5 motion--

6 TREASURER ANTHONY MEEKER: I have a question.

7 GOVERNOR BARBARA ROBERTS: Yes.

8 TREASURER ANTHONY MEEKER: Is this navigable?

9 GOVERNOR BARBARA ROBERTS: Is this what? I'm
10 sorry, I didn't hear you.

11 DIRECTOR JANET NEUMAN: Navigable.

12 TREASURER ANTHONY MEEKER: Navigable.

13 GOVERNOR BARBARA ROBERTS: Oh, navigable.

14 DIRECTOR JANET NEUMAN: We believe it is. The
15 federal government also has been taking mining operations
16 plans which they probably don't have jurisdiction to do
17 unless it is nonnavigable and federally owned. It has
18 not come to a head or a resolution at this time.

19 TREASURER ANTHONY MEEKER: Do we, because if
20 that's the case, then, can we participate in the
21 revenues?

22 DIRECTOR JANET NEUMAN: We--

23 TREASURER ANTHONY MEEKER: Do you have a
24 royalty on this gold?

25 DIRECTOR JANET NEUMAN: These particular

1 recreational pursuits do not carry a royalty.

2 TREASURER ANTHONY MEEKER: Why not?

3 DIRECTOR JANET NEUMAN: Primarily, 'cause-- they
4 haven't really found that much. We're pers--

5 TREASURER ANTHONY MEEKER: How do we know?

6 DIRECTOR JANET NEUMAN: Because we do see their
7 reports, I believe.

8 GOVERNOR BARBARA ROBERTS: Is Jim
9 (unintelligible) still here?

10 DIRECTOR JANET NEUMAN: He left. We -- you
11 would ask this question -- we've actually been pursuing
12 this with the federal government and trying to determine
13 if there is opportunity for royalty and state ownership
14 in these instances. But we haven't found any such
15 opportunity yet.

16 GOVERNOR BARBARA ROBERTS: Good question. Very
17 good question.

18 SECRETARY OF STATE PHIL KEISLING: It's a good
19 question.

20 GOVERNOR BARBARA ROBERTS: Yeah, I think it is.
21 I mean, what if they found a whole lot and we didn't
22 get any.

23 TREASURER ANTHONY MEEKER: That's why I asked
24 the question.

25 GOVERNOR BARBARA ROBERTS: Well, that's obviously

1 why Janet has been pursuing it, and we appreciate that
2 pursuit. It does seem like that it's--

3 TREASURER ANTHONY MEEKER: I didn't see anything
4 about it in a writeup.

5 DIRECTOR JANET NEUMAN: It was -- yeah, we
6 didn't bring in the navigability discussion because, as
7 you all know, that gets very thorny very quickly and
8 it wasn't directly relevant to the decision at issue.

9 TREASURER ANTHONY MEEKER: We'll all be pretty
10 unhappy if this guy uncovers a million bucks down there
11 and we didn't get our share.

12 GOVERNOR BARBARA ROBERTS: We'll also be pretty
13 surprised, I think, but--

14 TREASURER ANTHONY MEEKER: Surprises happen.

15 GOVERNOR BARBARA ROBERTS: Isn't that the truth.
16 So, is there a motion on Item Number 2?

17 SECRETARY OF STATE PHIL KEISLING: Madame Chair,
18 I'll move to State Land Board approval for the two
19 proposals to conduct recreational gold mining within the
20 Elk River scenic waterway.

21 DIRECTOR JANET NEUMAN: One season only.

22 SECRETARY OF STATE PHIL KEISLING: One season
23 only, expiring on September 15, 1992.

24 GOVERNOR BARBARA ROBERTS: Is there a second?

25 TREASURER ANTHONY MEEKER: Governor, I intend

1 to vote no, and the reason I am is mainly because I
2 think we are missing an opportunity here, or at least
3 the knowledge of the opportunity. So I'll just let you
4 know in advance that it's a vote, a negative vote,
5 because I'm not happy with the lack of material and
6 information that we have regarding the potential for any
7 resources that might be there, the navigability of the
8 stream, so that's the reason behind my no vote.

9 GOVERNOR BARBARA ROBERTS: I will second for
10 purposes of discussion. Janet, the question that's just
11 been raised on the navigability, on the potential income,
12 knowing the complexity of this issue, this is not
13 something we resolve easily or quickly, as I recall.

14 DIRECTOR JANET NEUMAN: Right. And in fact,
15 we have -- I mean, the policy that the Board has
16 talked about with us is not to -- I mean, to
17 prioritize the assertion of our claims based on potential
18 return or major use conflicts. And so we have been
19 concentrating on other areas. The Elk River was not
20 one that had popped up on our priority list, on using
21 that screen or that analysis, and in addition, I think
22 probably more important to this particular decision, there
23 is a statutory provision, and I don't have it in front
24 of me, that prevents us from conditioning our
25 removal-fill decisions on the ownership issue and on

1 getting a lease or other permission on the ownership
2 side. And sometimes, we feel very frustrated by that
3 because we lose some leverage to deal with the revenue
4 side that way.

5 But the legislature did that very specifically
6 because of the controversy involving State ownership of
7 waterways, and they didn't want us holding up or
8 conditioning removal-fill decisions on what they considered
9 blackmailing property owners to agree that there was
10 State ownership of the waterway, and signing up with a
11 royalty lease. That causes all kinds of problems of,
12 you know, clarification of what we're doing in -- of
13 our claims. But that's one of the reasons why we
14 bifurcate these decisions.

15 TREASURER ANTHONY MEEKER: Well--

16 GOVERNOR BARBARA ROBERTS: Can I just ask a
17 question--

18 TREASURER ANTHONY MEEKER: Yeah, sure--

19 GOVERNOR BARBARA ROBERTS: Directly related to
20 that? Janet, is this lease till September 15 an issue
21 that can only be seen as a removal-fill issue that
22 relates to the law that you just indicated the
23 legislature had passed to keep that royalty question from
24 interfering with other decisions?

25 DIRECTOR JANET NEUMAN: I -- Bill, help me

1 out. I think it is. I mean, it is -- we're making
2 the decision in the context of our removal-fill
3 authority.

4 GOVERNOR BARBARA ROBERTS: Yeah, and that's the
5 only way -- I guess what I'm asking is, is that the
6 only way we can look at this particular lease is as
7 a removal-fill question, since it's really not removal
8 and fill that's the basic issue here as much as the --
9 as the mining issue, and I didn't know whether there's
10 any way we can look at this in any other context.

11 BILL COOK: Governor Roberts, members of the
12 Board, unfortunately, I need to make a distinction.
13 It's really a scenic waterway statute issue, because
14 we're dealing less than 50 cubic yards. So the
15 removal-fill statute actually doesn't kick in. Your
16 decision -- your approval decision here is under the
17 scenic waterway statute and its policies only.

18 DIRECTOR JANET NEUMAN: That's true.

19 GOVERNOR BARBARA ROBERTS: So the law that
20 Janet just stated might not be applicable here--

21 ASSISTANT ATTORNEY GENERAL BILL COOK: I don't
22 think so.

23 DIRECTOR JANET NEUMAN: Okay. That wouldn't
24 specifically apply.

25 GOVERNOR BARBARA ROBERTS: Okay.

1 UNIDENTIFIED MALE VOICE: Okay. I don't--

2 GOVERNOR BARBARA ROBERTS: Okay. Knowing that
3 and understanding that, but also knowing the complexity
4 of the navigable statutes and ownership and all the
5 other pieces that go with that, is there any way in
6 a month's period of time or thereabouts to be able to
7 discern whether there is any potential royalty or other
8 income stream available to the State on this particular
9 application?

10 DIRECTOR JANET NEUMAN: There certainly is if
11 we move it to the top of our list of navigability
12 research.

13 GOVERNOR BARBARA ROBERTS: But--

14 DIRECTOR JANET NEUMAN: I guess that's the
15 simple way to say that.

16 GOVERNOR BARBARA ROBERTS: But in 30 days, even
17 if you moved it there in 30 days, would we have an
18 answer and a resolution?

19 DIRECTOR JANET NEUMAN: We certainly wouldn't
20 have a resolution. I expect that this would be a
21 controversial place to assert a claim similar to some
22 of the other places -- we've been doing it on the
23 south coast--

24 GOVERNOR BARBARA ROBERTS: Because of real
25 questions about its navigability--

1 DIRECTOR JANET NEUMAN: Right.

2 GOVERNOR BARBARA ROBERTS: At this point in
3 time?

4 DIRECTOR JANET NEUMAN: (unintelligible).

5 GOVERNOR BARBARA ROBERTS: Bill?

6 BILL COOK: Governor, and members of the Board,
7 my distinction again I think might be helpful. Your
8 vote here would concern only the scenic waterways, if
9 you believe you own the bed and banks of that waterway,
10 you still, as the owner, have the right to say well,
11 you don't pull it out of our property unless you take
12 out a lease. I see those as -- those are two
13 different decisions there.

14 DIRECTOR JANET NEUMAN: And even in the statute
15 that I was talking about before which I misapplied in
16 this circumstance, we certainly still say that, we just
17 don't make it part of the removal decision. And that's
18 the same way that we would be here. We would take
19 up the royalty issue separately, but we would not
20 condition the scenic waterway approval on that basis.

21 GOVERNOR BARBARA ROBERTS: So basically, from
22 both of your standpoints, this is a scenic waterways
23 decision only with no ability for the Board within that
24 contractual agreement, to put any provisions dealing with
25 revenues to the State as it now stands?

1 BILL COOK: Governor, I think there are two
2 different decisions. And I -- off the top of my head,
3 I don't think that by voting today to give scenic
4 waterways approval, you are giving away your right if
5 you believe you owned the waterway, to require a royalty
6 lease later.

7 TREASURER ANTHONY MEEKER: Governor.

8 GOVERNOR BARBARA ROBERTS: Mr. Treasurer?

9 TREASURER ANTHONY MEEKER: I'll bet we don't
10 have anybody down there measuring the removal. Fifty
11 yards is about five truck loads, you know ten-yard truck
12 loads.

13 GOVERNOR BARBARA ROBERTS: Right.

14 TREASURER ANTHONY MEEKER: What if he goes to
15 60? We don't have anybody down there watching this.

16 DIRECTOR JANET NEUMAN: Not officially, no.

17 TREASURER ANTHONY MEEKER: No.

18 DIRECTOR JANET NEUMAN: One of the suggestions,
19 one of the--

20 GOVERNOR BARBARA ROBERTS: Can I just ask, to
21 what -- you're talking about the 50--

22 TREASURER ANTHONY MEEKER: Well, because it's
23 recreational--

24 GOVERNOR BARBARA ROBERTS: Right.

25 TREASURER ANTHONY MEEKER: And you don't have

1 a permit, because it's less than 50.

2 GOVERNOR BARBARA ROBERTS: So you're saying it
3 could go over that and we'll have no way of knowing
4 that--

5 TREASURER ANTHONY MEEKER: Oh, yeah, I mean--

6 GOVERNOR BARBARA ROBERTS: So we may be giving
7 a permit for something over which we have no control.

8 TREASURER ANTHONY MEEKER: That has a million
9 dollars worth of gold in it.

10 GOVERNOR BARBARA ROBERTS: Has there been gold
11 found on the stream before? Does anyone know the
12 answer to that?

13 TREASURER ANTHONY MEEKER: You--

14 DIRECTOR JANET NEUMAN: Well, Steve--

15 TREASURER ANTHONY MEEKER: Governor, I can
16 answer that question for you. You remember when you
17 were in the House of Representatives and Senator Potts
18 always had his little bill on the Rogue River
19 Coordinating Board?

20 GOVERNOR BARBARA ROBERTS: I sure do.

21 TREASURER ANTHONY MEEKER: And what was that
22 all about?

23 GOVERNOR BARBARA ROBERTS: I just called him
24 to tell him I was eliminating it.

25 TREASURER ANTHONY MEEKER: Yeah, but what was

1 that all about? That was about gold.

2 GOVERNOR BARBARA ROBERTS: Gold, yeah.

3 TREASURER ANTHONY MEEKER: You bet.

4 GOVERNOR BARBARA ROBERTS: Yeah, that's true.

5 DIRECTOR JANET NEUMAN: You know, the primary
6 negotiation we would have to do to resolve a
7 navigability issue here would be with the federal
8 government. It's possible that we could suggest that
9 if there are any proceeds received from gold mining,
10 that they escrow that, but the chance that they would
11 agree to that, we don't know, but that's sometimes done
12 when there's a dispute over ownership. It's just one
13 that we have not taken on because it wasn't a major
14 issue. I mean, we have, as you know from our last
15 discussion of navigability, we have so many places where
16 we have real problems that we know we have to deal
17 with, that this was not on the list.

18 GOVERNOR BARBARA ROBERTS: Mr. Secretary?

19 SECRETARY OF STATE PHIL KEISLING: Okay. So
20 if it's not a navigable river, we would not have any
21 royalty potential at all--

22 TREASURER ANTHONY MEEKER: That's correct.

23 DIRECTOR JANET NEUMAN: Correct.

24 SECRETARY OF STATE PHIL KEISLING: Even if the
25 million were found?

1 DIRECTOR JANET NEUMAN: Correct.

2 SECRETARY OF STATE PHIL KEISLING: If a million
3 dollars were found, would we have any way of knowing?

4 DIRECTOR JANET NEUMAN: Only through what is
5 submitted to the federal government, through their mining
6 plans of operations and their reviews of these
7 operations.

8 SECRETARY OF STATE PHIL KEISLING: But they
9 review it afterwards?

10 DIRECTOR JANET NEUMAN: I--

11 SECRETARY OF STATE PHIL KEISLING: Are they
12 required under federal law to in effect--

13 DIRECTOR JANET NEUMAN: I believe they do.

14 SECRETARY OF STATE PHIL KEISLING: Report what
15 they've found?

16 DIRECTOR JANET NEUMAN: I can't say that with
17 absolute certainty, but my understanding is that they
18 require reports.

19 SECRETARY OF STATE PHIL KEISLING: A third
20 question; let's say they find a million dollars worth
21 of gold, and they report as such to the federal
22 government, is the answer that you gave a little
23 earlier, Bill, is that we would still have standing to
24 assert a navigability claim and thus go back in and try
25 to get a portion of what was found? Or is that

17
1 completely untrodden legal ground or legal ground that
2 you couldn't even approach?

3 BILL COOK: Secretary Keisling, I think we
4 could find a way to do it.

5 SECRETARY OF STATE PHIL KEISLING: Or try to
6 do it. But I guess the only hook we have the
7 royalties is through navigability--

8 BILL COOK: Right.

9 SECRETARY OF STATE PHIL KEISLING: And the way
10 navigability works, it's a long drawn-out process.

11 BILL COOK: It can be.

12 SECRETARY OF STATE PHIL KEISLING: And can be,
13 but you believe that there is -- there would be the
14 potential for us to assert a -- that a subsequent
15 assertion of a claim of navigability could somehow put
16 back in for a portion of what had been found?

17 BILL COOK: I think so. Again, this is
18 armchair legal advice right here, but I think so.
19 Again, as I look at the motion in front of you, it
20 concerns the scenic waterway approval only if it's not
21 related to ownership.

22 GOVERNOR BARBARA ROBERTS: Let me ask one more
23 question, Bill, could we in fact, as an addendum to the
24 approval for the scenic waterway just say, have a
25 sentence that says, "The State withholds or the State

1 indicates that any major financial gain from this
2 operation may be subject to the question of navigability
3 on the stream." I mean, is there any way we can add
4 a sentence to the contract that at least flags it for
5 someone that the potential exists?

6 BILL COOK: Governor, I don't see any problem
7 with that. You know, legally speaking, I don't know
8 whether it gains us a great deal--

9 GOVERNOR BARBARA ROBERTS: Okay.

10 BILL COOK: But I don't see any problem with
11 that.

12 GOVERNOR BARBARA ROBERTS: Further discussion on
13 the motion? Any amendments?

14 SECRETARY OF STATE PHIL KEISLING: Well, if
15 that amendment is in order, I would certainly think
16 protecting ourselves from that, whether it's a one in
17 ten or a one in 10,000, one in a million chance, it
18 would do no harm to do that. So I'd like to move
19 to amend my motion to that effect. Bill, do you want
20 to state back the best way that you would think that
21 we would accomplish--

22 GOVERNOR BARBARA ROBERTS: (unintelligible).

23 BILL COOK: Secretary Keisling, I heard the
24 Governor phrase it pretty well, and I'm afraid I didn't
25 write it down.

1 GOVERNOR BARBARA ROBERTS: Oh.

2 BILL COOK: That--

3 TREASURER ANTHONY MEEKER: It's on the tape.

4 GOVERNOR BARBARA ROBERTS: Yeah, it's on the
5 tape. I think it was something that the State of
6 Oregon holds or gives--

7 SECRETARY OF STATE PHIL KEISLING: Or reserves
8 its right--

9 GOVERNOR BARBARA ROBERTS: Yeah, reserves its
10 right and gives notice that if, you know, if substantial
11 income is derived from this recreational placer mining
12 operation, that the State holds it subject to State's
13 ownership with regard to the navigability of the stream,
14 or something of that nature.

15 SECRETARY OF STATE PHIL KEISLING: The only
16 question I'd raise about it, what is substantial, maybe--

17 GOVERNOR BARBARA ROBERTS: Yeah.

18 SECRETARY OF STATE PHIL KEISLING: We can be
19 very specific. Why don't we say more than ten troy
20 (phonetic) ounces of gold, would be about \$3,500--

21 TREASURER ANTHONY MEEKER: Boy, you're a tough
22 guy.

23 GOVERNOR BARBARA ROBERTS: Yeah.

24 TREASURER ANTHONY MEEKER: You know, I just
25 wouldn't tell you about it.

1 GOVERNOR BARBARA ROBERTS: Yeah, that you can
2 put in your pocket and walk away with.

3 TREASURER ANTHONY MEEKER: Exactly.

4 SECRETARY OF STATE PHIL KEISLING: Which is
5 actually a very -- about \$3,500 worth of gold.

6 SECRETARY OF STATE PHIL KEISLING: Do you have
7 to work in substantiality at all?

8 GOVERNOR BARBARA ROBERTS: No. No.

9 SECRETARY OF STATE PHIL KEISLING: Just say
10 something to the effect that--

11 TREASURER ANTHONY MEEKER: Why don't we reserve
12 our right (unintelligible)--

13 GOVERNOR BARBARA ROBERTS: Yeah. Yeah. Yeah.

14 SECRETARY OF STATE PHIL KEISLING: I think
15 that's better.

16 GOVERNOR BARBARA ROBERTS: Would you like to
17 second the amendment?

18 TREASURER ANTHONY MEEKER: Yeah, I'll -- well,
19 I'll be magnanimous.

20 GOVERNOR BARBARA ROBERTS: We could stand a
21 little of that among us. Okay. You have heard--

22 TREASURER ANTHONY MEEKER: I want you to
23 remember that, now.

24 GOVERNOR BARBARA ROBERTS: I will remember,
25 Tony. I never forget the good things you do. You

1 have heard the amendment to the main motion with regard
2 to notification of the State's potential ownership on any
3 findings of value on the placer mining operation. Is
4 there additional discussion on the proposed amendment?
5 If not, those in favor of the amendment will signify
6 by saying, "aye." Aye.

7 SECRETARY OF STATE PHIL KEISLING: Aye.

8 TREASURER ANTHONY MEEKER: Aye.

9 GOVERNOR BARBARA ROBERTS: Those opposed, "nay."

10 The motion is passed unanimously. What we now have
11 before us is the main motion amended. Is there further
12 discussion on the main motion to approve the scenic
13 waterway mining operation as delineated in the agenda and
14 amended--

15 TREASURER ANTHONY MEEKER: Well, Governor, I
16 still intend to vote no. I think we've got the cart
17 before the horse on this thing and we have no controls
18 in place to monitor it. I just think we're making a
19 mistake, but that's okay.

20 GOVERNOR BARBARA ROBERTS: Those in favor of
21 the motion will signify by saying, "aye."

22 SECRETARY OF STATE PHIL KEISLING: Aye.

23 GOVERNOR BARBARA ROBERTS: Aye. Those opposed,
24 nay.

25 TREASURER ANTHONY MEEKER: Nay.

1 GOVERNOR BARBARA ROBERTS: I may wish later,
2 I voted with you, Tony. It was a close call for me.

3 TREASURER ANTHONY MEEKER: I'll never say, "I
4 told you so." And I promise if that happens, I'll
5 never say, "I told you so."

6 GOVERNOR BARBARA ROBERTS: I know you won't.
7 It's not in your nature.

8 TREASURER ANTHONY MEEKER: I probably won't be
9 around anyway.

10 GOVERNOR BARBARA ROBERTS: Probably none of us
11 will be. Okay. Consent Items, you have Consent Items
12 A through F before you. Is there a motion?

13 SECRETARY OF STATE PHIL KEISLING: I guess I'm
14 making all the motions today. I'll move Consent Items
15 A through F--

16 TREASURER ANTHONY MEEKER: Second.

17 GOVERNOR BARBARA ROBERTS: Okay. It has been
18 moved and seconded to accept the Consent Items. Those
19 in favor will signify by saying, "Aye."

20 TREASURER ANTHONY MEEKER: Aye.

21 SECRETARY OF STATE PHIL KEISLING: Aye.

22 GOVERNOR BARBARA ROBERTS: Aye. Motion passed
23 unanimously. We have now one remaining informational
24 item, as you remember, of 4A, the Department of Justice
25 legal opinion is -- was not done as we had expected,

17
1 in time for this meeting. We have left the
2 presentation of the Wilshire and Associates study.
3 Janet, any comments on that?

4 DIRECTOR JANET NEUMAN: Yes, just very briefly,
5 I'd like to invite to the podium, Tom Lynch, from
6 Wilshire and Associates, and he will give you a very
7 short -- he's promised a ten-minute highlight of the
8 report, and then what we are recommending as staff is
9 that we further develop specific investment policy options
10 in conjunction with a larger asset management planning
11 discussion for the next Land Board meeting. And so all
12 we're doing today is receiving the report and no action
13 is required.

14 TREASURER ANTHONY MEEKER: Governor, I'd like
15 to introduce to you, Wilshire and what they're all
16 about, just as a -- just a couple of comments. First
17 of all, Wilshire and Associates is the leading consultant
18 among public pension funds in the country. I suppose
19 there are one or two others that compete. They are
20 consultants to us, and also act as an analyst of the
21 performance of our equity managers and other kinds of
22 activities for the Oregon Public Employees Retirement
23 Fund. They consented to do this work for the Common
24 School Fund within the terms of their existing contract.
25 So it didn't cost us anything and I can tell you that

7
1 I for one appreciate that, and I think they have given
2 us some very good advice, although we may not take it.
3 I would advise you that that often happens, but they
4 do offer a point/counterpoint to investment strategy, with
5 a great deal of foresight and work.

6 GOVERNOR BARBARA ROBERTS: Well, I welcome you.
7 I'm going to excuse myself from the table for one
8 minute, and so I will be right back, and I'll leave
9 the Secretary of State in charge here for one moment.
10 This is not a lack of interest. I'll be right back.

11 TONY LYNCH: Well, thank you. I'm pleased to
12 be here. I will unfortunately not be as articulate as
13 the young students that came before me, but I will try
14 to follow their virtue of brevity and go forth with
15 a goal of finishing here in ten minutes. Wilshire
16 addressed three questions in our analysis. The first
17 question is, what should the investment policy be of the
18 Common School Fund in order for the funds' distributions
19 to reach a substantial component of school funding.

20 The second question was, how long a time period
21 would that take given that investment policy in order
22 to get that objective.

23 The third question was, once we've reached our
24 objective of reaching distributions that are satisfactory,
25 what should our investment policy be at that moment in

1 time in order to maintain distributions? Just very
2 quickly, the current financial conditions that we're
3 reviewing, year-end market value of the assets of the
4 Common School Fund were \$250 million. Our current asset
5 allocation is possibly two-thirds in bonds, but
6 16 percent in stocks, 18 percent in cash. Distributions
7 are approximately \$15.6 million or six percent of assets,
8 but we have other revenues that come into the fund
9 which come from constitutional and statutory sources of
10 about 12.5 million or about five percent of assets.

11 In our analysis as you've seen in the report,
12 we have assumptions both for revenues coming from
13 constitutional and statutory sources, and we also have
14 our assumptions for what we expect investment returns to
15 be and risks to be in the future. And just very
16 quickly, our assumptions for the capital markets are very
17 much in line with a very long-term history, though they
18 look much humble versus what we've seen over the past
19 ten years.

20 Our investment policy recommendation is sort
21 of -- we have two investment policies; but what they --
22 one for what we call the growth phase, and that is the
23 phase in which the assets accumulate to the point at
24 which distributions can be made and maintained at a
25 substantial component of school funding, and then an

1 investment policy for a distribution phase. And we're
2 trying to maintain those distributions at the rate of
3 inflation.

4 Talking about the growth phase investment policy,
5 our problem here is that we're in a sort of a race
6 where we are already ten laps behind from an objective
7 of being a substantial component of Common School
8 funding, and we need to be able to make up that
9 distance. Right now, our distributions are approximately
10 one-half a percent of per capita school expenditures.
11 A good objective maybe for a -- becoming a substantial
12 component of school funding, would be to be about five
13 percent. So that means we have to grow about ten-fold.

14 Given our current investment policy, and given
15 our outlook for the capitol markets, and given some
16 assumptions for other revenues, we think it's going to
17 take approximately 100 years in order for our
18 distributions to get from .5 percent to five percent of
19 school expenditures. And that's using assumptions about
20 growth in school expenditures that history will be --
21 the future will be the same as the history where we've
22 had expenditure growth of about six percent.

23 Now, there are some things we can do to reduce
24 that duration. First of all, we can move up to our
25 equity allocation; that's the maximum allocation allowed

1 by law, which is 50 percent. Right now, our policy
2 is to do that gradually as we have revenues come in
3 to allocate those new revenues to equities. But if we
4 move that allocation right up to 50 percent, we could
5 reduce that time duration by ten years. If we went
6 to -- beyond the 50-percent equity allocation and went
7 to 100-percent equity allocation, we could reduce that
8 time to 70 years. If we eliminated distributions during
9 this growth phase, we could cut that time to about half
10 or 50 years.

11 And then there are things that we could only
12 hope for, and that is that school expenditures be less
13 and that other revenues be more, and some of the
14 scenarios could get you down to ten to 20 years of
15 time that would be required to meet that objective.

16 Looking at the distribution phase, assuming we're
17 at a level of distributions that we are satisfied with,
18 we need an objective of maximizing the real growth in
19 those distributions, while at the same time maintaining
20 distributions at the level of growth of inflation, and
21 also, to provide some stability in those distributions
22 to help for claiming purposes.

23 Our recommendation is two-fold -- before we get
24 to the distribution phase. First of all, we recommend
25 again, more equities and less in cash and bonds. And

1 in the report, we recommend an allocation of 50 percent
2 in equities, 45 percent in bonds, and five percent in
3 cash. We also would recommend that if you want to,
4 and you could with this allocation, maintain
5 distributions -- stability of distributions with a lot
6 of certainty, that you also allow your policy -- change
7 your policy, that you -- so that you could make
8 distributions out of capital appreciation, not just out
9 of investment income.

10 The reasons for this recommendation are five-
11 fold; first of all, the allocation that we recommend,
12 moving right away to a 50-percent allocation, to equities
13 rather than the gradual increase in equities, would
14 increase the real return by about 140 base points per
15 year. Second of all, the higher equity allocation
16 provides inflation protection. Our distributions and
17 other revenues are partly a function of inflation. And
18 unlike bonds, equities do provide a better correlation
19 or a less negative correlation to inflation. Third, the
20 investment policy we recommend is a diversified
21 allocation. And that is, we're getting the proper
22 amount of return that's commensurate for the amount of
23 risk that we would be taking in our portfolio.

24 And fourth, we did some simulations using
25 different scenarios of forest revenues, which is the

1 largest component of our statutory and constitutional
2 revenue equation, and we saw that the higher equity
3 allocation would provide us better stability in our
4 distribution policies, it would provide a buffer for the
5 unfortunate consequences of lower forest revenues.

6 And fifth, the lower cash allocation going down
7 from what we're currently at about 18 percent to five
8 percent, our analysis shows that that would still --
9 that would provide sufficient liquidity to make
10 distributions in light of the fact that we have other
11 revenues coming in, the constitutional and statutory
12 sources, plus we have a dividend in interest income
13 coming into the fund.

14 That's the conclusion of my summary. I would
15 be glad to answer any questions regarding our analysis.

16 GOVERNOR BARBARA ROBERTS: Other questions?
17 Thank you very much for your report. My apologies for
18 leaving the room during a portion of it. We thank you
19 and we look forward to getting into it in more detail.
20 So thank you very much.

21 TONY LYNCH: Thank you all.

22 DIRECTOR JANET NEUMAN: Thank you. As I
23 mentioned earlier, our recommendation on this item is
24 simply to come back to you with some more developed
25 investment policies once we've had a chance to talk this

1 over more fully with your staffs and with the
2 Treasurer's office. That's it for the regular agenda.

3 GOVERNOR BARBARA ROBERTS: Jan--

4 DIRECTOR JANET NEUMAN: Excuse me.

5 GOVERNOR BARBARA ROBERTS: Yeah. Can I ask
6 one more question of the Attorney General's opinion not
7 being prepared and ready for today and finished. Is
8 there indication that it will be ready for the July
9 meeting?

10 DIRECTOR JANET NEUMAN: I think it's safe to
11 say that there is an indication it will be ready for
12 the July meeting, and probably before that time.

13 BILL COOK: Governor, it's very, very close,
14 and I apologize, but there are a number of issues that
15 are very difficult.

16 DIRECTOR JANET NEUMAN: Yeah.

17 BILL COOK: We're very close to having it all
18 ready for you.

19 DIRECTOR JANET NEUMAN: Yeah.

20 GOVERNOR BARBARA ROBERTS: We want it done
21 correctly, and speed is not the major element in this,
22 and I just wanted to know if that was an expectation
23 about the July meeting.

24 DIRECTOR JANET NEUMAN: Yes.

25 GOVERNOR BARBARA ROBERTS: We'll be--

1 DIRECTOR JANET NEUMAN: Yes.

2 GOVERNOR BARBARA ROBERTS: Okay. Thank you.

3 Anything else further from either of our Board members?

4 TREASURER ANTHONY MEEKER: Just one comment
5 about this report, Governor. I think, you know, the
6 Land Board and the Oregon Investment Council have a dual
7 role here, and I think the -- if I understand the
8 Attorney General's opinion of the constitutional amendment
9 of just recently authorizing us to invest in equities
10 with Common School Fund monies, that the function of the
11 Land Board is to set sort of some targets. And you
12 heard a number of recommendations here. Do you want
13 to take the Common School Fund to a place where it
14 represents five percent of education costs? It's
15 currently half a percent. And I think the anticipation
16 is, as we approach that decision, that the Land Board
17 would give the Investment Council some targets of what
18 you want us to try to get done, and then we would
19 structure an investment policy to meet that target --
20 the Council would. And I think that's a pretty close
21 interpretation of -- in laymen's terms, of what we're
22 supposed to do.

23 SECRETARY OF STATE PHIL KEISLING: I agree.

24 GOVERNOR BARBARA ROBERTS: Yeah. I think it
25 might be interesting for the Board on an agenda, just

1 informational, one of these days to have a couple of
2 members of the Investment Council come in and just
3 hold--

4 TREASURER ANTHONY MEEKER: Okay.

5 GOVERNOR BARBARA ROBERTS: A comfortable
6 discussion about options and views and the report that
7 we have here. I just think it might be good for us
8 to have that opportunity. And obviously, I think it
9 would be useful for the Investment Council. So that
10 might be something we look at in a future agenda item.

11 SECRETARY OF STATE PHIL KEISLING: Yeah, I'd
12 appreciate that. I've never had a chance to sit down
13 and have that discussion--

14 TREASURER ANTHONY MEEKER: Okay. Well, and
15 additionally, the--

16 SECRETARY OF STATE PHIL KEISLING:
17 (unintelligible)--

18 TREASURER ANTHONY MEEKER: The Treasury has
19 hired a new investment officer, chief investment officer,
20 and I know that the Land Board has heard from prior
21 investment officers, and the Investment Division of the
22 Treasury will be making a recommendation to reach certain
23 targets. So I think it would be a good opportunity
24 for you to meet the new investment officer and the
25 chairman of the Council, Mr. Drummond. These are very,

1 very dedicated lay citizens, I've got to tell you.
2 It's a huge demand to set policy for the \$20 billion
3 under management.

4 GOVERNOR BARBARA ROBERTS: There are some people
5 who do volunteer work on boards and commissions in the
6 State of Oregon who give an above-and-beyond the call
7 of duty--

8 TREASURER ANTHONY MEEKER: You bet.

9 GOVERNOR BARBARA ROBERTS: I think it's
10 clearly -- and this is one of those groups. I think
11 of the Board of Higher Ed, the Board of Education, the
12 Oregon Investment Council, the Board of Forestry, and
13 some of those pers -- I mean, they just give incredible
14 amounts of their personal time to make State government
15 work better, and we're incredibly fortunate. So I think
16 it would be very useful for us to have that opportunity
17 for an interchange, which I cannot remember happening in
18 all the years I've been on the Board, in such a direct
19 fashion. And I think it would be interesting.

20 TREASURER ANTHONY MEEKER: Governor, I think
21 that's because the Land Board and the Council never had
22 an opportunity to do this before, that's true.

23 GOVERNOR BARBARA ROBERTS: Yeah. Yeah, we
24 actually with some--

25 TREASURER ANTHONY MEEKER: You were restricted

1 to land and bonds.

2 GOVERNOR BARBARA ROBERTS: Yeah. And when we
3 did the last constitutional amendment, we obviously gave
4 ourself some flexibility to talk about things we've not
5 been able to talk about before as well. So that's
6 useful. Janet, anything else that--

7 DIRECTOR JANET NEUMAN: No, we will work to
8 schedule those people in to the next available
9 discussion.

10 SECRETARY OF STATE PHIL KEISLING: Madam Chair,
11 before we adjourn today, I sense some discomfort -- I
12 share some discomfort about Item Number 2 that we've
13 recently had a formal vote on. I understand that
14 there's been some discussion about the possible additional
15 amendment to that motion, and I'm trying to think
16 through the right way to do it. Maybe just to see
17 if that -- if Ann (unintelligible) that you would want
18 to discuss. I'm open to move for possible
19 reconsideration, having voted on the (phonetic) provisions
20 of that. I may not need to make that motion until
21 we have a discussion about whether there is a need for
22 further clarification. Maybe with the indulgence of the
23 Board, we might just discuss that before we adjourn
24 here.

25 GOVERNOR BARBARA ROBERTS: That's certainly

1 possible. Ann, did you have comments? You will
2 recall -- some of you in the audience may not, but
3 most of you will, that Ann was with the Attorney
4 General's office and served as Counsel to this Board for
5 some time. So--

6 TREASURER ANTHONY MEEKER: (unintelligible)

7 Governor--

8 GOVERNOR BARBARA ROBERTS: Yes?

9 TREASURER ANTHONY MEEKER: Just out of
10 curiosity, what discussion are we talking about?

11 SECRETARY OF STATE PHIL KEISLING: This is the
12 Elk--

13 GOVERNOR BARBARA ROBERTS: Item Number 2.

14 SECRETARY OF STATE PHIL KEISLING: Elk River
15 (unintelligible)--

16 GOVERNOR BARBARA ROBERTS: The--

17 TREASURER ANTHONY MEEKER: No, I mean, there
18 was a discussion, where, out in the hall somewhere?

19 GOVERNOR BARBARA ROBERTS: Oh, no, I -- no,
20 the two staff people just--

21 SECRETARY OF STATE PHIL KEISLING: Ann and
22 Nina--

23 TREASURER ANTHONY MEEKER: Oh, I've got one,
24 too.

25 GOVERNOR BARBARA ROBERTS: Yeah.

1 SECRETARY OF STATE PHIL KEISLING: Indicated
2 they had some discussion on this, and I wanted to flag
3 it in case we needed to--

4 GOVERNOR BARBARA ROBERTS: It's just--

5 SECRETARY OF STATE PHIL KEISLING: Do anything,
6 take anymore action as a result of discussing between
7 Ann and--

8 TREASURER ANTHONY MEEKER: Well, if you're going
9 to do that, why don't we recess so that all three
10 staff members have the privilege of talking about this.

11 GOVERNOR BARBARA ROBERTS: The Secretary of
12 State does have the option to--

13 TREASURER ANTHONY MEEKER: Well, I understand
14 that.

15 GOVERNOR BARBARA ROBERTS: To raise a motion
16 for recon--

17 TREASURER ANTHONY MEEKER: But it's simply a
18 courtesy.

19 GOVERNOR BARBARA ROBERTS: I don't think--

20 SECRETARY OF STATE PHIL KEISLING: Yeah, these
21 are difficult situations. I'm, you know, I think our
22 purpose here is to try to make the best possible policy
23 that we can, and when my staff person raises the issue
24 with it, I'd, you know, like to be able to just have
25 a full discussion so we know what we're doing and have

1 done the full--

2 TREASURER ANTHONY MEEKER: Governor, we have
3 operated for--

4 SECRETARY OF STATE PHIL KEISLING: Discussion--

5 TREASURER ANTHONY MEEKER: Years, you know, I've
6 been on the Land Board for five years, and the three
7 Land Board staff members, because we have this open-
8 meeting-law problem, frequently discuss issues.

9 GOVERNOR BARBARA ROBERTS: Absolutely.

10 TREASURER ANTHONY MEEKER: And I've got to tell
11 you that I feel at a disadvantage right now because two
12 staff members went out in the hall--

13 GOVERNOR BARBARA ROBERTS: Yeah.

14 TREASURER ANTHONY MEEKER: And discussed an
15 issue, and I don't think you would act any differently,
16 Governor, about this.

17 GOVERNOR BARBARA ROBERTS: No.

18 SECRETARY OF STATE PHIL KEISLING: I'm perfectly
19 comfortable--

20 GOVERNOR BARBARA ROBERTS: Yeah, I don't have
21 any problem with our taking a short recess--

22 SECRETARY OF STATE PHIL KEISLING:
23 (unintelligible)--

24 GOVERNOR BARBARA ROBERTS: If you want to do
25 it.

1 TREASURER ANTHONY MEEKER: That's exactly what
2 I'm asking--

3 GOVERNOR BARBARA ROBERTS: And the reason we
4 do that is because we can't meet together. We are
5 meeting together right now, and I don't know that we
6 have an opportunity to do this. It's going to be the
7 same discussion that's going to be held, and I'm sure
8 no matter--

9 TREASURER ANTHONY MEEKER: I'd be glad to stay
10 for a whole hour (unintelligible)--

11 GOVERNOR BARBARA ROBERTS: Well, I wouldn't be
12 happy to stay for a whole hour because I'm catching an
13 airplane to Pendleton, but if the three staff people
14 want to go out in the hall and have a brief
15 discussion, I think all we're trying to do is to make
16 certain that in the process of trying to clarify some
17 of your concerns, we may not have done some other kinds
18 of unknowledgeable damage, and that is not our wish to
19 do that. And it was really based on your concerns,
20 Mr. Treasurer--

21 TREASURER ANTHONY MEEKER: Well, it--

22 GOVERNOR BARBARA ROBERTS: That the issue is
23 being raised.

24 SECRETARY OF STATE PHIL KEISLING: Yeah, and
25 I really want to make sure we keep our eye on the

1 ball, which is trying to make the best decision. What
2 happened in this particular case is that we do have a
3 process for staff members to meet beforehand.

4 TREASURER ANTHONY MEEKER: Yeah.

5 SECRETARY OF STATE PHIL KEISLING: I don't
6 think the issue was ever flagged. The issues that
7 Treasurer Meeker raised, and I think there were some
8 good issues raised, did not get raised until today at
9 this meeting. And we have -- we operate, as you know,
10 under that real disadvantage that as members of the
11 Board, we can't have that opportunity to discuss. So
12 I think having a recess for Steve, and Ann, and Nina--

13 GOVERNOR BARBARA ROBERTS: Yeah.

14 SECRETARY OF STATE PHIL KEISLING: To confer
15 about what the discussion is, and the result of the
16 discussion may be that there's no other action that's
17 necessary on this item. Or it may be that we would
18 want to open it up.

19 TREASURER ANTHONY MEEKER: I - that's fine.

20 GOVERNOR BARBARA ROBERTS: But to adjourn
21 without at least flagging it--

22 SECRETARY OF STATE PHIL KEISLING: Yeah.

23 GOVERNOR BARBARA ROBERTS: Means that we have
24 made a decision that we cannot do anything about for
25 at least a month. And I think if there is any

1 potential that there may need to be further discussion,
2 this is the last opportunity we have to do this, so
3 why don't we just take a five-minute recess and three
4 Land Board assistants can meet, and then we will come
5 back in -- literally in five minutes.

6 SECRETARY OF STATE PHIL KEISLING: Yeah, and
7 Bill and Jan and--

8 GOVERNOR BARBARA ROBERTS: Yeah. Yeah.

9 SECRETARY OF STATE PHIL KEISLING:
10 (unintelligible)--

11 GOVERNOR BARBARA ROBERTS: And Ann and Bill
12 and, you know, whatever.

13 SECRETARY OF STATE PHIL KEISLING: Is it stand
14 by.

15 GOVERNOR BARBARA ROBERTS: Yeah, and we'll just
16 wait for five minutes. I don't think it's going to
17 be a lengthy discussion.

18 (OFF THE RECORD)

19 We are back in session. Mr. Secretary, do you
20 understand that you will have a motion?

21 SECRETARY OF STATE PHIL KEISLING: Yes. I'd
22 like to -- I think first we need to move to reconsider
23 the action by which we approved--

24 TREASURER ANTHONY MEEKER: I will second that.

25 SECRETARY OF STATE PHIL KEISLING: Item

1 Number 2.

2 GOVERNOR BARBARA ROBERTS: It's been moved and
3 seconded that we reconsider the action by which we
4 passed Item Number 2 on today's agenda. Is there
5 discussion? Those in favor will signify by saying,
6 "Aye." Aye.

7 TREASURER ANTHONY MEEKER: Aye.

8 SECRETARY OF STATE PHIL KEISLING: Aye.

9 GOVERNOR BARBARA ROBERTS: Those opposed, nay.

10 The motion to reconsider has passed.

11 SECRETARY OF STATE PHIL KEISLING: Madam Chair?

12 GOVERNOR BARBARA ROBERTS: Mr. Secretary?

13 SECRETARY OF STATE PHIL KEISLING: Having voted
14 on the prevailing side, I would move to rescind the
15 approval of the request for these two reasons, and defer
16 action on this--

17 GOVERNOR BARBARA ROBERTS: I think,
18 Mr. Secretary--

19 SECRETARY OF STATE PHIL KEISLING: And then
20 take the issue up with--

21 GOVERNOR BARBARA ROBERTS: Yeah, I think we
22 have to do it in two separate actions.

23 SECRETARY OF STATE PHIL KEISLING: Okay. These
24 other motions. Let's just rescind -- explanation, I
25 think clearly, discussions among staff has indicated that

1 the issue was more complicated than first appeared and
2 questions were raised today that need to be looked at,
3 and that delaying this for a month would serve the best
4 interests of making good policy.

5 GOVERNOR BARBARA ROBERTS: I believe the
6 motion--

7 TREASURER ANTHONY MEEKER: Seconded.

8 GOVERNOR BARBARA ROBERTS: Okay. I believe the
9 motion to reconsider is not debateable. Those in favor
10 of reconsideration will signify by saying, "Aye." Aye.

11 TREASURER ANTHONY MEEKER: Aye.

12 SECRETARY OF STATE PHIL KEISLING: Aye.

13 GOVERNOR BARBARA ROBERTS: Those opposed, nay.
14 Motion is passed. You now, Mr. Secretary, have the
15 floor for whatever other motion you are bringing forward.

16 SECRETARY OF STATE PHIL KEISLING: I would move
17 that we bring this item back to the July State Land
18 Board meeting for--

19 GOVERNOR BARBARA ROBERTS: Is there a--

20 SECRETARY OF STATE PHIL KEISLING: For
21 resolution.

22 TREASURER ANTHONY MEEKER: Second it.

23 GOVERNOR BARBARA ROBERTS: It's been moved and
24 seconded. Would you like to elaborate on your motion?

25 SECRETARY OF STATE PHIL KEISLING: Well, I

1 think I just explained. We've raised that there are
2 complicated legal issues involved here that we risk
3 setting some precedent that we may regret. We must be
4 careful and consider how we do this. We of course
5 have both issues of -- questions about the scenic
6 waterway issue, of course, on one hand, but then there's
7 the second issue about any potential for proprietary
8 interests we might have based on the navigability or
9 nonnavigability.

10 It's better to make these decisions with our
11 eyes completely open and our understanding of that clear,
12 then not, and while I do appreciate the frustration of
13 the people who are interested in the lease, about
14 another month's delay in this item, it's the second
15 time, I think the tradeoff between a month's time versus
16 making this decision the best way is worthwhile.

17 GOVERNOR BARBARA ROBERTS: Further discussion?
18 Hearing none, those in favor of the motion will signify
19 by saying, "Aye." Aye.

20 TREASURER ANTHONY MEEKER: Aye.

21 SECRETARY OF STATE PHIL KEISLING: Aye.

22 GOVERNOR BARBARA ROBERTS: Those opposed? No?
23 Okay. We have passed the motion. Is there further
24 information or items to come before the Board?

25 DIRECTOR JANET NEUMAN: No, I would just add

1 that during the break we had a chance to look at
2 the -- some of the things that we didn't have before
3 us when we answered your questions earlier, and we will
4 brief those -- the issues of royalties and scenic
5 waterways and navigability the next time we bring this
6 forward.

7 GOVERNOR BARBARA ROBERTS: Yeah.

8 SECRETARY OF STATE PHIL KEISLING: And the
9 staff will have a chance to fully discuss those.

10 GOVERNOR BARBARA ROBERTS: Okay.

11 SECRETARY OF STATE PHIL KEISLING: Okay. I
12 want to apologize to the Treasurer for any sense that
13 we were trying to make a decision on this out of
14 bounds. I had thought that what I needed to do is
15 to flag it so we would have the discussion. I think
16 we accomplished the ends that we wanted to. We
17 obviously have work to do before the next meeting.

18 GOVERNOR BARBARA ROBERTS: Nothing further? We
19 stand adjourned. Thank you.

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