

The State Land Board met in regular session on April 9, 2002 in the Land Board Room of the State Lands Building, 775 Summer Street NE, Salem, Oregon 97301-1279.

Present were:

John A. Kitzhaber                      Governor

Randall Edwards                      State Treasurer

Assistants

Louise Solliday  
Paddy McGuire  
Inga Deckert

Staff

Ann Hanus  
John Lilly  
Steve Purchase  
Jeannette Holman  
Gail Lowry

Dept. of Justice

Bill Cook  
J. Kevin Shuba

The Governor called the meeting to order at 10:00 am. The topics discussed and the results of those discussions are listed as follows. Further details of the discussions may be obtained in the written transcript of the meeting available at the Division of State Lands, 775 Summer St. NE, Suite 100, Salem, Oregon 97301-1279, (phone: (503) 378-3805).

**Action Agenda**

- 1. Request for approval to repeal existing administrative rules relating to the sale of common school grazing lands and replace them with new administrative rules governing the sale, exchange and purchase of land.**

Director Ann Hanus introduced this item requesting the repeal of the rules relating to the sale of grazing lands, and replacing them with new rules to cover sales, exchanges and purchases of land. Hanus said this effort began in June 2000 and that these are the first comprehensive rules written for the agency to use as a guide for such actions.

She said two public hearings were held regarding this request before it was brought before the Land Board. She noted that two additional amendments were being proposed: 1) replacement of wording in section 12, page 2 (a written addendum to Agenda Item 1 was provided the Board) and 2) adding the words "public benefits" to page 10, section five.

Governor Kitzhaber asked for confirmation that adoption of the first amendment will not suggest the Land Board is making a judgment about whether they want to store hazardous materials under the water. Hanus confirmed that it would not. She said during the next several years there would be debate and public hearings regarding this. She added that this only allows some of the planning efforts to proceed and to examine whether or not it can take place. Governor Kitzhaber asked that the record reflect it is not the intent of the Land Board to suggest we should store hazardous materials in submerged areas.

Treasurer Edwards moved the Board adopt the amendments to the agenda item. Governor Kitzhaber seconded the motion and the motion was approved.

Treasurer Edwards moved the Board approve the repeal of the old rules, replacing them with the new rules (including the two amendments). Governor Kitzhaber seconded the motion. There was no discussion and the motion was approved.

Director Hanus recognized three staff persons who played a key role in working on these rules: John Lilly, Steve Purchase and Jeff Kroft. Governor Kitzhaber thanked them for their services.

### **Consent Agenda**

- 2.a. Request for approval to add additional acreage to a site owned by The Nature Conservancy and currently listed on the Oregon Register of Natural Heritage Resources.**
- b. Request for authorization to submit 2003 legislative concepts to the Department of Administrative Services.**

- c. Request by Tyco Networks (US) Inc. for a Territorial Sea statutory easement for Segment G6 oceanic fiber optic communication cable corridor landing at South 3<sup>rd</sup> Avenue in Rockaway, Oregon.**
- d. Request for approval of the February 5, 2002 minutes from the Regular and Executive Session meetings of the State Land Board.**

Director Hanus briefly reviewed the individual items on the Consent Agenda.

Scott McMullen, chairman of the Oregon Fishermen's Cable Committee, discussed the Committee's support for the request by Tyco Networks (US) Inc. for an easement for a fiber optic cable landing in Rockaway.

Treasurer Edwards moved approval of the item. Governor Kitzhaber seconded the motion. There was no further discussion and the motion was approved.

### **Informational Agenda**

#### **3. Annual review of Common School Fund investment policy and performance.**

Director Hanus introduced Mike Mueller, Assistant Director of Investments for the Oregon State Treasury, to speak on the performance of the Common School Fund. Mueller said over the past five years, the Fund was up 8.5 percent. Since December 1996, he reported the Fund has grown from \$400 million to over \$700 million. Last year with the down market, though, he reported the Fund posted a return of negative seven percent. Mueller said the market thus far this year has been flat.

Over the next three years the Treasurer's Office and their consultant, Frank Russell Company, think both the domestic and international equity markets will return less than eight percent, and fixed income will return around five percent, for an average return under eight percent. He said these are median estimates and could change depending upon market performance.

Treasurer Edwards asked, given the current market situation, whether the Fund could meet the next minimum two percent distribution to schools. Hanus confirmed that it looks like the minimum distribution will be met.

#### **4. Removal-fill streamlining status report.**

Written materials were provided to the Board. There were no comments regarding this item.

#### **5. Navigability status report.**

Written materials were provided to the Board. Director Hanus reported that Judge Lipscomb ruled the John Day River navigable. She said there would not be a final judgment until June after which the Land Board will need to review the final judgment and decide if action is needed to comply with the judgment.

#### **6. Status of agency strategic plan.**

Written materials were provided the Board and Director Hanus gave a brief overview of the agency's process in development of the strategic plan. Hanus said the Division has revised its timeline and is now aiming to complete the strategic plan by late summer or fall.

#### **7. South Slough building update and dedication.**

Pictures of the newly built Interpretive Center at the South Slough National Estuarine Research Reserve in Charleston were available for viewing. Director Hanus discussed the dedication ceremonies for those new facilities set for April 26.

#### **8. Governor's Food Drive.**

Director Hanus said the agency did an incredible job raising \$2,422 in donations and 76 pounds of food for the Governor's Food Drive this year. She recognized the efforts of Colin MacLaren, Jerry Hedrick, and Deborah Sinnett, in this fundraiser. Governor Kitzhaber thanked all the Division staff and all Oregon state employees for their efforts in giving back to the community.

The Governor adjourned the meeting at 10:22 am.

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Governor John A. Kitzhaber, M.D.

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Ann Hanus, Director