

*These abbreviated summary minutes and the audio recording will become the official adopted minutes at the next Land Board meeting when the board votes to officially approve them. Until then they are considered a draft.*

**MINUTES**  
**REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS**  
**November 20, 2017, at 9:00 am**  
**Supreme Court Chambers, Joseph P. Mazurek Building**  
**215 North Sanders, 4th floor**  
**Helena, MT**

**Please note:** *The Land Board has adopted the audio recording of its meetings as the official record, as allowed by [2-3-212, MCA](#). These minutes provide an abbreviated summary of the Land Board discussion, public testimony, action taken, and other activities. The time designations listed are approximate and may be used to locate the referenced discussion on the audio recording of this meeting. Access to an electronic copy of these minutes and the audio recording is provided from the Land Board webpage at <http://dnrc.mt.gov/LandBoard>. The written minutes summary, along with the audio recordings, are listed by meeting date on the Land Board Archive webpage.*

**Members Present**

Governor Steve Bullock  
Attorney General Tim Fox  
Commissioner of Securities and Insurance Matthew Rosendale  
Secretary of State Corey Stapleton  
Superintendent of Public Instruction Elsie Arntzen

**Members Absent**

None

**Testifying Staff**

John Tubbs, DNRC Director  
Michael Atwood, DNRC TLMD Real Estate Management Bureau Chief  
Jessica Wiles, DNRC Lawyer  
Shawn Thomas, DNRC TLMD Administrator

**Attachments**

Related Materials, Attachment 1 – sign-in sheet  
Related Materials, Attachment 2 – materials related to public comment by Wiley Barker on item 1117-5  
Related Materials, Attachment 3 – presentation for item 1117-8

**Call to Order**

00:00:00 Governor Bullock called the meeting to order.  
00:00:07 Attorney General Fox moved to approve the October 25, 2017, minutes. The motion was seconded by Commissioner Rosendale and carried unanimously.

**Business Considered**

1117-1 **DMA: Kalispell Utilities Easement Request**  
**WITHDRAWN 11/17/17**

1117-2A **Timber Sale: Young Creek Fire Salvage**

00:00:25 Mr. Tubbs  
00:00:27 Governor Bullock  
00:00:28 Mr. Tubbs gave an overview of the item.  
00:00:59 Governor Bullock  
00:01:07 Commissioner Rosendale moved to approve item 1117-2A.

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00:01:24 Governor Bullock  
00:01:26 Mr. Tubbs  
00:01:29 Governor Bullock  
00:01:34 The motion to approve item 1117-2A was seconded by Attorney General Fox.

Board Discussion/Comments

00:01:36 Governor Bullock  
00:01:50 Attorney General Fox  
00:01:52 Governor Bullock  
00:01:57 Attorney General Fox  
00:02:00 Commissioner Rosendale  
00:02:02 Governor Bullock

00:02:09 The motion to approve item 1117-2A carried unanimously.

**1117-2B Timber Sale: Lone Lake**

00:02:10 Governor Bullock  
00:02:17 Attorney General Fox moved to approve item 1117-2B. The motion was seconded by Secretary Stapleton and carried unanimously.

**1117-3 Land Exchange: Preliminary Approval for W.R. Grace & Co. Land Exchange**

00:02:40 Mr. Tubbs gave an overview of the item.  
00:03:12 Governor Bullock  
00:03:22 Commissioner Rosendale moved to approve item 1117-3. The motion was seconded by Superintendent Arntzen and carried unanimously.

**1117-4 Land Banking: Final Approval for Sale**

00:03:49 Mr. Tubbs gave an overview of the item.  
00:04:07 Governor Bullock  
00:04:16 Attorney General Fox moved to approve item 1117-4. The motion was seconded by Commissioner Rosendale and carried unanimously.

**1117-5 Cabin and Home Site Sales: Set Minimum Bid for Sale**

00:04:37 Governor Bullock requested each cabin site sale in item 1117-5 be taken separately.

**Sale Number 850**

00:04:58 Mr. Tubbs gave an overview of Sale Number 850 in item 1117-5.  
00:06:00 Governor Bullock  
00:06:12 Attorney General Fox moved to approve the minimum bid for Sale Number 850 as recommended in item 1117-5. The motion was seconded by Commissioner Rosendale and carried unanimously.

**Sale Number 864**

00:06:33 Mr. Tubbs gave an overview of Sale Number 864 in item 1117-5.  
00:07:16 Governor Bullock

Public Comment

00:07:31 Thomas Beaudette, sale proponent of Sale Number 864

00:08:26 Governor Bullock  
00:08:34 Commissioner Rosendale made a substitute motion to set the minimum bid for Sale Number 864 at \$525,000. The substitute motion was seconded by Secretary Stapleton.

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Board Discussion/Comments

00:09:02 Commissioner Rosendale  
00:10:25 Governor Bullock  
00:10:28 Secretary Stapleton  
00:10:39 Mr. Tubbs  
00:10:49 Governor Bullock  
00:11:21 Secretary Stapleton  
00:11:33 Governor Bullock  
00:11:42 Mr. Tubbs  
00:11:47 Governor Bullock  
00:11:50 Secretary Stapleton  
00:11:52 Governor Bullock  
00:11:54 Secretary Stapleton  
00:12:00 Mr. Tubbs  
00:12:15 Governor Bullock  
00:12:36 Superintendent Arntzen  
00:13:31 Mr. Tubbs  
00:14:01 Governor Bullock  
00:14:04 Mr. Atwood  
00:14:36 Governor Bullock  
00:14:47 Attorney General Fox  
00:14:50 Mr. Atwood  
00:15:30 Commissioner Rosendale  
00:15:41 Mr. Atwood  
00:15:47 Governor Bullock  
00:16:20 Mr. Beaudette  
00:18:20 Governor Bullock  
00:19:45 Attorney General Fox  
00:21:16 Governor Bullock  
00:21:17 Commissioner Rosendale  
00:21:35 Mr. Atwood  
00:21:38 Governor Bullock  
00:21:50 Ms. Wiles  
00:21:54 Governor Bullock  
00:21:56 Ms. Wiles  
00:22:54 Attorney General Fox  
00:23:06 Commissioner Rosendale withdrew his substitute motion.  
00:23:08 Governor Bullock  
00:23:15 Attorney General Fox moved to approve the minimum bid for Sale Number 864 as recommended in item 1117-5.  
00:23:29 Secretary Stapleton  
00:23:31 Governor Bullock  
00:23:53 Secretary Stapleton confirmed he had withdrawn his support of the substitute motion.  
00:23:55 Governor Bullock  
00:24:02 Superintendent Arntzen  
00:24:03 Governor Bullock  
00:24:10 Commissioner Rosendale seconded the motion to approve the minimum bid for Sale Number 864 as recommended in item 1117-5. The motion carried unanimously.  
00:24:21 Governor Bullock

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**Sale Number 865**

00:24:51 Mr. Tubbs gave an overview of Sale Number 865 in item 1117-5.  
00:25:27 Governor Bullock

**Public Comment**

00:25:35 Wiley Barker, Crowley Fleck Attorneys, PLLP, representative for sale proponents of Sale Number 865  
00:33:41 Governor Bullock  
00:33:45 Mr. Barker  
  
00:33:46 Governor Bullock  
00:33:59 Attorney General Fox moved to approve the minimum bid for Sale Number 865 as recommended in item 1117-5. The motion was seconded by Secretary Stapleton.

**Board Discussion/Comments**

00:34:17 Commissioner Rosendale  
00:34:43 Ms. Wiles  
00:35:20 Governor Bullock  
00:35:22 Secretary Stapleton  
00:35:43 Mr. Tubbs  
00:35:52 Governor Bullock  
00:35:56 Mr. Tubbs  
00:36:07 Governor Bullock  
00:36:16 Secretary Stapleton  
00:36:18 Attorney General Fox  
00:36:21 Secretary Stapleton  
00:37:30 Mr. Tubbs  
00:39:19 Secretary Stapleton  
00:40:22 Mr. Tubbs  
00:41:11 Governor Bullock  
00:41:13 Mr. Tubbs  
00:41:49 Secretary Stapleton  
00:42:14 Mr. Tubbs  
00:42:22 Mr. Thomas  
00:42:42 Secretary Stapleton  
00:42:44 Governor Bullock  
00:42:46 Attorney General Fox  
00:42:59 Governor Bullock  
  
00:44:51 The motion to approve the minimum bid for Sale Number 865 as recommended in item 1117-5 carried 4-1, Commissioner Rosendale dissenting.  
00:44:54 Governor Bullock

**Sale Number 896**

00:45:05 Mr. Tubbs gave an overview of Sale Number 896 in item 1117-5.  
00:45:38 Governor Bullock  
00:45:48 Commissioner Rosendale moved to approve the minimum bid for Sale Number 896 as recommended in item 1117-5. The motion was seconded by Secretary Stapleton.  
00:46:05 Mr. Thomas  
00:46:12 Governor Bullock  
00:46:13 Commissioner Rosendale  
00:46:24 The motion to approve the minimum bid for Sale Number 896 as recommended in item 1117-5 carried unanimously.

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**1117-6 Disclaimer of Interest: Lennep School Easement**

00:46:28 Mr. Tubbs gave an overview of the item.

00:47:07 Attorney General Fox moved to approve item 1117-6. The motion was seconded by Superintendent Arntzen and carried unanimously.

**1117-7 Easements**

00:47:26 Governor Bullock

00:47:31 Mr. Tubbs gave an overview of the item.

00:47:54 Governor Bullock

**Public Comment**

00:48:02 Randall Knowles

**Board Discussion/Comments**

00:48:51 Governor Bullock

00:48:58 Mr. Tubbs

00:49:39 Governor Bullock

00:49:49 Mr. Tubbs

00:49:53 Governor Bullock

00:49:55 Attorney General Fox

00:50:03 Mr. Tubbs

00:50:06 Governor Bullock

00:50:16 Commissioner Rosendale moved to approve item 1117-7. The motion was seconded by Superintendent Arntzen and carried unanimously.

**1117-8 Informational Item: 2017 State Trust Lands Report**

00:50:35 Mr. Tubbs

00:50:51 Mr. Thomas gave an overview of the item.

01:59:44 Attorney General Fox

01:59:50 Mr. Thomas

01:00:42 Governor Bullock

01:00:48 Mr. Thomas

01:09:57 Mr. Tubbs

01:09:58 Governor Bullock

**Board Discussion/Comments**

01:10:06 Commissioner Rosendale

01:10:27 Mr. Thomas

01:10:57 Commissioner Rosendale

01:11:13 Mr. Thomas

01:11:14 Commissioner Rosendale

01:11:16 Governor Bullock

01:11:18 Attorney General Fox

01:11:30 Governor Bullock

01:12:02 Superintendent Arntzen

01:12:03 Mr. Thomas

01:12:21 Superintendent Arntzen

01:12:50 Mr. Thomas

01:12:55 Secretary Stapleton

01:13:03 Mr. Tubbs

01:13:05 Governor Bullock

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**General Public Comment**

01:13:12 Mr. Knowles

**Adjournment**

01:18:21 Adjournment

PRESIDENT

ATTEST

/s/ Steve Bullock  
Steve Bullock, Governor

/s/ John E. Tubbs  
John E. Tubbs, DNRC Director



**Excerpt of Stevens & Co. Appraisal  
Photographs of the Terrys' Property  
Pages T-24 through T-26**

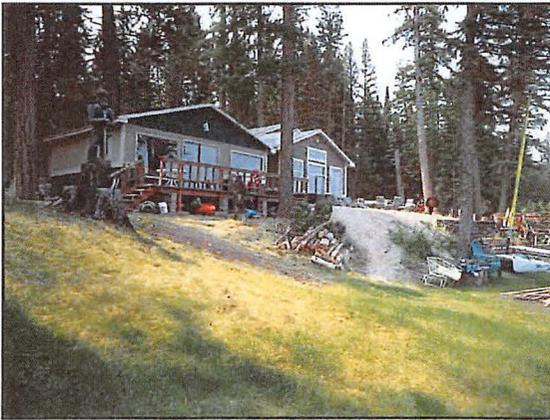
**Subject Photos**

Client	See attached addendum				
Property Address	800 S Placid Lake Rd				
City	Seeley Lake	County	Missoula	State	MT Zip Code 59868
Owner	Ron E. & Merna H. Terry				



**Shoreline**

800 S Placid Lake Rd



**Vw. fm. Shoreline Toward Imps.**

Note Steep Slope



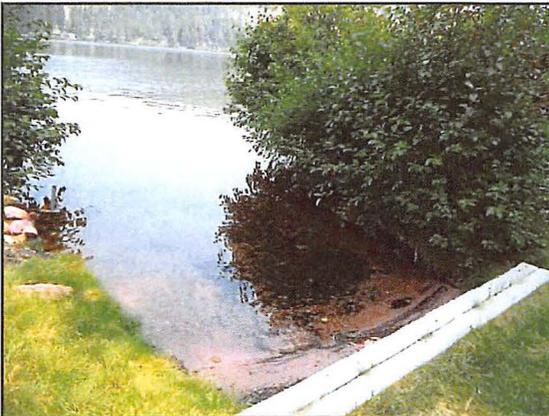
**Shoreline and Lake View**

Subject Photos

Client	See attached addendum						
Property Address	800 S Placid Lake Rd						
City	Seeley Lake	County	Missoula	State	MT	Zip Code	59868
Owner	Ron E. & Merna H. Terry						



**Old RR Tie Retaining Walls**  
800 S Placid Lake Rd  
Along Steeply Sloping  
Hillside



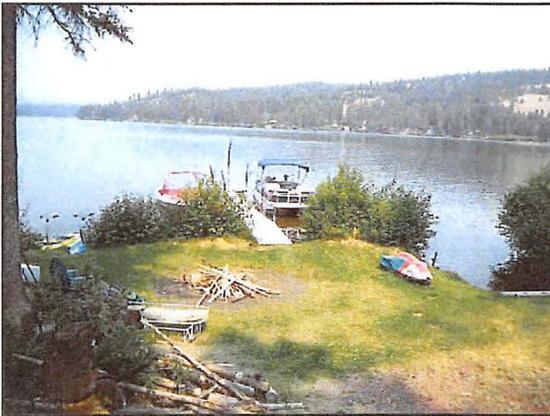
**Boat Slip Area in Shoreline**



**View Along Shoreline from Dock**

Subject Photo Page

Client	See attached addendum				
Property Address	800 S Placid Lake Rd				
City	Seeley Lake	County	Missoula	State	MT Zip Code 59868
Owner	Ron E. & Merna H. Terry				



**Additional Shoreline View**  
800 S Placid Lake Rd



**Steps and Deteriorated Decking**



**Deteriorated Decking**

Clark Appraisal Comparable Land Sales							
Address	Sale Date	Site Acres	Actual Sales Price	Actual Value per Acre	Terry Parcel Value per Acre	Calculated Value Of Comps Using Terry Parcel Value	Disparity
NHN Placid View Place (2 lots)	2016	2 lots: 2.78 acres and 2.6 acres, totaling 5.54 acres	1,050,000	189,531	435,000	2,409,900	230%
704 Placid View Place	2016	2.61 acres	500,000	191,571	435,000	1,135,350	227%
Lot 2A, Placid View Place	2016	2.66 acres	545,000	204,887	435,000	1,157,100	212%

# *Trust Lands Management*

## *FY 2017 Review*



# Financial Highlights FY 2017



**Trust Lands Management Division  
Gross Revenue  
\$86.2 million**

**Land Management Gross Revenue  
\$62.2 million**

**Interest Income &  
Other Gross Revenue  
\$24.0 million**

**Division Expenditures  
\$13.3 million**

**Common School  
Permanent Fund Revenues  
\$17.0 million  
Other Beneficiaries Permanent Fund  
\$1.6 million**

**Common Schools  
Distributed Net Revenues  
\$43.1 million  
School Facility Account  
\$2.7 million  
Other Beneficiaries Distributable  
Net Revenues  
\$6.6 million**

**Permanent Fund Balance  
\$655.4 million  
Common Schools  
Permanent Fund Balance  
\$602.7 million  
Other Beneficiaries Permanent Fund  
\$52.7 million**

- **K-12 - 2017 School Year Enrollment: 146,375 public school children**
- **OPI Budget: \$845.5 million**
- **OPI Pupil Budget: average state share per student \$5,776**
- **Trust Lands Common Schools Distribution: \$43.1 million or \$295 per student**
- **Trust Lands Contribution to the OPI Budget: 5.1%**
- **School Facility & Technology Fund: \$2.7 million composed mostly of timber revenues (\$2.5 million) & navigable river revenues (\$200,000)**

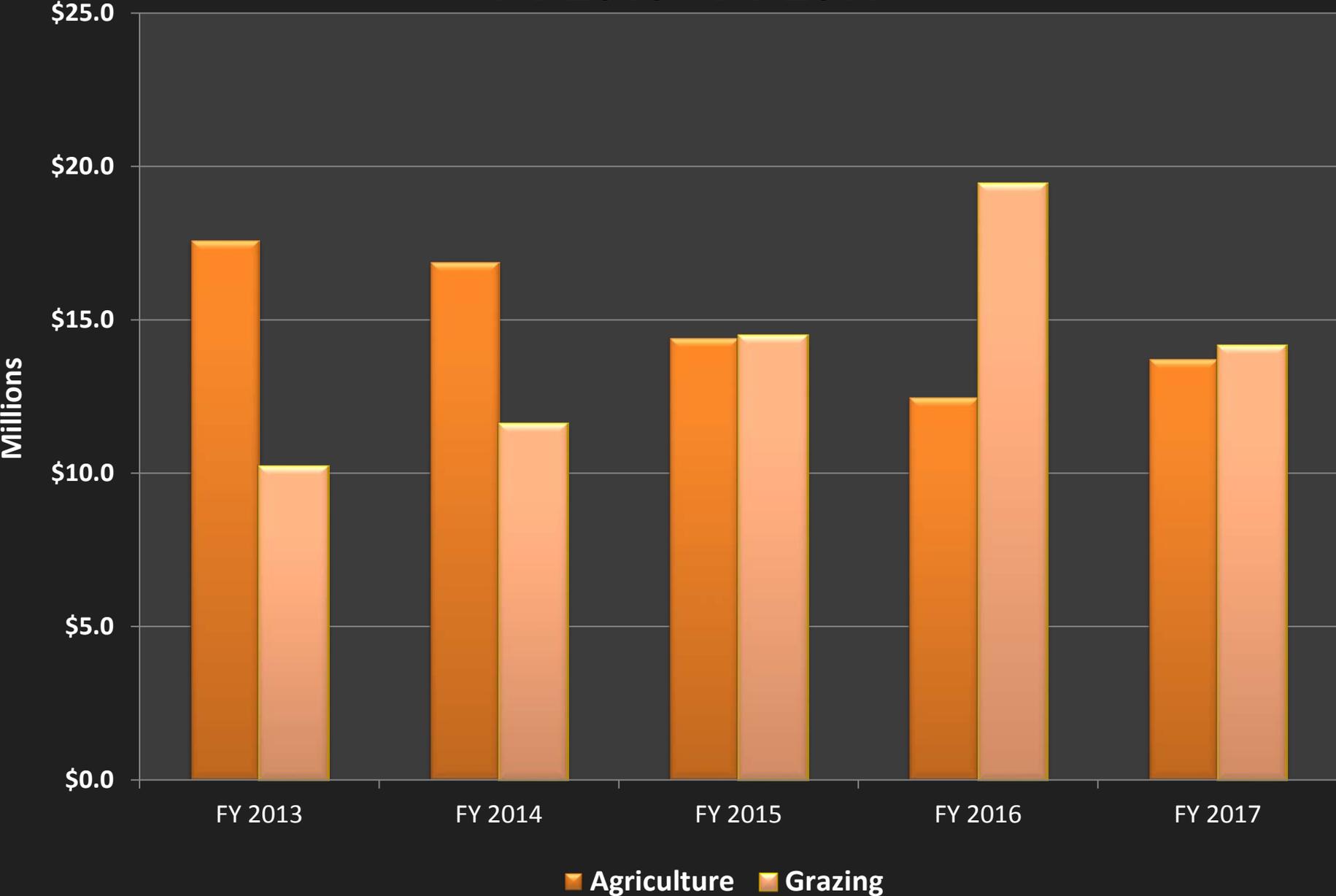


# Agriculture & Grazing Management

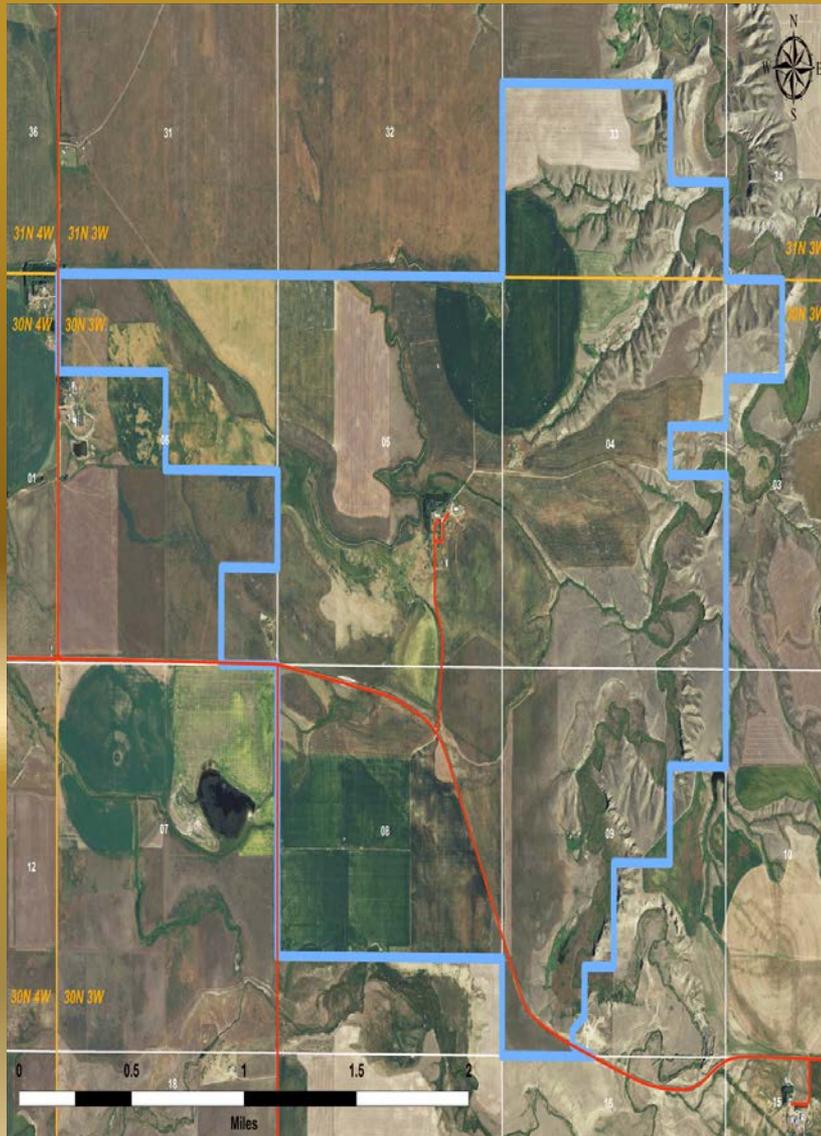
- **Agriculture Lease Revenues: \$13.7 million**
  - 7.9 million bushels of wheat
  - 1.1 million bushels of barley
  - 65.1 thousand tons of hay
- **Grazing Revenues: \$14.2 million**
  - Lower beef cattle prices resulted in a drop of the grazing rate to \$14.01/AUM.
- **Recreational Use**
  - 496,707 conservation licenses were sold, generating \$993,000 for the trust beneficiaries.



# Agriculture & Grazing Revenues FY 2013 - FY 2017



# Bullhead Ranch – Recreational Use



# Minerals Management

- In FY 2017, revenue from mineral activities totaled **\$16.3 million**.
- Average price per barrel: **\$43.03**
- Oil & Gas royalty revenue: **\$7.5 million**
- Coal royalty revenue: **\$6.8 million**
- Oil & Gas rentals/bonus revenue: **\$1.6 million**



# Minerals Management

- **During FY 2017:**
  - **594,839 acres under 1,441 lease agreements for Oil & Gas:**
    - **666 leases are producing from 247,895 acres**
    - **1.1 million barrels of oil**
    - **2.4 million mcf (thousand cubic feet) of gas**
  - **17,145 acres under 35 lease agreements for Coal:**
    - **7 leases are producing from 2,800 acres.**
    - **3.9 million tons of coal**

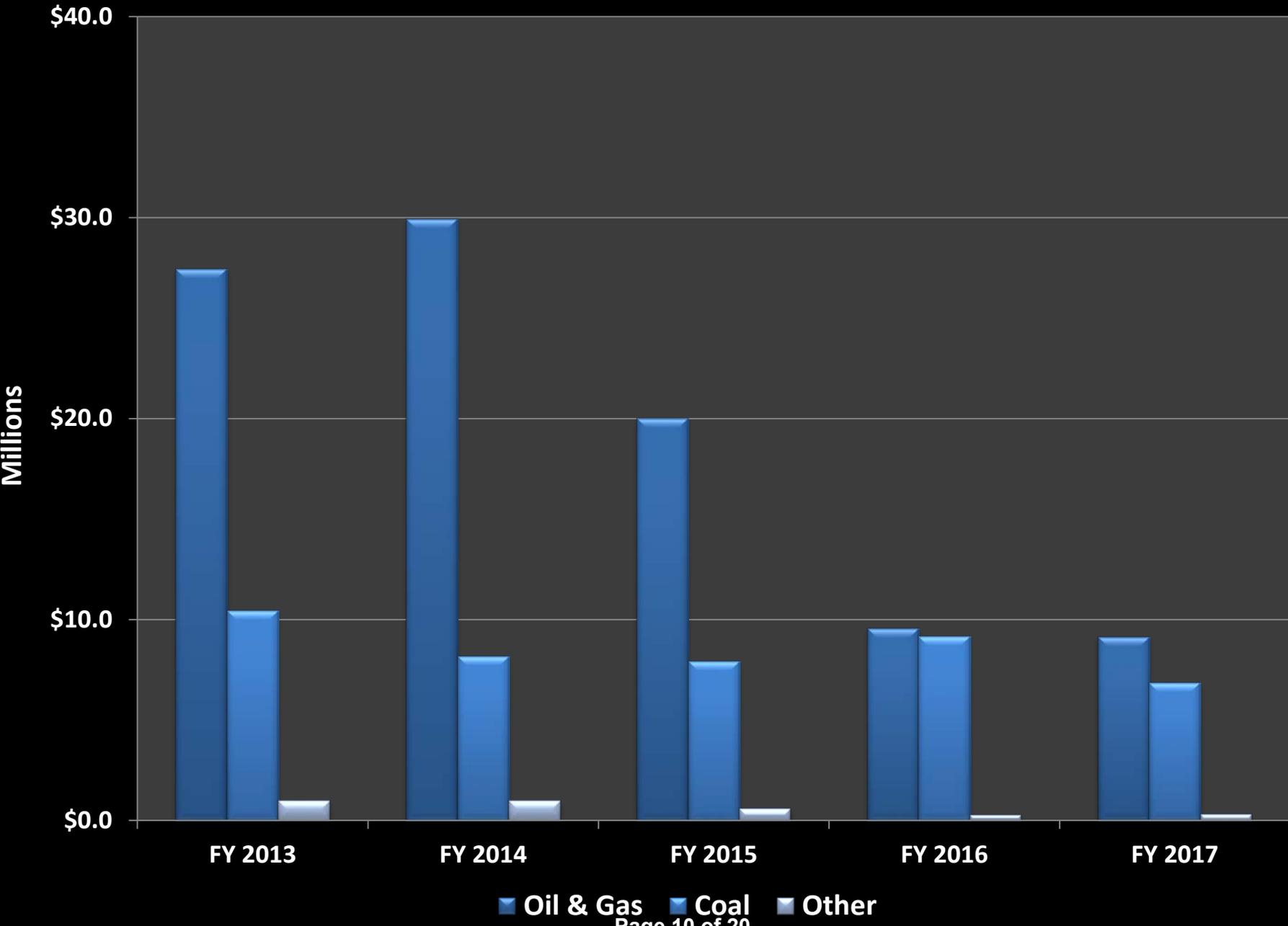


# Minerals Management

## **Navigable Riverbed/Island Ownership Quiet Title Action Resolved**

- **Stip et al. vs State of Montana et al.**
- **2 producing oil wells adjacent to the navigable Yellowstone River near Sidney, MT**
- **Adjacent private landowner claimed ownership of land forms DNRC believed to be state-owned islands.**
- **\$1.37 million in past and estimated future royalties**
- **State District Court ruled in state's favor on all islands.**
- **Royalties go to the Common Schools Trust.**

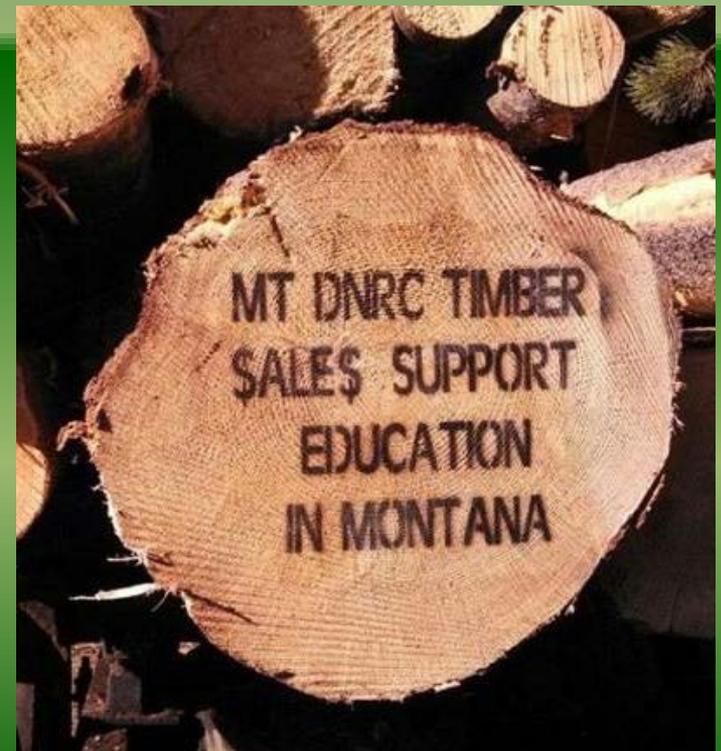
# Mineral Revenues FY 2013 - FY 2017



# Forest Management

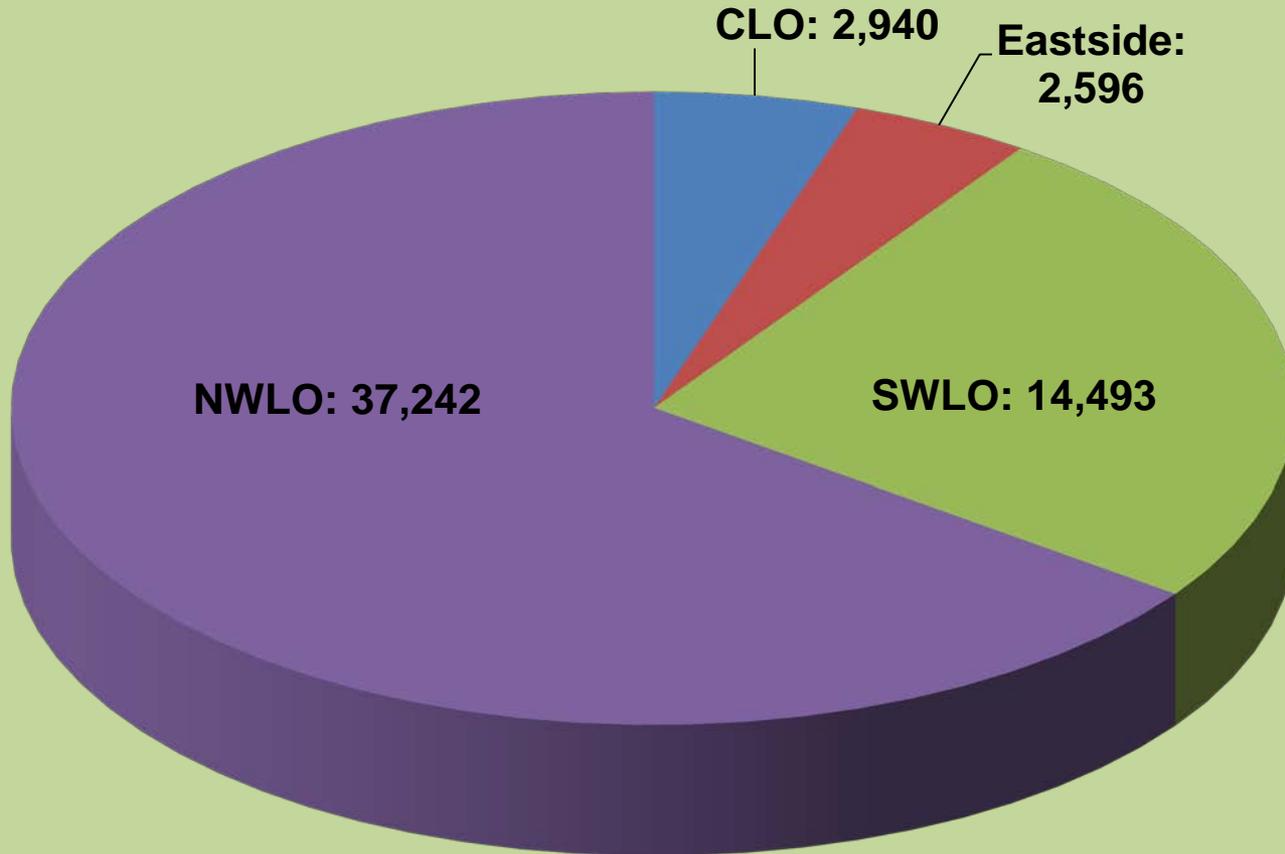
## Fiscal Year 2017:

- 57 million board feet sold
  - Value of \$8.2 million
  - Average stumpage price dropped 20% to \$121 per MBF.
- 47 million board feet harvested
  - Value of \$10.9 million
- 267,870 seedlings planted



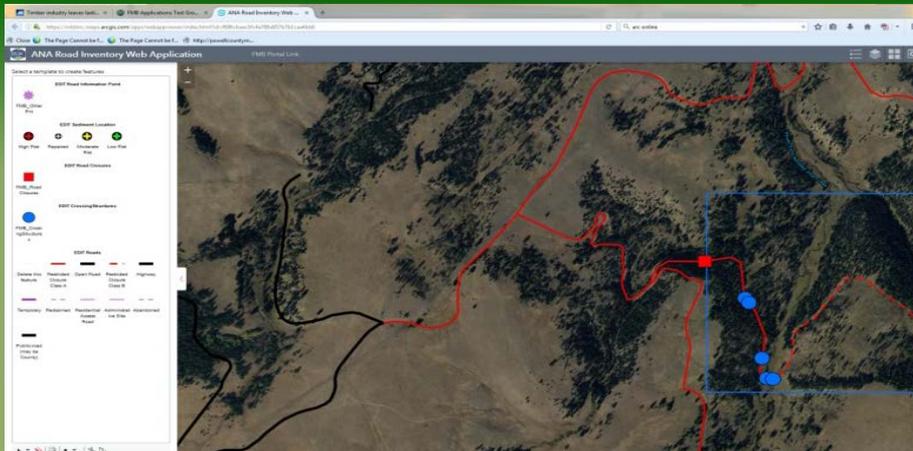
# Forest Management

## Timber Volume Sold by Area - Total 57,271 MBF



# Forest Management

- Worked with REMB and NWLO on acquisition of the Lazy Creek Block. Negotiated terms of conservation easement and resource management plan with FWP.
- Continue to implement new “Next Generation” data protocols through establishment of DNRC-based cloud data structure with fully editable offline capability.
- Amending DNRC Forest Land HCP to add 82,000 acres of land to the Incidental Take Permit for grizzly bear, lynx, bull trout, and westslope cutthroat trout.

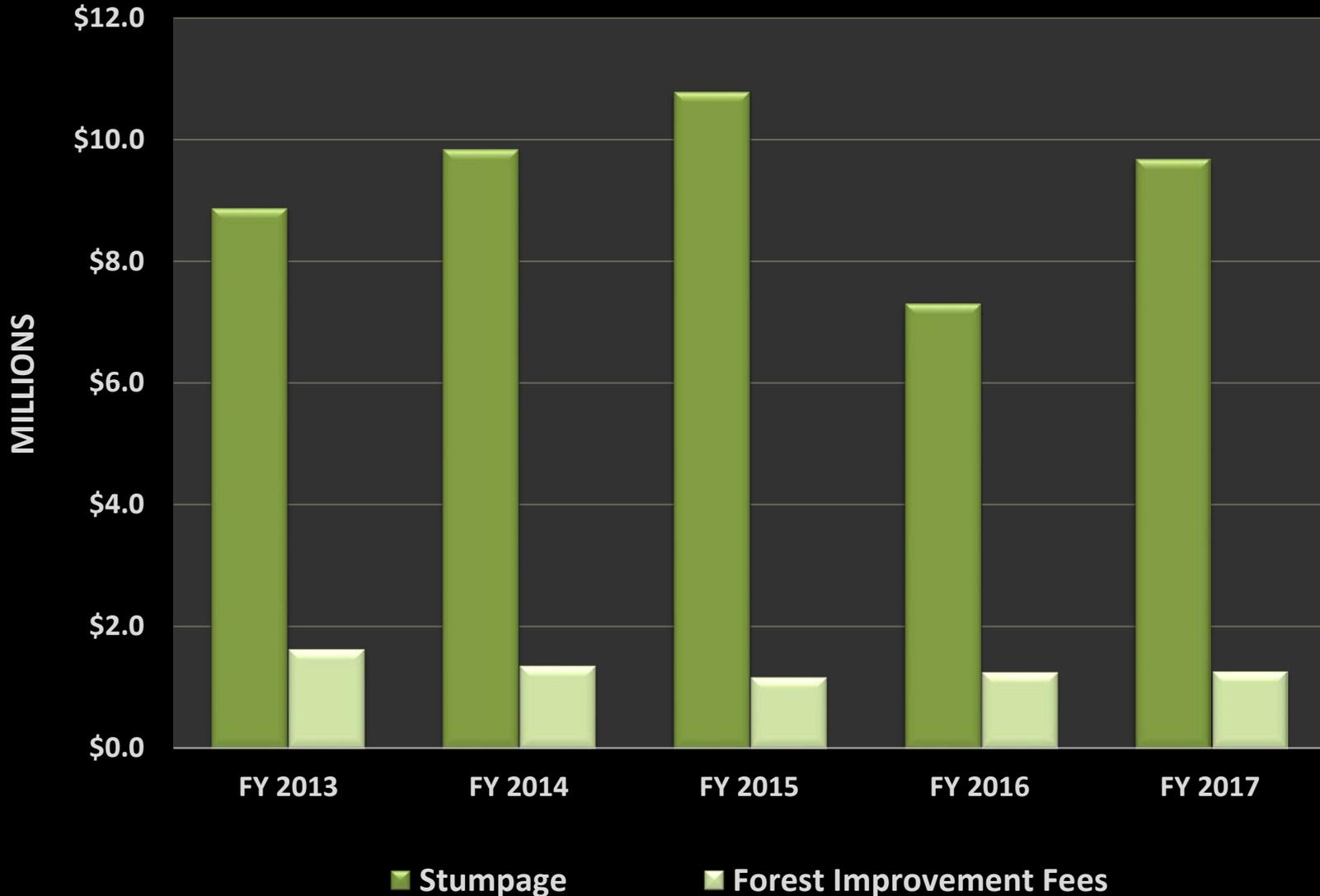


Improved Data



Restored Habitats

# Forest Management Revenue FY 2013 - FY 2017



# Real Estate Management

- **ROWs/Easement Revenue:** \$1.2 million
- **Residential Leasing Revenue:** \$2.3 million
- **Commercial Leasing:** \$1.9 million
- **Land Use Licensing:** \$288,000
- **Hydro Leases:** \$19,000  
*(\$4.68 million in hydro revenue is in escrow pending legal proceedings)*



# Commercial Leasing

## Annual Revenue

- \$1.9 million in Leases and Lease Options
- FY17 marks the 4<sup>th</sup> consecutive year of greater than 10% annual growth in this category.

## New Activity in FY17

- 1 new Lease
  - Lower Stillwater Lake, Montana Getaway Group
- 9 new Options to Lease
  - (1) Missoula, Reserve Street
  - (3) Kalispell, Section 36
  - (4) Bozeman, North Park
  - (1) Billings, Alkali Creek

## Inventory To Date

- 134 active Leases
- 12 active Options to Lease



*Reported revenues exclude the disputed annual lease revenue from hydro leasing of \$4.68 million currently in escrow.*

# Land Banking Transactions

## Land Sales (non-cabin site)

- 10,128 acres
- \$11,436,000
- Common Schools & Public Buildings

## Cabin Site Sales

- 29 sites sold
- 43 acres
- \$3,722,00
- MT Tech, MSU, & Common Schools

## Land Purchased

- Lost Creek Farm
- 2,016 acres
- \$1,333,000
- Common Schools



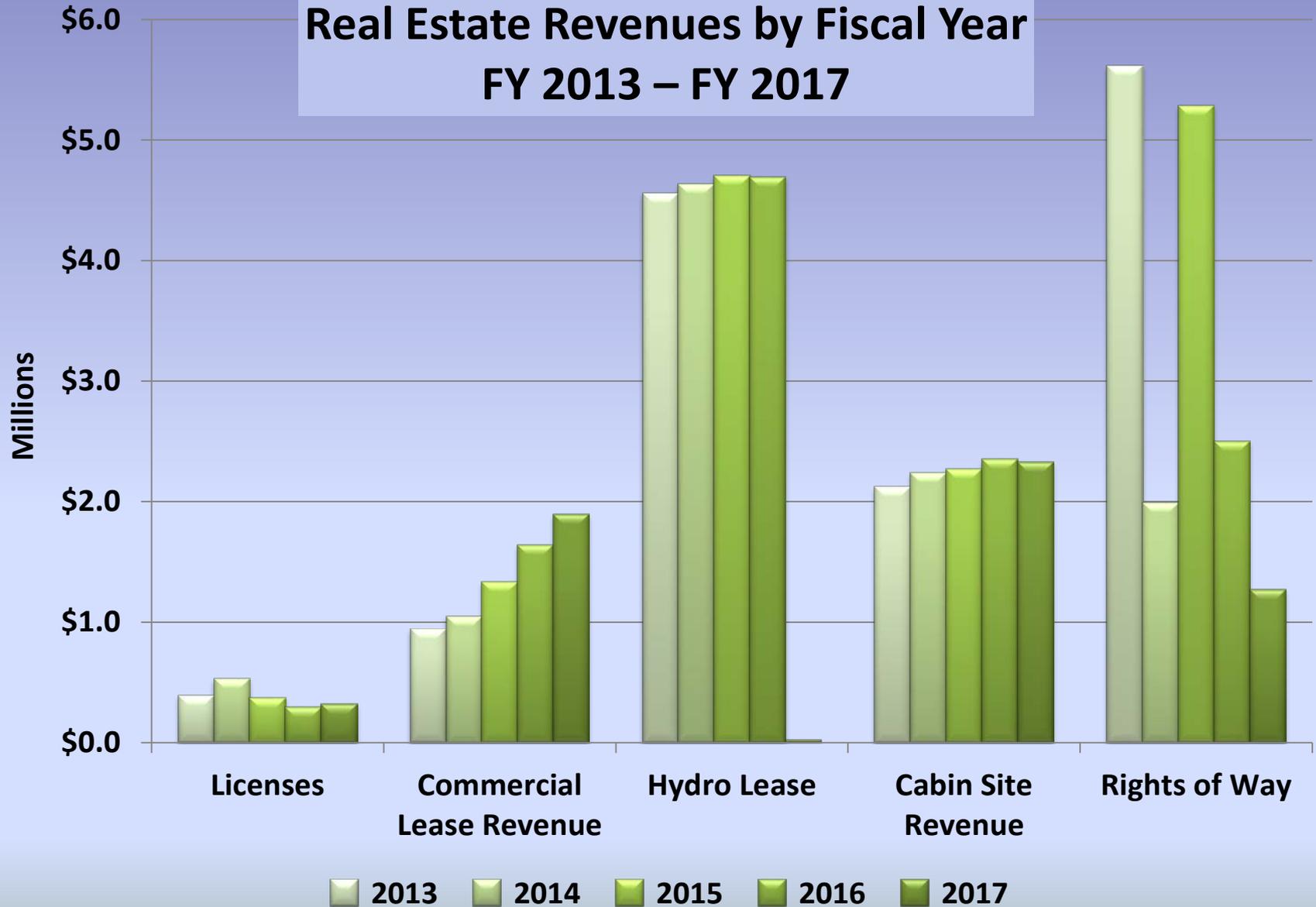
**Land Banking Fund Balance To Date: \$16.9 million**

# Lost Creek Farm Land Banking Acquisition

- **2,015.8 acres of dryland agriculture & grazing**
- **5 miles northwest of Molt, MT**
- **Public access via county road**
- **Purchase Price: \$1,333,000**
- **Closing Date: 6/9/2017**
- **Projected Annual Income: \$48,267**
- **Trust Beneficiary: Common Schools**



# Real Estate Revenues by Fiscal Year FY 2013 – FY 2017



The End