

COMMISSIONERS OF THE LAND OFFICE

REGULAR MEETING MINUTES

THURSDAY, JUNE 11, 2015, AT 2:00 P.M.
GOVERNOR'S LARGE CONFERENCE ROOM
STATE CAPITOL BUILDING – SECOND FLOOR
OKLAHOMA CITY, OKLAHOMA

Notice was posted online with the Secretary of State on November 13, 2014. Public notice was also posted on the Commissioners of the Land Office website and at the Commissioners of the Land Office and Governor's Large Conference Room at the State Capitol Building on Tuesday, June 9, 2015, before 2:00 p.m.

PRESENT:

Honorable Todd Lamb, Lt. Governor and Vice Chair
Honorable Jim Reese, President State Board of Agriculture and Member
Honorable Joy Hofmeister, State Superintendent of Public Instruction and Member

Land Office STAFF PRESENT:

Harry W. Birdwell, Secretary
Keith Kuhlman, Assistant Secretary
Debra Sprehe, Executive Assistant
David Shipman, Director, Minerals Management Division
Lisa Blodgett, General Counsel
Steve Diffe, Director, Royalty Compliance
Ed Reyes, Director, Information Technology
James Spurgeon, Director, Real Estate Management
Jessica Willis, Director Communications Division
Diana Nichols, Internal Auditor
Karen Johnson, Chief Financial Officer
Jared Semtner, GIS

VISITORS:

Keith Beall, Lt. Governor's Office
Michael McNutt, Governor's Office
Lance Nelson, State Dept. of Education
Jordan Russell, Speaker's Office
Joe Griffin, Speaker's Office

Lt. Governor Lamb called the meeting to order at 2:04 p.m., confirmed proper posting of the meeting notice, ensured the presence of a quorum, and called the roll.

Fallin: Absent
Lamb: Present
Jones: Absent
Hofmeister: Present
Reese: Present

1. Request Approval of Minutes for Regular Meeting held April 30, 2015

- a. *Presented by Harry W. Birdwell, Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

This agenda item was presented by Secretary Harry Birdwell. A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to approve the minutes of the April 30, 2015, meeting.

Fallin: Absent
Lamb: Aye
Jones: Absent
Hofmeister: Aye Motion Carried
Reese: Aye

2. Secretary's Comments

a. Distributions to Beneficiaries for Month of May and June

Secretary Birdwell reported total distributions to beneficiaries for May 2014 were \$11.1 million. Through 11 months of FY2015 distributions for K-12 are \$5.68 million higher than the same period in FY 2014 and \$921,000 higher for Higher Education beneficiaries. Despite lower commodity prices, continued low interest rates, and drought for most of the year, there was no need to use the 5 year rolling average fund.

b. Summary of FY2015 /Commitments and FY2016 Projections

Secretary Birdwell stated that the Land Office financial staff is projecting FY2015 distributions of \$97.5 million which will be the second highest in State history for K-12.

During the legislative session, the Land Office shared opportunities with budget committees on how we expect to assist with revenue problems in FY 2016:

1. Unrestricted carry forward funds in revolving accounts of \$768,000 will be distributed in July. These funds are “one time money” that will not be available again.
2. \$2 million in unrealized capital gains in Pimco portfolio will be distributed in July 2015. These funds are “one time money” that will not be available again.
3. \$3 million in lease bonus revenue will be distributed in July. These funds are “one time money” that will not be available again.

Secretary Birdwell pointed out that the agency added \$13 million back into the 5-year rolling average fund in FY2015.

c. May 2015 Mineral Lease Bonus Auction Results

The revenue from the 36 tracts leased at the May mineral sale was \$1.7 million. Most of the revenue was from a single tract in Kingfisher County.

d. Legislative Session Review

The legislature authorized the same spending authority budget for the Land Office as FY2015.

Secretary Birdwell noted the Land Office staff spent more time than ever before the legislative committee’s educating and explaining how we operate, how we are working with beneficiaries, and what we are doing to stabilize and enhance yields and distributions.

e. Office Move

The Land Office will relocate its offices in a move to City Place starting on June 26th. There will be some disruption for a day or two while staff gets back up to speed. We should be fully functional on Monday, June 29th.

f. Weather Impact on CLO Land

The Land Office field staff continues to assess the damage to agency land throughout the state caused by wind and flooding this spring. Necessary steps are being taken to make damage repair a priority for conservation and improvement plans for FY 2016.

3. Consideration and Possible Action for Approval of Operational and Capital Budgets for Management of Commercial Investment Property

The FY 2016 operating expenses and capital budgets for the following commercial investment properties are presented for approval:

<u>Building Address</u>	<u>Operating Expenses</u>	<u>Capital Budget</u>
3017 N. Stiles Av.	\$172,626	\$0
119N. Robinson	\$989,522	\$905,000*
*includes all of FY 15's capital improvements which were not completed		
5005 N. Lincoln	\$195,111	\$3,000
City Place Floors 4, 8 & 9	\$63,753	\$0

Expected total net income for the commercial investment properties is \$1,509,757.

Recommendation: Assistant Secretary recommends approval of the commercial investment properties operational and capital budgets for FY2016 as presented.

- a. *Presented by Keith Kuhlman, Assistant Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

This agenda item was presented by Assistant Secretary Kuhlman. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to approve the operational and capital budgets for FY2016 as presented.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye
Reese:	Aye Motion Carried

4. Request Approval to Renew the Bank of Oklahoma, Custodial Bank Contract for the Fiscal Year Beginning July 1, 2015

Recommendation: The Chief Financial Officer recommends approval to renew the custodial bank contract for FY2016.

- a. *Presented by Karen Johnson, Chief Financial Officer*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

This agenda item was presented by Karen Johnson, CFO. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to renew the Bank of Oklahoma custodial bank contract for FY2016.

Fallin: Absent
Lamb Aye
Jones: Absent
Hofmeister: Aye
Reese: Aye Motion Carried

5. Consideration and Possible Action Regarding the Recommendation of the Investment Committee, Investment Consultant, and Staff for Changes to the CLO Investment Plan and Policy

Recommendation: The Chief Financial Officer recommends approval of the changes to the CLO investment plan and policy as recommended by the Investment Committee, consultant and staff as presented.

- a. *Presented by Karen Johnson, Chief Financial Officer*
- b. *Discussion*
- c. *Commission Action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

This agenda item was presented by Karen Johnson, CFO. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to make changes to the CLO Investment Plan and Policy as presented and approved by the Investment Committee.

Fallin: Absent
Lamb Aye
Jones: Absent
Hofmeister: Aye
Reese: Aye Motion Carried

6. Request Approval to Renew the Following Investment Manager Contracts for the Fiscal Year Beginning July 1, 2015

- Aronson+Johnson+Ortiz
- Robeco Investment Management
- Silvercrest Asset Management Group
- DePrince Race and Zollo
- JP Morgan Asset Management
- Allianz Global Investors
- Atlantic Asset Management
- Dodge & Cox Investment Managers
- Cohen & Steers Capital Management, Inc.
- Centersquare Investment Management
- Guggenheim Partners Asset Management
- PIMCO All Asset All Authority Fund
- Vanguard Total International Stock Index
- BlackRock Russell 1000 Index Fund
- Harvest Fund Advisors
- Tortoise Capital Advisors
- Newmark, Grubb, Levy, Strange, & Beffort

Recommendation: The Chief Financial Officer recommends approval to renew the investment manager contracts for FY2016.

- a. Presented by Karen Johnson, Chief Financial Officer*
- b. Discussion*
- c. Commission Action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

This agenda item was presented by Karen Johnson, CFO. A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to renew the investment manager contracts for FY2016 as presented.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye Motion Carried
Reese:	Aye

7. Request Approval of the RVK Investment Consultant Contract for the Fiscal Year Beginning July 1, 2016 in the amount of \$230,000

Recommendation: The Chief Financial Officer recommends approval of the RVK investment consultant contract for FY2016 in the amount of \$230,000.

- a. Presented by Karen Johnson, Chief Financial Officer*
- b. Discussion*
- c. Commission Action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

This agenda item was presented by Karen Johnson, CFO. A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to renew the RVK investment consultant contract in the amount of \$230,000 for FY2016.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye Motion Carried
Reese:	Aye

8. Consideration and Possible Action to Approve Contracts in Excess of \$25,000 in Fiscal Year 2016

- Bloomberg, LP - \$25,080
- OK Press - \$40,000
- OMES - \$250,000
- CLO Building Rental - \$393,424
- Galt Foundation - \$75,000
- MyConsulting - \$48,710
- Staples - \$42,902.64
- Mid-West Printing Co. – \$27,890
- Republic Parking - \$63,272
- Barbara Ley - \$50,000

Recommendation: The Chief Financial Officer recommends approval of the contracts in excess of \$25,000 as listed.

- a. Presented by Karen Johnson, Chief Financial Officer*
- b. Discussion*
- c. Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

This agenda item was presented by Karen Johnson, CFO. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to approve the

contracts in excess of \$25,000 as presented for FY2016.

Fallin: Absent
Lamb Aye
Jones: Absent
Hofmeister: Aye
Reese: Aye Motion Carried

9. Consideration and Possible Action to Approve a Long Term Commercial Lease to 50th & Lincoln, LLC

Lease No.	Legal Description	Lessee	Purpose
109375	NE/4NE/4NW/4 Sec. 15-12N-03WIM	50 th & Lincoln, LLC	3-Story Office Building

The referenced lease contains 0.662 acres mol of land in Oklahoma County.

A public auction for a 55-year commercial ground lease was held on June 2, 2015. The successful bidder was 50th & Lincoln, LLC.

The annual rental for the first (1) year will be \$5,000, the auction bid. The minimum annual base rent during construction phase for years two (2) through five (5) will be \$11,250.00. The annual rental will then escalate per terms in the contract.

Recommendation: The Director of the Real Estate Management Division recommends approval of the long-term commercial lease #109375 to 50th & Lincoln, LLC.

- a. *Presented by James Spurgeon, Real Estate Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

This agenda item was presented by James Spurgeon, Real Estate Management Director. A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to approve the long-term commercial lease as presented to 50th & Lincoln, LLC.

Fallin: Absent
Lamb Aye
Jones: Absent
Hofmeister: Aye Motion Carried
Reese: Aye

10. Consideration and Possible Action to Approve Continuous Easements

Lease No.	Legal Description	Easement No.
511034 – Harper County	N/2SE/4 Sec. 2-27N-23WIM	9581

Harper County Commissioners, State of Oklahoma has made a request to purchase a continuous easement for right of way for a bridge project consisting of 0.25 acres for the consideration of \$500.00. Appraisal was reviewed by Tom Eike and approved by James Spurgeon.

Recommendation: The Director of Real Estate Management recommends approval of the continuous easement.

- a. Presented by James Spurgeon, Real Estate Management Director
- b. Discussion
- c. Commissioners action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.

This agenda item was presented by James Spurgeon, Real Estate Management Director. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to approve the continuous easement as presented.

Fallin: Absent
 Lamb: Aye
 Jones: Absent
 Hofmeister: Aye
 Reese: Aye Motion Carried

Lease No.	Legal Description	Easement No.
101641, 101643 – Kiowa County	S/2 Sec. 36-6N-6WIM	9590

The Kiowa County Board of Commissioners has made a request to purchase a continuous easement for right of way for a county road reconstruction project consisting of 0.3 acres for the consideration of \$500.00. Appraisal was reviewed by Starr Ryan and approved by James Spurgeon.

Recommendation: The Director of Real Estate Management recommends approval of the continuous easement.

- a. Presented by James Spurgeon, Real Estate Management Director
- b. Discussion
- c. Commissioners action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.

This agenda item was presented by James Spurgeon, Real Estate Management Director. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to approve the continuous easement as presented.

Fallin: Absent
 Lamb Aye
 Jones: Absent
 Hofmeister: Aye
 Reese: Aye Motion Carried

Lease No.	Legal Description	Easement No.
100817 – Oklahoma County	NW/4 Sec. 36-11N-1WIM	9591

The Oklahoma Department of Transportation has made a request to purchase a continuous easement for right of way for a highway project consisting of 0.29 acres for the consideration of \$1,740.00. Appraisal was reviewed by Trent Wildman and approved by James Spurgeon.

Recommendation: The Director of Real Estate Management recommends approval of the continuous easement.

- a. *Presented by James Spurgeon, Real Estate Management Director*
- b. *Discussion*
- c. *Commissioners action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

This agenda item was presented by James Spurgeon, Real Estate Management Director. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to approve the continuous easement as presented.

Fallin: Absent
 Lamb Aye
 Jones: Absent
 Hofmeister: Aye
 Reese: Aye Motion Carried

11. Consideration and Possible Action to Authorize an Appraisal for a Land Sale

Lease No.	Legal Description
106294	7.0 AC M/L in SE/4 SEC 16-27N-05WIM described as West 1/2 of block 17, College Heights Addition of the City of Medford, SE/4 SEC 16-27N-5WIM includes flood easement crossing Blks 13 and 14

Medford Public Schools through their Superintendent, Mickey Geurkink, desires to purchase the above property covered by the short term commercial lease 106294.

The CLO and Medford Public Schools have agreed the property will be appraised by three CLO staff appraisers, at least two will be Oklahoma Certified General Appraisers.

Recommendation: Director of Real Estate Management recommends the appraisal of the property for sale be approved.

- a. *Presented by James Spurgeon, Real Estate Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

This agenda item was presented by James Spurgeon, Real Estate Management Director. A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to authorize an appraisal for sale as presented.

Fallin: Absent
Lamb Aye
Jones: Absent
Hofmeister: Aye Motion Carried
Reese: Aye

12. Consent Agenda – Request Approval of March and April 2015 Agency Monthly Division Summary of Activities

The Agenda items presented on the Consent Agenda are considered as one item for voting purposes. The Consent Agenda includes items that are statutorily or constitutionally required to be performed by the Commissioners of the Land Office or are administrative in nature, which are done as a routine action by the Commissioners of the Land Office. If any member of the Commission or any member of the public requests a particular item or items to be considered individually, the matter or matters shall be considered individually.

- a. *Presented by Harry W. Birdwell, Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

Accounting Division

1. March 2015
 - a. Claims Paid (routine)
 - b. Expenditure Comparison

2. April 2015
 - a. Claims Paid (routine)
 - b. Expenditure Comparison

Minerals Management Division

1. March 2015
 - a. 3/4/2015 Oil and Gas Lease Tabulation
 - b. Assignments of Oil and Gas Leases
 - a. Seismic Permits
 - b. Division Orders

2. April 2015
 - a. 3/4/2015 Award of Oil and Gas Leases
 - b. Tracts Offered for Lease on 5/13/2015
 - c. Assignments of Oil and Gas Leases
 - d. Division Orders

Real Estate Management Division

1. March 2015
 - a. New Short-Term Commercial Leases
 - b. Short-Term Commercial Lease Renewals
 - c. Short Term Commercial Lease Assignments
 - d. Easement Assignments
 - e. 20 Year Easements
 - f. Renewed 20 Year Easements

2. April 2015
 - a. Term Irrigation Permits
 - b. Short-Term Commercial Lease Renewals
 - c. Short-Term Commercial Lease Assignments
 - d. Easement Assignments
 - e. Soil Conservation Projects
 - f. 20 Year Easements
 - g. Renewed 20 Year Easements

This agenda item was presented by Secretary Birdwell. A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to approve the consent agenda as presented.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye Motion Carried
Reese:	Aye

**13. Financial Information Regarding Investments and Monthly Distributions
(informational purposes only)**

Investments

- a. Market Value Comparison April 2015

Accounting

- a. April 2015 Distribution by District and Month

14. Executive Session

- A. Executive Session may be convened to discuss, evaluate, and take possible action pursuant to 25 O.S. § 307(B)(4) allowing confidential communications between the Commission and its attorney concerning pending investigations, claims, or actions on recommendation that disclosure will seriously impair the ability of the Commission to process them in the public interest regarding the following matters:

CLO v. Pointe Vista Development, CJ-2014-152 & Olympia Oil v. CLO, CJ-2015-1563

- B. Executive Session may be convened pursuant to 25 O.S. § 307(B)(3) & (D) for the purpose of discussing, evaluating, and taking possible action concerning the purchase or appraisal of two parcels of property in Oklahoma County.
- a. Recommendation of Lisa Blodgett, General Counsel*
 - b. Motion and Vote to Convene Executive Session*
 - c. Executive Session*
 - d. Motion and Vote to Return to Regular Session*

This agenda item was presented by Lisa Blodgett, General Counsel who recommends an executive session be convened.

A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to adjourn to an executive session at 2:27 p.m.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye
Reese:	Aye Motion Carried

Note: Recording stopped

A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to return to the regular session at 2:41 p.m.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye Motion Carried
Reese:	Aye

Note: Recording started

15. Proposed Action on Executive Session Items

The Commission may further consider and take action in open session related to executive session agenda items.

- a. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

A MOTION was made by Commissioner Reese and seconded by Commissioner Hofmeister to execute a Letter of Intent Agreement with the seller discussed in executive session in an amount not to exceed \$1,269,950 for real estate investment property located in the SW/4NW/4SE/4 Section Thirty-three (33), Township Twelve (12) North, and Range Three (3) West of the Indian Meridian, Oklahoma County; more specifically, the 10th floor of Unit 400 City Place.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister:	Aye Motion Carried
Reese:	Aye

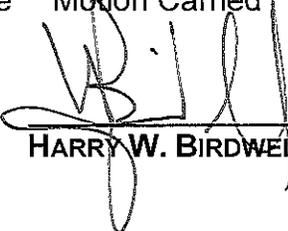
16. New Business

The Commission may discuss, consider and take possible action regarding new business that could not have been reasonably anticipated or was unknown prior to the regular meeting.

No new business was presented.

A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Reese to adjourn the meeting.

Fallin:	Absent
Lamb	Aye
Jones:	Absent
Hofmeister	Aye
Reese	Aye Motion Carried


HARRY W. BIRDWELL, SECRETARY

The meeting was adjourned at 2:43 p.m.

I HEREBY CERTIFY that the foregoing is a true, full and correct report of said meeting.



By my hand and official signature this 13th day of August, 2015

Mary Fuller
CHAIRMAN

[Signature]
Harry W. Birdwell