

Vice Chair Dave Ure
Director Kevin Carter

**Board of Trustees
School & Institutional Trust Lands Administration
Salt Lake City, Utah
March 20, 2014**

Minutes

Attending:

Board

David Ure
Jim Lekas
Tom Bachtell
Louie Cononelos
Scott Ruppe
Mike Mower

Staff

Kevin Carter
John Andrews
Ron Carlson
Lisa Schneider
LaVonne Garrison
Kim Christy
Tom Faddies
Rodger Mitchell
Deena Loyola
Nannette Johnson

Others in Attendance:

Kevin VanTassell, Utah State Senate
Jerry Steglich, Daggett County Commissioner
Don West, America's Clean Energy
Tim Donaldson, Utah State Office of Education
Paula Plant, Utah State Office of Education
Aaron Garrett, Utah State Office of Education
Margaret Bird, Utah State Office of Education
Matt Moscon, Stoel Rives, Attorney for Rocky Mountain Power
Laura Nelson, Potash Ridge
Joyce Barney, Millard County
James Lee, Hearing Examiner for the Board
Mark Morris, Snell & Wilmer Attorney for SITLA
Richard Hall, Enefit
Rikki Hrenko, Enefit

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1. Welcome

Vice Chair, Dave Ure, welcomed attendees and excused Steve Ostler who was not able to attend.

2. Approval of Board Minutes

The Board approved minutes of the January 23 Board meeting.

“I make the motion to approve minutes of January 23, 2014.”

Bachtell/Lekas Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

A public comment period was added to the agenda. Mr. Ure offered any members of the public in attendance to make comments; none were made.

3. Confirmation of Upcoming Meeting Dates

April 16-17	Board Retreat	September 18	Salt Lake City
May 15	Salt Lake City	October 15-16	West Desert Tour
June 19	Salt Lake City	November 20	Salt Lake City
July	No Meeting	December	No Meeting
August 21	Salt Lake City		

Director Carter reported on meeting facilities reserved for the Board Retreat at Daniel’s Summit on April 16-17. The agenda review will occur later in the meeting. Fleet vehicles will be available for transportation to the facility from the Salt Lake Office. The Director also provided a reminder of the WSLCA conference in North Dakota in July. Tom Bachtell asked about plans for sites to visit on the West Desert Tour in October. Tom Faddies provided a potential list of sites.

Dave Ure recommended Board members give serious consideration for attendance at the WSLCA conference in North Dakota.

4. Consent Calendar

Consent

- a. Review of the Grazing Fee
- b. Potash Ridge OBA Agreement - - Revision of Terms
- c. Oil & Gas OBA for the Bonanza Block Uintah County Utah

Notification

- d. Price Industrial Development Sale of 1.8 acres

Follow-up after Six Months

- e. OBA Proposal for Non-competitive Potash Lease, Grand & San Juan Counties
- f. Seep Ridge Oil Shale Leasing Unit

Louie Cononelos asked how an issue is resolved, in relation to the Oil & Gas OBA for Bonanza Block in Uintah County, if leased land includes oil, gas, and mineral resources. In other words, what if there are two potential lease resources at different depths on the same land. LaVonne Garrison reviewed the practice to require the lessees to come up with an agreement to jointly develop both resources and not get in each other’s way while extracting resources.

Director Carter stated the lease is rule based with a requirement for a mutual agreement by companies to work together before there is land disturbance. John Andrews added that in the event companies cannot come up with an agreement, the Board is authorized to define how to stage multiple development leases, but only in the event of non-agreement.

Comments on the Consent Calendar did not change the actions and each will proceed as defined.

5. Director's Report

a. New Board Policy Statement for Inter-beneficiary Loans

Director Carter reviewed the Policy on Inter-beneficiary Loans outlining 11 beneficiaries managed under the land grant with common schools as the largest group and other funds make up a smaller percentage. SITLA may occasionally pursue a development project involving more than one beneficiary based on how land is situated. This scenario occurred in the case of Coral Canyon.

As the Coral Canyon project moved forward, investments were required. Some beneficiaries did not have the necessary revenue to cover their proportionate share of the investment. Beneficiaries borrowed from the School's fund. The loan turned out to be a troublesome situation because it was a handshake loan and there was no collateral; no interest was recognized. The troubles were eventually resolved.

Should this situation arise again, the agency would like to have guidance to establish the terms of an agreement. Wording changes requested by the Board are included in the proposed policy. The first change assured that the development-type activities could not be construed to apply to the balancing in the budget during the reconciliation completed at the end of the budget year. The budget is reconciled so each beneficiary pays a proportionate share of operation costs.

The second change gives affected beneficiaries a chance to consult on an interagency loan, if the situation were to occur again.

The Board's requests for change have been incorporated in the policy and the agency is asking for the Board's approval the policy.

Jim Lekas referred to the addition of the second change saying it seems to happen too late in the process. It appears to occur after entering into the loan. Mr. Lekas requested the policy be modified to reflect the agency intent in the policy for the consultation to take place before entering into the loan. The policy will be revised and brought back to the next meeting.

b. Review of Agenda Items for the April Retreat

Director Carter reviewed suggestions for agenda items.

- ❖ Land Exchange Issues
- ❖ Asset Purchase Using Capital Account
- ❖ Staffing Needs and Satellite Locations
- ❖ Relationships with Other State Agencies (UGS)
- ❖ Discussion of Risk Definition

5. Director's Report
 - b. Review of Agenda Items for the April Retreat (Cont'd)
-

❖ Conservation Issues

❖ Update on External Relations Strategy

Dave Ure emphasized interest in a review of the "Role of the Board" as it relates to the relationship with staff. He suggested a review of the code to understand the role of the Board. Mr. Ure noted the diverse knowledge on the Board and the desire to be educated by other Board members in areas of expertise.

Tom Bachtell recommended an agenda item called the "Role of the Board" to address topics discussed by Mr. Ure. Director Carter indicated the first agenda item could be the Role of the Board and as the Board reviews other agenda suggestions, a prioritization could be defined.

Tom Bachtell asked if there was a need for a regular Board meeting at the retreat. Director Carter suggested the regular Board meeting be held on the morning of the second day to include any items the Board could review and approve at the retreat rather than wait until May to address those items.

Director Carter discussed past use of the capital budget to obtain assets such as real estate and water. There are proposals pending to purchase other assets. The agency would like to spend time working with the Board to define what the Board is comfortable obtaining as an asset. The capital account has been used to make strategic purchases in an ad hoc manner. The agency would like to strategize with the Board on purchasing.

Scott Ruppe asked if someone from Congressman Bishop's office could attend part of the retreat to discuss exchanges. Dave Ure indicated a reluctance to bring others into the discussion at this time but rather to discuss the topic among the Board members for now.

Tom Bachtell asked for a list of asset purchases over the life of the agency. Mr. Bachtell felt the discussion could include the long-range plans for asset purchases.

Director Carter reminded the Board SITLA must be careful not to make asset purchases as an investment as that would be a conflict with the Treasurer's office. Tom Bachtell suggested obtaining the Treasurer's definition of an investment. The Treasurer's office is currently in flux as it relates to the trust investments, but a definition will be sought for the purpose of a discussion.

Director Carter reviewed the suggestion for consideration of staffing needs in satellite locations. Tom Bachtell requested a discussion to consider ideas for potential proactive measures to enhance revenues.

The next agenda suggestion is Relationship with Other State Agencies (UGS). Director Carter pointed out relationships have improved with other agencies over the years since the agency was established resulting in both risk and reward. Sometimes a good relationship can cause people to want to be cooperative, yet they must make decisions for the best interest of the Trust.

Director Carter mentioned the suggestion from Kim Christy for a discussion topic for External Relations Strategies. Dave Ure asked for clarification related to opportunities that may be of interest to others.

5. Director's Report
b. Review of Agenda Items for the April Retreat (Cont'd)

Kim Christy confirmed the intent of the suggestion was a vision for the external relations office as it relates to a proactive approach on governmental, media, industrial, beneficiaries, etc.

Tim Donaldson provided some input on the suggestion for a Risk Definition based on a presentation he made to the board a few months prior. Mr. Donaldson suggested the risk topic could be merged with the asset purchase and capital account discussion.

Conservation issues could include a discussion of agency interaction with plans for addressing endangered species on school trust lands.

Mr. Ure returned to the suggestion from Mike Mower and Tom Bachtell to recommend holding a Board meeting on the morning of the second day to provide decisions for agency projects. A Board agreed to hold a Board meeting at that time.

"I make a motion to schedule a Board meeting as the first matter on April 17."

Mower/Ruppe Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

Mr. Bachtell requested an organizational chart for understanding the agency reporting structure.

Louie Cononelos requested the prioritization of retreat topics to include adequate time to discuss the Sage Grouse potential listing or very restrictive land use issues. The conservation suggestions can include a sage grouse discussion.

Director Carter indicated he felt the Board demonstrated interest in all topics. He suggested prioritization of the agenda to begin with items the Board feels are most important and progress to get through as many items as possible over the two days of the retreat.

The Board identified the Role of the Board and Land Exchange as the first two topics followed by Conservation Issues including Sage Grouse discussion, followed by Staffing Needs and Satellite Offices. The remaining topics can be addressed in any order.

Mike Mower, addressing the satellite offices, said the office in Moab is beneficial because there is a person on the ground rather than sending someone from Salt Lake. An office in Vernal may make sense to allow oil & gas staff to be located in the region.

c. Legislative Update

Director Carter reviewed the appropriated budget approved in the 2014 session for fiscal year 2015.

- Ongoing Budget Approved as Requested - \$9,649,800 Line Item 35
- One-time Requests Approved
 - \$300K for federal land issues
 - \$46,300 for County ROW Program
- Stewardship Account as Requested - \$500,000 Line item 36
- Capital Budget as Requested - \$8,300,000 Line Item 37

The Director also recapped the change of how the agency has the opportunity to direct funds as they come to the agency during the year rather than dispersing the full amount at the beginning of the fiscal year. The change allows for more interest growth.

The Legislature also funded a 1% COLA, and a .25% discretionary increase; and covered all costs for benefit increases with an effective date of July 1, 2014.

Bills run by the agency or bills friendly to the agency.

- Concurrent Resolution Recognizing the 20th Anniversary of SITLA on July 1, 2014. A request for a ceremonial signing for the resolution was sent to the Governor's Office.
- Federal Land Acquisition Amendments The Legislature passed a law requiring the agency to get approval on land exchanges with the Federal Government. If the exchange is over 10,000 acres the entire Legislature must approve the exchange. When the exchange is under 10,000 acres approval may be accomplished in committee. An exemption for conveyances out of the Desert Tortoise Preserve was included in the bill for Washington County. The statute name changed from Desert Tortoise Preserve to National Conservation Area. The statute change for the new name received no opposition.
- Concurrent Resolution on SITLA Lands Exchange Act Legislation run by Representative Noel to recognize the State as an equal partner with the Federal Government.

Bills the agency "Fixed"

- Grazing and Timber Agricultural Commodity Zones in Utah SITLA was removed from the language in the Bill that reads, "Land should be managed to allow highest and best use."
- Independent Entities Financial Transparency Disclosure The bill was revised to say there was no need to provide disclosure, if revenue transactions are part of the enabling statute. The new language excluded SITLA from reporting.
- Local Government Entities Amendments Bill dealt with local government entities specifically in the service district in Ticaboo, which forced the hotel and convenience store to buy power from them rather than generate it at one-third the cost. The modification allows businesses to generate their own power.
- Internal Stewardship Amendments Bill requires agencies to conduct internal audits. Since the SITLA Board fulfills this role, the agency obtained an exemption with other independent entities.
- Resource Stewardship Amendments Creates a clean air ombudsman in Office of the Governor. The agency was assured continuation of absolute exemption whether or not the agency accepts recommendations.
- Federal Land Exchange and Sale Amendments The original bill required an appraisal on any lands deemed appropriate for conveyance to the Federal Government. The bill was fixed to protect the agency.
- Utah Wilderness Act School Trust Land is exempted and any agreement must allow SITLA the opportunity to get out before the land is designated as Wilderness.
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Government Records Requests Legislation to prevent charging fees for any GRAMA request under \$1,000 never came out of the Rules Committee.

- Severance Tax Revision The bill never got out of the Rules Committee.
- Highway Amendments Did not move forward.
- Restrictions on Sand and Gravel Extraction The Bill raised concern for limited access to leased land, but the bill did not progress.

Bills supported by the agency included the following legislation

- School and Institutional Trust Lands and Fund Management Provisions This legislation was pursued by the Beneficiaries. The agency provided testimony and support.
- Interstate Electric Transmission Lines Legislation caused concern with potential route through Millard County.
- Utah Energy Infrastructure Utah A state-created entity to provide a way for power and other infrastructure to reach remote areas.

Proposed Budget Adjustments

FY 2014 Non-General Fund Increases Senator VanTassell acted on behalf of the agency for additional funding for SITLA's budget specifically to help fund sage grouse-related issues in 2014 and 2015.

Senator VanTassel addressed the Board to say SITLA is a number one asset for funding schools in Utah. The Senator felt SITLA needed additional funds to address endangered species. He stated, "For energy extraction to bring income to the school children it is important that there are means to operate and generate income."

Senator VanTassell also commented on a group formed last fall to look at economic development in eastern rural Utah. Thanks to SITLA's contributions, paving of the Seep Ridge Road for access to resources was accomplished. The Senator also discussed an unprecedented letter from the County Council in Grand County outlining 100% support for completion of the road. The road creates employment opportunity for a big economic impact in Grand, Emery, and Carbon counties.

Mr. Ure expressed gratitude for good work by legislators in recent years to generate these opportunities.

Tom Bachtell asked for meeting times for the group discussed by the Senator. The Senator indicated there is always representation at the meetings from SITLA.

Following a discussion, the Board chose to address the funding addition to the agency budget in closed session later in the meeting and then return to open session to approve the budget change.

Mike Mower announced that during the Governor's Outdoor Retailers Summit, the Governor would sign of the land transfer that includes the trading of Corona Arch to the BLM for oil and gas development land. The event creates a positive opportunity to focus on conservation as well as the enhancement of earning opportunities for beneficiaries. The event will be held in the Salt Lake City area.

6. Chair's Report

a. Beneficiary: School LAND Trust Program Permanent Fund & Community Councils Report

Paula Plant reported on legislation in categories of community councils, land issues, and the permanent fund using a PowerPoint presentation as follows.

School Community Councils

- Give councils more responsibility and more money
 - SB111 – Osmond – Property Tax – Fix the basic rate
 - SB118 – Jones – Income Tax – Reduce exemptions
 - Tax payers don't have a voice
- HB221 – Cunningham – Training based so councils are better prepared
- SB131 – Osmond – Trust funds to match leadership grants
- HB320 – Last – Professional development

Land Issues

- Director Carter's Report
- Potential interference with the trust mission
 - Arent – Trust Lands Amendments
 - SJR14 – Dabakis – Greater Canyonlands

Ms. Plant provided detail from a meeting with Representative Arent to review information about land exchanged and put into conservation. The Representative seemed to appreciate the information. The Representative may bring the issue up again in a future session.

Director Carter felt that in discussing the Trust Lands Amendments bill, the Representative recognized the inadvertent benefit from SITLA actions to accomplish good things to position the agency to generate revenue while also accomplishing conservation efforts. Ms. Plant also reminded the Representative of the agency purpose to generate revenue for schoolchildren.

Ms. Plant reported that it was a conservation intent when the resolution ran last year. Ms. Plant asked the Senator for compensation to the schoolchildren. Ultimately, the legislation was pulled.

Ms. Plant reviewed significant legislation to establish an Investment Board with a similar structure to the SITLA Board of Trustees with appointments from the State Treasure for a five member Board.

HB 168 – Brown – School Trust Funds Management Act

- Stormy right up to the final passage
- Nominating Committee
- Trust Funds Board of Trustees
- Investment Officer
- Office
- To Be Established by January 25, 2015

Louie Cononelos asked if the School Community Councils decide how the funds should be used or if they make recommendations for approval. He asked who approves the recommendation and if a recommendation has ever been overridden. Ms. Plant reported that the local School Board provides approval and there have been times when the recommendation was not approved. At times, there are individuals on the committee who will benefit directly from the recommendation, so the School Board

- 6. Chair's Report
 - c. Beneficiary Report (Cont'd)
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will not approve the recommendation. Sometimes, for example, the School Board will be aware that reading scores are low but the Council's recommendation is for spending in the area of science.

Tim Donaldson added that the School Board could not define a plan for spending the funds. The board may only reject a plan, which will then be returned to the committee for modification.

Tom Bachtell asked how many community councils are in the state. Ms. Plant indicated there is one for each school, which are approximately 950 statewide. In a follow-up question, Mr. Bachtell asked if there is a breakdown for how funds are spent.

Ms. Plant indicated there are reports available by category. Ms. Plant will provide requested information on a single page report.

b. Proposed Budget Adjustment for Fiscal Years 2014 and 2015

Director Carter requested time in closed session for a discussion of funds provided for responding to a listing of endangered species on School Trust Lands.

c. Litigation Update

John Andrews requested time in closed session to provide an update to the Board on litigation.

Mr. Ure suggested the Board consider addressing all closed session items before they return to open session for a decision on budget modification. The agenda items for closed session do not include the same participants.

The Board agreed to address the Rocky Mountain agenda items prior to the Litigation Update and Budget modification appropriated by the Legislature.

"I move we address the Rocky Mountain agenda items in closed session for a discussion of pending and reasonably imminent litigation."

Lekas/Ruppe Unanimous

Roll Call:

Dave Ure – yes

Jim Lekas – yes

Louie Cononelos – yes

Tom Bachtell – yes

Scott Ruppe – yes

Mike Mower – yes

d. Update on Rocky Mountain Power Administrative Appeal

The Board went into closed session at 10:35 a.m. Those invited to the session included Board members Dave Ure, Louie Cononelos, Jim Lekas, Tom Bachtell, Scott Ruppe, and Mike Mower. Also attending were Hearing Examiner, James Lee and Mark Burns as legal counsel from the Attorney Generals' Office. Nannette Johnson attended as staff to the Board.

e. Board Appointment of a New Hearing Examiner for Administrative Appeal Proceedings

The closed session continued with same participants for the discussion of replacement of the hearing examiner for the Rocky Mountain Power proceedings.

The Board returned to open session at 11:05 a.m.

"I move we return to open session."

6. Chair's Report
c. Board Appointment of a New Hearing Examiner (Cont'd)

Mower/Cononelos Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

“I make the motion to replace the current hearing examiner with Judge Robert Hilder to serve in the matter of the Rocky Mountain Power Appeal.”

Mower/Bachtell Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

Before returning to closed session for the next agenda item, the Board asked the representation for Rocky Mountain Power if a Board member could observe the mediation.

“I move we return to closed session for the budget discussion and for the purpose of discussion of pending and reasonably imminent litigation.”

Ruppe/Cononelos Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

The Board returned to closed session at 11:10 a.m. The session included Board members, Dave Ure, Louie Cononelos, Jim Lekas, Tom Bachtell, Scott Ruppe, and Mike Mower. Along with Director Carter, John Andrews, Kim Christy, Tom Faddies, Lavonne Garrison, Tim Donaldson, Paula Plant, Arron Garrett, and Nannette Johnson as staff.

The Board returned to open session at 11:45 a.m.

“I move we return to open session.”

Lekas/Ruppe Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

Director Carter requested the Board reopen the budget for fiscal year 2014 to supplement the budget by \$100,000, and increase the approved budget for fiscal year 2015 by \$100,000. The Legislature appropriated budget modifications and supplemental funds for both years.

“I make the motion to approve the budget changes as defined by Director Carter.”

Ruppe/Cononelos Unanimous

Roll Call:

Dave Ure – yes	Jim Lekas – yes	Louie Cononelos – yes
Tom Bachtell – yes	Scott Ruppe – yes	Mike Mower – yes

Mr. Ruppe made the motion and the Board voted to adjourn the meeting. Adjourned at 11:50 a.m.
