

Chair Steve Ostler
Director Kevin Carter

**Board of Trustees
School & Institutional Trust Lands Administration
Salt Lake City, Utah
May 15, 2014**

Minutes

Attending:

Board

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

Staff

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

Others in Attendance:

Tim Donaldson, Utah State Office of Education
Paula Plant, Utah State Office of Education
Aaron Garrett, Utah State Office of Education
Karen Rupp, Utah State Office of Education
Bruce Williams, Utah State Office of Education
Margaret Bird, Universities
Steven Schaefermeyer, Mentoring with Michelle McConkie
Ken Matthews, Governor's Office Budget and Finance
Newell Harward, Wayne County Commissioner
Brian Maffly, Salt Lake Tribune
Ivan Djambov, Legislative Fiscal Analyst

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Index of Minutes

Topic	Page No.
1. Welcome	3
2. Approval of Board Minutes	3
3. Confirmation of Upcoming Meeting Dates	3
4. Consent Calendar	3
Consent	
a. Grand Canyon Trust OBA	3
Notification	
b. Minor Development Transaction Sale of 0.29-Acre Parcel in the Green Springs Area of Washington County	4
c. Minor Development Transaction Sale of 2,211 square foot parcel to UDOT in St. George, Washington County	4
Follow-up after Six Months There are no items scheduled for review at this meeting.	
5. Chair's Report	
a. SITLA and the New Trust Fund Office: Working Together as One Trust	4
b. Subcommittee Assignments	5
6. Director's Report	
a. New Board Policy Statement for Inter-beneficiary Loans	5
b. Rocky Mountain Power Litigation Recap	6
c. Cost of Living - Merit Increase [A closed session may be necessary]	6
7. Public Comment Period	6
Informal Roundtable Discussion "Take Budgeting Offline"	7

1. Welcome

Chairman Steve Ostler welcomed everyone and opened the meeting.

2. Approval of Board Minutes

Tim Donaldson requested a change in employer for Ms. Bird on both the Retreat Minutes of April 16-17 and Board Meeting Minutes of April 17, 2014.

“I make a motion for approval of the minutes, with the change noted, for the Board Meeting on April 17 and the Board Retreat on April 16 and 17, 2014.”

Ure/Cononelos Unanimous

Roll Call:

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

3. Confirmation of Upcoming Meeting Dates

June 19	Salt Lake City	Oct 22-23 (revised date)	West Desert Tour
July	No Meeting	November 20	Salt Lake City
August 21	Salt Lake City	December	No Meeting
September 18	Salt Lake City		

The August meeting will include a budget proposal for Board approval. An overview of the October driving tour will include stops at mineral sites and other projects that are underway. The Vernal Board members considered travel alternatives to assist with advance reservations.

4. Consent Calendar

Consent

a. Grand Canyon Trust OBA

Jim Lekas expressed misgivings on the Grand Canyon Trust OBA and felt the agency could have accomplished the goal without offering a lease with terms for non-development. He wondered how circumstances would change after ten years to make oil and gas leases acceptable on the site. He asked if the lease agreement language would prevent an extension at the end of the ten years.

John Andrews provided an explanation of the threat by BLM to withdraw from the exchange if the Park Service concerns were not satisfactorily addressed. He outlined the land values involved and the advantage to completing the exchange at this time. The agreement does not limit the agency from leasing the land for purposes other than oil and gas development. He also explained the ten-year limit fully expires to allow any type of development after ten years.

Director Carter speculated the Park Service likely had no intent of disrupting the exchange and realized they spoke late in the process. The Park Service may have accepted the ten-year limit on oil and gas development to allow the exchange to proceed. Land can be withdrawn on orders from the director; however, leasing seemed a better option to collect money both now and as minerals are developed on private land around the site. There is nothing in the agreement to prevent the

4. Consent Calendar
 - a. Grand Canyon Trust OBA (Cont'd)
-

agency from leasing the land for a different purpose. The Administration may later determine it to be in the best interest of the Trust to sell the land. The agreement does not prevent a sale.

Tom Bachtell stated for the record that there is no implied agreement to prevent the agency from pursuing mineral development after the ten-year period. Nor, is there any language to prevent another type of revenue generation on the site during the next ten years.

The Board did not choose to remove the item from the Consent Calendar; therefore, the OBA will proceed as outlined.

Notification

b. Minor Development Transaction -- Sale of 0.29-Acre Parcel in the Green Springs Area of Washington County

Tom Bachtell asked about the open space and access for residential purposes. He questioned the use of the term “forever” for the restrictions on the area defined as open space. He suggested a limit on a restriction of 30 years. He suggested future agreements include a sunset date.

Chairman Ostler suggested the Real Estate Subcommittee draft a policy for adding sunset dates to agreements with land use restrictions. Louie Cononelos concurred with the suggestion for a broader discussion and creation of a policy.

Tim Donaldson asked for removal of item 4.b. for further discussion.

Chairman Ostler removed the item from the Consent Calendar for further discussion. The Board asked the Real Estate Subcommittee to consider a policy for a sunset deed restriction.

c. Minor Development Transaction -- Sale of 2,211 square foot parcel to UDOT in St. George, Washington County

In the absence of any discussion to the contrary, this action will proceed as presented.

Follow-up after Six Months - - There were no follow-up items for review at this meeting.

5. Chair's Report

a. SITLA and the New Trust Fund Office: Working Together as One Trust

Aaron Garrett presented information on the School and Institutional Trust Fund Office (SITFO) and the development of a Board. He outlined a theme for “One Trust” as encouragement for the SITLA and SITFO to share information and work together.

A full copy of the PowerPoint presentation is available on the [Public Notice Website](#).

The new Trust Fund Board will have five members who will begin working together in July or August. The nominating committee includes individuals with investment experience to recommend Board Members for selection by the State Treasurer.

5. Chair's Report

a. SITLA and the New Trust Fund Office: Working Together as One Trust (Cont'd)

Barriers need to be broken down. Dave Ure asked for an explanation of "barriers" because he understood the work as two separate processes, with SITLA earning the money and SITFO investing the money. Past differences existed between SITLA and the State Treasurer for what qualifies as an investment. The hope is for an environment where land managers and fund managers work together for the benefit of the Trust.

Mike Mower expressed the need for clear lines with the Board earning as much as possible without worrying about investment for the fund. He asked if the SITLA Board and Administration would require permission from the SITFO Board. He also expressed concern for the size of the new agency and the cost to run the new Board. Mr. Garrett said SITFO has no authority to provide approval for SITLA projects. He also said there is no foreseeable need to expand beyond the plan for a three-person office.

Tim Donaldson clarified the SITFO Board has no authority to approve actions or decisions of the SITLA Board. He used the example of water or natural gas futures to demonstrate how SITFO might benefit from knowing what SITLA is working on to best manage exposure and balance investment risk. SITLA might be asked to manage land in a SITFO investment.

b. Subcommittee Assignments

Chairman Ostler reviewed a list of proposed subcommittees and confirmed the assignments. He asked if the coverage defined by subcommittees seemed adequate for the necessary interaction between staff and the Board.

Dave Ure asked about a potential endangered species subcommittee. Director Carter pointed out the work groups can address potential endangered species listings and engage the Board through the existing subcommittees. The subcommittees include management assignments with the responsibility to coordinate with the Board. Additional members of the staff may be involved.

Tom Bachtell stated his understanding that if the number of Board members at a subcommittee meeting exceeds three, it qualifies as a quorum and becomes an open public meeting with recordings and minutes, even if the Board member is only observing and not participating.

Chairman Ostler asked Dave Ure if he could serve for a single year on the Real Estate Subcommittee along with the new Board member.

6. Director's Report

a. New Board Policy Statement for Inter-beneficiary Loans

Director Carter presented the proposed policy with the change requested by the Board. The change defines a consultation with Beneficiaries prior to presentation to the Board for approval. Mike Mower asked the beneficiary groups for comments on the policy. Tim Donaldson said the Beneficiaries participated in drafting the policy and supported the policy for approval.

6. Director's Report
a. New Board Policy Statement for Inter-beneficiary Loans (Cont'd)
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Tom Bachtell asked if SITFO would manage an inter-beneficiary loan process rather than SITLA. Lisa Schneider outlined the current process and management of the loan funds.

"I make the motion to approve the policy."

Ure/Cononelos Unanimous

Roll Call:

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

Director Carter reported the agency plans to make prepared remarks on May 28 at a Penstemon listing hearing conducted by the Fish and Wildlife Service.

A document, in draft format (pending review by the Attorney General's Office) summarizes the Board's role in adjudication. The final document will be posted to the Public Notice Website.

b. Rocky Mountain Power Litigation Recap

John Andrews provided an update on the settlement with Rocky Mountain Power (RMP) using a PowerPoint presentation. The presentation is available on the Public Notice Website. Tom Bachtell asked about the challenge for eminent domain. The settlement with RMP includes wording to say the eminent domain issue is not resolved by the settlement.

The Board moved to the public comment period, item 7, before addressing item 6. c. and a potential closed session discussion.

7. Public Comment Period

Wayne County Commissioner, Newell Harward, asked the Board for support in the feral horse issue. He asked SITLA to consider participation in a court action. An attorney for the Utah Association of Counties is preparing the legal brief. Director Carter reported the agency is already involved with funding and a commitment to join a lawsuit.

Tom Bachtell declared a conflict of interest with the issue.

Director Carter cited concerns shared with him by Commissioner JR Nelson regarding the feral horses. The agency is providing backing and Chairman Ostler added the Board's support.

6. Director's Report

c. Cost of Living - Merit Increase

Director Carter reviewed the cost of living and a discretionary merit increase. He then requested a closed session for the purpose of a personnel discussion.

"I make the motion for a closed session to discuss a personnel matter."

- 6. Director's Report
 - c. Cost of Living – Merit Increase (Cont'd)
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Cononelos/Bachtell Unanimous

Roll Call:

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

The Board went into closed session at 10:50 a.m. Present in the closed session were Board members Steve Ostler, Dave Ure, Louie Cononelos, Jim Lekas, Tom Bachtell, Scott Ruppe, and Mike Mower. Director Kevin Carter and Nannette Johnson were also present.

The Board returned to open session to approve the decision considered in closed session.

“I make the motion for the Director’s salary to increase by 1.25% for personnel increases approved by the legislature during the 2014 General Session to be effective July 1, 2014.”

Cononelos/Lekas Unanimous

Roll Call:

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

The Board adjourned the formal portion of the meeting.

Informal Roundtable Discussion “Take Budgeting Offline”

Board members and staff participated in an informal discussion for the consideration of changes in the budget process. Those present for the discussion included Board members Steve Ostler, Dave Ure, Louie Cononelos, Jim Lekas, Tom Bachtell, Scott Ruppe and Mike Mower. Administration staff included Director Carter, LaVonne Garrison, Ron Carlson, Lisa Schneider, Kim Christy, Deena Loyola, Tom Faddies, and Nannette Johnson. Beneficiaries included Tim Donaldson, Aaron Garrett, Paula Plant, and Karen Rupp. Also present were Ken Matthews, Ivan Djambov, and Margaret Bird.

Director Carter outlined a proposal to change the budgeting process to remove the requirement for legislative approval and appropriation. He also outlined the current ability to present a different budget than the Governor’s budget for legislative approval. The agency is unique in their receipt of all funding at the beginning of each fiscal year.

The Board asked if it was better not to have connection with the legislative budget approval process. The current process requires the need to define the use of funds well ahead of spending.

Director Carter had the opportunity to discuss the proposal with Representative Mel Brown who sits on the Executive Appropriations Committee. Representative Brown did not feel he could support the agency’s removal from the legislative budget appropriation process. He believes the

legislative connection may be a valuable way of keeping the legislature aware of the agency and the successful self-funded structure. He provided an alternative suggestion that the agency consider seeking legislation to outline an expedited means for an interim session approval of additional funding.

Director Carter discussed current structure for requesting building blocks for projects up to two years before completing the spending of those funds by the agency. The agency does not always know what opportunities or financial obligations will arise after the budget has been approved. Mr. Bachtell said it is becoming more likely that unknown opportunities will arise and require the agency to take quick action.

Lisa Schneider discussed the ability to seek a supplemental budget for a specific project. If the supplemental funds are not used, they can be returned.

Scott Ruppe cautioned against a request for supplemental funds returned at the end of the year. Requesting funds without recognizing a specific expense might appear as “padding the budget.” He recommended instead, doing the homework necessary to define a sound budget.

Tim Donaldson stated he understood the logic of a specific budget request but was less concerned for returning money versus running short on funding.

Dave Ure agreed with Representative Brown’s position to maintain a tie to the legislature through the budgeting process. If the relationship is reduced, the legislature will be less inclined to support needed legislation in the future.

Director Carter spoke on behalf of Ivan Djambov, Legislative Fiscal Analyst, who was present at the meeting, to say there is hesitation to appropriate funds without a specific need even when we turn money back at the end of the year. The Chairman asked if the analyst had concerns with the concept of seeking funding adjustment in an interim session. Mr. Djambov understood the agency’s unique self-funded budgeting and did not state any concerns with the recommendation of Representative Brown.

Director Carter pointed out the adjustment of the capital and stewardship budget when making a request will go a long way to addressing accessibility to funds for unknown projects. The adjustment will also address Scott Ruppe’s argument for broader management and oversight.

The Board would like the Administration to proceed with legislation to establish a mechanism to go back before the Executive Appropriation Interim Committee to supplement the budget. Director Carter suggested the Government Affairs Subcommittee meet to work on the legislation.

The meeting adjourned at 11:50.