

Chair David Ure
Director Kevin Carter

Board of Trustees
School & Institutional Trust Lands Administration
Salt Lake City, Utah

January 22, 2015

Minutes

Attending:

Board

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

Staff

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

Others in Attendance:

Tim Donaldson, Utah State Office of Education
Aaron Garrett, Utah State Office of Education
Karen Rupp, Utah State Office of Education
Margaret Bird, Universities
Michelle Watts, DHRM
Corrie Steeves, DHRM
Trudy Henderson, UEA
Tracy Miller, PTA
Dawn Davies, PTA
Marilyn Simister, PTA
Liz Zentner, PTA
Tyler Slack, PTA
F. Wayne Elggren, Navigant

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1. Welcome

Chairman Ure opened the meeting and welcomed those in attendance. Chairman Ure thanked everyone for adjusting to the modified schedule at short notice. Mike Mower had a scheduling conflict and arrived later in the meeting.

2. Approval of Board Minutes of November 20, 2014

The Board approved the minutes of the November 20 Board Meeting.

“I move we approve the minutes of the November 20, 2014, as written.”

Motion:	Cononelos/Bachtell	Unanimous
Roll Call:		
Dave Ure – yes	Louie Cononelos – yes	Jim Lekas – yes
Tom Bachtell – yes	Scott Ruppe – yes	Lonnie Bullard – yes

3. Confirmation of Upcoming Meeting Dates

March 19	Salt Lake City	August 20	Salt Lake City
April 16	Salt Lake City	September 16-17	Board Tour
May 21-22	Board Tour	October 22	Salt Lake City
June 18	Salt Lake City	November 19	Salt Lake City
July 19-23	Utah Hosts WSLCA		

The Board determined the spring tour would be held on May 21-22, which is a Thursday and Friday. April will be a meeting in Salt Lake City. The May tour will focus on sites relevant to the Bishop Land Exchange Initiative.

4. County Advisory Committee and Public Comment Period

Chairman Ure expressed an interest in getting more involvement from the County Advisory Committee. Director Carter reported that the committee receives an invitation to every meeting. Invitations are also sent to the Utah Association of Counties to provide a broad opportunity for county representatives to attend each Board meeting.

5. Consent Calendar

Consent

a. OBA with Alton Coal Development, LLC

Tom Faddies provided a brief overview. There were no additional comments from the Board. Louie Cononelos mentioned he reviewed the OBA with Tom Bachtell and had no concerns.

b. Riverside Drive Negotiated Sale

Kim Christy provided a brief overview. No issues were identified so the item will progress.

Notification

c. Sale of Sienna Hills Commercial Parcel

d. Amendment to the Kayenta Development Lease (DEVL 646)

e. Sale of Sienna Hills Trespass Parcels

There were no comments received.

f. Fee Waiver Report

Director Carter outlined the requirement to report instances for fee waivers. The Board received a printed list of waivers from the last six months. Waivers generally only occur if the agency requests a change or makes an error; otherwise, the fees are rarely waived.

There were no concerns with the notification items.

Follow-up after Six Months

There are no follow-up items for this meeting.

7. Chair's Report

a. Friend of the Trust

The Friend of the Trust award was presented to an organization for the first time. The Utah-PTA was recognized for the substantial contribution made by the organization over time.

Director Carter provided background on the award as recognition of those who have been supporters of the Trust mission. He recalled the status of the Trust just over 20 years ago when the Trust was experiencing little growth.

Liz Zentner accepted the award on behalf of the PTA and discussed the history of becoming aware of legislation to allow for greater earnings for Utah's schoolchildren. She thanked the Trust and Administration for the hard work to bring the Permanent Fund to where it is today.

Karen Rupp was recognized by the Trust and spoke of persistence in the face of opposition to bring awareness to the legislature and others. She described herself as a "simple mom" trying to make a difference. She was happy to have persevered and be part of the past and now looking forward to the future of the Trust. She thanked the Board and said the work done by the Administration makes a difference.

Tim Donaldson spoke for Paula Plant and Karen Peterson to express gratitude to the PTA for working so hard to support the work that is ongoing today. Better opportunities are making a valuable difference. History demonstrates people are willing to fight for the Trust.

Mr. Donaldson asked Natalie Gordman to come forward to receive an award. Natalie thanked the Board and Paula Plant for teaching her not to be afraid of the legislature in the fight to remove the cap for funding from the Permanent Fund.

Chairman Ure expressed gratitude for the "simple moms" and others who chose to be involved to make a difference. He thanked the PTA saying everyone knows our future lies with the children. He spoke for all Board members to say the reason they are there is for the schoolchildren.

Mr. Donaldson introduced Tyler Slack who began working with the PTA in an IT role. Mr. Slack continued to expand his contribution and passion with his work for the PTA. Karen Peterson was not able to attend to receive her award in person.

b. Chairman's Discussion

[Mike Mower joined the meeting during the Chairman's Discussion]

Chairman Ure introduced a request for the Board to provide an annual "State of the SITLA" to be presented in March. He defined the importance of understanding what is working and what is being worked on. He spoke to the evolution in government and the importance to take the role as a member of the Board seriously. He asked that the Board become more involved through subcommittees. He spoke to the value of communication and being involved to understand ideas and varied objectives.

Chairman Ure suggested the Board consider defining two policies and to make a supervision change. He defined a policy for Settlement of Claims, asking that the policy state how the Board will be consulted. He also recommended a policy for the Board to review and approve expenditures from the Stewardship Fund.

Chairman Ure suggested the agency auditors be reassigned within the organization to be under direct supervision of the Board rather than the Director. These topics will be added to the March agenda for further discussion.

Tom Bachtell asked the Beneficiaries if they would also express some "do good things," they would like to see the Board accomplish.

Tim Donaldson spoke to the logic of a change in the auditor supervision. He said use of subcommittees was valuable at this time of pending change in the director. He recalled when meetings were short by design. He appreciates that the meetings are now issue based.

Karen Rupp asked if there were topics to discuss related to the new Investment Board.

Margaret Bird spoke to additional maturing of SITLA as a "baby agency" to grow with new opportunities with an eye on annual budget amounts.

Chairman Ure said Board members travel more than 300 miles round trip. He spoke to compensation for involvement in extra meetings. Director Carter defined the practice for Board members to receive the same compensation at outside meetings.

Chairman Ure discussed appreciation for the quality staff within the Administration.

Tom Bachtell seconded the agency's ability to run well and address more issues that other states face. He said Utah stands alone in diversity of the work accomplished within land management.

Louie Cononelos said that he had no concerns about how monies generated from the Trust were being spent by public education; however, he had no comfort level in how other beneficiaries may be spending their monies.

8. Update for Wildlife Advisory Committee (WAC) Meeting

LaVonne Garrison described the purpose of WAC and the target area of the committee. A meeting in December was requested by Anadarko to discuss plans for next six months. At the

meeting, Anadarko discussed benchmarks and plans for seismic testing at One-Eye Canyon. The project will be expensive, as most of the exploration will be using heliport-able resources. Ms. Garrison discussed a critical timeline and the impact on calving and fawning. Anadarko agreed to find a way to work around the most critical times as much as possible. The project is budget dependent and there may be a request for an extension.

Byron Bateman is a member of the Wildlife Advisory Committee and will resign soon. He has offered a suggestion for his replacement.

Tom Bachtell asked about Trout Unlimited making proposals for an exploration area without including the representative from the WAC committee. LaVonne felt there were at least two groups within Trout Unlimited working separately.

Tom Bachtell mentioned reduced gas prices returning, eventually. He said there would be a reduction in this kind of exploration until gas prices return.

9. Director's Report

a. Update from State Auditor's Report

Director Carter distributed a copy of state auditor's report to Board members. He outlined the findings report, which indicated there were "no issues;" there was one non-substantive issue that has been addressed.

The Division of Finance periodically audits the agency and recently asked for the agency to assure that contract providers travel be arranged in the same manner as for staff using a state contracted vendor. There was also a \$68 charge taxed inappropriately.

Director Carter asked Rodger Mitchell to provide an update on the requests from consultants on the joint legislative committee charged with finding a new prison site.

Rodger Mitchell indicated the committee identified six primary sites for consideration. He then showed a map of a site identified as a seventh choice. The site has since become more interesting due to a mountain ridge on one side and marshlands on another. The problem with the site is a 6% grade. The committee prefers 2% grade for line of site. Tooele County offered an exchange of private land with trust land. Mr. Mitchell showed another potential site including trust land at Five-Mile-Pass near Eagle Mountain.

Chairman Ure asked Director Carter to discuss the invitation to an energy summit.

Director Carter said he and Kim Christy were invited to attend an Energy Summit that Jeff Hartley provides for clients. There were representatives from other state agencies, the legislature, and industry in attendance. One report described an analysis of the industry's national and international economic situation. The presentation discussed levels of supply in different countries. The presenter speculated on efforts to drive oil prices down to eliminate competition from resources with high production costs. The impact of this scenario could be significant for the Uinta Basin.

There was additional speculation that the industry will be back to full gas prices by 2017. Presenters discussed the future of natural gas and nuclear energy, as well.

Adolf Lechtenberger, CEO of Red Leaf Resources, also spoke about plans to move ahead with commercial production about the time the cycle returns to higher prices.

The Board chose to take a break and then return to discuss the Roundtable topic before going into closed session for other discussions.

Roundtable Discussion - - John Andrews provided an overview of the past relationship with the Attorney Generals' Office and how those services are accessed by the agency. Most state agencies are required to use the Attorney Generals' Office as a legal resource. The Administration and Board relationship is defined in the statute under 53C-1-305. Because SITLA is not part of the executive branch, they are not constitutionally required to make exclusive use of the Attorney General's Office. Statutorily, the Office is defined as the Board's legal representative. Mr. Andrews pointed out the statute also states that the Office may approve use of outside counsel.

Mr. Andrews suggested the Board consider removing subsection (3) from the statute.

53C-1-305 Attorney general to represent administration.

- (1) The attorney general shall:
 - (a) represent the board, director, or administration in any legal action relating to trust lands except as otherwise provided in Subsection (3);
 - (b) review leases, contracts, and agreements submitted for review prior to execution; and
 - (c) undertake suits for the collection of royalties, rental, and other damages in the name of the state.
- (2) The attorney general may institute actions against any party to enforce this title or to protect the interests of the trust beneficiaries.
- (3) The administration may, with the consent of the attorney general, employ in house legal counsel to perform the duties of the attorney general under Subsections (1) and (2).
- (4) In those instances where the interests of the trust beneficiaries conflict with those of state officers or executive department agencies for which the attorney general acts as legal advisor under Utah Constitution Article VII, Section 16, the board may, with the consent of the attorney general, employ independent counsel to represent and protect those interests.

A History of the Agencies Relationship with the Attorney General.

- AG represented Division of State Lands & Forestry prior to SITLA's creation
- Beneficiary perception that AG representatives were conflicted, particularly with UDNR, and sometimes incompetent
- SITLA agreement with AG Jan Graham to create in-house legal group if SITLA would pay for it
- Blanket delegation of non-litigation legal matters; litigation handled on a case-by-case basis
- Ability to call upon AG for special matters (e.g. Board counsel in adjudications; personnel disputes)
- Risk management remains an AG function

The following observations were offered as a basis for discussion.

- Relationship has worked well – if it is not broken don't fix it?
- Good personal relationships
- AG has never denied permission to litigate or utilize outside counsel (Grand Staircase example)
- May want to tweak independent counsel language to allow Board to determine if a conflict of interest exists
- Future risk

Mike Mower referred to the statutory language and asked if this is the right time to seek a change in the text. Mr. Andrews suggested that if not this year than next year. He also thought the Board would want to meet with the Attorney General to discuss the potential.

Kevin pointed out the round robin sessions are designed for brainstorming. He encouraged the Board to present any questions they may have.

John clarified his recommendation to say he might suggest removal of the clause requiring Attorney General approval to seek outside counsel in subsection (4) to fully preserve the Board's power to hire independent counsel in the event of conflict.

Tom Bachtell noted the Attorney General has the same fiduciary responsibility as the Board. He further noted that the opportunity to hire outside counsel already exists within the statute. John provided an example from the past when the Attorney General was not opposed to a filing, yet preferred not to be associated with the litigation.

Mike Mower suggested if the Board considers changing the statute this may be the right time with an established director and a chairman who is a former legislator. The Board considered the timing for change and decided they would wait and not introduce a change at this time. If circumstances change, the Board may choose to hold a meeting by phone.

Scott Ruppe pointed out there is diverse expertise with the Attorney Generals' Office that cannot be duplicated within SITLA. John felt the legal staff at SITLA could carefully manage a case and recruit outside representations when it is beneficial to the case.

Scott Ruppe asked if there are times when the agency will engage outside counsel and there may be an ability to handle the case with in-house attorneys. Mr. Andrews explained there are times when the representation has greater benefit with the name recognition and availability for a timely response using outside counsel.

Closed Session topics:

- 9. Directors Report (Continued)**
 - b. Exchange Update**
 - c. Compensation Range Discussion**
- 10. Resolution of the School of Mines Trust Monies**
- 11. Personnel Matters and Recruitment Discussion**

“I make the motion that the remaining agenda items be discussed in closed session for the purpose of discussing personnel matters and exchanges for acquisition of real property.”

Motion: Cononelos/Lekas Unanimous

Roll Call:

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

Mr. Cononelos invited representatives from DHRM to join a closed session meeting for the recruitment portion of the discussion. He also invited beneficiaries to join the closed session.

Present for closed session were seven Board members (Lonnie Bullard had to leave before the closed session was complete). Also present were Kevin Carter, Kim Christy, John Andrews, Lisa Schneider, Ron Carlson, Tim Donaldson, Margaret Bird, and Aaron Garrett. Corrie Steeves and Michelle Watts were present for the recruitment discussion.

The Board returned to open session.

“I make the motion we return to open session to vote on matters discussed in closed session.”

Motion: Bachtell/Lekas Unanimous

Roll Call:

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

“I make the motion to establish the position of Trust Lands Records Manager/Archivist with a beginning range of \$33,425.60 and an end range of \$59,051.20. Additionally, the new range for a Trust Lands Office Specialist begins at \$21,652.80 and has an end range of \$57,000.”

Motion: Lekas/Cononelos Unanimous

Roll Call:

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

12. Roundtable Discussion - - The Agency Relationship with the Attorney Generals’ Office

The roundtable discussion was completed earlier in the meeting.

Mike Mower made the motion to adjourn.

Adjourn