

Chairman James Lekas
Director David Ure

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

**September 22, 2016
9:00 a.m.**

Minutes

Board

James Lekas
Tom Bachtell
Scott Ruppe
Lonnie Bullard
Roger Barrus
Donald Foot
Mike Mower

Staff

David Ure
Kim Christy
John Andrews
Rodger Mitchell
Ron Carlson
LaVonne Garrison
Lisa Schneider
Tom Faddies
Deena Loyola
Barry Biediger
Stephanie Barber-Renteria
Kyle Pasley
Kenny Wintch
Andy Beddingfield
Jerry Mansfield
Nannette Johnson

Others in Attendance:

Paula Plant, Utah State Office of Education
Karen Rupp, Utah State Office of Education
Natalie Gordon, Utah State Office of Education
Tim Donaldson, Utah State Office of Education
Margaret Bird, Universities
Trudy Henderson, UEA-Retired
David Nilsson, Sun River Communities

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**September 22, 2016
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1. Welcome

Chairman Lekas welcomed those in attendance and thanked everyone for making time to attend.

2. Approval of Board Minutes for August 18, 2016

"I make the motion the Board approve the minutes of August 18, 2016."

Motion:	Mower /Ruppe	Unanimous	
Roll Call:			
James Lekas – yes	Tom Bachtell – yes	Scott Ruppe – yes	Lonnie Bullard – yes
Roger Barrus – yes	Donald Foot – yes	Mike Mower – yes	

3. Confirmation of Upcoming Meeting Dates

October	20-21	Meeting & Tour, St. George
November	17-18	Meeting & Retreat, Salt Lake City
December	15	Meeting as Needed

4. County Advisory Committee, Northern Ute Tribe & Public Comment Period

Trudy Henderson attended as the representative for Utah Education Association - Retired. Ms. Henderson reported on the enthusiasm of a colleague who recently became chair of Uintah County Elementary Schools Community Council and knows the value of trust lands to educate Utah's schoolchildren. The enthusiasm prompted Ms. Henderson to express personally her gratitude for the leadership and administration's work to preserve trust lands for Utah's schoolchildren.

5. Consent Calendar

Consent - There were no consent items for this meeting.

6. Chair's Report - Beneficiary Report: Amendment B

Natalie Gordon, School Trust Program, reviewed legislation known as Amendment B. The legislation, led by the fund investment task force, proposes language to support a change to clarify the rate for distribution of earnings. Legislation will provide a change in distribution from 2% up to 4%. The fund is growing faster than it is being distributed. Projections are that, within a decade, the distribution may reach \$100 million to beneficiaries in a single year.

Mike Mower asked if the projection factors in the decline in oil and gas in recent years. Ms. Gordon said, yes, the decline is factored in and captures both the revenue and the investment funds. By focusing on earnings, rather than dividends, there is greater reward with less risk.

Roger Barrus asked how the enrollment increase prediction is calculated. Ms. Gordon indicated the research reveals there is about a 2% annual growth in enrollment.

Ms. Gordon discussed efforts to build support for the legislation. A PTA program referred to as "Vote Yes" is accessible on Facebook. The site should inform parents about the legislative change. The site promotes that "Voters can change the way schools receive funds."

The change is hoped to be on the ballot this year with a modified description of what can be distributed from the State School Fund from "interest and dividends" to "earnings"; the limit for annual distributions from the State School Fund will increase to 4% of the Fund; and modify the standard governing how the state is required to invest fund money.

Mr. Bachtell asked if the permanent fund is reduced when the earnings are distributed. Ms. Gordon said there are different opinions. While some say yes, Ms. Gordon explained that the fund growth has never produced less than 4% so the change in the distribution does not expect to result in a reduction in the permanent funds.

Michael Mower asked if there is any known opposition to the change. Ms. Gordon shared the opinion of Senator Margaret Dayton, "If it is not broken, don't fix it." The Beneficiaries expressed an opinion that the current distribution is indeed broken. The break is demonstrated by the faster growth of the permanent fund than the distribution of funds to the schools. By including earnings in the distribution, a change can equalize the fast-growing fund relative to the distributions.

Margaret Bird expressed support for the change in how distribution amounts are calculated but noted the new structure will be impacted by bad economic times.

Roger Barrus pointed out that people said the trust land program was not broken or in need of a fix. That was two decades ago. Considering that the trust may not have been broken, but it sure looks good today by comparison.

7. Director's Report

Director Ure asked Board members to provide him with topics for discussion at the November Retreat. He then offered updates for agency-related events.

Director Ure said the distribution checks for normal colleges have been distributed except for one school. Without fail, those receiving the checks expressed gratitude. The Director noted some of the college presidents were unaware the source of these funds in their budget. He, therefore, took the opportunity to review the process of earning revenue on trust lands to be placed in the permanent fund for distribution to beneficiaries annually.

The agency initiated the creation of a letter for multiple signatures by western states land commissioners to support the need for action related to the wild horse and burro population. The Western States Land Commissioners Association (WSLCA) is moving toward a declaration of a crisis to allow BLM to use a special avenue to address the problem.

Governor Herbert joined a tour in Beaver County to see sites where the wild horse population has caused significant destruction. Those participating in the tour spoke boldly about the lack of effective efforts to maintain the horse population. The funding for removal of 150 horses became available when the BLM signed a contract to guarantee removal of this number. Therefore, organizations are willing to continue to apply pressure to assure BLM will be held responsible for correcting the problem and ending damage due to over population.

Director Ure participated in a tour with Wayne County Commissioners. They visited a location near Robber's Roost where Canyonlands National Park had blocked roads preventing access to SITLA lands. The discussions on the tour led to a solution to provide immediate access.

Lonnie Bullard asked if there are threats related to selling specific parcels in the upcoming auction. Director Ure said there has been little opposition expressed for the land sales at the October auction.

Kim Christy indicated the marketing efforts have been aggressive. He also reported that a Spectrum News article drew nationwide attention to the auction. Mr. Christy noted a moderately negative reaction from the Nature Conservancy. Following clarification, the Conservancy indicated they will plan to attend the auction “with checkbook in hand.” Friends of Cedar Mesa were contentious initially. Changes to the parcel boundaries created access along the back of Comb Ridge. The change is friendly to the interested parties who will be allowed to bid on the parcel at the auction.

Notification

a. Coral Canyon Market Sale

Rodger Mitchell presented a transaction to sell land leased by the purchaser for almost 20 years. The Agency seeks to sell 2.52 acres to the current lessee. The price has been established by an appraisal. A closing is anticipated to be completed in October 2016. The proposed buyer has been the leaseholder since December 1996. The lease was established for the purpose of constructing and operating a gas station that includes a convenience store. An initial 20-year lease term will expire soon and has the option to extend for two additional 20-year periods. The actual sale proposal is on 2.52 acres. The remainder of the three acres of property will be released to the Trust.

The gas station, convenience store, and the underlying lease have a bumpy history including two bankruptcies. The lessee is now in a position to purchase the property at the appraised value.

Mr. Mitchell provided an economic comparison of the rental rate to the purchase price demonstrating the sale is in the best interest of the trust beneficiary.

Chairman Lekas ask for a motion from the subcommittee.

“I make the motion for approval to sell 2.52 acres adjacent to the unsold land in the Coral Canyon Market Sale.”

Motion:	Bullard /Mower	Unanimous	
Roll Call:			
James Lekas – yes	Tom Bachtell – yes	Scott Ruppe – yes	Lonnie Bullard – yes
Roger Barrus – yes	Donald Foot – yes	Mike Mower – yes	

b. Price Industrial Land Sale

The Agency agreed to sell a 1.32-acre parcel to Nielsen Construction at a price established by appraisal, which resulted in a total sale price of \$8,400. The closing is expected to take place in October 2016. Nielson Construction is located in the Price area. They purchased a 63-acre parcel for the construction of their own asphalt plant in 2008. In 2010, they purchased an additional 18 acres for future construction of an office building.

Nielson Construction sold the plant to Staker Parson, LLC. In the course of the transaction, it came to light that the main entrance to the asphalt plant crossed a small parcel of trust land, without a valid easement. The buyer requested an easement. The easement would have caused surrounding parcels to drop in value. Instead, SITLA offered the parcel for sale at appraised value and the buyer agreed.

The parcel is too small for a use appropriate to the area and is crossed by easements for different utilities and a major natural gas transportation pipeline. Rodger Mitchell reviewed the economic value of the parcel and reported there is no other known purpose for generating revenue for the Trust.

Chairman Lekas ask for a motion from the subcommittee.

“I make the motion for approval to sell 1.32 acres in the Price Industrial Land Sale, as outlined.”

Motion: Barrus /Foot Unanimous

Roll Call:

James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes

Roger Barrus – yes Donald Foot – yes Mike Mower – yes

Follow-up on Consent after Six Months

c. Adoption of Grazing Assessments for the 2016-2017 Grazing Season Consent Request

Kim Christy reviewed the assessment adopted six months ago. The 2016-2017 grazing fees were assessed for trust land grazing permits in the grazing year beginning July 1, 2016. The increase resulted in higher revenue for grazing permits. There were no questions from the Board.

d. Follow-up on Request to Spend Funds in Sienna Hills Project

Rodger Mitchell reviewed the request that was presented six months earlier. The retention pond’s opened up areas that were previously unusable land. The project came in on time and under budget. The consulting group was on site to manage construction which moved along without any major obstacles. The completed retention basin was approved by the City.

e. Capital Call Fort Pierce Industrial Park

The Trust set out to enter into a venture in 2000 to partner in the building of a 39,600 sq. ft. building in the Fort Pierce Industrial Park. The initial financing was obtained in 2006 in a 10-year, non-recourse loan with a balloon payment at the end of the term.

The original tenant was a company specializing in the manufacture of solar cells in satellites. Long running government contracts also made the tenant highly desirable. A new company bought the original company and exercised the first 5-year option for renewal.

Because of the strong client and security of the Trust as a partner, a favorable loan offer was secured. The refinance will save the Trust a substantial amount in interest over the old loan. Additionally, the Trust will see distributions from monthly income more than double.

As part of the underwriting process for the refinance, Symemtra Life requested an additional \$200,000 in equity. LGJ, initiated the payment and issued a capital call for the Trust’s 70% portion of \$200,000 equity payment of \$140,000.

Rodger Barrus asked if the product manufactured in this location is unique in the creation of this specific component. Kyle Pasley said initially there were two competitors. Both were purchased, leaving Solaris as the only producer of this product.

Lonnie Bullard asked what the equity value is in the property. Mr. Mitchell said the capital lease rate is 6-6.5% resulting in a couple million in equity.

“I make the motion the Board approve \$140,000 be paid as a capital call to cover the additional equity required in the refinance.”

Motion: Barrus /Foot Unanimous
 Roll Call:
 James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes
 Roger Barrus – yes Donald Foot – yes Mike Mower – yes

f. Sun River Exercise of Option

In a seven-year development lease of 191 acres SITLA engaged in a lease to develop the Sun River Active Adult Retirement Community in St. George. An amendment in 2007 clarified the manner in which developable land may be purchased for other uses. These other uses subsequently included the sale of parcels for a fire station and LDS Church site.

The lease was further amended in 2011, 2013 and 2014 with the lease term, ultimately, extended to 2021 with an option to add an outside parcel. When the best usage for the outside parcel was determined the addition of 10.4 acres could now be exercised.

“I make the motion the Board approve the option as outlined for 10.4 acres with Sun River.”

Motion: Bullard /Bachtell Unanimous
 Roll Call:
 James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes
 Roger Barrus – yes Donald Foot – yes Mike Mower – yes

The Board went into closed session for the purpose of strategy discussions on pending or reasonably imminent litigation and the purchase, exchange, or lease of real property.

“I recommend the Board go into closed session for the purpose of strategy discussion for potential litigation and the purchase, exchange, or lease of real property.”

Motion: Bachtell /Bullard Unanimous
 Roll Call:
 James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes
 Roger Barrus – yes Donald Foot – yes Mike Mower – yes

Present for closed session were the seven board members, Director David Ure, Tim Donaldson, Rodger Mitchell, Kyle Pasley, Lisa Schneider, Kim Christy, John Andrews, LaVonne Garrison, Stephanie Barber-Renteria, Andy Bedingfield, Ron Carlson, Barry Biediger, Tom Faddies, Jerry Mansfield, Kenny Wintch, Deena Loyola, and Nannette Johnson

g. Exchange and Litigation Update

h. Approval for South Block Exclusive Negotiation

i. Real Estate Negotiation Updates

The Board returned to open session at 1:50 p.m. prior to adjourning the meeting.

“I move the Board return to open session.”

Motion: Bachtell / Bullard Unanimous

Roll Call:

James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes
Roger Barrus – yes Donald Foot – yes Mike Mower – yes

The Board approved negotiations for development in the south block.

“I make the motion the Board approve the Real Estate Committee to begin negotiations with the client for development of the south block.”

Motion: Ruppe / Bachtell Unanimous

Roll Call:

James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes
Roger Barrus – yes Donald Foot – yes Mike Mower – yes

“I make the motion that the Board meeting be adjourned.”

Motion: Ruppe / Foot Unanimous

Roll Call:

James Lekas – yes Tom Bachtell – yes Scott Ruppe – yes Lonnie Bullard – yes
Roger Barrus – yes Donald Foot – yes Mike Mower – yes

Adjourn