

John Y. Ferry, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: MARCH 19, 2009

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

John Y. Ferry
John Scales
James Lee
Mike Brown
Dan Lofgren
Steve Ostler
Gayle McKeachnie

STAFF

Kevin S. Carter
John Andrews
Dave Hebertson
Ron Barton
Ron Carlson
NormaLee McMichael
Leslie Warner
Kurt Higgins
Lisa Schneider
Doug Buchi
Michelle McConkie
Tom Mitchell
Sonja Wallace
LaVonne Garrison
Elise Erler
Kim Christy
Bryan Torgerson
Rick Wilcox
Stephanie Barber-Renteria
Kay Burton
Rodger Mitchell
Jeff Roe
Eric Bain
Will Stokes

OTHERS IN ATTENDANCE

Karen Rupp, State Office of Education
Margaret Bird, State Office of Education
Tim Donaldson, State Office of Education
Paula Plant, State Office of Education
Becky Brusco, Governor's Office of Planning & Budget
Bob Canestrini
Mallory Minster, KSL
Brenda Flanders, Needles Outpost
Chris Smart, Salt Lake Tribune

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Chairman Ferry welcomed Board members, Staff, and guests to the meeting.

1. Approval of Minutes

With the correction of two typographical errors, the Board minutes of January 22, 2009, were approved.

Lee / Brown. Unanimously approved.

“I move we approve the Board minutes of January 22, 2009.”

Roll Call:

Mr. Scales - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. McKeachnie - - yes

Mr. Ferry - - yes

2. Confirmation of Upcoming Meeting Dates

The Board confirmed the following upcoming meeting dates:

April 15 (changed from April 16) - - Salt Lake city

May 14 - - Salt Lake City

June 3, 4 - - Uinta Basin - - We will have a reception on June 3

At this point, Chairman Ferry recognized Mr. McKeachnie as being recognized as a distinguished alumni of Uintah High School. There was an article in the paper about this. Mr. Lee also noted there was a report in the City Weekly regarding a committee Mr. McKeachnie served on for the Governor.

3. Initial Consideration of Appeal to Final Agency Action - - SULA 051 - -
Canyonlands Needles Outpost

Stephanie Barber-Renteria appeared on behalf of the agency, and Brenda Flanders appeared on behalf of the appellant. They asked that this item be considered later in the meeting, as they were currently in settlement discussions. The Chairman postponed this item until later in the meeting.

Later in the meeting, Ms. Barber-Renteria stated that the parties have reached a settlement in this matter and asked that it be continued until next month when the settlement will be ratified. Ms. Flanders stated they are very pleased with the result of the negotiations.

Lee / McKeachnie. Unanimously approved.

“I move that, as per the request of counsel, we continue this until next month.”

Roll Call:

Mr. Scales - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. McKeachnie - - yes

Mr. Ferry - - yes

4. Chairman's Report

a. Beneficiary Report

Karen Rupp reported on behalf of the Nominating Committee that it is time to start meeting to select some candidates for the Board of Trustees to replace Mr. Lee, who will be leaving the end of June. They are trying to find someone with a renewable resources background. Ms. Rupp asked the Board members to give the committee any recommendations they might have for names to consider. Please give the names to Ms. Rupp or Ms. Belnap.

Ms. Margaret Bird appeared on behalf of the school beneficiaries. She stated she wanted to talk with the board about hunter access. She explained to the Board what they had been involved in during the legislative session on the hunter access issue. She noted that making this payment so that hunters could hunt on trust lands was part of the agreement in raising the license fees a few years ago. By the end of the session, there was no assurance that we would receive payment on this agreement. This payment is due September 2, 2009. She requested that the Board send a

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4. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

letter of intention to pay to the Division of Wildlife Resources. She suggested that the Board invite the DWR director to a Board meeting to ask about their intentions for payment. She expressed appreciation to the Board for upholding its fiduciary duty. Chairman Ferry asked Ms. Bird to have the State Superintendent of Public Instruction send the Board a letter requesting the Board to send a letter to DWR.

Chairman Ferry asked Director Carter to ask Director Styler, of the Department of Natural Resources, and Director Karpowitz, of the Division of Wildlife Resources, to appear before the Board in April to discuss their intentions with the Board regarding this agreement.

b. Review of Draft Five-Year Plan

Director Carter reviewed the five-year plan issues with the Board. He distributed a copy of the Incentive Objectives Staff was charged with this fiscal year. He also gave the Board a list of items that need to be completed in accordance with the plan. He discussed these items with the Board through a power-point presentation, with emphasis on Task One, Task Two, and Task Three of the incentives. He noted that one of the incentive committees had recommended that a programmatic review of the Trust Lands Management Act, as indicated in Task Two, not be done. Therefore, Staff will not pursue this further without further direction from the Board. Mr. Scales noted that a review of the Act doesn't mean we have to do anything with it. Director Carter stated there are some things in the Act that he feels need to be changed. This is an internal review, and we would then have to decide whether we take any of them further. After some discussion, the Board generally felt we should still do the review. Mr. Lofgren stated that maybe the language could be changed to only "identify" the modifications.

Director Carter noted the board had received some suggested changes and concerns from the beneficiaries. Generally, Staff does not have any problems with the issues noted, but feels some need further discussion by the committees. He recommended that the committees meet again and Staff bring back a final recommended plan in June. The Board this was a good plan. The Staff person to the committee will take the responsibility to arrange for the committee to get together for further discussion.

4. Chairman's Report (cont'd)

c. Audit Committee Recommendation

Chairman Ferry noted the Audit Committee met this morning before Board meeting. Ron Carlson reviewed with the Board what the committee had decided. The committee has decided to pay approximately \$24,000 for an in-depth audit of the FY 09 year to be done in FY 10. There were some other questions raised, and the committee will prepare more recommendations for the Board's consideration at a later date.

Mr. Scales noted the committee is recommending a minimum of a \$24,000 audit, but may ask for more money if a larger audit should be done. Chairman Ferry noted that the Board may ask for a "tailored" audit, which may cost a little more. Staff is looking further into some of these issues.

Scales / Lee. Unanimously approved.

"I move that the Board approve having a formal extended audit."

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Mr. McKeachnie - - yes
Mr. Ferry - - yes	

5. Director's Report

a. Director's Update on Issues

I. Legislative Report

Director Carter updated the Board on legislative issues through a power-point presentation as follows:

- * Budget appropriation
 - * Capital development - - \$2.245MM
 - * Coal drilling project - - \$200K
 - * Mine Reclamation Projects - - \$50K (one-time funding)
 - * RS 2477 Road projects - - \$46.3K
 - * Land Tenure issues - - \$200K (one-time funding)
 - * Land exchange - - (\$200K)

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5. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Legislative Report (cont'd)

- * Bonus
 - * Executive Bonus program - (\$120K)
 - * Current Expense - (\$149.5K)
 - * Fiscal year 2009 (this year)

One of the issues not addressed by the legislature is bonuses for this fiscal year. Director Carter noted he had a discussion with the Appropriation Committee co-chairs regarding the agreement we have made with the employees if we meet our income goal. His response was that the action of the legislature only affected FY 10.

- * Legislative Session
 - * HB 11 - - DNR re-write - - has legislature intent language regarding palenotology and our Trust obligations. We were able to get this removed from the bill.

 - * HB 169 - PLPCC Repeal - this was repealing the Constitutional Defense Council, but it was reinstated. Our Director is on this now.

 - * HB 241 - Water Rights Priority
 - * HB 283 - OHV Access
 - * HB 379 - Environmental Litigation Board (Failed)
 - * HB 391 - Budgetary Procedures
 - * HB 437 - Obstructing Competitive Process
 - * SB 68 - Mining Protection
 - * SB 76 - Utah Generated Renewable Energy Electricity Network Authority - - The bill put a member of our Board on this authority. The board needs to determine who should serve on it. In the next month, Staff will provide more information to the board so that they can make some type of analysis and appoint a member of the Board to serve on it.

 - * HJR 12 - - Hydrogen Power from Advanced Coal and Carbon Capture and Sequestration

5. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

II. Personnel Issue

Director Carter stated this item deals with the Director's term of office. The current term runs from September 1 through August 31 because some director's date did not run full term. He is suggesting that the Board consider making the next appointment effective July 1 instead of waiting until September. If the Board chooses to do this, action will need to be taken before the end of the fiscal year.

Lee / Lofgren. Unanimously approved.

"I move we go into closed session for the discussion of the character and competence of an individual."

Roll Call:

Mr. Scales - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. McKeachnie - - yes

Mr. Ferry - - yes

The Board went into closed session at 10:18 a.m. Those in attendance were Board members, Director Carter (part of the time), and Margaret Bird. Upon motion by Mr. Lee, the Board returned to open session at 11:10 a.m.

b. Associate Director's Report

I. Litigation Report

Mr. Andrews gave the Board a cursory update on litigation issues through a power-point presentation as follows:

- * Commercial Litigation
 - * Merrill Cook dba Cook Associates v. SITLA
 - * Provo City v. SITLA

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5. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

I. Litigation Report (cont'd)

- * Third-Party Litigation Against SITLA Lessees
 - * Morra v. Grand County (Utah Court of Appeals)
 - * Morra v. Grand county (7th District Court)
 - * Moab Green Alliance v. City of Moab (7th District Court)

- * Pending Utah Supreme court Decisions
 - * National Parks & Conservation Association v. SITLA
 - * SITLA v. Mathis, et al

- * Public Lands Litigation
 - * SUWA v. BLM (U.S. District Court, D. Utah)
 - * SUWA v. Allred (U.S. District Court, D. D.C.)
 - * Marion Energy & SITLA v. KFJ Ranch Partnership (7th District Court)

Lee / Ostler. Unanimously approved.

“I move we go into closed session for the discussion of litigation issues.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Mr. McKeachnie - - yes
Mr. Ferry - - yes	

The Board went into closed session at 11:30 a.m. Those in attendance were Board members, Kevin Carter, John Andrews, Margaret Bird, and Tim Donaldson. Upon motion by Mr. McKeachnie, the Board returned to open session at 11:48 p.m.

At this point, Mr. Andrews introduced Sonja Wallace to the Board members. She has recently been hired to fill an environmental position in the agency.

5. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

II. Update on Recreation Land Exchange

Mr. Andrews briefed the Board on the current status of the Recreation Land Exchange. It has been recently re-introduced in Congress, and we are hopeful that it will move forward. This bill is scheduled for mark-up on Tuesday, March 24, 2009. Director Carter extended an invitation to any of the Board members who would like to go to the hearing and give testimony.

Mr. Lee stated he was surprised that this bill is going forward, since, in the objective committee meetings, the Board stated they did not want to look at any further exchanges until we could look at the process further. He felt Staff should have told at least the Chairman of the Board what was happening on the exchange. Director Carter noted that passage of this bill does not mandate a land exchange, but only authorizes one. We should know very shortly whether or not this bill will move forward.

c. Development Group Report

I. Consideration of Final Document - - Ivory Homes

Mr. Andrews reviewed this with the board. At the last Board meeting, there was discussion regarding the renegotiation of the agreement with Ivory Homes. At that time, the Board approved in concept an agreement with Ivory Homes. Mr. Ostler and Mr. Lofgren has been involved with Staff in preparing this document. Mr. Andrews asked the board to give Staff guidance in how to proceed now.

Mr. Andrews noted that the main points are surrounding how compensation is based - - originally it was based on about 19 percent of the sales price. The revised transaction will reduce the Trust compensation to a smaller percentage. It will provide the Trust with a profit-sharing incentive on which Ivory will receive the first five percent of profits and then profits are distributed between the parties.

Mr. Lofgren stated he had three or four comments that are not substantive, and he will discuss them with Mr. Andrews later. Mr. Le stated he would like to see the final document with all the blanks filled in. Mr. Andrews suggested that Staff get the Board a final document and then set up a meeting with those interested to discuss it further.

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Fiscal Reports

Ms. Schneider gave the Board some fiscal reports on net contributions, a consolidated balance sheet, detail statement of revenue, and a statement of revenue and expenses. Mr. Scales noted that the capital expenditures are less than the Board approved. Ms. Schneider stated that many of the expenses will come before the end of the fiscal year. Director Carter stated that, if we have unspent money, we will probably buy some water rights.

6. Consent Calendar

- a. Other Business Arrangement - - Metalliferous Minerals Lease - ML 51575-OBA-
Palladon Iron Corporation - - Iron County, Utah

The Board had no concerns on this item, so it is approved.

Notification:

- b. Private Exchange - - SITLA/Leavitt Group - - Iron County, Utah

The Board had no concerns with this item.

Upon motion by Mr. Lee, the Board adjourned at 12:15 p.m.