

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

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

DATE: MAY 14, 2009

PLACE: SALT LAKE CITY, UTAH

ATTENDING:

BOARD

John Y. Ferry
John Scales
James Lee
Mike Brown
Dan Lofgren
Steve Ostler
Amanda Smith

STAFF

Kevin C. Carter
Lisa Schneider
Stephanie Barber-Renteria
Michelle McConkie
Elise Erler
Kurt Higgins
Kim Christy
Ron Carlson
LaVonne Garrison
Kay Burton
Doug Buchi
John Andrews
Tom Faddies
Rodger Mitchell
Sue Stewart
Lisa Beck
Chet Gritzmacher
Rick Wilcox
Merritt Dunn
Kenny Wintch
Kristine Curry
Jen Stringer
Joel Boomgarden
Eric Baim
Lynda Belnap

OTHERS IN ATTENDANCE

Margaret Bird, State Office of Education
Karen Rupp, State Office of Education
Tim Donaldson, State Office of Education
Paula Plant, State Office of Education
Becky Brusco, Governor's Office of Planning & Budget
Ivan Djambov, Legislative Fiscal Analyst's Office
Paul Foy, The Associated Press

I N D E X

<u>ITEM</u>	<u>PAGE NO.</u>
1. Welcome to New Board Member & Administration of Oath	3
2. Approval of Minutes	3
3. Confirmation of Upcoming Meeting Dates	3
4. Chairman's Report	
a. Beneficiary Report	4
5. Director's Report	
a. Director's Update on Issues	5
I. Approval of FY 10 Working Budget	6
II. Review of Partial Completion of FY 09 Incentive Objective Assignments	7
b. Associate Director's Report	
I. Discussion of Revised Development Rules	7
c. Assistant Directors' Report (Surface/Oil and Gas)	
I. Great Hunt Panel Project Report - Nine Mile Canyon	8
d. Development Group Report	
I. Update on Amangiri Resort Development	8
6. Consent Calendar	
a. OBA - None-Competitive Lease of Geothermal Energy - Geothermal Energy Lease MI 51581-OBA	8
Other Business - Personnel Issue	9

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

1. Welcome to New Board Member and Administration of Oath

Chairman Ferry welcomed Amanda Smith as a new Board member. She is appointed by the Governor to take Gayle McKeachnie's place. Chairman Ferry administered the Oath of Office to Ms. Smith.

2. Approval of Minutes

The Board approved the Board minutes of April 15, 2009.

Lee / Scales. Unanimously approved.

"I move we approve the Board minutes of April 15, 2009."

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

3. Confirmation of Upcoming Meeting Dates

The Board, without motion, confirmed the following upcoming meeting dates:

June 3, 4 - - Uinta Basin
July - - no meeting
August 13 - - Salt Lake City
September 10 - - Salt Lake City
October 7, 8 - - St. George
November 12 - - Salt Lake City
December - - No meeting

4. Chairman's Report

a. Beneficiary Report

The issue discussed by the Board was sensitive and possibly potential litigation. Therefore, it was done in closed session.

Lee / Brown. Unanimously approved.

“I move we go into closed session for the purpose of discussing potential litigation.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

The Board went into closed session at 9:23 a.m. Those in attendance were Board members, Kevin Carter, LaVonne Garrison, Ron Carlson, Margaret Bird, Tim Donaldson, Karen Rupp, and Paula Plant.

Lee / Scales. Unanimously approved.

“I move we return to open session.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

The Board returned to open session at 10:47 a.m.

4. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

Lee / Scales. Unanimously approved.

“I move that we set up a committee in response to the presentation we had on the Section 29 transaction to look at procedures within SITLA so that we can avoid some of the problems that came out of that transaction. In addition, I would move that the committee be assigned the duty of determining the appropriateness of retaining outside counsel to evaluate the position of SITLA vis-a-vis whether or not we should pursue litigation with respect to the Section 29 transaction and that, as part of that committee, there be at least two members of the beneficiaries who would participate in the committee's activities except for the discussion and decision on outside counsel.”

Roll Call:

Mr. Scales - - yes

Mr. Brown - - yes

Mr. Ostler - - yes

Mr. Ferry - - yes

Mr. Lee - - yes

Mr. Lofgren - - yes

Ms. Smith - - yes

5. Director's Report

a. Director's Update on Issues

Ms. Schneider introduced Rick White, who is a new employee in our Accounting Group.

Director Carter gave the Board a copy of a news release regarding the state of Oregon using our land sale model to sell some land. They are very pleased with the results of this process.

Director Carter gave the Board a report from our environmental compliance officer on what has been accomplished in a one-month period since that person was hired.

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5/14/09

Page No. 5

5. Director's Report (cont'd)

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

I. Approval of FY 10 Working Budget

Director Carter reviewed the agency's budgeting process with the Board. He noted we are a two-line item in the legislative budget - - an operating budget and a capital budget. In the May Board meeting, Staff comes before the Board to present an actual working budget based on our projections of what we will be spending. We cannot spend more money than was appropriated. The other part of this process is our estimation of what our revenues will be. He showed the Board a chart depicting revenues from September, 2008, through September, 2009. We are estimating about \$50 million less than we did in September.

Director Carter also showed the Board some graphs on how costs are apportioned among the groups. He noted he is going to have Staff look at how these costs are apportioned to make sure we are doing it properly.

Based on the fact that the market is down, we are not selling lands at auction right now. Director Carter noted the Board could consider if it wanted to continue to lease lands for minerals if they so desired. However, mineral leasing doesn't have the same ties to the low market as surface sales do.

The Board had been sent material on the working budget and had reviewed it.

Mr. Lee asked whether we had reached an agreement with Ivory Homes. Mr. Andrews stated we have, and it will be sent to the Board soon for review.

Lee / Ostler. Unanimously approved.

"I move we approve the working budget as presented."

Roll Call:

Mr. Scales - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. Ostler - - yes

Ms. Smith - - yes

Mr. Ferry - - yes

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5/14/09

Page No. 6

5. Director's Report (cont'd)

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

II. Review of Partial Completion of FY 09 Incentive Objective Assignments

Director Carter gave the Board a list of the FY 09 Incentive Objectives showing which ones we have completed and which ones we are still working on. In June we will present what we hope to be the five-year plan for the Board to adopt. The list the Board had is a list of items that need to be completed to move forward with the five-year plan. The items shown in red are those that are completed. We plan that we will have all of these done by the end of the fiscal year.

b. Associate Director's Report

I. Discussion of Revised Development Rules

Mr. Andrews discussed the draft Development rules, which was one of the objectives for this fiscal year. The current rules are very loose, and the legislative audit stated there needs to be a more defined process in dealing with development transactions. These draft rules have incorporated the Board policy into the rule. This is a discussion draft for the proposed revisions of the old rule. Mr. Andrew noted that Staff has met with Mr. Lofgren and Mr. Ostler on these rules and made reference to their comments as he discussed the draft rule with the Board.

Director Carter noted he agrees we need the flexibility in order to act like a prudent landowner. However, he doesn't know that a rule letting the Board deviate from rules is totally appropriate. He is still working through this part of the rule. Mr. Andrews noted he feels that a rule can note that in a special circumstance we can deviate from the current process. He thinks it is appropriate to allow the Board to deviate, but not necessarily the agency. Mr. Lee expressed some concern like the Director's. Mr. Andrews noted that administrative rules have the force of law and are meant to state how the agency will interact with the outside world. The Board is to set policy on which to make rule.

In the area of how development areas are designated and how they are removed, this is left basically at the discretion of the Director. He is concerned about putting into rule how the agency handles internal affairs. We don't want practices to be in the rule. Mr. Andrews noted he thinks a real estate committee is a great idea, but that it should be created by the Board as part of its policy.

This will be brought back to the Board for final consideration and concurrence next month.

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5/14/09

Page No. 7

5. Director's Report (cont'd)

c. Assistant Directors' Report (Surface/Oil and Gas)

I. Great Hunt Panel Project Report - - Nine Mile Canyon

Ms. Garrison stated this is a great project. She reviewed the history of the Hunt Panel in Nine Mile Canyon. This panel has a very famous rock art panel on it. She showed the Board a Power Point presentation on the panel and how the area by it was refurbished to better protect the panel. Our archaeological staff has been very helpful during the entire process.

This was for information to the Board.

d. Development Group Report

I. Update on Amangiri Resort Development

Mr. Buchi gave the Board an update on the Amangiri Resort near Big Water in Kane County. He showed the Board a Power Point presentation with pictures of the site and development. He recently visited the site to see how the progress is coming along. Mr. Lee asked that Staff have some further information on what our obligations are in this continuing project by next Board meeting.

6. Consent Calendar

a. Other Business Arrangement - - Non-competitive Lease of Geothermal Energy - Geothermal Energy Lease ML 51581-OBA

There were no comments on this item. Therefore, it is approved as recommended.

Other Business - - Personnel Issue

Lee / Brown. Unanimously approved.

“I move we go into closed session for the purpose of discussing the character and competence of individuals.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

The Board went into closed session at 12:28 p.m. for the purpose of discussing personnel issues. Those in attendance were Board members, Kevin Carter, Margaret Bird, Paula Plant, and Karen Rupp.

Lee / Scales. Unanimously approved.

“I move we return to open session.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

The Board returned to open session at 12:47 p.m.

Upon motion by Mr. Lee, the Board adjourned at 12:49 p.m.