

**FY2019**



**Utah Land Trusts  
Protection &  
Advocacy Office**

# **Annual Report**

Utah School and  
Institutional Trust System  
Fiscal Year 2018-2019



## Message from the Director

More than 124 years ago, at statehood, lands were granted in trust for the benefit and support of several of the most important public purposes and institutions in the state of Utah. Expectedly, these values—public and higher education, mental and physical health, juvenile support and rehabilitation, institutes for the deaf and blind, water storage and sustainability, and housing government activities—persist among Utah’s primary commitments today. While the importance of these interests to the state of Utah has not changed, there are constant and evolving threats to the trust lands dedicated to supporting these purposes.

The strongest voices in protecting, sustaining, and growing trust lands and trust funds are the voices of our school children, young adults seeking to better themselves and our State, and disadvantaged residents in need of varying types of support. These voices become more powerful when unified and organized. The Utah Land Trusts Protection & Advocacy Office (Protection & Advocacy Office) was established for this remarkable purpose – the unification and institutionalization of beneficial interests of the school and institutional trusts.

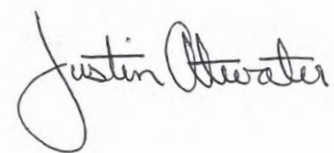
As a full-time advocate with undivided loyalty to trust beneficiaries, the Protection and Advocacy Office protects beneficiaries against any goal that is inconsistent with the inherent purposes of the trusts. The Protection & Advocacy Office is dedicated daily to protecting current and future beneficiary rights and interests by advocating for 1) productive use and optimization of revenue to all trust beneficiaries from school and institutional trust lands, and 2) prudent and profitable investment of trust funds.

The Protection & Advocacy Office has a focused approach toward promoting trust beneficiary interests by facilitating open communication among key individuals and organizations, advocating for legislative change that best serves the interests of the trust beneficiaries, and educating the public regarding the Utah School and Institutional Trust Lands System.

We are pleased and honored for the opportunity to serve you, the beneficiaries of the Utah school and institutional trusts. Much has been written about the Utah School and Institutional Trust Lands Administration (SITLA) and the Utah school and Institutional Trust Fund Office (SITFO), and their achievements are outstanding. The Protection & Advocacy Office completes the circle and early vision of the sponsors and creators of SITLA – a system of checks and balances surrounding undivided loyalty to current and future beneficiaries.

With the aid of the state treasurer and the Protection & Advocacy Committee, the Protection & Advocacy Office’s inaugural fiscal year (2019) was full of opportunities to achieve its purpose. We are committed to relentless advocacy and protection of the trusts’ beneficial interests, and we will continue developing an environment of cooperation by providing responsible, undivided advocacy for the preservation, stability and growth of the trust assets for years to come.

We hope you enjoy this annual report, and we look forward to the unlimited potential and future of the School and Institutional Trust System.



**Justin J. Atwater**  
Director



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## Protection & Advocacy Office FY2019 Highlights

1. Appointed Protection and Advocacy Office director and hired staff.
2. Established Protection & Advocacy Office location and infrastructure.
3. Met with all beneficiary contacts and introduced the Protection & Advocacy Office Mission.
4. Created beneficiary general asset information dashboard.
5. Created annual beneficiary distribution report.
6. Drafted and negotiated the trusts' first multi-beneficiary project policy.
7. Prepared first all beneficiary annual report.
8. Presented trust message at PTA, SBO, Superintendent’s Association, etc.
9. Participated in Trust Advisory Committee meetings, representing trust beneficiaries.
10. Participated in SITLA and SITFO board meetings and other agency gatherings and discussions.
11. Advocated and promoted new approaches to revenue generation and asset tracking within SITLA.

















# Net Income

Sources	FY2019
Oil & Gas Royalties	\$34,934,441
Coal Royalties	\$1,004,562
Other Minerals	\$4,712,188
Materials Permits	\$1,162,080
Development Sales & Leases	\$31,598,032
Sales (Auctions & Negotiated Sales)	\$7,622,007
Easements	\$770,270
Rights of Entry	\$176,937
Agriculture	\$118,992
Commercial	\$2,109,193
Governmental	\$269,140
Industrial	\$2,787,079
Residential	\$79,462
Telecommunications	\$1,216,212
Forestry	\$42,845
Grazing	\$1,378,571
Permanent Fund Interest & Gains (SITFO)	\$96,414,236

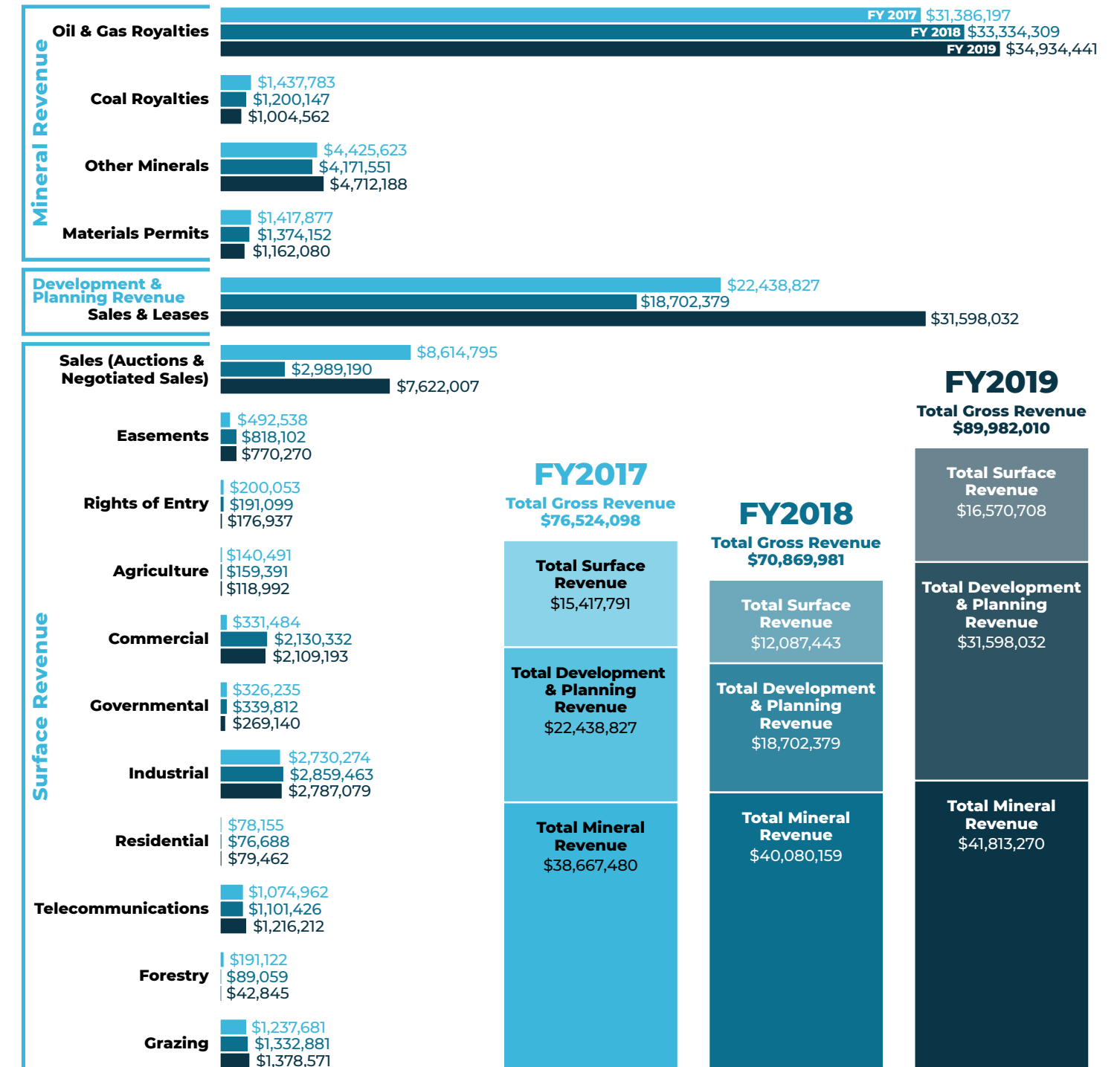
Uses	FY2019
SITLA Operating Expenses	\$10,449,941
SITFO Operating Expenses	\$2,552,944
Beneficiary Distributions	\$86,735,552
Permanent Fund Contribution	\$83,406,485



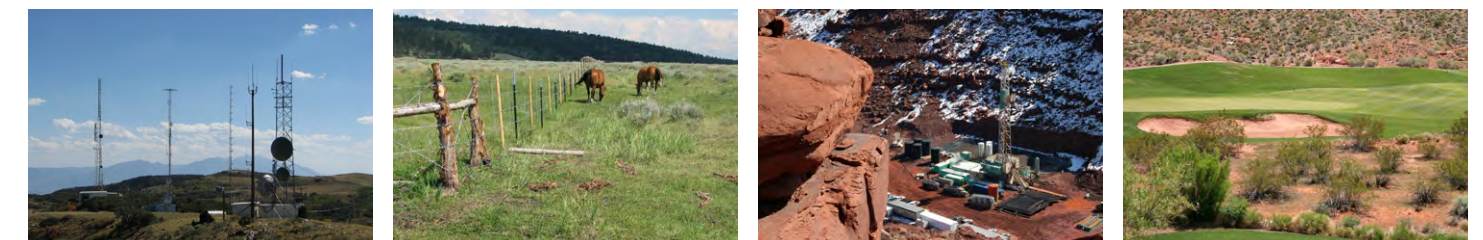
# Trust Lands Permanent Fund Combined

	FY2017	FY2018	FY2019
SITLA Net Operating Income	\$61,683,638	\$56,665,794	\$76,280,745
Permanent Fund Interest & Gains (SITFO)	\$208,768,733	\$138,235,687	\$96,414,236
SITFO Operating Expenses	\$1,773,456	\$2,040,677	\$2,552,944
SITFO Net Operating Income	\$206,995,277	\$136,195,010	\$93,861,292
Total Net Income	\$270,452,371	\$194,901,481	\$170,142,037
Beneficiary Distributions	\$66,048,564	\$78,659,118	\$86,735,552
Net Asset Growth	\$204,403,807	\$116,242,363	\$83,406,485
<b>3-Year Cumulative Net Growth</b>			<b>\$404,052,655</b>

# SITLA Revenue By Source 2017-2019



To see revenue by source information in table format, see page 23.

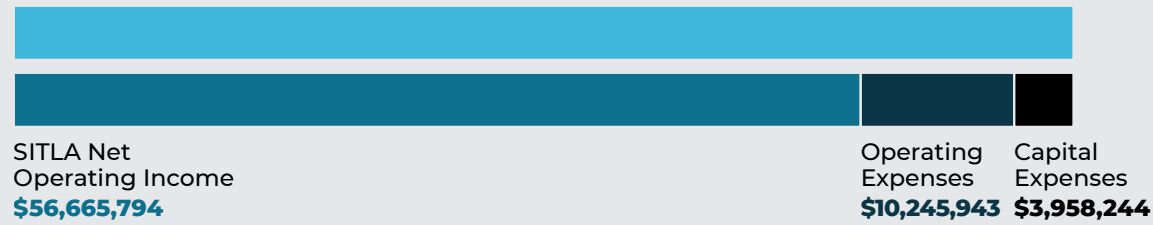


# SITLA Cash Flow

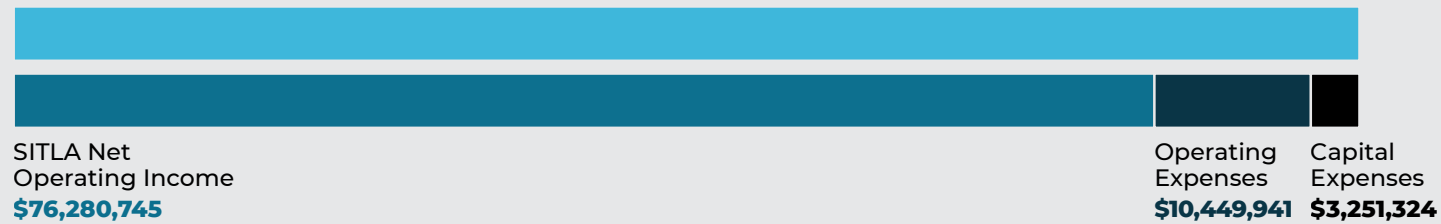
**2017** Total SITLA Revenue  
\$76,524,098



**2018** Total SITLA Revenue  
\$70,869,981



**2019** Total SITLA Revenue  
\$89,982,010



## Schedule of SITFO Expenditures FY 2019

Fund Operating Expenses		Invoiced Investment Management (IM) Fees	
SITFO Investment Office Budget	\$903,998	BMO	\$246,883
LTPAO Office Budget	\$217,800	Bramshill	\$203,591
Audit Expense	\$48,145	Harvest	\$387,713
Investment Systems & Publications	\$420,510	Loomis	\$418,612
Consulting Services	\$688,000	Parametric	\$920,596
Custodial Banking Services	\$274,492	Salient	\$456,866
<b>Subtotal Fund Operating Expenses</b>	<b>\$2,552,945</b>	<b>Subtotal Invoiced IM Fees</b>	<b>\$2,634,261</b>

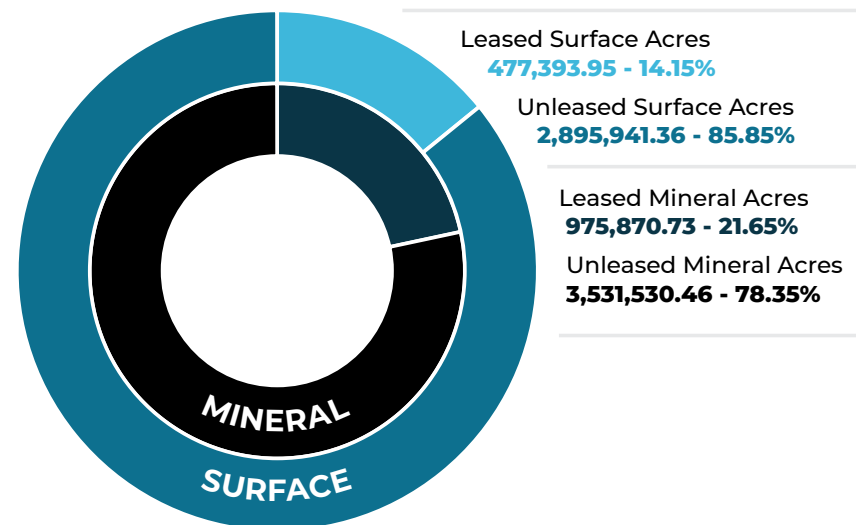
Total Fund Operating Expenses and Invoiced IM Fees: **\$5,187,206**

## Schedule of Weighted Investment Returns by Beneficiary

	FY2019	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception	Inception Date
Total Fund	3.70%	6.10%	4.90%	9.50%	6.60%	May 2004
CPI +5%	6.90%	7.30%	6.60%	6.80%	7.00%	
Policy Index	4.70%	6.20%	4.80%	9.30%	6.90%	

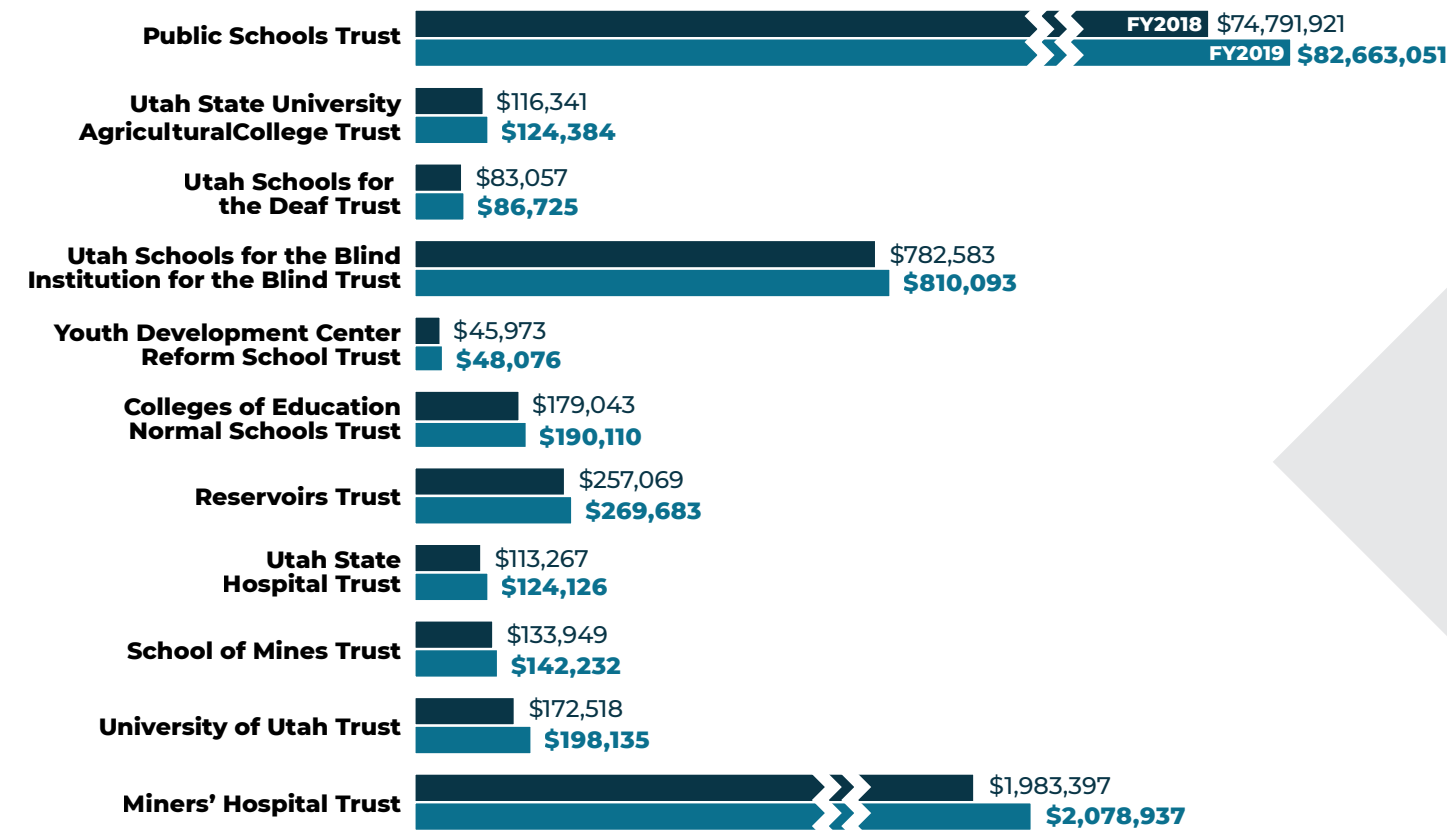
Beneficiary	FY2019	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception	Inception Date
Public Schools Trust	3.70%	6.10%	4.90%	9.50%	6.60%	May 2004
Utah State University Agricultural College Trust	3.70%	6.10%	4.80%	9.30%	6.30%	May 2004
Utah Schools for the Deaf Trust	3.70%	6.10%	4.80%	9.40%	6.40%	May 2004
Utah Schools for the Blind Institution for the Blind Trust	3.70%	6.10%	5.00%	9.80%	6.80%	May 2004
Youth Development Center Reform School Trust	3.70%	6.10%	4.80%	9.60%	6.40%	May 2004
Colleges of Education Normal Schools Trust	3.70%	6.10%	4.80%	9.30%	6.40%	May 2004
Reservoirs Trust	3.70%	6.00%	4.80%	9.40%	6.50%	May 2004
Utah State Hospital Trust	3.70%	6.10%	4.80%	9.50%	6.60%	May 2004
School of Mines Trust	3.70%	6.10%	4.80%	9.50%	6.50%	May 2004
University of Utah Trust	3.70%	6.10%	4.70%	9.40%	6.40%	May 2004
Miners' Hospital Trust	3.70%	6.10%	5.00%	9.70%	6.30%	May 2004

## Land Productivity



Financial Summary FY2019

## Overall Distributions to Trust Beneficiaries FY2018-FY2019



## Distribution Formula for Public Schools Trust

**[50% (1 + CPI + Enrollment Growth) x (Previous Year Distribution)] + [50% (4% x 12Q average)]**

### Example:

50% (1 + 2.3% CPI + 1.22% enrollment) x (\$74.79MM prior year distribution) = \$38.7MM  
 50% (4% x 2.2B) = \$43.96MM  
 \$38.7MM + \$43.96MM = \$82,663,051.11 to be distributed FY20 (3.47% of the trust's market value\*)  
 \*Subject to a cap of 4% against 12Q average (ex: distribution capped at \$87.9MM)

## Distribution Formula for All Other Trusts

**(4% x 12Q average previous fiscal year end) = Total FY Distribution Amount**

### Example (Institution for the Blind):

4% x \$20,252,335.07 = \$810,093.40\*

\* Total distribution amount is paid quarterly every year.

## Distribution Schedule



## FY2017-FY2019

Minerals	FY2017	FY2018	FY2019
Oil & Gas Royalties	\$31,386,197	\$33,334,309	\$34,934,441
Coal Royalties	\$1,437,783	\$1,200,147	\$1,004,562
Other Minerals	\$4,425,623	\$4,171,551	\$4,712,188
Materials Permits	\$1,417,877	\$1,374,152	\$1,162,080
<b>Total Mineral Revenue</b>	<b>\$38,667,480</b>	<b>\$40,080,159</b>	<b>\$41,813,270</b>
Development & Planning	FY2017	FY2018	FY2019
Development Sales & Leases	\$22,438,827	\$18,702,379	\$31,598,032
<b>Total Development &amp; Planning Revenue</b>	<b>\$22,438,827</b>	<b>\$18,702,379</b>	<b>\$31,598,032</b>
Surface	FY2017	FY2018	FY2019
Sales (Auctions & Negotiated Sales)	\$8,614,795	\$2,989,190	\$7,622,007
Easements	\$492,538	\$818,102	\$770,270
Rights of Entry	\$200,053	\$191,099	\$176,937
Agriculture	\$140,491	\$159,391	\$118,992
Commercial	\$331,484	\$2,130,332	\$2,109,193
Governmental	\$326,235	\$339,812	\$269,140
Industrial	\$2,730,274	\$2,859,463	\$2,787,079
Residential	\$78,155	\$76,688	\$79,462
Telecommunications	\$1,074,962	\$1,101,426	\$1,216,212
Forestry	\$191,122	\$89,059	\$42,845
Grazing	\$1,237,681	\$1,332,881	\$1,378,571
<b>Total Surface Revenue</b>	<b>\$15,417,791</b>	<b>\$12,087,443</b>	<b>\$16,570,708</b>

# 3-Year All Trusts Income Statement - Continued

Total Revenue	FY2017	FY2018	FY2019
<b>Total Trust Gross Revenue</b>	<b>\$76,524,098</b>	<b>\$70,869,981</b>	<b>\$89,982,010</b>
<b>Non-Trust Fee Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total SITLA Revenue</b>	<b>\$76,524,098</b>	<b>\$70,869,981</b>	<b>\$89,982,010</b>

Expenses	FY2017	FY2018	FY2019
<b>Operating Expenses</b>	<b>\$10,276,174</b>	<b>\$10,245,943</b>	<b>\$10,449,941</b>
<b>Capital Expenses</b>	<b>\$4,564,286</b>	<b>\$3,958,244</b>	<b>\$3,251,324</b>

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SITLA Net Operating Income	\$61,683,638	\$56,665,794	\$76,280,745
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<b>3-Year Cumulative Net Growth</b>			<b>\$404,052,655</b>



**Utah Land Trusts  
Protection &  
Advocacy Office**

# Protection & Advocacy

## Agency Goals & Recommended Actions

We congratulate SITLA and SITFO for their accomplishments as trustees on behalf of the trust beneficiaries. Because of their efforts and diligence, the trust beneficiaries can expect consistent and enduring distributions in support of the respective beneficiary goals. As we look forward, the Protection & Advocacy Office expects to add an important component to the trust system that will aid in the continued growth of distributions and increase the impact of the school and institutional trust for the trust beneficiaries.

While economic measures provide a general understanding of success, we are acutely aware of the underlying steps to achieve metric growth. The Protection & Advocacy Office will vigorously support SITLA and SITFO in their respective missions and help overcome revenue-dampening barriers.

We will actively remedy noncompliance with trust responsibilities in order to safeguard the interests of trust beneficiaries, while working closely with the key entities and individuals within the trust system to protect and enhance the long-term economic value of the whole trust. We will cultivate prudent decision making and entrepreneurial business practices, advocate for goal-oriented management, and engage in large-scale, long-range planning efforts that will result in significant upward mobility of the trust for years in the future.

There are many important issues the Protection & Advocacy Office has identified as critical to trust success, including:

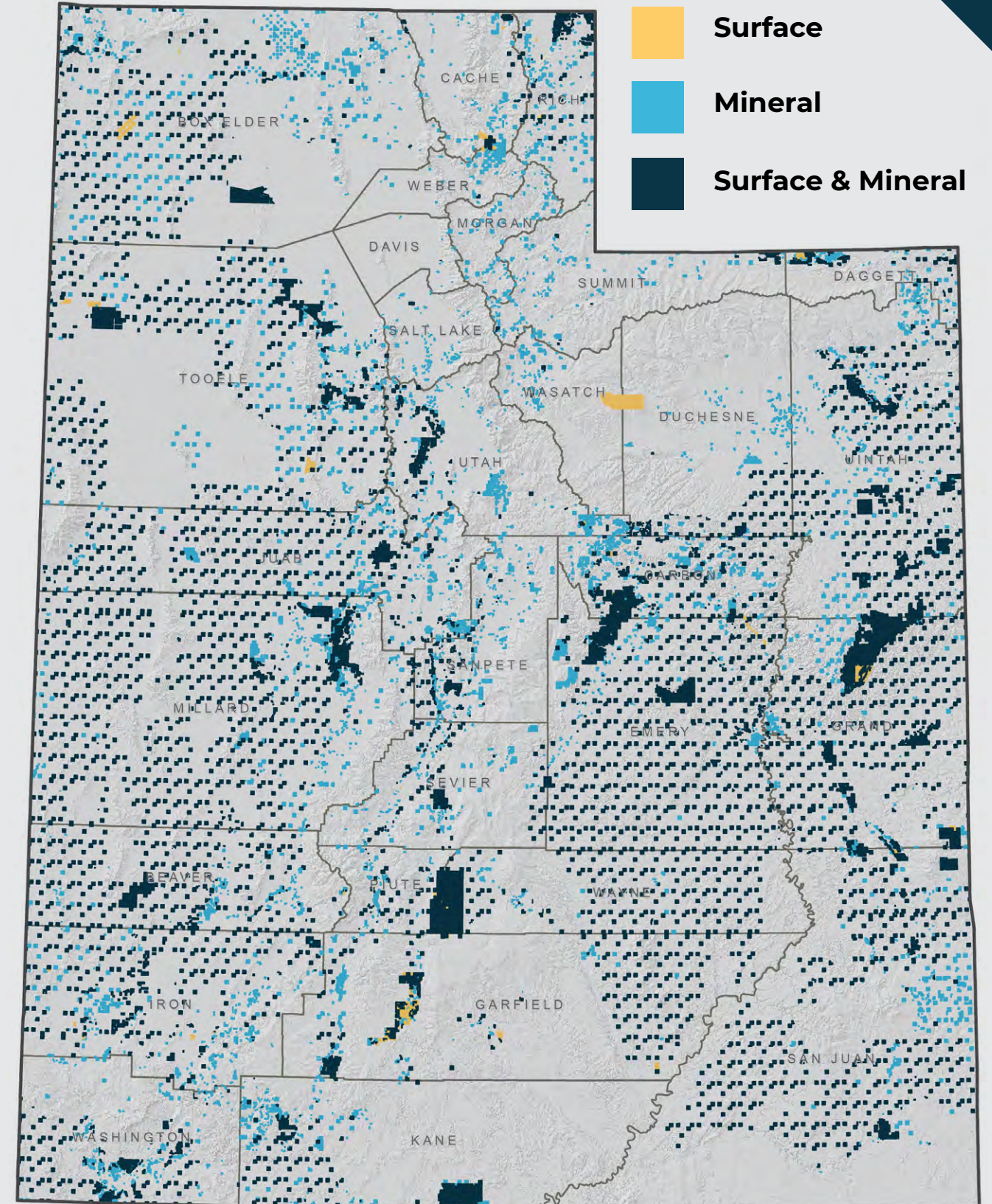
- **Infrastructure investment.**
- **Advocating for proactive management of trust lands.**
- **Access and regional transportation.**
- **Revenue enhancement.**
- **Collaborating among trust entities and key personnel.**
- **Refocusing marketing efforts.**
- **Attaining 100% understanding from public of the mission to fund public schools.**
- **Increasing awareness and adherence to public access on trust land.**
- **Maintaining collaborative relationships with local elected officials.**
- **Maintaining support for the mission and initiatives of the trust from federal and state legislatures.**
- **Encouraging rural economic development.**
- **Seeking additional resources and funding through available grant monies.**
- **Collaborating with schools to provide educational opportunities on state trust land within the core curriculum.**

The founders of our nation and pioneers of our state had great forethought and mindfulness toward public education. In 1896, nearly 124 years ago, there was a vision that lands could provide an important support and source of education funding. In recent years, Utah has taken important and significant steps toward realizing that vision. The establishment of SITLA, SITFO, the School Trust Program, and now the Protection & Advocacy Office roots the School and Institutional Trust System on firm ground with the proper checks and balances to ensure a legacy of public education and institutional funding for the state of Utah.



**Utah Land Trusts  
Protection &  
Advocacy Office**

# Land Status Map (All Trusts)





# Utah Land Trusts Protection & Advocacy Office

## Contact

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**FY2019**

