

ALASKA MENTAL HEALTH TRUST AUTHORITY  
RESOURCE MANAGEMENT COMMITTEE

January 27, 2015

8:30 a.m.

Taken at:

Permanent Fund Corporation  
Hugh Malone Board Room  
801 West 10<sup>th</sup> Street  
Juneau, Alaska 99801

**OFFICIAL MINUTES**

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Trustees present:

John McClellan, Chair  
Mike Barton  
Laraine Derr  
Paula Easley  
Russ Webb  
Larry Norene (via Speakerphone)

Trust staff present:

Jeff Jessee  
Steve Williams  
Miri Smith-Coolidge  
Kevin Buckland  
Carly Lawrence  
Amanda Lofgren  
Katie Baldwin-Johnson  
Michael Baldwin

TLO staff present:

Marcie Menefee  
John Morrison  
Paul Slenkamp (via Speakerphone)  
Cindi Bettin  
Craig Driver (via Speakerphone)  
Bryan Yackel

## **PROCEEDINGS**

CHAIR McCLELLAN calls the meeting of the Resource Management Committee to order. He states that Laraine Derr, Paula Easley, Russ Webb, Mike Barton are present; and Larry Norene is on the phone. He adds that there is a quorum and asks for any announcements. Hearing none, he moves to approval of the agenda.

TRUSTEE DERR makes a motion to approve the agenda.

TRUSTEE BARTON seconds.

*There being no objection, the motion is approved.*

CHAIR McCLELLAN moves to the minutes, asking for any corrections or additions.

TRUSTEE DERR makes a motion to accept the minutes.

TRUSTEE BARTON seconds.

*There being no objection, the motion is approved.*

CHAIR McCLELLAN states that the next item of business is the consultation by the Trust Land Office. He recognizes Marcie Menefee.

## **TRUST LAND OFFICE**

### **KASSAN TIMBER SALE**

MS. MENEFEE states that the first consultation is the Kasaan timber sale, and turns it over to Paul Slenkamp.

MR. SLENKAMP states appreciation for the opportunity to address the committee this morning. He continues that this was put forward for consultation in 2012, and the contract has been in effect for a couple of years. He adds that some of the young-growth timber and old-growth patches have been identified and can be added to the contract for additional value. He anticipates that this will add an additional 400 acres of commercial timber and will bring in revenue up to an additional \$400,000. He adds that the Kasaan timber sale is operated by Alcan Forest Products and has, to date, brought in about \$1,020,000. He explains that there have been some overseas market conditions that caused operations to cease, but the assumption is activity is anticipated. He continues that the TLO would like to have this additional timber in place when the markets align.

CHAIR McCLELLAN asks for a motion.

TRUSTEE BARTON makes a motion to accept the addition of 400 acres of timber to the Kasaan timber sale.

TRUSTEE DERR seconds.

*There being no objection, the motion is approved.*

## **2015 COMPETITIVE LAND SALE**

MS. MENEFEE states that Cindi Bettin, with the land section, will walk through this item.

MS. BETTIN states that for the 2015 Fall and Winter Land Sale Program, the TLO proposes 62 subdivision lots or parcels through the program. She continues that most of the parcels are located in various sections of the state, and Southeast has a few more than in prior years. She adds that some of the parcels will be added or deleted during the public notice process, and minor adjustments to the list will not require further consultation, as was done in the past. She states that there are four lots in the South Fairbanks subdivision area that have commercial value to them and are zoned general use by Fairbanks North Star Borough. She continues that to better market these parcels, they will be listed through a real estate broker rather than have them sold on an over-the-counter sale.

A short discussion ensues.

MS. BETTIN discusses the remainder parcels and asks the Trustees to concur with the Trust's best interest to offer these.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the competitive offering of approximately 62 subdivision lots and small-sized parcels through the TLO's Annual Land Sale Programs.

TRUSTEE BARTON seconds.

*There being no objection, the motion is approved.*

CHAIR McCLELLAN states that the next order of business would be to go back and revisit Item A and restate the exact working of the motion for the record.

TRUSTEE BARTON makes a motion that the Resource Management Committee concurs with the Trust Land Office recommendation to dispose of timber through a negotiated sale on Trust land near Kasaan on Prince of Wales Island.

TRUSTEE DERR seconds.

*There being no objection, the revised motion is approved.*

CHAIR McCLELLAN states that the next order of business is the mitigation marketing addition.

MS. MENEFEE states that it is item C in the packet, and Cindi Bettin will make that presentation.

MS. BETTIN states that in 2013, the Board of Trustees concurred with the adoption of the Resource Management Strategy Plan as the long-term asset management. In the plan, it was decided that an annual review would be conducted to keep current with potential market changes and economics. She continues that in 2015, the TLO recommends adopting mitigation marketing within this plan. The remainder of the plan remains unchanged. She reported that the compensatory mitigation market is a multi-billion-dollar industry in the United States. She adds that the addition of mitigation marketing will allow the TLO to take advantage of economic opportunities in Alaska. She points out that this is not a request for funds; the plan is a management guideline. It does not authorize expenditures in the future. If there is an opportunity that the TLO wants to recommend, it will be reviewed on a case-by-case basis and brought to the Board of Trustees in the normal consultation process. She states that on compensatory mitigation, the TLO proposes to focus on the most mature industry, which is wetland mitigation.

TRUSTEE EASLEY asks what there is besides wetlands.

MS. BETTIN replies that there is a carbon trade exchange in which carbon offsets for companies to become carbon neutral; companies can purchase credits to comply with mandatory carbon regulations. Carbon credits are based on reforestation or preserving forests. Another form of compensatory mitigation is conservation mitigation, which is done by the U.S. Fish and Wildlife Service, and it is related to the Endangered Species Act. She explains that compensatory wetlands mitigation is the result of Section 404 of the Clean Water Act that requires the resource development project to avoid and minimize damage to wetlands. When there are unavoidable impacts, it is the preferred mitigation source or mitigation banking to functional loss of unavoidable impacts. She adds that the regulatory agency is the U. S. Corps of Engineers (Corps). She states that the TLO plans to use compensatory mitigation to promote Trust resource projects on Trust lands -- not as a speculator market. TLO will work through developments from the very beginning of the permitting process and phase the approach so that a bank is not left without a project. She continues that compensatory mitigation is also an additional revenue source besides the resource itself. She also explains the Corps requirements and the risks. She states that the TLO asks for concurrence for adding the proposed draft mitigation marketing as a new asset classification to the Resource Management Strategy 2015 Update.

MS. MENEFEE comments that there is an additional option for the owner of the wetland bank to change the course in the future of that designation that generally is a perpetual easement on the land.

TRUSTEE WEBB states that this appears as a smart thing to do by giving an opportunity to move forward with the developments that require some sort of an offset, and the process described makes an enormous amount of sense.

A short question-and-answer session ensues.

CHAIR McCLELLAN asks for a motion.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the 2015 update of the adopted Resource Management Strategy, the long-term assessment management strategy for managing Trust land assets consistent with TLO regulations under 11 AAC 99.020 and 11 AAC 99.090(c).

TRUSTEE DERR seconds.

MS. MENEFEE states that it is anticipated that there will be an annual review of those policies, and the addition of the mitigation marketing chapter into the Resource Management Strategy is something that can be reviewed on an annual basis. She adds that the Trustees can change the policies.

A short discussion ensues.

TRUSTEE EASLEY states concern on the Federal requirement for wetland. The Clean Water Act does not mention wetlands, and the wording needs to be changed to reflect what is in Section 404 of the Clean Water Act. She adds that, unless someone can find that it is substantiated in law, the wording should be modified.

MS. BETTIN replies that it will be looked at, and the process refined.

*There being no objection, the motion is approved.*

TRUSTEE WEBB asks Trustee Derr to explain her concern about the process.

TRUSTEE DERR replies that her concern is that the process has been carefully reviewed and concerns are reflected, and that the whole fiduciary responsibility is there all the time. It is all a big responsibility.

TRUSTEE EASLEY states that the policy as stated is a good policy, and she would not support it if there was no opportunity to look at each individual project, which there was and is.

A short discussion ensues.

MS. MENEFEE reiterates that the TLO has never moved and done something independently that the Board did not concur with. She agrees with Trustee Webb that there are safeguards in place. She continues that it is in the best interest of the Trust to adopt the policy, and then for the TLO to look at opportunities to try to bring something forward.

CHAIR McCLELLAN asks for any other comments. There being none, he states that the next item of business is the L Street negotiated commercial lease. Due to private-sector confidentiality, he asks for a motion to move to Executive Session.

TRUSTEE DERR makes a motion to move into Executive Session.

TRUSTEE BARTON seconds.

*There being no objection, the motion is approved.*

(Executive Session from 9:36 a.m. to 10:06 a.m.)

CHAIR McCLELLAN goes back on the record and asks Mr. Morrison for a statement on the issue.

MR. MORRISON reiterates some of the discussion in terms of the nature of the ground lease as proposed. He states that this transaction is desirable due to the income revenue generated and the suitability of the tenant.

TRUSTEE DERR makes a motion that the Trust Authority Board of Trustees concur with the negotiation, execution by TLO of a ground lease of parcels S82631 and S1005, or portions thereof, at terms to be negotiated by TLO staff, and the subsequent execution by TLO of the documents necessary to facilitate the transaction and development.

TRUSTEE BARTON seconds.

*There being no objection, the motion is approved.*

CHAIR McCLELLAN states that the next item of business is the Yosemite utility extension funding.

MS. MENELEE introduces Bryan Yackel, the project manager. She states that he works directly for John Morrison and comes from the private sector. She continues that he has a great amount of experience in large construction project management, and he will go over the next two items.

MR. YACKEL states that he has two requests for project funding approvals, and both of them involve water/sewer line mainline extensions. The first is Eagle River, three parcels that are referred to as Yosemite parcels. He continues that these are neighborhood parcels next to Eagle River High School. The Municipality of Anchorage is committed to doing a major road upgrade project in 2016 which will tear out and completely redo Yosemite Drive. He continues that this proposal is to work the TLO project concurrently with them. He adds that this creates some synergy that enables a reduction in administrative efforts and reduces the construction pricing. He states that there is a preliminary not-to-exceed cost estimate of up to 2,000 feet of ultimate line installation at \$900,000, and we are seeking Board approval.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommend that the Alaska Mental Health Trust Board of Trustees approve the expenditure of principal funds for sewer and water infrastructure improvements to and for a portion of the parcel known as Yosemite in the amount of \$900,000 from the TA-DA (AKSAS fund 34045).

TRUSTEE DERR seconds.

MR. BUCKLAND suggests a friendly amendment which would be that these funds do not lapse.

TRUSTEE WEBB accepts the friendly amendment that would add to the language here that these funds do not lapse.

TRUSTEE DERR seconds.

*There being no objection, the motion is approved.*

CHAIR McCLELLAN moves on to the next order of business, U-Med Utility Extension Funding.

MR. YACKEL states that this parcel is located just to the south of McLaughlin Youth Center, formerly referred to as C-2. It is about four-and-a-half acres and is one of the last large vacant commercially developable real estate pieces in the U-Med of that size that is not on a hospital or university campus. He continues that it was regraded in 2012, and the project included the removal or exportation of about 70,000 cubic feet of materials which was a major improvement to the site topography. He adds that the goal is to complete these utility installations this year, and there is a not-to-exceed estimate of \$600,000 for the utility installations, and we are seeking board approval.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Board of Trustees approve the expenditure of principal funds for sewer and water infrastructure improvements to and for the parcel known as C-2 in the amount of \$600,000 from the Trust Authority Development Account (AKSAS fund 34045).

TRUSTEE DERR seconds.

MR. BUCKLAND offers a friendly amendment that these funds do not lapse.

TRUSTEE WEBB accepts the friendly amendment that would add to the language that the funds would not lapse.

TRUSTEE DERR seconds.

*There being no objection, the motion is approved.*

MS. MENEFEE states, that for time's sake, she will combine updates with the monthly report. She continues that on January 21, all parties related to the Kenai Loop Gas Allocation issue settled with AIX, the successor to Buccaneer. She adds that there will be some money coming into the Trust in the next two weeks based on that settlement that would bring the projected revenue back up to past the revenue goals for halfway through the fiscal year. She thanks her staff for helping in that long settlement, which was quite a learning experience. She states that the annual report was published last week. She also thanks staff for all of the effort on that. She asks for any questions.

TRUSTEE DERR asks what is happening with the new Congress and the land exchange.

MS. MENELEE replies that right now the land exchange does not include any Congressional action. She continues that what has happened related to Congress was that the Sealaska bill was passed, and Region 10 of the Forest Service in Alaska had intended to be looking at the ATI packet that was forwarded from the forest supervisor's office. She adds that, because of that, legislation got delayed in reading the impacts of Sealaska for the Forest Service, and the project was put on hold. She states that Forrest Cole is going to retire in April, and the TLO is looking at a way to move forward this Region 10 review before he retires. She adds that the effort will focus on getting the ATI signed before Forrest actually leaves the Forest Service. She states that that is all she has.

CHAIR McCLELLAN thanks Ms. Menefee, and asks for any other business to come before the committee. Hearing none, the meeting is adjourned.

(Resource Management Committee meeting adjourned at 10:23 a.m.)