

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

April 14, 2016
11:00 a.m.

Taken at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska

OFFICIAL MINUTES

Trustees present:

Larry Norene, Chair
Carlton Smith
Laraine Derr
Russ Webb
Paula Easley
Mary Jane Michael

Trust staff present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Carley Lawrence
Amanda Lofgren
Kevin Buckland
Mike Baldwin
Katie Baldwin-Johnson
Carrie Predeger
Heidi Wailand
Luke Lind
Kat Roch
Valette Keller

TLO staff present:

John Morrison
Wynn Menefee
Craig Driver
Karsten Eden
Sarah Morrison
Dave Griffin
Michelle Steelman

Others participating:

Kathy Craft; Donna Mong; Sue Wood (via telephone)

PROCEEDINGS

CHAIR NORENE calls the meeting to order. He asks for any announcements. There being none, he asks for any changes to the agenda. There being none, he asks for a motion.

TRUSTEE MICHAEL makes a motion to approve the agenda.

TRUSTEE WEBB seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the minutes of January 26, 2016.

TRUSTEE DERR makes a motion to approve the minutes of January 26, 2016.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the minutes of February 26, 2016.

TRUSTEE MICHAEL makes a motion to approve the minutes of February 26, 2016.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that there are a couple of consultations and approvals. He recognizes Mr. Morrison.

MR. MORRISON states that there are two consultations and two approvals. He continues that Dr. Karsten Eden will give a presentation over Icy Cape, which is one of the potential revenue sources projects. He moves on to the first consultation, which is for some sales of parcels at the community of Elfin Cove. He introduces Dave Griffin.

MR. GRIFFIN states that he is the Southeast area lands manager. The proposed motion is the negotiated sale for parcels in the community of Elfin Cove. He continues that this proposed action is to conduct a sale of six parcels, which is the entire asset of land there. He adds that the discussions between the TLO, the board members and the community of Elfin Cove culminated in a deal where the community would purchase all six parcels for \$143,000. The sale would provide the community with a land base while alleviating the Trust of nonperforming assets in a

remote location. He states that CRM 1444 has an appraised value of \$90,000, and the remaining five parcels have an appraised value of \$60,000, for a total of \$150,000. He continues that the five adjoining parcels at the cove are unlikely to be purchased because of the steep topography. The TLO believes this sale is in the Trust's best interest because long-term management and liability costs for the remaining five parcels over an extended time frame would be more than the reduced revenue of \$7,000.

TRUSTEE MICHAEL asks if the DOT encumbrances of the property continue.

MR. GRIFFIN replies yes, those will continue.

TRUSTEE SMITH asks how the community will pay for this.

MR. GRIFFIN replies that when commercial fishing was banned at Glacier Bay National Park some money was received to offset the costs. The community has \$143,000 in their account.

CHAIR NORENE asks for any further questions.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the negotiated land sale of six parcels in Elfin Cove, Alaska, to the Community of Elfin Cove.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

MR. MORRISON states that the next consultation is for a placer lease to an individual on Fox Creek, and recognizes Karsten Eden.

DR. EDEN states that he is the minerals section chief with a 20-year background on mineral exploration and mine development on an international level. He continues that this consultation is for a negotiated placer lease of Trust mineral estate with the primary term of three years for the purpose of exploration, development and production of placer gold in Fox Creek in the Fairbanks Mining District. He adds that Randal Powelson is a very well respected placer miner in Fairbanks and is well equipped to conduct the proposed mining activities. He also has a very good working relationship with various state agencies and regulated placer mines. He states that the anticipated revenues will consist of an annual rental fee of \$5,000 which can be credited against production royalty. He continues that the estimate is about \$45,000 to \$50,000 a year based on comparable numbers in the Fairbanks Mining District. He adds that there are no unusual risks associated with the proposed activity; and no unusual or significant costs are anticipated other than periodic site visits to check on cleanups. He states that the proposal is consistent with the Resource Management Strategy for Trust land which was adopted in January, 2016. He continues that the action is a step forward toward generating revenues from Trust mineral resources consistent with a key Trust land management principle of encouraging a diversity of revenue-generating uses of Trust land. He asks for any questions.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the negotiated lease of Trust and mineral estate on Fox Creek for exploration and development of placer gold, as proposed.

TRUSTEE SMITH seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that Dr. Karsten Eden will make a presentation on Icy Cape.

DR. EDEN states that Icy Cape is located north, northwest of Yakutat, about 75 miles and is a huge land parcel. He goes through his presentation, explaining as he goes along. He continues that it is about 48,000 acres in size, and roughly 25,000 acres of it contain mineral-rich sands called heavy minerals. He adds that the delta area is where the highest grades of heavy minerals and gold are found. He states that there is a perfect infrastructure with a road system that goes all across the land block. He continues that there is a landing strip, a camp, and access to a log transfer facility, so material can be shipped in and out. He continues his presentation, explaining as he goes along. He states that it has a nice gold deposit, garnets, zircon and epidote. He adds that epidote is a very rare commodity that is useful in water filtration as an active filter. If it is available on the market, it normally is sold for \$130 to \$150 per metric ton. The majority of the minerals are actually epidote. He used data from the Stoney Creek Operation in Virginia, which is the largest heavy mineral producer on earth, to run a scenario for Icy Cape. The scenario is 250 tons per hour feed capacity; the operation runs 24/7 and operates 270 days per year. That leaves \$218 million worth of valuable materials in the sand. He adds that this is not ore-grade material and is based on bulk samples. He goes into greater detail and states that it is critical to find the high-grade pockets, the high-grade zones. He states that this is a request for a low-altitude airborne magnetic survey over the coastal plain in the delta areas of Icy Cape. He continues that the project costs are estimated to be \$175,000.

CHAIR NORENE asks if there would be any serious environmental issues.

DR. EDEN replies that it is just digging dirt, sand and using water.

TRUSTEE MICHAEL asks what percentage of the revenue will go to the Trust.

DR. EDEN replies that depends on how the deal is structured and explains in greater detail.

A short discussion ensued.

MR. MORRISON reminds the trustees that the potential mine does dovetail nicely with the existing Icy Bay timber sale. He states that this particular parcel is the furthest exploration of a Trust parcel to this point.

The discussion continues.

TRUSTEE EASLEY makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the expenditure of principal funds for parcel research and exploration of the parcel known as Icy Cape in the amount of \$175,000 from the TADA fund code 3320. These funds do not lapse.

TRUSTEE MICHAEL seconds.

MR. BUCKLAND asks the committee to consider the source of the funding for what looks to be a great opportunity. He states that he put an informal inquiry with the GASB, Governmental Accounting Standards Board, on the treatment. He adds that he did not see much with regard to an item like this, whether the cost is capitalized or expenses. He continues that the GASB checked with FASB and concluded that it is something that they felt should be expensed. He explains this more fully.

MR. MORRISON states that they are happy to go with whatever Mr. Buckland's final determination is.

MR. JESSEE recommends that the motion be amended to expense this.

A discussion ensues.

TRUSTEE WEBB makes a motion to strike the language where it states "expenditure of principal funds," strike the "of principal funds" and after the \$175,000, strike the "from the TADA fund 3320.

TRUSTEE MICHAEL seconds.

There being no objection, the amendment is approved.

CHAIR NORENE moves back to the motion.

There being no objection, the motion is approved.

MR. MORRISON moves on to an approval for various property budgets within this one motion. There are at least two different sets of properties. He states that first is the Real Estate Management Plan properties, and it is important to note that all of these are paying their own expenditures and is not a request of money. He continues that the second is a pool of properties that are not producing money at this point and are asking for some money. He asks Craig Driver, the asset manager, to continue.

MR. DRIVER states that approval is being sought for the FY17 property budget for the buildings listed in the packet. He continues that the exhibit breaks out three categories: the buildings include the Real Estate Management Plan properties located in Tumwater, Washington; Ogden, Utah; Austin, and San Antonio, Texas; and Anchorage, Alaska, as well as other Trust properties in Anchorage and Fairbanks. Group Two consists of properties that generally sustain themselves through rental income, but were not acquired for the purpose of investment income. The third

category contains the properties that are currently utilized for program-related uses, but do not sustain themselves entirely through rental income or are earmarked for program-related uses at less than market rent. He states that the expense budgets were derived through review of previous years' budgets and forecasting of anticipated FY17 operating expenses and capital projects. He explains all in more detail. He states that there are three motions and asks that they be adopted.

A discussion, in great detail, ensues.

TRUSTEE SMITH makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the recommendation to approve the incremental building expenditures totaling \$5,759,700 budgeted for fiscal year 2017 to be paid by the property manager from rents and other income collected from the properties.

TRUSTEE WEBB seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve funding the expenditures for the Program-Related Investment properties in the amount of \$212,200 for fiscal year 2017, which appropriation shall not lapse.

TRUSTEE MICHAEL seconds.

A discussion ensues.

TRUSTEE WEBB withdraws his motion.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is withdrawn.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees authorize the CFO to transfer the balance of the facility maintenance account, IRIS fund 3322, the balance being \$105,787, to the Alaska Mental Health settlement income account, IRIS fund 1092, to partially fund the FY17 operating cost of the Program-Related Investment properties.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees authorize an appropriation from the Trust Authority Development Account, TADA IRIS fund 3320, in the amount of \$70,000 for

capital costs of Program-Related Investment properties for FY17. The appropriation shall not lapse. The CFO is authorized to transfer the full amount to a third-party property manager upon the request of the TLO.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve an appropriation from the Alaska Mental Health Settlement Income Account, IRIS fund 1092, in the amount of \$142,200 for operating costs of the Program-Related Investment properties for FY17 which appropriation shall not lapse. The CFO is authorized to transfer the full amount to a third-party property manager upon the request of the TLO.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

MR. MORRISON asks if, between now and next year, preparing for this same situation is wanted.

CHAIR NORENE replies that he and Mr. Buckland discuss it in advance and clean up the order of the motions.

A short discussion ensues.

CHAIR NORENE moves back to the agenda and asks for an update.

MR. MORRISON states that there are a lot of things happening at the TLO, and we are continuing to press forward in the work with the land exchange. He explains in greater detail. He continues that House Bill 274 has been going through the various committees and believes that it is now scheduled for a floor vote. He moves on to the land sale and states that the winter land sale closed out a few weeks ago. He continues that seven of 17 parcels in the land sale sold for \$640,000. He adds that the parcels sold for 4.4 percent above the appraised value, which is the lowest on record. He states that there are a couple of issues in Wrangell on some contaminated lands, and two of those parcels are well into the process of being cleaned up. A third parcel is an extremely contaminated parcel, which is right next to Trust land and explains this more fully. He moves on and talks about the Governor's travel memo and how that was affecting the TLO. He states that issue was solved with Chair Webb's help, with a new travel plan procedure. He continues that the PRI position has been added and there is a request to recruit for the PCN. He adds that he will keep the board informed. He states that a letter of interest was received from Catholic Social Services to discuss their facility next door, and we are exploring options with them. He continues that Brian Yackel, the project manager, has been working with the Muni to iron out some issues and move forward with the utility improvements

at Yosemite Drive. He adds that they are about to put the invitation to bid out for utility work with C-2 in the U-Med District.

CHAIR NORENE asks for any questions.

A short discussion ensues.

CHAIR NORENE asks for a motion to adjourn.

TRUSTEE MICHAEL makes a motion to adjourn the meeting.

TRUSTEE WEBB seconds.

There being no objection, the meeting is adjourned.

(Resource Management Committee meeting adjourned at 12:50 p.m.)