

ALASKA MENTAL HEALTH TRUST AUTHORITY  
RESOURCE MANAGEMENT COMMITTEE MEETING

August 5, 2014

9:15 a.m.

Taken at:  
Alaska Mental Health Trust Authority  
3745 Community Park Loop, Suite 200  
Anchorage, Alaska 99508

Trustees Present:

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

Trust Staff Present:

Jeff Jessee  
Steve Williams  
Carrie Predeger  
Kevin Buckland  
Mike Baldwin  
Marilyn McMillan  
Carley Lawrence  
Amanda Lofgren  
Miri Smith-Coolidge

TLO Staff Present:

Marcie Menefee  
John Morrison  
Sarah Cunningham-Morrison  
Craig Driver

## **PROCEEDINGS:**

CHAIR NORENE calls the August 5, 2014 Resource Management Committee meeting of the Mental Health Trust Authority to order, and recognizes the Trustees present. He asks for any announcements. There being none, he moves to the agenda. He asks for a motion on the minutes of the June 25, 2014 meeting.

TRUSTEE DERR makes a motion to approve the minutes of the June 25, 2014 Resource Management Committee meeting.

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

CHAIR NORENE moves to the requested approvals, beginning with the acquisition of the Assets building. He recognizes Marcie Menefee.

MS. MENEFEЕ states that Craig Driver will be doing the presentation.

MR. DRIVER states that this building has been talked about in the past and was under an ILMA with the Department of Health and Social Services. He continues that the work to upgrade the building that was agreed to before the TLO took it over is just about complete. He adds that on completion of the roof project there will be a proposal to effect the transition of management of that property back to the Trust. That will be accomplished by terminating the ILMA.

TRUSTEE MICHAEL asks about the going-to-market rate on the lease rate, stating concern about the nonprofit that has not paid market rates because of the lack of ability to afford it. She adds that she wants to be assured that the space will be retained for as long as they need it.

MR. MORRISON states that the issue with the market-rate rent is that a two-year extension on the lease was given through the lease document, anticipating that the building would be taken subject to the lease document at the end of the two years of the continued dollar-a-year rent, and then it would go to market rate. He continues that they do not have to renew the lease, could renew part of the lease, or walk away. He adds that they do not believe that the property meets their need, which has forced a study of operations. He asks if that answers the question.

TRUSTEE MICHAEL replies, no. She states that she feels strongly that the Beneficiaries benefit from that program and should not have to pay market rate on that building or be forced to move out because they cannot afford it. She states that buildings cannot be taken out of service that are for the Beneficiaries simply because it could generate more revenue.

MS. MENEFEЕ states appreciation for everything said and continues that the TLO is in a position where their mission is clear, and that it is well within the purview and authority of the Trustees to use Trust land for Beneficiaries' purposes. She continues that the process for that decision to be made is for the nonprofit to come to the Trust and work with a program officer to work that out, and then bring something to the Board. She adds that there is a need for the Trustees' approval to use Beneficiary land for the Beneficiary process.

A discussion ensues.

TRUSTEE MICHAEL states that the reality is that building was built by the ARC 40 to 50 years ago. The State did not pay a dime, the Mental Health did not pay a dime. We are getting the building for free, and past unpaid rent is moot. She continues that it is a free building, and rent will be collected. She adds that her point is that she does not want the nonprofits who provide for the Beneficiaries to get moved out of the last remaining buildings in the Trust system that are even available. She states that they can dream big, but the reality is that they will be in that building for the next ten years.

TRUSTEE WEBB states agreement with Trustee Michael's sentiments, and the issue is will the building be taken or not. He adds that the systems are eroding and every service system is declining in its capacity to serve Trust Beneficiaries. He states the need for a process for arriving at the kinds of principles that will guide those decisions.

CHAIR NORENE states that possession of the building should be taken and money should be allocated to operate it for a while.

TRUSTEE MICHAEL states agreement, as long as it is understood that there may not be revenue generated other than the building.

The discussion continues.

MR. JESSEE states that this programmatic issue has been thought about before, and adds that it is going to be helpful getting some guidance from the Trustees as to how to handle these situations.

TRUSTEE WEBB states that it is in the interests of all to move forward, accept this property and then figure out the policy, guidance that the Trust wants to develop to use for determining how these properties and others are used in the future.

TRUSTEE EASLEY states that the TLO has done a good job in preparing the proposal for the Trustees and staff to consider. She continues that it is now up to the Trustees and the due diligence of staff to decide if this is what it wants, and there does not seem to be any opposition to that. She adds that it is not the Trust Land Office's decision to make.

CHAIR NORTON recognizes Trustee Barton.

TRUSTEE BARTON states that, based on the discussion, there is a lot of consensus on the Committee to make a program investment here and supports it. He suggests going ahead and acting on the transfer of the building, and then dealing with the PRI in November or October.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends the Alaska Mental Health Board of Trustees approves the action as described herein wherein the Trust Land Office facilitates the transfer of jurisdiction and the management of the building

known as the Assets Building at 2330 Nichols Street from the Department of Health and Social Services to the Trust.

TRUSTEE MICHAEL seconds.

TRUSTEE BARTON asks what “transfer of jurisdiction” means.

MR. MORRISON replies that the Trust owns the real estate as it currently stands, but the real estate is encumbered by the ILMA, Interagency Land Management Agreement. He continues that what is being done here is agreeing with the Department to cancel that ILMA and, therefore, take over responsibility for the property.

CHAIR NORENE asks for an amendment to the motion to change the “herein.”

TRUSTEE DERR revises the motion in that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the transfer of jurisdiction and management of the building known as the Assets Building at 2330 Nichols Street from the Department of Health and Social Services to the Trust.

CHAIR NORENE asks if the second accepts the revision.

TRUSTEE MICHAEL seconds and accepts the revision.

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

TRUSTEE DERR makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve an increase to Appropriation 15960-2015 from the facilities maintenance account, AKSAS fund 34048, in the amount of \$30,000 for 2330 Nichols Street. In addition, the Board authorizes the CFO to transfer the funds to a third-party property manager for management of that facility.

TRUSTEE MICHAEL seconds.

MR. BUCKLAND states that with the recent changes in the by-laws, the RMC has the authority to approve an item under \$50,000. He continues that this motion could be approved just by the RMC.

TRUSTEE DERR states that she is comfortable with the motion and feels that, in light of the discussion, the motion should just go before the Trustees. She adds that it shows that the Resource Management Committee is not assuming that the Board is going to approve the previous motion.

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

CHAIR NORENE moves into the FY16 operating budget.

MS. MENELEE states that the TLO's budget has an increase for approval for FY16 over the FY15 Management Plan. She adds that it is a \$4.3 million request for the whole budget. She explains that it is a 6.28 percent increase and is primarily intended so that more revenue can be made for the Trust. She explains as she goes along. She states that the efforts at the TLO to become fully staffed are ongoing. She continues that two individuals were hired in the real estate program, Craig Driver and Bryan Yackel, and she believes that they will help with taking advantage of opportunities in and outside of Alaska with real estate, and in exploring acquisitions. She continues that there is currently one remaining vacancy for the section chief of the minerals and energy section. She explains that contingencies have been built into the budget to be able to take advantage of unplanned opportunities. She continues going through the budget. She states that the operating budget requested for approval for FY16 is \$4.327 million.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends that Alaska Mental Health Trust Board of Trustees approve the Trust Land Office FY16 operating budget in the amount of \$4.327 million.

TRUSTEE BARTON seconds.

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

CHAIR NORENE states that the next thing on the budget is the Texas building acquisition.

MR. MORRISON states that this is an opportunity to acquire a property in Austin, Texas, for the real estate management plan. He continues that it is a great opportunity for the Trust to get market rate returns and, more specifically, return a significant stream of predictable income to the Trust.

TRUSTEE DERR makes a motion to complete the agenda before going into executive session.

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

CHAIR NORENE moves to updates and recognizes Paul Slenkamp.

MR. SLENKAMP states that the Icy Bay Timber sale closed and that the timber sale contract has been implemented. He continues that improvements will be started next year, with old harvest activities beginning in 2016. He states that the valuation consultation on the land exchange is expected this week. He continues that Trustee Derr accompanied the Forest Service and TLO staff on a land exchange parcel tour that went very well. He thanks Trustee Derr for participating. He states that a request for an update was received from Senator Murkowski which was sent, and he adds that considerable progress was made in recent months on the exchange. He continues that the challenge right now is getting Region 10 level in Juneau to help prioritize the exchange, and explains. He asks for any questions.

CHAIR NORENE thanks Mr. Slenkamp and asks for any further updates. There being none, he moves to the monthly report, asking if there are any questions on that.

TRUSTEE BARTON asks about the situation with the L Street property.

MR. MORRISON replies that there are many potential interested parties in the L Street property.

CHAIR NORENE asks to discuss this in executive session due to sensitive negotiations.

TRUSTEE BARTON asks about the cause for the underestimation of the revenue projections.

MR. MORRISON replies that part of the issue is the fact that the projections are done, at a minimum, 18 months before the time period that is being projected; and we are always striving to meet them.

MS. MENEFEE adds that it is a very difficult task.

A short discussion ensues.

CHAIR NORENE asks for any further comments. There being none, he moves into executive session.

TRUSTEE DERR makes a motion to move into executive session.

(Resource Management Committee in executive session from 10:40 a.m. through 11:10 a.m.)

CHAIR NORENE reconvenes the meeting, moving to the Texas building acquisition project, and asks for a motion.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Board of Trustees approve the action as described herein wherein the Trust Land Office forms a single-purpose entity owned in full by the Trust for the purpose of acquiring, owning and operating the proposed property.

TRUSTEE DERR seconds with the amendment of removing “as described herein.”

TRUSTEE MICHAEL accepts the amendment.

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

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the proposed action to fund the newly formed LLC with principal funds from the Trust Authority Development Account (TADA), fund code 34045, to acquire the property up to \$15,800,000. This funding will include purchase price, entity formation expenses, legal reviews, and due diligence costs as necessary to complete the transaction as presented.

TRUSTEE DERR seconds.

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

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees concur with the proposed action to complete the financing of the proposed property. Further, the Resource Management Committee recommends the Board concur with the recommendation that the net principal funds provided by the financing be distributed from the newly formed LLC to the Trust and placed in the Trust Authority Development Account (TADA), fund code 34045.

TRUSTEE DERR seconds.

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

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve an increase to the appropriation 15960-2015 from the facility maintenance account, AKSAS fund 34048, in the amount of \$861,000.

TRUSTEE DERR seconds.

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

MR. BUCKLAND clarifies that the funding of these expenditures comes from the rents of the subject building.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees delegate to the executive director of the TLO the authority to determine if it is necessary to cancel this transaction and separately to address comments regarding the administrative decision process to spend Trust funds.

TRUSTEE DERR seconds.

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

CHAIR NORENE thanks John Morrison for all of his work, and for finding the building. He asks for any comments or questions. There being none, he adjourns the Resource Management Committee.

(Resource Management Committee meeting adjourned at 11:15 a.m.)