

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE

August 5, 2015

9:30 a.m.

Taken at:

Alaska Mental Health Authority
3745 Community Park Loop, Suite 200
Anchorage, Alaska 99508

OFFICIAL MINUTES

Trustees present:

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

Trust staff present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Nancy Burke
Kevin Buckland
Mike Baldwin

TLO staff present:

John Morrison
Craig Driver
Sarah Morrison
Connor Michael
Mike Franger

PROCEEDINGS

CHAIR NORENE calls the Resource Management Committee meeting of August 6, 2015, to order. He asks for any announcements. There being none, he moves to the agenda and asks for any changes or additions. There being none, he moves to the minutes of April 16, 2015 and May 13, 2015.

TRUSTEE MICHAEL makes a motion to approve the minutes of April 16, 2015.

There being no objection, the motion is approved.

TRUSTEE DERR makes a motion to approve the minutes of May 13, 2015.

There being no objection, the motion is approved.

CHAIR NORENE moves to consultations and recognizes Mike Franger on the negotiated oil and gas lease.

CONSULTATIONS

MR. FRANGER states that this is a proposal to issue a negotiated oil and gas lease to Doyon, Limited, for about 9400 acres in the Nenana area. It would be a ten-year lease, 12-and-a-half percent production royalty on anything produced from the lease rentals which would start at \$3 an acre and escalate to \$5 an acre for the term of the lease. He continues that Doyon is committed to continue exploring in the area. He adds that there are no unusual concerns or costs associated with the proposal. He states that the recommendation would be to issue a negotiated lease with Doyon.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommend that the Trust Authority Board of Trustees concur with the negotiated lease of Trust land near Nenana with Doyon, Limited, for the exploration and development of oil and gas resources.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

FY17 TLO BUDGET REQUEST

MR. MORRISON states that in considering the TLO budget requests the following important questions need to be asked: What is the TLO's mission? What is the TLO? What challenges does the TLO face? What opportunities may the TLO pursue, and what is the cost? He continues that the TLO mission, as found in the regulations, is to maximize the long-term revenue from Trust land; protection of the corpus; protection and enhancement of the long-term productivity of the Trust land; incur diversity of the long-term use of Trust land; management of Trust land permanently, efficiently, and with accountability to the Trust and its Beneficiaries. He states that the TLO is a fixed-asset manager of a portfolio with a value in excess of a billion

dollars. Through the management of this portfolio, the TLO is actively involved in several diverse industries, and it has a meaningful impact on the state's economy, as a whole. He adds that the gross value of the products and services on Trust land average roughly 2 to 3 percent of the entire Alaskan economy, which is in the \$50 billion range. He moves on and talks about some of the current challenges faced. He then talks about the opportunities that are being pursued and others that need to be pursued, giving a few examples. He states that in FY15 the TLO is estimated to have made \$12,800,000 and only spent \$3,600,000, for a return on investment of 355 percent. The TLO is asking for continuing investment in the future of the Trust. He continues that the request asks for a budget increase of 1.75 percent, or a total of \$4,397,500. He goes through this increase in greater detail.

TRUSTEE EASLEY asks Mr. Morrison how he feels about the adequacy of the TLO staff at this time.

MR. MORRISON replies that the TLO has a wonderful staff and is very fortunate to have these people. He talks about the continued challenges about recruiting, and adds that it becomes harder and harder to entice people to come for similar wages and less benefits. He explains that a solution to the PCN would be a conversion of the PCN to a full-time position, and having that person also serve as the information systems administrator.

A discussion ensues on the aging legacy systems and the impact of these issues.

TRUSTEE WEBB asks if the proposed FY17 budget includes money for converting the long-term nonperm position to a permanent position.

MR. MORRISON replies no.

A discussion on the subject ensues.

TRUSTEE WEBB asks if the Trustees specifically need to add that money to the budget for that position separate from the opportunity coming.

The discussion continues.

TRUSTEE WEBB suggests, for clarity, to have that position planned in the budget. He states that the point is to make absolutely clear what the intention of the Trust is.

CHAIR NORENE asks for any other comments or questions. Hearing none, he entertains a motion.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Trust Authority Board of Trustees approve the Trust Land operating budget for FY17 in the amount of \$4,397,500.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that the next item is updates.

UPDATES

MR. MORRISON states that the fires across the state did affect Trust land. He continues that roughly 1,000 acres of surface estate burned, which included black spruce and swamp. The loss did not include any timber value. He states that the San Antonio acquisition is moving forward, and all of the due diligence passed. The hope is to close in August, but there is not a firm date. The Austin property loan closed in June, and a little over \$10,200,000 was returned to the Trust; partially in June and partially in July. He moves on to Chuitna, which holds a great possibility for the Trust. There are two processes that have to play out: a water rights issue, where the organization, PacRim Coal applied for a stream flow reservation; and the other application is to preserve water where it is without movement. He states that the Native American Rights Federation, NARF, has submitted a report that seeks to designate the entire Chuitna watershed as traditional cultural lands. If that is found to be the case, the next step would be that the land is unsuitable for mining and there will be no mine. He states that the recruiting for the Southeast manager position was unsuccessful, and we will try again. He states that Icy Bay is an area with heavy mineral sands and has a representative sample of the mineral potential for the entire area. He adds that it seems to be readily marketable as a real project. He goes through a few more quick updates and moves to the land exchange. He shares a very simplified schematic of what this land exchange is, explaining as he goes along.

A short discussion and explanation ensues.

MR. MORRISON concludes his update.

CHAIR NORENE asks for anything else to come before the committee. There being none, he asks for a motion to adjourn.

TRUSTEE DERR makes a motion to adjourn the meeting.

TRUSTEE WEBB seconds.

There being no objection, the meeting is adjourned.

(Resource Management Committee meeting adjourned at 10:30 a.m.)