

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

August 11, 2016
8:30 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
Jerome Selby

Trust staff present:

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

TLO staff present:

John Morrison
Wyn Menefee
Craig Driver
Karsten Eden
Sarah Morrison
Paul Slenkamp

Others participating:

Sue Woods, Petersburg, Alaska

PROCEEDINGS

CHAIR NORENE calls the Resource Management Committee meeting to order. He states that Carlton Smith will be late and he wants to be involved with a particular issue of concern. He continues that there is a change in the agenda and asks that the director's report be presented early.

TRUSTEE SELBY makes a motion to approve the agenda, as amended.

TRUSTEE MICHAEL seconds.

CHAIR NORENE moves to the minutes of April 14, 2016.

TRUSTEE SELBY makes a motion to approve the minutes of April 14, 2016.

TRUSTEE MICHAEL seconds.

There being no objection, the motions are approved.

CHAIR NORENE moves to the minutes of May 2, 2016.

TRUSTEE SELBY makes a motion to approve the minutes of May 2, 2016.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the director's report and recognizes Mr. Morrison.

MR. MORRISON begins by sharing a few pictures starting with some of the Cat Island timber harvest which was consulted on a few short months ago.

MR. SLENKAMP states that the timber sale went quite smoothly. There were some public concerns prior to the sale, but since the timber sale commenced with the logging, which will be finished soon, there has been no public comment, negative comments or calls about it. It was a very successful operation and may exceed the \$500,000 return that was initially anticipated.

MR. MORRISON moves to an update on the Chuitna Mine issue, and goes through the slides and the graphics, explaining as he goes along. He states that a determination was made on an area identified as a traditional cultural landscape. The Corps originally declined to make a determination because not enough evidence was produced. He continues that the State Historical Preservation Office declined to comment one way or the other on the interpretation. He adds that the next step is that it is currently headed to the Keeper in Washington, D.C. for a final determination. This will continue to be monitored. Another struggle that Chuitna is facing, which has not yet been determined, is the water reservation issue. An initial reservation of water

has been made on some of the lower parts of the streams leading from the mine site. He continues that the Trust was approached by the City and Borough of Yakutat with a need in their community for new residential parcels, and they do happen to have a platted subdivision. He states that, to test the market, a special land sale was held. He reports that three of the six lots sold for a total of \$166,000, which is 17-and-a-half percent over appraised value. He continues that some additional parcels that are specially selected will be added into another land sale to try to get some more value out of this before taking the next step of putting the roads in. He moves on, stating that an online application solution has been developed that prompts an applicant to enter the data and then delivers that data in an electronic format where it can be moved through the approval system within the office. He continues that it also dovetails with a system that allows a more efficient identification of a parcel of land that someone is interested in. He adds that on the website there is a link to begin this system with step-by-step instructions. It also allows online payment for application fees. When "submit" is clicked, the applicant gets to keep a copy and it also submits a copy, which prevents duplication of efforts to enter the data and helps in the approval process. He states that staff has developed this from the ground up and, in its beta stage, has proven to be very useful. He moves on to a quick update on the land exchange and states that Wyn Menefee was critical in getting through the Legislature a bill that helps facilitate the State side of the land exchange process. He continues that it was passed and signed by the Governor. He states that the successful closing of the Austin acquisition occurred on August 2nd, and reports that it went smoothly and we have taken ownership. He continues that, currently, there are three separate licensees or vendors that have recently declared bankruptcy. Link American Energy declared bankruptcy. They were working on the underground coalbed methane project in Tyonek and elsewhere. He continues that Black Range Minerals, who held the lease on the only coast prospect with a mine permit on property the Trust owns, declared bankruptcy and walked away from their project. Apache let their leases expire and are no longer active in the State.

TRUSTEE DERR asks about Chickaloon.

MR. MORRISON replies that Chickaloon is Riversdale and they are not bankrupt, but there is no guarantee. He states that the PRI position recruitment has ended, and we were able to discuss an offer with the top candidate. He continues that he has not yet heard back from the Governor's Office about an acceptance or not. He concludes his update.

TRUSTEE DERR asks if Karsten will speak about the trip to Yakutat.

MR. MORRISON replies that Dr. Eden is prepared to give a presentation, and recognizes him.

DR. EDEN begins with his update on the Icy Cape Gold Industrial Heavy Minerals Project and states that the project started thirteen months ago with just satellite imagery and no information except for a report from '95 that mentioned there was gold there and a potential for heavy minerals. He continues that he developed a geological model for the area with two different

geomorphic provinces: the coastal plain, with individual terraces and strandlines, and the delta area. Both contain industrial heavy minerals and placer gold. He states that Phase No. 1 was completed a few months ago and goes through explaining some of the results. He continues that Phase 2 was run this summer with the goal of collecting a few tons of heavy mineral concentrates that are being shipped out and separated into the different individual mineral concentrates for industrial testing. He adds, that campaign was a big success and gained a lot of valuable knowledge for next year. He goes through some pictures of the different activities, explaining as he goes along. He states that it is an interesting project which is gaining international recognition and attention. He adds that Phase 2 is still continuing, and that Phase 3 will start next year with a need to do stratigraphic and resource drilling in order to attract key industry to invest. He thanks all.

MR. MORRISON thanks Dr. Eden and states that he would be happy to hear some of the trustees' insights from the site visit. He asks for any questions or comments.

TRUSTEE SMITH asks if Dr. Eden could share the difference between this site and a hard-rock site.

DR. EDEN replies that if this site will go into production in the future, it will not be a hard-rock operation, but a soft-rock operation, which is a placer mine. He states that different rules and regulations apply in terms of permitting. Future mining will be very simple. There are only two ways to do this: dry mining or wet mining with either a backhoe operation or a dredge. He continues that the dry parts will be focused on first, which are the easier accessible ones, and it would be a backhoe operation.

MR. MORRISON states that this is easier from a regulatory standpoint because there is no chemical separation or other issues of that nature.

CHAIR NORENE thanks both and points out that Trustee Smith is present. There is a full complement of trustees, and continues with the agenda.

TRUSTEE WEBB comments that this approach to this particular piece of property looks to be the type of strategic approach that should probably be taken in terms of learning as much as possible about the value and developing that information to the point that the value to the Trust is increased and then move forward in developing. He also states appreciation for Dr. Eden's work and vision.

TRUSTEE SELBY commends staff on this whole report and appreciates the good job.

CHAIR NORENE moves forward on the agenda under "approvals."

MR. MORRISON adds that there is one more update and shares the results from the FY16 real estate plan.

CHAIR NORENE thanks Mr. Morrison and states that Item 1 is the Fahrenkamp Center to increase its operating funding.

MR. MORRISON states that Craig Driver, Asset Manager, is here to make the presentation for the Fahrenkamp Center. He adds that, for clarity, this is called Item A.

MR. DRIVER states that this approval request is pretty straightforward, and explains it in great detail. He continues that the previous approved amount for operating expenses was approximately \$63,000 for the fiscal year. With the six months of additional vacancy, that new number is approximately \$95,000. He adds that in the budgeted amount of \$166,000 total, there is an earmark for \$70,000 for a roof replacement project during this fiscal year. He states that the proposal is to approve an additional appropriation of \$32,000, in addition to what was approved in May.

TRUSTEE SELBY makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve additional funding for expenditures on the Fahrenkamp Center property in the amount of \$32,000 for fiscal year '17, which appropriation shall not lapse.

TRUSTEE WEBB seconds.

MR. BUCKLAND states that the RMC has the ability to approve up to \$50,000 on project-specific expenditures. This does not require referral to the Full Board.

TRUSTEE SELBY makes an amendment to the motion, changing it to "the Resource Management Committee approves."

TRUSTEE WEBB seconds.

There being no objection, the motion is approved.

CHAIR NORENE asks Mr. Buckland for comments on proposed motion No. 2.

MR. BUCKLAND replies that he does not think a motion No. 2 is necessary if the trustees are all okay with him transferring the money upon request.

CHAIR NORENE moves on to the next item.

TRUSTEE DERR makes a motion to recommend that the Alaska Mental Health Trust Authority Board of Trustees approve the Trust Land Office operating budget for FY18 in the amount of \$4,473,600.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

CHAIR NORENE asks anyone on the line to hang up and call back in 30 minutes because of Executive Session.

MS. WOODS states that she is Sue Woods from Petersburg and had called in to listen to the update on the land exchange, which was appreciated.

CHAIR NORENE says it may be in her interest to call back and moves forward into Executive Session.

(Executive session from 9:27 a.m. to 10:40 a.m.)

CHAIR NORENE states that they are back from Executive Session and calls the meeting back to order. He moves to consultations, beginning with Item A, timber sale, the K3 Timber Sale in Ketchikan. He recognizes Paul Slenkamp.

MR. SLENKAMP states that he is senior resource manager with the Trust Land Office and introduces the proposal to harvest timber in Item A, which is Petersburg. He continues that this is the P-1 Timber Sale, MHT 9100855. This was originally put before the trustees on October 7, 2005, under MHT 9100411. It comprises basically 2600 acres of land close to the community of Petersburg. The anticipated partial cut volume of 17,500,000 feet with a revenue projection of \$2,673,250 to principal and \$471,522 to income. He states that this sale is happening after ten years of negotiation for a land exchange with the U.S. Forest Service in various communities through Southeast. After great due diligence by the Trust and the Forest Service, this land exchange has become uneconomical. He continues that there is legislation introduced in the Senate, S-3006, at this time to move this land exchange forward. He explains in greater detail and states that it would be in the best interest of the Mental Health Trust to harvest this timber and fulfill the mandate of providing revenue for Trust assets to beneficiaries in the event that we cannot move the land exchange forward.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the disposal of timber through a negotiated sale on Trust land near Petersburg, as proposed, no later than January 15, 2017, unless legislation directing the Secretary of Agriculture to effect an exchange of land from the Forest Service to the Trust is passed affecting the subject parcel.

TRUSTEE SELBY seconds.

TRUSTEE WEBB clarifies, on the record, his understanding of the circumstance. He states that the timber industry is, essentially, in a position where there is no timber available and is dying, and within a year or less will exit Alaska, specifically Southeast Alaska. He continues, that would reduce the potential value of any timber lands that the Trust owns in Southeast Alaska to virtually nothing. He states that either a land exchange be brought about, which has been under discussion for ten years, or begin to harvest the timber and get the value out of the land.

There being no objection, the motion is approved.

CHAIR NORENE moves to another timber sale, Item B, which is essentially the same situation. He recognizes Mr. Slenkamp.

MR. SLENKAMP states that this is timber sale K-3, MHT 9100854, and is comprised of about 898 acres, about 10 million board feet, located south of Ketchikan, with anticipated revenue in principal of \$1,785,000 and \$335,000 in income. He continues that this is much the same situation as in Petersburg. This involved a land sale back in 2002, and explains more fully. He recommends moving forward with this timber sale.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the disposal of timber through a negotiated sale on Trust land near Ketchikan, as proposed, no later than January 15, 2017, unless legislation passes Congress directing the Secretary of Agriculture to exchange land of equal value to the subject parcel to the Trust.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that there are no further items on the Resource Management Committee agenda and asks if the trustees have any comments.

TRUSTEE WEBB states that it will be expected that these actions will not be viewed positively by all and it is incumbent on the Trust to move forward as quickly as possible and suggests that these actions go forward to the Full Board. He suggests that, once these are passed, staff begin the process of informing affected parties of these actions and explaining the reasons for the action and the basis to retain the value and gain that value from the land in the hope of gaining support and understanding of the interests of beneficiaries.

CHAIR NORENE asks for any other comments.

MR. MORRISON adds to remind people that at the beginning of the Trust Land Office existence, that timber was almost the sole provider of revenue to the Trust, and over the course of time has provided roughly 40 percent of all the revenue the TLO has earned.

TRUSTEE SELBY makes a motion to adjourn the committee meeting.

TRUSTEE EASLEY seconds.

There being no objection, the meeting is adjourned.

CHAIR NORENE thanks all.

(Resource Management Committee adjourned at 11:00 a.m.)