

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE

October 22, 2014

9:08 a.m.

Taken at:

Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 120
Anchorage, Alaska 99508

OFFICIAL MINUTES

Trustees present:

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

Trust staff present:

Jeff Jessee
Miri Smith-Coolidge
Kevin Buckland
Michael Baldwin
Marilyn McMillan

TLO staff present:

Marcie Menefee
John Morrison
Victor Appolloni
Cindi Bettin
Mike Franger

Others participating:

Mike Martin, Northrim Bank; Mark Edwards, Northrim Bank.

PROCEEDINGS

CHAIR NORENE calls the meeting of the Resource Management Committee to order. He states that there is a quorum. He asks for any announcements. There being none, he asks for approval of the agenda.

TRUSTEE DERR makes a motion to approve the agenda.

There being no objection, the motion is approved.

CHAIR NORENE moves to the minutes of the August 5, 2014, and September 2, 2014, meetings.

TRUSTEE DERR makes a motion to approve the minutes of August 5, 2014.

TRUSTEE BARTON seconds.

There being no objection, the motion is approved.

TRUSTEE DERR makes a motion to approve the minutes of the September 2, 2014 meeting.

TRUSTEE BARTON seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that there are three consultations under the land program, and begins with the Seaduck Subdivision.

MR. APPOLLONI states that the proposed action is to offer seven lots in the Seaduck Subdivision near Petersburg through the TLO's Annual Land Sale program. He continues that the Trust parcel was subdivided into seven half-acre lots. He adds that they are approximately 10 miles south of Petersburg near the Mitkof Highway near Papke's Landing. He states that the TLO also approached the City and Borough of Petersburg to discuss possible negotiated sales of the remaining 3.54 acres to mitigate unauthorized use and management cost. He continued that due to the Petersburg Borough's priorities, the negotiated sale was never completed. He adds that these parcels are in the best market, at this time, to offer in the land sale program. He states that the subdivision plat should be finalized and recorded by the end of this month. He continues that, based on the appraisal, the TLO anticipates the total value of the seven lots to be \$218,000. He adds that the project costs are estimated at \$12,500, which includes appraisals, title reports, marketing, surveying, and platting costs.

TRUSTEE EASLEY asks if there is any population growth in the area.

MR. APPOLLONI replies that their market trend is kind of stable, but they did have a decline in their population in the last year.

TRUSTEE DERR makes a motion that the Resource Management Committee concur with the offering of seven lots in the Seaduck Subdivision near Petersburg through the TLO's Annual Land Sale Program.

TRUSTEE BARTON seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves on to Item B, the Rosalie Coal Lease, and recognizes Mike Franger.

MR. FRANGER states that this is a proposal to negotiate a coal lease for a 160-acre parcel of land to Usibelli Coal Mine. He continues that the parcel is located in the Healy River Valley and is adjacent to an existing coal lease that the Trust also owns. He explains that the leases would be on a standard Trust lease form, and the term would be ten years with an annual rent of \$5 an acre. He states that Usibelli is in the process of obtaining permits to begin mining on the adjacent lease next year. He continues that they anticipate additional demands for coal in state, as well as out of state. He adds that this parcel had previously been leased to UCM, which recently expired. He states that this parcel is thought to contain additional reserves that would be associated with the coal in the area, and the recommendation is to lease this parcel to UCM.

TRUSTEE DERR makes a motion that the Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the negotiated lease of Trust land near Healy for mining of coal with Usibelli.

TRUSTEE BARTON seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that Item C is the Freegold Ventures Lease Expansion, and recognizes Mike Franger.

MR. FRANGER states that this is a proposal to lease additional acreage to Freegold Ventures. He explains that Freegold has been assembling acreage in this area for a number of years and has expended a considerable amount of money exploring in the area. He continues that the most recent resource estimate is approximately 6 million ounces of gold. He states that the rental payment range for \$10 an acre for the first lease term, escalating to \$15 and \$20 an acre for the second and third lease terms. He adds that these are for initial lease terms of three years, with the ability to extend the lease for two lease terms. He continues that there are work commitments associated with it; \$125 an acre for the first lease term, and escalating to \$250 and \$375 an acre for additional lease terms. He states that the recommendation is to consider adding this additional acreage to Freegold.

A short discussion ensues.

TRUSTEE DERR makes a motion that the Resource Management Committee recommend that the Trust Authority Board of Trustees concur with the addition of the requested acreage to the existing lease with Freegold Ventures.

TRUSTEE BARTON seconds.

There being no objection, the motion is approved.

CHAIR NORENE recognizes Trustee Michael on-line, and asks Marcie Menefee for an update.

MS. MENEFEE states that the auction for the Buccaneer assets was delayed until late next week. She continues that there will be an additional hearing held by the AOGCC on taking testimony related to the gas allocation and the unitization issues. She states that the sale of the Bodenburg Butte to Greatland Trust closed last week. She adds that sale will help catch up with the principal goals as of September. She gives an update of the Wrangell contamination, stating that the site investigations reveal that there is no contamination in the groundwater, and there is only surface contamination. She states that the Trust licensee has been instructed to develop a clean-up plan. She continues that when that clean-up plan is approved by DEC, the anticipation is that the actual clean-up will take only a few days. She states that the Kasaan sales have been closed out. She asks John Morrison to continue.

MR. MORRISON states that one of the programs initiated was the Real Estate Management Plan. He continues that as part of the plan, there has been an opportunity to work with two individuals here today from Northrim Bank on both the financing of the first two properties financed, as well as some speculative work on potential projects. He recognized Michael Martin, the senior vice president, in-house counsel with Northrim bank; and Mark Edwards, a vice president, commercial loan unit manager, and bank economist. He continues that they will give a macro-economic look at the world in Alaska.

MR. MARTIN describes his impression of the Mental Health Trust from both the perspective of a lawyer and a banker. He introduces Mark Edwards.

MR. EDWARDS thanks Mr. Martin and states that one of the toughest things about his job is saying no and knowing when it is the right time to say no. He continues that his interactions with the Trust and management gave the confidence to invest \$10 million with the Trust Land Office, and they hope to do much more in the future. He gives a brief overview of the economy and continues his presentation. He comments on the interest rates and explains the yield curve which goes from short-term maturities to long-term maturities. He talks about the major paradigm shifts that affect the drag on the economy. He explains the deleveraging of the banking system, which is one of the main reasons that inflation is not being seen. He continues his presentation, explaining as he goes along. He states that the four factors of production are land, labor, capital, and technology, and explains each. He thanks all and states that they continue to want to work with the organization in any way they can.

CHAIR NORENE thanks both for the great presentation.

TRUSTEE EASLEY asks for a copy of the presentation.

MR. EDWARDS replies sure.

CHAIR NORENE asks for any questions on the monthly report or any comments.

TRUSTEE DERR states that, occasionally, presentations from experts is warranted.

TRUSTEE MICHAEL states that it was great.

TRUSTEE DERR makes a motion to adjourn.

CHAIR NORENE adjourns the meeting.

(The Resource Management Committee meeting adjourned at 10:08 a.m.)