

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

October 26, 2017

10:35 a.m.

Taken at:

Alaska Mental Health Authority
3745 Community Park Loop, Suite 110
Anchorage, Alaska 99508

OFFICIAL MINUTES

Trustees present:
Carlton Smith, Chair
Laraine Derr
Jerome Selby
Paula Easley
Mary Jane Michael
Greg Jones

Trust staff present:
Steve Williams
Andy Stemp
Carley Lawrence
Heidi Wailand
Michael Baldwin
Katie Baldwin-Johnson
Valette Keller
Jimael Johnson
Miri Smith-Coolidge

Trust Land Office staff present:
Wyn Menefee
Karsten Eden
Paul Slenkamp
Aaron O'Quinn
Sarah Morrison

Also participating:
Mitch Henning

PROCEEDINGS

CHAIR SMITH calls the Resource Committee to order and states that all trustees are present. He asks for any announcements. There being none, he moves to the agenda.

TRUSTEE SELBY makes a motion to approve the agenda.

TRUSTEE JONES seconds.

There being no objection, the motion is approved.

CHAIR SMITH moves to the minutes of August 3, 2017.

TRUSTEE SELBY makes a motion to approve the minutes of August 3, 2017.

MR. MENEFEE states that he has several things to go through. The first staff notation is that Amber Breslington, executive assistant, left last week, and we are in the process of filling that position. He moves to reports on the progress of some projects that are being worked on. First, a nonexclusive utility easement under an MTA Master Utility Easement Agreement was signed. This is for a cleared Fairbanks easement for putting in fiber optic lines. Also identified on the same Master Utility Agreement are an additional five fiberoptic lines with 30-year terms. This will bring in \$27,215 annually in income, or \$826,000 over the life of the Master Utility Agreement. He adds that we are doing this statewide; working with all the different utilities trying to capture revenue for the utility lines going across Trust land that have not been paying. He states that Bruce Buzby is doing an excellent job on that. He moves on and states that at the last Resource Management Committee meeting there was a consultation regarding Daniels Lake; about five parcels which we received concurrence to sell. There was a trespass involved on those parcels. He continues that Jusdi did an excellent job on the negotiations. She was able to go and collect 21 years of back fees, and was also able to get 130 percent on many of the parcels, and 125 percent on some of the others, for a package deal of \$427,000. He moves on to Homer and states that was consulted on and we had some disagreements with Homer on some parcels down by the Spit. A tentative agreement was reached with Homer paying approximately \$550,000 for those parcels. He continues that in Haines they are continuing to engage the City and Borough to try to prevent an ordinance which would prevent resource extraction there. Meetings regarding this have been attended, and there is a meeting in November regarding this with the Borough. The University and the Mental Health Trust lands are the two main landowners that are targeted in this, and it also involves the State land. Scheduled for Icy Cape are public meetings to tell the community about what was done over the summertime. He adds that he is also taking time to meet individually with various leadership in the community of Yakutat. He states that there was a very negative feeling after the last public meeting. There were certain things in the meeting that occurred and offended the community. He will be working on trying to reset the situation. He invites the trustees to attend. He moves to Aaron O'Quinn, the program investment manager and now the program manager for the land exchange, as well. It is an intensive project, and he is doing an excellent job. His position will be modified accordingly. He adds, that will not diminish the program-related investment work that he is doing. He moves on to the Seventh Avenue PRI building, the antique building, and states that

the process to have the building evaluated for integrity is underway. He continues that Fairbanks Community Health Services has begun operations at the Fahrenkamp Center in Fairbanks, and we are currently in the process of getting the contract to complete the parking expansion. He adds that the construction of the Sobering Center at the Denardo building is complete, and operations are expected to begin November 15.

TRUSTEE MICHAEL asks if there will be any open houses for Fahrenkamp and Denardo.

MR. O'QUINN replies that it is November 6th.

TRUSTEE MICHAEL suggests that maybe one or two trustees could accompany Mr. O'Quinn. That would be a nice thing to do given all the energy, money, and time put into both those buildings.

MR. MENEFEЕ moves to 450 Whittier Street in Juneau, and states that there is a lot of interest in what is going on there. He continues that consultations have been gone through, and now the job is to figure out which of all the different interests to use the building would be the appropriate way to go. He states that in Haines there is a mine with Constantine, the Palmer Project. He continues that they are evaluating the interaction with the federal mining claims and the effect on future royalties to the Trust. There has been a legal review, and we are having continued discussions with Constantine to try to figure out what will be in the best interest of the Trust for how to interact with the federal mine claims. As more data is gathered and more understanding of where to go, this will be brought to the board for discussion. He continues to the State land sale and states that bids are being accepted. That will close on October 30. He adds that an overview of mining was provided to Chair Smith which he found extremely valuable in understanding the mining process. He states that this or a workshop could be done for all the trustees.

CHAIR SMITH states that one thing that was impressive is that there are international standards for due diligence, and that is followed very strictly. As far as the other asset classes, those seminars will be raised sometime in the future.

MR. MENEFEЕ states that one of the things requested at the last board meeting was how financial analysis is done on a lease or sale of a parcel. He briefly goes over how the analysis is done, with examples and more detail.

A discussion on easements ensues.

MR. MENEFEЕ continues his presentation. At present, considering the best interest of the Trust, it is best to pause and wait for the legislative budget and audit to get through, and then make determinations at that point which way to go.

TRUSTEE EASLEY asks if it is necessary to wait for legislation to act on that on real estate.

MR. MENEFEЕ responds with a couple of scenarios.

TRUSTEE JONES requests an orientation session on real estate. Trustees need to be able to see if there are opportunities there versus a lease that can be done presently. He states that it may be a bit more complex than the way it is being presented.

MR. MENEFEE responds that there are potential interested parties to do both sales and leases on two of the prime parcels.

TRUSTEE MICHAEL states that we need to have the flexibility to look at market conditions, and it is important to understand who are the actual potential buyers.

TRUSTEE COOKE concurs and states that if the audit is not going to be completed until well into the next session, that some considerations should be given to just moving forward with the legislative program as it relates to the Land Office.

TRUSTEE JONES agrees with Trustee Cooke to go ahead with the legislative program. The auditors encouraged doing that early in the audit.

TRUSTEE MICHAEL states that it is her intention to consider having an ad hoc committee with Mr. Jones and Mr. Smith, to get this process rolling and the legislative agenda set.

MR. MENEFEE adds that there is always a possibility of having buyers and leasers back out of a deal, and having to start from scratch.

TRUSTEE MICHAEL states that those should be brought forward as they are presented. She adds that the scenarios be presented as they have always been done, but we have another factor to consider, is it in the Trust's best interest to sell now or wait.

MR. MENEFEE moves to the last part of the update with the Icy Cape activities. He states that this was all-consuming this summer. The logistics and all to make this happen did not rest on one person. Many people, Trust Land Office staff, participated under the lead of Dr. Karsten Eden, and it was a successful season.

DR. EDEN gives an update on Icy Cape and explains why it is a very successful project. Phase 1 was literature research, compilation, and revelation of technical reports. He points out that there was one study done in the '90's by an Australian company called Paraclete. They outlined five areas for placer gold exploitation, and delineated a resource of 3.5 million ounces. He adds that the study does not comply with CIN standards, and it must be treated as a historical estimate. He states that heavy metal concentrate samples were collected and analyzed. Identified was that industrial minerals rise to the majority of the heavy minerals. We have a preliminary estimate of 1.7 billion tons of sediments to a depth of 35 feet. Based on this season, it is known to be way more than that. He continues that, based on the encouraging results of Phase I, it was decided to go into Phase 2. The consultation was done in April, 2016, and it was waterproofed in May, 2016. There was a reconnaissance phase to go out and collect samples and, by the end of last year, the drill targets for this season were ready to go. He describes the materials, the different minerals and the methods of collection. He continues that one of the consultants of Global Mineral Sands, Andrew Gross, is an expert in mineral separation. The product was tested,

concluding that the product is high quality to premium high quality. Phase 3 is that there are marketable products, and then the next thing is to drill. Over 7,000 eight-inch cores were drilled. The cores come from the sands, 8-inch diameter which is very heavy. The MRC consultation was done on October 26, 2016, and the approval came on November 11, 2016. He adds that the contractor was a leader in sonic drilling, and there were no breakdowns. He states that the products are marketable premium-quality products tested by special laboratories in the industry. Found are world-class garnets, and gold-mining companies are highly interested in what is being done. He continues his update, explaining as he goes along. He asks Mitch Henning, the chief of the mining section at Mine, Land & Water at DNR, for his perspective.

MR. HENNING states that this is consistent with all of the processes run for permitting placer mine activity in Alaska. This fits very well within the scope of what they permit and what they manage on State lands at this point in time. He continues that this is a simple benign form of mining which is basically classifying and separating material using water and gravity. No chemicals are used. It is a straightforward operation.

MR. MENEFEЕ asks for an explanation of this concept of a mining company, and why this fits in a placer situation with heavy metals.

MR. HENNING replies that an exploration activity in Alaska is usually done by someone who is a prospector; a small company that is operating under one or two different types of exploration business models and not in the business of developing mines. In the business, finding properties and taking them to a certain level based on data collection is generally purchased by a major company that will develop and put it into production.

MR. MENEFEЕ states that the aspect is that the Trust is essentially fulfilling the junior role for the exploration, mapping out the resource, figuring out the particular field volumes before going to the next step. He continues that this is a time for questions, but there is an upcoming executive session to talk about future revenue projections and what is needed in that session.

TRUSTEE DERR states that two other placer mines on state land were mentioned. She asks if they are big, where they are, and how do they operate.

MR. HENNING replies off of the Denali Highway to the east of the Susitna River. He states that mine is no longer in existence; the land has been reclaimed; and it is now State recreational land. It was a big operation, and the reclamation was outstanding. The Department of Fish & Game had to close it off to motorized vehicles because there were so many caribou in there feeding on all the grass. The other one is in the Tongass area, which just started production about two years ago. He adds that they are involved with a company, Nayak Mining, which is in Alaska.

MR. MENEFEЕ states that placer mines do not have the same type of impact as other mines. He continues that it makes an impact on the land, but the restoration is easy.

CHAIR SMITH states that there is an aggressive agenda with six items and two approvals. He asks that the trustees hold their questions until the consultations and approvals are done. He asks if they should go into executive session.

MR. MENEFEE replies to go forward with the agenda and then to go into executive session. He moves into the consultations and asks Dave Griffin to go through the first few consultations.

TRUSTEE SELBY makes a motion that the Resource Management Committee concur with the decision to sell a portion of Trust Parcel CRM 2528 through a negotiated sale or subsequent disposal action.

TRUSTEE EASLEY seconds.

MR. GRIFFIN states that he is the Southeast area manager and works for the Trust Land Office. He provides consultations on two negotiated sales, items A and B. Item A is a proposed negotiated sale with B&W Enterprises. The parcel is located in Wrangell, and the applicant is a rock and gravel contracting company. The sale would be approximately 12 acres and would generate an estimated \$150,000. He continues that the parcel would be surveyed and subdivided out of the larger parcel. The applicant would bear the burden of the costs for the surveying and platting. The TLO recommends that it is in the Trust's best interest to offer this parcel to the applicant through a negotiated sale.

CHAIR SMITH asks for any questions.

TRUSTEE COOKE has a question about the map at the end of the proposal. He does not understand the difference between the light green and the dark green segments, how it connects or relates to the land exchange.

MR. GRIFFIN replies that the light green is what would be conveyed over to the Forest Service through the land exchange. The dark green would be retained in Trust ownership. He thanks Trustee Cooke for pointing that out.

TRUSTEE SELBY calls the question.

There being no objection, the motion is approved.

TRUSTEE SELBY makes a motion that the Resource Management Committee concurs with the decision to sell a portion of the Trust parcel CRM 2401 through a negotiated sale or subsequent disposal action.

TRUSTEE JONES seconds.

MR. GRIFFIN states that Item B, Johnson Construction and Supply would like to purchase through a negotiated sale approximately 5 acres of land. The sale is estimated to generate about \$62,500. The parcel will be surveyed and subdivided out of a larger parcel. The applicant would bear the burden of its costs. He notes that both of the parcels are in Wrangell, and the Wrangell Borough has been notified of this potential subdivision and platting action. The TLO recommends that it is in the Trust's best interest to offer this parcel to the applicant through a negotiated sale. If not sold, the parcel and/or its rock resources may be disposed of in the future.

TRUSTEE COOKE asks how the value was determined, and if there was an appraisal.

MR. GRIFFIN replies that there was no appraisal. The values were determined based on a previous negotiated sale with B&W Enterprises in 2010. That includes the value of the subsurface rock resource.

TRUSTEE COOKE states that the property is wooded and asks if the timber has any value.

MR. GRIFFIN replies that he consulted with the timber resource manager, Paul Slenkamp, and there is no significant merchantable timber on this property. There are various stands of timber, but it is second-growth spruce and hemlock.

MR. SLENKAMP states that there actually is timber value in this particular parcel. The second growth pertains more to the first consultation. He adds that harvest in Wrangell has been extremely problematic. He continues that there are no anticipated sales for the foreseeable future, and the value of the timber would not be a significant factor in this.

TRUSTEE SELBY calls the question.

There being no objection, the motion is approved.

TRUSTEE SELBY makes a motion that the Resource Management Committee recommends that the Trust Authority Board of Trustees concur with the disposal of timber through negotiated sale on Trust land located near Naukati on Prince of Wales Island.

TRUSTEE DERR seconds.

MR. MENEFEE prefaces this by saying that an advance consultation is being done for lands that will be received through the exchange. Currently, the Trust does not own these lands, but we are doing consultation. All the prep contract work and everything else will be in order to be prepared for the day the Trust gets the land and then to turn it right around to go out to contract.

MR. SLENKAMP states that he is the senior resource manager for timber for the Trust Land Office. This proposal is going to be the old-growth timber portion of the Naukati land exchange. The Trust does not have ownership, but under the Alaska Land Exchange Act of 2017, Phase I is mandated to remove 2400 acres, which is a component of this sale, May 5, 2018, which is one year from when President Trump signed the legislation. This sale will be for approximately 100 million board feet of old-growth timber. It will be approximately \$13,175,000 in principal and \$3,225,000 in income; the 85/15 split. The Phase I portion will be about 1,159 acres of old growth, which is a component of this 2400 acres. There will be additional acreage in the rest of this Naukati, the old-growth acreage, which totals about 3,850. This is an estimate. The appraisal process is being gone through, and the timber appraisal process has started. The sale is anticipated to take five to ten years, depending on how fast the operator determines to harvest the timber. He states that this is a crucial sale for maintaining timber in Southeast activities. It has

been a strong component of the rationale for moving the land exchange forward, and is very much anticipated. He explains more in greater detail.

TRUSTEE EASLEY states that this is a really big deal.

MR. SLENKAMP agrees, and states that it will provide a way to move forward or continue on the industry itself in Southeast. There are about 350 jobs that are going to be preserved, and it is the largest land exchange in the country right now. The TLO recommends proceeding with the negotiated timber sales of the old-growth portion of the exchange lands located in Naukati, Parcel CRM 7060.

A discussion ensues.

TRUSTEE SELBY calls the question.

There being no objection, the motion is approved.

TRUSTEE JONES thanks Mr. Slenkamp for his years of dedication to this. He has worked on this since 2009, and has been the consistent push for this project. His efforts are truly appreciated.

MR. MENELEE states that there is one more consultation.

TRUSTEE SELBY makes a motion that the Resource Management Company concurs with the Trust Land Office to offer and dispose of Missed Settlement Land, SM 7025, on the Homer Spit through a negotiated or competitive sale, combined with other Trust parcels.

TRUSTEE DERR seconds.

MS. DOUCET states that she is the Southcentral area lands manager for the Trust Land Office providing consultation on Item B of the agenda. The Trust Land Office has been in negotiations with the City of Homer for the sale of three remaining Trust Land parcels along the Homer Spit. During recent negotiations, a piece of missed settlement land was identified, and it is intended to be made part of the larger sale to the City. It is in the best interest of the Trust to dispose of this parcel because it is of negligible value due to an encumbrance of a right-of-way; it is needed to facilitate the sale to the City generating approximately \$550,000; and this will allow the Trust to divest any services and interests along the Spit, as well as any litigation liability with the City of Homer. She continues that the Trust Land Office recommends the disposal of this missed settlement land during negotiated or competitive sale combined with other Trust parcels.

MR. MENELEE adds that this land was not owned by the Trust at the point that this was started in Homer. They requested a certain area for the State to divest itself. A way was discovered in which those missed settlement lands could be incorporated into the Trust's portfolio.

TRUSTEE SELBY commends Mr. Menefee and staff for the way they worked with the City of Homer to get this done. He appreciates the work, and calls the question.

There being no objection, the motion is approved.

CHAIR SMITH breaks for lunch.

(Lunch break.)

CHAIR SMITH reconvenes the meeting and states that next on the agenda is the Executive Session.

TRUSTEE DERR makes a motion to go into Executive Session, the purpose of which is to consider two items that are of a financially sensitive nature to the Trust.

TRUSTEE JONES seconds.

There being no objection, the motion is approved.

CHAIR SMITH states that there are two purposes for going into the Executive Session. The first is to brief trustees on key land exchange negotiations with the Forest Service, and the future of Icy Cape mineral revenue projections.

(Executive Session from 12:48 p.m. until 1:36 p.m.)

CHAIR SMITH states that the meeting is back on the record.

MR. MENEFEE states that he will move into the Icy Cape gold and industrial heavy minerals project.

TRUSTEE DERR states that there was no motion or activity in Executive Session.

TRUSTEE SELBY makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve the proposed asset enhancement action to fund the Icy Cape gold and industrial heavy minerals project with principal from the Trust Authority's account know as the TADA fund, Code 3320, with \$3 million. These funds do not lapse.

TRUSTEE DERR seconds.

MR. MENEFEE begins by going through and explaining what is needed to move forward with the mineral project at Icy Cape for next season.

DR. EDEN states that the project is a big success and has really upgraded the property's value and its marketability. Based on this success, it is critical to move forward with the project and continue with a stratigraphic framework in the next years. He continues that exploration is not cheap and is absolutely worth it. He asks the trustees to fund the Icy Cape project with \$3

million to continue to improve existing infrastructure, to deploy and equip the field sample processing facility in support of targeted drilling.

TRUSTEE JONES asks if a bridge is needed at White River, and if that is in the \$300,000 for infrastructure.

DR. EDEN states that several different scenarios are being discussed, and we are probably putting in temporary bridges. That would not cover it.

TRUSTEE MICHAEL asks what was spent last year on that construction.

DR. EDEN replies that it was \$2 million, and we are within budget. That will probably be spent by the end of June next year.

TRUSTEE SELBY calls the question.

There being no objection, the motion is approved.

TRUSTEE SELBY makes a motion that the Resource Management Committee make a motion to recommend that the Trust Authority Board of Trustees approve the appropriation of additional asset enhancement expenditure from \$3,165,000 from Fund 1092, income, and Fund 3320, principal, to be added to the TLO's budget for the land exchange. These funds do not lapse. Staff is directed to negotiate to spend as minimal as possible of these funds.

TRUSTEE DERR seconds.

There being no objection, the motion is approved.

TRUSTEE JONES states that it is important, for the record, to put something on the record that justifies this. The Trust has several million dollars invested in this exchange. The benefit to the Trust is, ultimately, going to be tens of millions of dollars. Wanted is to see this upfront cost minimized to the maximum extent possible. It is in the best interest of the Trust to continue to pursue this exchange; particularly since the federal bureaucracy is working towards the exchange now. He adds that this is very much justified to move forward.

MR. MENEFE states that they are working diligently to keep the costs as low as possible, as directed.

TRUSTEE COOKE notes, from the packet, that both the federal and state legislation have been passed, and we are at the implementation phase. He asks if there is a rough estimate on when the exchange will be completed.

MR. MENEFE replies that the plan in the Federal Register is that Phase 1 will be completed by May, 2018. There are a host of tasks that will get us there.

TRUSTEE COOKE asks if any further appropriations are anticipated.

MR. MENEFEE answers that this is the best projection of what the high value is of what will be spent. There is an aspect of this programmatic agreement that some money has to be spent after getting the lands. The difference is that there will be money coming in from the timber sales at that point to cover some of these costs.

A brief discussion continues.

CHAIR SMITH moves to the quarterly report.

MR. MENEFEE states that the quarterly report for the Trust Land Office was sent out, and this is an opportunity for any questions.

TRUSTEE DERR asks about the revenue analysis under principal.

MR. MENEFEE replies that the projections made are expectations of what will be received, and it is hard to predict.

CHAIR SMITH asks if this format will be used from here on out.

MR. MENEFEE states that this will be the format for quarterly reports.

TRUSTEE DERR asks how the asset appreciation is determined.

MS. MORRISON replies that this sort of evaluation is done on an annual basis. Every few years a full appraisal is done, and on the off years a program is done to value and keep it updated.

CHAIR SMITH asks for any other business to come before the committee. He congratulates all on the longest Resource Management Committee meeting in a long time.

TRUSTEE DERR makes a motion to adjourn.

TRUSTEE JONES seconds.

There being no objection, the meeting is adjourned.

(Resource Management Committee adjourned at 1:55 p.m.)