

MEETING AGENDA

Meeting: Special Meeting of the Board of Trustees
Date: February 28, 2017
Time: 1:00 PM
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Session Number: 808 317 364 # / Attendee Number: #
<http://thetrust.webex.com>
Trustees: Russ Webb (Chair), Mary Jane Michael (Vice Chair), Larry Norene (Secretary/Treasurer), Laraine Derr, Paula Easley, Jerome Selby, Carlton Smith

Tuesday, February 28, 2017

Page No.

1:00p	Call to Order – Russ Webb, Chair Roll Call Approval of Agenda Ethics Disclosure	
1:05	CEO Update <ul style="list-style-type: none">• Legislative Audit Update• CEO Search Update<ul style="list-style-type: none">• Timing and Job description• Organization Review and Evaluation<ul style="list-style-type: none">• Timing and Scope• Statute Amendments<ul style="list-style-type: none">• Concerning Principal investment and other items	4
3:00	Denardo and Fahrenkamp Disposition	15
3:30	Funding Requests <ul style="list-style-type: none">• FY17 Medicaid Reform budget adjustment	22
4:30	Adjourn	

Future Meeting Dates

Full Board of Trustee / Planning / Resource Management / Finance
2017 / 2018 / 2019

(Updated – January 7, 2017)

Planning Committee Dates:

- April 20, **2017** (Thu)
- August 1-2, **2017** (Tue, Wed)
- October 17, **2017** (Tue)

- **January 4, 2018** (Thu)
- **April 18, 2018** (Wed)
- **Jul 31- Aug 1, 2018** (Tue, Wed)
- **October 17, 2018** (Wed)

- **January 3, 2019** (Thu)
- **April 17, 2019** (Wed)
- **Jul 30-31, 2019** (Tue, Wed)
- **October 16, 2019** (Wed)

Resource Management Committee Dates:

- April 20, **2017** (Thu)
- August 3, **2017** (Thu)
- October 17, **2017** (Tue)

- **January 4, 2018** (Thu)
- **April 18, 2018** (Wed)
- **Aug 2, 2018** (Thu)
- **October 17, 2018** (Wed)

- **January 3, 2019** (Thu)
- **April 17, 2019** (Wed)
- **Sep 1, 2019** (Thu)
- **October 16, 2019** (Wed)

Future Meeting Dates

Full Board of Trustee / Planning / Resource Management / Finance 2017 / 2018 / 2019

(Updated – January 7, 2017)

Finance Committee Dates:

- April 20, **2017** (Thu)
- August 3, **2017** (Thu)
- October 17, **2017** (Tue)

- **January 4, 2018** (Thu)
- **April 128, 2018** (Wed)
- **August 2, 2018** (Thu)
- **October 17, 2018** (Wed)

- **January 3, 2019** (Thu)
- **April 17 2019** (Wed)
- **Sep 1, 2019** (Thu)
- **October 16, 2019** (Wed)

Full Board of Trustee Meeting Dates:

- May 4, **2017** (Thu) – TBD
- September 6-7, **2017** (Wed, Thu) – Anchorage – TAB
- November 16, **2017** (Thu) – Anchorage – TAB

- **January 24-25, 2018** (Wed, Thu) – JUNEAU
- **May 9, 2018** (Wed) – TBD
- **September 5-6, 2018** (Wed, Thu) – Anchorage – TAB
- **November 15, 2018** (Thu) – Anchorage – TAB

- **January 30-31, 2019** (Wed, Thu) – JUNEAU
- **May 8, 2019** (Wed) – TBD
- **September 4-5, 2019** (Wed, Thu) – Anchorage – TAB
- **November 14, 2019** (Thu) – Anchorage – TAB

MEMO

To: Board of Trustees
From: Greg Jones, Interim CEO
Date: February 21, 2017
Re: CEO Update/ Sequence of Major Initiatives

There are four major initiatives that the Trust will be undertaking in the coming months. They include a legislative audit, an organizational evaluation, preparation of significant statute amendments related to principal investments and replacement of the Trust's CFO and CEO. The timing of each is different. The result is a very demanding, complicated and dynamic schedule. The fact that all of these initiatives, to varying degrees, have overlapping subject matters further complicates their schedule. The purpose of this discussion is to determine where we can affect the sequence of these efforts and what sequence would be most beneficial to the Trust.

First, we have no control over the schedule of the legislative audit and currently it seems to be a moving target. When it was initially authorized by the LB&A Committee in December, we were told that the auditor would begin the audit "in two or three months". In early February, the Chairman of the Committee said he was trying to get it moved up and we should be prepared to begin the audit within a few weeks. However, I was able to talk to Kris Curtis, the Legislative Auditor, on February 16 and she suggested that they might be able to begin the audit in May of this year. She said that, if they were able to work through the summer without having to "put it down," they could be done with their draft by the end of the year. If they did have to put it down, which is likely, then it will not be completed until late next year (2018). There are a number of "sunset" audits and other mandatory audits due in the near future that could cause that delay. I believe that this uncertainty makes the audit almost a non-factor in evaluating the sequence of initiatives. The audit will happen when it happens and we will deal with it.

The preparation of amendments to the statutes dealing with the Trust's use of principal for stewardship of its land based resources, program related investments and income producing investments is currently underway. We are working with the Attorney General's office in this effort. They have agreed to help draft the amendments and are currently working on them. Once we have appropriate language for the amendments, we will ask for input from our advisory boards then bring them to the board of trustees for approval. That will probably occur at the May meeting. The next seven months will be used to introduce the amendments to individual

legislators in preparation to submitting them to the legislature for approval next January. We will also use that time to determine which legislators will be sponsoring the bill or if it will be submitted by the Governor. This schedule will take just over a year to complete. It is conceivable that the organizational evaluation could result in changes to these amendments. If that were the case, that argues for getting the evaluation done as soon as possible.

The search for a CFO is currently under way, with ads on national websites, professional publications, local media and direct mailings. After a two-week advertising period we received 22 applicants. Of those, 17 we determined to meet the minimum qualifications. The selection committee consists of John Morrison, Steve Williams and Greg Jones. We are currently evaluating the applications with the goal of scheduling initial interviews in the coming weeks. We hope to have the CFO on board before the May 4 board meeting.

In recent communications with the board, it was suggested that a new organization chart be adopted, at least on an interim basis, in order to better prepare the organization to process the several pending initiatives. The driver for that recommendation was the legislative audit, which will cross agency lines and involve staff and records from both the Trust and the Trust Land Office. While the information cited above indicates that the urgency for this adoption has abated I still believe that the organization structure reflected in that chart is most appropriate for the combined Trust and TLO. The delayed schedule and/or slow start of the audit make it possible to wait until the organizational evaluation is complete before we implement changes to the organization structure.

Finally, the question remains whether we should be launching the search for a CEO before or after the organizational evaluation is complete. From discussions with a variety of interested parties, both internal and external, and numerous executive search businesses, there are varying opinions. In summary, the options generally are as follows:

- A. Hiring a CEO as soon as possible would bring stability and direction to the Trust. There has been controversy and uncertainty within the organization for an extended period. That has resulted in a variety of negative effects including political attention, strained relationships with our partners, and low morale within the staff. Having new permanent leadership as soon as possible would allow those issues to be addressed quickly. The new CEO could then oversee the organizational evaluation as well as be here for the majority of the audit. The new CEO could then take ownership of the results and the new structure. This would be a launch point for new strategic planning.

- B. On the other hand, several experts advised that we should move to the organizational evaluation process prior to hiring a CEO. This would include addressing any governance issues. They suggested that this option, would maintain stability and direction to the Trust in the short term and prepare the organization structure for the new CEO.

The Interim CEO would manage the organizational evaluation with the goal of determining, at the most basic level, if the organization structure of the Trust matches its mission as efficiently as possible. This is typically considered a fundamental duty and function of a governing board. There is a unique opportunity, to solicit input from our advisory boards and to focus on this most basic question. That process should result in an organization structure and governance documents that clearly tie the structure of the organization to the Trust's mission. It should also resolve lingering uncertainties in both internal and external relationships and the role of the Trust in managing its assets. This will form a solid foundation on which to build a management team and as a launch point for new strategic planning. It will also identify the varying skillsets needed for the future CEO if there are any shifts to the organizational structure.

There may not be a perfect answer to this question. However, it is an important question on which the board needs to provide direction.

**Department of Revenue
The Alaska Mental Health Trust Authority**

**Request for Proposals ##-###M
Executive Search Firm
Issued DATE**

Introduction

The Alaska Mental Health Trust (the Trust) is soliciting proposals for an executive search firm to assist the Trust in a nationwide search for a Chief Executive Officer (CEO). The CEO is responsible for the oversight of the Trust, including but not limited to: board relations, financial oversight, program management, asset management, internal controls, employee development, and community, public and legislative relations. This position is authorized under AS 47.30.026.

Issuing Agency and Contract Information

Offerors must submit one original proposal by email to the procurement officer. Proposals must be received no later than 1:30 P.M., Alaska Time on DATE. Oral proposals will not be accepted.

An offeror's failure to submit its proposal prior to the deadline will cause the proposal to be disqualified. Late proposals or amendments will not be considered for evaluation.

Procurement officer: Valette Keller
Phone 907-269-6039 – Email valette.keller@alaska.gov

Budget

Cost proposals priced at more than \$100,000 will be deemed non-responsive and will not be considered.

Prior Experience and Qualifications

In order to be considered responsive, offerors must demonstrate they meet these minimum experience requirements:

Background

The Alaska Mental Health Trust Enabling Act was passed by Congress in 1956 as a mechanism for the Territory of Alaska to have a source of income to fund the mental health program in Alaska as responsibility transferred from the Federal government. One million acres were granted with the Legislature identified as Trustee to the endowment. Alaska however did not maintain a separate accounting of revenue produced on Trust lands versus other state lands. Additionally a considerable amount of Trust lands were conveyed to private individuals and municipalities. A class action lawsuit (Weiss v. State) was initiated in 1982 after individuals in need of mental health services were unable to obtain the services in Alaska. The plaintiffs alleged the State breached their trust duties by failing to account for Trust revenues, using revenue from Trust lands for other purposes and designating mental

health trust lands for other purposes than what their trust duties required. The lawsuit was eventually settled in 1994 and resulted in creation of the Trust directed by a board consisting of seven Trustees. The lawsuit settlement resulted in The Alaska Mental Health Trust Authority (The Trust) being reconstituted with approximately 1,000,000 acres of land (original and replacement lands) as well as \$200 million in cash in recognition that replacement lands were of lower value than the land originally selected for The Trust.

The Trust's beneficiaries include Alaskans who experience:

- People with mental illness
- People with developmental disabilities
- People with chronic alcoholism and other substance related disorders
- People with Alzheimer's disease and related dementia, including people who have experienced a traumatic brain injury resulting in a permanent disabling condition.

RFP Background

Scope of Services

The selected firm will source candidates that match the Trust's requirements. The work may include acting as an intermediary to investigate interest in working for the Trust, screening candidates, conducting background checks, and presenting selected candidates to the Trust with the goal of hiring an exceptionally qualified candidate as expeditiously as possible.

The Trust will advertise this position in the State of Alaska. If a successful candidate is secured from the Trust's recruiting efforts, this candidate may not be one brought forward by the recruiter.

The Trust will negotiate the job offer and compensation with the successful candidate.

Equipment and Supplies

- The contractor will be responsible for providing any equipment required to perform the duties of this contract.
- Proposal must include all indirect and direct costs.
- Subcontracting will not be allowed.

Term of Contract

The selected proposer is expected to comply with the Trust's standard contractual terms and conditions attached to this IRFP, and must submit evidence of a valid Alaska business license prior to start of the contract. The contract term will be from date of award until *DATE*. This contract contains no options to renew.

Minimum Qualifications

- National reach.
- Specialized recruitment expertise in the philanthropic and asset management industry.

- Successfully placed at least one (1) Chief Executive Officer in a similar type of organization to the Trust within the last three (3) years.

Offeror must explain how they meet the minimum qualifications.

Methodology & Management Plan

Offerors must provide comprehensive narrative statements that set out the methodology and management plan they intend to employ and follow which will illustrate how the plan will serve to accomplish the work and meet The Trust’s objectives. What is your communication process with the client? What are the key steps to identify candidates? What timeline might the Trust expect between signing a contract for services and filling the position? What is entailed in potential candidate background checks? Do you recommend a selection process to the client, and if so do you provide any materials? What written reporting or other documentation will you provide?

Offeror must identify the Trust’s key contract and their location, and provide their resume. If the key contact will not be the search team lead, please also identify the lead and their qualifications.

Location of Work

- Work is to be performed *WHERE* and through electronic communication.
- Consultants may be from areas outside of Alaska with in-state travel included in their proposal.
- The Trust will not provide workspace for the contractor.

Cost Proposal

- Proposal must provide an all-inclusive fixed fee to perform the scope of the contract.

Evaluation Criteria

All proposals received will be reviewed and evaluated by Trust staff based on proposal content. Do not simply retype the state objectives of this proposal; provide details and specifics on how you will accomplish tasks stated above.

Proposals will be scored as follows:

- 40% Cost (all direct and indirect costs including travel)
- 30% Experience and Qualifications
- 20% Methodology & Management Plan
- 10% Alaska Proposer Preference

**Department of Revenue
The Alaska Mental Health Trust Authority**

**Request for Proposals 17-071M
Organizational Evaluation
Issued **DATE****

Introduction

The Alaska Mental Health Trust Authority (the Trust) is soliciting proposals from qualified management and organizational consultants to conduct an in depth organizational evaluation, with the goals of:

1. Reinforcing the role of the Trust as a highly efficient public policy agency that is focused on the best interests of its beneficiaries.
2. Review the Trust’s statutory authority and its other existing governance documents to determine their relevance and adequacy.
3. Revitalizing the Trust’s relationship with its partner advisory boards to emphasize openness, transparency, and mutual respect.
4. Creating an organizational structure that supports both the statutory missions of the Trust with respect to its beneficiaries and its financial assets.
5. Creating an updated set of governance components for the board of trustees that are relevant to current and future operations and that will create clear and uniform performance expectations, both within the Trust’s organization and among beneficiaries and the Trust’s partners.
6. Creating a management structure that is responsive to the expectations of the board of trustees, supportive of operations and staff, and accessible to beneficiaries.

Issuing Agency and Contract Information

Offerors must submit one original proposal by mail, email, or fax to the procurement officer. Mailed proposals must be addressed as follows:

Alaska Mental Health Trust Authority
Attention: Valette Keller
3745 Community Park Loop, Ste 200
Anchorage, AK 99508
Request for Proposal Number: 17-071M
Project name: Organizational Evaluation

Proposals must be received no later than 1:30 P.M., Alaska Time on **DATE**. Oral proposals will not be accepted.

An offeror’s failure to submit its proposal prior to the deadline will cause the proposal to be disqualified. Late proposals or amendments will not be opened for evaluation.

Procurement officer: Valette Keller
Phone 907-269-6039 – Fax 907-269-7966 – Email valette.keller@alaska.gov

Budget

Cost proposals priced at more than \$100,000 will be deemed non-responsive.

Background

The Alaska Mental Health Trust Enabling Act was passed by Congress in 1956 as a mechanism for the Territory of Alaska to have a source of income to fund the mental health program in Alaska as responsibility transferred from the Federal government. One million acres were granted with the Legislature identified as Trustee to the endowment. Alaska however did not maintain a separate accounting of revenue produced on Trust lands versus other state lands. Additionally a considerable amount of Trust lands were conveyed to private individuals and municipalities. A class action lawsuit (*Weiss v. State*) was initiated in 1982 after individuals in need of mental health services were unable to obtain the services in Alaska. The plaintiffs alleged the State breached its fiduciary duties by failing to account for Trust revenues, using revenue from Trust lands for other purposes, and designating mental health trust lands for other purposes than what their fiduciary duties required. The lawsuit was eventually settled in 1994 and resulted in creation of the Trust Authority governed by a board of seven trustees. The lawsuit settlement resulted in the Alaska Mental Health Trust Authority (The Trust) being created and the trust corpus being reconstituted with approximately 1,000,000 acres of land (original and replacement lands) as well as \$200 million in cash in recognition that replacement lands were of lower value than the land originally selected for The Trust.

The Trust's beneficiaries include Alaskans who experience:

- mental illness;
- developmental disabilities;
- chronic alcoholism and other substance related disorders;
- Alzheimer's disease and related dementia; and
- traumatic brain injury

The Trust is currently facing several internal and external organizational challenges. The most prominent of those is a legislative audit driven by concerns about the Trust's operational approach and adherence to current governance with respect to management of its cash assets. Other issues involve a change in management staff at the Trust and growing financial pressure on providers of program services to the beneficiaries of the Trust and the state's fiscal situation. Preparation for dealing with these issues and, specifically, with the audit, provides an opportunity to achieve alignment among the Trust's Board of Trustees, the Trust staff and the four statutory advisory boards regarding the future focus of the Trust and the success measures by which the Trust operates. As the Trust prepares to begin a search for a new CEO and to assist in the upcoming legislative audit, it is important to make progress in confirming that alignment and to move forward together.

Scope of Services

It is anticipated that this process will be address in three phases as follows.

Phase I. The process of achieving and confirming the goals set forth in the introduction above will first involve cataloguing the current status quo. This will be accomplished by reviewing the current organization and governance documents, compiling a review of operating issues, and documenting the legal issues to which the Trust is responding.

The contractor will perform a fact finding and interview process to develop information to be used during the remainder of the organizational review process:

1. Review founding and current governance documents (federal enabling legislation, settlement documents, and applicable statutes and regulations) and prepare a summary document. This will be accomplished with the assistance of and in consultation with the Trust's outside legal counsel (Counsel).
2. Consult with internal governance experts, including the Trust's counsel.
3. Develop and deploy a data gathering e-survey sent to the seven trustees; Advisory Board Executive Directors, the Commissioners of the statutory advisors from the Departments of Health and Social Services, Revenue, and Natural Resources; the Trust CEO; the executive director of the Trust Land Office (TLO); and at a minimum five additional senior staff personnel.
4. Conduct a functional review and analysis of current organizational structure, the relationship between the Trust and the TLO, and the positions and associated functions within the current organizational structure of both agencies.
5. Follow-up telephone interviews with each of those surveyed in #3 above as necessary.

Product: At this stage, the contractor will provide a review of the current governance infrastructure as well as a summary of survey and interview data for distribution. All responses from the survey and interviews will be kept strictly confidential and/or anonymous.

Phase II. Prepare for and facilitate a two-day board of trustee work-session and provide documentation of outcomes from the work session. The work session should be organized as follows:

1. Review of current governance standards and obligations.
 - a. Current governance standards (founding documents and applicable state statutes).
 - b. Concerns raised by the pending legislative audit, trustees, Trust Authority and Trust Land Office staff and Advisory Boards.

Product: Summary of suggested roles and responsibilities for Trustees, Trust Authority and the Trust Land Office staff and the Advisory Boards, applicable governance "rules of the road", and identification of current questions and concerns re: governance.

2. Review the Trust's operating environment
 - a. Needs of key stakeholders going forward (Trustees, key leaders, statutory advisors, and partner boards).
 - b. Current strengths and improvement opportunities within the organization.
 - c. External opportunities and risks, including the impact of the current financial crisis facing the State of Alaska and its potential impact on the Trust and its beneficiaries.
 - d. Trajectory review and assessment.

Product: Summary of key insights.

3. Review performance standard(s) and structure(s) for the organization
 - a. Define critical success factors that should drive the organization.
 - b. Define performance measures that should be met by the organization.
 - c. Define assumptions and constraints of the organization.

Product: Summary of identified performance standards and critical organizational structure components for any organizational restructure going forward.

Phase III. Provide a written report of the outcomes of the two-day work session including at a minimum outcomes from the work session and conduct an in-person presentation to the board of trustees.

1. Written summary report which prioritizes areas requiring change or action, and identifies recommendations from the two-day work session to include at a minimum:
 - a. The Trust’s current organizational state (structure, governance documents, roles and responsibilities, etc.).
 - b. “Design Basis¹” for each recommended potential organizational structure for the future, including the current organizational state, that
 - Addresses strengths, challenges, and opportunities identified in Phases I and II;
 - Identifies pros and cons of each recommended structure;
 - Identifies estimated financial costs associated with the implementation of each recommended structure;
 - Identifies estimated operational financial costs or savings associated with each recommended structure;
 - Identifies required steps, process, and timelines for implementation of each recommended structure;
 - Proposes governance document of each recommended structure that allow all parties involved (Trustees, staff, partner boards, TLO, and the public) – to understand the authority, mission, roles, and measures of success of each component of the Trust.

Equipment and Supplies

- The contractor will be responsible for providing any equipment required to perform the duties of this contract.
- Subcontracting will not be allowed.

Term of Contract

The selected offeror is expected to comply with the Trust’s standard contractual terms and conditions attached to this IRFP, and must submit evidence of a valid Alaska business license prior to start of the contract. The contract term will be from date of award until **January 31, 2018**. This contract contains no options to renew.

Experience & Qualifications

In order to be considered responsive, offerors must have performed at least three (3) similar reviews of the organizational and administrative structure of a public, nonprofit or private agency of similar size to the Trust within the last five (5) years.

Offeror must explain how they meet the minimum qualifications.

¹ Design Basis is a set of conditions, needs, and requirements taken into account in designing a facility or product. <http://businessdictionary.com/definition/design-basis.html>

Methodology & Management Plan

Offerors must provide comprehensive narrative statements which set out the methodology and management plan they intend to employ and which illustrate how the plan will serve to accomplish the objectives of the contract.

Resumes of each person working on the contract must be submitted with the proposal.

Location of Work

- Consultants may be from areas outside of Alaska, with travel included in their proposal.
- The Trust will not provide workspace for the contractor.

Cost Proposal

- Proposal must provide a Not to Exceed amount per contract year.
- Proposal must include all direct and indirect costs.
- If the contractor is from an area outside of Anchorage, proposal must include a Not To Exceed amount for the lead consultant to conduct one (1) three-day visit to Anchorage, Alaska.
- All travel must be pre-approved by the contract manager, and travel expenses will be reimbursed at actual cost according to the Alaska Administrative Manual for travel, AAM60 requiring submittal of receipt copies as backup.

Evaluation Criteria

All proposals received will be reviewed and evaluated based on proposal content. Do not simply retype the stated objectives of this proposal – provide specific details on how you will accomplish the contract objectives.

Proposals will be scored as follows:

- 40% Cost (all direct and indirect costs including travel)
- 30% Experience & Qualifications
- 20% Methodology & Management Plan
- 10% Alaska Proposer Preference



To: Russ Webb, Chair
Full Board, Special Meeting
From: Aaron O’Quinn, PRI Manager
Date: 2/28/2017
Re: Denardo/Fahrenkamp Lease and/or Sale Negotiations
Fiscal Year: 2017

Consultation

Proposed Full Board of Trustees Motion:

“The Trust Authority board of trustees concurs with the Trust Land Office recommendation for the Executive Director to negotiate leasing or the sale of all or part of the Denardo and/or Fahrenkamp Centers and Tract A, upon which the Denardo and Fahrenkamp Centers are located, at market rent for lease or fair market value for sale.”

Background:

Revenue Projections:	Principal Income	Fair Market Value, if sold; Fair Market Rent, if leased.
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Transaction/Resource: This proposal is for authority to be granted to the Executive Director of the TLO (the “Executive Director”) to negotiate a fair market rent lease or fair market value sale of the Denardo Center, the Fahrenkamp Center (the “Buildings”), and all land on Tract A (as described below, the “Land,” the Land and Buildings collectively referred to as the “Property”) to a tenant or purchaser on terms acceptable to the Executive Director, consistent with the TLO’s Resource Management Strategy (“RMS”) and all applicable regulations and laws.

Property Description/Acreage/MH Parcel(s): The parcel’s legal description is as follows: Tract A of Alaska State Land Survey No. 86-29 containing 8.544 acres more or less, according to the plat filed in the Fairbanks recording district on February 14, 1989 as plat 89-18. The Denardo Center, built in 1986, is a single story building consisting of approximately 6,300 square feet. The Fahrenkamp Center, built in 1986, is a single story building consisting of approximately 10,150 square feet.

General Background: The Land was conveyed to the Trust in 1996 as part of the trust litigation settlement. The Buildings remained the property of the Alaska Department of Health and Social Services (“DHSS”). In October 2014, DHSS deeded the Buildings to the Mental Health Trust Authority (the “MHTA”). The Denardo Center was previously occupied by Fairbanks Community Mental Health Center, Inc., which filed bankruptcy and vacated the premises in late 2013. The Fahrenkamp Center was occupied by Family Centered Services, who relocated to their new facility in late 2016. Both

buildings have been vacant since those times with only limited interest expressed by both fair market and potential programmatic tenants.

Since taking ownership of the Buildings in October 2014, the Trust has expended over \$215,000 in operating and maintenance expenses. Additionally, funds have been appropriated to replace the roof on the Fahrenkamp Center (approximately \$55,000) in the summer of 2017. Upon completion of the Fahrenkamp roof replacement after summer of 2017, the total outlay for Buildings' operations, maintenance, and improvements will be nearly \$300,000 with additional roof and boiler replacement at the Buildings necessary in coming years. Under AMHTA's ownership, the Buildings have produced no revenue, and have provided limited services to beneficiaries.

The buildings are unique in that they were purpose-built to serve as residential treatment facilities making them difficult to market to all but those occupancies. Since taking on ownership, the TLO has received several inquiries including a charter school start up, veterans' K9 therapy program, a proposed sobering center, and a HUD PRAC Section 202 housing (elder housing). To date, the TLO has been unable to proceed with any applicant.

Leasing Considerations

Given the special-purpose nature of the Buildings, attracting tenants other than residential treatment applicants will be difficult without providing significant tenant improvement allowances. Tenant improvement allowances are generally in the form of an initial cash outlay by the landlord or a period of free or reduced rent. The tenant is then permitted, with appropriate landlord oversight, to make alterations to a building, making the building suitable for that tenant's occupancy. The landlord will often charge a higher amount of rent overall to take into account the credit risk this initial outlay or period of rent reduction represents. For instance, if a landlord were to offer a tenant an allowance of \$20/sq. ft. to replace carpet, paint and move some walls, over a 10-year lease, that landlord may charge an extra \$2/sq. ft. over the life of the lease to recoup that cost. There may also be other capital investments the landlord would make in order to attract more suitable tenants, including subdividing the building or subdividing the entire property in order to create suitable spaces for tenants. These expenditures would likely be similarly captured in the form of higher chargeable rent due to the improvements to the facilities, but would ultimately be performed at the landlord's risk.

Sale Considerations

Sale of all or part of the property may require updates to the buildings or subdivision of the land. These costs would be negotiated between the TLO and any prospective purchaser and born in a commercially reasonable manner that is consistent with MHTA and TLO procedures, regulations and statutory requirements.

Anticipated Revenues/Benefits: Under this proposal, the Executive Director would have discretion to configure a lease and/or sale of the Property at fair market value. Total revenue is dependent on the term and size of any lease or the size of any sale, including any tenant improvement allowances or enhancements necessary to market or let the Property. By approving this motion, the Executive Director will be able to negotiate and execute the transactions, which will help alleviate the significant

financial operating burden on the Trust of maintaining vacant buildings in the harsh Fairbanks climate. Income would be in the form of lease rent and sale of the facilities would result in principal revenue.

Anticipated Risks/Concerns: There are few concerns associated with this transaction. Approval of this motion would give the Executive Director the ability to move forward with proposed fair market transactions, subject to a best interest decision process, providing notice to stake holders and an opportunity for any of said stakeholders to be heard.

Project Costs: Project costs consist of typical final cleaning and maintenance inspections to ensure the building mechanical systems are in good working order. They may also consist of a tenant improvement allowance, either in the form of a cash outlay or a period of free or reduced rent. Additional costs may include the cost to subdivide the land pursuant to Fairbanks Northstar Borough requirements, or remediation of any deficiencies in the Property required in order to consummate a purchase or lease transaction. The TLO is not requesting an appropriation for any of the purposes outlined herein at this time, but may seek funding at a later time and in accordance with AMHTA/TLO regulations and procedures.

Alternatives: At this time, a consortium of service providers in Fairbanks is proposing to use Denardo as a sobering center. According to the consortium's grant requirements they must be operational by the end of June. Approval of this motion would not preclude that use, moreover, it would ensure that the TLO can negotiate quickly and in accordance with the consortium's operating deadlines. If rent relief is later sought through the Trust Authority for program-related purposes, the Trustees would be free to consider grants or rent relief through appropriate approvals.

An additional alternative would be to maintain the status quo, requiring the Executive Director to seek concurrence for each proposal as they arise. This alternative is problematic as the quarterly nature of RMC and board meetings prevent the Executive Director from moving forward with proposals in a commercially reasonable manner, as expected by prospective purchasers and tenants.

Consistency with the Resource Management Strategy: The proposal is consistent with the "Resource Management Strategy for Trust Land" ("RMS"), which was adopted January 2016 in consultation with the Trust and provides for negotiated land sales, land leases and the general application of the real estate resource management strategy on land which is not currently being used for Trust programmatic purposes.

Trust Land Office Recommendation: The Trust Land Office recommends approval of the motion as described herein.

Applicable Authority: 11 AAC 99; Resource Management Strategy

Trust Authority Consultation: This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

Exhibit(s):

Parcel Map – EXHIBIT A

Fahrenkamp Center Floorplan - EXHIBIT B

Denardo Center Floorplan – EXHIBIT C

EXHIBIT B - FAHRENKAMP

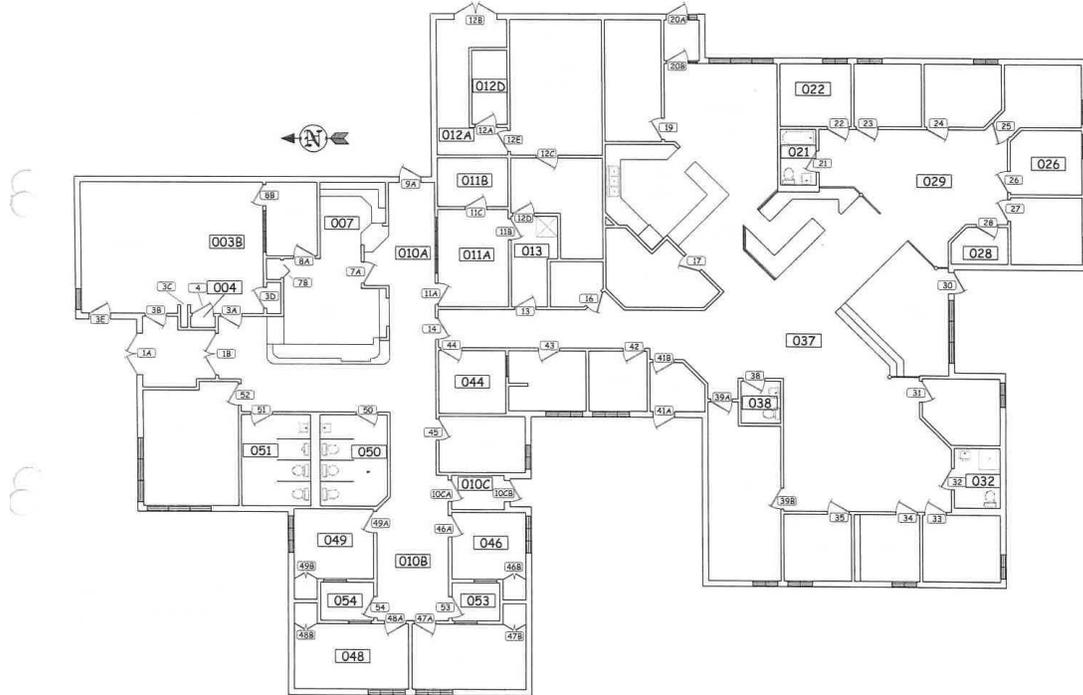
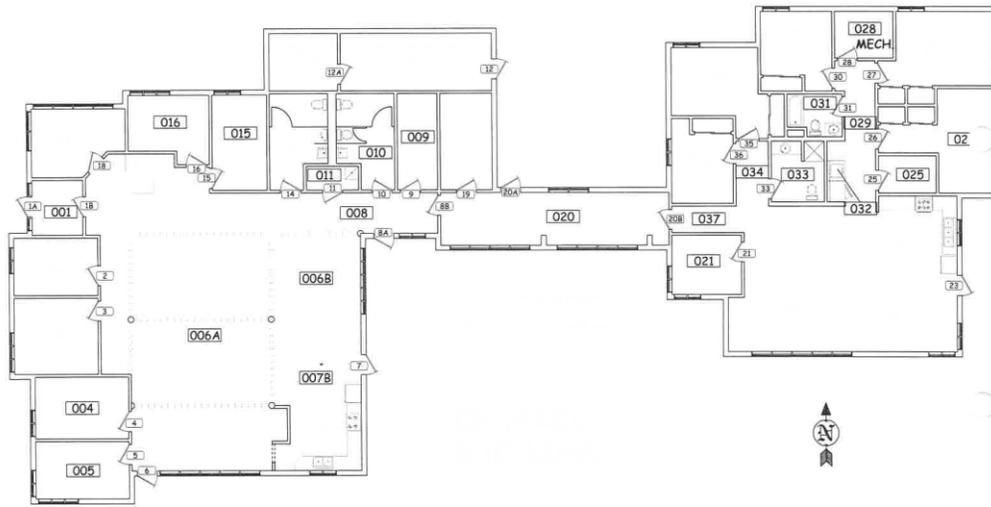


EXHIBIT C – DENARDO



MEMO

To: Russ Webb, Chair
Date: February 24, 2017
Re: FY17 Medicaid Reform Funding –HIE/AKAIMS connectivity
Fiscal Year: 2017
Amount: \$83,800 MHTAAR
Grantee: Department of Health and Social Services
Project Title: Cost of connectivity to Health Information Exchange (HIE)

REQUESTED MOTION:

Recommend approval of a \$83,800 FY17 MHTAAR grant from FY17 unobligated funds to the Department of Health and Social Services for the Cost of Connectivity to HIE project.

Assigned Program Staff: Katie Baldwin

PROJECT DESCRIPTION

As part of the FY17 Medicaid reform funding, trustees authorized \$104,800 in MHTAAR to cover the 10% state match to leverage 90% in federal funding, in the amount of \$943,200. The federal funding leveraged along with the state match covers costs to connect behavioral health providers to the Alaska Statewide Health Information Exchange (HIE) to improve care coordination and management in the comprehensive and integrated behavioral health system; and to connect Alaska's Automated Information Management System (AKAIMS), the behavioral health electronic health record and data system, to the HIE to increase efficiency and streamline provider documentation requirements.

Since the time of trustees' original approval in May 2016, DHSS has determined the state match requirement is 18% (8% higher than the original calculation) with an 82% federal match, meaning DHSS needs an additional \$83,800 in MHTAAR funding to meet the state match for 2017. The total FY17 MHTAAR state match allocation is adjusted to \$188,640 with an adjusted federal match in the amount of \$850,360.

This request is to cover the increase of \$83,800 in FY17 MHTAAR specifically for the for 8% increase in state match. With trustee approval, Trust staff will work with the Office of Management and Budget (OMB) to add the \$83,800 FY17 MHTAAR to the Governor's supplemental FY17 budget.