

MEETING AGENDA

Meeting: Finance Committee
Date: April 19, 2018
Time: 2:15 PM
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Session Number: 802 130 773 # / Attendee Number: #
<http://thetrust.webex.com>
Trustees: Jerome Selby (Chair), Verné Boerner, Chris Cooke, Laraine Derr, Paula Easley, Mary Jane Michael, Carlton Smith

Thursday, April 19, 2018

Page No.

2:15 pm **Call Meeting to Order (Jerome Selby, Chair)**

Roll Call
Announcements
Approve Agenda
Ethics Disclosure
Approve Minutes – 01/04/18

6

2:20 **Staff Report Items/Approvals**

- Cash Management Reports – Andy Stemp, CFO
- FY2019 Budget Update – Mike Abbott, CEO

Hand-Out

3:00 **Financial Planning Discussion**

- FY19 Real Estate & Program Related Real Estate Facility Budgets – Wyn Menefee, TLO Executive Director

3:30 **Alternative Funding Sources – Discussion**

- Mike Abbott, CEO
- Andy Stemp, CFO

4:30 pm **Adjourn**

Future Meeting Dates

Full Board of Trustee / Program & Planning / Resource Management / Finance 2018 / 2019 / 2020

(Updated – April 6, 2018)

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|--------------------------------|----------------------------|---------------------------------|
| • Program & Planning Committee | April 20, <u>2018</u> | (Fri) |
| • Resource Mgt Committee | April 19, <u>2018</u> | (Thu) |
| • Audit & Risk Committee | April 19, 2018 | (Thu) |
| • Finance Committee | April 19, <u>2018</u> | (Thu) |
| • Full Board of Trustee | May 24, <u>2018</u> | (Thu) – Anchorage - TAB |
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| • Program & Planning Committee | Jul 31- Aug 1, <u>2018</u> | (Tue, Wed) |
| • Resource Mgt Committee | August 2, <u>2018</u> | (Thu) |
| • Audit & Risk Committee | August 2, 2018 | (Thu) |
| • Finance Committee | August 2, <u>2018</u> | (Thu) |
| • Full Board of Trustee | Sep 5-6, <u>2018</u> | (Wed, Thu) – Anchorage
– TAB |
| | | |
| • Program & Planning Committee | October 17, <u>2018</u> | (Wed) |
| • Resource Mgt Committee | October 17, <u>2018</u> | (Wed) |
| • Audit & Risk Committee | October 17, 2018 | (Wed) |
| • Finance Committee | October 17, <u>2018</u> | (Wed) |
| • Full Board of Trustee | November 15, <u>2018</u> | (Thu) – Anchorage – TAB |

Future Meeting Dates

Full Board of Trustee / Program & Planning / Resource Management / Finance 2018 / 2019 / 2020

(Updated – April 6, 2018)

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|--------------------------------|----------------------------|---------------------------------|
| • Program & Planning Committee | January 3, <u>2019</u> | (Thu) |
| • Resource Mgt Committee | January 3, <u>2019</u> | (Thu) |
| • Audit & Risk Committee | January 3, <u>2019</u> | (Thu) |
| • Finance Committee | January 3, <u>2019</u> | (Thu) |
| • Full Board of Trustee | January 30-31, <u>2019</u> | (Wed, Thu) – JUNEAU |
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| • Program & Planning Committee | April 17, <u>2019</u> | (Wed) |
| • Resource Mgt Committee | April 17, <u>2019</u> | (Wed) |
| • Audit & Risk Committee | April 17, <u>2019</u> | (Wed) |
| • Finance Committee | April 17, <u>2019</u> | (Wed) |
| • Full Board of Trustee | May 8, <u>2019</u> | (Wed) – TBD |
| | | |
| • Program & Planning Committee | July 30-31, <u>2019</u> | (Tue, Wed) |
| • Resource Mgt Committee | August 1, <u>2019</u> | (Thu) |
| • Audit & Risk Committee | August 1, <u>2019</u> | (Thu) |
| • Finance Committee | August 1, <u>2019</u> | (Thu) |
| • Full Board of Trustee | September 4-5, <u>2019</u> | (Wed, Thu) – Anchorage
– TAB |
| | | |
| • Program & Planning Committee | October 16, <u>2019</u> | (Wed) |
| • Resource Mgt Committee | October 16, <u>2019</u> | (Wed) |
| • Audit & Risk Committee | October 16, <u>2019</u> | (Wed) |
| • Finance Committee | October 16, <u>2019</u> | (Wed) |
| • Full Board of Trustee | November 14, <u>2019</u> | (Thu) – Anchorage – TAB |

Future Meeting Dates

Full Board of Trustee / Program & Planning / Resource Management / Finance

2018 / 2019 / 2020

(Updated – April 6, 2018)

- Program & Planning Committee January 3, 2020 (Fri)
- Resource Mgt Committee January 3, 2020 (Fri)
- Audit & Risk Committee January 3, 2020 (Fri)
- Finance Committee January 3, 2020 (Fri)
- Full Board of Trustee January 29-30, 2020 (Wed, Thu) – JUNEAU

- Program & Planning Committee April 22, 2020 (Wed)
- Resource Mgt Committee April 22, 2020 (Wed)
- Audit & Risk Committee April 22, 2020 (Wed)
- Finance Committee April 22, 2020 (Wed)
- Full Board of Trustee May 7, 2020 (Thu) – TBD

- Program & Planning Committee August 4-5, 2020 (Tue, Wed)
- Resource Mgt Committee August 6, 2020 (Thu)
- Audit & Risk Committee August 6, 2020 (Thu)
- Finance Committee August 6, 2020 (Thu)
- Full Board of Trustee September 2-3, 2020 (Wed, Thu) – Anchorage
– TAB

- Program & Planning Committee October 21, 2020 (Wed)
- Resource Mgt Committee October 21, 2020 (Wed)
- Audit & Risk Committee October 21, 2020 (Wed)
- Finance Committee October 21, 2020 (Wed)
- Full Board of Trustee November 19, 2020 (Thu) – Anchorage – TAB

Future Meeting Dates Statutory Advisory Boards - 2018 (Updated – April 6, 2018)

Alaska Mental Health Board / Advisory Board on Alcoholism and Drug Abuse

- April 16-20, 2018 – Utqiagvik / Barrow <dates tentative>

Governor’s Council on Disabilities and Special Education

- May 15, 2018 – Video/Teleconference
- September 22-23, 2018 – Anchorage – Self Advocates Summit
- September 26-27, 2018 – Anchorage – Annual Aging & Disability Summit
- October 4-6, 2018 – Anchorage

Alaska Commission on Aging

- May 1, 2018 – Video/Teleconference
- September 26-27, 2018 – Anchorage – Annual Aging & Disability Summit

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

January 4, 2018
1:47 p.m.

Taken at:
Alaska Mental Health Authority
3745 Community Park Loop, Suite 120
Anchorage, Alaska 99508

OFFICIAL MINUTES

Trustees present:

Jerome Selby, Chair
Chris Cooke
Mary Jane Michael
Carlton Smith
Laraine Derr (via Speakerphone)
Paula Easley
Greg Jones

Trust staff present:

Mike Abbott
Steve Williams
Miri Smith-Coolidge
Kelda Barstad
Andy Stemp
Carley Lawrence
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller

Also participating:

Verne Boerner; Kathy Craft; Patrick Reinhart.

PROCEEDINGS

CHAIR SELBY calls the Finance Committee to order and asks for any announcements. There being no announcements, he moves to the approval of the agenda.

TRUSTEE MICHAEL makes a motion to approve the agenda.

MR. STEMPE requests that the item under investment policy discussion be deferred to the subsequent meeting.

CHAIR SELBY asks for any objection to the agenda, as amended.

There being no objection, the motion is approved.

CHAIR SELBY moves to the minutes of October 26, 2017.

TRUSTEE MICHAEL makes a motion to approve the minutes of October 26, 2017.

TRUSTEE JONES seconds.

There being no objection, the motion is approved.

STAFF REPORTS

CASH MANAGEMENT REPORT

MR. STEMPE states that he was asked to spend some time elaborating on the TLO section of the report. Historically, that has been something that was kept in a capsule form. Over time there will be an expansion of the discussion around that topic. It is an area that is one of the key drivers for the finances of the Trust. He goes through the Cash Management Report, as of November, explaining as he moves along.

TRUSTEE DERR states that when the audit was done, our assets at the end of the year were \$629 million, and now there is \$627 million. She asks about the difference.

MR. STEMPE replies that the report is the Cash Management Report. There are additional assets with the real estate holdings.

CHAIR SELBY asks the board members for any questions.

TRUSTEE COOKE asks at what point the spreadsheet reflects the drawdown of the 4.25 percent of principal from the Permanent Fund into the operation account of the Trust Authority.

MR. STEMPE explains that the payout calculation sheet was based on the combined value of the principal and reserve assets. He continues that it does not necessarily make a difference, but in terms of presentation it has been shown historically as a transfer out of the budget reserve and into the checking account there. The calculation of the draw is based on the combined principal in reserves. Then, that draw number comes out of the reserves and does not touch the corpus, the body of the Permanent Fund assets.

CHAIR SELBY states that it never comes out of the principal at the Permanent Fund and is from the earnings that are transferred into the budget reserve and then paid out of the reserve.

TRUSTEE DERR states that is the correct way.

A brief explanation and discussion continues.

MR. STEMP states that the next item for consideration is a request for account consolidation, and a motion to approve a transfer of \$5 million from the Alaska Permanent Fund Corporation budget reserves previously assigned for inflation-proofing into the actual principal account. He continues that based on the significant reserves that are also available over and beyond this money to meet any unanticipated needs, he recommends consolidating that into the principal account to simplify the administration of the assets and finalize that commitment.

TRUSTEE JONES makes a motion that the Finance Committee approve a transfer of \$5 million from the APFC budget reserves previously assigned for inflation-proofing into APFC principal.

TRUSTEE DERR seconds.

A short discussion ensues.

There being no objection, the motion is approved.

CHAIR SELBY moves on to the motion on the 2018 payout.

MR. STEMP states that this is a request for the committee to make a recommendation to the Full Board to authorize the transfer of \$21,111,000 of the Permanent Fund budget reserve accounts into the income account to finance the 2018 base disbursement payout calculation. The CFO may fulfill the motion with one lump sum or in multiple transfers. He explains this in greater detail.

MR. JONES makes a motion that the Finance Committee recommend that the Full Board of Trustees authorize the transfer of \$21,111,000 from the Alaska Permanent Fund budget reserve accounts to the mental health settlement income account to finance the fiscal year 2018 base disbursement payout calculation. The CFO may fulfill this motion with one lump sum or multiple transfers.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

TRUSTEE JONES suggests looking at all the sources of income revenue, particularly what is available for the budget. He continues that the TLO is doing well, the Permanent Fund seems to be doing well, and the reserve accounts seem to be doing well over at Revenue. He adds that there are probably some excess funds available.

CHAIR SELBY asks the CEO to have that report at the meeting in Juneau.

MR. ABBOTT replies that they will have the best information that is available at the time. He states that staff should be able to give a midyear estimate of how FY18 will land over the next six months, and then should also be able to start looking at FY19.

CHAIR SELBY moves on to the FY 2019 budget update.

MR. ABBOTT states that, as anticipated, the Governor flat-funded the Trust Land Office and the Trust Authority Office in his proposed budget. He continues, that means the operating budget is approximately \$600,000 short, based on what the Governor submitted. He adds, that is not the same as what the Legislature is going to appropriate. He states that OMB is aware that the work has started with the Finance Committees to help them understand why the request should be fully funded as presented rather than funded as recommended by the Governor. He asks Mr. Baldwin to explain the Governor's budget on the program side.

MR. BALDWIN begins that the Governor proposed new MHTAAR, which is not a large magnitude. It is focused around salary increases and health insurance. This is something that typically happens toward the end of the fiscal year, and we will need trustee action to make that correction, and then put it into the budget.

MR. ABBOTT adds that these are really small modifications.

MR. WILLIAMS states that this is the first review and explains that the budget is an iterative process until the Legislature passes something and the Governor signs off on it.

MR. BALDWIN agrees that this is going to be an ongoing, iterative process and that the work with the partners in tracking and monitoring the advisory reports will continue. He goes through some of the highlights, explaining as he goes along.

MR. WILLIAMS highlights that the Governor's proposed '19 budget has a significant increase of funding for public guardians in the Office of Public Advocacy's budget. The public guardians serve a high percentage of beneficiaries, and it is something to advocate for.

A brief question-and-answer discussion regarding the budget ensues.

MR. ABBOTT states that the primary advocate for the Trust positions will continue to be the CEO. There is a contractor on board to help observe and monitor the Legislature. They are not lobbying, will not show up on any APOC reports, and are explicitly prohibited from that work as per the contract. He continues that they are skilled legislative watchers, and we will get weekly reports from them on both budget- and policy-related legislative activity. He adds that it is a work in progress, and he expects his office to be primarily responsible for the advocacy function.

CHAIR SELBY thanks Mr. Abbott and states that it is helpful to know the plan on orchestrating the Juneau shuffle for the legislative session.

MR. WILLIAMS adds that the work with the advisory boards will continue on a weekly basis to get the update and to develop the advocacy strategies for public comments as bills and the budget move through the process.

CHAIR SELBY states that the investment policy discussion has been removed from the agenda. He asks for any comments on that.

MR. STEMP states that this came about through discussions with Trustee Jones to provide a policy statement or a principle statement. It has had several iterations. There have been positive encounters with the advisory boards. They have provided an initial tertiary set of feedback. The second internal draft is being worked on at this time. It is intended to serve as a bridge across the very specific tactical documents that have already been published; the asset management plan and the real estate management plan. He explains the big-picture investment concepts that are not spelled out in the proposed document. This is the first idea and is called Alpha. Alpha is a technical term and is just a measurement; the difference that an investment produces in return compared to the overall market. The second concept is Beta. It is a different measurement that talks about how a specific investment moves compared to the overall market. Those two principles become really important when talking about an investment strategy or an investment policy. He explains the two principles.

MR. ABBOTT states that there have been excellent conversations with the Mental Health Board and ABADA, in both quality and quantity. There is a general recognition that legislation is necessary in 2018. They are equally concerned with this policy document, which is to operationalize the statute. He recommends that the Trust endorse a process that would seek the advisory boards and other stakeholders feedback on this in advance of the spring board meeting where it could receive final action, if ready.

A discussion ensues.

CHAIR SELBY talks about the meeting with the Permanent Fund in September, and asks staff to make sure that it gets put on the calendar. He adds that this should be an annual meeting. He asks Mr. Williams for any comments.

MR. WILLIAMS comments on the question about APFC and any changes they have in investment policies. Those things were paid attention to by Kevin Buckland, and are also tracked by staff.

TRUSTEE SMITH states that he has a higher level of interest in the noncash assets, and asks for a dialogue on that.

TRUSTEE MICHAEL also appreciates the conversation in terms of strength through diversity.

CHAIR SELBY asks for any further business to come before the committee. There being none, he asks for a motion to adjourn.

CHAIR SELBY calls a break.

(Break).

CHAIR SELBY calls the meeting back to order for a few minutes, and gives a review of the meeting. Being at the end of the agenda, he entertains a motion to adjourn.

TRUSTEE MICHAEL makes a motion to adjourn the meeting.

TRUSTEE COOKE seconds.

There being no objection, the meeting is adjourned.

(Finance Committee meeting adjourned at 3:08 p.m.)