

MEETING AGENDA

Meeting: Finance Committee
Date: April 17, 2019
Time: 2:15 PM
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Meeting Number: 801 117 297 # / Attendee Number: #
<http://thetrust.webex.com>
Trustees: Jerome Selby (Chair), Verné Boerner, Chris Cooke, Laraine Derr, Paula Easley, Mary Jane Michael, Carlton Smith

Wednesday, April 17, 2019

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| 2:15 | <u>Call Meeting to Order (Jerome Selby, Chair)</u>
Roll Call
Announcements
Approve Agenda
Ethics Disclosure
Approve Minutes – 01/03/19 | 4 |
| 2:20 | <u>Staff Report Items</u> <ul style="list-style-type: none">• Cash Management Reports – Andy Stemp, CFO• FY2020 Budget Update – Mike Abbott, CEO | Hand-Out |
| 3:00 | <u>Follow-up</u> <ul style="list-style-type: none">• Analysis of Real Estate Options – Mike Abbott, CEO, Andy Stemp, CFO | Hand-out |
| 4:30 | Update on Investment Policy – Mike Abbott, CEO, Andy Stemp, CFO | |
| 4:45 | Adjourn | |

Future Meeting Dates

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

(Updated – March 22, 2019)

- Audit & Risk Committee <cancelled>
- Finance Committee April 17, 2019 (Wed)
- Resource Mgt Committee April 17, 2019 (Wed)
- Program & Planning Committee April 18, 2019 (Thu)
- Full Board of Trustee May 8-9, 2019 (Wed, Thu) – Fairbanks

- Program & Planning Committee July 30-31, 2019 (Tue, Wed)
- Audit & Risk Committee August 1, 2019 (Thu)
- Finance Committee August 1, 2019 (Thu)
- Resource Mgt Committee August 1, 2019 (Thu)
- Full Board of Trustee September 10-11, 2019 (Wed, Thu) – Anchorage

- Full Board of Trustee November 6-7, 2019 (Wed, Thu) – Anchorage

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

Future Meeting Dates Statutory Advisory Boards (Updated – March 22, 2019)

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

- Executive Committee – monthly via teleconference (First Wednesday of the Month)
- September 23-27, 2019 – Kenai or Anchorage <tentative>

Governor’s Council on Disabilities and Special Education

- May 14, 2019 – ZOOM/Webinar/Teleconference
- Oct 2-3, 2019 - Anchorage (pre-meeting for Autism Ad Hoc on Oct 1)

Alaska Commission on Aging

- May 1, 2019 by video/teleconference
- September 12-15, 2019 – ACOA Rural Outreach

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

January 3, 2019

8:43 a.m.

Taken at:

3745 Community Park Loop, Suite 120

Anchorage, Alaska

OFFICIAL MINUTES

Trustees Present:

Mary Jane Michael, Acting Chair

Laraine Derr (via Speakerphone)

Jerome Selby (via Speakerphone)

Paula Easley

Carlton Smith

Chris Cooke

Verne' Boerner

Trust Staff Present:

Mike Abbott

Steve Williams

Miri Smith-Coolidge

Kelda Barstad

Andy Stemp

Luke Lind

Michael Baldwin

Carrie Predeger

Katie Baldwin-Johnson

Jimael Johnson

Valette Keller

Eric Boyer

Autumn Ve

Trust Land Office:

Wyn Menefee

Jusdi Doucet

Sarah Morrison

Paul Slenkamp

Aaron O'Quinn

PROCEEDINGS

CALL TO ORDER

CHAIR SELBY requested that Trust Michael chair the meeting on his behalf.

ROLL CALL

ACTING CHAIR MICHAEL agreed, and stated that the trustees were present at the prior meeting, which was adequate for a roll call. She asked for any announcements. There being none, she asked for approval of the agenda.

APPROVAL OF AGENDA

MOTION: A motion was made to approve the agenda by TRUSTEE COOKE; seconded by TRUSTEE EASLEY.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES

There were no ethics disclosures.

APPROVAL OF MINUTES (October 17, 2018)

MOTION: A motion to approve the minutes of October 17, 2018, was made by TRUSTEE COOKE; seconded by TRUSTEE EASLEY.

There being no objection, the MOTION was approved.

STAFF REPORTS

CASH MANAGEMENT REPORT

MR. STEMPE explained that there is a different format, a smaller document, which was requested at the last meeting. In consultation with the CEO and the Land Office partners, we have tried to bring information forward that is helpful to the committee.

MR. ABBOTT stated that this is a single-page spreadsheet titled Alaska Mental Health Trust Year-to-Date and projected FY activity.

MR. STEMPE began with the administrative portion that had the actual expenses for the Authority and the Land Office, as well as a projection through to the end of the year. The projection is a new feature that will try to give a forward look to the year. He stated that the first section is informational to make sure all can see where we stand. That is followed by program activities, the Authority Grants and MHTAAR funding. The third area is titled Special Projects, items that are not part of the regular, recurring budget. He continued that the first third of the page is called Trust Activities. Under that are the Trust Receipts which present the resources coming into the Trust, beginning with the Land Office. He added that the year has been very positive, and everything is on track going into the year. He explained that the middle section simplifies the investment reporting. He stated that the Permanent Fund portfolio is down slightly with a loss of about \$630,000. That has been projected to bounce back through the remainder of the year and come in with total earnings around \$21 million. He added that there is a revenue target of \$24 million for the year, and we intend to update the revenue targets based on information

received through the year. He moved to the final section, Trust Resources, which is information on the different valuations of the portfolios and investments the Trust holds. He noted that the Trust Authority Development Account will go down based on the transfer the trustees authorized earlier this year. That will post on the December report. He stated that the Trust has approximately \$662.5 million total resources as of the end of November.

FY 2019 PAYOUT

MR. STEMPEL stated that he was pleased to report, based on the increase in the average value of the funds, this payout will be slightly higher than the previous year's payout. He moved to the requested motion for the committee's considerations.

MOTION: A motion that the Finance Committee recommends that the Full Board of Trustees authorize the transfer of \$22,195,000 from the Alaska Permanent Fund budget reserve accounts to the Mental Health income account to finance the FY2019-based disbursement payout calculation; the CFO may fulfill this motion with one lump sum or multiple transfers, was made by TRUSTEE COOKE; seconded by TRUSTEE EASLEY.

MR. STEMPEL explained that the proposal of this motion is to ask that the money come from the Permanent Fund and will not ask for anything out of the Department of Revenue. He further explained that by taking this action with the Full Board's ratification later in the month, the Permanent Fund will be asked to liquidate \$22 million in investments.

ACTING CHAIR MICHAEL called the motion.

There being no objection, the MOTION was approved.

UPDATE ON PERMANENT FUND CORPORATION NEGOTIATIONS

MR. STEMPEL stated that this is summarized in the two-page memo dated December 18 in the packet. He recapped earlier committee meeting conversations, and stated there was a lot of help from the Permanent Fund Corporation. They went out and solicited proposals in response to the Legislative Audit recommendations on the Trust's behalf. There are three potential managers with competitive pricing. He continued that all the proposals were brought before the Trust for consideration. The Trust's needs were considered seriously, and the Permanent Fund did a very good job in advocating. He added that, after reviewing them, one firm was identified as being the most responsive. His recommendation, at this time, is to defer taking this action, based on consideration of the costs, as well as the impact on the beneficiaries. He explained his reasoning for the recommendation and reiterated that it was an excellent response from the Permanent Fund, an excellent proposal to meet the needs of the Trust, but would badly impact the beneficiaries.

TRUSTEE COOKE asked if this commercial real estate property was transferred to the Permanent Fund Corporation would the Trust retain any say over who manages it and what is spent to manage it.

MR. STEMPEL replied that the Trust would retain control over acquisition and disposal of assets. Consultation and approval from the trustees with a consultative role on the spending, budgeting, and expenses would be required. He added that there would be diminished day-to-day control.

MOTION: A motion was made that the committee recommend to the Board approval of the APFC proposal and retain the services of CS Capital Management to carry that out was made by TRUSTEE SELBY; seconded by TRUSTEE EASLEY.

MOTION: A motion to table, postpone the prior motion to the April Finance meeting was made by TRUSTEE DERR; seconded by TRUSTEE SELBY.

There being no objection, the MOTION was approved.

REVIEW OF OPTIONS

MR. STEMP stated that there is a three-page summary dated December 24, 2018 which speaks to a lot of the earlier discussion. He continued that a number of comments were received from individual committee members for a more holistic review of all the things that are available to the Trust. He explained that there were seven options available: The first option would be to maintain the current course. The second option would be a divestiture; market the properties and then transferring the cash from the sale to the Permanent Fund equal to the amount of the original principal investment. He continued that the third item would be to transfer the management of the assets into an arrangement with the Permanent Fund. Fourth would be to look at refinancing the investments and borrowing additional moneys to transfer into the APFC account in order to make up the principal amount. Option 5 would be to maintain the holdings as currently structured and use Trust resources from reserves to transfer cash into the Permanent Fund equal to the original principal amounts. Option 6 would be to maintain the holdings and then have a schedule of payments or a reimbursement plan to transfer money periodically to the Permanent Fund until that original principal investment is fully reimbursed. Option 7, the hybrid strategy, would be to look at some partial divestiture. If there is a property that has peaked in value or is otherwise advantageous to sell, and combine that with the reimbursement schedule. He added that he tried to bring forward as many options as possible, and also tried to be objective in assessing the benefits and drawbacks of each option. He does not believe there is a perfect option for the Trust in this situation.

ACTING CHAIR MICHAEL stated the need to have a longer than ten-minute discussion, and asked that this be put on the agenda for Juneau with a need of a couple of hours. She added that this is a huge decision. She spoke about the need to talk about the future and how to continue to look for other investment opportunities.

TRUSTEE SMITH added that Mr. Menefee referenced contracting options, which is another topic for discussion.

TRUSTEE SELBY stated that this is a big topic and would like to take it to the Board meeting and begin Board discussion. He would also like staff to get some legal work done on Option 7. He added that the appropriate thing to do would be to go through and eliminate some of the options, narrow it down at the Board meeting to two or three to move forward to the April committee meeting and the May board meeting.

TRUSTEE DERR stated that the legal basis is a bigger question because there is more real estate than just \$54 million, and there is a need to use income in regard to the Legislative Audit.

TRUSTEE EASLEY suggested a work session for this topic, adding that there would not be

enough time at the Board meeting.

TRUSTEE COOKE asked if there are any legislative changes that would address some of these concerns.

MR. ABBOTT replied that the sponsor of the bill that would have addressed many of the issues in the Legislative Audit has retired from the Legislature, and the co-sponsor is the current Lieutenant Governor. He continued that, at this time, there is no legislator that has expressed interest in advancing this. He added that he will have terms of how to proceed with potential legislation addressing the Legislative Audit issues at the Full Board meeting in January. He stated that he is also working with a contractor to discuss some of the options available with some of the stakeholders. That process is almost complete, and will also be discussed at the Board meeting.

MOTION: A motion to adjourn the Finance Committee was made by TRUSTEE SELBY; seconded by TRUSTEE EASLEY.

There being no objection, the MOTION was approved.

(Finance Committee Meeting adjourned at 10:13 a.m.)