

Trust

Alaska Mental Health
Trust Authority

**Resource Management
Committee
Quarterly Meeting
PUBLIC PACKET
August 11, 2016**

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING
DRAFT AGENDA
AUGUST 11, 2016
8:30 a.m. - 10:00 a.m.

Teleconference Information
Call in Number: (866) 469-3239
Meeting/Session Number: 802 539 545 #
Attendee Number: #

Call to Order (Chair Larry Norene)

Committee Members (Voting):

Laraine Derr
Paula Easley
Russ Webb
Mary Jane Michael
Carlton Smith
Jerome Selby
John Morrison, Staff

Announcements

Approval of Agenda

Approval of Minutes

- a) April 14, 2016
- b) May 2, 2016

1. Approval
 - a) Fahrenkamp Center Operating Funds Increase (Item 1)
 - b) FY18 Operating Budget (Item 2)
2. Executive Session will be conducted
3. Consultation
4. Updates
5. Monthly Report Questions
6. Other
7. Adjourn

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

April 14, 2016
11:00 a.m.

Taken at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska

OFFICIAL MINUTES

Trustees present:

Larry Norene, Chair
Carlton Smith
Laraine Derr
Russ Webb
Paula Easley
Mary Jane Michael

Trust staff present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Carley Lawrence
Amanda Lofgren
Kevin Buckland
Mike Baldwin
Katie Baldwin-Johnson
Carrie Predeger
Heidi Wailand
Luke Lind
Kat Roch
Valette Keller

TLO staff present:

John Morrison
Wyn Menefee
Craig Driver
Karsten Eden
Sarah Morrison
Dave Griffin
Michelle Steelman

Others participating:

Kathy Craft; Donna Mong; Sue Wood (via telephone)

PROCEEDINGS

CHAIR NORENE calls the meeting to order. He asks for any announcements. There being none, he asks for any changes to the agenda. There being none, he asks for a motion.

TRUSTEE MICHAEL makes a motion to approve the agenda.

TRUSTEE WEBB seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the minutes of January 26, 2016.

TRUSTEE DERR makes a motion to approve the minutes of January 26, 2016.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE moves to the minutes of February 26, 2016.

TRUSTEE MICHAEL makes a motion to approve the minutes of February 26, 2016.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that there are a couple of consultations and approvals. He recognizes Mr. Morrison.

MR. MORRISON states that there are two consultations and two approvals. He continues that Dr. Karsten Eden will give a presentation over Icy Cape, which is one of the potential revenue sources projects. He moves on to the first consultation, which is for some sales of parcels at the community of Elfin Cove. He introduces Dave Griffin.

MR. GRIFFIN states that he is the Southeast area lands manager. The proposed motion is the negotiated sale for parcels in the community of Elfin Cove. He continues that this proposed action is to conduct a sale of six parcels, which is the entire asset of land there. He adds that the discussions between the TLO, the board members and the community of Elfin Cove culminated in a deal where the community would purchase all six parcels for \$143,000. The sale would provide the community with a land base while alleviating the Trust of nonperforming assets in a

remote location. He states that CRM 1444 has an appraised value of \$90,000, and the remaining five parcels have an appraised value of \$60,000, for a total of \$150,000. He continues that the five adjoining parcels at the cove are unlikely to be purchased because of the steep topography. The TLO believes this sale is in the Trust's best interest because long-term management and liability costs for the remaining five parcels over an extended time frame would be more than the reduced revenue of \$7,000.

TRUSTEE MICHAEL asks if the DOT encumbrances of the property continue.

MR. GRIFFIN replies yes, those will continue.

TRUSTEE SMITH asks how the community will pay for this.

MR. GRIFFIN replies that when commercial fishing was banned at Glacier Bay National Park some money was received to offset the costs. The community has \$143,000 in their account.

CHAIR NORENE asks for any further questions.

TRUSTEE MICHAEL makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the negotiated land sale of six parcels in Elfin Cove, Alaska, to the Community of Elfin Cove.

TRUSTEE EASLEY seconds.

There being no objection, the motion is approved.

MR. MORRISON states that the next consultation is for a placer lease to an individual on Fox Creek, and recognizes Karsten Eden.

DR. EDEN states that he is the minerals section chief with a 20-year background on mineral exploration and mine development on an international level. He continues that this consultation is for a negotiated placer lease of Trust mineral estate with the primary term of three years for the purpose of exploration, development and production of placer gold in Fox Creek in the Fairbanks Mining District. He adds that Randal Powelson is a very well respected placer miner in Fairbanks and is well equipped to conduct the proposed mining activities. He also has a very good working relationship with various state agencies and regulated placer mines. He states that the anticipated revenues will consist of an annual rental fee of \$5,000 which can be credited against production royalty. He continues that the estimate is about \$45,000 to \$50,000 a year based on comparable numbers in the Fairbanks Mining District. He adds that there are no unusual risks associated with the proposed activity; and no unusual or significant costs are anticipated other than periodic site visits to check on cleanups. He states that the proposal is consistent with the Resource Management Strategy for Trust land which was adopted in January, 2016. He continues that the action is a step forward toward generating revenues from Trust mineral resources consistent with a key Trust land management principle of encouraging a diversity of revenue-generating uses of Trust land. He asks for any questions.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the negotiated lease of Trust mineral estate on Fox Creek for exploration and development of placer gold, as proposed.

TRUSTEE SMITH seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that Dr. Karsten Eden will make a presentation on Icy Cape.

DR. EDEN states that Icy Cape is located north, northwest of Yakutat, about 75 miles and is a huge land parcel. He goes through his presentation, explaining as he goes along. He continues that it is about 48,000 acres in size, and roughly 25,000 acres of it contain mineral-rich sands. He adds that the delta area is where the highest grades of heavy minerals and gold are likely to be found. He states that there is a perfect infrastructure with a road system that goes all across the land block. He continues that there is a landing strip, a camp, and access to a log transfer facility, so material can be shipped in and out. He continues his presentation, explaining as he goes along. He states that it has potential for gold, garnets, zircon and epidote. He adds that epidote is a very rare commodity that is useful in water filtration as an active filter. If it is available on the market, it normally is sold for \$130 to \$150 per metric ton. The majority of the minerals are actually epidote. He used data from the Stoney Creek Operation in Virginia, which is a heavy mineral producer in the US, to run a scenario for Icy Cape. The scenario is 250 tons per hour feed capacity; the operation runs 24/7 and operates 270 days per year. That results in \$218 million gross revenue per year. He adds that this is not ore-grade material. He goes into greater detail and states that it is critical to find the high-grade pockets, the high-grade zones. He states that this is a request for a low-altitude airborne magnetic survey over the coastal plain in the delta areas of Icy Cape. He continues that the project costs are estimated to be \$175,000.

CHAIR NORENE asks if there would be any serious environmental issues.

DR. EDEN replies that it is just placer mining, digging sand, and using water.

TRUSTEE MICHAEL asks what percentage of the revenue will go to the Trust.

DR. EDEN replies that depends on how the deal is structured and explains in greater detail.

A short discussion ensued.

MR. MORRISON reminds the trustees that the potential mine does dovetail nicely with the existing Icy Bay timber sale. He states that this particular parcel is the furthest exploration of a Trust parcel to this point.

The discussion continues.

TRUSTEE EASLEY makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the expenditure of

principal funds for parcel research and exploration of the parcel known as Icy Cape in the amount of \$175,000 from the TADA fund code 3320. These funds do not lapse.

TRUSTEE MICHAEL seconds.

MR. BUCKLAND asks the committee to consider the source of the funding for what looks to be a great opportunity. He states that he put an informal inquiry with the GASB, Governmental Accounting Standards Board, on the treatment. He adds that he did not see much with regard to an item like this, whether the cost is capitalized or expenses. He continues that the GASB checked with FASB and concluded that it is something that they felt should be expensed. He explains this more fully.

MR. MORRISON states that they are happy to go with whatever Mr. Buckland's final determination is.

MR. JESSEE recommends that the motion be amended to expense this.

A discussion ensues.

TRUSTEE WEBB makes a motion to strike the language where it states "expenditure of principal funds," strike the "of principal funds" and after the \$175,000, strike the "from the TADA fund 3320.

TRUSTEE MICHAEL seconds.

There being no objection, the amendment is approved.

CHAIR NORENE moves back to the motion.

There being no objection, the motion is approved.

MR. MORRISON moves on to an approval for various property budgets within this one motion. There are at least two different sets of properties. He states that first is the Real Estate Management Plan properties, and it is important to note that all of these are paying their own expenditures and is not a request of money. He continues that the second is a pool of properties that are not producing money at this point and are asking for some money. He asks Craig Driver, the asset manager, to continue.

MR. DRIVER states that approval is being sought for the FY17 property budget for the buildings listed in the packet. He continues that the exhibit breaks out three categories: the buildings include the Real Estate Management Plan properties located in Tumwater, Washington; Ogden, Utah; Austin, and San Antonio, Texas; and Anchorage, Alaska, as well as other Trust properties in Anchorage and Fairbanks. Group Two consists of properties that generally sustain themselves through rental income, but were not acquired for the purpose of investment income. The third category contains the properties that are currently utilized for program-related uses, but do not sustain themselves entirely through rental income or are earmarked for program-related uses at

less than market rent. He states that the expense budgets were derived through review of previous years' budgets and forecasting of anticipated FY17 operating expenses and capital projects. He explains all in more detail. He states that there are three motions and asks that they be adopted.

A discussion, in great detail, ensues.

TRUSTEE SMITH makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the recommendation to approve the incremental building expenditures totaling \$5,759,700 budgeted for fiscal year 2017 to be paid by the property manager from rents and other income collected from the properties.

TRUSTEE WEBB seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve funding the expenditures for the Program-Related Investment properties in the amount of \$212,200 for fiscal year 2017, which appropriation shall not lapse.

TRUSTEE MICHAEL seconds.

A discussion ensues.

TRUSTEE WEBB withdraws his motion.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is withdrawn.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees authorize the CFO to transfer the balance of the facility maintenance account, IRIS fund 3322, the balance being \$105,787, to the Alaska Mental Health settlement income account, IRIS fund 1092, to partially fund the FY17 operating cost of the Program-Related Investment properties.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees authorize an appropriation from the Trust Authority Development Account, TADA IRIS fund 3320, in the amount of \$70,000 for capital costs of Program-Related Investment properties for FY17. The appropriation shall not

lapse. The CFO is authorized to transfer the full amount to a third-party property manager upon the request of the TLO.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve an appropriation from the Alaska Mental Health Settlement Income Account, IRIS fund 1092, in the amount of \$142,200 for operating costs of the Program-Related Investment properties for FY17 which appropriation shall not lapse. The CFO is authorized to transfer the full amount to a third-party property manager upon the request of the TLO.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

MR. MORRISON asks if, between now and next year, preparing for this same situation is wanted.

CHAIR NORENE replies that he and Mr. Buckland discuss it in advance and clean up the order of the motions.

A short discussion ensues.

CHAIR NORENE moves back to the agenda and asks for an update.

MR. MORRISON states that there are a lot of things happening at the TLO, and we are continuing to press forward in the work with the land exchange. He explains in greater detail. He continues that House Bill 274 has been going through the various committees and believes that it is now scheduled for a floor vote. He moves on to the land sale and states that the winter land sale closed out a few weeks ago. He continues that seven of 17 parcels in the land sale sold for \$640,000. He adds that the parcels sold for 4.4 percent above the appraised value, which is the lowest on record. He states that there are a couple of issues in Wrangell on some contaminated lands, and two of those parcels are well into the process of being cleaned up. A third parcel is an extremely contaminated parcel, which is right next to Trust land and explains this more fully. He moves on and talks about the Governor's travel memo and how that was affecting the TLO. He states that issue was solved with Chair Webb's help, with a new travel plan procedure. He continues that the PRI position has been added and there is a request to recruit for the PCN. He adds that he will keep the board informed. He states that a letter of interest was received from Catholic Social Services to discuss their facility next door, and we are exploring options with them. He continues that Brian Yackel, the project manager, has been working with the Muni to iron out some issues and move forward with the utility improvements at Yosemite Drive. He adds that they are about to put the invitation to bid out for utility work with C-2 in the U-Med District.

CHAIR NORENE asks for any questions.

A short discussion ensues.

CHAIR NORENE asks for a motion to adjourn.

TRUSTEE MICHAEL makes a motion to adjourn the meeting.

TRUSTEE WEBB seconds.

There being no objection, the meeting is adjourned.

(Resource Management Committee meeting adjourned at 12:50 p.m.)

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING

May 2, 2016
10:00 a.m.

Taken at:

3745 Community Park Loop, Suite 120
Anchorage, Alaska

OFFICIAL MINUTES

Trustees present:

Larry Norene, Chair
Laraine Derr (via telephone)
Russ Webb
Paula Easley (via telephone)
Mary Jane Michael
Jerome Selby

Trust staff present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Kevin Buckland

TLO staff present:

John Morrison
Craig Driver
Michelle Steelman

PROCEEDINGS

CHAIR NORENE calls the Resource Management Committee meeting to order and asks for any announcements. There being none, he states that in the agenda there are some consultations, approvals and an executive session. He asks if the executive session is to discuss sensitive negotiations.

MR. MORRISON replies yes.

CHAIR NORENE asks what order should be taken.

MR. MORRISON suggests a brief introduction, then call an executive session to discuss the particulars of the transaction.

CHAIR NORENE asks Mr. Morrison to proceed.

MR. MORRISON states his appreciation for the board's willingness to work with staff on trying to match process with opportunity. He continues that there are two opportunities the target markets of Texas and Washington to help further the mission and direction given as of late to substantially increase the income revenue of the Trust. He adds that both of these opportunities are a bit larger than previous opportunities acquired. With that, he asks to go into executive session.

TRUSTEE WEBB asks to make a comment. He states that his understanding of the benefit of considering these is to generate more spendable income.

MR. MORRISON replies that based on the acquisition parameters, as well as the proposed financing, together they would each produce well in excess of a million dollars a year of spendable income for the Trust.

TRUSTEE WEBB makes a motion to move into executive session for the purpose of considering two acquisitions that are of a very sensitive financial nature for the Trust.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

(Executive Session from 10:06 a.m. until 11:17 a.m.)

CHAIR NORENE moves to approvals in the agenda. He states that Item A is the Texas building acquisitions.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the action as described herein wherein the Trust Land Office forms and manages a single-purpose entity limited liability corporation owned in full by the Trust for the purpose of acquiring, owning, and operating the proposed property, that being the Texas building acquisition.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

TRUSTEE MICHAEL asks how the LLCs are named.

MR. MORRISON replies that these are numbered 1 through 3. He states that this will be TLO TX3 Investments, LLC.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the proposed action to fund the newly formed LLC with principal from the Trust Authority Development Account, fund code 3320, to acquire the property, up to \$9,500,000. This funding will include purchase price net of loan acquired, entity formation expenses, legal review, closing, and due diligence costs as necessary to complete the transaction, as presented.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees concur with the proposed action to complete the financing of the proposed property.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve an increase to the property budget appropriation in the amount of \$2,128,725.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees delegate to the Executive Director of the TLO the authority to determine if it is necessary to modify or cancel this transaction.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR NORENE states that the next item is the Washington joint venture building development proposal.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the action as described herein wherein the Trust Land Office forms a single-purpose entity joint venture limited liability company with Panattoni Development Company for the purpose of acquiring, owning, developing, and operating the proposed property.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees authorize the Executive Director of the TLO to represent the Trust's interests in the transaction by working with the development partner to ensure a successful project, including, but not limited to, decisions about modifications to the project plan, leasing, tenant improvements, financing, and buying out Panattoni at project stabilization.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees approve the proposed action to fund the newly formed LLC with principal from the Trust Development Account, fund code 3320, to complete the proposed action, up to \$11 million. This funding will include payments to be made as part of the development process, the eventual purchase price net of loan acquired, entity formation expenses, legal review, closing, and due diligence costs as necessary to complete the transaction, as presented.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees concur with the proposed action to complete the financing and subsequent purchase or sale of the proposed property.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB makes a motion that the Resource Management Committee recommends the Alaska Mental Health Trust Board of Trustees delegate to the Executive Director of the TLO the authority to determine if it is necessary to modify or cancel this transaction.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

TRUSTEE WEBB states that the trustees spend a good bit of time in executive session discussing the potential benefits and risks of each of these two transactions, including the ability of these transactions to generate a significant amount of spendable income annually for the Trust, makes them worthwhile and beneficial. He continues that the risks have been mitigated to the greatest possible degree.

CHAIR NORENE adds that it was necessary to be in executive session and thanks all for the convenience of executive session.

TRUSTEE SELBY makes a motion to adjourn the meeting.

TRUSTEE WEBB seconds.

CHAIR NORENE adjourns the meeting.

(Resource Management Committee meeting adjourned at 11:26 a.m.)



Trust
Land Office

2600 Cordova Street, Suite 100
Anchorage, Alaska 99503
Phone: 907-269-8658
Fax: 907-269-8605

To: Larry Norene, Chair
Resource Management Committee
From: Craig Driver
Date: 8/11/2016
Re: Fahrenkamp Center Operating Funds Increase – Item 1
Fiscal Year: 2017
Amount: \$32,000.00

Approval

Proposed RMC Motion:

Proposed Motion One: *“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve additional funding for expenditures on the Fahrenkamp Center property in the amount of \$32,000 for FY17, which appropriation shall not lapse.”*

Proposed Motion Two: *“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees instruct the CFO to transfer up to \$32,000, in addition to the previously approved funding of \$212,200 for the fiscal year 2017, to the third party property manager, as requested by the TLO, for management of the PRI properties.”*

Background:

Transaction/Resource: Budgets are presented to seek approval from the Alaska Mental Health Trust board of trustees for the expenditures necessary to operate and maintain the properties. The proposed property expenditures are an incremental increase to previously approved expenditure amounts. The board of trustees previously approved funding the expenditures for the PRI properties in the amount of \$212,200 for the fiscal year 2017. Due to an early termination by Family Centered Services, Inc. (FCS) at the Fahrenkamp Center in Fairbanks, additional expenditures will be incurred for FY17 and the budget amount for the Program Related Investment Facilities must be increased accordingly. The operator determined they were no longer able to sustain the program or programs provided at the facility and exercised a right to terminate as provided in the lease, which was tied to grant funding from Department of Health and Social Services (DHSS). At the time the FY17 expenditures were approved in April, 2016, it was anticipated that FCS would continue to lease the facility through December, 2016. The actual termination date turned out to be July 8, 2016.

Property Description/Acreage/MH Parcel(s): The Fahrenkamp Building Property is as follows:

1423 Peger Road, Fairbanks, AK, known as Fahrenkamp Center, a portion of 8.5 acres, F20213.

General Background: The Trust Land Office (TLO) has established a system to adequately plan, manage, and report activity in the real estate portfolio. Through the use of third party professional management services, the property information is accounted for by:

- 1) matching income to expenses;
- 2) comprehensive reporting and budgeting for each property; and
- 3) capital expense forecasting.

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 assuring that the real estate needs of mental health programs sponsored by the Alaska Mental Health Trust Authority are met as appropriate. In addition, 11 AAC 99.020(c)(3) cites protection and enhancement of the long-term productivity of Trust land.

Trust Land Office Recommendation: The TLO recommends that it is in the Trust’s best interest to approve the incremental building expenditures for FY17.

Applicable Authority: AS 37.14.009(a), AS 38.05.801, 20 AAC 40.710-720 and 11 AAC 99.

Trust Authority Approval: This briefing document fulfills the approval requirements that are applicable to the transaction.

Exhibit(s):

Exhibit 1 - Property Budget Summary

FY17 PRI Real Estate Budget Summary

PRI Properties

Name	City, State	Operating	Capital Improvements ¹	Principal	Interest	Total
Assets	Anchorage, AK	10,229				10,229
Fahrenkamp Center-Original Approval	Fairbanks, AK	64,138	70,000			134,138
Fahrenkamp Center-Additional Need	Fairbanks, AK	32,000				32,000
Denardo	Fairbanks, AK	67,841				67,841
Totals		174,208	70,000	-	-	244,208

1 - Capital Improvements

Fahrenkamp

Roof replacement, contingency to cover potential mechanical, electrical & plumbing needs at Family Centered Services lease expiration



Trust
Land Office

2600 Cordova Street, Suite 100
Anchorage, Alaska 99503
Phone: 907-269-8658
Fax: 907-269-8605

To: Larry Norene, Chair
Resource Management Committee
From: Sarah Morrison
Date: 8/11/2016
Re: FY18 Operating Budget – Item 2
Fiscal Year: 2017
Amount: \$4,473,600

Approval

Proposed RMC Motion:

“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the Trust Land Office operating budget for FY18 in the amount of \$4,473,600.”

Background:

The Trust Land Office (TLO) seeks the recommendation of the Finance Committee for the FY18 operating budget. Please see Exhibit 1 for a breakout of the proposed line items.

Exhibit(s):

Exhibit 1 - FY18 Trust Land Office Budget Proposal

	A	B	C	D	E	F
1	TRUST LAND OFFICE OPERATING BUDGET					
2	FY18 Proposal*					
3	*Budget numbers are rounded					
4						
5	Expenditures	FY16 YTD 7-26-2016 ¹	FY17 Original	FY17 Mgmt Plan	FY18 Proposal	17-18 %
6	Personal Services ²	2,457,829	2,783,800	2,884,930	2,954,000	2.4%
7	Travel	90,141	143,000	143,000	143,000	0.0%
8	Services ^{2,3}	1,278,847	1,414,700	1,334,970	1,320,600	-1.1%
9	Supplies	51,967	56,000	56,000	56,000	0.0%
10	Capital Outlay					0.00%
11	Total	3,878,784	4,397,500	4,418,900	4,473,600	1.24%
12						
13						
14	Revenue	FY16 YTD 6-30-16 ¹	FY17 Mgmt Plan	FY18 Proposal	17-18 %	
15	Principal	5,126,422	5,038,000	4,973,000	-1.29%	
16	Income	4,728,735	4,209,000	4,209,900	0.02%	
17	Total	9,855,157	9,247,000	9,182,900	-0.69%	
18						
19						
20	FY18 TRUSTEE REQUEST:					
21	\$4,473,600					
22						
23						
24						
25						
26	Personal Services					
27	FY18 Merit Increase	26,500				
28	Benefits/Other Increases	42,600				
29	Total Increase	69,100				
30						
31						
32	1)Not final - will change during reappropriation					
33	2)FY17 Mgmt Plan includes a line item transfer from Services to Personal Services to fully fund the new PRI position					
34	3)An OMB increment of \$21,400 was added to the FY17 budget for expected health insurance cost increases that have not occurred. The increment was unable to be removed. The funds will be restricted and not spent.					



Trust
Land Office

TLO Activities through June 30, 2016 100% of the Fiscal Year



Cat Island Timber Sale Area in Southeast

*Protecting and enhancing the value of Alaska Mental Health Trust Lands
while maximizing revenues from those lands over time*

Highlights

An existing tenant in the 'Promontory Point' building in Texas signed a lease extension with a total lease value of approximately \$2.4 million.

A land use license for a coffee and quick-serve food drive-thru to occupy a portion of the L Street parcel in downtown Anchorage was finalized. This lease will generate \$54,000 of Income revenue over the three-year term while preserving the ability of the Trust to capitalize on future development opportunities.

Assets, Inc., renewed its lease of the Trust-owned 2330 Nichols Street building. This will allow continued operations for the organization in its longstanding location where it provides needs-based programs, employment, and employment education services for beneficiaries of the Alaska Mental Health Trust.

A utility easement was issued to Alaska Electric, Light & Power for a project in Juneau. The easement will generate \$113,880 over its 20 year term.

An over-the-counter sale of two parcels in Moose Pass was completed. This sale generated \$173,000 of Principal revenue.

The Matanuska Susitna Borough submitted the second payment for \$99,300 (of \$198,600 minimum sale price based on \$1,200/acre) for the sale of 165.5 acres of Trust land for the Port MacKenzie Rail Extension project. The final sale price will be determined based on actual acreage following an as-built survey.

A negotiated sale for six parcels in Elfin Cove was finalized. This sale generated \$143,000 in Principal revenue.

A revocable land use license was finalized for the use of the Leask Cove Log Transfer Facility. The facility will be used as a staging area for construction equipment and materials for construction of the Shelter Cove Road. This license will generate \$54,000 of Income revenue over the 18-month term.

- Contracts have been awarded for the summer field work at Icy Cape. Work will begin in July and will include low-altitude aeromagnetic survey and heavy mineral concentrate sampling.
- The TLO has been working with the US Forest Service and staff of the US Senate Energy and Natural Resources Committee to schedule a hearing for the newly introduced legislation the 'Alaska Mental Health Land Exchange Act'. A hearing will likely not be scheduled until mid-September.
- The Cat Island timber sale is underway and selective harvesting is being performed by helicopter. Revenues for this sale could reach \$500,000.

June Financial Notes

➤ Year-to-Date revenue as of June 30, 2016:

➤ Principal: \$5,146,422
➤ Income: \$4,728,736
➤ Total: \$9,875,158

- Revenue as of June 30 does not reflect final amounts for FY16. Revenue adjustments, such as deferrals and contracts in progress, will be completed in July and August. Final revenue amounts will be available after August 31.
- FY16 REMP revenue projections included an additional acquisition. Due diligence is underway for a potential acquisition in Texas, but the sale will not be final until early FY17 causing FY16 revenue to be slightly under expectations.
- Timber revenue is below expectations for FY16. Harvesting on active timber sales was put on hold due primarily to market conditions. Revenue is likely to rebound in FY17.
- Minerals Principal revenue is down due to the decline in gold prices which affects the royalties paid to the Trust.
- Materials Principal revenue will not meet expectations. A material sale for \$300,000 with Togatthele was planned for FY16, but did not occur and is not expected in the future.

General Performance Measurements As of June 30, 2016

1. Revenue Analysis:

Principal						
	FY15 YTD	FY16 YTD	FY16 YTD Goal	(Under)/Over	FY16 Annual Goal	% of FY16 Annual Goal
Coal	-	-	-	-	-	-
Oil & Gas	2,046,147	2,157,034	1,848,000	309,034	1,848,000	117%
Minerals	2,107,446	1,329,768	2,000,000	(670,232)	2,000,000	66%
Materials	95,904	5,000	309,000	(304,000)	309,000	2%
Timber	709,742	10,492	255,000	(244,508)	255,000	4%
Land	1,789,078	1,644,128	1,200,000	444,128	1,200,000	137%
REMP	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Total	\$ 6,748,317	\$ 5,146,422	\$ 5,612,000	\$ (465,578)	\$ 5,612,000	92%

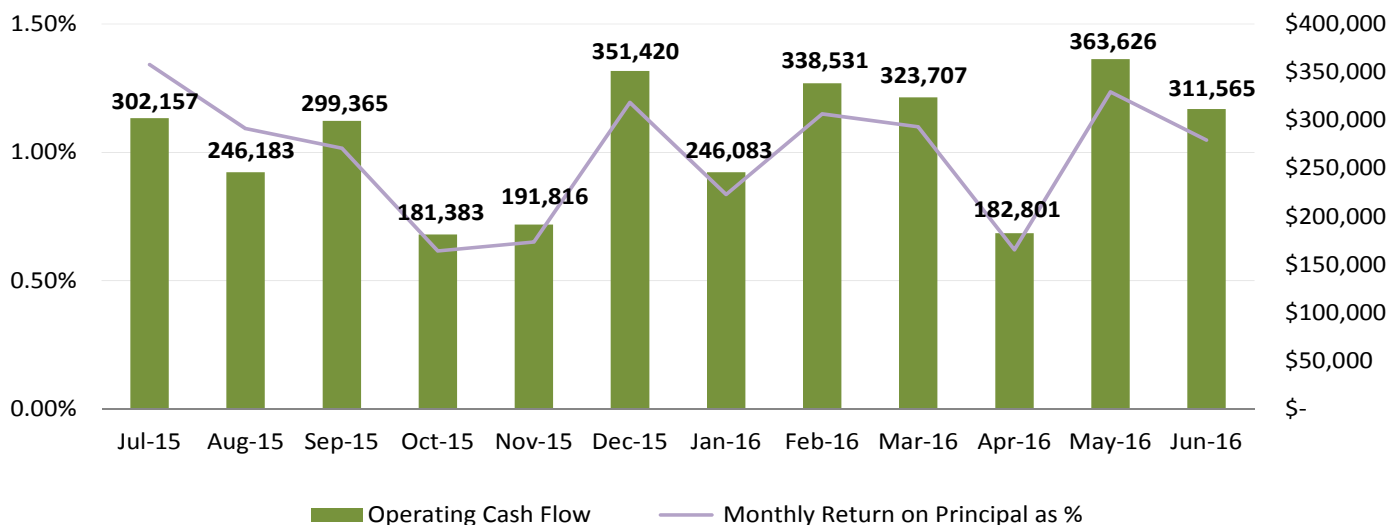
Income						
	FY15 YTD	FY16 YTD	FY16 YTD Goal	(Under)/Over	FY16 Annual Goal	% of FY16 Annual Goal
Coal	209,953	228,872	264,000	(35,128)	264,000	87%
Oil & Gas	1,966,592	357,645	416,300	(58,655)	416,300	86%
Minerals	918,536	912,709	535,900	376,809	535,900	170%
Materials	-	-	-	-	-	-
Timber*	125,249	114,546	45,000	69,546	45,000	255%
Land	914,003	1,026,272	900,500	125,772	900,500	114%
REMP	1,076,102	1,309,342	1,400,000	(90,658)	1,400,000	94%
Real Estate	922,766	779,349	567,800	211,549	567,800	137%
Total	\$ 6,133,201	\$ 4,728,735	\$ 4,129,500	\$ 599,235	\$ 4,129,500	115%

Total						
	FY15 YTD	FY16 YTD	FY16 YTD Goal	(Under)/Over	FY16 Annual Goal	% of FY16 Annual Goal
Coal	209,953	228,872	264,000	(35,128)	264,000	87%
Oil & Gas	4,012,739	2,514,679	2,264,300	250,379	2,264,300	111%
Minerals	3,025,982	2,242,477	2,535,900	(293,423)	2,535,900	88%
Materials	95,904	5,000	309,000	(304,000)	309,000	2%
Timber*	834,991	125,038	300,000	(174,962)	300,000	42%
Land	2,703,081	2,670,400	2,100,500	569,900	2,100,500	127%
REMP	1,076,102	1,309,342	1,400,000	(90,658)	1,400,000	94%
Real Estate	922,766	779,349	567,800	211,549	567,800	137%
Total	\$ 12,881,518	\$ 9,875,158	\$ 9,741,500	\$ 133,658	\$ 9,741,500	101%

*Timber Income includes receipts from a log sort yard use agreement with Sealaska Timber Corporation. The Trust is paid based on the amount of timber to pass through the facility. This income is not derived from the harvesting of timber from Trust land and is 100% Income as opposed to the 85/15 split that is typical from harvest-based revenue.

Real Estate Management Plan Monthly Report

Cash Flow by Month - Real Estate Investment Portfolio

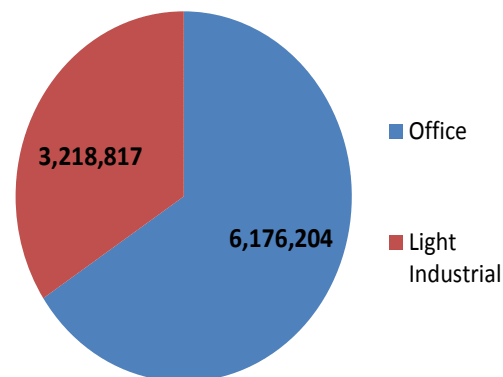


Portfolio Performance by Month

Month	Trust Principal Investment	Operating Cash Flow	Monthly Return on Principal as %	12 Month Trailing Return
Jul-15	22,518,745	302,157	1.34%	11.94%
Aug-15	22,518,745	246,183 ¹	1.09%	11.38%
Sep-15	29,433,258 ²	299,365 ¹	1.02%	11.12%
Oct-15	29,433,258	181,383 ¹	0.62%	10.54%
Nov-15	29,433,258	191,816 ¹	0.65%	10.48%
Dec-15	29,433,258	351,420 ^{1,3}	1.19%	11.00%
Jan-16	29,433,258	246,083 ³	0.84%	10.98%
Feb-16	29,433,258	338,531	1.15%	11.35%
Mar-16	29,433,258	323,707	1.10%	11.53%
Apr-16	29,433,258	182,801 ⁴	0.62%	11.59%
May-16	29,433,258	363,626	1.24%	12.00%
Jun-16	29,719,258	311,565	1.05%	11.91%
12-Month Average		\$ 278,220		
12-Month Total		\$ 3,338,636		
Inception to Date		\$ 9,395,020		

- 1) Cash flow for August through December has been revised to more accurately capture lender escrow accounts for operating activities.
- 2) Principal investment increased in September due to the acquisition of the North Park Corporate Center in San Antonio, TX.
- 3) Cash flow was higher in December and lower in January due to \$44,250 of prepaid rents for Northpark.
- 4) Cash flow was lower in April due to \$94,100 of real estate taxes paid for 1111 Israel Road.

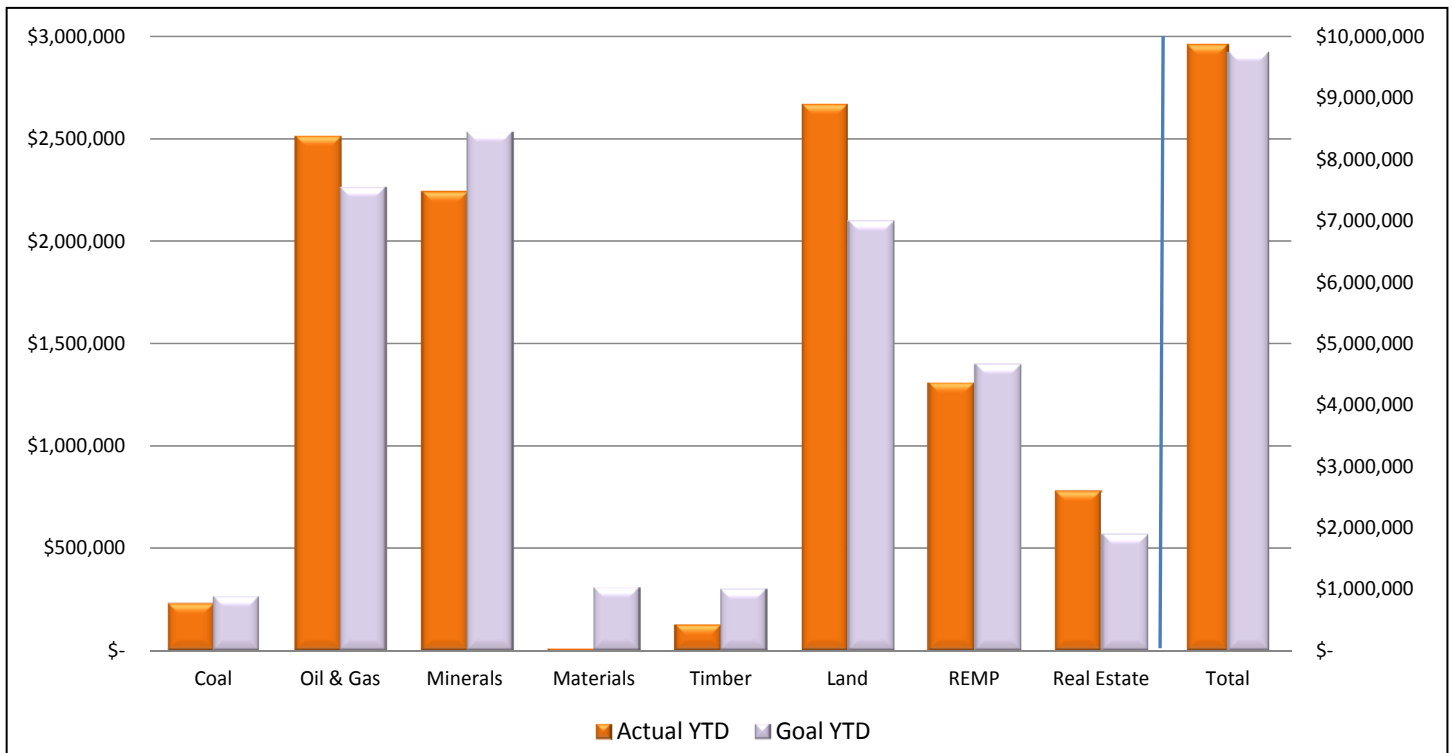
Cash Flow by Property Type



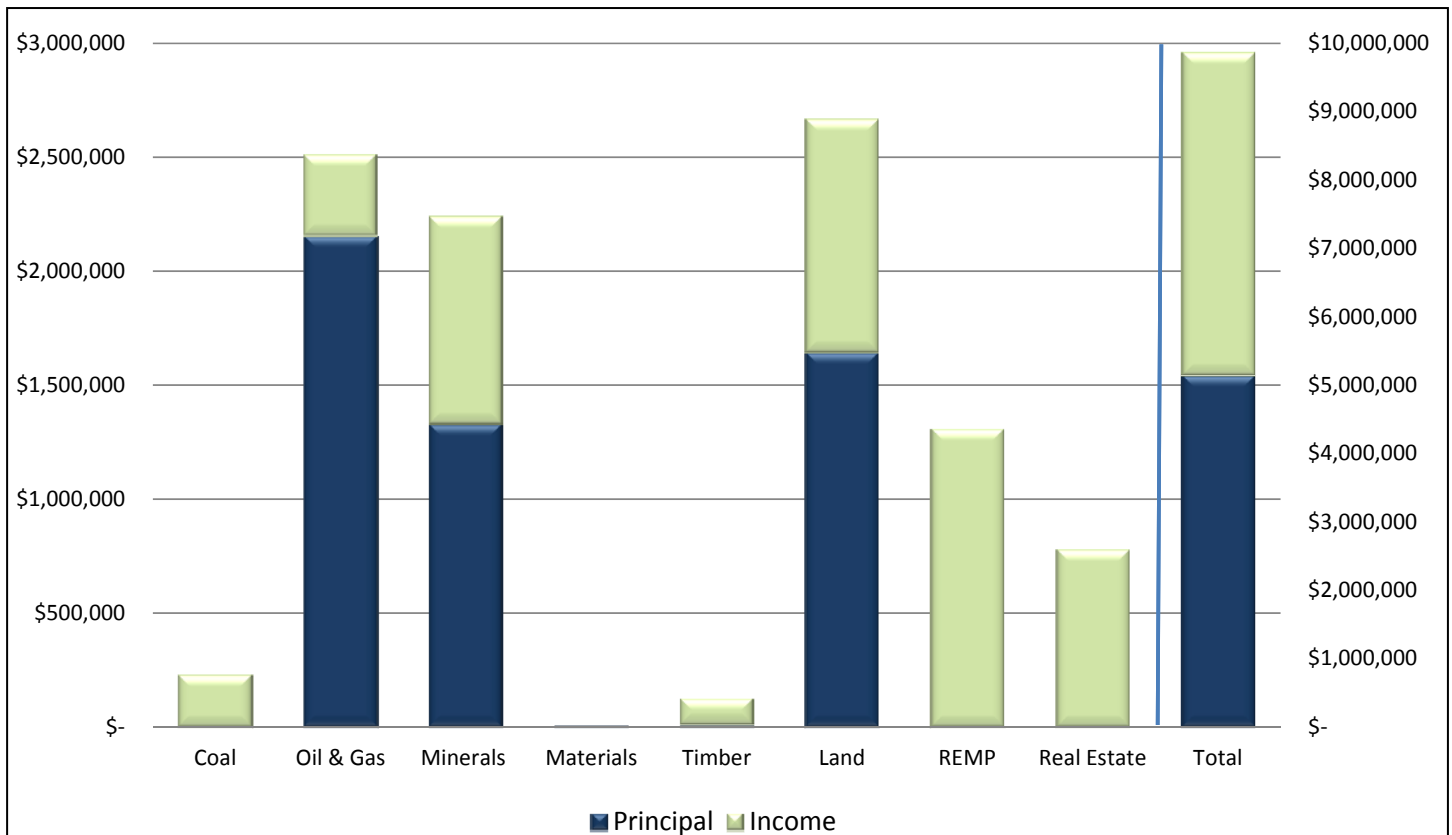
Portfolio Value

Asset Basis	68,086,845
Asset Appreciation/(Depreciation)	1,425,956
Current Asset Value	69,512,801
Equity	33,969,922 48.87%
Debt	35,542,879 51.13%

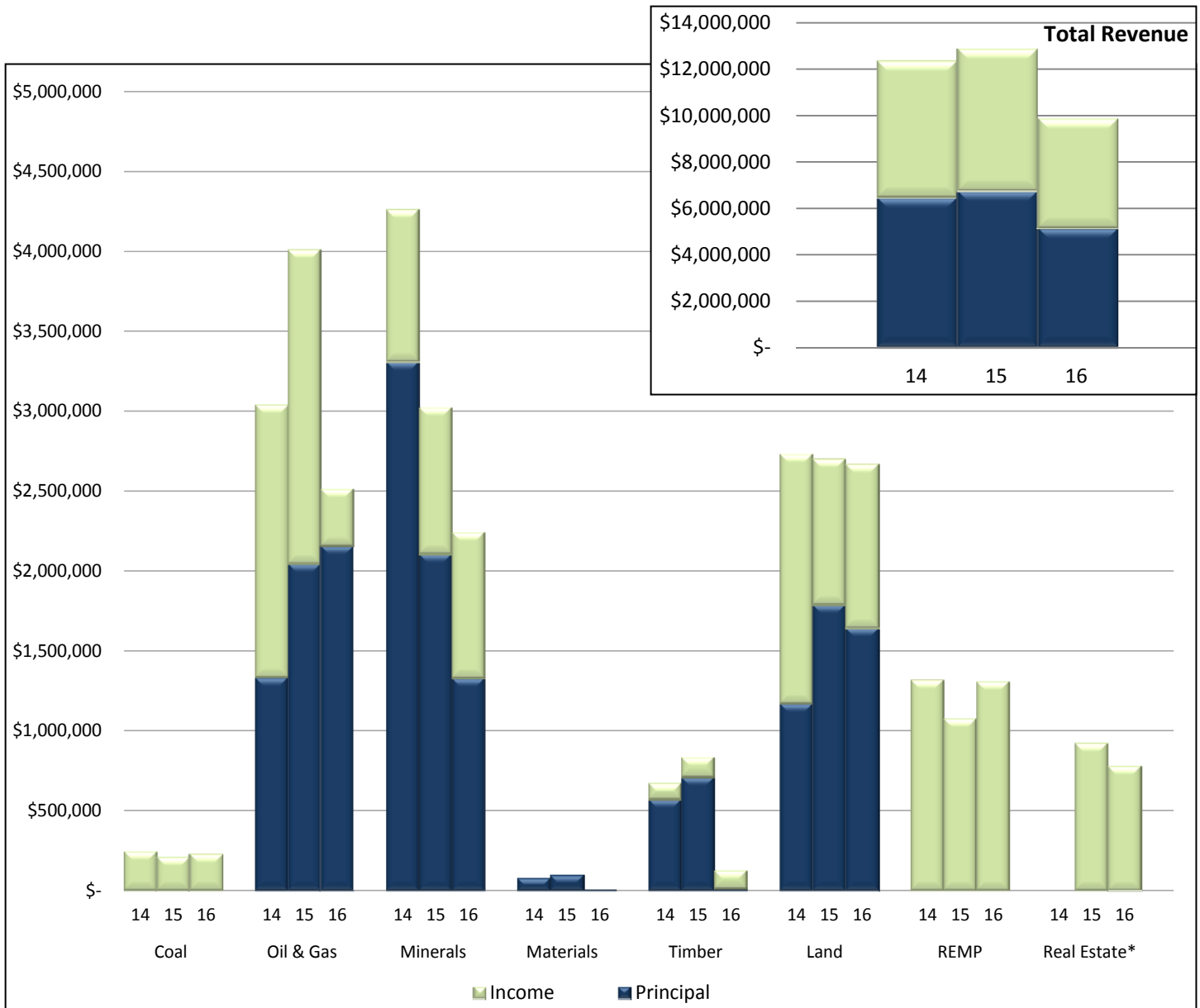
FY16 YTD Revenue vs. FY16 YTD Revenue Goal As of June 30, 2016



FY16 YTD Revenue - Principal and Income As of June 30, 2016



Revenue as of June 2016 Fiscal Year to Date – Principal and Income FY2014 - FY2016



*Real Estate was not reported separately in FY14.

General Performance Measurements As of June 30, 2016

2. Operating Budget:

AR 37169	Original Appropriation	Line Item Transfer	Current Appropriation	Expended	Balance	% Expended
Personnel	2,735,300	(180,200)	2,555,100	2,457,829	97,271	96%
Travel	143,700	-	143,700	88,985	54,715	62%
Services	1,386,900	30,200	1,417,100	825,273	591,827	58%
Commodities	56,000	-	56,000	52,707	3,293	94%
Capital Outlay*	-	150,000	150,000	-	150,000	NA
Total	\$ 4,321,900	-	\$ 4,321,900	\$ 3,424,794	\$ 897,106	79%

*Funds were transferred for due diligence requirements for potential acquisition, but funds from the operating budget will not be necessary. A TADA appropriation has been established for this purpose.

3. Capital Funds

	Budget	% Complete	Encumbered	Expended	Unobligated Balance	% Expended
Trust Land Exchange	3,005,000	25%	258,423	102,872	2,643,704	3%
C2 Utility Extension	615,000	30%	34,070	37,540	543,390	6%
Yosemite Utility Extension	997,971	5%	13,773	48,113	936,084	5%
Total	\$ 4,617,971		\$ 306,267	\$ 188,526	\$ 4,123,179	4%