

MEETING AGENDA

Meeting: Finance Committee
Date: October 21, 2020
Time: 9:30 AM
Location: online via webinar and teleconference
Teleconference: (844) 740-1264 / Meeting Number: 133 749 2484 # / Attendee Number: #
<https://alaskamentalhealthtrust.org/>
Trustees: Chris Cooke (Chair), Verné Boerner, Rhonda Boyles, Annette Gwalthney-Jones, Anita Halterman, Ken McCarty, John Sturgeon

Wednesday, October 21, 2020

Page No.

9:30 am	<u>Call Meeting to Order (Chris Cooke, Chair)</u> Roll Call Announcements Approve Agenda Ethics Disclosure Approve Minutes <ul style="list-style-type: none"> July 30, 2020 September 16, 2020 	4 13
9:40	<u>Staff Report Items</u> FY20 Final & FY21 Q-1 Financial Dashboards – Carol Howarth, CFO FY21 Revenue & FY22-FY23 Revenue Forecast – Carol Howarth, CFO / Sarah Morrison, TLO CAO	Hand-Out Hand-Out
10:15	<u>Approval</u> TADA Balance/Transfer Authority	18
	Break	
11:00	<u>Planning Item</u> FY 20 Asset Performance Review – Carol Howarth, CFO	Handout
12:00	Adjourn	

Future Meeting Dates

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

(Updated – September 2020)

- | | | |
|--------------------------------|-----------------------------|------------------------|
| • Audit & Risk Committee | October 21, 2020 | (Wed) |
| • Finance Committee | October 21, 2020 | (Wed) |
| • Resource Mgt Committee | October 21, 2020 | (Wed) |
| • Program & Planning Committee | October 22, 2020 | (Thu) |
| • Full Board of Trustee | November 18-19, 2020 | (Wed, Thu) - Anchorage |
| | | |
| • Audit & Risk Committee | January 6, 2021 | (Wed) |
| • Finance Committee | January 6, 2021 | (Wed) |
| • Resource Mgt Committee | January 6, 2021 | (Wed) |
| • Program & Planning Committee | January 6, 2021 | (Wed) |
| • Full Board of Trustee | January 27-28, 2021 | (Wed, Thu) – Juneau |
| | | |
| • Audit & Risk Committee | April 21, 2021 | (Wed) |
| • Finance Committee | April 21, 2021 | (Wed) |
| • Resource Mgt Committee | April 21, 2021 | (Wed) |
| • Program & Planning Committee | April 21, 2021 | (Wed) |
| • Full Board of Trustee | May 26, 2021 | (Wed) – TBD |
| | | |
| • Program & Planning Committee | July 27-28, 2021 | (Tue, Wed) |
| • Audit & Risk Committee | July 29, 2021 | (Thu) |
| • Resource Mgt Committee | July 29, 2021 | (Thu) |
| • Finance Committee | July 29, 2021 | (Thu) |
| • Full Board of Trustee | August 25-26, 2021 | (Wed, Thu) – Anchorage |
| | | |
| • Full Board of Trustee | November 17-18, 2021 | (Wed, Thu) – Anchorage |

Future Meeting Dates Statutory Advisory Boards (Updated – September 2020)

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

- Executive Committee – monthly via teleconference (Second Wednesday of the Month)
- October 8-9, 2020 – Board Meeting / Webinar

Governor’s Council on Disabilities and Special Education

- September 29-30, 2020 – Anchorage/ZOOM
(possible pre/post-meeting for Autism Ad Hoc and/or Workgroup on FASD)
- February 2021 Juneau/ZOOM

Alaska Commission on Aging

- September 22-23, 2020 – Quarterly Meeting / Webinar

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

July 30, 2020

11:30 a.m.

WebEx Videoconference/Teleconference

Originating at:

**3745 Community Park Loop, Suite 120
Anchorage, Alaska**

Trustees Present:

Laraine Derr, Chair
Verne' Boerner
Rhonda Boyles
Ken McCarty
Chris Cooke
John Sturgeon
Anita Halterman

Trust Staff Present:

Mike Abbott
Steve Williams
Carol Howarth
Miri Smith-Coolidge
Kelda Barstad
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller
Eric Boyer
Autumn Vea
Allison Biastock
Kelda Barstad
Kat Roch

Trust Land Office:

Wyn Menefee
Sarah Morrison
Marisol Miller
Tracy Andris
David MacDonald

Also participating: Beverly Schoonover; Kristin Vandagriff; Roger Branson; Sheila Harris; Ed Boyer; Lesley Thompson.

PROCEEDINGS

CALL TO ORDER

CHAIR DERR called the meeting to order and began with a roll call. She stated that all trustees were present and asked for any announcements. There being none, she moved to the approval of the agenda, after suggesting a few timing changes.

MOTION: A motion to approve the agenda, as changed, was made by TRUSTEE STURGEON; seconded by TRUSTEE HALTERMAN.

After a roll-call vote, the MOTION was approved.

CHAIR DERR asked for any ethics disclosures. There being none, she moved to the approval of the minutes of April 22, 2020.

MOTION: A motion to approve the minutes was made by TRUSTEE HALTERMAN; seconded by TRUSTEE BOYLES.

TRUSTEE BOERNER stated that her name was spelled incorrectly.

CHAIR DERR asked that the corrections be made and took a roll-call vote

After a roll-call vote, the MOTION was approved.

CHAIR DERR asked for a motion to approve the minutes of May 20, 2020.

MOTION: A motion to approve the minutes of May 20, 2020, was made by TRUSTEE BOYLES; seconded by TRUSTEE HALTERMAN.

TRUSTEE BOERNER asked that the spelling of her name be corrected.

CHAIR DERR asked that the corrections be made and took a roll-call vote.

After a roll-call vote, the MOTION was approved.

STAFF REPORTS

FINANCIAL DASHBOARD

CHAIR DERR moved to the financial dashboard, recognizing Carol Howarth.

MS. HOWARTH began with the top section of the dashboard and stated that the administrative activities, program activities, and then the special projects will be discussed. She noted that the numbers were not final until the end of the appropriation period in August. She explained that the administrative activities as well as the administrative changes from State for Shared Services were under plan due to COVID and vacancies for both the Trust Land Office and the Trust Authority. She moved to the second section, Trust Receipts, and explained that there are two sources of receipts. First, is the income coming from the Trust Land Office, which was above Alaska Mental Health Trust Authority

plan, and then talked about the investment activities and expectations for the \$35 million of funds managed from the Permanent Fund. She continued on to Trust resources and talked about the assets which gave the total financial resources of \$625 million plus the commercial real estate portfolio which brings it up to \$695 million. She added that these are the preliminary numbers; there will be audits on the Permanent Fund and the DOR, with an expectation that the numbers will remain the same.

MR. ABBOTT brought the conversation to inflation-proofing as described in the Asset Management Policy Statement and anticipated bringing to the next meeting of the Finance Committee proposals on how to process the \$22 million obligation to consider inflation-proofing. He stated that the Asset Management Policy essentially requires considering options or material for consideration at a fall Finance Committee meeting.

CHAIR DERR moved to fund balances.

FUND BALANCES

MR. ABBOTT explained that the Trust fund is the corpus and cannot be spent by the trustees for any purpose. The reserves are considered settlement income, and are available for virtually any Trust purpose. The distinction between the two is important. He stated that Ms. Howarth went back through internal records at the Trust and the Permanent Fund and determined that there were three different methodologies used at different points in time by different agencies to determine how much was Trust fund and how much was reserve. He detailed the three methodologies, and some variances in the numbers did not match. After a conversation with the Finance Committee Chair, the following is the most defensible calculation of the makeup of the Mental Health Trust fund. He stated that there is no missing money; all the money is what the Trust is supposed to have. The only distinction is how much of it is reserves versus how much of it is Trust fund. He continued that Ms. Howarth agreed that the appropriate calculation of the Mental Health Trust fund is the number that is on the page. He added that she created a thorough record which will be archived appropriately so that the next couple of CEOs and CFOs will not have to go through it again. There is not a long-term consequence of this, and the near-term consequence is that the Trust fund is about 5 percent lower than three months ago, and the resources are that much greater by the same amount of money. The approach that is being used right now is the one that best serves the Trust going forward. Depending on the outcome of the inflation-proofing discussion, it may turn out that some or all of the funds that were thought to be in the Trust fund up until a few months ago may end up getting transferred to the Trust fund by a subsequent Board action going forward.

CHAIR DERR called a lunch break.

(Lunch break.)

CHAIR DERR called the meeting back to order and called the roll.

REVENUE FORECAST

MS. HOWARTH stated that there are four components from which the revenue is received: the net asset values from the Permanent Fund budget; the Trust and the budget reserve; and the Department of Revenue budget reserves. She continued that that is averaged and then 4.25 percent of the rolling average is taken to calculate the payout coming from the funds. The FY2020 numbers are fresh off the press and are unaudited. Based on these numbers, it looks like \$24 million can be anticipated. The next components are the lapsed appropriations, the TLO spendable income received, and the interest from the cash accounts. She went through the numbers and estimated that there will be roughly \$400,000 unobligated from fiscal year '20 funds of about \$33.4 million. Authorized spending for FY21 was \$31.4, with a \$2 million buffer. She stated that the challenge is that spending is authorized in advance and the available funding is unknown. She shifted to the forecast for fiscal year '22 and '23. She pointed out that there is the 400 percent buffer of the reserves so even if there was a huge decline, there will still be a buffer to cover four years of expenditures. She went through the assumptions presented and concluded her presentation.

MR. ABBOTT stated that the big takeaway is that the revenues are growing as a result of decisions made by this and previous trustee boards to save money. The investment earnings are continuing to grow, and the Trust is very healthy related to revenues.

CHAIR DERR moved to the Trust Land Office budget.

TRUST LAND OFFICE BUDGET

CHAIR DERR asked for a motion in regard to the recommendation on the Land Office budget.

MOTION: A motion that the Finance Committee recommended that the Alaska Mental Health Trust Authority Board of Trustees approve the Trust Land Office operating budget for FY22 in the amount of \$4,393,800 was made by TRUSTEE BOERNER; seconded by TRUSTEE STURGEON.

MR. MENELEE stated that a zero-based budget has been presented, and it asked what is needed to make the revenues that are being expected to provide for the Trust. He continued that the budget request has been reduced by \$31,800 and walked through the personal services, travel services, supplies, and capital. He also explained what looked like a large reduction which was due to the Subpart. He added that revenues will be provided, and they will try to exceed those revenues, and the budget is pretty close to what was had before.

MR. ABBOTT strongly recommended trustee support for the TLO budget and stated that Mr. Menefee and his team deserve a lot of credit for planning to do as much work that is being done currently with less money in the following year.

CHAIR DERR asked for approval of the motion and called the roll.

After the roll-call vote, the MOTION was approved. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Derr, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, yes.)

TRUST AUTHORITY OFFICE BUDGET

CHAIR DERR moved to the Trust Authority Office budget and asked for a motion.

MOTION: A motion that the Finance Committee recommends that the Full Board of Trustees approve the fiscal year '22 Mental Health Trust Authority Admin Budget of \$4,179,897 was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

MR. ABBOTT stated that the Trust Authority budget is similar to the Trust Land Office budget in that the recommendation is a very small but clear reduction in authorized spending for the admin program between FY21 and FY22. He explained in more detail.

CHAIR DERR asked for approval of the motion and called the roll.

After the roll-call vote, the MOTION was approved. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Derr, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, yes.)

CHAIR DERR called a break.

(Break.)

CHAIR DERR called the meeting back to order and moved to the commercial real estate portfolio discussion.

COMMERCIAL REAL ESTATE PORTFOLIO DISCUSSION

CHAIR DERR stated that this had been worked on for the last few meetings, and we had asked staff for more information. She recognized Jusdi Doucet.

MS. DOUCET began with the Commercial Real Estate Lease Space Reduction Trend which pointed out to what is happening with office space leasing resulting from the pandemic that has swept the country. She explained the effect this has had on the office market and the successful implementation of work-from-home policies that questioned the necessity of traditional office space. She stated that the economy is slipping, and experts agree that the economy will not recover until the coronavirus pandemic is contained without triggering another wave of infections. She continued that in the recovery of the economy there will be a resurgence of jobs,

employment, and the benefits of traditional office space will be realized. She added that overall, the short and long term, the cost savings associated with virtual work will most likely be offset by diminished productivity gains. It may take a few years for occupancy and rents to fully recover to prior peak levels.

CHAIR DERR recognized Carol Howarth.

MS. HOWARTH acknowledged and thanked the Trust Land Office contributions, particularly from Marisol Miller and David MacDonald. She stated that at the May Finance Committee meeting the trustees raised a number of questions, and she focused on them. She continued that her objective is to provide all with sufficient information to become comfortable to make a recommendation to the Full Board on whether or not to keep the commercial real estate, CRE, as is, or take a different strategy on its financing, or to sell the assets and reinvest. She moved to CRE performance and then talked about the realized and unrealized returns and then looked forward at projections. The next question was about if the current financing is optimal or are there alternatives that can improve the cashflow to the Trust. The analysis was simplified and provided a good indication of cash generation. The four scenarios were: Status quo; interest-only portfolio; partial interest-only; and the sale of the CRE assets. She stated that the rule of thumb for refinancing is the benefit of any change should exceed the status quo by a minimum of 3 percent stated in today's dollars. She highlighted forecasting, which is really tough and went through three scenarios that created the forecast and explained in detail. She stated that the other assumptions were to draw some lines in terms of making the scenarios equal, and she talked about how that came about. She added that the portfolio as a whole is a healthy portfolio. She continued going through the scenarios, explaining the options as she went along.

CHAIR DERR asked Mr. Abbott for his opinion.

MR. ABBOTT stated that there were some elements of these choices that are time sensitive, although they are not emergencies. He continued that it is important to give Ms. Howarth and the Trust Land Office some orders related to any refinancing or any changes in property status within the next 90 days. A motion was intentionally not provided because there is not enough information about how the trustees feel about this to be able to anticipate the trustees' preferences. He added that, if a consensus emerged today, then an action item could be brought to the August board meeting.

TRUSTEE McCARTY stated that he was in favor of the status quo in the sense that there are more opportunities and many different options here. He encouraged the status quo thought.

TRUSTEE STURGEON stated that there was a lot to absorb and a lot of work went into this. He thanked staff and liked the status quo option, but would like more time to go over the presentation to let it sink in.

TRUSTEE BOYLES stated that she was leaning toward the partial interest-only refinance, but wanted more time because this was a lot of information.

TRUSTEE HALTERMAN appreciated the amount of work done to outline all the options. She asked why a principal-plus-interest refinance option was not considered. She stated that she would mull over the options and get some input and advice from friends in real estate. She added that paying down principal along with interest is potentially a better position in the long run.

TRUSTEE McCARTY stated that Ms. Howarth did a great job and restated his favor toward the status quo option.

TRUSTEE COOKE echoed everyone's sentiments regarding the hard work and the great job into pulling a lot of information into this presentation. He stated that there are some things missing and there are a wider range of options other than what were talked about here. He also favored the status quo, but also thought that steps should be taken with efforts to pay off the debt when things come due. He also suggested looking at properties individually.

TRUSTEE BOERNER talked about her preconceived notions on an interest-only portfolio and was building her level of understanding in that regard. She stated appreciation for the options that were presented and was leaning away from the status quo because she was still educating herself with that.

CHAIR DERR stated that the trustees are all over the place and Mr. Abbott and Ms. Howarth needed to figure out where something in the middle could lie. She stated that she would be willing to work with them to figure something out. She moved to the final item on the agenda.

MS. HOWARTH stated that normally when money is received the staff brings forth a motion to transfer the money. Given the amount of this money, the thought was to get a motion in advance so it can be immediately transferred to the Permanent Fund for its management and to receive higher returns.

TRUSTEE COOKE suggested a motion.

MOTION: A motion was made that the Finance Committee recommended the Alaska Mental Health Trust Authority Board of Trustees authorize the chief financial officer to transfer, upon receipt, the proceeds from the Juneau Subport sale transaction from the TADA account to the Permanent Fund for investment was made by TRUSTEE COOKE; seconded by TRUSTEE STURGEON.

TRUSTEE McCARTY asked if this money can be used to pay off other expenses. For example, the balloon payment.

CHAIR DERR replied that this money is principal and has to go into the Permanent Fund. She asked for further discussion. There being none, she called a roll call vote.

After the roll-call vote, the MOTION was approved. (Trustee Boyles, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Derr, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, yes.)

CHAIR DERR moved to trustee comments.

TRUSTEE BOERNER thanked the Trust Land Office, Ms. Howarth and Trust staff for all the hard work. The last few days have run smoothly, and she attributed that to staff and her fellow trustees. She thanked all for allowing her to learn and stated her appreciation for the conversation.

TRUSTEE COOKE also thanked staff for the hard work and also the committee chairs for the excellent work done throughout the three-day session.

TRUSTEE McCARTY shared his appreciation for staff and all that they are doing to get information to help the beneficiaries. He thanked Ms. Howarth and the whole TLO for the presentation.

TRUSTEE HALTERMAN echoed a lot of the comments made by the trustees and thanked all for all the work. It was a great meeting with some intense conversation and some serious progress in understanding the issues was made.

TRUSTEE BOYLES stated that she was grateful to serve and even more grateful and appreciative of everyone's patience in her learning about many diversified subjects of the Trust.

TRUSTEE STURGEON also echoed what everyone said about staff and the great work they did. He continued that everything was done very professionally and added that it was greatly appreciated. He stated enjoyment with the trustees and the very diverse board which makes it more interesting and more educational. It was a good meeting.

CHAIR DERR thanked everyone and stated appreciation of the broad range of trustees and the excellent staff. She echoed the comments and thanked staff and the trustees. She asked Mr. Abbott for any closing words.

MR. ABBOT stated that he was grateful to work with a great staff team and such a willing group of trustees and recognized all the progress.

CHAIR DERR asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE HALTERMAN; seconded by TRUSTEE McCARTY.

After a roll call vote, the MOTION was approved.

(Finance Committee meeting adjourned at 3:47 p.m.)

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

September 16, 2020

9:30 a.m.

WebEx Videoconference/Teleconference

Originating at:

3745 Community Park Loop, Suite 120

Anchorage, Alaska

Trustees Present:

Laraine Derr, Chair

Verne' Boerner

Rhonda Boyles

Ken McCarty

Chris Cooke

John Sturgeon

Anita Halterman

Trust Staff Present:

Mike Abbott

Steve Williams

Carol Howarth

Miri Smith-Coolidge

Kelda Barstad

Valette Keller

Allison Biastock

Kat Roch

Trust Land Office:

Wyn Menefee

Jusdi Doucet

Sarah Morrison

Marisol Miller

David MacDonald

Also participating:

Beverly Schoonover; Kristin Vandagriff; Sheila Harris; C.A. Vachris; Stephanie Hopkins; Becky Carpenter.

PROCEEDINGS

CALL TO ORDER

CHAIR DERR called the meeting to order and began with a roll call. She stated that Trustees Boerner and Halterman have not yet arrived, and she would note when they join the meeting. She asked for any announcements. There being none, she moved to the approval of the agenda.

APPROVAL OF AGENDA

MOTION: A motion to approve the agenda was made by TRUSTEE STURGEON; seconded by TRUSTEE BOYLES.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES

CHAIR DERR asked for any ethics disclosures. There being none, she stated that this meeting was a follow-up on the commercial real estate. She noted that Trustees Boerner and Halterman joined the meeting. She asked Mr. Abbott for an introduction to the topic after the motion.

PLANNING ITEM: COMMERCIAL REAL ESTATE PORTFOLIO

MOTION: A motion that the Finance Committee recommends the board of directors authorize the CFO to refinance as much of the current CRE debt as is prudent in order to reduce debt service requirements and maintain flexibility to allow for future property sales. The CFO may use interest-only debt that allows the Trust to pay down the loan was made by TRUSTEE COOKE; seconded by TRUSTEE BOYLES.

MR. ABBOTT explained that the motion represents staff's recommendation for the Trust management of the seven commercial real estate properties in the near future. He continued that it did not foreclose different choices made any time after this, but gives near-term direction in order to address some pressing needs related to this investment portfolio. He stated that the primary issue is finding the best way to maximize the generation of revenues that can be used for long-term benefits of the beneficiaries. With seven investment assets owned, that question narrows down and becomes: How can these assets be used to establish benefits for the beneficiaries? The recommendation is to prudently refinance as much of the real estate debt as possible to reduce the debt service requirements and to maintain flexibility to allow for future property sales. He continued that there are financing options available that will allow meeting those objectives, and, pending support from the trustees, we believe that direction would be executed beginning immediately and concluding in early to mid-2021. He moved to the four basic options developed. The first was to continue to hold the properties and use Trust cash to pay off the pending balloon payments on two of the properties, and then continue using them to generate revenue to be used for Trust beneficiaries. The second option was to continue holding the properties and refinance the six existing individual loans into a single loan to take advantage of better terms. The next option evaluated was potentially liquidating and investing the proceeds from those transactions with the current investment managers at the Permanent Fund Corporation and the Department of Revenue. This would be the simplest option. The fourth option encouraged for consideration would be to sell a few of the properties and to hold the remaining properties for the time being. The notion being that, depending on the objectives, identifying properties from the seven that may help improve earnings' ratios or advance a long-term liquidation strategy. He stated that those were the four options and explained the two primary

metrics used to complete the evaluation. This was important because the only real reason for the Trust to have investments is for those investments to generate resources to be used for the beneficiaries. He moved to the comparison of the present values with the four different options laid out and explained in greater detail. He added that the same methodology was used on all of the options; the same present value calculation using different inputs based on different management decisions. The only difference is that for the two different ways to look at Option 4, there was not enough known to give an expected case, and we could only build those ranges.

TRUSTEE COOKE asked about prepayment penalties.

MR. ABBOTT replied that they would try to negotiate no prepayment penalties. He explained that the existing prepayment penalties are actually incorporated in the cash flows. In terms of the benefit of these options is that it is still better even paying the prepayments. Replying to the question about specific amounts, he stated that those costs were incorporated in the refinancing option and we still see the strong benefit of refinancing.

TRUSTEE BOYLES stated that she was nervous about liquidating properties in today's market. The availability of money, the entire system is upended because of COVID. She believed that refinancing was a more fiduciarily responsible way to go with limited risk, giving us time to go back in the next five to six years and evaluating if something else changes. She continued that with the assets and the amount of equity, the trustees have a bigger and different responsibility which is to extract the cash flow until there is some stabilization seen in today's economy.

MS. HOWARTH explained that there are two finance-related risks. One is interest-rate risk, and the other is the risk of the underlying assets' credit changing. She continued that in all the cases the State of Alaska Department of Revenue's Treasury Division can advise on ways to mitigate those risks, and we are comfortable with that.

MR. ABBOTT clarified that the recommendation is the interest-financing tool to increase the Trust's flexibility regarding the management of the assets and maintain the current position. These actions recommended are consistent with the commitments that were made following the Legislative Audit in 2018, which were primarily that no further principal-funded real estate investments and the trustees' decisions would be guided by the external expertise required by the Asset Management Policy Statement. He believes that those concerns can be satisfactorily addressed with the decision contemplated today.

CHAIR DERR gave each trustee an opportunity to ask any further questions or comments.

TRUSTEE BOERNER stated that the presentation was very well done, and she appreciated the questions brought forward. She agreed with the statements Trustee Boyles made, which stated her position, as well.

TRUSTEE BOYLES commented on the presentation and believed that all the trustees were evaluating everything with a very serious approach to the fiduciary responsibilities.

TRUSTEE COOKE stated appreciation for the discussion and all the work put into this issue. He continued that this is a prudent approach rather than just selling the assets or passing all the

management off to someone else. This is focusing on the properties, and we are making very responsible decisions. He did question the inclusion of the Cordova Street building because it has no debt. It is owned outright and occupied by the TLO. He added that was his only reservation, but he supported what was proposed.

CHAIR DERR stated that was a good point. She had not thought about that and thought that the refinancing was the debt. She asked Mr. Abbott for a response.

MR. ABBOTT stated that we are working with potential lenders who understand the relative benefits of different approaches, and we will make sure that the Cordova building will be evaluated and will only be included if it makes a demonstrable, positive impact on the overall portfolio. He added that the TLO does not pay rent.

TRUSTEE HALTERMAN thanked staff for the great presentation and just had a reservation on the interest-only financing. She stated that interest rates are so low, and she appreciated that there were options. She appreciated the discussion, questions and the comments.

TRUSTEE McCARTY noted that when Harvest presented, a strong takeaway was something about being at a 97th percentile. He stated appreciation for the presentation that explained the different components. He added concern of changing things too drastically and the aspect of the results down the years. He talked about a sub motion to have other refinance options outside of interest-only be presented to trustees later.

CHAIR DERR stated that, if the motion passed, trustees could ask staff to give additional information in regard to possibilities on paying principal with the interest-only.

MR. ABBOTT replied that he would be happy to generate additional information regarding the anticipated differences in an interest-only versus a standard mortgage with a 15- or 30-year payback.

CHAIR DERR stated that it would be a trustee request rather than making it part of the motion.

MS. HOWARTH stated that the information was collected and can be shared. If it affects today's discussion, the results of that information were worse than selling the properties and investing them in the Permanent Fund.

TRUSTEE STURGEON thanked staff for the great job of helping the trustees understand this very complex issue. He talked about the grasp he got of what is going on and what his recommendation would be. He looked forward to seeing what the final negotiated interest rate would be and the refinancing, which he supported.

CHAIR DERR thanked the trustees for their comments and asked for anything further from staff.

MR. ABBOTT replied that he had no further comments.

CHAIR DERR asked if the trustees were ready to vote, and called for a roll-call vote.

After the roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Cooke, yes; Trustee Halterman, yes; Trustee McCarty, no; Trustee Sturgeon, yes; Trustee Derr, yes).

CHAIR DERR stated that Mr. Menefee was online and stated appreciation for the work he did on this. She asked him for any comments.

MR. MENEFEE stated that the trustees thoroughly discussed this, and he was glad to see where it went.

CHAIR DERR asked for any other comments before moving to adjournment.

TRUSTEE COOKE stated that it occurred to him that an intangible benefit is that the TLO would have to deal with one loan instead of six.

CHAIR DERR stated that, in regard to Trustee McCarty's comment about a sub motion, that staff prepare information for when this comes before the board in November so that the trustees can see the differences.

MR. ABBOTT replied that the motion, at this point, is only a recommendation to the board, and changes can be considered at the trustee meeting in November.

CHAIR DERR made sure that everyone's concerns are addressed, and she asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE HALTERMAN; seconded by TRUSTEE COOKE.

There being no objection, the MOTION was approved.

(Finance Committee adjourned at 10:50 a.m.)

MEMO

To: Chris Cooke, Finance Committee Chair
Through: Mike Abbott, Chief Executive Officer
From: Carol Howarth, Chief Financial Officer
Date: October 21, 2020
Re: Trust Authority Development Account Analysis & Recommendation

REQUESTED MOTION #1:

The Board of Trustees approve setting a target level for Trust Authority Development Account funds at \$1.710 Million.

REQUESTED MOTION #2:

The Board of Trustees authorizes the Chief Financial Officer to transfer TADA funds that exceed the target level to the Alaska Permanent Fund Corporation for investment in the Trust Fund.

Current Status & Expected Growth:

As of September 30, 2020, the account held \$3,864,562 million and is expected to grow by just over \$4.7 million during FY 2021, excluding proceeds from the Juneau SubPort sale. The \$4.7 million in growth will principally come from anticipated land sales, timber sales, and oil & gas royalties. This pattern is expected to continue in FY 2022, with total deposits into the account over two years of approximately \$10.2 million excluding the SubPort sale, and \$30.2 million including the SubPort sale.

Existing Commitments:

The Trust has committed approximately \$1.71 million to ongoing projects. No additional new projects using TADA funding have been approved.

Project	Remaining TADA Obligation (Rounded to nearest hundred)
USFS Land Exchange	\$1,037,000
Icy Cape Development	\$ 670,200
Total	\$1,707,200

Recommendation for TADA Funds:

Because of the ongoing projects some funding will be needed to pay for expenses. At this time, the recommended target level is \$1,710,000. This target is set based on the current commitments that need funding and will allow the Trust to complete the previously authorized work. Funds exceeding the target amount are recommended to be transferred to the Permanent Fund for investment in the Trust portfolio.