

ALASKA MENTAL HEALTH TRUST AUTHORITY

SPECIAL FULL BOARD MEETING

July 16, 2019

1:30 p.m.

Taken at:

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

Trustees Present:

Mary Jane Michael, Chair

Chris Cooke

Paula Easley

John Sturgeon (via Speakerphone)

Laraine Derr (via Speakerphone)

Ken McCarty (via Speakerphone)

Verne' Boerner

Trust Staff Present:

Mike Abbott

Kelda Barstad

Mike Baldwin

Eric Boyer

Jimael Johnson

Steve Williams

Miri Smith-Coolidge

Andy Stemp

Alison Biastock

Valette Keller

Travis Welch

Katie Baldwin-Johnson

Autumn Vea

Trust Land Office Present:

Wyn Menefee

Jusdi Doucet

Heather Weatherell

Paul Slenkamp (via Speakerphone)

Aaron O'Quinn

Also participating:

Jason Steinberg; Patrick Ley; Dave Morgan; Mary Elizabeth Rider; Deputy Commissioner Sarah Longan.

PROCEEDINGS

CALL TO ORDER

CHAIR MICHAEL called the Special Full Board meeting of the trustees to order and began with a roll call. She thanked all of the trustees for attending. She asked for any announcements.

MR. ABBOTT stated that DNR Deputy Commissioner Sarah Longan will be joining and making a brief recognition of some TLO employees.

CHAIR MICHAEL asked for any other announcements. She moved to the agenda and changed the order of the day to do the lease option to purchase the Promontory Point property to 1:30, and the budget adjustments for 2:30.

APPROVAL OF AGENDA

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

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES

CHAIR MICHAEL asked for any Ethics Disclosures.

TRUSTEE STURGEON stated that the company he works for, Ouzinkie Native Corporation, is in negotiation with the Great Land Trust and EVOS folks to sell some land in Kodiak Island near Sheridan Bay and Anton Larsen Bay. They are also in discussions with the Mental Health Land Office to possibly purchase some land in Sheridan Bay in the same area. He wanted to make the board aware of that.

TRUSTEE COOKE stated point of order and asked if it was relevant to bring this up if it does not concern a matter on the agenda.

CHAIR MICHAEL replied that if this transaction is occurring now and there is an opportunity to state the case now, she recommended to state it. She asked for any other Ethics Disclosures. There being none, she asked Mr. Menefee to continue.

PROMONTORY POINT PRESENTATION

TRUSTEE COOKE asked if a motion was needed.

MOTION: The motion is that the Alaska Mental Health Trust Authority Board of Trustees approve the future sale of the Promontory Point Asset at its appraised value but for not less than a premium over the original purchase price of \$15,500,000 expressed through a purchase option in a commercial lease currently being negotiated between the TLO and a prospective purchaser was made by TRUSTEE COOKE; seconded by TRUSTEE EASLEY.

MR. MENEFEE stated that this transaction is the first time that a sale of one of the commercial

real estate investments was considered for sale. He recognized Sarah Longan.

MS. LONGAN stated that she wanted to share that a team from the Trust Land Office was nominated for the Governor's Denali Performance Award. There are certificates that identify the individuals nominated, and the Governor will decide on the finalists. She asked Mr. Menefee to describe the team and their services.

MR. MENEFEE explained that the team was nominated by a peer and included Aaron O'Quinn, Heather Weatherell, and Paul Slenkamp for the U.S. Forest Service Land Exchange. The recognition was written up by one of the peers saying that they recognized it was quite the hurdle of effort to get that exchange through. He added that it is not done yet. He stated that Mr. O'Quinn is the project manager; Mr. Slenkamp has been working as a forester; and Ms. Weatherell works in the title shop, putting together a lot of the background work.

MS. LONGAN stated that there is one additional individual part of that team, who is instrumental with his long-term leadership: Mr. Menefee. She continued that the entire team at the Trust Land Office is a critical asset and part of the family at DNR. She felt confident in this package going forward for a Performance Peak Award because their work on the Land Exchange is important to Alaska and the goals of the Trust. She was thankful for the opportunity to recognize this team.

(Applause.)

CHAIR MICHAEL congratulated the team.

MR. MENEFEE stated that it was good team work. He asked Mr. O'Quinn to go through the details of this timely opportunity to potentially sell the Promontory Point asset.

MR. O'QUINN stated that two of the real estate consultants, Jason Steinberg and Patrick Lee, from Equitable Commercial Real Estate in Austin, Texas, are on the line; they have been advising the TLO on this deal, and assisting in negotiations. He gave a short background on the asset. He continued that the specifics of the deal are still under negotiation, but a premium has been negotiated over the price that the TLO initially paid for the asset. The purchase option follows the trend of five years into the future, and is reflective of that anticipated depreciation of the asset.

CHAIR MICHAEL asked the trustees for any questions.

TRUSTEE EASLEY asked for a better, more concise explanation, and about the assurances that the value of the asset is protected over that long period.

MR. O'QUINN explained that the way the purchase option is set up is that it would be sold to the buyer at the appraised value, but not to be less than a premium over the initial purchase price.

MR. MENEFEE added that it is triple net. The lessee would be required to maintain the building in the timeframe so that the value stays appropriate, because they have an obligation to keep the building in good shape.

TRUSTEE COOKE asked about the real estate market in Austin, the location of this building, the character of the area, and what the rental market or commercial lease market looks like.

MR. LEY replied that the asset is located in the northeast market of Austin which, traditionally, has been a back-office industrial plex market, and this asset falls within that plex office category. He continued that it is a one-story brick plex office type environment, and is 100 percent built out. It is a very nice, creative, cool office space by definition in Austin. He added that the market is very healthy and trending in the right direction. One of the main reasons of activity seen on this building for office tenants is that the two buildings accompany a large parking lot that is a future developable parcel, which gives it a good parking ratio.

MR. O'QUINN stated that this is an opportunity to take advantage of a premium opportunity.

MR. STEINBERG stated that this is an area where the majority of the building stock is '80s and '90s vintage. If there is new development going on, it is to build warehouse or smaller warehouse space.

TRUSTEE STURGEON asked if this is not done is there the possibility of getting stuck with no tenants.

MR. O'QUINN replied that any time that a tenant reduces its occupancy of a building it is cause for acknowledgment. He stated that the specifics of their reduction would be best discussed in executive session.

TRUSTEE COOKE asked if it would be appropriate to go into executive session at this point.

MR. ABBOTT recommended that there is a bit more information that the trustees would appreciate in Executive Session.

MOTION: A motion that the board go into executive session to discuss the lessee option to purchase the Promontory Point Complex in accordance with the Open Meetings Act, AS 44.62.310(c) was made by TRUSTEE COOKE; seconded by TRUSTEE BOERNER.

There being no objection, the MOTION was approved.

(Executive Session from 1:57 p.m. until 2:25 p.m.)

TRUSTEE MICHAEL resumed the meeting. She stated that there was a motion on the table and asked for further discussion.

TRUSTEE DERR stated, for the record, that no business was conducted in the Executive Session.

MR. ABBOTT stated that, for the proceeds of the sale, since the original investment was sourced from principal funds, the legal requirement is to treat that original investment amount as principal going forward. The fact that it was used to purchase real estate and has come back through the sale of that real estate does not change its character; that initial \$5.5 million will be

treated as principal. He added that regulatory or even statutory action between now and then could change that. He clarified, subject to the regulatory work that is underway, as a result of the April fund switch, all of the proceeds from the commercial real estate transactions could be used as income and either be contributed to the Mental Health Trust Fund or be used for a different purpose.

CHAIR MICHAEL called the motion with a roll call.

After the roll call vote, the MOTION was unanimously approved.

MR. ABBOTT acknowledged the work that the Trust Land Office did to bring this forward.

CHAIR MICHAEL thanked the property managers that were on-line.

TRUSTEE COOKE asked if any of the other commercial properties in a similar situation or are they more fully utilized.

MR. O'QUINN gave a quick rundown of the properties for a better idea of where they all were.

FY20 BUDGET ADJUSTMENTS

CHAIR MICHAEL moved to the FY20 budget adjustments, and recognized Mr. Abbott.

MR. ABBOTT began with a bit of context and stated that the budget was built with the adjustments that are being seen as if the budget the Legislature adopted would be the budget the Governor enacted. Since then, the Governor planned to further reduce the budget, and many of the programs are significantly smaller or less funded than were anticipated when the amendments were proposed. For the purposes of the conversation, he recommended to take some time to talk about the FY20 strategy and the approach to it. He stated that the fiscal year is almost two weeks into FY20, and service providers are already reducing their activity levels and are asking whether the Trust would consider being a replacement funder for some or all of that lost revenue from State sources that had been available up until June 30th. He continued that this is not a recommendation on that subject; just a conversation for some conceptual guidance from trustees. The plan is not to divert either existing FY20 allocations or change those to backfill State services, or to use resources from the reserves or other budget sources. He then described the resource situation for a sense of what could be done. He asked for guidance from the trustees on what to look at, investigate, contemplate options for something to go on and then reconvene, as necessary, to act on that guidance and any work to do in the meantime.

CHAIR MICHAEL asked if this would be talking about long-term funding for some of the agencies.

MR. ABBOTT replied that there is a valid concern that once that path is started, the State would never step back in. He added that other funders have also raised the concern of saving the day and having the State step out. He talked about some of the projects and the funding with the typical approaches to them.

TRUSTEE BOERNER stated that one of the things she appreciated as a new trustee was the

strong stance the trustees took with insisting that the State Government maintain its obligations. Those are defined within the Constitution. She continued that the resource the Trust has cannot make up for the current state, and added that this is a big challenge.

TRUSTEE McCARTY asked if there are certain beneficiaries in communities that have some added resources that others do not; and if there are any demographics on that.

MR. ABBOTT replied that there is nothing very detailed or specific. He stated that many Trust beneficiaries have access to healthcare outside of government-provided systems, but there is no good quantitative information available on that.

TRUSTEE DERR stated that staff knows very clearly who is in danger, and if they see something that is absolutely critical that would endanger the beneficiaries to let trustees know about it and do something on a temporary basis. She added that she is against completely assuming State responsibility.

TRUSTEE EASLEY wanted to know if staff has talked to various providers and encouraged some mergers of providers.

MR. ABBOTT replied that one of the constant objectives is to make these delivery systems more efficient, and one of the ways to do that is to get folks to consider consolidations. Staff is a constant source of motivation for that.

CHAIR MICHAEL asked Ms. Baldwin-Johnson to share with the trustees some of the direct impacts she has seen.

MS. BALDWIN-JOHNSON replied that some of the reach-out is around bridging payroll during a period where the budget deliberations are not final. The Department has not been able to issue notices of grant awards for programs that are dependent on grant funding. She stated that there are multiple calls daily from individual beneficiaries that are in crisis because of their dental situation.

TRUSTEE McCARTY concurred with hearing from a number of beneficiaries having tremendous anxiety and the concerns. He encouraged all of the providers to be careful of how beneficiaries are being approached, causing anxiety.

TRUSTEE COOKE shared his concern about the crisis and its impact, but stated that the role of the Trust should not be to bail out the State for its cutbacks.

MR. ABBOTT stated that the discussion was very helpful and was one of the reasons why there is such a high percentage of staff here listening for what the next steps might be; and they have received significant guidance. He continued that he will lower expectations out in the community that the Trust will be a replacement funder for historic State commitments.

TRUSTEE EASLEY asked if other states got the Medicaid block grants that were discussed.

MR. ABBOTT replied that no state has made a full and complete transition to block grants. Other states are further along in the consideration of them, and it has to be a cooperative

arrangement. He stated that a series of webinars on the subject are going to be sponsored, and the trustees are welcome to participate. They are being hosted by some national experts. It will be a very politically neutral presentation, and will discuss what block grants or the use of private insurance in lieu of Medicaid might look like.

CHAIR MICHAEL asked if any approval is needed from the trustees.

MR. ABBOTT replied no, and recommended that no motion be made on the proposed budget amendment. It may potentially morph it into something to consider later in July or August.

CHAIR MICHAEL followed up on the advocacy work and asked if anyone had any suggestions on what should be done.

TRUSTEE BOERNER stated that if there is advocacy work that staff is doing, she volunteered to go and support that as a trustee.

MR. ABBOTT stated that the biggest part of the advocacy is always trying to help the beneficiaries and the beneficiary providers be their own advocates. That is the work funded through Teri Tibbett and others. Second, the Trust itself is an advocate, and that is one of the relatively few explicitly described duties in the charter that the board endorsed for the CEO: to lead the advocacy efforts on behalf of the Trust. He stated appreciation for the willingness of trustees to support the advocacy.

TRUSTEE COOKE explained that he was in the Interior for the past few weeks, and asked where things stand on the budget as of now.

MR. ABBOTT replied that the Legislature enacted or adopted an operating budget in May, and adopted a capital budget, but failed to fund it. The capital budget that the Legislature adopted required supermajority votes, which did not succeed. The outcome was that the Governor had an operating budget on his desk which included a mental health budget bill and a partially funded capital budget. The Governor made line-item vetoes to all three of the budget bills: the mental health budget bill; the operating budget bill; and the partially funded capital budget bill. The Legislature failed to override every veto in the operating budget with 37 votes. It is still in Special Session, and they are still subject to the Governor's call, and are currently considering the adoption of another budget bill. He added that the House Finance Committee introduced a bill which restores all of the gubernatorial vetoes, funds an Alaska Permanent Fund Dividend, and is holding public hearings. He gave a short, concise explanation of the budget and the political process involved in going forward.

CHAIR MICHAEL asked for a motion to adjourn.

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

There being no objection, the MOTION was approved.

(Special Full Board meeting adjourned at 3:45 p.m.)

