

MEETING AGENDA

Meeting: Finance Committee
Date: October 16, 2024
Time: 8:30 AM
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Meeting Number: 2631 718 8480 # / Attendee Number: #
<https://alaskamentalhealthtrust.org/>
Trustees: John Morris (Chair), Rhonda Boyles, Corri Feige, Kevin Fimon, Brent Fisher, Anita Halterman, Agnes Moran

Wednesday, October 16, 2024

	<u>Page No.</u>
8:30 <u>Call Meeting to Order (John Morris, Chair)</u> Roll Call / Announcements Approve Agenda / Ethics Disclosure Approve Minutes • July 30, 2024	4
8:35 <u>Statutory Advisor Update</u> • Deven Mitchell, Executive Director, Alaska Permanent Fund Corporation	11
9:05 <u>Dept of Revenue / Treasury Update</u> • Steve Sikes, State Investment Officer, Department of Revenue	32
9:30 <u>Approvals</u> TLO FY25 CRE Budget Amendment CFF Approval FY25 Payout Fund 3320 Balance	46 51 53 54
10:00 <u>Staff Report Items</u> FY24 Dashboard and Trust Performance Review	hand-out
10:30 Break	
10:45 <u>Approvals</u> Commercial Real Estate Executive Session – (if necessary) <i>In accordance with the Open Meetings Act, AS 44.62.310(c)</i>	56
12:00 Adjourn	

Future Meeting Dates Statutory Advisory Boards (Updated – October 2024)

Alaska Commission on Aging

ACOA: <https://aging.alaska.gov>

Executive Director: Jon Haghayeghi, (907) 465-4879, jon.haghayeghi@alaska.gov

- Quarterly Meeting (winter): December 4, 2024 / Zoom

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

AMHB: <http://health.alaska.gov/amhb/Pages/default.aspx>

ABADA: <http://health.alaska.gov/abada/Pages/default.aspx>

Executive Director: Stephanie Hopkins, (907) 465-4667, stephanie.hopkins@alaska.gov

- Quarterly Meeting (winter): January 2025 / Zoom
- Quarterly Meeting (spring): TBD

Governor’s Council on Disabilities and Special Education

GCDSE: <http://health.alaska.gov/gcdse/Pages/default.aspx>

Executive Director: Patrick Reinhart, (907)269-8990, patrick.reinhart@alaska.gov

- Triannual Meeting (winter): February 11-13, 2025 / Juneau

**ALASKA MENTAL HEALTH TRUST AUTHORITY
FINANCE COMMITTEE MEETING
HYBRID/WEBEX
July 30, 2024
1:20 p.m.**

**Originating at:
Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 200
Anchorage, Alaska 99508**

Trustees Present:

John Morris, Chair
Anita Halterman
Corri Feige
Agnes Moran (Virtual)
Kevin Fimon
Rhonda Boyles
Brent Fisher

Trust Staff Present:

Allison Biastock
Katie Baldwin-Johnson
Miri Smith-Coolidge
Julee Farley
Michael Baldwin
Eric Boyer
Kat Roch
Carrie Predeger
Luke Lind
Michael Baldwin
Kelda Barstad
Debbie DeLong
Valette Keller
Tina Voelker-Ross
Eliza Muse
Janie Caq'ar Ferguson

Trust Land Office staff present:

Jusdi Warner
Jeff Green
Sarah Morrison
Brittany Williams

Also participating:

Patrick Reinhart; Maria Smilde; Stephanie Hopkins; Christopher Orman; Lee Cruise; Charlene Taufest.

PROCEEDINGS

CALL TO ORDER

CHAIR MORRIS called the Finance Committee meeting to order and began with the roll call. There being no announcements, he asked for a motion to amend the agenda.

APPROVAL OF AGENDA

MOTION: A motion to approve the amended Finance Committee agenda by adding a discussion of the related annual payout procedures, including an Executive Session, if needed, and to delete the CRE net proceeds discussion. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

After the roll-vote, the MOTION was APPROVED. (Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

CHAIR MORRIS asked for any ethics disclosures. There being none, he moved to the approval of minutes from April 24, 2024.

APPROVAL OF MINUTES

MOTION: A motion to approve the minutes from April 24, 2024. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

After the roll-vote, the MOTION was APPROVED. (Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

CHAIR MORRIS entertained a motion to move into Executive Session to discuss the amended agenda item, and to save the staff report items for the public when the previously noticed meeting was started.

MOTION: A motion that the Board of Trustees move into Executive Session to discuss the 2022 annual payout procedure pursuant to the Alaska Open Meetings Act, Alaska Statute 44.62.310(c)1 and 2, as the immediate knowledge of the matters to be discussed during the Executive Session will have an adverse effect on AMHTA's finances, and they may tend to prejudice the reputation and character of individuals.

MR. HICKEY stated that he thought that this Executive Session included the commercial real estate issue.

MOTION: A motion was made that the Finance Committee enter into Executive Session to discuss commercial real estate holdings, appraisals, and sales process pursuant to the Alaska Open Meetings Act, Alaska Statute 44.62.310(c)2, as the immediate knowledge of the matters to be discussed during the Executive Session will have an adverse effect on AMHTA's finances. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE FEIGE.

CHAIR MORRIS noted that there were two topics that needed to be discussed in Executive Session, and added an amendment to the motion.

MOTION: The motion was amended to include the annual payout for 2022 and the current commercial real estate holdings and appraisals. The motion was made by CHAIR MORRIS; seconded by TRUSTEE HALTERMAN.

After the roll-vote, the MOTION was APPROVED. (Trustee Fimon, yes; Trustee Fisher, yes; Trustee Halterman, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

CHAIR MORRIS asked Trustee Moran if she would like to have a discussion on the topic.

TRUSTEE MORAN agreed with the commercial real estate question, but did not believe the second topic raised to the level of Executive Session.

CHAIR MORRIS asked for any other discussion. There being none, he moved into Executive Session.

(Executive Session from 1:29 p.m. until 2:48 p.m.)

TRUSTEE FIMON stated, for the record, that he, his fellow trustees and members of the Trust Authority and Trust Land Office returned to the Finance Committee from the Executive Session. No decisions were made during the Executive Session other than to give direction to counsel.

STAFF REPORT ITEMS

CHAIR MORRIS recognized Ms. Farley to do the Financial Dashboard report.

MS. FARLEY stated that she and Sarah Morrison, the chief business officer of the TLO office, would go through the Dashboard through May. She added that the June numbers were just trickling in, and she continued through the numbers.

MS. MORRISON went through the Trust Land Office numbers and then the capital projects.

TRUSTEE FEIGE asked about the Trust Land Exchange, U.S. Forest Service RSA, if that gets distributed and then goes back into the principal and the income accounts.

MS. MORRISON replied that those are real funds, and they moved to income. She explained that income included leases, licenses, 15 percent of timber, and that principal was where the royalties, land sale revenues are placed.

MS. FARLEY moved to investment activity and stated that the good news from APFC is that they are getting closer to the goal. The expected long-term goal is about 7.5 percent, and through May they returned 7.15 percent. She continued through with the forecast for fiscal year '25 and '26.

CHAIR MORRIS thanked Ms. Farley and called a break.

(Break.)

CENTRAL FACILITY FUND

CHAIR MORRIS proceeded to the Central Facility Fund staff recommendation and asked for the

motion to be read.

MOTION: The Finance Committee recommends that the Full Board of Trustees authorize the elimination of Fund 3322 Central Facility Fund, CFF, for use in funding program-related commercial real estate investment property. Any funds currently assigned to the CFF will be transferred back to the Trust Settlement Income Account Fund, 1092, and the Trust Land Office will continue to present funding requests for such expenditures to trustees and, if approved, they will be funded by the Trust Settlement Income or as otherwise approved by trustees. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

MS. FARLEY stated that there was a request at a recent Finance Committee meeting to have staff evaluate the use of CFF. The background is that in 2018 a motion was made to set up the CFF and it was housed in Fund 3322, and used on a regular basis. The goal was to have a \$2 million balance to fund necessary, unexpected capital-related expenditures for the commercial real estate and the program-related properties. Because of the complications and difficulty associated with administering the CFF, she recommended dissolving the fund and still going through the CFF request process. It would not be called a CFF request, but would just be a capital request process where trustees would approve expenditures with the funding determined at that time. She continued that in looking at the accounts, there were no funding issues, and there would be the available capital necessary to maintain the commercial real estate portfolio. She added that it just relieves some of the difficulty and the maintenance associated with tracking the CFF balance on the spreadsheet.

CHAIR MORRIS thanked Ms. Farley, and asked Ms. Warner for any comments or thoughts.

MS. WARNER stated that to remove the Central Facility Fund could potentially put the TLO in an awkward position. Under the LLC agreement, there is a duty and responsibility to manage those buildings and keep them in good working order, and she was not sure that elimination of the CFF would facilitate that. Coming to the Trust for funding, knowing that there was no funding set aside specifically to provide an owner contribution to the portfolio when needed, is a problem.

A lengthy discussion ensued.

CHAIR MORRIS asked for any other comments or discussion. There being none, he called the question.

After the roll-vote, the MOTION FAILED. (Trustee Fimon, no; Trustee Fisher, no; Trustee Halterman, yes; Trustee Feige, no; Trustee Moran, no; Trustee Boyles, no; Chair Morris, yes.)

APPROVALS

PROMONTORY POINT FINANCING

CHAIR MORRIS moved to Promontory Point Financing, and asked for the motion to be read.

MOTION: The Finance Committee recommends to the Alaska Mental Health Trust Authority Board of Trustees that the Board direct the Trust Land Office to distribute all cash/income currently held by the TLO for all commercial real estate except three months of reserves, rent escrows, and tax escrows; and that the Board approves payment of \$1.2 million for the Promontory Point Property Escrow Reserve to satisfy the loan conditions per the Promontory Point Loan Agreement. In the event of a confirmed purchase offer for the property, as determined by the executive director of TLO, the CFO is approved to fund the defeasance, if necessary, by up to \$8.7 million, as recommended by the Resource Management Committee. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

CHAIR MORRIS asked for any discussion or comments. He asked Ms. Farley why this was an alternative proposed to simply funding the defeasance.

MS. FARLEY stated that, from an asset allocation and investment perspective, this would look at the use of \$1.2 million versus \$8.7 million. If the same results could be achieved, the preference would be to outlay \$1.2 million.

TRUSTEE FIMON asked for clarity on the \$8.7 million passed earlier.

MR. HICKEY replied that the earlier motion was a recommendation to the Finance Committee, and this would be an amendment to that recommendation.

CHAIR MORRIS asked for any other comments or questions. There being none, he called the question.

After the roll-call vote, the MOTION was APPROVED. (Trustee Halterman, yes; Trustee Fisher, yes; Trustee Fimon, yes; Trustee Boyles, no; Trustee Feige, no; Trustee Moran, yes; Chair Morris, yes.)

FY25 BUDGET RATIFICATION

MOTION: The Finance Committee recommends that the Full Board of Trustees ratify the Legislature's fiscal year '25 MHTAAR and MHT Admin budget amounts as appropriated; and, therefore, increase previous fiscal year '25 trustee authorization by \$668,500. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

MS. BIASTOCK stated that there was an update to the memo that differed from what was received in the packet. A footnote was added that related to the FY25 approved budget amount shown for the Trust Land Office. The trustee signed budget was \$5,156,000, but the number did not match the number that was in the motion passed by the Finance Committee, then by the Full Board related to the TLO agency budget. She continued that there was no risk to the Trust. The TLO recognized it, restricted the funds, and there was no overspend. For transparency, and to insure accurate numbers, there was the footnote. The motion approved by the Board was \$5,155,000 versus the \$5,156,600.

A brief discussion ensued.

CHAIR MORRIS asked for any other discussion. There being none, he called the question.

After the roll-call vote, the MOTION was APPROVED. (Trustee Halterman, yes; Trustee Fisher, yes; Trustee Fimon, yes; Trustee Boyles, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

TRUST AUTHORITY OFFICE AGENCY BUDGET FY26

MOTION: The Finance Committee recommends that the Full Board of Trustees approve the fiscal year '26 Trust Authority MHT Agency Budget of \$5,306,800. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FEIGE.

MS. BALDWIN-JOHNSON pointed out that the FY26 budget reflected a 3 percent increase over the FY25 budget. She noted that the table showed the adjustments.

CHAIR MORRIS asked for any other comments or questions. There being none, he called the question.

After the roll-call vote, the MOTION was APPROVED. (Trustee Halterman, yes; Trustee Fisher, yes; Trustee Fimon, yes; Trustee Boyles, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

TRUST LAND OFFICE AGENCY BUDGET FY26

MOTION: The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve the Trust Land Office Agency Budget for Fiscal Year '26 in the amount of \$5,556,500. The motion was made by TRUSTEE BOYLES; seconded by TRUSTEE HALTERMAN.

MS. MORRISON walked through the budget proposal for FY26. She stated that they anticipated a 3 percent increase in personnel services, which includes all salaries and benefits for the 19 employees, as well as some estimates for merit increases. She stated that the goal is to be fully staffed.

CHAIR MORRIS asked for any other comments or questions. There being none, he called the question.

After the roll-call vote, the MOTION was APPROVED. (Trustee Halterman, yes; Trustee Fisher, yes; Trustee Fimon, yes; Trustee Boyles, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

CHAIR MORRIS stated that there was nothing more on the agenda, and asked for any other matters for discussion. There being none, he asked for a motion to adjourn.

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

After the roll-call vote, the MOTION was APPROVED. (Trustee Halterman, yes; Trustee Fisher, yes; Trustee Fimon, yes; Trustee Boyles, yes; Trustee Feige, yes; Trustee Moran, yes; Chair Morris, yes.)

CHAIR MORRIS thanked all, and adjourned the meeting.

(Alaska Mental Health Trust Authority Finance Committee meeting adjourned at 4:20 p.m.)



APFC

ALASKA PERMANENT
FUND CORPORATION

Alaska Mental Health Trust

October 2024

Mission

To manage and invest the assets of the permanent fund and other funds designated by law in accordance with AS 37.13.

Vision

To deliver outstanding returns for the benefit of all current and future generations of Alaskans.

Alaska Permanent Fund
Principal
Constitution and AS 37.13.010
Earnings Reserve Account
AS 37.13.145 (a)

Amerada Hess Settlement
AS 37.13.145 (d)
AK Capital Income Fund
AS 37.05.565

Alaska Mental Health Trust Fund
AS 37.13.300
Alaska Mental Health Trust Authority

Power Cost Equalization Endowment
AS 42.45.080 (a)
Alaska Energy Authority – PCE Program



APFC is in the business of taking risks to achieve return objectives.

The goal of risk management is not to avoid risks, it is to:

- know and understand the risks taken,
- measure, monitor, and report these risks,
- manage risks to acceptable levels, and
- review whether returns are commensurate

Maximizing A Risk-Adjusted Return

AS 37.13.120 Investment Responsibilities

- Board will follow the prudent investor rule as it relates to institutional investors.
- Board will maintain a reasonable diversification of assets.
- Board adopts regulations defining eligible investments.
- APFC may only borrow money if it is recourse to a specific investment.
- APFC shall invest the assets of the Fund in in-state investments if comparable in risk level and expected return to alternate investment opportunities.

Investing for the Long Term

a maximum risk-adjusted return

Real Return

Annual investment performance adjusted for inflation indicates sustained value and purchasing power.

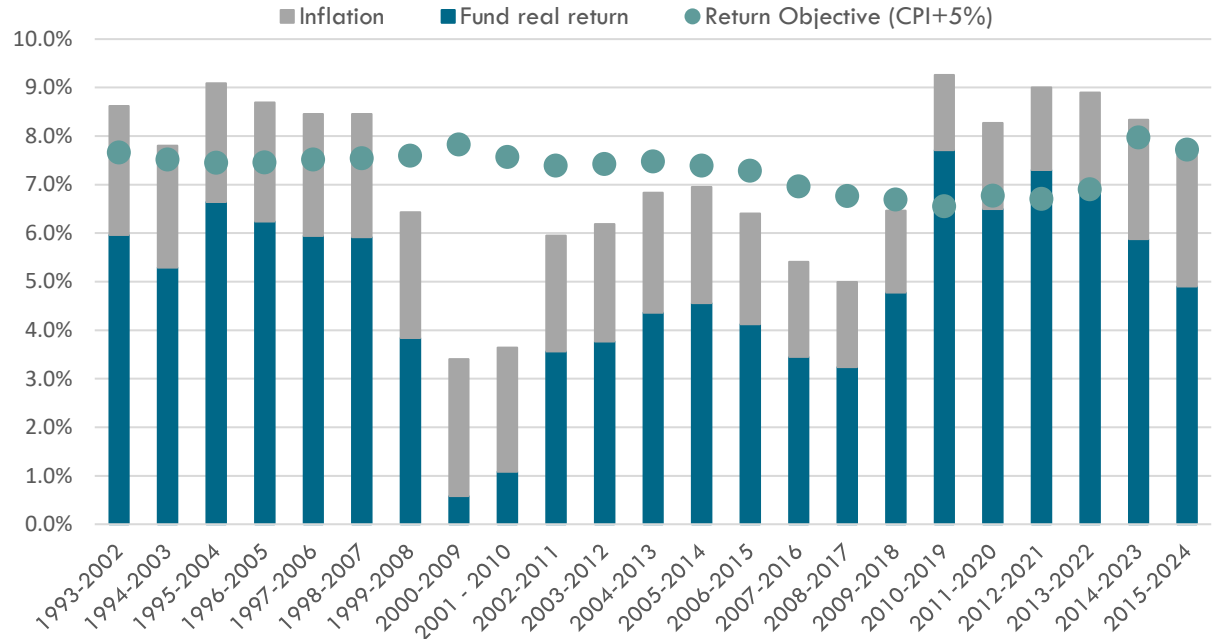
The Board's Total Fund Objective

Investment Performance

Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period.

Investment Risk

Ability of the Fund to achieve the long term target while conforming to the Board's approved risk appetite metric.



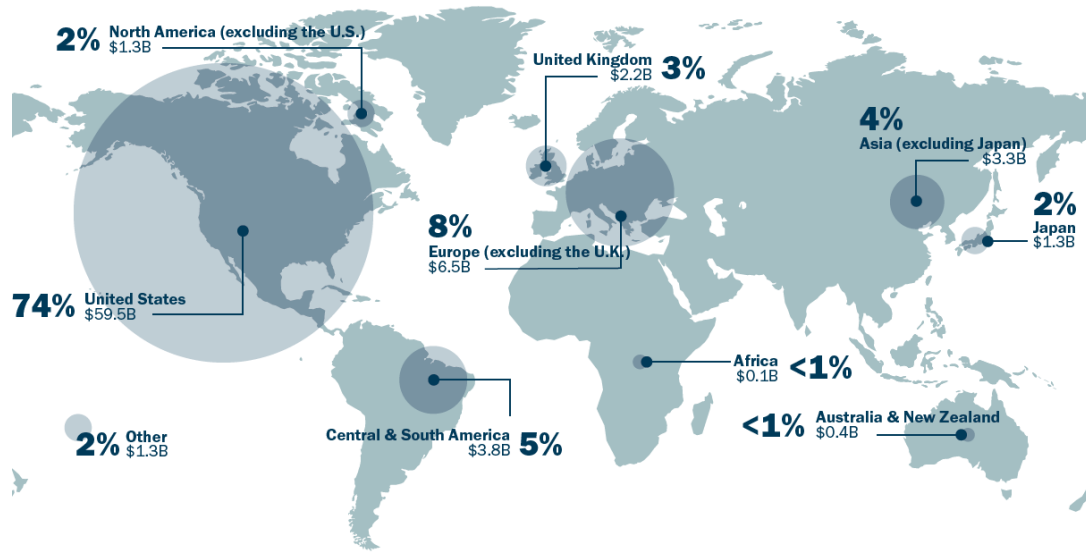


Global Investment

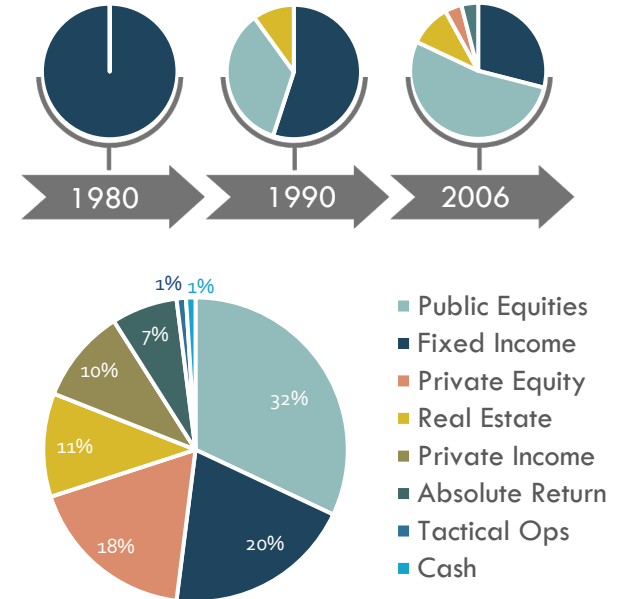
Our vision is to deliver outstanding returns for the benefit of all current and future generations of Alaskans.

Global Investment

Through prudent asset allocation and strategic decision-making, APFC has robust performance across asset classes, reinforcing our commitment to deliver sustainable value for our stakeholders—the people of Alaska.

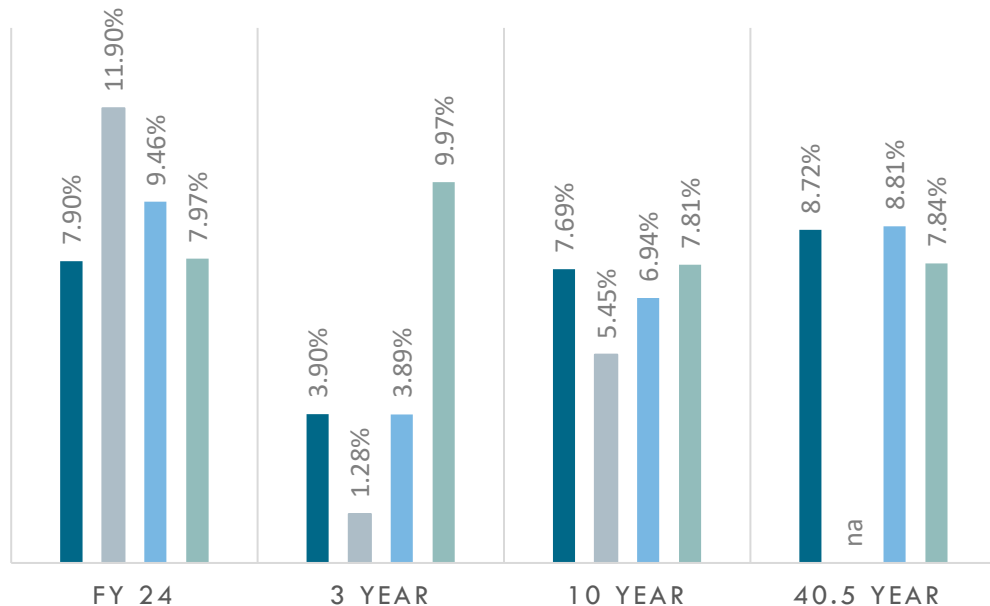


Asset Allocation: 1980 to 2025 Target

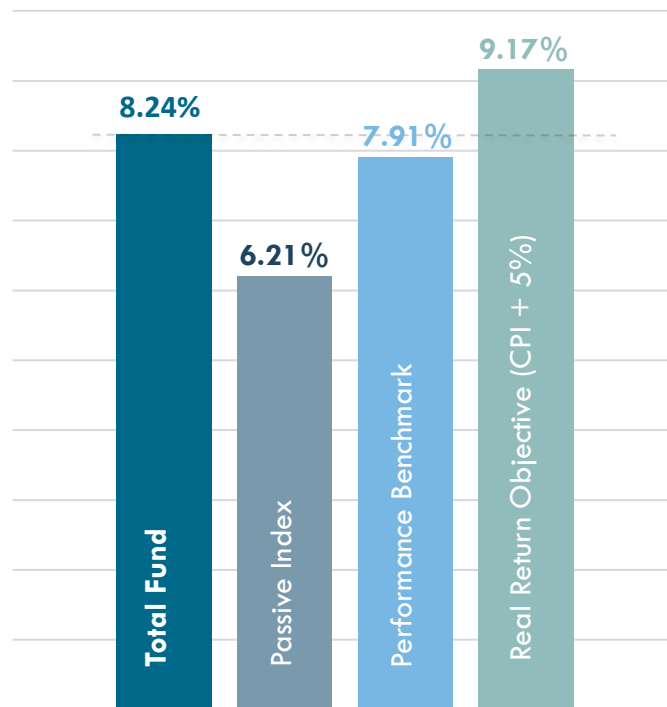


Benchmarked Performance









FUND PERFORMANCE as of June 30, 2024



Five-Year Lookback

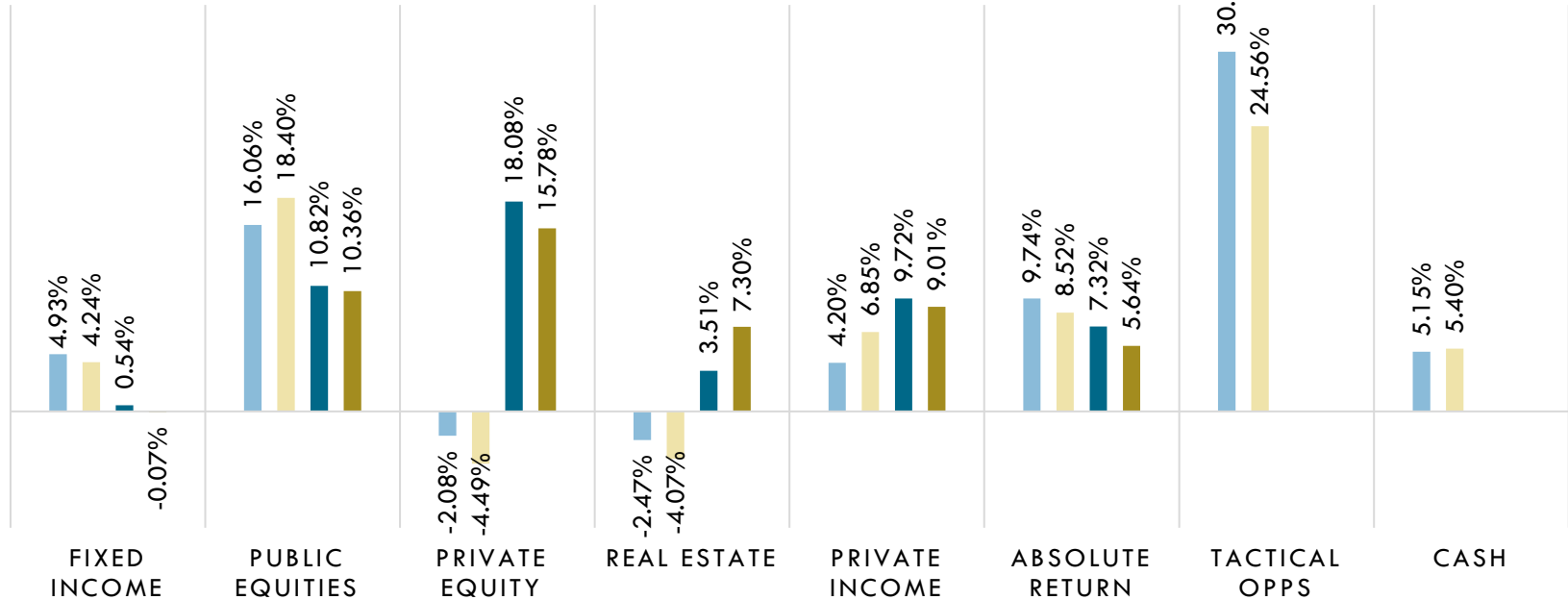


The Portfolio

 Public Equities	<p>The Public Equities allocation is comprised of U.S., International, and Global Stocks and is the Fund’s primary source of growth.</p>
 Fixed Income	<p>The internally managed Fixed Income portfolio acts as an anchor to the Fund, generating stable returns and providing a source of liquidity.</p>
 Private Equity	<p>Private equity includes a wide array of investments in privately held, non-publicly traded companies. The range of investment strategies, structures, and underlying assets are linked by common characteristics, including long investment horizons and limited liquidity, and offer diversification and superior returns.</p>
 Private Income	<p>Private Income consists of three sub-portfolios: infrastructure, private credit, and other income-producing assets. The asset class provides the Fund with a high level of income with limited volatility.</p>
 Real Estate	<p>APFC has partial or complete ownership of 76 residential, retail, industrial, and office buildings in the United States and abroad providing a steady inflation-adjusted cash yield.</p>
 Absolute Return	<p>Absolute Return strategy aims to provide a consistent, uncorrelated return that is accretive to the overall target.</p>
 Tactical Opps	<p>Tactical Opportunities is designed to provide an area for the investment team to execute opportunistic investments across public and private markets.</p>
 Cash	<p>Cash Portfolio provides stability for the portfolio as well as liquidity and risk balance through diversification benefits relative to other riskier asset classes.</p>

Asset Class Performance as of June 30, 2024

■ 1-Yr Return ■ 1-Yr Benchmark
■ 5-Yr Return ■ 5-Yr Benchmark



Income Producing

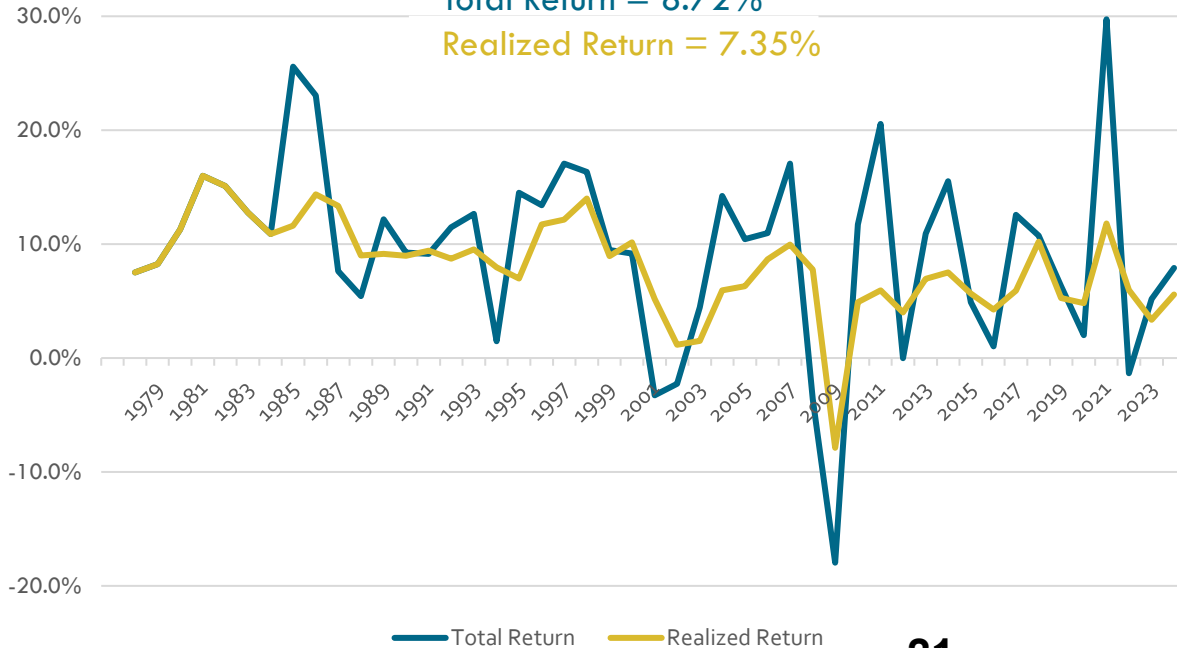
APFC manages the portfolio to provide a maximum risk-adjusted return,
not toward annual gain realization.

Total vs Realized Return

ANNUALIZED OVER 40.5 YEARS:

Total Return = 8.72%

Realized Return = 7.35%



Total Return is the overall rate of return of the portfolio over a specific period. It encompasses interest, dividends, distributions, and capital gains, *realized and unrealized*.

Realized Return is the income that is collected from investment activity over a given period. It is the profit or loss from an investment, accounting for interest, dividends, and *realized* capital gains.

How does APFC Earn Money?

APFC manages the portfolio to provide a maximum risk-adjusted return, not toward annual gain realization. Earnings are income collected and increases in investments' value.

Realized Earnings including Capital Gains

- Dividends on Stocks
- Interest Income on Bonds
- Rents on Property
- Distributions from Private Investments
- Capital gains when an investment is sold at a price higher than it was purchased

Unrealized Gains on Portfolio Holdings

- Any investment that has increased in value but has not yet been sold.
- Increase in Value of Stocks
- Increase in Value of Bonds
- Appreciation on Property Value

Tyson's Corner

Purchased 1985
\$559 million in
unrealized gains
as of June 30, 2024

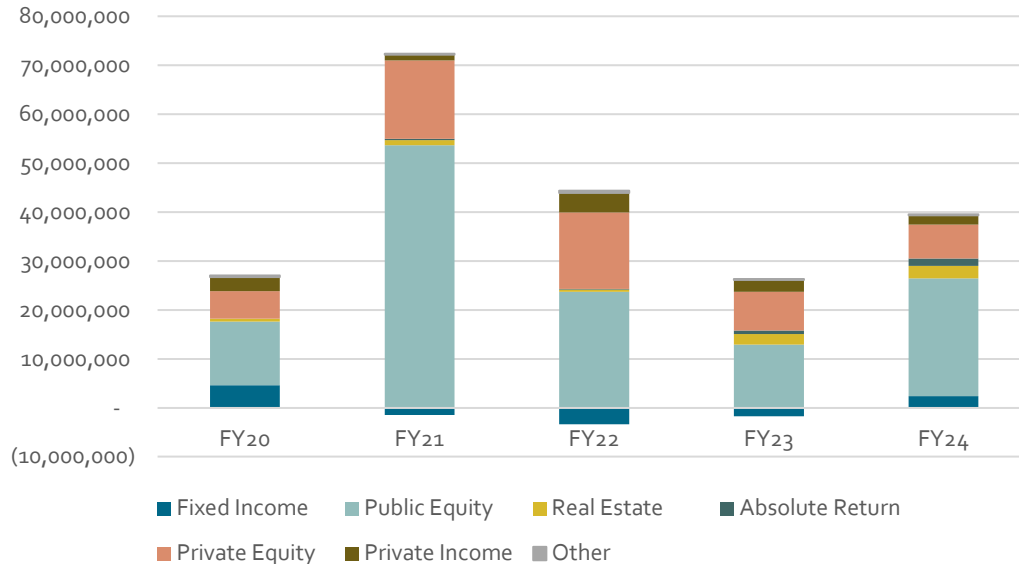




The Alaska Mental Health Trust

AMHT: Realized Earnings by Asset Class

Includes Cash Flow & Gains, as of June 30



APFC began with a portfolio of U.S. treasuries, offering steady returns based on a historical endowment model focused on bonds.

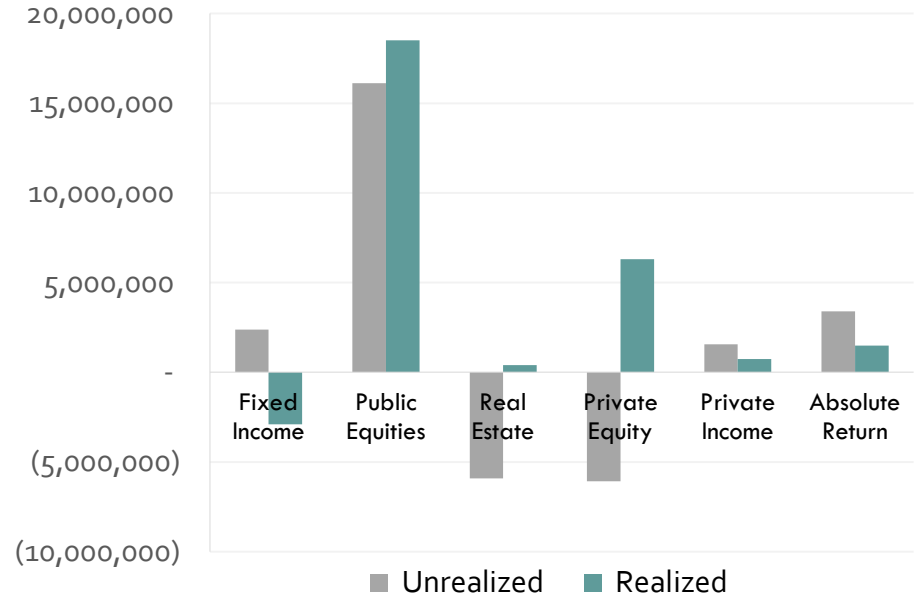
The Fund's current asset allocation is much more complex, with exposure to investments for which the majority of income is only realized when an asset is sold.

Many assets are held for years or decades, and realized earnings are often not tied to annual investment performance.

*Other: Securities lending, commission recapture and class action proceeds.

AMHT: Unrealized & Realized Gains in FY24

	Unrealized Gain/Loss	Realized Gain/Loss
Fixed Income	2,378,000	-2,904,000
Public Equities	16,115,000	18,508,000
Real Estate	-5,912,000	400,000
Private Equity	-6,080,000	6,313,000
Private Income	1,569,000	735,000
Absolute Return	3,401,000	1,493,000
Total	11,472,000	24,545,000



AMHT: Unrealized Gains (Losses) as of June 30

	FY20	FY21	FY22	FY23	FY24
Fixed Income	3,177,000	4,083,000	-8,648,000	-6,406,000	-4,769,000
Public Equity	14,832,000	61,362,000	6,274,000	23,412,000	38,081,000
Real Estate	8,964,000	11,567,000	18,415,000	16,398,000	11,644,000
Absolute Return	2,039,000	7,852,000	9,338,000	10,112,000	13,234,000
Private Credit	886,000	2,715,000	2,539,000	2,521,000	2,870,000
Private Equity	18,003,000	54,834,000	46,382,000	42,976,000	38,055,000
Infrastructure	1,183,000	5,019,000	6,368,000	7,916,000	9,117,000
Derivatives & Currency	78,000	253,000	307,000	-26,000	142,000
Total Unrealized Gains	49,162,000	147,685,000	80,975,000	96,903,000	108,374,000

AMHT: Values in \$ millions

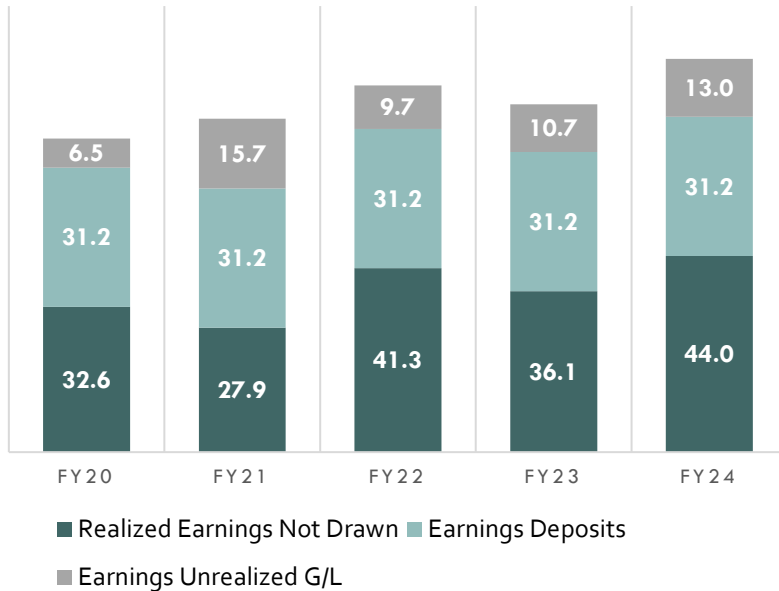
FY20 - FY24

\$ 138.8 m Principal Growth

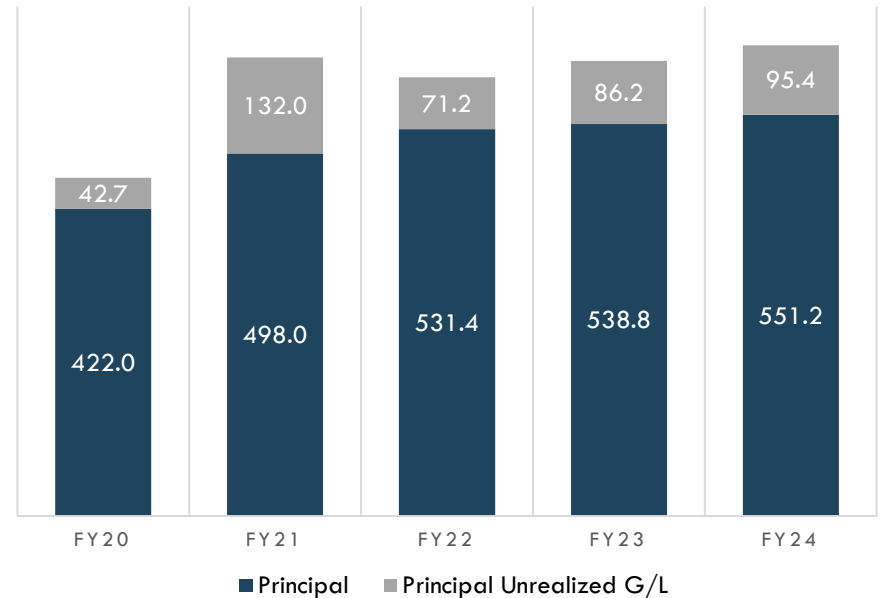
\$ 62.5M in AMHT Deposits

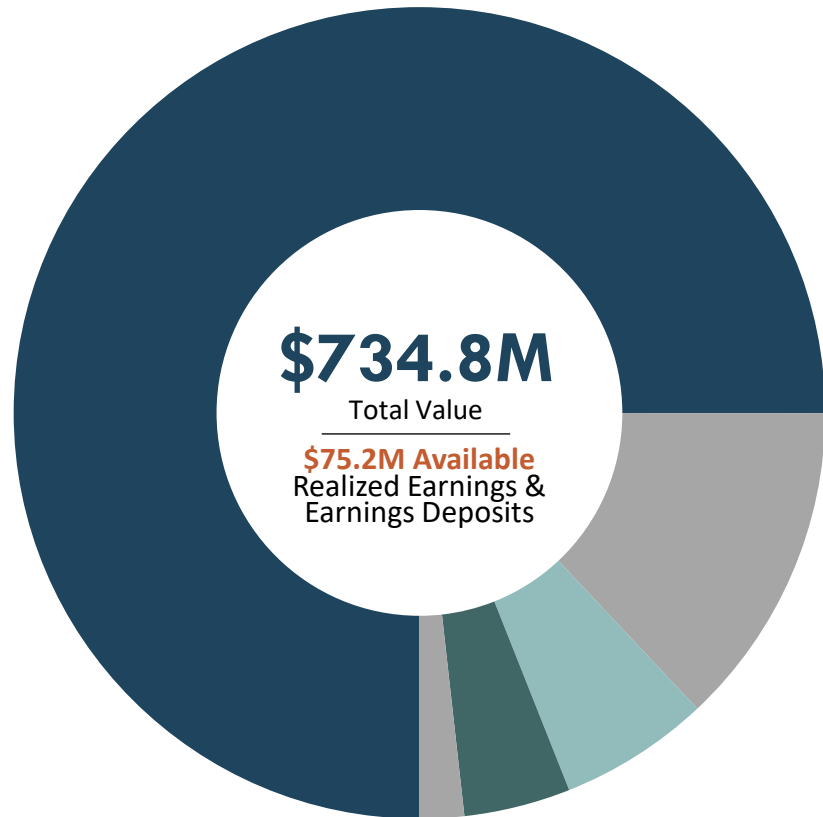
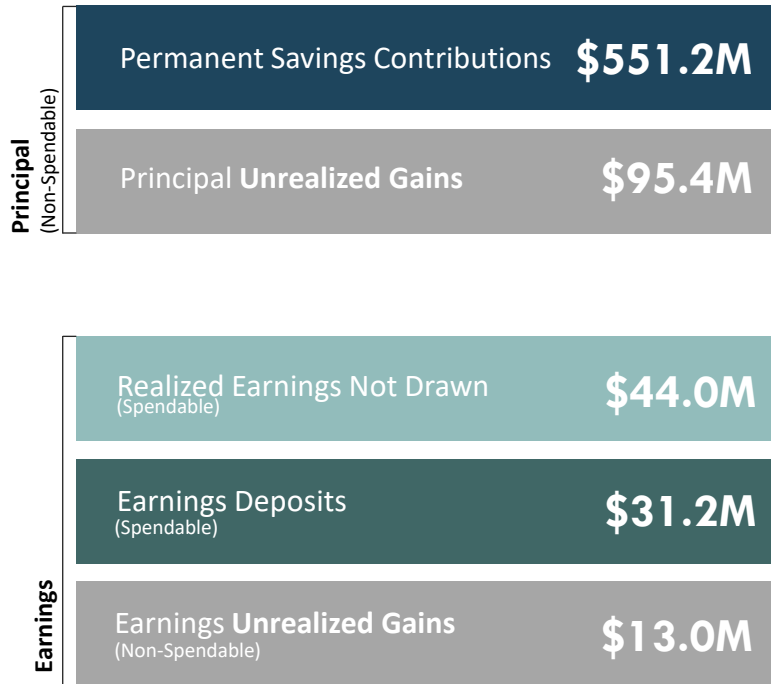
\$ 76.3M in AMHT Realized Earnings Transfers

EARNINGS



PRINCIPAL





AMHT: Earnings & Draws

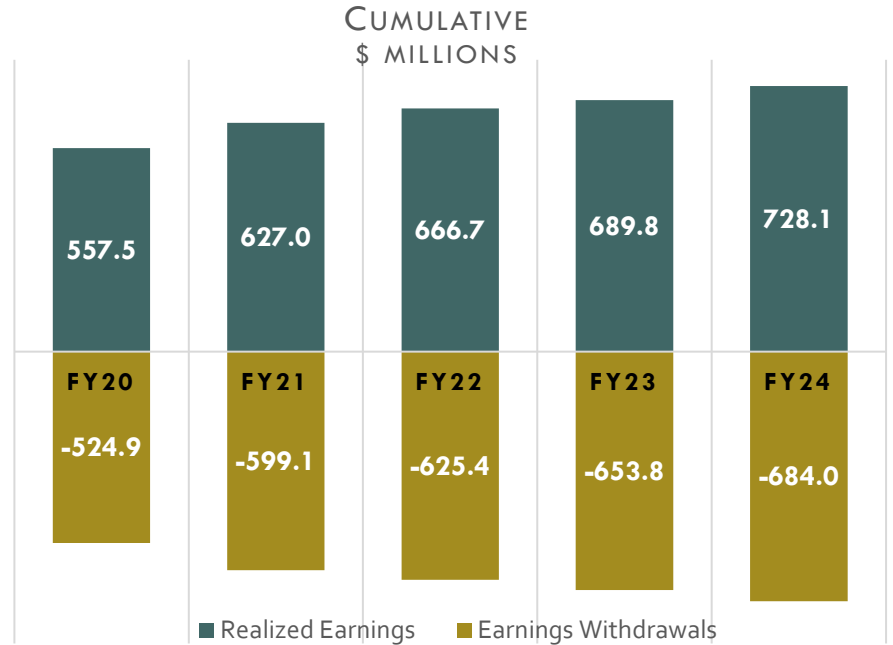
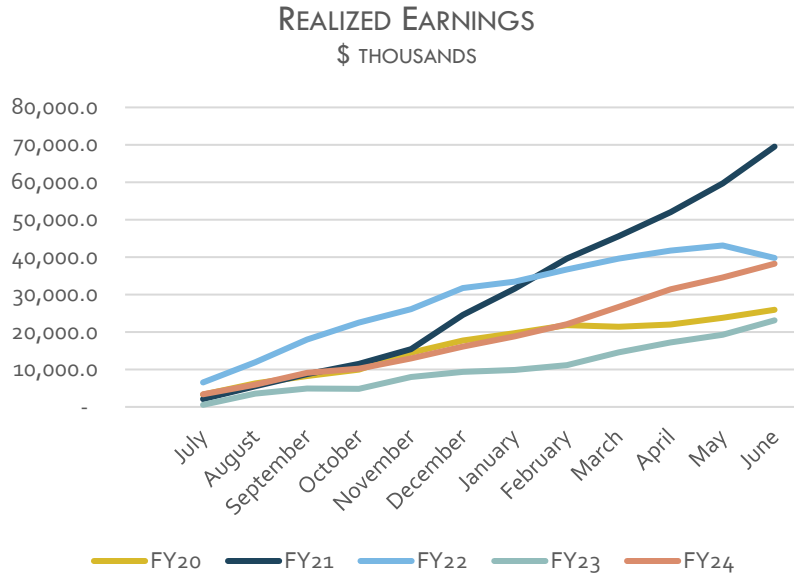
As of June 30

FY20 - FY24

\$ 132.2M drawn from AMHT Realized Earnings

\$ 105.8M transferred out to AMHTA

\$ 26.4M transferred to AMHT Principal



Management of the Mental Health Trust

Article 02. Management of Other Assets.

Sec. 37.13.300. Corporation to manage certain assets of the mental health trust.

(a) The corporation shall manage the mental health trust fund.

(b) The corporation shall

(1) hold and invest the mental health trust fund subject to [AS 37.13.120](#);

(2) at least quarterly, prepare, publish, and distribute to the Board of Trustees of the Alaska Mental Health Trust Authority a financial report showing investment revenue and expenditures, including the allocation of the cash assets of the mental health trust fund among investments;

(3) Annually prepare, publish, and distribute to the Board of Trustees of the Alaska Mental Health Trust Authority financial statements prepared in accordance with generally accepted accounting principles consistently applied, and an audit report prepared by a certified public accountant;

(4) periodically advise the Board of Trustees of the Alaska Mental Health Trust Authority when revisions to long-range investment policy, including asset allocation changes, are contemplated, and provide an opportunity for consultation and comment on the changes before they are implemented; and

(5) transfer to the mental health trust settlement income account the net income available for distribution attributable to the mental health trust fund at the end of each fiscal year.

(c) Net income from the mental health trust fund may not be included in the computation of net income available for distribution under [AS 37.13.140](#).



*Integrity
Stewardship
Passion*



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Alaska Mental Health Trust

Steve Sikes, CFA, CPA
State Investment Officer

Alaska Mental Health Trust Assets

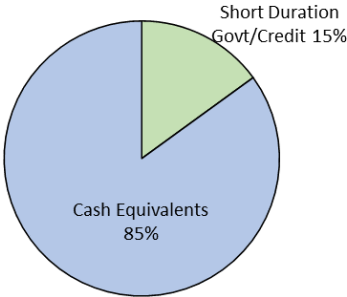
Asset Management for Alaska Mental Health Trust:

- As of June 30, 2024, Department of Revenue managed \$95.4 million of AMHTA assets:

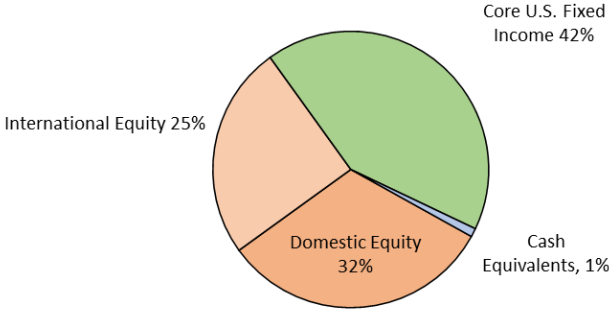
Alaska Mental Health GeFONSI Assets:	
Mental Health Deferred Maintenance, Fund 3322	7,684,270
Mental Health Trust Fund, Fund 3320	1,806,877
Mental Health Settlement Account, Fund 1092	32,100,844
Total Alaska Mental Health GeFONSI Assets	41,591,992
Alaska Mental Health Trust Reserve	<u>53,769,366</u>
Total AMHTA assets managed by DOR:	\$ 95,361,358

- Current Target Asset Allocations (effective July 1, 2024):

GeFONSI Asset Allocation



AMHTA Asset Allocation *



* No allocation to REITs due to separate CRE portfolio exposure.

Alaska Mental Health Trust Reserve

Change in balance over time:



Alaska Mental Health Trust Reserve – History of account transfers

Alaska Mental Health Trust Reserve		
Transfers since 2015		
Date	Account	Amount
4/1/2021	AY2L	(1,430,000)
6/22/2021	AY2L	(1,400,000)
6/28/2022	AY2L	(1,810,000)
3/29/2023	AY2L	(3,300,000)
11/14/2023	AY2L	(1,000,000)
12/6/2023	AY2L	(5,560,000)
	Total	(14,500,000)

Investment Performance

Alaska Mental Health Trust - GeFONSI

GeFONSI Investments:

- The General Fund and Other Non-segregated Investments (the GeFONSI) are invested internally by DOR staff. AMHT maintains separate accounts within GeFONSI but these assets are managed as one investment pool which creates several efficiencies that benefit all participants. GeFONSI currently holds ~\$1.9 billion in assets.
- Department of Revenue manages over \$6 billion in cash for the State.
- GeFONSI asset allocation is recommended by DOR staff and approved by the Commissioner of Revenue annually, effective as of July 1.
- GeFONSI is designed to be conservative with low exposure to principal loss and a high liquidity requirement given the short-term time horizon.
- Returns are above benchmark for Fiscal Year 2024 and over the longer term. Returns have been historically low as a result of a protracted period of low interest rates but have improved recently as monetary policy has become more restrictive.

Performance as of June 30, 2024	<u>1 Year</u>	<u>5 year</u>	<u>10 year</u>
GeFONSI	5.60%	1.95%	1.57%
GeFONSI Benchmark	5.27%	1.76%	1.37%
Difference	0.33%	0.19%	0.20%

Alaska Mental Health Trust Reserve

Alaska Mental Health Trust Reserve Investments:

- Alaska Mental Health Trust Reserve assets are invested internally by DOR staff and externally in passive commingled funds managed by State Street Global Advisors and in the Fidelity Tactical Bond fund.
- The asset allocation is approved by Alaska Mental Health Trust Authority based on the investment policy established in its Asset Management Policy Statement (AMPS).
- As stated in AMPS, the Alaska Mental Health Budget Reserve Fund has a moderate risk tolerance with a medium-term time horizon of five to seven years with an emphasis on balancing preservation of capital while still achieving growth.

Performance as of June 30, 2024	<u>1 Year</u>	<u>5 year</u>	<u>10 year</u>
Alaska Mental Health Trust Reserve	13.27%	7.11%	6.59%
Alaska Mental Health Reserve Benchmark	12.98%	6.81%	6.28%
Difference	0.29%	0.30%	0.31%
Cash Equivalents	5.71%	2.31%	1.70%
Core U.S. Fixed Income	3.21%	0.22%	1.66%
Core Plus U.S. Fixed Income	4.16%	-	-
Domestic Equity	23.21%	14.17%	-
International Equity	11.51%	5.52%	-

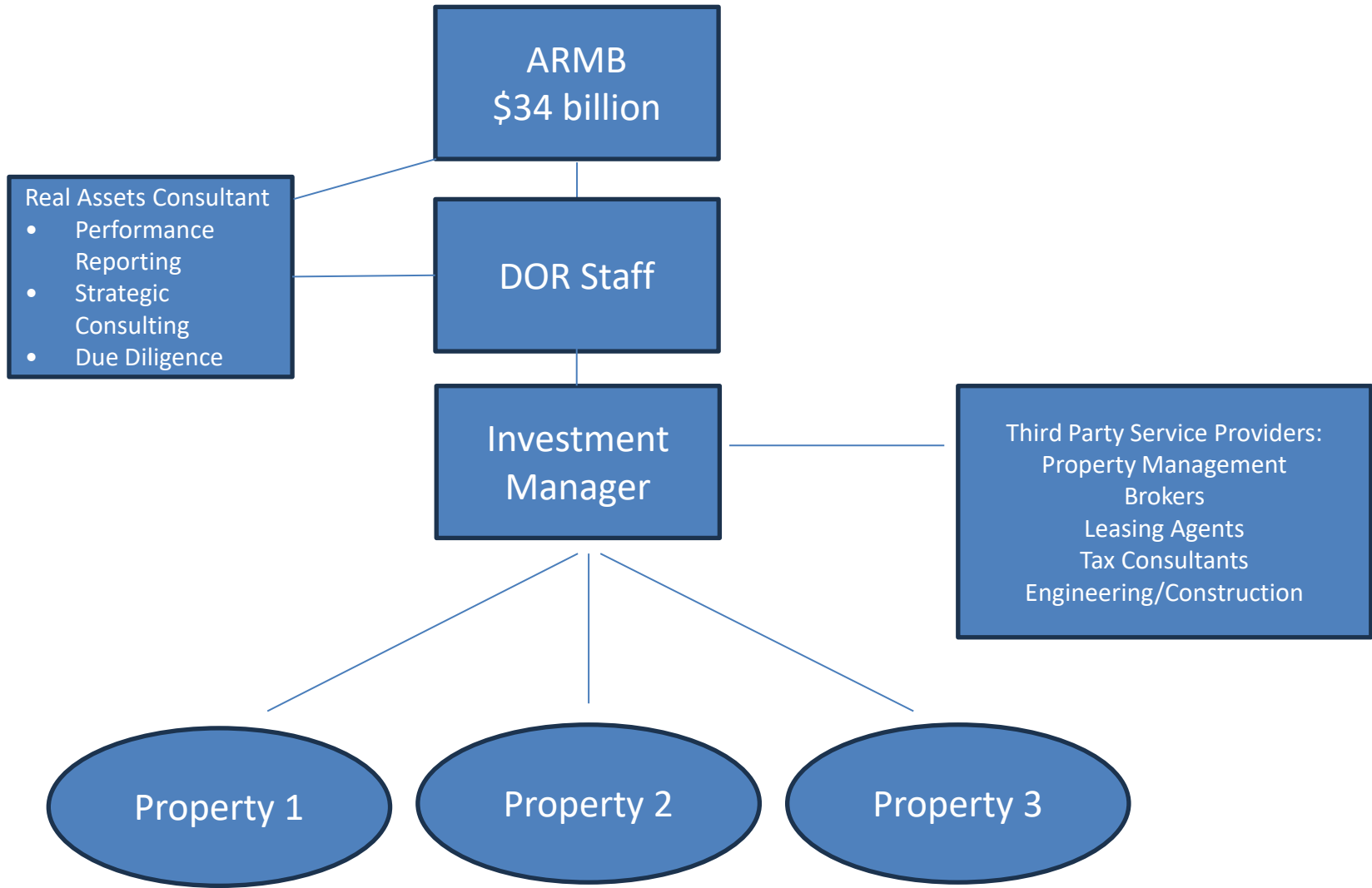
Alaska Mental Health Trust – DOR Fees

- No fees are assessed on GeFONSI accounts.
- Department of Revenue assesses a .10% fee on the Budget Reserve account for administration and the cost of internal investment. In Fiscal Year 2024 this fee was \$52,457.
- Investment Management fees vary by option as shown in table below.
- SSGA equity investment options participate in securities lending which effectively reduces the fee.

Investment	% Fee on NAV	FY24 \$ Fee
SSGA Russell 3000	0.0075%	1,550
SSGA MSCI ACWI Ex-US Equity	0.0125%	1,827
Fidelity Tactical Bond*	0.32%	6,916
DOR Administrative Fee	0.10%	52,458
Total Fee **	0.11%	62,751
* Fee is discounted by 15% based on larger State of Alaska relationship		
** % fee is estimate based on \$53.7MM June 30, 2024 NAV		

Alaska Retirement Management Board Real Estate Separate Account

Alaska Retirement Management Board (ARMB) Real Estate Separate Account Structure



Alaska Retirement Management Board (ARMB)

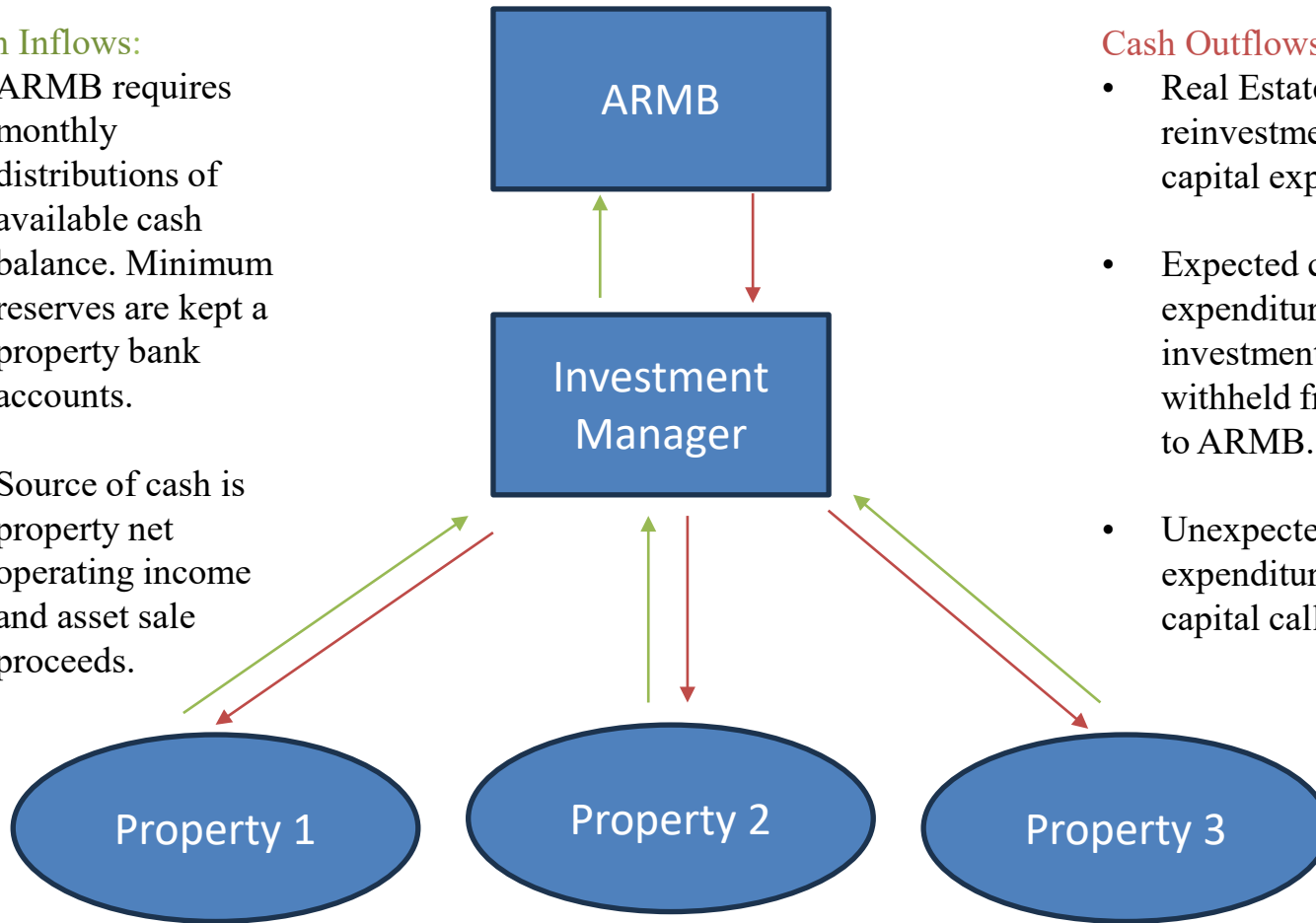
Real Estate Separate Account Cash Flow Chart

Cash Inflows:

- ARMB requires monthly distributions of available cash balance. Minimum reserves are kept at property bank accounts.
- Source of cash is property net operating income and asset sale proceeds.

Cash Outflows:

- Real Estate requires constant reinvestment in the form of capital expenditures.
- Expected capital expenditures is reserved by investment manager and withheld from distributions to ARMB.
- Unexpected capital expenditures are funded by capital call to ARMB.



Alaska Retirement Management Board (ARMB)

Real Estate Separate Account Budget and Reporting

BUDGET

- Real estate properties are managed based on an annual budget process.
- Budgets are prepared by the investment managers and approved by staff.
- Leasing assumptions and capital projects are focus of review.
- Approvals are required for budget variances above thresholds.

REPORTING

- Quarterly financial and performance reports are prepared by investment managers and provided to DOR staff and the Real Assets Consultant.
- Annual Investment Plan is prepared by investment managers which review all investments and provide a hold/sell analysis for each property.
- Annual appraisals are done on each property.
- Each account is audited annually on a fiscal year basis.
- ARMB Staff, along with the Real Assets Consultant, presents an annual investment plan for ARMB approval.

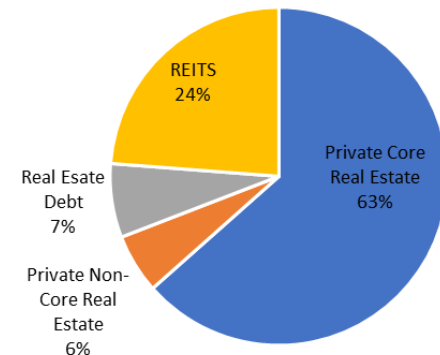
ARMB Real Estate Portfolio

- Two core separate account managers make investments on a discretionary basis within the parameters defined by ARMB’s guidelines and annual investment plan up to approved allocations. These investments represent 41% of the real estate portfolio and are currently comprised of 17 assets within the apartment, industrial, office, and retail sectors across the U.S. ARMB owns 100% interest in these assets.
- Three core open-end commingled funds make investments on a discretionary basis according to each fund’s strategy. These funds represent 23% of the real estate portfolio and offer well diversified exposure across asset types, markets, and size. ARMB owns units in these funds along with other institutional investors.
- Fund investments with two non-core commingled fund managers represent the majority of non-core real estate strategies. Non-core funds represent 6% of the real estate portfolio. Real estate debt investments in a high yield CMBS strategy reflect 7% of the real estate portfolio.
- The remaining 24% of the real estate portfolio is a passive publicly traded REIT equity portfolio invested internally by staff.

Real Estate Portfolio June 30, 2024

- Net Asset Value: \$2.1 billion
- Number of Assets: 17 + commingled fund interests
- Core Structure: 2 separate accounts, 3 open-end funds
- Non-Core Structure: 11 commingled funds
- Real Estate Debt: 1 commingled fund
- U.S. Domestic REITs

ARMB Real Estate Weights as of
June 30, 2024



Alaska Retirement Management Board (ARMB) Real Estate Separate Account Structure

Alaska Retirement Management Board Real Estate Separate Account Checks and Balances:

ARMB uses the following resources to manage the real estate separate account:

- A full-time staff member monitors the real estate portfolio.
- ARMB has hired a real assets consultant, to calculate performance, monitor the portfolio, and ensure best practices are employed.
- All properties are appraised once a year by third party appraiser.
- Quarterly financial reports with market commentary are prepared by the investment manager.
- Financial statements of each real estate separate account is audited as of fiscal year end.
- ARMB has two separate account managers along with many investments in commingled funds. Having multiple investment managers is useful to compare and contrast approaches.

Questions?



To: John Morris, Finance Committee Chair
From: David MacDonald, Chief Real Estate Officer
Thru: Jusdi Warner, Executive Director
Date: October 16, 2024
Re: CRE/PRRE Budget Amendment Request
Fiscal Year: 2025
Amount: \$280,000 (Carry-Forward from Prior Year)

Approval

Proposed Motion:

Proposed Motion One: *“The Finance Committee recommends that the Trust Authority Board of Trustees approve amending the previously approved Fiscal Year 2025 Commercial Real Estate/Program-Related Real Estate budget to include a \$280,000 expenditure this fiscal year for a rooftop mechanical unit at the Amber Oaks asset. The expenditures made in connection with this request will be paid from rents and/or reserves held at the property-level accounts with no further funding necessary from the Trust Authority.”*

Background:

Introduction: At the April 24, 2024, Finance Committee Meeting and the May 22, 2024, Full Board Meeting, a \$10,993,685 budget was approved for the Commercial Real Estate and Program-Related Real Estate portfolios. This budget excluded consideration of a \$280,000 expenditure for a replacement rooftop mechanical unit at the Amber Oaks asset that was included in the prior year’s budget approval. Although the rooftop mechanical unit was ordered last year, it was not delivered until this year with payment due with installation. The past practice has been that expenditures with a payment date in the new fiscal year’s budget are made based on the prior year’s budget approvals. However, our CFO has requested that this past practice be discontinued. The new practice will be that those expenditures be included in the current year’s budget approvals. Consistent with this new practice, we are presenting this motion to amend the previously submitted budget, approved in the total amount of \$10,993,685, to include the \$280,000 expenditure for the replacement rooftop mechanical unit. With this amendment, the new budget to be approved for Fiscal Year 2025 will total \$11,273,685. Spreadsheets delineating the amended budget are attached.

General Background: We have established a system to adequately plan, manage, audit, and report activity in the real estate portfolio. Asset Managers oversee and direct 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.

Anticipated revenues within FY25 equal \$12.6 million from the Investment Portfolio and \$689 thousand from the Program-Related Real Estate. These projections account for known revenue sources with current occupancy levels, expected expiration of leases, and conservative filling of vacancies. The revenues can be affected by the timing of obtaining new tenants and the negotiated lease rental amounts.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted October 2021 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.

FY25 Real Estate Budget from Rent and Other Property Income

Transaction/Resource: Budgets are presented to seek approval from the board of trustees for the expenditures necessary to service the properties. For the sake of clarity, the expenditures include operating expenses, owner expenses, lease-up costs, capital expenditures and debt service; they do not include revenues. The proposed property expenditures are funded by the rents generated by the properties, as well as cash reserves and other income collected from the properties and the Central Facility Fund. The anticipated expenditures for FY25 equal \$10,818,841 for the Investment Portfolio and \$454,844 from the Program-Related Real Estate.

In aggregate, the combined expenditures forecast for FY25 total \$11,273,685. (This does not include the CFF approval request that are also being presented to the Committee on October 16, 2024. Should the CFF approval request for \$75,000 and this request be Board approved then that will result in a combined expenditure forecast for FY25 totaling \$11,248,685.)

Property Description/Acreage/MH Parcel(s): Commercial Real Estate and Non-Investment Program Related Properties are as follows:

Commercial Real Estate Properties

2618 Commercial Drive; Anchorage AK
1111 Israel Road; Tumwater, WA
1973 North Rulon; Ogden, UT
2420 & 2500 Ridgpoint Drive; Austin, TX
9601 Amberglen Blvd; Austin, TX
17319 San Pedro Avenue; San Antonio, TX

Non-Investment-Program Related Properties

2600 Cordova Street; Anchorage, AK
650 Younker Court; Fairbanks, AK
1300 Moore Street; Fairbanks, AK
1423 Peger Road; Fairbanks, AK
2330 Nichols Street; Anchorage, AK
3745 Community Park Loop Road; Anchorage, AK

The anticipated distributions for FY25 equal \$2,069,000 from the Investment Portfolio and \$233,000 from the Program-Related Real Estate.

In aggregate, the combined distributable income to the Trust forecast for FY25 is \$2.3 million.

Trust Land Office Recommendation: The TLO recommends that it is in the Trust’s best interest to approve the incremental building expenditures for FY25 to be funded by tenant rents, cash reserves, other income collected from the properties, and the Central Facility Fund.

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

Trust Authority Approval: The motions presented in this briefing document fulfill the approval requirements that are applicable to the transaction.

Exhibits:

- Combined FY25 Budget – Investment Portfolio**
- Combined FY25 Budget – Program-Related Real Estate**

Combined FY25 Budget - Investment Portfolio

	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total	Expenditures
Income	\$584,596	\$264,600	\$1,616,845	\$2,352,291	\$2,346,624	\$3,632,913	\$1,811,940	\$12,609,809	n/a
Operating Expenses	\$321,879	<i>Paid Directly</i>	\$633,781	\$922,412	\$1,379,898	\$1,593,304	\$751,315	\$5,602,589	\$5,602,589
Net Operating Income	\$262,717	\$264,600	\$983,064	\$1,429,879	\$966,726	\$2,039,610	\$1,060,625	\$7,007,221	n/a
Owner Expenses	\$29,345	\$27,262	\$44,856	\$25,682	\$9,450	\$22,015	\$11,116	\$169,726	\$169,726
Lease-Up Costs	\$17,000	\$0	\$0	\$0	\$0	\$511,317	\$164,763	\$693,080	\$693,080
Capital Expenditures	\$115,000	\$0	\$0	\$157,500	\$0	\$529,000	\$150,000	\$951,500	\$951,500
Debt Service	\$0	\$63,905	\$908,822	\$447,574	\$635,942	\$941,171	\$404,533	\$3,401,947	\$3,401,947
Net Cash Flow	\$101,372	\$173,433	\$29,386	\$799,123	\$321,334	\$36,107	\$330,213	\$1,790,968	\$10,818,841
Distributions	\$101,000	\$173,000	\$29,000	\$799,000	\$321,000	\$316,000	\$330,000	\$2,069,000	
<i>Delta vs. FY24</i>	<i>-\$22,426</i>	<i>\$93,459</i>	<i>\$828</i>	<i>\$37,202</i>	<i>-\$360,957</i>	<i>-\$77,606</i>	<i>\$330,000</i>	<i>\$500</i>	

Existing Vacancy	--	--	--	--	--	4%	9%	2%
Lease Expirations	21%	0%	85%	0%	100%	16%	8%	36%

CFF Draws*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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* Future leases may necessitate CFF draws depending on terms and timing.

Combined FY24 Budget - Investment Portfolio

	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total
Income	\$559,267	\$254,757	\$1,616,845	\$2,201,258	\$2,341,787	\$3,870,585	\$1,615,206	\$12,459,705
Operating Expenses	\$301,621	<i>Paid Directly</i>	\$571,541	\$841,441	\$1,136,836	\$1,516,536	\$614,000	\$4,981,976
Net Operating Income	\$257,646	\$254,757	\$1,045,304	\$1,359,817	\$1,204,951	\$2,354,049	\$1,001,206	\$7,477,730
Owner Expenses	\$6,232	\$13,112	\$5,096	\$13,132	\$9,450	\$18,195	\$6,320	\$71,537
Lease-Up Costs	\$0	\$0	\$0	\$0	\$0	\$429,815	\$1,287,896	\$1,717,711
Capital Expenditures	\$175,000	\$0	\$40,000	\$150,000	\$0	\$0	\$38,000	\$403,000
Debt Service	\$0	\$63,905	\$908,819	\$447,574	\$635,942	\$941,171	\$404,533	\$3,401,944
Net Cash Flow	\$76,414	\$177,740	\$91,389	\$749,111	\$559,559	\$964,868	-\$735,543	\$1,883,537
Cash Reserve Coverage								\$184,963
Distributions	\$123,426	\$79,541	\$28,172	\$761,798	\$681,957	\$393,606	\$0	\$2,068,500

CFF Draw - Circle K	\$0	\$0	\$0	\$0	\$0	\$0	\$820,112	\$820,112
CFF Draw - Spectrum	\$0	\$0	\$0	\$0	\$0	\$0	\$544,166	\$544,166
CFF Draws - Total	\$0	\$0	\$0	\$0	\$0	\$0	\$1,364,278	\$1,364,278

Combined FY25 Budget - Program-Related Real Estate

	Detox	Sobering Ctr	Fahrenkamp	Assets, Inc.	TAB	Total	Expenditures
Income	\$30,000	\$90,465	\$147,111	\$72,613	\$348,724	\$688,913	n/a
Operating Expenses	\$0	\$4,659	\$7,201	\$0	\$313,018	\$324,878	\$324,878
Net Operating Income	\$30,000	\$85,806	\$139,910	\$72,613	\$35,706	\$364,035	n/a
Owner Expenses	\$0	\$19,612	\$19,612	\$55,600	\$35,142	\$129,966	\$129,966
Lease-Up Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$30,000	\$66,194	\$120,298	\$17,013	\$564	\$234,069	\$454,844
Distributions	\$30,000	\$66,000	\$120,000	\$17,000	\$0	\$233,000	
<i>Delta vs. FY24</i>	<i>\$3,932</i>	<i>\$9,919</i>	<i>-\$11,155</i>	<i>-\$44,291</i>	<i>\$0</i>	<i>-\$41,595</i>	

CFF Draws*	\$0	\$0	\$0	\$0	\$0	\$0
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* TAB renovation/building systems repair may necessitate CFF draws; full analysis/evaluation in process.

Combined FY24 Budget - Program-Related Real Estate

	Detox	Sobering Ctr	Fahrenkamp	Assets, Inc.	TAB	Total
Income	\$115,741	\$94,082	\$148,699	\$71,891	\$327,924	\$758,337
Operating Expenses	\$0	\$28,390	\$11,532	\$0	\$296,963	\$336,885
Net Operating Income	\$115,741	\$65,692	\$137,167	\$71,891	\$30,961	\$421,452
Owner Expenses	\$12,012	\$9,612	\$9,612	\$10,600	\$29,085	\$70,921
Lease-Up Costs	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$103,729	\$56,080	\$127,555	\$61,291	\$1,876	\$350,531
Distributions	\$26,068	\$56,081	\$131,155	\$61,291	\$0	\$274,595
CFF Draws	\$0	\$0	\$0	\$0	\$10,784	\$10,784



To: John Morris, Finance Committee Chair
From: David MacDonald, Chief Real Estate Officer
Thru: Jusdi Warner, Executive Director
Date: October 16, 2024
Re: Central Facility Fund Request – Trust Authority Building
Fiscal Year: 2025
Amount: \$75,000 (Not to Exceed)

Approval

Proposed Motion:

Proposed Motion One: “The Finance Committee recommends that the Trust Authority Board of Trustees approve funding and instruct the CFO to transfer up to \$75,000 to the third-party property manager, as requested by the TLO, for capital expenditures to the Trust Authority Building from the Central Facility Fund for the Fiscal Year 2025. The expenditures made in connection with this request shall amend the Fiscal Year 2025 Expenditure Budget previously approved by the Board of Trustees.”

Background:

Introduction: The TAB (formerly the Family Resources Center) was constructed in 1985 for, and has been in, use as a social service building for nearly forty years. The site is an irregular-shaped interior lot containing approximately 177,550 square feet (SF). The structure located on the lot is a steel frame construction building. The gross building area is approximately 24,850 SF, plus a 748 SF roof-mounted clerestory and a 336 SF mechanical penthouse. Approximately 21,900 SF is unit space available for rent. There is also approximately 1,000 SF of roof patio area accessible from the second story. Presently, the building is occupied by the Trust Authority (no rent or lease term), Long-Term Care Ombudsman (at market rent monthly; leased month-month, but renewed annually on July 1st with CPI adjustment), and Anchorage School District (at market rent monthly; lease terminates 7/31/2025).

The building is in need of upgrades overall, with planning underway to address the situation. A critical life and safety component needing immediate attention, however, is replacement of the building’s fire panel. A \$62,340 proposal to replace the fire panel was received. Including Colliers’ construction management fee and some contingency funds, we are requesting a not to exceed amount equaling \$75,000. This will ensure the building’s fire protection system will continue to function properly in a manner that supports the tenants and meets our contractual obligations as

landlord. The Trust is contractually responsible for this maintenance not only to the Trust Authority as a nonpaying tenant, but also the other aforementioned tenants in the building.

Property Description/Acreage/MH Parcel(s): Program-Related Real Estate

Commercial Real Estate Properties

3745 Community Park Loop, Anchorage, AK

Trust Land Office Recommendation: The TLO recommends that it is in the Trust’s best interest to approve the proposed expenditure to be funded by the Central Facility Fund.

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

Trust Authority Approval: The motions presented in this briefing document fulfill the approval requirements that are applicable to the transaction.

General Background: The leases include language obligating the landlord to cover the cost of items such as the fire panel by keeping the premises in good repair and tenable condition. The CFF which was approved in 2018 is funded by Commercial Real Estate income and has historically been used to pay for this type of expense.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted October 2021 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.

MEMO

To: John Morris, Finance Committee Chair
Through: Allison Biastock, Acting Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: October 4, 2024
Re: Annual payout transfer
Fiscal Year: 2025

REQUESTED MOTION:

The Finance Committee recommends that the full board of trustees authorize the transfer of \$32,398,600 from the Alaska Permanent Fund Corporation Budget Reserve account to the Mental Health Settlement Income Account to finance the FY2025 Budget. The CFO may fulfill this motion with one lump sum or multiple transfers, and the full transfer must be made prior to June 30, 2025. The CFO will report to the Finance Committee when transfer(s) are made.

BACKGROUND

The revenue determination for supporting the Trust's annual budget is outlined in the Asset Management Policy Statement. The Trust's primary funding is based on a "spending policy" that allows the Trust to draw 4.25% of the four-year average net asset value (NAV) of 1) principal and budget reserve year-end investment balances managed by the Alaska Permanent Fund Corporation (APFC) and 2) the budget reserve year-end investment balance managed by the Department of Revenue. The spending policy establishes that this withdrawal (or "payout") comes from APFC budget reserves.

The calculation for the FY24 payout and drawdown from APFC budget reserves is as follows:

	FY Ending NAV
FY 2021	766,169,400
FY 2022	736,377,000
FY 2023	756,914,074
FY 2024	788,591,100
Average:	762,012,900
	x 4.25%
Payout disbursement calculation (rounded):	32,398,600*

This requested payout is \$2,145,300 above that authorized in FY2024. Budget reserves under APFC management are sufficient to support this FY2025 payout.

*Includes \$13,100 amount for the FY24 payout when the FY23 NAV was estimated instead of actual.

MEMO

To: John Morris, Finance Committee Chair
Through: Allison Biastock, Acting Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: October 4, 2024
Re: Trust Authority Development Account Recommendation

REQUESTED MOTION #1:

The Board of Trustees approve the removal of a target level for the Trust Authority Development Account (TADA), GeFONSI Fund 3320, and authorize the Chief Financial Officer to transfer funds in TADA to the Trust's Investment Fund as principal managed as part of the Alaska Permanent Fund, with a minimum transfer of \$500,000.

Background:

The Trust Authority Development Account (TADA), GeFONSI Fund 3320, receives principal revenue from the Trust Land Office as principal revenue is generated by the Trust Land Office. These funds are subsequently transferred to the Alaska Mental Health Trust Authority Investment Fund managed as part of the Alaska Permanent Fund.

TADA has previously been used to fund certain development projects approved by Trustees and account minimums were established to ensure sufficient funds to meet these Trustee approved commitments. The most recent motion establishing an account minimum balance was approved by Trustees on May 25, 2022 with a target minimum of \$699,279 to fund commitments for the USFS Land Exchange. With the recent closeout of the USFS Land Exchange in June 2024, this minimum balance is no longer needed.

Recommendation:

With no remaining Trustee obligations to be funded from TADA, the recommended target level is now \$0, or the minimum amount required to the account. Funds exceeding the target amount will be transferred to the Trust's Investment Fund managed as part of the Alaska Permanent Fund, with a minimum transfer of \$500,000.

The regular transfer of these funds to the APFC-managed principal account in compliance with AS 37.14.031 (b) and 20 AAC 40.600.

To: Brent Fisher, Finance Committee Chair
Through: Steve Williams, Chief Executive Officer
From: Carol Howarth, Chief Financial Officer
Date: April 13, 2022
Re: Trust Authority Development Account

REQUESTED MOTION:

Finance Committee recommends the full board of trustees authorize the Chief Financial Officer to periodically transfer Trust Authority Development Account funds to the Mental Health Trust principal account managed by the Alaska Permanent Fund Corporation, maintaining a minimum balance of \$699,279 until the USFS Land Exchange is permanently closed. Thereafter the balance may reach zero. This authorization does not lapse.

Background

The Trust Authority Development Account (TADA) is a Trust cash fund managed within the State of Alaska Department of Revenue that receives principal income earned from Trust's lands under management of the Trust Land Office (TLO). These funds are transferred, with annual authorization from the board of trustees to the Trust's principal account managed by the Alaska Permanent Fund Corporation (APFC).

In the past, the board of trustees has approved investment of principal income in land development projects. In 2019, the board of trustees approved a revision to the Asset Management Policy Statement (AMPS) whereby only spendable income is to be used to develop Trust lands. As of the beginning of FY2022 three legacy projects, approved prior to 2019, were funded in total or in part by principal income and subsequently maintained: Icy Cape 2017, Icy Cape 2018 and the USFS Land Exchange. Outstanding budgeted funds of \$1,009,000 were reserved within TADA fund.

Icy Cape 2017 and Icy Cape 2018 projects have since been completed, and \$309,271 of unspent funds are available for transfer to APFC for management. Of the \$3,085,000 of TADA funds approved for the USFS Land Exchange, \$2,385,271 has been expended. The remaining \$699,729 must be retained in the TADA fund until the final invoice has been received and final payment to the US Forest Service made. The USFS Land Exchange is expected to be closed when the US Forest Service completes its reconciliation, anticipated at the end of the federal fiscal year.

Upon notification from the TLO that the final payment to the US Forest Service has been made, any remaining balance will be transferred to the APFC for management. At that time, the TADA account will serve solely as a holding account for future TLO principal revenue to be transferred to APFC for management in accordance with the current AMPS.

It is staff's recommendation that the Chief Financial Officer be authorized to periodically transfer balances above \$699,279 to APFC for management, and after the finalization of the USFS Land Exchange, be given ongoing authority to transfer all principal revenue to the APFC-managed principal account.

The regular transfer of these funds to the APFC-managed principal account in compliance with AS 37.14.031 (b) and 20 AAC 40.600.

MEMO

To: Finance Committee Members
From: John Morris, Finance committee Chair
Date: October 16, 2024
Re: Commercial Real Estate Management

REQUESTED MOTION 1:

The Finance Committee authorizes and directs the Trust Land Office (TLO) to take necessary and prudent steps to a) earn interest income on cash held at 3rd party bank accounts opened and managed by the TLO in their role as Operating Manager of the LLCs that own Trust commercial real estate, b) manage cash balances with an awareness of FDIC limits and maintain cash balances above FDIC limits only when protected by IntraFi, conversion to Treasury bills or other equivalent recommended instruments, and c) to establish that 3rd party banks for all CRE related bank accounts will provide monthly bank statements directly to the Trust CFO no later than 10 business days after end of month.

BACKGROUND

As CRE managers the TLO operates multiple checking accounts at Cadence Bank in Austin, Texas, among others. Often these accounts exceed balances above \$1 million dollars. These levels exceed FDIC insurance limits and earn zero interest. Having uninsured deposits does not meet the fiduciary duty of the Trust nor does carrying large non interest earning balances. This motion enables the execution of industry standard risk management practices as well as earning interest on the deposits. The exact financial instruments, whether they be inter institutional swaps, Treasury bills, or others, is left to the best judgment of TLO staff in consultation with CFO to determine. This motion was requested by TLO staff as follow up from previous request by Finance Committee Chair.

REQUESTED MOTION 2:

The Finance Committee authorizes and directs the Trust Land Office (TLO) to distribute excess operating cash above trailing 3 months operating expenses held at the CRE bank accounts to the Trust, and provide a detailed analysis and reconciliation of property cash flow to this monthly CRE distribution amount to the CFO. Amounts held in property capital reserve bank accounts should not exceed budgeted capital expenditures approved by Trustees, adjusted for any actual expenditures during the fiscal year.

BACKGROUND

As property managers the TLO has a duty to both see to day to day financial needs of the CRE properties as well as return all profits to the owners, the Trust. This motion specifies the policy for when this should occur and maintains adequate reserves for expenses.

REQUESTED MOTION: 3

The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees direct the Trust Land Office (TLO) to list all properties not already listed in the Commercial Real Estate portfolio for sale with a minimum price at or above fair market value as determined via appraisal. This motion removes any possible ambiguity from Motions passed during the Resource Management Committee meeting of April 25, 2024 and approved by Trustees during the May 22, 2024 full Board meeting.

BACKGROUND

After introduction at the 16 February 2024 and 25 April 2024 RMC meetings, and approved on the following Board of Trustees meeting of 22 May 2024, the Trustees approved “disposal of [each commercial real estate property] at terms acceptable to the Executive Director (of the TLO) with a minimum price at or above fair market value as determined via appraisal.” All properties have not yet been listed for sale. This motion directs that any remaining properties be listed for sale, with final approval of same retained by the Trustees. This motion removes any perceived ambiguity from prior motion.

REQUESTED MOTION 4:

The Finance Committee authorizes and directs the Trust Land Office (TLO) to appeal the property tax assessment for Promontory Point as outlined in both the May 2023 and June 2024 appraisals as well as no later than November 15, 2024.

BACKGROUND

In both 2023 and 2024 appraisals, the property tax assessment was determined to be significantly higher than warranted. Moreover, appeal of property tax assessments was listed as a condition of appraisal valuations. As of last meeting this assessment appeal has not been conducted. This motion directs the TLO to execute this appeal process, which is anticipated to save the Trust approximately \$300,000 per year.

REQUESTED MOTION 5:

The Finance Committee recommends that the Alaska Mental Health Trust Board of Trustees confirm that the CFO has oversight of CRE related financial matters managed by the TLO, and instruct Trust staff to modify the CFO position description to reflect this.

BACKGROUND

This motion removes any possible ambiguity in current CFO position description and clarifies that there is Trust oversight over CRE finances. The existence of this oversight has been questioned by audit.



To: John Sturgeon, Chair
From: David MacDonald, Chief Real Estate Officer
Through: Jusdi Warner, Executive Director
Date: April 25, 2024
Re: Item A: Investment Portfolio Asset Disposition
2618 Commercial Drive, Anchorage, AK
Fiscal Year: 2025 - 2030

Consultation

Proposed RMC Motion:

“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Trust Land Office (TLO) recommendation to proceed with disposal of 2618 Commercial Drive, Anchorage, Alaska at terms acceptable to the Executive Director with a minimum price at or above fair market value as determined via appraisal.”

Background:

Introduction: In 2012, the TLO expanded the Trust’s investment portfolio with the acquisition of 2618 Commercial Drive, Anchorage, Alaska. Leased in its entirety to Cummins Inc., the asset comprises a 15,120-square foot facility on a 1.78-acre site. Having now held the asset in excess of ten years, and with all its investment objectives met, the TLO has determined that the rationale originally justifying the acquisition has been accomplished and it is therefore an appropriate time to exit the investment and sell the asset.

Property Description/Acreage/MH Parcel(s): Commercial Real Estate

Commercial Real Estate Property

MHT 9500002 - 2618 Commercial Drive, Anchorage, AK

Trust Land Office Recommendation: The TLO recommends disposal of the asset through a negotiated sale at terms acceptable to the Executive Director.

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

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction.

General Background: Assets within the portfolio were acquired for investment purposes with holding periods expected to fall within a range of seven to 20 years. The Commercial Drive property has now been held twelve years and has provided solid returns and appreciated materially.

The Board of Trustees approved the following motion on February 1st, 2024: *The Alaska Mental Health Trust Board of Trustees directs the TLO to continue to prudently manage the 7 Commercial Real Estate properties and to return to the Board and recommend disposal of any of those properties when the TLO determines pursuant to its statutory and regulatory directives that those disposals will be in the best interests of the trust and its beneficiaries.*

Therefore, this motion is being offered consistent with the Board of Trustee's February 1, 2024, decision. In general, the TLO recommends approval of this motion because it will provide TLO with the flexibility it needs to complete a sale in the commercial office building market; flexibility that TLO believes it needs to ensure it obtains a return on these properties that is in the best interest of the trust beneficiaries.

The TLO also recognizes three areas where such flexibility will allow it to adjust to market dynamics to ensure an appropriate fiscal return.

First, typical escrow periods for commercial building sales run between 30 and 60 days; this is materially shorter than the timeframe necessary for securing Board concurrence for a proposed disposition. Accordingly, negotiating terms first and subsequently requesting Board concurrence would result in a timeframe for a contemplated transaction that would run months longer, likely eliminating the possibility of disposal due to the extended administrative process.

Second, approval of this motion would allow the TLO to accept terms with a shorter, more conventional timeframe, thereby enhancing the likelihood of successfully closing the transaction.

Third, approval of this motion puts TLO in a position to proceed with disposal of the property when a purchase offer from a valid buyer is secured at acceptable terms, notably including a shorter timeline. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

The property is leased in its entirety to Cummins Inc., a Fortune 500 company (#146 in 2023). Cummins Inc. is listed on the NYSE (CMI) and a component of the S&P 500. The lease has a rent escalation set to occur July 1, 2024, providing an opportune time to dispose of the asset and lock in the gains achieved to date.

Consistency with the Resource Management Strategy: The proposal is consistent with the "Resource Management Strategy for Trust Land" (RMS), which was adopted March 2021 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.

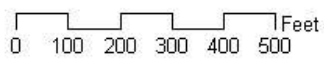
Board Took Action May 2024



Commercial Drive

Located in Anchorage, Alaska

 MHT 9500002





To: John Sturgeon, Chair
From: David MacDonald, Chief Real Estate Officer
Through: Jusdi Warner, Executive Director
Date: April 25, 2024
Re: Item A: Investment Portfolio Asset Disposition
1111 Israel Road S.E., Tumwater, WA
Fiscal Year: 2025 – 2030

Consultation

Proposed RMC Motion:

“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Trust Land Office (TLO) recommendation to proceed with disposal of 1111 Israel Road S.E., Tumwater, Washington at terms acceptable to the Executive Director with a minimum price at or above fair market value as determined via appraisal.”

Background:

Introduction: In 2014, the TLO expanded the Trust’s investment portfolio with the acquisition of 1111 Israel Road S.E., Tumwater, Washington. The asset is a three-story office building occupied by two tenants, the state of Washington Parks and Recreation Commission and the state of Washington Environmental & Land Use Hearings Office. The Parks and Recreation Commission is the primary tenant, occupying 45,700 rentable square feet out of the building’s 53,484 rentable square feet. The property has a land area totaling approximately 2.3 acres.

The TLO is in the process of negotiating a lease extension with the Parks and Recreation Commission. However, the TLO has received interest from multiple parties potentially interested in purchasing the property. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

While the purchase interest is only prospective at this time, the process involved in securing board concurrence – including RMC concurrence, Full Board concurrence, Best Interest Decision and the Public Notice period – is too lengthy to leave until after the interest is validated and mutually acceptable terms are secured. We are therefore requesting approval of this motion in order to put ourselves in a position to accept satisfactory terms, should they materialize, without the transaction closing being jeopardized by undue administrative delay or excessive timeframes.

Property Description/Acreage/MH Parcel(s): Commercial Real Estate

Commercial Real Estate Property

MHT 9500004 - 1111 Israel Road S.E., Tumwater, Washington

Trust Land Office Recommendation: The TLO recommends disposal of the asset through a negotiated sale at terms acceptable to the Executive Director.

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

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction.

General Background: Assets within the portfolio were acquired for investment purposes with holding periods expected to fall within a range of seven to 20 years. The Israel Road property has now been held ten years. As the Trust's acquisition of the asset in 2014 was financed through a 15-year, fully amortizing loan, Trust returns have predominantly been in the form of equity buildup, which has been significant in the case of this asset.

The Board of Trustees approved the following motion on February 1st, 2024: *The Alaska Mental Health Trust Board of Trustees directs the TLO to continue to prudently manage the 7 Commercial Real Estate properties and to return to the Board and recommend disposal of any of those properties when the TLO determines pursuant to its statutory and regulatory directives that those disposals will be in the best interests of the trust and its beneficiaries.*

Therefore, this motion is being offered consistent with the Board of Trustee's February 1, 2024, decision. In general, the TLO recommends approval of this motion because it will provide TLO with the flexibility it needs to complete a sale in the commercial office building market; flexibility that TLO believes it needs to ensure it obtains a return on these properties that is in the best interest of the trust beneficiaries.

The TLO also recognizes three areas where such flexibility will allow it to adjust to market dynamics to ensure an appropriate fiscal return.

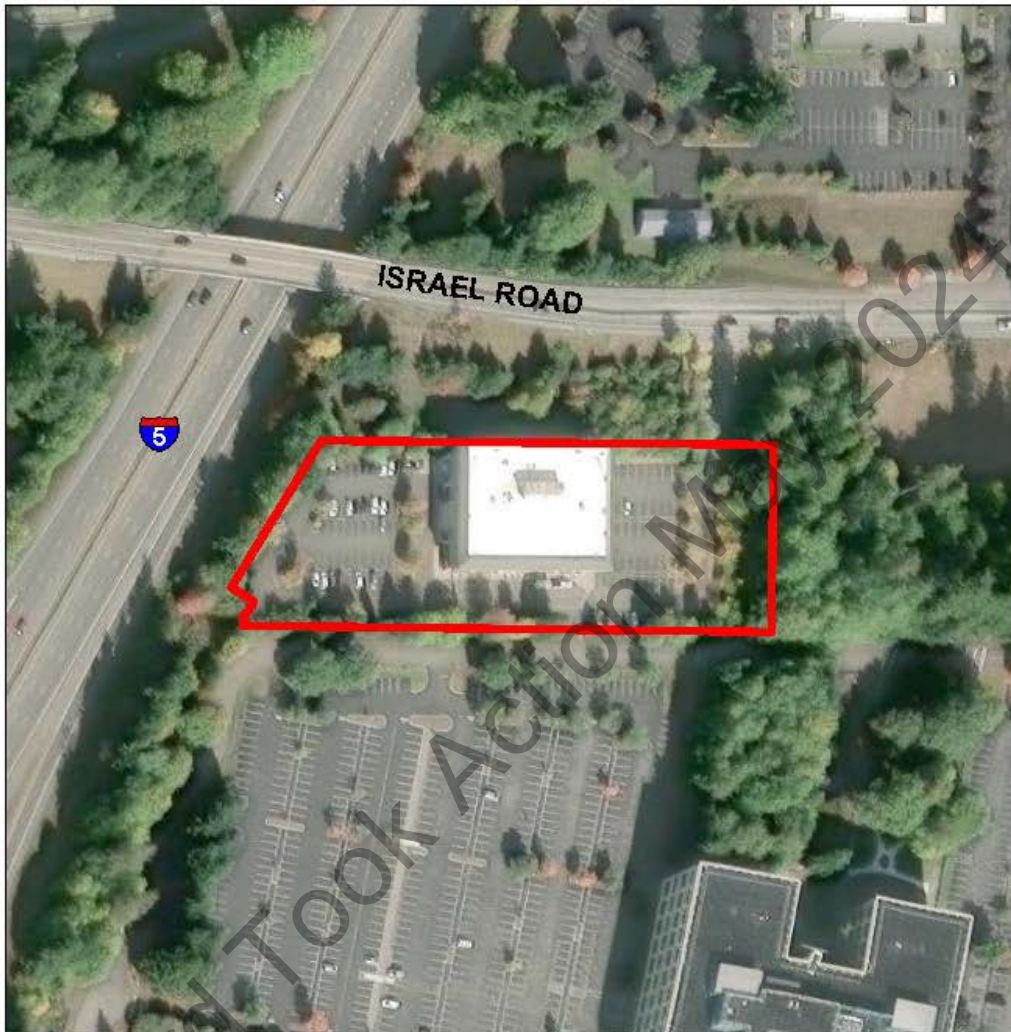
First, typical escrow periods for commercial office building sales run between 30 and 60 days; this is materially shorter than the timeframe necessary for securing Board concurrence for a proposed disposition. Accordingly, negotiating terms first and subsequently requesting Board concurrence would result in a timeframe for a contemplated transaction that would run months longer, likely eliminating the possibility of disposal due to the extended administrative process.

Second, approval of this motion would allow the TLO to accept terms with a shorter, more conventional timeframe, thereby enhancing the likelihood of successfully closing the transaction.

Third, approval of this motion puts TLO in position to proceed with disposal of the property when a purchase offer from a valid buyer is secured at acceptable terms, notably including a shorter timeline. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2021 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.

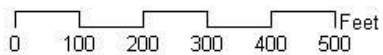
Board Took Action May 2024



Israel Road

Located in Olympia, Washington

 MHT 9500004





To: John Sturgeon, Chair
From: David MacDonald, Chief Real Estate Officer
Through: Jusdi Warner, Executive Director
Date: April 25, 2024
Re: Item A: Investment Portfolio Asset Disposition
2420 & 2500 Ridgpoint Drive, Austin, TX
Fiscal Year: 2025-2030

Consultation

Proposed RMC Motion:

“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Trust Land Office (TLO) recommendation to proceed with disposal of 2420 & 2500 Ridgpoint Drive, Austin, Texas at terms acceptable to the Executive Director with a minimum price at or above fair market value as determined via appraisal.”

Background:

Introduction: In 2014, the TLO expanded the Trust’s investment portfolio with the acquisition of 2420 & 2500 Ridgpoint Drive, Austin, Texas. The asset comprises two single-story office buildings containing a combined total of 97,102 rentable square feet. The property has a land area totaling approximately 11.36 acres.

The property in its entirety is leased to the Texas Department of Transportation. Expiring June 30, 2025, the lease has two renewal and three purchase options (corresponding with the end of the initial lease term and the two renewal options). Up to this point, the uncertainty surrounding whether the renewals or purchase options would be exercised has detrimentally affected the marketability of the property. However, we have recently been told that the Texas Department of Transportation will not be exercising the renewal option, nor the purchase option (they will instead relocate to a larger campus owned by the Texas Department of Transportation). Although we are losing a strong tenant, the impediment precluding disposition of the asset is going away.

As the Texas Department of Transportation will be vacating the property in mid-2025, it is imperative that we start marketing the property proactively to minimize the consequences and use to our benefit the remaining time we will be receiving rent and expense reimbursements. It is our intention at this point to market the property for lease with the goal of securing a replacement tenant (or tenants). At the same time, it is also our intention to market the property for sale with the goal of finding either an

owner-user or investor who finds the property attractive. It should be noted that, should we end up leasing the property, our objective would be to position the asset for sale once stabilized occupancy is achieved.

In regard to the asset sale scenario, should we find a prospective buyer with serious interest, the process involved in securing board concurrence – including RMC concurrence, Full Board concurrence, Best Interest Decision and the Public Notice period – is too lengthy to leave until after the interest is validated and mutually acceptable terms are secured. We are therefore requesting approval of this motion in order to put ourselves in a position to accept a purchase offer with satisfactory terms, should one materialize, without the transaction closing being jeopardized by undue administrative delay or excessive timeframes.

Property Description/Acreage/MH Parcel(s): Commercial Real Estate

Commercial Real Estate Property

MHT 9500005 - 2420 & 2500 Ridgpoint Drive, Austin, Texas

Trust Land Office Recommendation: The TLO recommends disposal of the asset through a negotiated sale at terms acceptable to the Executive Director.

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

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction.

General Background: Assets within the portfolio were acquired for investment purposes with holding periods expected to fall within a range of seven to 20 years. The Ridgpoint Drive property has now been held ten years and has provided solid returns and significant equity buildup.

The Board of Trustees approved the following motion on February 1st, 2024: *The Alaska Mental Health Trust Board of Trustees directs the TLO to continue to prudently manage the 7 Commercial Real Estate properties and to return to the Board and recommend disposal of any of those properties when the TLO determines pursuant to its statutory and regulatory directives that those disposals will be in the best interests of the trust and its beneficiaries.*

Therefore, this motion is being offered consistent with the Board of Trustee’s February 1, 2024, decision. In general, the TLO recommends approval of this motion because it will provide TLO with the flexibility it needs to complete a sale in the commercial office building market; flexibility that TLO believes it needs to ensure it obtains a return on these properties that is in the best interest of the trust beneficiaries.

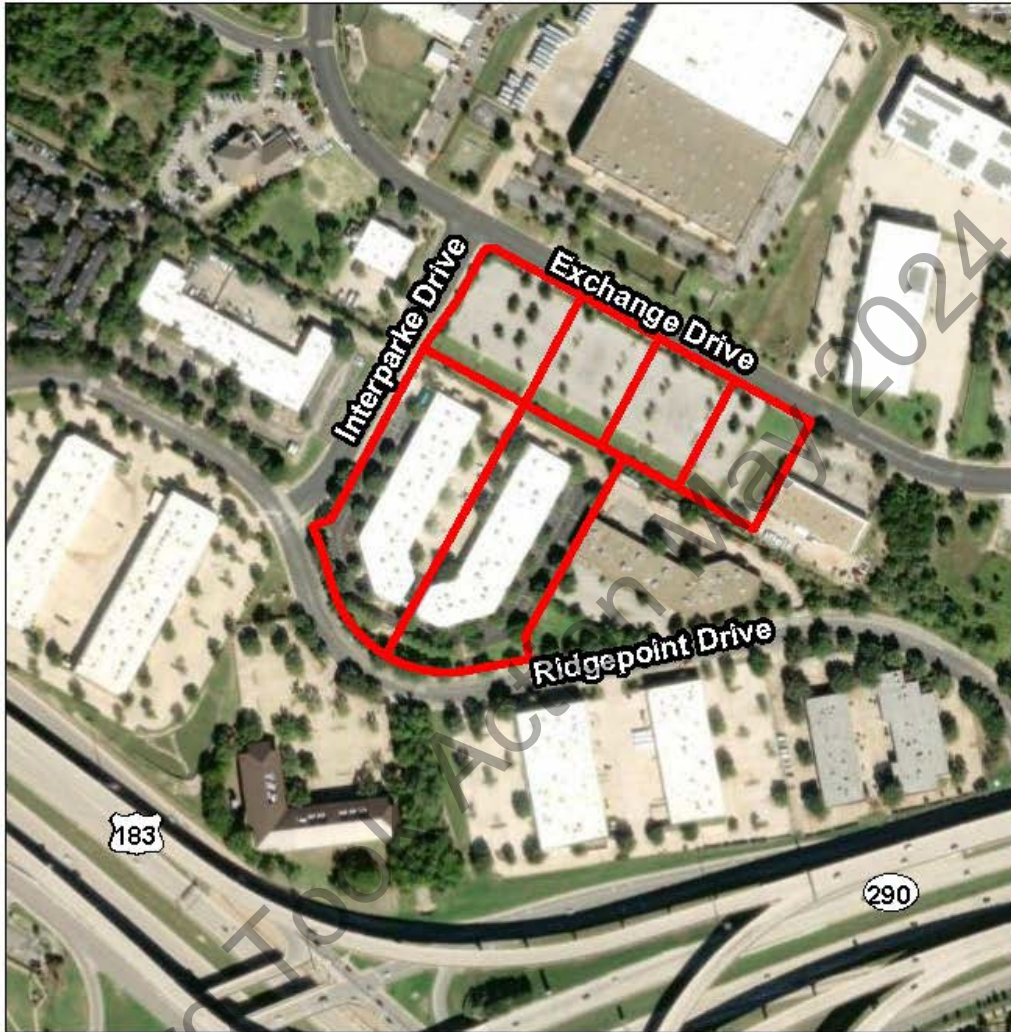
The TLO also recognizes three areas where such flexibility will allow it to adjust to market dynamics to ensure an appropriate fiscal return.

First, typical escrow periods for commercial office building sales run between 30 and 60 days; this is materially shorter than the timeframe necessary for securing Board concurrence for a proposed disposition. Accordingly, negotiating terms first and subsequently requesting Board concurrence would result in a timeframe for a contemplated transaction that would run months longer, likely eliminating the possibility of disposal due to the extended administrative process.

Second, approval of this motion would allow the TLO to accept terms with a shorter, more conventional timeframe, thereby enhancing the likelihood of successfully closing the transaction.

Third, approval of this motion puts TLO in position to proceed with disposal of the property when a purchase offer from a valid buyer is secured at acceptable terms, notably including a shorter timeline. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

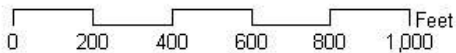
Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2021 in consultation with the Trust and provides for assuring that the real estate needs of mental health programs sponsored by the Alaska 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.



Promontory Point

Located in Austin, Texas

 MHT 9500005





To: John Sturgeon, Chair
From: David MacDonald, Chief Real Estate Officer
Through: Jusdi Warner, Executive Director
Date: April 25, 2024
Re: Item A: Investment Portfolio Asset Disposition
17319 San Pedro Avenue, San Antonio, TX
Fiscal Year: 2025-2030

Consultation

Proposed RMC Motion:

“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Trust Land Office (TLO) recommendation to proceed with disposal of 17319 San Pedro Avenue, San Antonio, Texas at terms acceptable to the Executive Director with a minimum price at or above fair market value as determined via appraisal.”

Background:

Introduction: In 2015, the TLO expanded the Trust’s investment portfolio with the acquisition of 17319 San Pedro Avenue, San Antonio, Texas. The asset comprises three single-story office buildings containing a combined total of 86,402 rentable square feet. The property has a land area totaling approximately 7.39 acres.

Eighty-three percent of the property is leased to five tenants, leaving seventeen percent of the property unleased. The two smaller tenants have lease expirations four-plus years out while two of the primary tenants have lease expirations six-plus years out; these tenancies provide the project strong cash flow stability, a key attribute factor in a property’s marketability in today’s financial marketplace climate. However, in order to be perceived as an attractive investment worthy of premium pricing, at least one of the two vacancies (7,742 and 7,262 rentable square feet), would need to be leased. Even more so, the 18,147 rentable square feet occupied by the third primary tenant must be re-leased; with a current expiration of July 31, 2025, the space is presently available for sublease. We are presently working with the tenant and its broker to find a replacement tenant that would sign a new, long-term deal directly (rather than a sublease). Once we have successfully accomplished these leasing requirements and stabilized occupancy has been achieved, the asset will be positioned for disposition.

While the leasing efforts described above may take time to accomplish, it is not out of the question that tenants may be secured sooner. Should this happen, or should an aggressive buyer materialize prior to

reaching stabilized occupancy, our concern would be shifted to the ability to close on a sale within a normal transaction timeline. The process involves securing board concurrence – including RMC concurrence -- Full Board concurrence, a Best Interest Decision, and the Public Notice period for the Best Interest Decision. That process is too long and lacks the flexibility necessary for the TLO to negotiate the various market dynamics at issue here; dynamics where a longer process could significantly affect the fiscal return. We are requesting approval of this motion in order to put ourselves in a position to accept a purchase offer with satisfactory terms that does not jeopardize the transaction closing due to undue administrative delay or excessive timeframes.

Property Description/Acreage/MH Parcel(s): Commercial Real Estate

Commercial Real Estate Property

MHT 9500006 - 17319 San Pedro Avenue, San Antonio, Texas

Trust Land Office Recommendation: The TLO recommends disposal of the asset through a negotiated sale at terms acceptable to the Executive Director.

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

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction.

General Background: Assets within the portfolio were acquired for investment purposes with holding periods expected to fall within a range of seven to 20 years. The San Pedro Avenue property has now been held nine years and has provided solid returns, appreciation, and equity buildup.

The Board of Trustees approved the following motion on February 1, 2024: *The Alaska Mental Health Trust Board of Trustees directs the TLO to continue to prudently manage the 7 Commercial Real Estate properties and to return to the Board and recommend disposal of any of those properties when the TLO determines pursuant to its statutory and regulatory directives that those disposals will be in the best interests of the trust and its beneficiaries.*

Therefore, this motion is being offered consistent with the Board of Trustee’s February 1, 2024, decision. In general, the TLO recommends approval of this motion because it will provide TLO with the flexibility it needs to complete a sale in the commercial office building market; flexibility that TLO believes it needs to ensure it obtains a return on these properties that is in the best interest of the trust beneficiaries.

The TLO also recognizes three areas where such flexibility will allow it to adjust to market dynamics to ensure an appropriate fiscal return.

First, typical escrow periods for commercial office building sales run between 30 and 60 days; this is materially shorter than the timeframe necessary for securing Board concurrence for a proposed disposition. Accordingly, negotiating terms first and subsequently requesting Board concurrence

would result in a timeframe for a contemplated transaction that would run months longer, likely eliminating the possibility of disposal due to the extended administrative process.

Second, approval of this motion would allow the TLO to accept terms with a shorter, more conventional timeframe, thereby enhancing the likelihood of successfully closing the transaction.

Third, approval of this motion puts TLO in position to proceed with disposal of the property when a purchase offer from a valid buyer is secured at acceptable terms, notably including a shorter timeline. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2021 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.

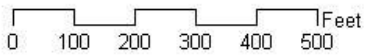
Board Took Action May 2024



North Park

Located in San Antonio, Texas

 MHT 9500006





To: John Sturgeon, Chair
From: David MacDonald, Chief Real Estate Officer
Through: Jusdi Warner, Executive Director
Date: April 25, 2024
Re: Investment Portfolio Asset Disposition
Item A: 9601 Amberglen Boulevard, Austin, TX
Fiscal Year: 2025-2030

Consultation

Proposed RMC Motion:

“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the Trust Land Office (TLO) recommendation to proceed with disposal of 9601 Amberglen Boulevard, Austin, Texas at terms acceptable to the Executive Director with a minimum price at or above fair market value as determined via appraisal.”

Background:

Introduction: In 2016, the TLO expanded the Trust’s investment portfolio with the acquisition of 9601 Amberglen Boulevard, Austin, Texas. The asset comprises a two-story office building containing a total of 102,939 rentable square feet. The property has a land area totaling approximately 8.81 acres.

The property is presently 96% leased to twelve tenants. The lease expirations are adequately spaced with only two smaller tenants expiring in 2024 and another two smaller tenants expiring in 2025; the balance of expirations run through the rest of the decade. The operations are running smoothly at present, and the asset is providing significant positive cash flows.

The asset is currently in a marketable condition with one significant exception: the existing debt includes a loan lockout wherein the debt cannot be prepaid until September 2026. Our objective is thus to maintain the operations and cash flows at a high level until the lockout expires after which we will look toward asset disposition.

Further, considering the lengthy timeframes involved in the process of securing board concurrence – including RMC concurrence, Full Board concurrence, Best Interest Decision and the Public Notice period – we feel it is highly appropriate to complete the administrative process allowing for uninhibited negotiations when appropriate and in the Trust’s best interest.

Property Description/Acreage/MH Parcel(s): Commercial Real Estate

Commercial Real Estate Property

MHT 9500007 - 9601 Amberglen Boulevard, Austin, Texas

Trust Land Office Recommendation: The TLO recommends disposal of the asset through a negotiated sale at terms acceptable to the Executive Director.

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

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction.

General Background: Assets within the portfolio were acquired for investment purposes with holding periods expected to fall within a range of seven to 20 years. At the point where the loan lockout expires, the Amberglen Boulevard property will have been held ten years; it has provided solid returns, appreciation and equity buildup.

The Board of Trustees approved the following motion on February 1, 2024: *The Alaska Mental Health Trust Board of Trustees directs the TLO to continue to prudently manage the 7 Commercial Real Estate properties and to return to the Board and recommend disposal of any of those properties when the TLO determines pursuant to its statutory and regulatory directives that those disposals will be in the best interests of the trust and its beneficiaries.*

Therefore, this motion is being offered consistent with the Board of Trustee’s February 1, 2024, decision. In general, the TLO recommends approval of this motion because it will provide TLO with the flexibility it needs to complete a sale in the commercial office building market; flexibility that TLO believes it needs to ensure it obtains a return on these properties that is in the best interest of the trust beneficiaries.

The TLO also recognizes three areas where such flexibility will allow it to adjust to market dynamics to ensure an appropriate fiscal return.

First, typical escrow periods for commercial office building sales run between 30 and 60 days; this is materially shorter than the timeframe necessary for securing Board concurrence for a proposed disposition. Accordingly, negotiating terms first and subsequently requesting Board concurrence would result in a timeframe for a contemplated transaction that would run months longer, likely eliminating the possibility of disposal due to the extended administrative process.

Second, approval of this motion would allow the TLO to accept terms with a shorter, more conventional timeframe, thereby enhancing the likelihood of successfully closing the transaction.

Third, approval of this motion puts TLO in a position to proceed with disposal of the property when a purchase offer from a valid buyer is secured at acceptable terms, notably including a shorter timeline. Should such interest prove serious and legitimate, the TLO believes that disposal may prove the scenario most advantageous to the Trust and its Trust beneficiaries.

Consistency with the Resource Management Strategy: The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2021 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.


Board Took Action May 2024



Amber Oaks

Located in Austin, Texas

 MHT 9500007

 Feet



Alaska Mental Health Trust Authority

Chief Finance Officer

Reports to: Chief Executive Officer

Class Range: 24

Last Updated: May 31, 2023

The Chief Finance Officer (CFO), under general direction of the Chief Executive Officer (CEO), ensures the financial functions of the Alaska Mental Health Trust Authority are performed in a timely, cost-effective manner consistent with the Trust's applicable laws, regulations, policies, procedures, and authorizations. The CFO has principal responsibility for the initiation and execution of policies and procedures relating to the Trust's asset accounting and management. The CFO supervises the Budget Controller.

Responsibilities

- Provide recommendations to the CEO to ensure the Trust's long-term financial sustainability in the development of the Trust's strategic plan and its implementation.
- Provide recommendations to the board of trustees on investments, financial reporting, internal controls, and their respective related policies.
- Safeguard, monitor and report on the Trust's investments and assets.
- Work as a member of the executive team to set and accomplish goals for the Trust.
- Provide guidance, supervision, and support to the Budget Controller in fulfilling the role's responsibilities.
- Work with the Chief Operating Officer to plan the Trust's agency budget.
- Report on agency budget and grant expenditures for the Trust, Trust Land Office revenues, Trust fund management, reserves and obligations, actual to plan.
- Function as a liaison with the Trust Land Office, the Alaska Permanent Fund Corporation, and the Department of Revenue Division of Treasury.
- Coordinate and oversee completion of annual independent financial audit.
- Ensure compliance with Trust Asset Management Policy Statement and make policy recommendations to trustees.

Knowledge, Skills and Abilities

- Thorough knowledge of generally accepted accounting principles.
- Experience with State of Alaska budgeting systems and processes or demonstrated ability to quickly learn enterprise reporting systems.
- Advanced skills with Microsoft Excel.

- Strong analytical, leadership, writing and interpersonal skills.
- Strong ability to work effectively with diverse stakeholders.
- Strong communication skills, both oral and written, with an emphasis on the presentation of financial material.
- Ability to review and interpret investment results.
- Ability to coordinate multiple priorities and ensure deadlines are met.

Qualifications

Bachelor's degree in accounting from an accredited university, and ten (10) years' progressive professional experience in operational financial management and reporting, or the professional equivalent.

OR

Master of Business Administration from an accredited university with a concentration or specialization in finance or accounting, and five (5) years' progressive professional experience in operational financial management and reporting, or the professional equivalent.

Certified Public Finance Officers certification or advanced studies in finance and/or accounting preferred. Three (3) years' experience at a senior management level preferred.