



Alaska Mental Health Trust Authority Governance Work Session

September 21, 2022

Work Session Purpose:

- Ensure all trustees have a firm understanding of AMHTA governance structure and background

Intended Results:

- Review governance background
- Review board role and governance best practices
- Plan for next steps in governance review



September 21, 2022
Agenda

- 1. Welcome, Opening Comments**
- 2. Agenda Review & Goals**
- 3. Historical Background**
- 4. Grounding Framework: Governance Best Practices**
- 5. Next Steps Planning**
- 6. Closing Comments**

Name?

What makes you passionate about the Trust?

Hopes for today?



INTRODUCTIONS

Governance discussions are an exorcism...

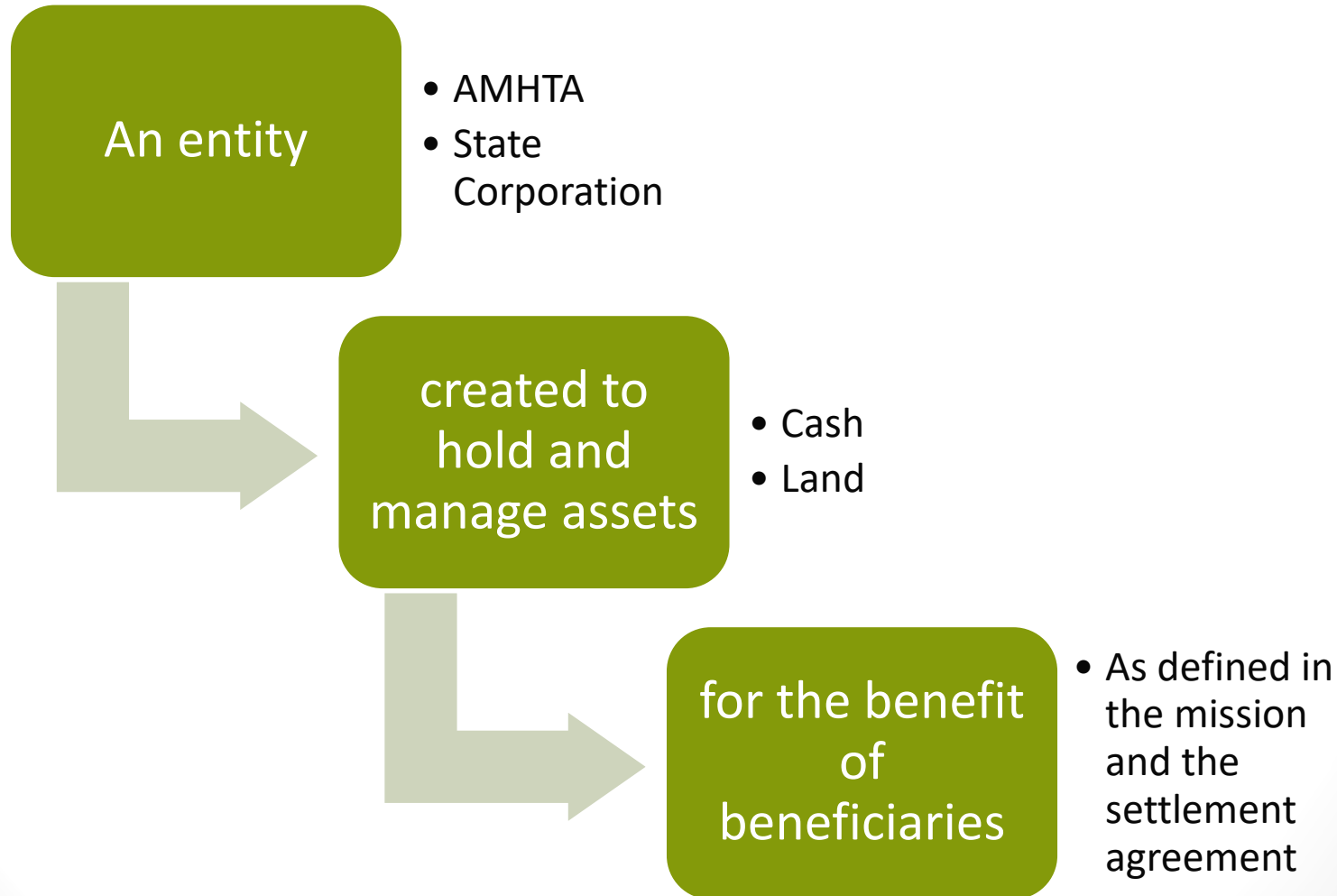


HISTORICAL BACKGROUND

What is the Trust?

- Alaska Mental Health Trust Authority is a state corporation that administers the Alaska Mental Health Trust, a perpetual trust, to improve the lives of beneficiaries. The Trust operates much like a private foundation, using its resources to ensure that Alaska has a comprehensive integrated mental health program.
- The Trust Land office protects and enhances the values of the Alaska Mental Health Trust Authority lands while maximizing revenues from those lands over time.
- It is the duty of the Alaska Mental Health Trust Authority to provide leadership in the advocacy, planning, implementing and funding of services and programs for Trust beneficiaries.

What is the Trust?



Trust Overview

Asset	Action Required	Vehicle	Via	Desired Outcome
Public Trust	Govern	Trust	Board of Trustees Bylaws Charters	Effective service to Trust beneficiaries Fiduciary stewardship of Trust Assets Positive Brand and Public Image Maintenance of Public Trust
Cash	Invest	APFC DOR	MOU Alaska Administrative Statutes	Protect and Grow Value of Cash Corpus Provide Income for present & future beneficiaries
Land	Manage	DNR	MOU/TLO	Protect and Grow Value of Land Corpus Provide Income
Beneficiaries	Serve	TAO	Comp Plan Alignment with SoA MOU /Advisory Boards Partners Advocacy Public Education / De- stigmatization Solicitation of Funds	Improve Lives of Trust beneficiaries

Critical Strategic Issues 2017

Facing the Trust

- TLO Legislative Audit
- Internal board conflicts that spilled into TAO and TLO executive leadership
- Blurred lines of authority and accountability
- Trust CEO and CFO search
- TAO Program staff vacancies
- Strained relationships with Trust advisory boards and stakeholders
- Public image challenges
- Antiquated and vague By-laws
- Measurement of program efficacy
- How to prioritize funding and meet responsibilities to beneficiaries
- Diversity

Facing Trust Beneficiaries

- Cuts to Medicaid
- Cuts to State Budget
- De-stabilization and erosion of community services

Key Strategic Questions in 2017

Asset	Desired Outcome	Governance Issue	Key Questions to Be Addressed
Public Trust	<ul style="list-style-type: none"> Effective service to Trust beneficiaries Fiduciary stewardship of Trust Assets Positive Brand and Public Image Maintenance of Public Trust 	<ul style="list-style-type: none"> Governance Program related real estate Investment in CRE Public perception management 	<ul style="list-style-type: none"> What is the appropriate governance and management structure to achieve the desired outcomes? How will the Trust manage public perception issues related to land use? What is the appropriate vehicle for managing investments in real assets?
Cash	<ul style="list-style-type: none"> Protect and Grow Value of Cash Corpus Provide Income 	<ul style="list-style-type: none"> Commingled investment 	<ul style="list-style-type: none"> Does the Board of Trustees wish to have more control of investment in financial and real assets?
Land	<ul style="list-style-type: none"> Protect and Grow Value of Land Corpus Provide Income 	<ul style="list-style-type: none"> Efficacy of Program (Measurement) 	<ul style="list-style-type: none"> What is the Trust's approach to serving beneficiaries? How will the Trust measure program efficacy?
Beneficiary	<ul style="list-style-type: none"> Improve Lives of Trust beneficiaries 	<ul style="list-style-type: none"> Role confusion Incomplete governance documents Transparency and Trust Trust 	<ul style="list-style-type: none"> What is the appropriate role of the Board? Strategy policy or operating? What changes in governance documents are needed? How will the Board restore Trust with key stakeholders?

Governance Decisions made by Trustees in 2017

Model governance using a traditional governance model / based on APFC

Board focus to remain on strategic direction and oversight of outcomes vs. on operations control


Make policy for the general, manage the exception

Ensure that the Bylaws are an evergreen document

Develop clear role and responsibility descriptions through the Charters

Regular document review to ensure governance remains fit-for-purpose

Corporate Governance Models

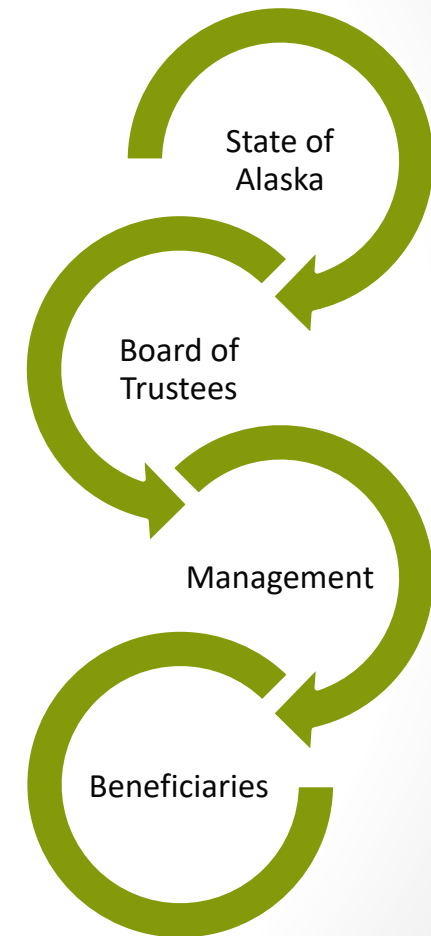


Model	Used In	Focus Areas / Upsides	Downsides
Traditional	For-Profit Non-Profit	Board engages in business strategy, approves budgets and action plans, and monitors operational performance. Board focuses on achievement of results. Most widely used corporate model.	Board must understand the business well enough to make good decisions.
Carver	Non-Profit Public Agency For-Profit (ltd)	Board creates policy to guide management in operational work and guide the Board in governance work. Board focuses on policy development and managing relationship with shareholders. Gives latitude to CEO to make decisions.	Less effective in complex organizations Ends define direction not strategy Does not establish clear, strategic annual expectations or measures of success.
Cortex	For-Profit Non-Profit	Board defines outcomes and success measures based on value the Corporation seeks to bring to the community-at-large. Board focuses on clearly defining accountability of Board, Staff, and CEO for achievement of outcomes. Supports transparency and accountability.	Board must understand the business well enough to articulate measures of success. Ability to effectively measure desired outcomes.
Consensus	Non Profit Family-owned Widely held	Board focuses on process of Board interaction, knowledge sharing, and decision-making. Gives all board members an equal vote, equal responsibility, and equal liability.	Slow. Tyranny of the Minority. Not focused on policy creation, strategy, monitoring of outcomes.
Competency	For-Profit Non-Profit	Board seeks continuous improvement over time. Ensures members have knowledge, skills, and attitudes to be a good Board member. Strong model for recruiting/developing members.	Not focused on policy creation, strategy, or monitoring of outcomes.

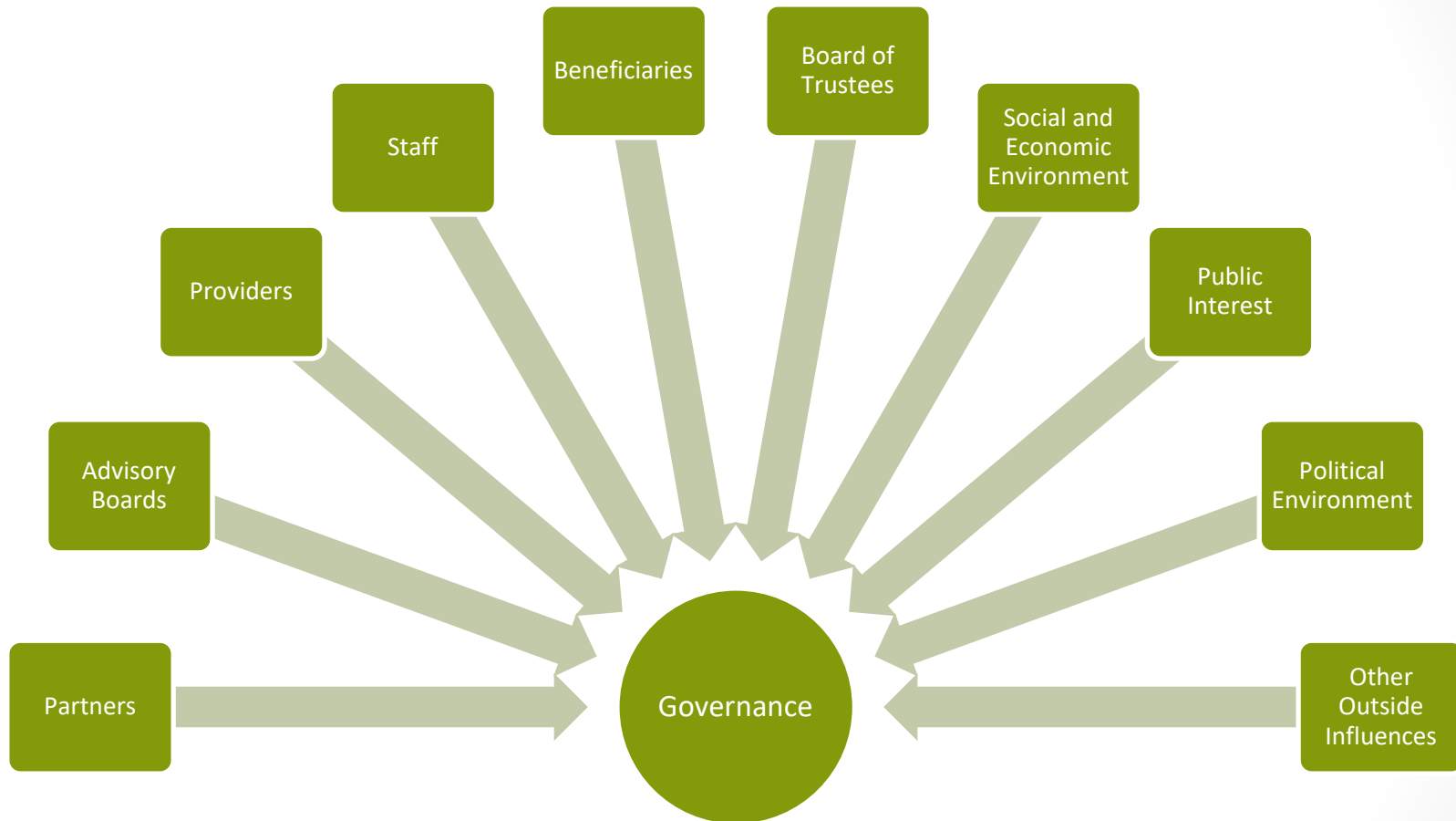
BUILDING A COMMON DEFINITION OF GOVERNANCE

Governance - Defined

- * The purpose of governance is to:
 - * facilitate effective and prudent management
 - * that can deliver the long-term success of the Trust
 - * for the benefit of the Beneficiaries
 - * in compliance with legal and self-imposed rules
- * Governance is the system by which organizations are directed and controlled.
- * Boards of Trustees are responsible for the governance of their organizations.



Governance doesn't happen in a vacuum.



It happens in the context of our environment

A Board's Governance Accountability includes both WHAT the Board does and HOW it does it

WHAT

Set Direction Allocate Resources Monitor Performance

- Vision and Mission
- Strategic Plan
- Set Goals/KPIs
- Set CEO expectations
- Budget / cash flow plan
- Monitoring / Evaluation of Performance

Manage Risk

- Policies and Procedures
- Enterprise Risk Management Program
- External Auditor
- Internal Audit
- Insurance

Ensure effective Stakeholder and Public Relations

- Stakeholder outreach and engagement
- Public image management

HOW

Clearly Define Governance Roles

- Board Structure
- Role of the Board
- Role of the Chair
- Role of Individual Trustees
- Role of Committees

Ensure Board has Required Expertise

- Inventory Skills
- Trustee Development
- Board Evaluation
- Trustee Compensation
- Outside Advisors

Continuously Improve Board Work Processes

- Board agenda, reporting, papers, and minutes
- Frequency, conduct, and outcome of meetings
- Board Performance Appraisal

Boards of Trustees govern in compliance with legal and self-imposed rules

Laws and Regulations

- Federal Statutes
- Trust Settlement Agreement
- Alaska Statutes
- Alaska Administrative Code

Existing Governing Documents

- By-laws
- Charters
- MOUs with APFC, DNR, Advisory Boards
- Policies

Trustee's Duties under Alaska Law

A Trustee has two fiduciary duties imposed by law

- Duty of Care
- Duty of Loyalty

Alaska Statute 10.06.450 says:

“A Director shall perform the duties of a Director, including duties as a member of a committee of the board on which the Director may serve,

- ***in good faith,***
- ***in a manner the Director reasonably believes to be in the best interests of the Corporation,***
- ***and with the care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances.”***

Duty of Care

Reasonable Inquiry

- Trustees must be prepared and actively participate in Board meetings.
 - Review board materials before the meeting
 - Attend & participate in board meetings

Be Present
Be Prepared
Ask Questions

Reasonable Belief

- A Trustee is not expected to have first-hand knowledge /expertise in all matters. A Trustee is entitled to rely on:
 - Staff
 - Advisors and consultants
 - Board committees

Apply
Judgment and
Experience

Best interests of the Trust

- For benefit of present and future beneficiaries

Beneficiaries
Benefit

Duty of Loyalty

Conflicts of Interest

- Disclose real or potential conflicts
- Avoid appearance of conflicts as much as possible

Corporate Opportunity

- Put Trust interests over your own
- Do not take advantage of Trust opportunity for personal gain

Confidentiality

- Comply with established Policies
- Maintain confidentiality of Executive Session discussions

Individual Trustee's Authority

- Trustees act as a group, not individuals
 - Each Trustee has one vote
 - Each Trustee exercises his/her power through group vote
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- Majority vote of the Board is required to approve a decision or action
- No authority when acting alone
 - Individual Trustees have no authority outside of the board room

Trustee's Authority: Decision-making

During Decision-making

- Express your point of view, ask questions
- Attempt to persuade other Trustees
- Vote for or against the proposed action
- Have support or disagreement recorded in the minutes

After the decision is made

- Each board member should support the decision of the Board
- Reference formal written communications to stakeholders prepared by staff

Governance Approaches Differ by Organization and Situation



How Engaged Should a Board Be?

Passive

Limits activities and participation

- Limits accountability for decision-making
- Ratifies CEO plans and preferences

Certifying

Certifies to Stakeholders that the CEO is meeting Board expectations

- Stays informed of current performance

Engaged

Oversees CEO and Company Performance

- Gives insight, support, and counsel to CEO through two-way discussions about issues facing the company
- Builds sufficient Board member knowledge of finances and industry to add value in discussion
- Clearly defines Board and CEO roles and accountabilities

Intervening

Intense involvement in decision-making around key issues

- Holds frequent meetings, often on short notice

Operating

Makes decisions for management to implement

- Fills knowledge gaps in management skill set

Least Engaged



Most Engaged

Board Committee Best Practice

What they do

Operate in small groups
Focus on specific issues
Provide recommendations
on issues that are complex
or numerous

Why they do it

- Divide and conquer
- Uses resources more effectively
- Optimize individual expertise and diversity

Currently the Trust has committees of the whole.

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Good to Great for the Social Sectors

Key governance questions:

- How well do we deliver on the mission?
- Do we make a distinct impact with our resources?
- What's the qualitative evidence that we are a success?

Source: Jim Collins, Good to Great for the Social Sectors

NEXT STEPS

Next Steps and Timeline

