

2004

ANNUAL REPORT



Leadership in Changing Times

The TRUST

The Alaska Mental Health Trust Authority

Message from the FY2004 Chair

DEMONSTRATING LEADERSHIP IN CHANGING TIMES

To Governor Murkowski, Members of the Alaska Legislature and the Alaska Public:



As Trustees, we take seriously our obligation to provide leadership and to advocate on behalf of Trust beneficiaries. Being leaders takes considerable vision and the capacity to turn that vision into reality. This can be an especially daunting task in times of change or uncertainty. In FY2004, Alaska was in a transition period during which state agencies, health-care providers, beneficiaries, their advisory boards and The Trust were adjusting to many changes. Trustees and staff rose to the occasion by proposing a dramatically new method for developing their funding recommendations for the comprehensive integrated mental health program, including expenditures of Trust income.

The new budgeting method, the Budget Recommendation Planning Process (BRPP), will guide our decision-making and funding processes for the next five to ten years. The BRPP enhances collaboration between all The Trust's stakeholders by involving them in crafting our recommendations for the state's comprehensive integrated mental health program. The plan is to allocate larger amounts of funds to four or five focus areas so they can be more effective in accomplishing results and system change, rather than spreading funding out thinly over a wide spectrum of programs. We believe this new process will be a wise use of state funds and Trust resources because it concentrates our efforts and assets, and those of our partners, where we can have the most long-term, lasting impact.

The BRPP was launched in January 2004 and in April 2004 the Trustees approved four focus areas for the FY06/07 budget cycle. The Trustees' goal and vision behind this new process is to affect significant system changes in the selected focus areas. Over the summer, Trustees and staff worked closely with our many stakeholders to develop goals, strategies, objectives and funding recommendations for the following four focus areas:

- *Affordable, Appropriate Housing for Trust Beneficiaries*, which will focus on household stability, relapse reduction, increasing self sufficiency, increasing the number of beneficiaries owning homes, and better access to supportive services.
- *Bring the Kids Home*, which will focus on reforming the children's behavioral health system in Alaska by re-focusing the state's resources from out-of-state institutional care toward home and community-based services, building in-state capacity and developing reimbursement mechanisms to support a continuum of in-state care.
- *Justice for Persons with Disabilities*, which will focus on prevention and diversion issues, adjudicatory and justice processes, treatment programs while incarcerated and during transition in or out of jail, and victims' rights.
- *Trust Beneficiary Group Initiatives*, which will focus on increasing consumer and family-run support programs, increasing peer-run housing and employment opportunities, increasing provider-managed programs that focus on consumer-provided services, sustaining existing consumer-run programs and pursuing other funding for consumer-directed services.

We appreciate all the hard work that went into the shaping of these four focus areas and applaud all our stakeholders for their collaborative efforts. We also must thank those stakeholders who worked hard this year to provide leadership in other program areas. We have chosen "Leadership in Changing Times" as the theme of this year's annual report in honor of all those who strove to make a difference in the lives of Trust beneficiaries during FY2004. Their vision and efforts to turn that vision into reality have made a tremendous difference, one which we want to recognize and celebrate publicly.

Warmest regards,

A handwritten signature in dark ink, appearing to read "Phil Younker Sr.".

Phil Younker, Sr.
FY2004 Chair

FY2004: A Year In Review

This year's annual report theme, Leadership in Changing Times, highlights the efforts by Trustees and staff of the Alaska Mental Health Trust Authority to advocate on behalf of Trust beneficiaries at all levels within the service delivery system. A key example of one program that has set a model for others to follow is The Trust's annual Rural Outreach Trip, which opened the eyes of many to the specific needs and challenges faced in rural Alaska by beneficiaries and those who care for them.

The annual trips were developed at the urging of Trustee Susan LaBelle, whose term expired in March 2004, having served on the board since 1997. It was her vision that Trustees, Trust staff, members of the four advisory boards, and state agency staff members would benefit from seeing first-hand what issues and barriers exist and what programs function well or need work in rural and remote communities.

The Trust committed to funding the annual trip over a five-year period that ended in FY2004 with a visit by 33 individuals to six communities along the Aleutian Chain. Other communities and regions visited over the past five years include the Bristol Bay and Bethel regions, Yukon Flats region, Nome area and Copper River Delta.

The Trust also provided support each year by funding a rural technical assistance contractor to work with rural communities and service providers in seeking funding and other support. According to The Trust rural technical assistance contractor and agency contacts in the regions visited, funding several times the targeted amount of \$200,000 annually has been generated or leveraged, either directly or indirectly, as a result of the visits.



Health

MORNING STAR RANCH

Each year The Trust budgets \$250,000 in grant award for new and innovative small projects

directly benefiting Trust beneficiaries. One such grant awarded in FY2004 went to Morning Star Ranch of Fairbanks, which received \$8,813 to purchase equipment for a weekly equestrian program for developmentally delayed individuals.

The mission of Morning Star Ranch is simple: to use its farm/ranch setting to enhance the quality of life for all abilities through education, activity programs and work experience. The ranch operates year-round, working with volunteers, parents, athletes and board members from the local 4-H and Tanana Valley Special Olympics. Morning Star used its Trust small projects grant to purchase equipment for the weekly therapeutic riding sessions given to children and adults with disabilities who qualify for Special Olympics. The training sessions benefited 30 riders throughout the year. Many participants went on to compete in regional and state Special Olympics competitions.

SUNSHINE CLINIC

The \$5 million Sunshine Clinic was dedicated in February 2004, becoming the first of what those in the behavioral health field hope is a model for service delivery for other communities around the state. Behavioral health care and primary care are merged at the Sunshine Clinic, with physician's assistants and other medical staff trained to recognize and, in some cases, treat behavioral health issues. The 12,000-square-foot facility was funded with financial assistance from a host of state and federal agencies and non-profit organizations, including \$20,000 from The Trust.

The new clinic replaces an older, smaller facility that had been straining to meet the needs of residents in Talkeetna, Sunshine and surrounding areas who sometimes had to travel to Palmer or Wasilla for care. Health care providers are hoping that by co-locating primary care and behavioral health treatment, patients' behavioral health problems will be diagnosed and treated sooner and that some of the stigma associated with such issues and treatment will be reduced or eliminated.

DONATED DENTAL SERVICES

Many disabled and elderly Alaskans suffer from neglected dental problems because they cannot afford treatment. Furthermore, government programs, such as Medicare and Medicaid, have little or no dental coverage. The Alaska Dental Society and the national Foundation of Dentistry for the Handicapped developed a statewide Donated Dental Services project in 1994 to help these people. The Trust first began funding the program in 1998 and contributed \$25,000 in FY2004.

There were 76 dentists participating in FY2004 and 18 dental laboratories. During the year, volunteer dentists donated \$123,069 worth of treatment for 34 people and local dental labs contributed \$8,986 worth of fabrications. In addition, 36 other patients were referred to dentists and had begun receiving treatment at the close of the fiscal year.

Since the inception of the program, 224 Alaskans with disabilities have received \$574,787 worth of treatment from 74 volunteer dentists and 19 donating laboratories.



Safety

THERAPEUTIC COURTS

Alaska's courts, like those of other states, deal each day with a disproportionate number of cases involving persons with mental disabilities. This is reflected in Alaska's jails and prisons, which also hold a disproportionate number of persons with mental disorders — 37 percent on a snapshot day in 1997 studied by Alaska's Department of Corrections, compared to 16 percent nationally.

Most of those with mental disorders who become involved with the criminal justice system, both nationally and in Alaska, have not committed a serious crime. Most are arrested for a minor offense like trespass or disorderly conduct that is a direct behavioral result of their untreated or under-treated mental disorder. Sometimes they have committed no crime at all and are jailed because there is no alternative

mechanism in the community to respond to an emergency situation.

Cases in Alaska involving individuals with mental disorders, beneficiaries of the Trust, can present some of the most complex and troubling issues faced by the justice system and by individual judges. Because of their disorders, individuals with mental disabilities are at greater likelihood of becoming involved in the criminal justice system. Once involved, they are at greater risk of repeated cycling through a system that is not structured to be either accessible to them or well equipped to deal effectively with the disorders that prevent them from fully understanding the processes and complying with orders and requirements of the justice system.

The Trust and Alaska Court System began a significant partnership in FY2004 to help make Alaska's Courts more capable of providing an accessible forum for justly resolving cases involving Trust beneficiaries and better equipped to achieve the positive outcomes for the beneficiaries and the communities.

Building on the Trust's long-standing support for Anchorage's innovative Mental Health Court, The Trust and Alaska Court System developed a partnership to sustain and expand Alaska's therapeutic courts and to provide all of Alaska's judges with information and tools that will help them incorporate therapeutic principles and practices into their court proceedings.

At the request of the Court System, the Trust began providing financial support in FY2004 for several elements of a long-term Court System strategy. These elements included:

- Training focused on providing judges with information about substance abuse, addiction, assessment, treatment and recovery and practical ways of using that information in their daily work.
- A Therapeutic Courts Coordinator position to coordinate policy, planning, implementation and evaluation of therapeutic courts and therapeutic justice practices; provide technical

assistance to judges and communities in developing and sustaining therapeutic court efforts, and develop funding sources to permanently sustain therapeutic court efforts.

- Development of a planning guide to assist judges and communities in planning and implementing therapeutic courts and incorporating therapeutic practices into regular court processes.

As a further step in the partnership, Alaska's Chief Justice appointed an Advisory Committee on Therapeutic Courts to help in assessing existing therapeutic court programs, coordinating therapeutic programs with the court system's more traditional functions, and evaluating proposals to implement new therapeutic courts.

A key success of The Trust and Court System partnership was its ability to work with Sen. Lyda Green who, spurred by interests of her constituents and her visit to the Anchorage Mental Health Court, championed an effort to permanently fund the Anchorage Mental Health Court - Alaska's landmark therapeutic court - during the 2004 legislative session. By permanently assuring support for the Mental Health Court in Anchorage, Sen. Green made it possible for The Trust to fund a new mental health court project in Palmer, in partnership with the Court System and the community, in FY2005.

SAFE HARBOR INN

Alaska's only nonprofit motel, Safe Harbor Inn, celebrated the opening of a new 26-unit addition in March 2004, nearly doubling the motel's capacity. The motel offers safe, comfortable and affordable transitional housing for homeless families and people with disabilities who are referred to the motel by 46 partner agencies.

The expansion project was ahead of schedule and under budget, requiring only six months to complete from groundbreaking to move-in. The new 3-story addition increased the number of units to 55. It included a large common area, a playroom for children, a meeting room and a kitchen. With

the expansion, 10 more units were reserved for Trust beneficiaries for a total of 20; plus five more handicapped accessible units were added for a total of 10.

In November 2004, Safe Harbor Inn celebrated its third anniversary, having provided 65,000 safe and secure bed nights during that period with 37 percent to individuals who have mental disabilities. More than 130 people are on the motel's waiting list on any given day, with an average wait of four to five months. Of the 928 guests who stayed at the facility during its first three years, 70 percent have moved to permanent housing.



**Economic
Security**

INDIVIDUAL DEVELOPMENT ACCOUNTS

Two programs were launched in FY2004 to improve savings behavior, increase financial literacy and increase asset ownership among low-income Alaskans as a means of expanding access to economic independence and self-sufficiency. Each program encourages participants to save money in individual development accounts or IDAs to obtain an asset like a house, business or education, or as part of an asset-building strategy like a computer or car. Deposits by participants are matched with funds from public or private sources.

Armed with more than \$1.2 million in grant money, Cook Inlet Tribal Council, Inc. launched a pilot IDA project in 2004 targeting Alaska Natives and American Indians in Anchorage. Funding for the program consists of a five-year, \$625,000 grant from the federal Administration for Children and Families with a matching grant from The Trust. At the close of FY2004, CITC had enrolled 16 participants who were required as part of the program to attend a 6-part financial literacy training course covering topics that range from budgeting to building and repairing credit. Individual participants are allowed to contribute up to \$800 to an IDA and households may contribute up to \$1,600 each. Account holders receive a 5:1 match for their deposits.

The Trust and the Rasmuson Foundation collaborated on funding for an initiative by United Way of Anchorage that serves as an IDA program incubator, encouraging development of programs through start-up grants. At the close of FY2004, the Asset Building Initiative of Alaska awarded four grants of \$13,000 each to pilot projects developed by Bristol Bay Economic Development Corporation in Dillingham and 17 rural villages; Child Care Connection in Anchorage and the Mat-Su Valley; Lutheran Social Services in Anchorage, and Tlingit-Haida Regional Housing Authority in Juneau. Each pilot project has five enrollees. All four programs provide 1:1:1 match with each dollar saved by the account holder matched by ABIA and the grantee. The maximum match is \$2,000.

MICRO ENTERPRISE DEVELOPMENT PROJECT

Many people with disabilities find the options for employment and opportunities for professional growth and development are limited. The choices are fewer for individuals with disabilities who are interested in working for themselves because they often lack the capital resources needed to get a small business established and operational. When given economic support, people with disabilities that start their own businesses not only reap the financial rewards of business ownership, but also enjoy the sense of worth and value that comes from being self-reliant.

Several projects and programs throughout Alaska are now offering assistance to people with disabilities backed by financial support from The Trust totaling \$157,500 over two years and an \$82,500 match from the state Division of Vocational Rehabilitation. In late FY2003, \$154,500 of available grant funds were awarded through the Department of Health and Social Services to six agencies for developing micro enterprise businesses.

The single largest grant went to the YWCA-Anchorage, which received \$102,500 to fund a Micro Enterprise Program. With matching

federal funds and other donations, the program is expected to assist, over a three-year period, 35 individuals in developing a talent, service, product or other creative expression into a viable financial venture that will provide them with income. Participants will receive grants for equipment, working capital, furnishings or other assets to start a business.

The Micro Enterprise Development Project at the University of Alaska Anchorage Center for Human Development received a \$20,000 grant to provide technical and financial assistance to budding entrepreneurs who have disabilities. Applicants receive technical assistance and advice on developing and starting a micro business, plus benefit analysis and planning assistance. Applicants are required to develop a business plan and must be able to match dollar-for-dollar any funds received through the project. Joe Spillane was the first applicant to receive funding through the CHD for his business, Northern Lights Seasonal Services. Joe does lawn maintenance, hauling, and miscellaneous chores in the summer, and snow removal and maintenance during the winter.

The Anchorage School District received a \$10,000 grant that was used to assist Mariah Godes in establishing an eBay business in which she sells used wedding dresses, formal gowns and accessories. Her short-term goal is to establish the business in her home, then move to her own shop and eventually to offer wedding planning services.

Bethel Community Services received \$4,000 that was used to assist five beneficiary clients develop businesses that include a private mail delivery service, a small custodial business and a custom sewing and quilting business.

Another five beneficiaries received funds through Ionia, Inc. to purchase equipment to start a farm. A beneficiary who received \$10,000 through Peters Creek Christian Center started a construction business that is expected to employ from 10 to 20 beneficiaries.



OXFORD HOUSE

Recovery from alcoholism and drug addiction frequently requires a lifestyle change for those involved. Many times they are homeless or have recently been released from jail. All too often, their previous behavior has caused family or friends to sever ties with them and they are not welcome at home or they know that if they return home they will be unable to resist sliding back into their old habits. That is why it is especially important for them to have a place to live that is supportive, safe, and affordable where they can focus on their recovery.

One such program is Oxford House Inc., a self-run, self-supported housing program that offers participants an alcohol and drug-free living environment. Individual houses are democratically run, with participants electing officers and voting on who to accept into the group or whether to expel someone who has relapsed. There are more than 1,000 Oxford Houses in cities across the country. The program does not rely on government subsidy, but instead requires residents to share equally in the rent and cost of living in the home as a means of teaching them responsibility and self-reliance.

In Alaska there were seven Oxford Houses operating in FY2004, providing accommodations for about 70 people in Anchorage and Fairbanks. Nearly 70 percent of the residents previously had been homeless and 98 percent had served jail time. Now they are sharing living expenses and rent with up to eight individuals per house who have similar experiences and goals. Because many of the residents came to the program with very few personal possessions or furnishings, The Trust contributed \$10,000 to furnish the houses and to provide an outreach worker who visited the various homes to assist residents with any issues or problems. The Trust also provided \$24,500 for a vehicle to help residents when moving.

At the close of FY2004 nearly 60 percent of the residents in the Anchorage and Fairbanks houses

were employed and attending some sort of counseling for their addictions. Plus, two more houses were scheduled to open in FY2005, including one in Wasilla.

ALASKA MOBILITY COALITION

Several Trust beneficiary groups pooled their efforts with Alaska's congressional delegation in 2004 to seek capital funding for transportation projects that would assist beneficiaries around the state. The Alaska Mobility Coalition, working with the state Department of Transportation, funded such purchases as mini vans, pickup trucks with snowplows, and other vehicles for use by programs that serve seniors, individuals with special needs, and individuals with disabilities. The funds also were used to support coordinated transportation services such as CARTS on the Kenai Peninsula, MASCOT, in the Mat-Su Valley and KATS in Kodiak. Money for these purchases and programs came from a variety of sources, such as the Rasmuson Foundation and the U.S. Transit Administration via Alaska's congressional delegation, plus \$296,962 from The Trust's FY2004 capital budget.



UNIVERSITY OF ALASKA ANCHORAGE DISTANCE-DELIVERED MSW PROGRAM

Since 1995, The Trust and the University of Alaska Anchorage College of Health and Social Welfare have collaborated to develop a master's degree program that addresses the shortage in Alaska of those with advanced degrees in social work. The latest component of the program available to students is a part-time, distance-delivered MSW program. It was funded with \$250,000 from The Trust and is an extension of the on-site, part-time MSW program already offered at UAA. The distance-delivered program is open to all Alaska residents and in FY2004 there were 15 students enrolled in 12 communities. This first group of students will graduate in May 2007.

Distance-delivered MSW required courses are offered through intensive classroom sessions presented in short time blocks followed by periodic class meetings available by teleconference and Internet. There are two courses taught each semester and classes are available year-round. Students are also required to fulfill two field practicum placements at either a state agency or a non-profit organization and must be supervised by a person with a master's degree in social work.

There are many advantages to the distance-delivered program for students, with perhaps the most significant being the opportunity to earn a degree in place so they can continue working and remain in their home communities. The program also helps students build a strong network of peers around the state, which will be beneficial after graduation because many will be sole providers in their home communities.

ALASKA GERIATRIC EDUCATION TRAINING CENTER

Alaskans are getting older in record numbers. U.S. census data ranks Alaska second only to Nevada in the increase of individuals over age 65. While this is a small percentage of the total Alaska population, the number is expected to mushroom in the coming decade. The graying of Alaska adds another wrinkle to the challenges already faced by the state's health care delivery system because of the shortage of health care workers, the state's size, the distance between communities, and transportation issues.

In an effort to respond to the health care needs of Alaska's aging population, the University of Alaska Anchorage, University of Alaska Fairbanks, and University of Alaska Sitka have formed the Alaska Geriatric Education Center to train and prepare health profession faculty, health-care providers, and current and aspiring health-care professionals. The center provides multicultural, interdisciplinary, and discipline-specific geriatric education.

The center was funded through a five-year, \$2.3 million grant from the U.S. Department of

Health and Human Services, Bureau of Health Professions, Health Resources and Service Administration.

The Trust provided \$50,000 through the Alaska Commission on Aging in FY2004 to sponsor 12 gerontology training workshops presented by the center statewide. There were 569 participants, most of whom were social workers, medical assistants and nurses. The training addressed such issues as elder care, recognizing and treating Alzheimer's disease and related disorders, and medication management.

LEADERSHIP INSTITUTE

The Governor's Council on Disabilities and Special Education and The Trust partnered again in FY2004 to fund the second session of the Leadership Institute. The training program was created to increase the skills and competencies of front-line supervisors who oversee direct service employees working with Trust beneficiaries.

The Institute uses a comprehensive, multi-faceted approach that includes a three-day skills-training workshop, mentoring, guided practice, distance-delivered discussion opportunities, and a competency evaluation. The University of Alaska Anchorage Center for Human Development conducts the program.

In FY2004, the Institute provided 17 front-line supervisors a rigorous, time-intensive, and competency-based curriculum designed to develop their leadership and management skills. Each participant was paired with a seasoned supervisor who also attended the skills-training workshop and served as a mentor for six months. In addition to the workshop and mentoring support, audio-conference discussions were conducted to help participants use their new skills. To complete the course, participants were required to submit a portfolio that demonstrated leadership and skills competencies.

Nine participants received certificates of completion in FY2004. Another institute is scheduled in April 2005.



BEHAVIORAL HEALTH INTEGRATION

In June 2000, Alaska began a multi-year planning effort to improve the integration of mental health and substance abuse treatment for individuals with co-occurring disorders. This effort was based on the recognition that individuals with both mental health and substance disorders are an expectation rather than an exception and can be treated best when they have access to both services in tandem.

The first step in this process occurred when Gov. Frank Murkowski took office in 2003 and mandated the creation of a new integrated division within the Department of Health and Social Services to address these issues directly. The new Division of Behavioral Health was tasked with changing and improving the Alaska behavioral health service delivery system.

With its integrated infrastructure in place, the newly created division selected a clinical service delivery model to guide its system design and wrote an implementation plan to organize the process. By the close of FY2004, the division was developing a plan to operationalize the integration on a clinical and an administrative level with providers statewide. It is hoped this will benefit service recipients by providing a continuous and comprehensive service array while streamlining agencies so their administrative components are less redundant.

A significant piece of the integration process involves working with communities to find local service and administrative solutions. This effort was funded with \$300,000 from The Trust and \$50,000 from the state. Additionally the Division of Behavioral Health, The Trust, and the University of Alaska pooled funding and expertise to create training and educational opportunities to help reduce the workforce shortage in the behavioral health field. The state also committed to a collaborative arrangement between The Trust, the Alaska Mental Health Board and the Advisory Board on Alcoholism and Drug Abuse that will

encourage merged data collection and sharing, and coordinated efforts to address key policy issues.

In FY2004, The Trust teamed with the Division of Behavioral Health to convene the Alaska Behavioral Health Integration External Stakeholder Committee. Funded with \$45,000 from The Trust and \$25,000 from the state, this group developed a consensus vision of what a comprehensive, well-integrated community-based behavioral health system should look like in Alaska. The group also developed a strategic plan to articulate the vision, goals and actions needed to develop a sound behavioral health system and the framework for integrating that system statewide.

ALZHEIMER'S DISEASE RESOURCE AGENCY OF ALASKA

A major challenge for many non-profit agencies is finding the money to buy or lease adequate space in which to work and hold meetings. Frequently, funding organizations will not contribute money for agencies to pay off debt, instead preferring to fund programming that is of direct service to agency beneficiaries. One Alaska non-profit has found a unique way to overcome this problem and is now comfortably working in a new headquarters.

The Alzheimer's Disease Resource Agency of Alaska was running out of room in 2002 and had no money to lease or purchase a new office. Knowing they would find little support from traditional funding sources, the resource agency turned to two couples that were long-time supporters. The two couples formed a corporation and bought a building that they then leased to the agency with an option to buy. That gave the agency time to mount a capital campaign while providing a much-needed new headquarters.

In FY2003 and FY2004, the agency concentrated on raising \$1.3 million and was successful in obtaining several major grants including \$50,000 from The Trust, plus individual contributions from about 1,000 community donors. By the beginning of FY2005, the agency was able to buy the property without a mortgage and now has enough space to lease a portion as a source of income.

2004 Financial Report

TRUST FINANCIAL HOLDINGS STABILIZE IN FY2004

MANAGEMENT OF TRUST ASSETS

Cash and non-cash assets of The Trust are called the corpus of the Trust Fund. The majority of the cash assets are managed by the Alaska Permanent Fund Corporation (APFC) on behalf of The Trust. The Trust Land Office, a special unit within the Department of Natural Resources, manages The Trust's non-cash assets, which include land, buildings, minerals, timber, and other resources that generate income through sales, leases and rent. The Treasury Division of the Department of Revenue manages the mental health budget disbursement (payout), half of the budget reserve, and current revenue generated by the Trust Land Office and the interest generated from these holdings.

The cash assets of The Trust consist of the original settlement, inflation proofing, interest and revenues generated from non-cash resources. The cash is maintained at the APFC and the Treasury Division of the Department of Revenue in several accounts. These are the Principal, Budget Reserve and Income accounts. The Principal consists of the original settlement, inflation proofing and allocated revenues from resource management. The Budget Reserve consists of 400 percent of the prior fiscal year's disbursement (payout) and is set

aside to provide a steady stream of funding during downturns in investment markets. The Income account holds the disbursement (payout) amount for funding the current mental health program, any current allocated revenues generated from non-cash resources, and the current interest on the funds in these accounts.

The Trust routinely coordinates with the APFC, the Treasury Division, and the Trust Land Office on financial management matters. The Trust Land Office routinely coordinates with Trust staff, the Trust Resource Management Committee and the Board of Trustees on resource management and development matters.

KEY FINANCIAL OUTCOMES OF THE TRUST FUND

In FY2004, to maintain stability in the Budget Reserve and to protect it during fluctuations in the market, the Trustees split the Reserve account, transferring half to the Department of Revenue Treasury Division for investment in its securities lending program. The remainder was invested by the APFC. As a result of this strategy, the financial holdings of the Trust Fund experienced a 14.2 percent gain and, at the FY2004 closeout, the Budget Reserve contained 400 percent of the prior year's disbursement as required, or \$54,928,379. For the first time since FY2000, after having losses for several years due to the volatile market, The Trust was able to add approximately \$15 million to the Principal account for inflation proofing, confirming the Trustee's asset management model is a sound

TRUST CASH ASSETS AT END OF FY2004



Settlement	58%	\$200,000,000
Inflation	14.5%	\$50,093,085
Budget Reserve	15.9%	\$54,928,379
Land Revenue	11.6%	\$40,081,638

TRUST PROGRAM AREA EXPENDITURES FY2004



Health	27%
Safety	29%
Economic Security	5%
Living with Dignity	18%
Infrastructure	18%
Workforce Development	3%

Note: The total expended for programs was \$13,960,619 in FY2004. This does not include Trust Authority Admin or Trust Land Office costs.

method for sustaining The Trust as a perpetual fund for future beneficiaries.

The Trust Land Office also experienced a successful year in FY2004, generating a total of \$11.3 million. In FY2004, the Trustees approved spending \$1,495,000 from the Principal account for enhancement of the resources portfolio to renovate the 718 L Street property in Anchorage (Trust Land Office space), to construct a road through Tract E in Anchorage, and to purchase land for the Fairbanks Detox Facility site.

The Trust’s disbursement or payout rate, which is used to determine the disbursement or payout for the mental health budget, remained at 3.5 percent for FY2004. This rate is applied to the amount of the Trust Fund (Principal and Budget Reserve) plus 100 percent of the revenues allocated as income from resource management, interest on the financial holdings at the Treasury Division, and any lapsed funding from prior-year projects.

Reacting to the improving market, the Trustees decided at the end of FY2004 to increase the payout to 3.75 percent beginning with the FY2006 budget.

The following performance for FY2004 is available for funding the FY2005 mental health budget:

- Disbursement (payout) rate remained at 3.5 percent for a payout of \$12,398,992.59 — a 12.3 percent increase over FY2003
- Resource management revenue allocated as income was \$2,623,100.74

- Interest on the Income Account at Treasury Division was \$1,068,566.33
- Lapsed funds from prior fiscal years was \$4,731,268.87
- Total funding available for the mental health trust budget in FY2005 is \$20,821,928.53 — an increase of 11.7 percent over FY2004.

KEY FINANCIAL OUTCOMES OF THE TRUST LAND OFFICE

The Trust Land Office (TLO) exceeded its FY2004 gross revenue goal by about 66 percent, with final revenues equaling about \$11.3 million, including \$2.6 million in Spendable Income. Of the total revenue, \$8.7 million was from the sale of Trust land assets and was deposited in the Principal Account, with the remaining \$2.6 million being fees and rents and thereby Spendable Income. Much of the revenue was attributable to multi-year transactions, which were not guaranteed to close in FY2004 and were, therefore, not included in the FY2004 gross revenue projections. Core and supplemental operating costs for the year equaled about \$1.8 million. Other highlights included:

- The Real Estate Program accounted for over 55 percent (about \$6.3 million) of gross revenue. Successful efforts included selling about 2,300 acres in Petersburg (Petersburg Creek) to the U.S. Forest Service for \$2.5 million, completing a significant commercial development transaction in the University – Medical District in Anchorage (\$224,000 annual lease), and creating two new subdivisions (Westlake

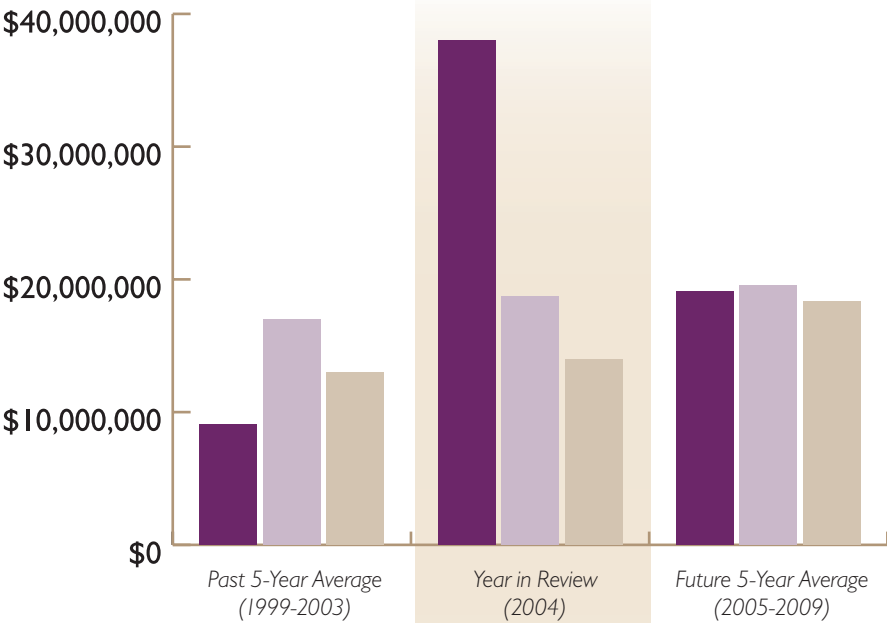
Shores and Twin Island Lake). At the sixth annual land sale 58 parcels were sold through a competitive sealed bid process with a sale value of over \$2,607,000.

- Timber harvest revenue accounted for about 36 percent (about \$4 million) of gross revenue, with sales in Thorne Bay, North Kenai and Tyonek.
- Acreage leased for oil and gas exploration increased by 24,000 acres with most of the new leases located on the Kenai Peninsula. By year-end, the TLO had a total of about 100,000 acres under lease. The Trust also began receiving oil and gas royalty payments from production in the Beluga River Unit.

- The mineral and materials program ended the year with about \$445,000 in revenue including the first royalty payment from the Fort Knox Mine of about \$102,000.
- The TLO successfully remodeled and relocated to one of three Trust owned facilities at 7th & L Street in Anchorage. The two smaller facilities located at the same site provided the TLO with a new revenue-producing arena in property management.

A detailed description of the Trust Land Office’s financial status for FY2004 is available in the TLO Year-End Report available online at www.mhtrustland.org or by calling (907) 269-8658.

TRUST FUND PERFORMANCE



Trust Fund Performance	\$9,091,320	\$37,990,300	\$19,086,600
Trust Income Available	\$16,955,020	\$18,725,000	\$19,515,380
Trust Funded Projects	\$12,966,240	\$13,993,800	\$18,312,340

Note: Trust Fund Performance includes market value gains/losses to the Trust Fund at APFC and Land Revenues allocated to the Principal. In FY2004, after having losses for several years due to the volatile market, the Trust Fund experienced a 14.2 percent gain. As a result, for the first time in four years the Trustees were able to add to the Principal for inflation proofing and transferred approximately \$15 million to that account, maintained the Budget Reserve at 400 percent and increased the disbursement or payout to 3.75 percent for future years. The Trust Income Available for the FY2004 Mental Health Budget was increased by 6.37 percent over FY2003 to \$18.7 million.

Trust Income Available is used to fund the Mental Health Budget. It includes the amount allocated for the payout or distribution for Trust funded projects, Land Revenues allocated as Income, Interest Earned and Lapsed Funds.

Trust Funded Projects are actual project expenditures for past and current years and projections for future years.

The FY2004 Board of Trustees



(L to R): Tom Hawkins, William Doolittle, M.D., Phil A. Younker, Sr., Caren Robinson, Nelson G. Page, John Pugh, John F. Malone

Phil Younker, Sr.

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Term expired March 2004

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Appointed April 2004

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