

**ALASKA MENTAL HEALTH TRUST AUTHORITY  
FINANCE COMMITTEE MEETING  
January 4, 2024  
8:30 a.m.**

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

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**Trustees Present:**

Anita Halterman, Chair (telephonic)  
John Morris (telephonic)  
Kevin Fimon  
Brent Fisher  
John Sturgeon  
Rhonda Boyles  
Agnes Moran

**Trust Staff Present:**

Steve Williams  
Julee Farley  
Miri Smith-Coolidge  
Michael Baldwin  
Debbie DeLong  
Valette Keller  
Luke Lind  
Kat Roch  
Janie Ferguson  
Heather Phelps

**Trust Land Office staff present:**

Jusdi Warner  
Sarah Morrison  
Marisol Miller

**Also participating:**

John Springsteen; Charlene Tautfest; Patrick Reinhart; Steph Kings; Stephanie Hopkins;  
Stephanie Wheeler; Larua Russell; Lisa Brown; Justin Borgen; Diane Fielden.

## PROCEEDINGS

### CALL TO ORDER

CHAIR HALTERMAN called the Finance Committee meeting to order and stated that she was stepping in for John Morris, committee chair, because he had a flight delay. She began with a roll call. Trustee Morris was excused, and there was a quorum. She asked for any announcements. There being none, she moved to the agenda.

### APPROVAL OF AGENDA

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

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

CHAIR HALTERMAN asked for any ethics disclosures. There being none, she moved to the approval of the minutes from October 20, 2023.

### APPROVAL OF MINUTES

**MOTION:** A motion to approve the minutes from October 20, 2023, was made by TRUSTEE MORAN; seconded by TRUSTEE FIMON.

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

### STAFF REPORTS

#### CEO REPORT

CEO WILLIAMS took the opportunity to introduce Heather Phelps, the new program officer, who joined the Trust in December. She came from the Department of Health, and is filling the role that was previously held by Travis Welch. He asked her to introduce herself.

MS. PHELPS stated that she was very excited to be there and added that the Trust had been benefiting her life in many ways. She first got into State service in 2005 through Trust funds as the first mental health clinician working at McLaughlin Youth Center. She has a long history working with the Trust and beneficiaries. She worked in the private sector and owned a business in counseling services for substance-use-disorder services. She also worked in nonprofits like Akeela, AK Child and Family, working with youth. She has a variety of experiences working with youth, adults, and with people that were incarcerated and on probation. She added that she looks forward to this role, and working in this capacity to serve Trust beneficiaries.

CHAIR HALTERMAN welcomed Ms. Phelps aboard and looked forward to meeting and working with her.

CEO WILLIAMS gave a brief outline of what would be discussed and stated that Julee Farley would be leading the discussion going through the four major areas of the update: the traditional financial dashboard update; discussion related to inflation-proofing; the no-surplus

determination; and commercial real estate, which will set the stage for the Resource Management Committee meeting.

MS. FARLEY began with the one-page dashboard and stated that the format will be kept similar to this. It has a lot of information added that staff would help with in going through the data. She continued that the information was through November, and we just finished December, which was not included. It included five months of data. She did add a column to the right of the first set of numbers which was the percentage of budget expended. She went through the Trust Authority Office expenditures and continued through the dashboard. She explained that those were actual expenditures. She added that it is a work in progress. Not included are encumbrances and board commitments, approvals by trustees.

CEO WILLIAMS stated that it is important to remember that when looking at the MHTAAR, the Trust Authority office agency budgets, as well as Trust Land Office agency budgets, they are within the State system, which does not officially close out its budget until August 15<sup>th</sup>.

MS. MORRISON talked about seasonality with the budget and began with the TLODA project; Icy Cape is a good example of seasonality as it exists in natural resources. For context, during the winter, desktop geology is done where there is a lot of planning and logistics, analysis. This can be done in the office or, in Karsten's case, from West Virginia. Then, all of that is in preparation for the period from April to August, September, where the money is being spent quickly doing a lot of work; which has to be done before the weather changes. She stated that, for this project, they were entering Year 4 out of 5, and the expenditures are expected to be under budget for the project as a whole. She continued with the revenues generally and how those flow with seasonality. Revenues with income principal also have a seasonal flow, as well. She added that another example of seasonality is with the land sale program where the resource managers do a lot of work in the field season to prepare for a sale that occurs in the fall. Those initial revenues are received in the winter, and then contracts do not start rolling until the spring. She moved on and put income and principal in context. Income is for things like leases, interest on contracts, 15 percent of timber. It is for things that are not being disposed of permanently. This income generated goes into the spendable income that the Trust can spend right away. Principal is for gains that are being permanently disposed of. That cash received has to be permanently sequestered in the Permanent Fund, and it comes from land sales, royalties, and timber sales. She went through the funds generated, and expected to stay on budget for what is projected. She noted that the land sale had a really good year. She reported that they would have over 300 contracts in place once those are all set up. Last year was the biggest year ever, and this year will have that high again. She continued that the revenue that helps the endgame is the royalties from Fort Knox. She added that it is hard to predict; and that revenue and principal can look pretty slow, and then all of a sudden it does not. She asked for any questions.

CEO WILLIAMS did not see any questions from any of the trustees in the room.

CHAIR HALTERMAN recognized Julee Farley.

MS. FARLEY explained the investment activity. The first section is for the Permanent Fund, which is where the bulk of the investments are, as well as the bulk of the revenue. She talked about the unrealized earnings on principal, and then explained the statutory net income and the gap income on those earnings.

A brief discussion continued on the volatility of the market and the affect on investments.

MS. FARLEY mentioned the commercial real estate, which would be discussed at the Resource Management Committee meeting, and then moved to the best news in the GeFONSI interest account, which are the cash accounts. They have been doing very well. They were outperforming, and it is nice to see cash and short-term and bonds doing something.

CHAIR HALTERMAN announced that Trustee Morris has joined us, and is listening in for the remainder of the meeting. She thanked Ms. Farley for the presentation, and also thanked Ms. Roch and Ms. Morrison for their contributions and presentation.

MS. FARLEY pointed out that available reserves as a percentage of payout was at 336 percent with a target of 400 percent. She was working with Trustee Morris on this, and just wanted to provide something in graphical form to help with the information. Sometimes it is easier to digest when it is in pictures. She talked about the first two graphs where the first row represented activity and the mix of expenses. The second related to earnings.

CHAIR HALTERMAN asked for any questions. She thanked Ms. Farley, and noted appreciation for the visuals. She stated appreciation for the contributions of her fellow peers on the Board in giving different perspectives and different visuals, and thanked them for accommodating that request.

MS. FARLEY moved to the inflation-proofing update. She began with a little background and stated that inflation-proofing is not anything that is required by statute, and it is mentioned as one of the allowable uses of funds. The Trust has historically done some inflation-proofing, not every year, but throughout the years there was some practice of inflation-proofing. It was recommended by the 2021 Legislative Audit, and was supported by Trust law and, in general, represents a good stewardship of assets to inflation-proof the corpus. AMPS, the Asset Management Policy, allows for inflation-proofing once the 400 percent reserve target is met. In fiscal year '21, the trustees authorized \$120 million of inflation-proofing; \$50 million of that was transferred, and \$70 million is remaining.

CHAIR HALTERMAN asked for the reason for not fully expending the full \$120 million, and when would the \$70 million finish that commitment.

MS. FARLEY replied that the inflation-proofing comes from the reserve accounts and, at this point, we are not in a position to fund that. She explained that right now the reserve target is at 336 percent. Once it gets to 400 percent is when we could look at inflation-proofing and using up some of that \$70 million of the remaining commitments. She added that it is an obligation that the trustees incurred, but is not GAAP. She continued that inflation has been high, and it is important to look at inflation-proofing every year.

A brief discussion on inflation-proofing ensued.

MS. FARLEY continued that the next report was on funding sufficiency, which is done annually. The reason behind this is that the statute does allow for specific uses of Trust funds. It went further and says that if there is any excess, that could be transferred to the General Fund. The

Legislative Audit Report recommended having policies and procedures on this. The policy is in development; another project for fiscal year '24. She moved to the numbers that were reviewed to conclude that there are sufficient funds to meet the commitments, but we do not have excess. She added that the current investments are sufficient for continued payout support of \$34 million. That was \$30 million from the investments at 4.25 percent of the four-year average, plus the revenue generated by the Land Office.

CHAIR HALTERMAN thanked Ms. Farley for that optimistic outlook to end on. She thanked all for the presentations and entertained a motion to adjourn.

**MOTION: A motion to adjourn the meeting was made by TRUSTEE BOYLES; seconded by TRUSTEE MORRIS.**

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

CHAIR HALTERMAN adjourned the meeting.

(The Finance Committee meeting concluded at 9:33 a.m.)