

**ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING**

**January 4, 2024
9:45 a.m.**

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

Trustees Present:

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

Trust Staff Present:

Steve Williams
Julee Farley
Miri Smith-Coolidge
Michael Baldwin
Debbie DeLong
Valette Keller
Luke Lind
Janie Ferguson
Mariana Sanchez

Trust Land Office staff present:

Jusdi Warner
Sarah Morrison
Marisol Miller
Pam Cawley
David MacDonald
Cole Henrickson
Katie Vachris
Chandler Long

Also participating:

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

PROCEEDINGS

CALL TO ORDER

CHAIR STURGEON called the meeting to order and began with a roll call. Trustee Morris had not made an appearance yet. He asked for any announcements. Hearing none, he moved to the agenda.

APPROVAL OF AGENDA

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

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

CHAIR STURGEON asked for any ethics disclosures. Hearing none, he moved to the minutes from October 20, 2023.

APPROVAL OF MINUTES

MOTION: A motion to approve the Resource Management Committee meeting minutes from October 20, 2023, was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

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

TRUST LAND OFFICE EXECUTIVE DIRECTOR REPORT

CHAIR STURGEON recognized Jusdi Warner, executive director of the Trust Land Office.

MS. WARNER stated that Ms. Morrison and Ms. Farley would cover the TLO performance.

MS. MORRISON described the cyclical nature of how the Trust Land Office works; big payments come in at different parts of the year and are tracked on a monthly basis.

MS. WARNER highlighted timber and stated that it was under because there are a lot of logs sitting in the sort yard at Shelter Cove and on Naukati. It is the lowest grade timber, and not a lot; but it is still money sitting in the yard. She added that the contractors think that, right now, they could break even, which is a big risk when exporting. She stated that the other issue was anticipating budget and expenditures and returns for this whole supply-chain issue. If equipment breaks on one of the operations, it is tough to get anything here in time. She stated that she was taking a new approach to the executive director report and wanted to cover each thing that the committee or board had touched on or taken action on. She began with the Central Facility Fund, CFF; the goal of that fund is \$2 million. The current balance was at \$1.6 million. She and Ms. Farley meet every quarter and have done two transfers to date. The second transfer was around \$342,000. In May 2023, the Board approved \$820,000 from the CFF for North Park, and

just over \$10,000 for the Trust Authority building. \$273,000 was expended for North Park in that executed lease. The outstanding amount will happen towards the end of the year. The amount for the Trust Authority building will also be expended toward the end of the year. She continued through the TLO agency budget and stated the intent on spending the entire agency budget. She also commented on the TLO being fully staffed, which has not been the case in quite a number of years. She added that travel will pick up come spring, along with services and supplies. She moved to the consultations which were at the board level and went through the status. She stated that everything was on track and either received concurrence from the board or approval as far as consultations, disposals, land sales, leases, and easements. She then reported on the status of the wind project and the solar project. The lease drafts were at the Department of Law, and we just received those back. We will do the final review, and then move to get them executed. She continued to cost recovery and talked about the two projects that trustees approved in August '23. The soil sampling contract was awarded to Piton Exploration, and it is scheduled to record come the spring. The work will start up in the northern region, and is noninvasive work. She added that the subdivision development program is moving along, and we are setting up contracts, and working on the conceptual designs. She continued to Icy Cape and the Big Game Guide Permit Program. She explained that Icy Bay is unique in the fact of that land being closed to public use. The guide out there has exclusive guiding rights. This generates significant revenue for only a permit, which is typically very remote. She continued through the data of how the land sale went. There were 36 parcels, and about half of them received bids. There was some additional competitiveness because 43 bids were received. It ended up with \$2.1 million, which was right in line with the goal. She talked about the issue with the South Mitkof subdivision which was pulled because it required the mayor's signature in Petersburg. They do not want to sign that plat, and we are trying to work through those issues. She continued through with her conglomerate slide and explained it for the Board. She stated that she provided public testimony at the Alaska Historical Commission meeting regarding the Hollis Wolf Creek Boatworks that was nominated to be put on the National Historic Register. She asked that the commission pause until the issues with Wolf Creek Boatworks have been worked out. She continued that the USDA was going to cease the harvest of old-growth timber in 128 national forests. We are participating with the Department of Natural Resources to provide comments on the EIS draft, and will keep the Board apprised. She added that it is a big deal because if the timber market goes away, that will be noticed in the budget. That is a big deal with a strong resource in the asset class. The Palmer project is waiting on a scope of work for the mineral appraisal which has not yet been received. She introduced Mariana Sanchez, who started two months ago, and came from Washington State. She has a background in energy, and is in the land and resource specialist position. She has been a real asset. She continued reporting on the Trust Authority building. The Trust Land Office went out to contract with JNB Consulting Group and asked them to do an analysis of the building. They were asked to analyze the architectural, mechanical, HVAC, and electrical, and to provide contingency costs for any work that needs to be done: permits, inspection, and then conformity with Title 21 in Anchorage. She explained that the report came back and the precipice to doing this is the HVAC system. The TLO works through a property management team to work on an outdated HVAC system. The result is that the parts for system repairs are not being made at the company anymore. To bring this building up to code, to replace the HVAC system and a few other things, is \$6 million. She stated that she wanted to bring that to the Board's attention, but without a recommendation today. She continued that they will look for different options for trustees, even to the point of buying or building a new building, or moving to a new location.

CEO WILLIAMS added that currently the building holds the Trust Authority Office, plus the Anchorage School District, as well as the Long-Term Care Ombudsman's Office. He stated that they would be working closely with the TLO to do an assessment, think about some opportunities and recommendation to be brought back to the trustees.

A brief discussion ensued.

ICY CAPE UPDATE

MS. WARNER stated that, overall, they are at 100 percent of everything they were doing, and everything is right on track. Currently, we are identifying the procurement needs for the 2024 calendar year. That includes identifying independent resource geologists for that grinder resource. She continued that the field work went great, and will start back up in July in the next fiscal year. That field season will only be a couple weeks, and we are at the place of doing a lot of analysis. The plan is getting the bulk of the assay results in May of 2024, and, so far, Karsten is very pleased with what he is seeing. She added that workwise they were able to accomplish three full field seasons into two because of Karsten's ingenuity. He has really just changed things. There was not a template for this, and he made things very efficient. Once we have the chance to analyze those very encouraging assay results, we will come back in Executive Session and walk trustees through those, like we did the last time. All in all, we are on track and are working towards a big report that will help us sell this project.

CHAIR STURGEON thanked Ms. Warner and asked for any other questions or comments. Hearing none, he called a break.

(Break.)

CHAIR STURGEON called the Resource Management Committee meeting back to order. He recognized Ms. Warner to give a real estate report.

MS. WARNER stated that David MacDonald would go over the performance and the market for the portfolio.

MR. MacDONALD began with the bottom line for the portfolio: With the Circle K lease at the North Park project, we are 95 percent occupied, which was fantastic. We are thrilled with the assets and the performance as far as the occupancy. He went through the performance of the assets in terms of cash flow, which was year-to-date through November 30th. November brought in a very good cash flow, and a larger amount was distributed in December.

A discussion about the net cash flow and distributions ensued.

MR. MacDONALD stated that it is policy to try and handle things at the property level to avoid the CFF. In commercial real estate, the normal way we try and operate is to self-contain on each asset. The CFF applies when there is an extraordinarily large item that could not be funded. He explained that last year North Park had been operating at 52 percent occupancy, and is now at 81 percent occupancy. In order to take those new tenants, we have to outlay for tenant improvements, which were approved at the board level. When it goes beyond what the property can support, the money will be released to the Trust Authority through the distributions. He continued that it goes into the CFF, and then we have to draw back from the CFF with Board

approval.

TRUSTEE MORRIS stated that his disconnect was on what is net cash flow; if it is being spent on expenses related to the operations, or increasing the business of the commercial properties.

MS. WARNER replied that the excess cash flow was not necessarily being spent and was being held in the checking account at the LLC level. If that does not get used, based on the projections, that then becomes a distribution. It is cash flow, but is being held in a different account.

TRUSTEE FIMON stated that because it had not yet been paid is why it is still net cash, and that is why it is different than the distributions.

The discussion continued.

MS. WARNER added that trustees do approve this. It is approved once a year in the commercial real estate budget. She continued that if there was an expense that was going to go beyond that approval, then they would come back to the board.

TRUSTEE BOYLES asked if each of the commercial real estate is a separate LLC, or are they combined in one LLC. She asked about the managing partner.

MR. MacDONALD replied that six of the seven assets in the portfolio are in separate, discrete LLCs. He stated that it is common protocol in real estate, and they are called single-purpose entities. If a liability did happen and someone sued for twice the property value, it would not spread to other assets, and could be contained at the LLC level. He added that the assets that are not an LLC are owned by the State: The Trust Authority building, and the Cordova building.

TRUSTEE BOYLES asked if, as an LLC, it is taxable with federal income tax.

MR. MacDONALD replied that we pay property taxes at the LLC level; not income taxes. The TLO is the managing partner of all LLCs.

TRUSTEE BOYLES asked the chair to make an editorial comment.

CHAIR STURGEON replied absolutely.

TRUSTEE BOYLES stated that she wished she had known this before -- and this was personally to David MacDonald. She stated that she was pretty hard on him when they had voted on the Harvest contract. She wanted to make it a matter of public record. Harvest was hired, and we spent over \$2 million because the State legislative audit suggested that we do it. It was not an order; but it was a suggestion. She was very sad to have voted positively on that because she thought that he had done a lot of their work. She personally apologized for questioning his resume when we had to vote on what she thought was the greatest thing since pantyhose in Harvest. They were very good at what they did, and she just did not know that they were never really needed. She thanked him for being patient and working through that.

MR. MacDONALD thanked Trustee Boyles, and stated that it was very appreciated.

CHAIR STURGEON dittoed that, and stated appreciation for his professionalism. He added that the Trust and TLO are very fortunate to have someone of his caliber guiding us through all of the real estate business. He thanked him for his professionalism, expertise, and guiding them in the right direction.

MR. MacDONALD brought up his partner, Marisol Miller, and stated that she is tremendous and is involved at every step. He explained that they operate by the policy of “one plus one equals three.” Sometimes she sees things that he does not; and sometimes he sees things that she does not. We complement each other, and together we make it better. He added that working for Ms. Warner is a blessing both in terms of encouragement and support. He stated that she is the best boss he has ever had, and is very thankful for her. He continued discussing what is happening with the office marketplace. He shared a chart that showed offices using metro employment. Within the last year, there has been positive growth in office use of employment, which is a demand driver for office leasing and office occupancy. This is the root of everything, and most people would be surprised that there has been more office employment over the past year. One of the reasons we are doing well is the foresight of buying two properties in Austin, Texas, which is the largest beneficiary in terms of metro. That was a good investment. He continued that office employment is still growing, and everyone is going to a hybrid model. The question now is whether they are going to the office or not; how often; and the kind of flexibility there is. He moved on to supply and demand, and we are proactively putting plans in place for when tenants leave. He continued through the cash flow and expenditures.

CHAIR STURGEON asked for any questions.

TRUSTEE HALTERMAN stated that that was a great presentation, and thanked Mr. MacDonald.

CHAIR STURGEON thanked Mr. MacDonald and the team for the great work and support they provide to the Trust. It is very much appreciated.

MS. WARNER stated the next thing would be to have a motion for Executive Session.

MOTION: Per Alaska Statute 44.62.310(c)(1), TRUSTEE FIMON moved that the Resource Management Committee move into Executive Session to discuss confidential matters pertaining to the commercial real estate portfolio, the immediate public knowledge of which would clearly have an adverse effect upon the finances of the public entity. No decisions will be made in the Executive Session. The motion was seconded by TRUSTEE MORAN.

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

(Executive Session from 10:59 a.m. until 11:46 a.m.)

CHAIR STURGEON asked Trustee Moran to read the return from Executive Session.

For the record, TRUSTEE MORAN and her fellow trustees and members of the Trust

Authority and Trust Land Office are returning to the Resource Management Committee meeting from the Executive Session. We did not make any decisions during the Executive Session.

CHAIR STURGEON stated that a vote was not needed on that, and they were back in regular public session. He moved to a motion, and recognized Trustee Fimon.

MOTION: The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees direct the Trust Land Office to continue to prudently manage the seven commercial real estate properties and to return to the Board and recommend disposal of any of those properties when the Trust Land Office determines, pursuant to its statutory and regulatory directives, that those disposals will be in the best interest of the Trust and its beneficiaries. The motion made by TRUSTEE FIMON; seconded by TRUSTEE FISHER.

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

CHAIR STURGEON thanked the TLO once again for the great presentations and wished them good luck. There is a lot of excitement for what will be brought back to the Board. If there was nothing else, he asked for a motion to adjourn.

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

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

CHAIR STURGEON thanked both Ms. Warner and Mr. MacDonald for the great work they did, and the information provided to the trustees. They make the trustees' job a lot easier with their professionalism and their reports. He adjourned the meeting.

(The Resource Management Committee meeting was adjourned at 11:49 a.m.)