

**ALASKA MENTAL HEALTH TRUST AUTHORITY
SPECIAL FULL BOARD COMMITTEE MEETING**

**April 24 2024
1:30 p.m.**

**Hybrid Meeting
Alaska Mental Health Trust Authority
3745 Community Park Loop, #200
Anchorage, Alaska 99508**

Trustees Present:

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

Trust Staff Present:

Steve Williams
Katie Baldwin-Johnson
Miri Smith-Coolidge
Michael Baldwin
Julee Farley
Allison Biastock
Valette Keller
Kelda Barstad
Luke Lin
Debbie DeLong
Carrie Predeger
Janie Ferguson
Eliza Mus
Eric Boyer
Heather Phelps
Tina Volker-Ross

Trust Land Office staff present:

Jusdi Warner
Sarah Morrison
Jeff Green
Tracy Salinas
Blain Alfonso

Also Participating:

Commissioner Heidi Hedberg; Deputy Commissioner Emily Ricci; Lynn Kellman-Cruz; Christopher Orman; Katie Hegland; Ian Casey; Kathy Merrick; Neil Hickok; Patrick Rumley; Sandra Heffern; Gene Hickey; John Springsteen; Patrick Reinhart; Bryce Coryell; Heather Maidl; Justin Slaughter; Alyssa Bish; Jena Crafton; Rod Shipley; Tony Newman; Stephanie Wheeler; Stephanie Hopkins.

PROCEEDINGS

CALL TO ORDER

CHAIR HALTERMAN called the meeting to order and began with a roll call. She asked for any announcements. Hearing none, she asked for a motion to approve the agenda.

APPROVAL OF THE AGENDA

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

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

CHAIR HALTERMAN called for any ethics disclosures. Hearing none, she turned the floor over to Steve Williams, noting that we are going to go into Executive Session rather quickly. Initially, it will be with counsel, and will be expounded on after the Board of Trustees is able to meet with counsel.

MR. WILLIAMS stated that the Trust partners and Trust staff are appreciative of the Board's willingness to continue this conversation that we talked about a month ago related to The Arc and the beneficiaries that they serve. Since that time, the Department of Health, public partners, Trust staff, community members, have been engaged in working with The Arc to look at the situation, identify the challenges, the solutions around those challenges, and what is or is not a sustainable path forward. We believe that there is a sustainable path forward, which will be heard about from others. Since Chair Halterman is on the phone, he stated that he will be her eyes so that she knows who has a question. Following these brief introductory remarks, we are going to go into an Executive Session, and we are really trying to keep the remarks at the beginning of this afternoon concise and tight so that there is ample opportunity for trustees to dialogue, ask questions, and engage with the resources that are in the room so that they get a good picture of where we currently stand and what potential options may or may not be there.

MS. BALDWIN-JOHNSON took a moment to orient folks to who is in the room. First, Commissioner Hedberg, Deputy Commissioner Ricci, and Lynn Kellman-Cruz, deputy director for Senior and Disability Services. In addition to the Department of Health partners in the room, Ian Casey, executive director and CEO with The Arc of Anchorage and Katie Hegland, is the CFO. From The Arc board of directors, Brice Coryell, the president and chair; Kathy Merrick, a director; and Neil Hickok, also with the board of The Arc. From The Arc Foundation Board of Directors, Chair and President Patrick Rumley is here. On the phone is Rod Shipley, who is on the board of directors for The Arc Foundation. She continued that in the packet is a summary that provides an outline of the activities and the short-term, medium-term, and long-term options for supporting The Arc on a path towards sustainability.

COMMISSIONER HEDBERG stated that mid to the end of February is when the Department of Health became aware of the current situation with The Arc of Anchorage. That is when, internally, we came together. Deputy Commissioner Emily Ricci is leading a crisis response and stabilization team made up of a group of subject-matter experts across various Divisions within the Department of Health. We came together and have four focus areas: One was to understand the situation and the causes that led to the situation; two was to identify the medium-, short-term

and long-term solutions so the Department can participate; third is coordinating among all of the resource partners to support this organization; fourth was accountability, insuring that we were supporting this organization and that there was clear accountability. In those four areas, there are groupings of strategies: Leadership, The Arc has been very collaborative, very open in working with us. We have partnered with and we have asked Sandra Heffern to be a support to the CEO. The board was looking for support, as well. We reached out to Foraker, who is going to be providing support to the board. Leadership is important as you are managing a crisis and looking at what is next coming down the pike, and how to turn this situation into more of a long-term, stable situation. Those strategies are in place. Accountability, many of the beneficiaries that this organization supports are supported on waivers. For billing practices, we wanted to make sure that there was additional technical assistance to make sure that for what is billable that there is clear documentation for, and that everything was moving forward. We have staff with Senior and Disability Services that are providing technical assistance to the organization. We wanted to look at a corporate integrity agreement, looking at Medicaid billing and that relationship, to make sure that there are clear roles and responsibilities between the Department of Health and The Arc to make sure that we knew where the areas of support were, that we both agreed to those, and that it was outlined in a document. Other strategies around business continuity, what does it look like in the short term, medium, and for the long term. That came to working with the Division of Behavioral Health, who manages the contract, to make sure that those claims that were coming to us were reviewed and processed in a timely manner. There are many organizations that are struggling with that contract, and we are well aware of it. We want to make sure that they were prioritized to go through and review those claims. Business accountability, a lot of resource partners came and said to us, "How can we support? This is our focus area." We have had a lot of collaborative conversations, again, with this is what you can bring to the table, how can we support The Arc, and sort of next steps and sort of moving forward. Those conversations have been launched, and we have been facilitating conversations with our Congressional delegation. The Arc is waiting on some relief funding to come through. We asked the Congressional delegation to step in on the review of that application. There is a lot of work, conversations, and getting up to speed with what are the specific needs and who are the resource partners that can step in and support the organization sort of moving forward on a better path.

CHAIR HALTERMAN asked for any questions from trustees.

TRUSTEE BOYLES stated that first we think of our benefactors, then we think about money, and we think about accountability, all of what was presented today. She asked if there is an approach to have some type of a permanent advisory group to come around The Arc on a formal basis, every month or every two weeks or whatever The Arc feels is necessary, to actually problem-solve and dig down into what we can all do to make The Arc last. Because from 1957, when it was formed, until today, a tremendous amount of storms have been weathered. Whatever the storm is, we have to figure out how to weather it and move forward. She stated that her prayer is that they are not the tip of the iceberg.

MR. CORYELL stated that The Arc's mission is to encourage and support people with disabilities. As a board member, we had been thinking about three points recently: Why The Arc can be sustainable again; why a funder will not lose money; and why continuing this turnaround process is in the best interest of the beneficiaries. He continued that since he became board president, the focus has been on achieving sustainability; but we have not been successful. Until recently, there was very little quantitative financial progress. However, management

successfully reversed a near decade-long decrease in revenues by adding new services; and that reduced The Arc's monthly loss by about 75 percent. He stated that for the first time since he had been involved with The Arc, there is a clear path to sustainability. Six months ago, he figured that it would fall on him to preside over the end of The Arc, figuring that the best difference the board could ultimately make happen would be to insure a smooth transition and a soft landing for the beneficiaries. Now he sees a better outcome: Sustainability, profitability, repaying the foundation, and building it up again. The Arc is now receiving support from others that are very committed to our beneficiaries. The Arc's balance sheet is actually strong. The assets The Arc has are more than sufficient to repay a funder; and those assets can be pledged and secured. The assets also exist to pay back a funder if The Arc does not continue its trajectory of improvement. Now is the time for outside help. It was not before now because The Arc had resources. He continued that community-based providers like The Arc serve beneficiaries with the most complex needs and enhance the lives of the larger IDD community by providing a sense of community that small providers are not able to provide. If we lose The Arc, we reduce capacity to support the acute-need population; and we would also lose some of the bedrock that helps Alaskans who experience a disability to live full lives. In summary, The Arc is undeniably making progress and now has resources to be successful. We should try and save The Arc because it makes people's lives better and because the financial risk of doing so is low. He stated that they are there to answer any questions, and to discuss any solutions that may help our beneficiaries.

CHAIR HALTERMAN thanked Mr. Coryell and stated that she looked forward to a constructive conversation today. She appreciated the commentary, and was glad that there are a lot of partners at the table helping as we move forward in a new direction for The Arc. Rather than waste time on additional commentary, she moved into the Executive Session for planning purposes for trustees, and to expand that scope of that Executive Session to include as many of the partners as possible. There will be a brief time where it will just be trustees, and we will move on with counsel from the Trust Land Office, and Gene Hickey in the room. She asked for a trustee to read the motion so we can consider going into Executive Session.

EXECUTIVE SESSION

MOTION: Per AS 44.62.310(c) (1), (c) (2), a motion that the Special Full Board of Trustees meeting move into Executive Session to discuss confidential matters pertaining to commercial real estate, the immediate public knowledge of which would clearly have an adverse effect upon the finances of a public entity. No decisions will be made in the Executive Session. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE STURGEON.

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

CHAIR HALTERMAN stated that for now we will just have legal counsel and the trustees present.

(Executive Session from 1:56 p.m. until 4:46 p.m.)

MR. WILLIAMS stated that in the room ready to go is the TAO/TLO staff, our guests from the Department of Health, The Arc, and others.

NOTICE OF RETURN FROM EXECUTIVE SESSION: For the record, myself, my fellow trustees, members of the Trust Authority and Trust Land Office are returning to the Special Full Board meeting from the Executive Session. We did not make any decisions during the Executive Session. The statement was made by TRUSTEE BOYLES.

CHAIR HALTERMAN asked for a motion.

PURCHASE OF THE ASSOCIATION OF RETARDED CITIZENS

MOTION: A motion that the Alaska Mental Health Trust Authority offer to purchase from the Association of Retarded Citizens of Anchorage any and all buildings, improvements, furniture, fixtures and equipment owned by The Arc located at the premises they lease from the Alaska Mental Health Trust Authority/Trust Land Office under the Lease No. 02138 and any amendments thereto, and terminate the existing lease for the premises being Lease No. 502130, and enter into a new lease under the following terms and conditions: A, purchase price for the buildings, improvements, furniture, fixtures, and equipment for \$1 million; B, AMHTA will provide a deposit to Arc at agreement of sale signing that will permit Arc to operate for a minimum of three months in an amount not to exceed \$300,000 that The Arc can use immediately for current operations and which will be a credit to the amount owed by AMHTA at closing; C, Arc warrants it has good and marketable title to the buildings, improvements, furniture, fixture and equipment (FFE); D, Arc will convey the buildings and improvements by General Warranty Deed or other agreeable documentation to be determined by AMHTA/TLO's sole and absolute discretion; E, Arc has authority to enter into this purchase agreement and does so freely and voluntarily; F, AMHTA can inspect and inventory the buildings, improvements and FFE or waive such inspection; G, closing to take place within 90 days; H, termination of Lease No. 02130 and any and all amendments thereto; I, a new lease agreement entered into between the Alaska Mental Health Trust Authority/Trust Land Office, as lessor, and Arc, as lessee, for the same buildings, improvements, furniture, fixtures, and equipment for a below-market value lease authorized under existing AMHTA/TLO regulations and under the following terms and conditions: 1, Arc is responsible for maintaining buildings and improvements except structural repairs for the term of the lease; 2, AMHTA is responsible for structural repairs, including the roof, but not HVAC; 3, Arc is responsible to replace FFE as necessary to carry out its operations and to keep the same level of services currently offered to its clients, and at lease termination, any FFE purchased or replaced by Arc after the closing on the real estate passes to AMHTA without further consideration; 4, the new lease will consist of the least amount of land necessary for The Arc to operate with applicable parking, thus leaving the remainder of the premises available to AMHTA/TLO for other uses; 5, lease term is seven years, subject to renewal, upon mutually agreeable terms by AMHTA/TLO and The Arc; 6, the lease will automatically terminate if The Arc ceases business operations, fails to provide the current level of services to The Arc patients/residents, or transfers its operations to another entity without the express prior approval by AMHTA, and the lease will terminate for any violation/breach by Arc. The lease may be terminated at any time on the mutual agreement of both parties. 7, The Arc will be responsible for all nonstructural repairs and maintenance of the buildings and common areas. Commercial general liability insurance claiming AMHTA/TLO as additional insureds in an amount not less than \$1 million per occurrence and \$2 million in

the aggregate; fire and casualty replacement cost insurance in the amount of at least \$1 million for building and improvements and \$500,000 in contents naming AMHTA/TLO as loss payees; professional liability insurance in an amount of at least \$1 million per occurrence and in the aggregate, and utilities and taxes, if an. 8, it is the express intent that the lease is a triple net lease; 9, such other terms and conditions as mutually agreed to by AMHTA/TLO and Arc. The motion was made by TRUSTEE MORRIS; seconded by TRUSTEE BOYLES.

CHAIR HALTERMAN asked if there was any conversation or questions from trustees. Hearing none, she called for the vote.

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

CHAIR HALTERMAN noted that the motion passed, and asked if there was any other business.

MR. WILLIAMS asked about the short-term need of The Arc, and how to accommodate that.

MR. HICKEY replied that it will be upon agreement and signing. It will be incumbent upon the parties to get together and get that agreement done with the understanding that May 1st was The Arc's date of needing the cash infusion. So once that agreement is signed, they would have the access to that \$300,000 earnest deposit from the Trust to The Arc.

MR. WILLIAMS asked if that would meet the needs of The Arc to be able to continue the path forward towards what has been discussed.

MR. CORYELL answered that he believed so.

MS. FARLEY stated that in looking at the calendar and trying to figure out when we could get funds into The Arc, if they are due on May 1st, a wire could be immediate. The ACH process is one to three days.

MR. CORYELL stated that the May 1st shutdown allowed for funds to pay bills that would be part of the shutdown. There is not a liquidity need if we know liquidity is coming on May 1st. There is a scheduled board meeting tomorrow where this issue will be nearly the only thing that will be discussed. He stated that the timetable is probably satisfactory.

MOTION TO ADJOURN

CHAIR MORRIS called for a motion to adjourn.

MOTION: A motion to adjourn the Special Full Board of Trustees' Meeting was made by TRUSTEE MORRIS; seconded by TRUSTEE STURGEON.

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

(AMHTA Special Full Board meeting adjourned at 4:59 p.m.)