

**ALASKA MENTAL HEALTH TRUST AUTHORITY  
FINANCE COMMITTEE MEETING  
HYBRID/WEBEX  
October 16, 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:**

John Morris, Chair  
Anita Halterman  
Corri Feige  
Agnes Moran  
Kevin Fimon  
Brent Fisher  
Rhonda Boyles

**Trust Staff Present:**

Allison Biastock  
Katie Baldwin-Johnson  
Julee Farley  
Miri Smith-Coolidge  
Michael Baldwin  
Eric Boyer  
Kat Roch  
Kelda Barstad  
Debbie DeLong  
Valette Keller  
Tina Voelker-Ross  
Eliza Muse  
Janie Caq'ar Ferguson  
Carrie Predeger  
Luke Lind

**Trust Land Office staff present:**

Jusdi Warner  
Jeff Green  
Sarah Morrison  
Brittany Williams  
Mariana Sanchez  
Blain Alfonso

**Also participating:**

Gene Hickey; Steve Sikes; Rep. Julie Coulombe; Rep. Justin Ruffridge; Chris Orman; Stephanie Hopkins; Rep. Mike Prax; Kathy Craft.

## PROCEEDINGS

### CALL TO ORDER

CHAIR MORRIS called the meeting to order and began with a roll call. He asked for any announcements. Hearing none, he asked for a motion to approve the agenda.

### APPROVAL OF AGENDA

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

*There being no objection, the MOTION was APPROVED.*

CHAIR MORRIS asked for any ethics disclosures. Hearing none, he moved to the approval of the minutes from July 30, 2024.

### APPROVAL OF MINUTES

**MOTION:** A motion to approve the minutes from July 30, 2024, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FEIGE.

*There being no objection, the MOTION was APPROVED.*

### STATUTORY ADVISOR UPDATE

CHAIR MORRIS stated that Deven Mitchell, the executive director of the Alaska Permanent Fund Corporation, would be talking about some details on the management of the Trust endowment.

MR. MITCHELL stated that he has been the CEO of the Alaska Permanent Fund Corporation for about two years, with a professional institutional investment management team consisting of eight asset classes that place money primarily in the United States, and also around the world. He continued that it is a sophisticated institution with a target rate return of CIP+5, so inflation plus 5 percent, which is recognized as a high target, and is difficult to hit through all markets. He stated that they would see a little less volatility in the performance of the investment of the Trust, with an impact on the good side, but also on the bad side. APFC stays closer to the CPI+5 target and having a regular recurring return. He went through an overview of the mission and vision of the corporation, which aligns with the Mental Health Trust Authority. He stated that they have the ability to invest money for similar public fund accounts and manage not just the funds at the Alaska Mental Health Trust, but as of two years ago, the Power Cost Equalization Endowment. The Fund wants to deliver outstanding returns for the benefit of all generations of Alaskans. He continued through the presentation, explaining and answering questions as he went along. He summarized the Trust's \$734.8 million total value with about 10 percent of that, \$75.2 million available, and realized earnings and earnings deposits. He laid out the framework that was discussed, and added that they adhere to their statutory mandate to invest the Mental Health Trust moneys alongside the Permanent Fund in a fashion that adheres to the statutory requirements, which are the key words the Permanent Fund tries to live by in representing both the Fund, as well as the Trust.

CHAIR MORRIS thanked Mr. Mitchell for the generosity of his time and stated appreciation for his expertise. He recognized Steve Sikes for the Treasury update.

## DEPARTMENT OF REVENUE/TREASURY UPDATE

MR. SIKES introduced himself as a State investment officer with the Department of Revenue in Juneau. He stated that the goals of his presentation were to review the FY24 performance for the assets of the Mental Health Trust, and also to review how the Alaska Retirement Management Board manages its real estate separate account portfolios. He stated that the Department of Revenue currently manages over \$54 billion, with approximately \$34 billion of that being the defined benefit assets of the Alaska Retirement Management Board. Another \$10 billion is defined contribution assets; and the remaining \$10 billion is other assets of State funds, which includes the Alaska Mental Health Trust assets. He moved to an overview of the assets that DOR manages for the Trust, and gave some history between the Fund and the Trust. He talked about the Alaska Mental Health Trust Reserve, which is a segregated account with the investment accounts internally managed by DOR staff. He then moved on to discussing the performance and the fees, which are approximately 11 basis points. He spent time explaining how real estate is invested in, and specifically the separate accounts.

TRUSTEE BOYLES stated that the Board would be interested in seeing a proposal from DOR to better educate this board with advice for asset allocation.

MR. SIKES replied that he would work with Ms. Farley to make sure that presentation occurs.

TRUSTEE BOYLES stated that April would be preferable.

CHAIR MORRIS thanked Mr. Sikes for sharing his expertise and experience, particularly in managing real estate, and called a break.

(Break.)

CHAIR MORRIS moved to the Approvals of the TLO fiscal year '25 commercial real estate budget amendment, and asked for a motion.

## APPROVALS

**MOTION:** The Finance Committee recommends that the Trust Authority Board of Trustees approve amending the previously approved fiscal year 2025 Commercial Real Estate/Program-Related Real Estate budget to include a \$180,000 expenditure this fiscal year for a rooftop mechanical unit at the Amber Oaks asset. The expenditures made in connection with this request will be paid from rents and/or reserves held at the property-level accounts, with no further funding necessary from the Trust Authority. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

E.D. WARNER recognized David MacDonald.

MR. MacDONALD explained that between 12 and 18 months ago there was a need for a new air conditioning unit at the Amber Oaks project. It was ordered, delivered, and just installed last month. He stated that it had been approved in a prior budget; ordered last year; but delivered this year. So the expenditure falls in this year. The CFO had brought up including all expenditures in the current year's budget, and this motion is an attempt to accommodate the CFO's request.

TRUSTEE FEIGE asked, in terms of supply chain, how they were doing broadly, and if some of the supply-chain issues were still absorbed since COVID.

MR. MacDONALD replied that the market has improved dramatically in that regard across the board, but there are still instances where it happens.

CFO FARLEY asked about when the State of Alaska required funds to be available and recorded in the books when the order was placed.

MS. MORRISON replied that when expending State funds at the State versus at the LLCs, when a purchase order is placed, it is at that point that an encumbrance is placed against that operating budget. That is pertaining to the State, but it is different from the way property managers manage at the LLC level.

MR. MacDONALD added that the request came in to do it a certain way, and we like to try to do it that way.

CHAIR MORRIS asked for any further commentary on the rooftop unit. Hearing none, he called the question.

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

#### **CENTRAL FACILITY FUND APPROVAL**

**MOTION:** The Finance Committee recommends that the Trust Authority Board of Trustees approve funding and instruct the CFO to transfer up to \$75,000 to the third-party property manager, as requested by the TLO, for capital expenditures of the Trust Authority Building from the Central Facility Fund for the fiscal year 2025. The expenditures made in connection with this request shall amend the Fiscal Year 2025 Expenditure Budget previously approved by the Board of Trustees. The motion was made by TRUSTEE FEIGE; seconded by TRUSTEE HALTERMAN.

E.D. WARNER recognized Mr. MacDonald.

MR. MacDONALD stated that this motion pertains to the fire panel in the TAO building which is failing. If it fails, per city code, the building would not be safe to occupy. There are lease obligations to provide a functioning space to other tenants, and we want to handle the replacement of the fire panel right now to make sure we remain in compliance and the building continues to be safe to occupy with the fire systems working intact. He continued that there was a proposal for the item through Colliers which adds a construction management fee. There is a contingency in case there is anything that comes up at the time of the installation requiring additional charges. The total requested today is \$75,000. He added that this also changes the budget, if approved, because this would exceed the LLC account.

A brief discussion ensued.

CHAIR MORRIS asked for any other comments or questions. There being none, he called the question.

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

## **FY25 PAYOUT FROM THE ALASKA PERMANENT FUND CORPORATION BUDGET RESERVE**

**MOTION:** The Finance Committee recommends that the Full Board of Trustees authorize the transfer of \$32,398,600 from the Alaska Permanent Fund Corporation Budget Reserve account to the Mental Health Settlement Income account to finance the Fiscal Year 2025 budget. The CFO may fulfill this motion with one lump sum or multiple transfers, and a full transfer must be made prior to June 30, 2025. The CFO will report to the Finance Committee when the transfers are made. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FEIGE.

CFO FARLEY stated that everything was covered in the memo.

TRUSTEE HALTERMAN made a statement and observation giving a bit of background about the 4.25 percent draw because this is a public meeting, and people are listening online.

CHAIR MORRIS noted that the background information is also available online. He recognized CFO Farley.

CFO FARLEY noted that the annual payout transfer reflects the calculation which is a very prescribed calculation reflecting the four-year average of the balances held at the Alaska Permanent Fund Corporation and at the Department of Revenue, the budget reserve account. She went through the math that created the rate, which was reviewed by Callan, the external consultant, who reviews that rate to ensure that there is equity between current generations, current beneficiaries, and future beneficiaries. The rate is 4.25 percent, which is subject to review, and there may be a different number next year.

A brief discussion ensued.

CHAIR MORRIS asked for any further comments or questions. There being none, he called the question.

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

## **FUND 3320 BALANCE**

**MOTION:** The Board of Trustees approve the removal of a target level for the Trust Authority Development Account, TADA, the GeFONSI Fund 3320, and authorizes the Chief Financial Officer to transfer funds in TADA to the Trust's Investment Fund as principal managed as part of the Alaska Permanent Fund, with a minimum transfer of \$500,000. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE FEIGE.

CFO FARLEY stated that this is a housekeeping matter. There were previous motions that established a minimum balance in this account to fund trustee-approved obligations. At this

point, those obligations have been met, and there is no longer a need to maintain a balance in this account, which means that all principal revenue that the TLO earns would be sent directly to the principal account at the Permanent Fund.

CHAIR MORRIS asked for any questions or comments. There being none, he called the question.

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

## **STAFF REPORT ITEMS**

### **FY24 DASHBOARD AND TRUST PERFORMANCE REVIEW**

CFO FARLEY stated that she and Sarah Morrison would present different parts of the review. She continued that it was the year-end dashboard which is an important part of the accounting process to present through June 30<sup>th</sup> to close out the year. She began with the different levels of expenditures and added that they were under budget. The Authority Grants would continue getting processed and paid out in subsequent years. She continued through the review, answering questions as she went along.

MS. MORRISON spoke about some of the money coming in under budget and noted that several vacancies were experienced in the spring. She moved on to the capital projects and explained that it was a very good year for the TLO.

CFO FARLEY continued through the commercial real estate and then the GeFONSI interest. She talked through the list of investments, explaining and answering questions as she went along.

CHAIR MORRIS thanked CFO Farley and Ms. Morrison, and continued to the Approvals regarding Commercial Real Estate.

## **APPROVALS**

### **COMMERCIAL REAL ESTATE**

**MOTION:** The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees authorizes and directs the Trust Land Office to take necessary and prudent steps to a.) earn interest income on cash held at third-party bank accounts opened and managed by the TLO in their role as Operating Manager of the LLCs that own Trust commercial real estate; b.) manage cash balances with an awareness of FDIC limits and maintain cash balances above FDIC limits only when protected by IntraFi, conversion to Treasury bills or other equivalent recommended instruments; and c.) to establish that third-party banks for all commercial-real-estate-related bank accounts will provide monthly bank statements directly to the Trust CFO no later than 10 business days after end of the month. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

TRUSTEE FEIGE had a point of order on the language of this motion. She had a question about whether it was conforming. She asked if it should not be that the Finance Committee is advising the Board to then direct the TLO, which is a housekeeping question that she had earlier on.

CHAIR MORRIS stated appreciation to Trustee Feige for pointing that out before the meeting,

and noted that the motion as read incorporated her suggestion about conforming language.

TRUSTEE FEIGE replied that that was different from what she was looking at from the packet previously.

CHAIR MORRIS stated that based on her feedback they were still operating under the 2017 operating agreements for charters and bylaws, which requires voting on everything twice. He did not think there was enough time in this meeting to hash out voting on everything twice and took the path of least resistance to simply agree to vote on things twice, assuming that this is approved on the first vote.

TRUSTEE BOYLES thanked that Chair, and asked who was on the Finance Committee.

CHAIR MORRIS replied all of the trustees.

TRUSTEE BOYLES assumed this motion resulted from a heavy work session behind the scenes, and asked if Ms. Warner was part of that.

E.D. WARNER replied that she saw the motions after she requested them of the Trust Authority and was denied. She then asked Trustee Morris, and CFO Farley and Chair Morris sent them to her a day before the packet was public-noticed.

CHAIR MORRIS replied that it is the product of a work session, and the TLO expressed that they required the direction of the entire Board to take the steps listed in this motion.

TRUSTEE BOYLES asked Ms. Warner if she can live with the changes and still manage the cash flow and the cash-flow needs.

E.D. WARNER replied that there were two things here that needed to be separate for context. Chair Morris was looking for having the TLO utilize sweep accounts for two reasons: One was to ensure that cash balances remain below \$250,000, which was FDIC insured; and the other was to generate income from the cash sitting at the property level. She stated that the TLO, under the LLC agreement, has the authority and responsibility to pay out of those accounts for rents and anything else that comes into those accounts. She continued that the TLO was not responsible, nor should they be, and it is not mentioned in the LLC agreement that the TLO should be making money on the cash that sits at the property level. She added that the cash levels should be minor in the property accounts and should be kept to a minimum balance. She stated the need for a strong agreement that the TLO could receive money from the Trust Authority when it is needed to fulfill the obligations under the LLC agreements for those assets themselves. She added that they work hard to minimize cash balance, which is difficult due to capital expenditures that do not come in when they are expected. Separate accounts have been created to make sure there is transparency, and that the FDIC limit is met. She stated that she sent a memo with the overall recommendation from the TLO that as long as there was a strong policy in place that would allow funding to transfer from the Trust in a timely commercial-real-estate-esque manner, where they could uphold their duty in the LLC agreement, that the cash should be sent over to the Trust to manage in ways that may generate more revenue.

TRUSTEE BOYLES stated that she is one member of the Trust and is empathetic to cash-flow management. She is also empathetic to having an old overarching mission to take care of

beneficiaries and to manage the money so that legislative audits and risks are addressed. She would like to hear from the chairman of Legislative and Audits & Risk.

TRUSTEE FIMON, chair of the Audit & Risk Committee, replied that they heard, in the work session the needs and timing, and they have tried to reconcile what was looked at from an accounting standpoint versus operations in the real estate management world. He stated that they are trying to bring that all together in a way that is workable from both sides.

The discussion continued.

**MOTION:** A motion was made to table this requested Motion No. 1. The motion was made by TRUSTEE BOYLES; seconded by TRUSTEE MORAN.

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

**MOTION 2:** The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees authorizes and directs the Trust Land Office to distribute excess operating cash above trailing three months' operating expenses held at the Commercial Real Estate bank accounts to the Trust and provide a detailed analysis and reconciliation of property cash flow to this monthly CRE distribution amount to the CFO. Amounts held in property capital reserve bank accounts should not exceed budgeted capital expenditures approved by Trustees, adjusted for any actual expenditures during the fiscal year. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE HALTERMAN.

CFO FARLEY stated that they heard from Mr. Sikes with the Department of Revenue about the ARM Board real estate. He detailed the process to send funds to the owners with a few slides: Three months of expenses as a starting point in prior discussions with him, and it was reduced to one month of expenses as the amount of cash. Allowing of the three months is a generous allowance of cash.

E.D. WARNER stated that regarding the TLO, there is one person working on this, and another one is unable to be hired because it would be a short-term job and there is no one interested in short-term. The TLO can manage the checking accounts to pay the bills, but not for the cash to make money.

The discussion continued.

TRUSTEE BOYLES stated that a lot of work and thought went into this, but she could not support this motion. Philosophically, she agreed with it; there is a fiduciary responsibility, but there is a problem in the process.

**MOTION:** A motion to table the motion was made by TRUSTSEE BOYLES; seconded by TRUSTEE MORAN.

CHAIR MORRIS pointed out that if this motion were to be tabled, which exists for most of the reasons given to table the first motion, they would have successfully concluded that they would



continue to have checking accounts that exceed the FDIC balance earning no interest, and no process for bringing distributions regularly back to the Trust.

TRUSTEE FISHER stated that trustees, and he as Chair, are very much in favor of managing the assets, whether they be real estate, real assets, or cash or cash-equivalent assets. He continued that the question is if this was something the Board needs to get involved with, or if they are operations procedures that should be easily resolved. Several solutions have been heard, and people sound like they are willing to work together in making sure that cash is available to make good management decisions regarding the properties, and to manage the cash when it is available. He added that those procedures need to be fixed, but are not motions that need to be approved at the trustee level.

CHAIR MORRIS agreed entirely. Unfortunately, he noted, in looking at the checking account balances from the past few years, they run a few million dollars, and using the 4.5 to 5 percent risk-free return rate, a few hundred thousand dollars have been left on the table.

The discussion continued.

TRUSTEE HALTERMAN reminded all that she was 1/7<sup>th</sup> of a vote for the Board. As a trustee, 1 of 7, we do not have the right to give direction to staff on behalf of the entire Board outside of these meetings.

TRUSTEE MORAN asked to call the question.

CHAIR MORRIS called the question to table Motion 2.

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

CHAIR MORRIS asked Ms. Warner about the status in lieu of putting the motion forward. He understood that all properties had not been listed, and asked the reason for not listing two of the properties.

E.D. WARNER replied that four properties had been listed. She continued that Amber Oaks has a loan lockout, which is the reason that property had not been listed. Regarding North Park, they were working on getting the tenancy up before listing that property.

TRUSTEE FEIGE asked for an explanation on the loan lockout, and how that was a barrier to listing the property.

MR. MacDONALD replied that the loan could not be paid off prior to September 2026. He stated that it has a low amount of leveraging on it, and we have to wait until the loan lockout period expires.

CHAIR MORRIS asked for any other questions on the topic of the listing. He asked for a trustee to read the amended motion.

**MOTION:** The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees directs the CEO and the CFO to promulgate a new CFO description which clarifies oversight of CRE-related financial matters. The motion was made by TRUSTEE FIMON; seconded by TRUSTEE FEIGE.

TRUSTEE FIMON read the motion again for clarification.

**MOTION:** The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees directs the CEO and CFO to promulgate a new CFO position description which clarifies oversight of commercial-real-estate-related financial matters.

CFO FARLEY stated that her current position description was written for the CFO to serve as a liaison to the Alaska Permanent Fund Corporation, the Department of Revenue, and the Trust Land Office. Her liaison role with the Permanent Fund and the Department of Revenue was one in which information is received on a regular basis, detail is promptly provided when requested, and there is a good working relationship with both. Regarding commercial real estate, requesting the monthly property financials is a long process which was finally received in August, and the requests may have started in May. When she was initially hired, it was made clear by the former CEO and by the executive director of the TLO that the CFO did not have oversight of commercial real estate, which was a reason for the friction with the previous CFO. It was made clear that she did not have oversight. Having this clarity will improve and provide basis and support for her request that it is authorized by the full Board and not just through the Chair of the Finance Committee. She added that currently she is operating solely under the direction of the Chair of the Finance Committee, and this would provide a better clarification of her role.

A discussion ensued.

CHAIR MORRIS called the questions.

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

CHAIR MORRIS asked for a motion to adjourn the meeting.

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

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

CHAIR MORRIS thanked all and adjourned the meeting.

(Alaska Mental Health Trust Authority Finance Committee meeting adjourned at 12:45 p.m.)