Trust
Alaska Mental Health
Trust Authority

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To: Brent Fisher, Chair
Through: Mary Wilson, Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: August 26, 2026
Re: Finance Committee Report

Meeting Summary

The Finance Committee met on July 30, 2026. The meeting was attended by Committee Chair John Morris, members Anita Halterman, Kevin Fimon, Board Chair Brent Fisher (ex-officio, virtual) and Trustee Agnes Moran (virtual).

Inflation Proofing Discussion

Mr. Steve Center stated that inflation proofing refers to the framework for preserving principal and provided an overview of two inflation proofing methodologies for Trustee consideration: 1)the Inflation Proofing model similar to APFC which focuses on principal, and 2) the Endowment Model which looks at the total assets to maintain intergeneration equity. Mr. Center reported that the Trust's investments and spending have resulted in the Trust's investments being slightly ahead of the Inflation Proving Target. However, when the principal is considered on a stand-alone basis, in a manner similar to how is done for APFC, that calculations show that inflation proofing transfers have not been sufficient to inflation proof the principal. Although APFC is legislatively required to conduct inflation-proofing appropriations, the Trust is not required to conduct similar transfers. Mr. Center introduced the concept of a Real Value Fund Ratio to help evaluate the inflation proofing and, following the meeting, he provided Trustees a calculation showing the Real Value Funded Ratio of 0.73 at June 30, 2025. A ratio of 1.0 would indicate inflation proofing was achieved.

Asset Management Policy Review

This agenda item was covered into the Inflation Proofing discussion, as Inflation Proofing is currently part of AMPS.

Commercial Real Estate Update with RCLCO

Natalie Condon, Associate at RCLCO, provided an update on the remaining CRE properties, North Park and Amber Oaks, to include recent appraisals and business plans, and FY26 budget-to-actual reporting. Details of this discussion were provided in executive session.

Financial Update

Julee Farley, CFO, and Kat Roch, Budget Controller, presented the FY26 financial dashboard through May 2026. Kat Roch reported that the FY26 Trust Authority agency budget was 79%

expended, or $4.3 million; MHTAAR was 53% expended, or $5.4 million, and Authority Grants were 44% expended, or $9.4 million. The spending on prior year Program Activity and capital was also reviewed. CFO Julee Farley reported that TLO expenditures of $3.6 million, $4 million of income (which includes $1.3 million of income collected in FY25), and $10.8 million of principal. The current expected lapse for the TLO agency budget is expected to be $200k. Year to date capital project spending is at $1.1 million with most of that relating to Icy Cape and the Mineral Project.

Continuing, CFO Farley reported that investments managed by APFC and DOR continue to do well with fiscal year to date returns of 11.9% and 14.7%, respectively. FY26 Commercial Real Estate distributions total $1.6 million through May. Trust investments total $940 million at the end of May. Available reserves as a percentage of the annual payout is at 484%. Market fluctuations and the approval of the FY28 budget in August will impact this number.

CFO Farley reported an available revenue estimate of $52.6 million in available funding for FY28 with the largest component of $35 million coming from the 4.5% spending rate of investments.

Board Action Required. *The Finance Committee recommends the following motions:*

***Motion 1*: FY 2027 MH Budget Bill Ratification**

Trustees approved $23,524,100 in MHTAAR and MHT Admin funds for the FY2027 Mental Health Budget Bill. The legislature appropriated $381,000 additional funds for certain MHTAAR and MHT Admin positions, representing an approximate 2% increase in personnel costs.

The Board of Trustees authorizes ratification of the Legislature's FY2027 MHTAAR and MHT Admin budget amounts as appropriated and therefore increases previous FY2027 Trustee authorization by $381,000.

***Motion 2*: FY27 Payout Transfer**

CFO Farley presented the calculation supporting the FY27 payout which was previously presented in support of the FY27 budget development. The calculation is based on a 4 year average of investments managed by APFC and DOR, and a 4.5% payout.

The Board of Trustees authorizes the transfer of $34,290,600 from the Alaska Permanent Fund Corporation Budget Reserve account to the Mental Health Settlement Income Account to finance the FY2027 Budget. The CFO may fulfill this motion with one lump sum or multiple transfers, and the full transfer must be made prior to June 30, 2027. The CFO will report to the Finance Committee when transfer(s) are made.

***Motion 3*: FY28 Trust Authority Office MHT Agency Budget Authorization**

Staff presented the proposed FY28 Trust Authority Office Agency budget based on anticipated activity levels of the Trust. The FY28 proposed budget reflects a net increase of $411,200, or 7%, over the FY27 Trust Authority Office MHT Agency budget.

The Board of Trustees authorizes the FY28 Trust Authority Office MHT Agency budget of $6,335,900.

***Motion 4*: FY28 Trust Land Office Agency Budget Authorization**

TLO presented the proposed FY28 Trust Land Office Agency budget based on anticipated activity. The proposed FY28 budget reflects a net increase of $244,500, or 4%, over the FY27 Trust Land MHT Agency budget, excluding the M&O budget.

The Board of Trustees authorizes the Trust Land Office agency budget for FY28 in the amount of $5,786,900.

***Motion 5*: FY28 Trust Land Office Operations &Maintenance Budget Authorization**

TLO presented the proposed FY28 O&M budget based on certain Trust owned property including the Trust Authority Building, Cordova, 3710 E. 20th, and a reserve fund for repairs and a fire alarm system upgrade for the Trust Authority Building. The FY28 proposed budget reflects a net increase of $130,500, or 10%, over the FY27 budget (including the supplemental) for TAB, Cordova and 3710 E. 20th, with an additional annually recurring $83,500 for the TAB reserve fund.

The Board of Trustees authorizes the FY28 operations and maintenance budget in the amount of $1,518,500

***Motion 6*: FY27 Supplemental Budget Authorization**

TLO presented the proposed FY27 Supplemental O&M budget for certain Trust owned property including the Trust Authority Building, Cordova, and 3710 E. 20th. This FY27 supplemental request reflects an increase of 10%, over the previously approved FY27 O&M budget, plus additional O&M budget for 3710 E. 20th for the anticipated vacancy.

The Board of Trustees authorizes the FY27 supplemental of $408,700 for maintenance and operations.

***Motion 7*: FY27 Supplemental Budget Authorization**

TLO presented a FY27 Supplemental O&M budget to provide 10% contingency funding for the Trust Authority Building Renovation Project contracts that total $904,851.

The Board of Trustees authorizes FY27 supplemental $90,500 to provide contingency funding for the Trust Authority Building Renovation Project.

***Motion 8*: FY27 Supplemental Budget Authorization**

TLO presented a FY27 Supplemental O&M budget for the Trust Authority Building to cover potential tenant improvement allowance of $35 per square foot, with the final allowance amount to be negotiated with the tenant.

The Board of Trustees authorizes FY27 supplemental of $439,700 to fund tenant improvements. This will be included in the Trust Land Office budget as a capital budget item.

***Motion 9*: Rescind the August 2025 motion related to the TAB Renovation**

Trustees approved funding for the Trust Authority Building (TAB) renovation project in August 2025. Since then, there has been a significant reduction in the funding required for the construction contracts. The TLO FY26 unexpended funds were sufficient for the project's mechanical contracts. The remaining needs will be requested as separate TLO budget items, starting with the FY27 supplemental. At the direction of the Trust Authority, the TLO requests that the motion be rescinded.

The Board of Trustees rescinds its motion from August 27, 2025 concerning the funding needed and approved for the TAB mechanical equipment in the amount of $3,254,788 and the Board's motion made at its May, 2026 meeting which amended the August 27, 2025 motion by permitting expenditures to occur in FY 26-28.

The next Finance Committee meeting is ***October 15, 2026.***