



Trust
Land Office

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To: John Morris, Chair
Finance Committee
Thru: Mary Wilson, Chief Executive Officer
From: Jusdi Warner, Executive Director
Date: 7/30/2026
Re: FY27 Supplemental
Fiscal Year: 2027
Amount: \$938,900

Approval

Proposed Finance Committee Motion:

"The Finance Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the FY27 supplemental of \$408,700 for maintenance and operations"

"The Finance Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the FY27 supplemental of \$90,500 to provide contingency funding for the Trust Authority Building Renovation Project."

"The Finance Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the FY27 supplemental of \$439,700 to fund tenant improvements. This will be included in the Trust Land Office budget as a capital budget item."

Background:

Maintenance and Operations

The Trust Land Office (TLO) included operating and maintenance costs (O&M) for the Trust Authority Building (TAB) and the Cordova Building in the FY27 TLO budget per AS 37.07.020 (e). These costs are included in the budget regardless of any offset provided through rents. The amounts included for FY27 were based on the FY26 budgets for these properties which were the most recent budgets available at that time. These budgets were updated prior to the start of FY27 and due to anticipated cost increases, it is necessary for TLO to request an FY27 supplemental. Moving forward, the TLO will include a 10% escalation in subsequent budget years to eliminate the need for supplemental requests for operating and maintenance.

Additionally, due to the anticipated vacancy of 3710 E. 20th Avenue, O&M costs for this property must be added to the TLO operating budget in FY27 and FY28. The detail for the request is shown below

FY27 Maintenance and Operations Funding

	FY27 Original	FY27 w/Supplemental	FY27 Supplemental Request
Cordova	527,100	561,200	34,100
TAB	368,700	428,800	60,100
3710 E. 20th	-	314,500	314,500
Total	895,800	1,304,500	408,700

Funding Authority Changes

The Trust Land Office (TLO) has historically requested funding for projects outside of the operating budget (project funding). Following trustee approval, the Trust Authority was able to establish a project appropriation which the TLO could access through multiple means. Approval by the Legislature was not required. The TLO operating budget, however, following approval by trustees, ultimately must be approved by the Legislature. This is required because it is part of the administration of the Trust.

During the funding setup process for the TAB renovation project, the attorney for the Office of Management and Budget (OMB), determined that program-related real estate (PRRE) expenditures meet the definition of administration of the Trust due to their status as a non-investment property. As a result, the TAB renovation project can only be funded with funds approved by the Legislature. This necessitated a significant change in approach.

The TLO must request that trustees again approve project funding so that it may be included in the TLO budget and approved by the Legislature. This will satisfy the legal requirement to use legislatively approved funds. The detail to each part of the project funding is delineated below.

Trust Authority Building Renovation

The Trust Authority Building (TAB) renovation is comprised of three contracts (controls installation, boiler room upgrade, and air handler) totaling \$904,851. Due to funding authorization issues and the timing horizon for the project, it was necessary that the TLO allocate funds from its FY26 operating budget to move the project forward. These funds would have otherwise lapsed. For FY27, supplemental funding is needed in order to provide for contract contingencies. The TLO requests 10% of the contract total, \$90,500, to fulfil this need. For ease, since this funding is for contracts encumbered against the operating budget, this contingency funding will also be included in the operating budget. Please note that the original funding approved in August 2025 included an

estimate for these contracts of \$1,980,048. If the funding already approved by trustees had been accessible, it would not be necessary to request these contingency funds. This request is to get the funding included in the TLO's budget which will ultimately be approved by the Legislature.

The following table provides project funding detail.

TAB Renovation Contracts

Contract	Amount	10% Contingency	Adjusted Total
Air Handler	\$ 377,442	\$ 37,744	\$ 415,186
Boiler Room Upgrade	\$ 207,881	\$ 20,788	\$ 228,669
Controls Installation	\$ 319,528	\$ 31,953	\$ 351,481
Total	\$ 904,851	\$ 90,485	\$ 995,336

Tenant Improvements

The funding for the TAB renovation project approved in August 2025 included \$439,720 for tenant improvements for the area occupied by the Anchorage School District in anticipation of the relinquishment of their lease. The tenant improvement will allow the Trust to provide an allowance to a new tenant to build out the space to suit their use. The estimate is based on an allowance of \$35 per square foot (12,564 square feet available). The final allowance amount will be based on the lease terms negotiated with the incoming tenant. Any costs over this amount would be paid by the tenant. Although trustees have already approved this funding, it is necessary to get a second approval to include the funds in the TLO's FY27 budget which will be approved by the Legislature. This project meets the definition of capital and is appropriate to request as a capital budget item. This also allows funding to be available in FY27 and will not lapse until the project is complete. This is advantageous because it is currently unknown when a new tenant will be under contract.