

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held February 26, 2015 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Ben VanderWeele called the meeting to order at 1:00 p.m.

Board members present and establishing a quorum were:

Mr. Ben VanderWeele, Chair
Mr. John Schirack, Vice Chair
Mr. Al Poindexter, Board member
Mr. Chris Flickinger, Board member (telephone)
Mr. Troy Shelden, Board member (telephone)
Ms. Roxy Marcy, Board member (telephone)

Ms. Deidre Berberich was absent.

Staff in attendance was:

Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Officer I
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Amanda Swanson, ARLF Loan Officer
Ms. Olga Lotosh, ARLF Accountant
Mr. Erik Johnson, Natural Resource Specialist II

B. APPROVAL OF AGENDA

MOTION: Vice Chair Schirack moved to approve the agenda.

SECOND: Board member Poindexter seconded the motion.

No objections were received.

The agenda was approved.

C. PUBLIC COMMENTS/SESSION

(No members of the public made comments).

D. MINUTES OF PRECEDING MEETINGS

January 23, 2015 Draft Meeting Minutes

MOTION: Board member Flickinger moved to approve the minutes of January 23, 2015 with the correction made that Chair VanderWeele did not vote on the loans that were presented.

SECOND Board member Poindexter seconded the motion.

VOTE: The motion passed without objection.

E. CONFLICT OF INTEREST DISCLOSURES

Chair VanderWeele stated now is the time for conflict disclosures. You have the agenda outlining pending business and we will be going into executive session later to address loan requests. Does any member have a conflict to disclose relating to any business before the board?

- Board member Poindexter stated he is a peony grower and a peony grower loan will be discussed. AAG McFarlane asked Board member Poindexter if he had a direct financial interest and if there was any reason he could not vote fairly vote on the peony grower loan. Board member Poindexter stated no. AAG McFarlane stated that Board member Poindexter did not have a conflict.
- Chair VanderWeele stated he serves on the Alaska Rehabilitation Corp. (ARRC) Board and a loan applicant that is applying for an ARLF loan also has a loan with ARRC. AAG McFarlane stated that was not a conflict.

F. REPORTS/CORRESPONDENCE

Director Havemeister:

1. Division Update/Division Newsletter:
 - HB 059 – Marijuana Concentrates by Representative Seaton had a hearing on February 26, 2015.
 - Proclaim July 2015 as Alaska Peony Month – HCR 6 was introduced by Representative Guttenberg.
 - The 2016 budget was amended by Governor Walker on February 5, 2015 with budget reductions in all Departments.
 - The Department of Natural Resources (DNR) had \$5.9 million dollars in budget reductions. The Division of Agriculture was impacted by the elimination of four vacancies, three at the Plant Material Center and one vacancy from the Fairbanks Northern Region Office. In addition, the Natural Resource Conservation and Development Board (NRCDB) were eliminated from the DNR Commissioner's office.
 - Director Havemeister presented the Division of Agriculture power point to the House Resource Committee on February 9, 2015.
 - Director Havemeister presented the Division of Agriculture power point to the House Finance Subcommittee on February 19, 2015 after the Legislative Audit and Budget presented the Agricultural Revolving Loan Fund (ARLF) audit that was from 2013. Representative Pruitt stated that he has heard that loans are hard to get approved by the BAC. Director Havemeister stated in the seven years she has worked with the BAC that

a loan was not denied without due cause and the main goal of the BAC is to promote agriculture. The BAC does a good job and the Board members have the expertise in all areas of agriculture that enhance the decisions on loan applicants.

- The House Finance Subcommittee stated that Mt. McKinley Meat & Sausage (MMM&S) needs to be privatized. Director Havemeister testified that MMM&S is the only USDA facility in Southcentral and there has been no interest from the private sector to purchase the meat plant.
- The House Finance Subcommittee asked about the \$300,000 potato funds. Director Havemeister stated the funds will be expended with approximately \$100,000 to be returned to the general fund.
- The House Finance Committee asked for additional cuts for 8% to 12% above what Governor Walker's budget had reduced. Director Havemeister went to Juneau, February 17, 2015 and had a meeting with Commissioner Myers, Deputy Commissioner Rutherford, Deputy Commissioner Fogels and Support Service Director Jean Marie Davis. The Commissioner asked each Division in DNR for an additional \$500,000 out of the unallocated general fund budgets.
- Director Havemeister stated that after reviewing all the programs she offered the Potato program at the Plant Materials Center (PMC) for \$141,000, the Farm to School (FTS) program for \$181,000 and a vacant Development Specialist I position for \$96,200 from the inspection program that works with the timber industry for phytosanitary inspections.
- Director Havemeister stated that every Division is taking a dramatic hit, Oil & Gas is a revenue driver and fire protection is a safety issue. The Division of Forestry took a \$1.9 million dollar budget reduction.
- DNR received a draft budget from the House Finance Subcommittee that will be discussed at a hearing February 26, 2015 at 4:00 p.m. The draft budget included eliminating the FTS program and the vacant Development Specialist I position. The draft budget put back in the PMC Potato program as a one- time increment for \$147,600 and Mt. McKinley Meat & Sausage (MMM&S) as a one- time increment for \$2.047 million.
- Director Havemeister stated she will be attending meetings on Monday, March 2, 2015 with legislators.
- Director Havemeister attended the Delta Farm Forum on Saturday, February 21, 2015 and it was well attended.
- Director Havemeister stated a legislative audit regarding the 7% preference right the was requested by Representative Tarr in 2014. The Director met with legislative audit and explained our program. The

Division has worked hard with the Department of Commerce but the challenges are enforcement of the preference for exercising the 7%. The auditors were interested in MMM&S and their procurement of Alaska grown live animals, the information was provided to the auditors and a final report should be completed in April 2015.

Loan Officer Swanson:

2. Presented the ARLF Interest Rates

- Reviewed the current interest rates comparable to the ARLF rates.
- FSA lowered rate by ¼%.

3. Reviewed the Applications in Process

(The Board had no questions).

4. Asset Report

The February 2015 asset report was reviewed.

The ARLF loan officer will get a Broker's Opinion of Value on the Palmer Feed Mill Property and then list the property with a relator once a minimum prices has been established by the Board.

Alaska Farmers's Coop Delta

The Board held a discussion about the Alaska Farmer's Coop in Delta Junction.

Director Havemeister will send Mike Schultz from the Coop a copy of the appraisals.

The Hanson Road property appraised at a total value of \$735,000. The 20 acres of land was valued at \$48,000 and improvements were valued at \$687,000.

The Richardson Highway property appraised at a total value of \$154,000. The 1.6 acres of land was valued at \$45,000 and improvements were valued at \$109,000.

Board member Shelden stated the BAC could finance their improvements if the State still owned it. Board member Shelden indicated that this would be an opportunity to negotiate the lease with a buy back provision in the lease or the ability to recapture the profits for an increase in the buyback provision.

Loan Officer Swanson stated the Fellman property is listed with Mt. Hayes realty at \$400,000 list price, 230 acres.

ARLF Accountant Lotosh:

5. Financial Reports

The ARLF financials were reviewed.

AAG McFarlane:

6. Public Session Report

The public session report was presented.

Stated the Marijuana bills are having daily legislative hearings.

Board member Poindexter moved to go into executive session.

G. EXECUTIVE SESSION

The Executive Session for the Mugrage – S Loan, Rule – F Loan Modification, Fluetsch – F Loan Repurpose, Hawks Farm & Garden S - Loan and the Aging/Delinquency report included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Chris Flickinger (telephone), Board member Troy Shelden (telephone), Board member Al Poindexter, Board member Roxy Marcy (telephone), AAG Robert McFarlane, Director Franci Havemeister, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson.

PUBLIC SESSION

7. Mugrage Short-Term Loan Approved

MOTION: Vice Chair Schirack moved to approve the Scott & Julia Mugrage S loan as listed below:

1. \$75,000 in equity on property as collateral.
2. 50 breeding cows as collateral.
3. \$100,000.00 @ 3.00% payable by semi- annual payments on a one year term.
4. UCC Financing Statement.
5. 2nd Deed of Trust
6. Title Insurance
7. Property insurance with ARLF listed as mortgagee.

SECOND: Board member Poindexter seconded the motion.

VOTE: The motion passed with 5 yes votes. Board member Poindexter, Board member Flickinger, Board member Marcy, Board member Shelden and Vice Chair Schirack voted yes.

10. Hawks Farm & Garden Short-Term Loan

Approved

MOTION: Board member Marcy moved to approve the Hawks Farm & Garden Center, Inc. – S Loan as recommended by the loan officer:

1. \$100,000.00 @ 3.00% payable by five monthly payments beginning June 1, 2015 and continuing July 1, 2015, August 1, 2015, September 1, 2015 and October 1, 2015.
2. Secured by 2nd Deed of Trust on subject property.
3. Standard Lenders Title Insurance.
4. Property Insurance with ARLF as Mortgagee & Loss Payee.

SECOND: Board member Poindexter seconded the motion.

ROLL CALL

VOTE: The motion passed with 5 yes votes. Board member Poindexter, Board member Flickinger, Board member Marcy, Board member Shelden and Vice Chair Schirack voted yes.

H. NEW/OLD BUSINESS:

Vice Chair Schirack stated closing the Palmer correctional facility would affect inmate labor situation at MMM&S.

Potato Discussion: The discussion was tabled.

I. BOARD MEMBER COMMENTS:

Chair VanderWeele stated that the percentages of reducing funds from each Division in DNR does not sound fair, being that the Division of Agriculture has the smallest budget.

Director Havemeister stated that DNR was doing the best they could for the current situation and the Division will have to do more with less funding.

J. SET NEXT MEETING & AGENDA ITEMS:

The next meeting will be held on Thursday, April 30, 2015 at 1:00 p.m.

K. ADJOURNMENT: The meeting was adjourned at 4:05 p.m.