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**A. ESTABLISHMENT OF QUORUM AND ROLL CALL**

The regular meeting of the Board of Agriculture & Conservation (BAC) was held October 17, 2012 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. Stuart Davies, Board member  
Ms. Deidre Berberich, Board member  
Mr. Chris Flickinger, Board member  
Mr. Troy Shelden, Board member

Staff in attendance was:

Ms Esther Tempel, DNR Special Assistant (telephone)  
Mr. Curt Sandvik, Administrative Officer II  
for Franci Havemeister, Director  
Ms. Lora Haralson, Administrative Officer I  
Ms. Amy Pettit, Marketing Supervisor  
Mr. Robert McFarlane, AAG, Dept. of Law  
Ms. Amanda Swanson, ARLF Loan Officer  
Ms. Olga Lotosh, ARLF Accountant

**B. APPROVAL OF AGENDA**

**MOTION:** Board member Flickinger moved to approve the agenda.

**SECOND:** Board member Berberich seconded the motion.

No objections were received.

**The agenda was approved.**

Administrative Officer Sandvik congratulated Troy Shelden, Chris Flickinger and Deidre Berberich on being reappointed to the Board.

**C. PUBLIC COMMENTS/SESSION**

Bill Longbrake stated two parcels are for sale in the valley which he offered to purchase to preserve them for farm land, but he was not successful.

Wayne Brost stated that the issue of preserving farm land is nation wide. He also suggested lowering the interest rates on the ARLF loans. He asked the status of the long range agricultural plan.

Karen Olson from Valley Dairy, Inc. stated the dairy will be moving to a new location and outlined the plan. The dairy has equipment listed for sale and when it is sold the funds will be returned to ARLF for their loans. The Board at the last meeting stated they wanted investors to infuse \$50,000 into to Valley Dairy, Inc. no later than October 31, 2012, then Valley Dairy, Inc. to return the \$50,000 back to ARLF.

Karen Olson requested that she will sign the forbearance agreement with the AAG with the exception of the \$50,000 requirement.

Jessica Vasquez, Valley Dairy, Inc. lawyer stated Ms. Olson has made significant efforts with a new plan.

#### **D. MINUTES OF PRECEDING MEETING**

##### **August 28, 2012 Meeting Minutes**

**MOTION:** Board member Davies moved to approve the minutes of August 29, 2012 as corrected.

**SECOND:** Board member Poindexter seconded the motion.

**DISCUSSION:** *(No discussion was held).*

**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 Davies stated he liquidated 2.2 stock shares and is no longer an investor of Agricultural Investors.

#### **F. REPORTS/CORRESPONDENCE**

##### **Administrative Officer Sandvik:**

1. Division Update/Division Newsletter:

Board member Davies stated that a Nutritional Alaska Schools Food Service Grant for \$3 million is available and it was unfortunate that the Alaska Grown producers were not notified either by a special flyer or an email. He asked that in the future if these types of grants are available that it be announced to all Alaska Grown producers by email.

Administrative Officer Sandvik stated the funds were appropriated to the Department of Commerce, Community & Economic Development and not the Department of Natural Resources. We have only participated on the fringes, since it was not our appropriation.

Marketing Supervisor Pettit stated that during the months of August and September it was announced in the Division of Agriculture Newsletter and on the Farm to School list serve system. The grant was a one-time capital request. She will insure that an email will be sent to the Alaska Grown producers.

### **ARLF Loan Officer Swanson:**

#### **2. ARLF Interest Rates**

Reviewed the current interest rates. FSA has a new emergency loan rate of 2.125% however; there are no emergency declarations for Alaska. FSA has also lowered their operating loans to 1.125%.

Board member Davies stated that ARLF interest rate is 2.00% higher than FSA and how does it affect our loans going into the future.

Chair VanderWeele stated FSA is the lender of the last resort and that is the major difference.

#### **3. Applications in Process**

*(The Board had no questions).*

#### **4. Asset Report**

- Reviewed the October asset report. Reviewed the final bid outcome for the Competitive Sealed Bid procedure for the Matanuska Maid Coins and watch. Asked for Board approval to dispose of the Men's Seiko Gold watch through a private sale of no more than \$1,000.00 pursuant to 11 AAC 39.720 (k).

**MOTION:** Board member Davies moved to approve the sale of the Men's Seiko Gold watch as recommended by the loan officer.

**SECOND:** Board member Poindexter seconded the motion.

**DISCUSSION:** *(No discussion was held).*

**VOTE:** The motion passed without objection.

AAG McFarlane stated the City of Palmer has not signed the agreement, but he expects it will eventually be signed after the environmental issues are addressed.

**ARLF Accountant Lotosh:**

**5. FY 12 – Year End Financial Reports**

- Reviewed the FY 2012 year end financials.

Board member Berberich asked if the Board could have a loan loss report based on performing a year end risk assessment on the loans and on the yearend report it lists AFC what does AFC stand for.

Board member Shelden stated a report of the collectability of accounts that were turned over to the AAG would be helpful.

ARLF Accountant Lotosh will provide an update for the Board at the next meeting

**6. August Financial Reports**

- Reviewed the August financial reports.

Chair VanderWeele asked Special Assistant Tempel if the DNR, Deputy Commissioner Fogels contacted the Department of Corrections (DOC) Commissioner regarding paying for the inmate wages at the meat plant. Special Assistant Tempel will find out and provide an update and get back to the Board.

Vice Chair Schirack stated the state employees at the meat plant work very hard and do a wonderful job with a limited inmate work force. He understood that the DNR, Deputy Commissioner Fogels has been in contact with the DOC Commissioner regarding the lack of inmate labor at the meat plant.

Board member Shelden stated under the operating revenues for the Agricultural Revolving Loan Fund for the first two months was \$84,000 and annualized will only be just over \$500,000 which is down \$130,000 from the previous year which is the 2012 fiscal year net income and it will break even if all expenses remain the same. That is based on no other changes with a loss of \$130,000 net income.

**AAG McFarlane:**

## 7. Public Session Report

The Creamery Corporation Articles of Dissolution has been dissolved by the Division of Corporations. The effective date was August 9, 2012.

Agricultural Investors, LLC cured the default and the foreclosure has been terminated with all fees paid and it did not cost the ARLF any funds.

Robert Riddle right to farm case is an ongoing case. He expects a ruling on the motion before the end of November.

Board member Davies stated Riddles operates a sewage pumping business on his farm and the neighbors are not happy. There are questions regarding his State Farm Conservation Plan.

### **G. EXECUTIVE SESSION**

**MOTION:** Vice Chair Schirack moved to go into Executive Session to review the FY 14 ARLF Proposed Budget, ARLF Aging/Delinquency report, AAG Report, Knopp ARLF loan and Brost modification.

**SECOND:** Board member Shelden seconded the motion.

**DISCUSSION:** *(No discussion was held).*

**VOTE:** The motion passed without objection.

The Executive Session for the Brost modification included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, Board member Al Poindexter, Esther Temple, Special Assistant to the DNR Commissioner, AAG Robert McFarlane, Administrative Officer Curt Sandvik, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Wayne and Veronica Brost asked to attend the portion of this session.

Board member Shelden left the meeting at 3:15 p.m.

The Executive Session for the ARLF Aging/Delinquency Report, AAG Report and the Knopp ARLF loan included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, Board member Al Poindexter, Esther Temple, Special Assistant to the DNR Commissioner, AAG Robert McFarlane, Administrative Officer Curt Sandvik, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson.

Board member Berberich left the meeting at 3:31 p.m.

Board member Shelden re-joined the meeting at 3:37 p.m. via telephone.

**PUBLIC SESSION ACTION ITEMS**

**11. Knopp Development Approved**

**MOTION:** Board member Davies moved to approve the Paul E. Knopp – F loan as recommended by the loan officer:

1. \$226,460.00 @ 4.50% for 30 years payable by monthly payments commencing upon approval of FSA loan thirty days after closing.
2. Secured by 1<sup>st</sup> Deed of Trust on Tract A2 101.7 acres, Delta Junction.
3. Property insurance with ARLF as mortgagee & loss payee.
4. Property to be conveyed as fee simple title with agricultural covenants.
5. Purchase price from ARLF determined based off appraisal amount minus 10% discount.
6. Financing through ARLF not to exceed 75% of purchase price after discount.
7. Mr. Knopp to pay 25% of purchase price after discount.

**SECOND:** Board member Flickinger seconded the motion.

**SUBJECT TO:** FSA loan be approved and payments commence upon approval of the FSA loan thirty days after closing.

**DISCUSSION:** *(No discussion was held).*

**VOTE:** Motion passed without objection.

**12. Brost Modification of Promissory Note Approved**

**MOTION:** Board member Poindexter moved to approve the Wayne & Veronica Brost – S -5466 Promissory note modification as recommended by the loan officer:

1. Reduction of the principal balance of to the amount borrowed.
2. Semi annual payment with half of amount owed due November 1, 2012.
3. Final balance due June 1, 2013.

**SECOND:** Board member Davies seconded the motion.

**DISCUSSION:** *(No discussion was held).*

**VOTE:** Motion passed without objection.

**Valley Dairy, Inc. Request for Modification of the Motion that was approved August 29, 2012.**

**MOTION:** Board member Davies moved that no changes be made to the August 29, 2012 negotiated agreement.

**SECOND:** Board member Flickinger seconded the motion.

**DISCUSSION:** Board member Poindexter stated he could not make a decision due the information that was distributed just today from Valley Dairy, Inc. to the Board.

**VOTE:** Motion passed without objection.

**H. NEW/OLD BUSINESS:**

*(The board had no new/old business).*

**I. BOARD MEMBER COMMENTS:**

Chair VanderWeele stated recently there was an article in the Frontiersman that a Pt. McKenzie farmer wants to remove the agriculture covenants and change legislation to remove those covenants from agriculture property, he is firmly opposed to that issue.

Board member Poindexter stated land for agriculture is too expensive. He agrees with Chair VanderWeele that land should stay with agriculture covenants. He stated the Board should put together a packet to increase interest in agriculture for our youth and present it to the Governor and the legislature to help the agriculture industry.

Board member Poindexter stated funds are not available from the State for Future Farmers of American (FFA); the Department of Education needs to promote agriculture in the school system.

**J. SET NEXT MEETING & AGENDA ITEMS**

The next regular meeting will be a held on Wednesday, December 5, 2012 at 1:00 p.m.

**K. ADJOURNMENT:**

The meeting was adjourned at 4:21 p.m.