

ALASKA'S DEVELOPMENT FINANCE AUTHORITY

Alaska Enterprise Agency
Analysis

March 16, 2016

Investing in Alaskans

1a) What is your Strategic Vision?

1a) Strategic Vision



- Create an investment-ready project portfolio for the state of Alaska.
- Develop formal project finance banking relationships with strategic investment partners.

1b) What value does your Agency provide to the state of Alaska?

1b) Value to state of Alaska



AIDEA's mission is established by Statute. The Authority was created by the legislature as a “public corporation” to advance the economic prosperity of Alaskans by diversifying the Alaska economy and promoting the creation and retention of Alaskan jobs (See AS 44.88.070)

With this background in mind, staff believes the Board must counterbalance two competing interests:

- Provide an adequate financial return to the State in the form of a cash dividend, as contemplated by the Statute, versus
- Ensure the Authority retains the financial capability to achieve its economic development mission of the State.

1b) Value to state of Alaska (cont'd)



- AIDEA provides a sustainable and objective economic development platform on which all opportunities are vetted for their economic and financial feasibility.
- AIDEA provides affordable, long-term asset financing for growing and diversifying Alaska's economy, and for expanding job opportunities for Alaskans.
- AIDEA is a prudent caretaker of the state of Alaska's financial assets, growing the state's initial revolving fund investment of \$332.5 million into \$1.67 billion.

2) When was the Agency created and how much state funds were invested?

2) AIDEA Creation



- Created in 1967 with the following legislative intent:
 - AS 44.88.010 “(b) It is declared to be the policy of the state, in the interests of promoting the health, security, and general welfare of all the people of the state, and a public purpose, **to increase job opportunities and otherwise to encourage the economic growth of the state, including the development of its natural resources, through the establishment and expansion of manufacturing, industrial, energy, export, small business, and business enterprises and the other facilities** referred to in (a) of this section by creating the Alaska Industrial Development and Export Authority with the powers, duties, and functions as provided in this chapter.”
 - (c) “It is further declared to be the policy of the state, in the interests of promoting the health, security, and general welfare of all the people of the state, and a public purpose of the state, to accomplish the objectives set out in (b) of this section **through the provision of financial support to a federal, state, municipal, or private entity.**”

2) AIDEA Revolving Fund Initial Capitalization (cont'd)



- AIDEA was funded in the early 1980s with a \$166 million loan portfolio and \$23 million cash, which provided initial funding for what is now known as the Loan Participation Program.
- In the mid-1980s, to assist in the development of the Red Dog Mine, the Project Development Program was created and AIDEA received a loan portfolio and cash totaling \$143.5 million to support financing the DeLong Mountain Transportation System.

3) What is the current level of funding from the Legislature?

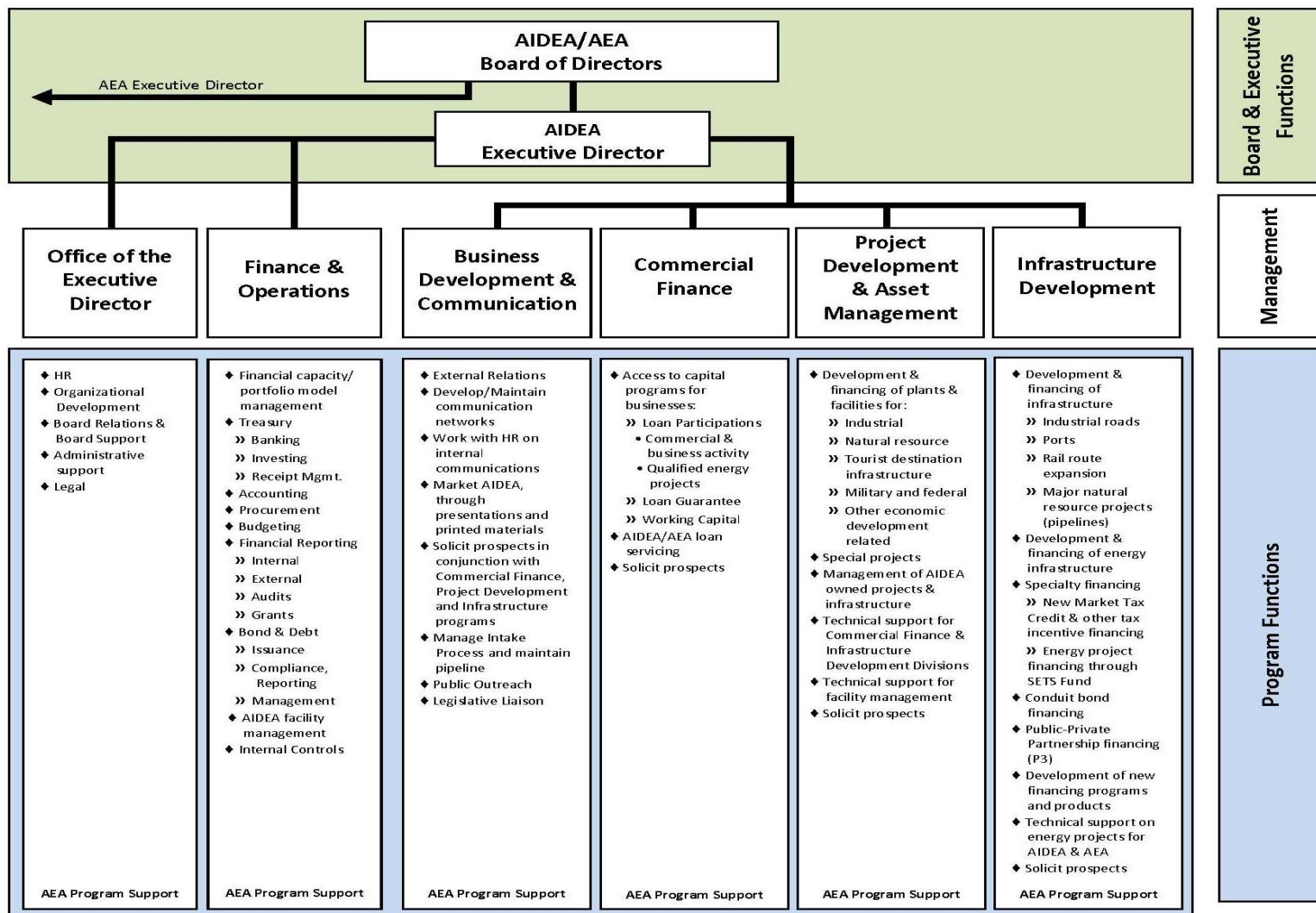
3) Current Legislative Funding



- Operating Budget – \$0.00
 - AIDEA has historically self-funded its operations.
- Current Legislatively Assigned Projects
 - Interior Energy Project (\$57.5 M)
 - Ambler Mining District Industrial Access Project (\$17.0 M)
- Other Recent Capital Appropriations
 - Ketchikan Shipyard (\$1.18M)

4) What is the management structure of the Agency?

4) Management Structure



4) AIDEA \ AEA & Consolidated Shared Services

AEA Direct Programs/Projects

- AEA Owned Infrastructure
 - Bradley Lake Hydro
 - Alaska Intertie
 - Susitna-Watana Hydro
- State Energy Office
- Power Cost Equalization program
- Rural Energy Projects – Powerhouse & tank farms
- Rural Training program – operator training for energy infrastructure
- Power Project Fund Loan Program
- Electrical Emergency Response
- Circuit Rider program
- Technical Assistance
- Alternative Energy
- Energy Efficiency
- Emerging Energy Technology Fund
- Renewable Energy Grant Fund Program
- Wind Energy
- Hydroelectric Energy
- Biomass program
- Solar

AIDEA Direct Programs/Projects

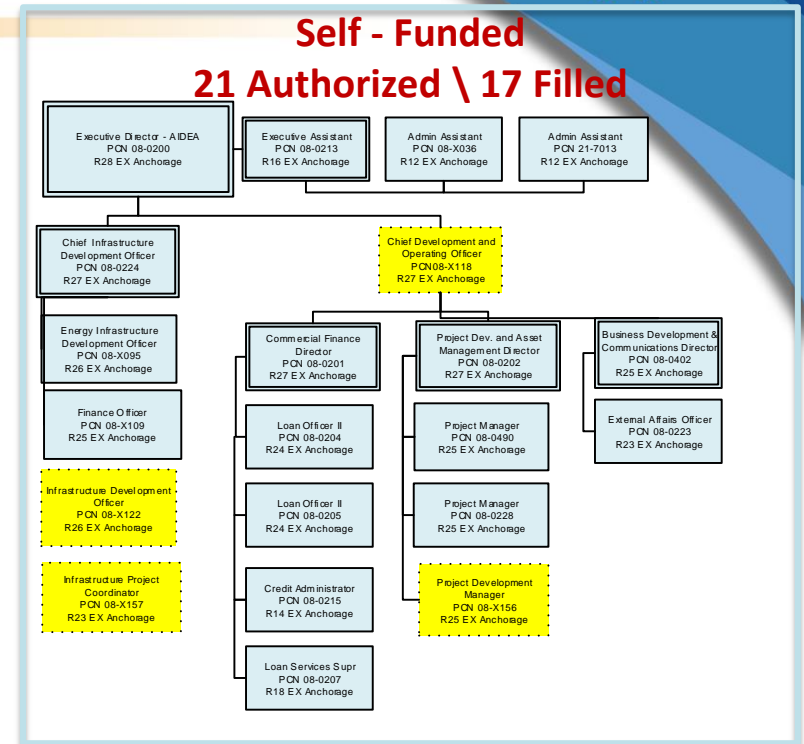
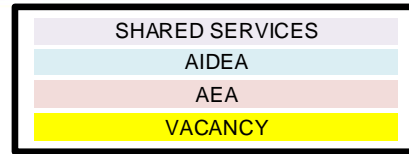
- Infrastructure Development
 - Oil & Gas
 - Mining
 - Marine
 - Energy
- Commercial Lending & Finance
 - Real Estate
 - Tourism
 - Commercial Offices
- Conduit Bond Program
- Project Development Asset Management
 - Oil & Gas
 - Air Cargo
 - Mining
 - Shipyard
- External Affairs and Business Development
 - Public Comment and Response
 - Legislative Inquiries

“Consolidated Shared Services” Support Functions

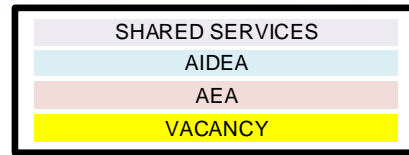


5) How many employees work for the Agency?
How are they funded?

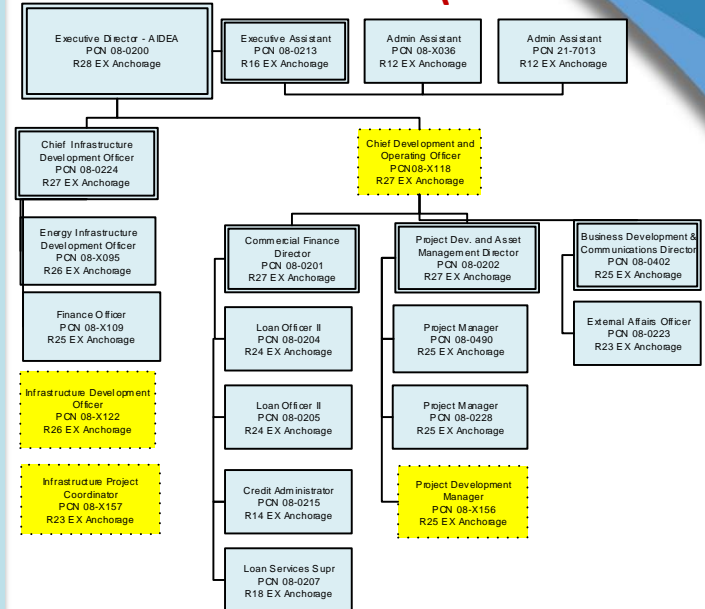
5) Organizational Chart



5) Organizational Chart (cont'd)

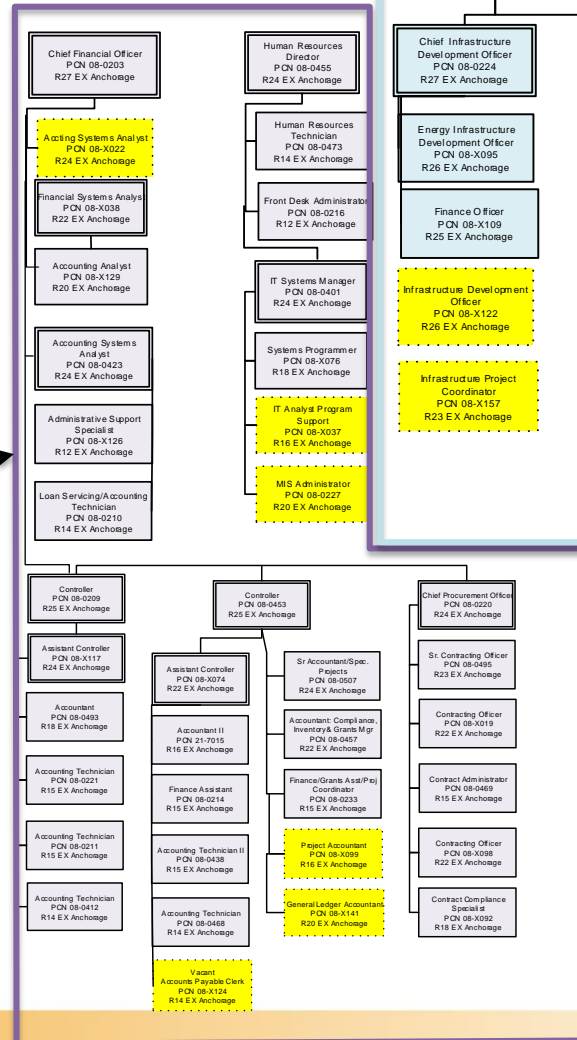


Self - Funded
21 Authorized \ 17 Filled



Shared Services
38 Authorized / 32 Filled

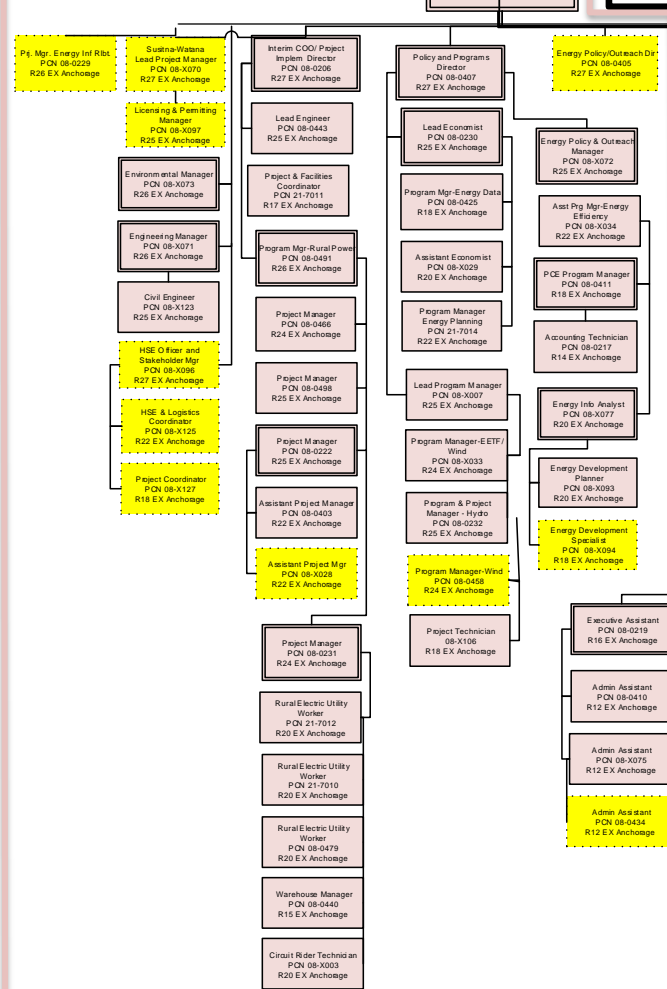
30 – 40% AIDEA
60 – 70% Alaska Energy Authority



5) Organizational Chart (cont'd)



AEA (State and Fed. Funding) 47 Authorized \ 36 Filled

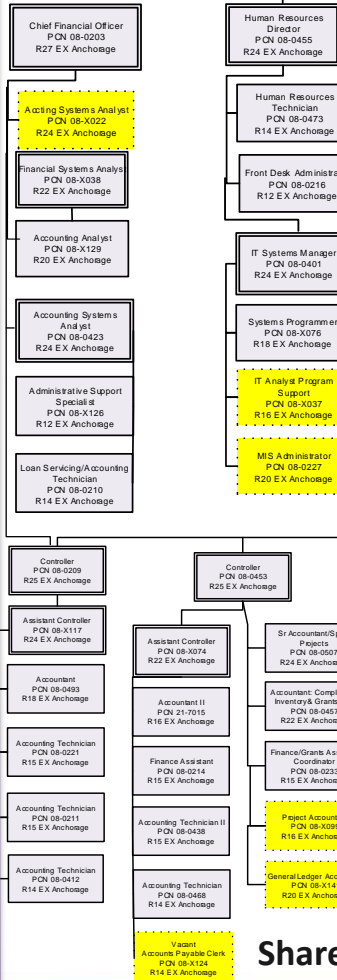


SHARED SERVICES

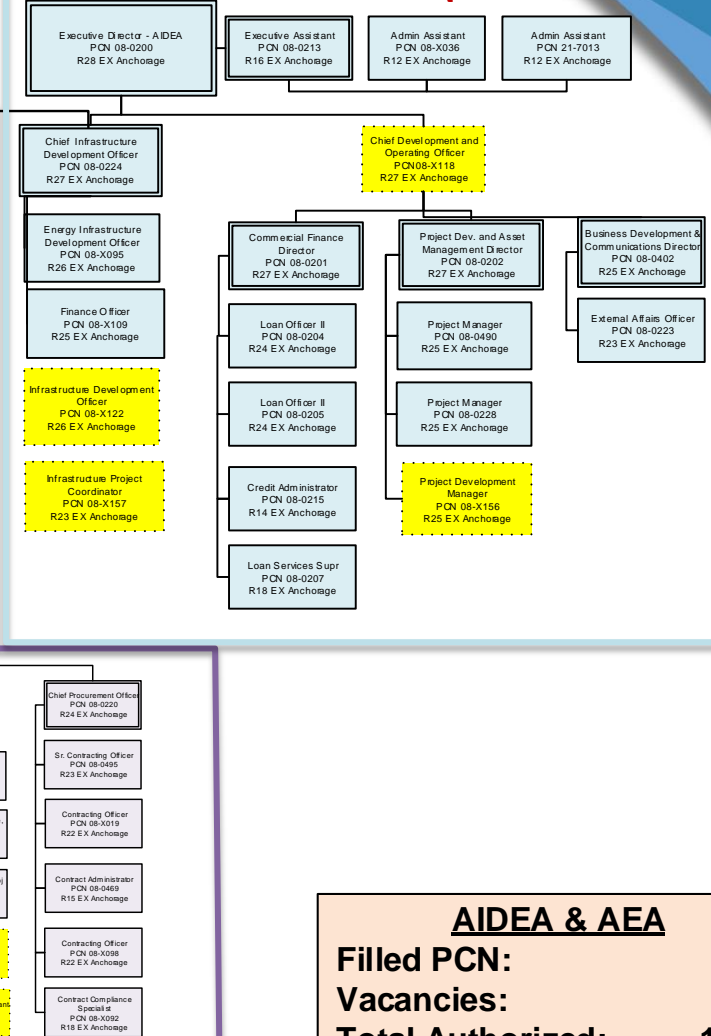
AIDEA

AEA

VACANCY



Self - Funded 21 Authorized \ 17 Filled



AIDEA & AEA

Filled PCN:	85
Vacancies:	21
Total Authorized:	106

Shared Services

38 Authorized \ 32 Filled

6) Does the Agency generate revenue?

6) Excerpt from Annual Report

FY15 FINANCIALS* (IN THOUSANDS)

STATEMENTS OF NET POSITION	As of	
	JUNE 30, 2015	JUNE 30, 2014
Assets and deferred outflows of resources:		
Assets:		
Investment securities and cash	\$ 693,525	\$ 692,476
Loans, net	388,075	380,285
Development projects	296,528	309,448
Other assets	37,002	24,821
Snettisham Project assets	78,419	80,077
Total Assets	1,493,549	1,487,107
Deferred outflows of resources	1,253	363
Total Assets and deferred outflows of resources	1,494,802	1,487,470
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Revolving fund bonds	64,700	73,165
Other liabilities	60,152	63,466
Snettisham Project liabilities	78,419	80,077
Total liabilities	203,271	216,708
Deferred inflows of resources	993	—
Net position	1,290,538	1,270,762
Total liabilities, deferred inflows of resources and net position	1,494,802	1,487,470

REVENUES, EXPENSES AND CHANGES IN NET POSITION	For the year ending	
	JUNE 30, 2015	JUNE 30, 2014
Operating revenues:		
Interest on loans	\$ 17,468	\$ 19,012
Income from development projects	15,862	14,695
Snettisham Project restricted income	3,753	3,876
Investment interest	10,473	10,037
Net increase/(decrease) in fair value of investments	(4,910)	2,224
Income from state agencies and component units	8,856	8,615
Gain on sale of development project	—	4,188
Other income	1,613	2,322
Total operating revenues	53,115	64,969
Operating expenses:		
Interest	3,065	3,056
Snettisham Project interest expense	3,753	3,876
General and administrative	7,259	7,280
Costs reimbursed from State agencies and component units	8,856	8,615
Provision for loan losses	(28)	(1,349)
Depreciation	3,247	3,529
Project feasibility and due diligence	995	1,901
Other project expenses	613	2,162
Total operating expenses	27,760	29,070
Operating income	25,355	35,899
Other revenues, net	13,666	90,663
Increase in net position, before dividend to State of Alaska	39,021	126,562
Dividend to State of Alaska	(10,665)	(20,745)
Increase in net position, after dividend to State of Alaska	\$ 28,356	\$ 105,817
Net position-beginning of year, as previously reported	1,270,762	1,164,945
Cumulative effect on prior years of adoption of GASB Statement 68	(8,580)	—
Net position-beginning of year, as adjusted	1,262,182	1,164,945
Net position-end of year	1,290,538	1,270,762

* Derived from AIDEA's audited financial statements.

6) Excerpt from Annual Report (cont'd)

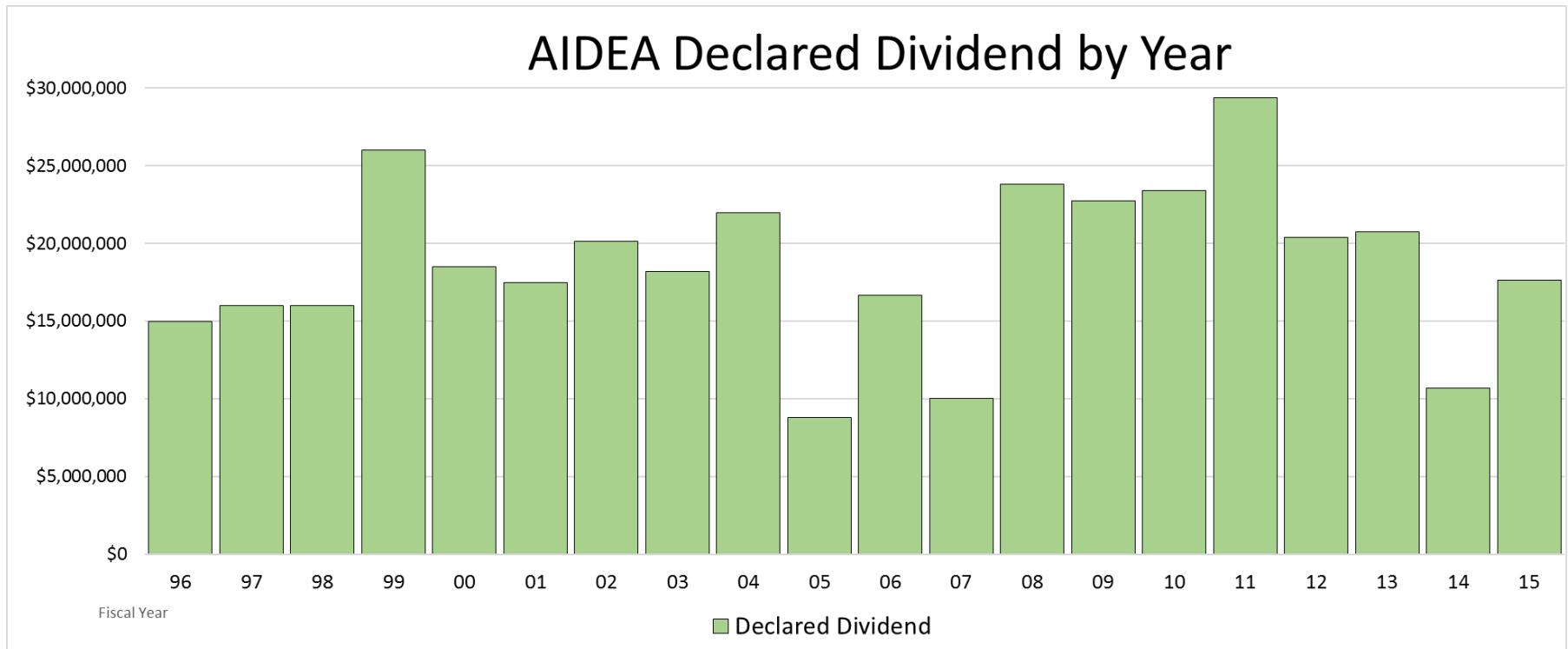


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7) Does the Agency return a
dividend to the state?
How much?

7) Dividend History

- AIDEA has declared over \$380 million in dividends since 1995.



8) Is the Agency able to receive
Federal funds?

Is the Agency able to leverage
Federal funds?

8) Use of Federal Funds

- AIDEA has the statutory authority to receive federal funds (see AS 44.88.080 - In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers: (9) to accept gifts, grants, or loans from, and enter into contracts or other transactions regarding them with, a federal agency, an agency or instrumentality of the state, a municipality, a private organization, or other source).
- Importantly, AIDEA also has the ability to leverage federal tax-exempt financing as well as tax credit programs (e.g. New Markets Tax Credits, Investment and Production Tax Credits).

9) What are your Agency's capital assets?

9) Audited Net Book Values at 6/30/15



- Development projects – \$296,528,000
- Other assets – \$37,002,000
- Snettisham Project assets – \$78,419,000

- 10a) Does the Agency have bonding authority?
- 10b) What are bonds issued for?
- 10c) What is the current outstanding Debt?
- 10d) What is the bonding capacity?

10a) Does Agency have bonding authority?



- Yes, taxable and tax-exempt revenue bonds, such as Industrial Development Bonds, 501(c)(3) Bonds, and Private Activity Bonds.
- AIDEA also issues general obligation (GO) bonds.

10b) What are bonds issued for?



- AIDEA may issue bonds to pay the cost of a project or development projects or in order to provide money for the authority's purposes under statute (AS44.88.080 (7)).

10b) What are bonds issued for (cont'd)?



- AIDEA has issued 317 conduit revenue bonds for a total of \$1.36 billion. Bonds issued under this program include:
 - Aircraft/Aircraft facilities
 - Bulk Fuel storage and distribution
 - Hotels, motels, and lodges
 - Office space
 - Warehousing/storage
 - Retail
 - Hospitals/clinics
 - Processing/manufacturing facilities
 - Car rental facility
 - Hydroelectric dams
- Project Revenue Bonds
 - Snettisham Hydroelectric facility
- AIDEA General Obligation Bonds
 - Delong Mountain Transportation System
 - Water and wastewater facility
 - Fedex Hangar
 - Skagway Ore Terminal

10c) What is current outstanding debt?



- Outstanding Debt as of 6/30/2015:
 - Total Bonds - \$134,655,000
 - Snettisham Hydro
 - Red Dog Port Facility (Refunding)
 - Loan Participation

10d) What is the bonding capacity?



- AS 44.88.095 places a statutory ceiling of \$400 million per twelve month period on AIDEA bond issuances, excluding refunding bonds.
- Bonds over \$25 million require legislative approval.
- Bonds over \$10 million require local support.

11a) Can you identify any other state entities or private corporations in Alaska that may provide the same or similar services as your Agency?

11) Similar Agencies



- There are no state agencies or authorities that provide the same set of financing tools as AIDEA.
- On a national basis, AIDEA is unique in its ability to:
 - Work with banks
 - Issue its own bonds
 - Participate in public-private partnerships through multiple methods

11b) Is your agency subject to the
state procurement code?

- Yes in a limited fashion. The state procurement code, AS 36.30.015(f) reads:
 - “...the membership of the Alaska Industrial Development and Export Authority, notwithstanding [AS 44.88.085](#), ...shall adopt regulations under [AS 44.62](#) (Administrative Procedure Act) ...to govern the procurement of supplies, services, professional services, and construction for the respective public corporation and board. The regulations must reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process and must include procurement methods to meet emergency and extraordinary circumstances. Notwithstanding the other provisions of this subsection, ...the Alaska Industrial Development and Export Authority, ...shall comply with the five percent preference under [AS 36.30.321\(a\)](#).”
- As directed by the state procurement code AIDEA has established regulations under the Alaska Administrative Code Title 3 Chapter 100

12) Does the Agency have any
outstanding liabilities the
Legislature should be aware of?

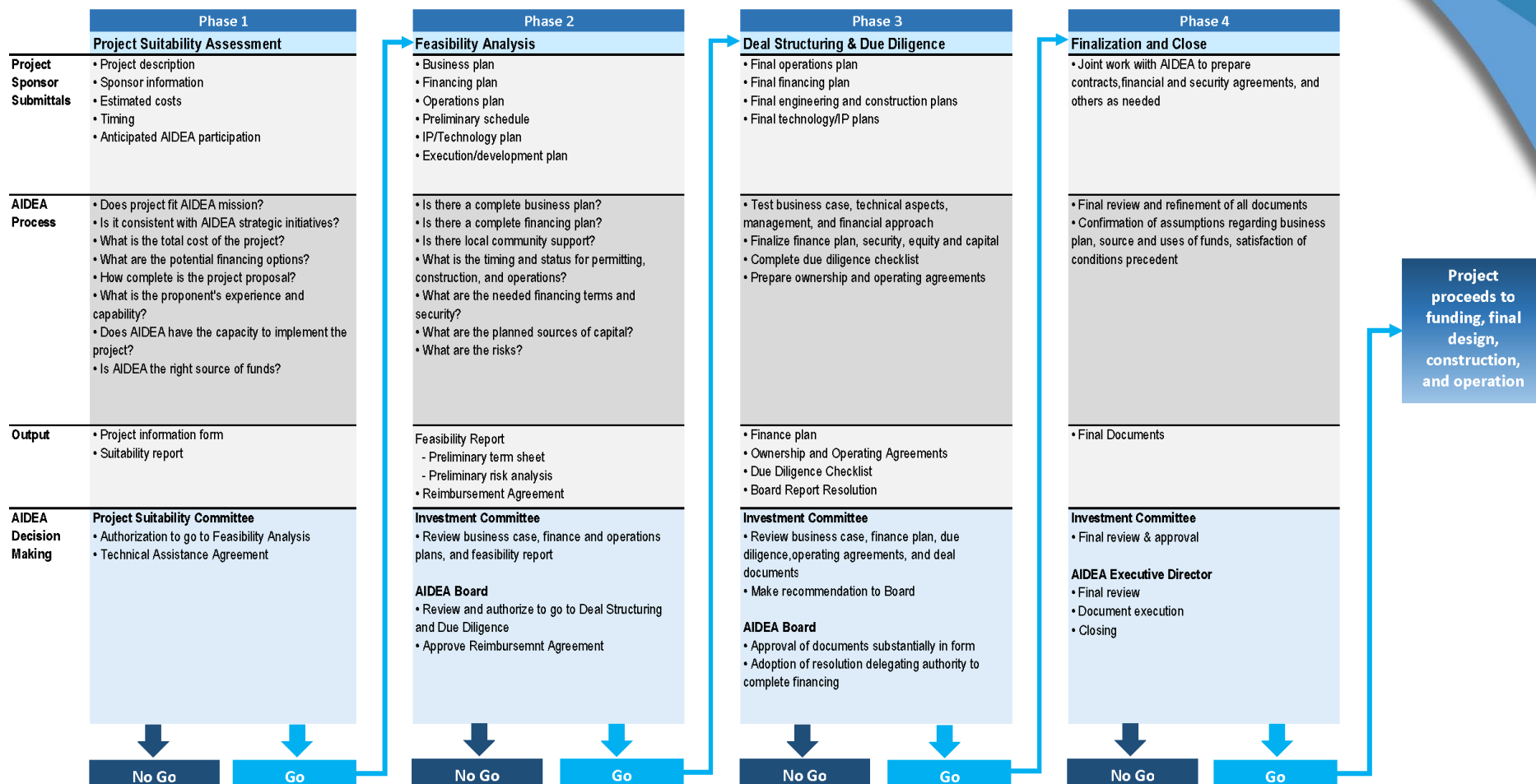
Outstanding Liabilities



- Total Liabilities at 6/30/2015 – \$205,271,000
 - Bonds
 - Pension Liability
 - Advances from State of Alaska
 - Liabilities from restricted assets
 - Operational liabilities
 - Loan Guarantees (*contingent liability*)
- Commitments to fund projects and loans at 2/29/2016 – \$66,506,000

Appendix

Analysis & Decision-Making



AIDEA - Best Fit Projects

