



ALASKA'S DEVELOPMENT FINANCE AUTHORITY

Senate Commerce, Community &
Economic Dev FIN Subcommittee
February 2019

1501

PERMANENT JOBS

738

CONSTRUCTION
JOBS

FY2018 HIGHLIGHTS

\$1.33 BILLION
NET POSITION

\$161.98

MILLION

CONDUIT
BONDS ISSUED

\$12.88 million

DIVIDEND PAID

\$88.5

MILLION

TOTAL
GROSS

LOAN PARTICIPATIONS

FUNDDED

To advance economic growth and diversification in Alaska by providing various means of financing and investment

- AIDEA
 - Semi-independent public corporation
 - 7 member board
 - Self funded
 - Pays an annual dividend to the State of Alaska - \$407 million declared since 1997
- Revolving Fund \approx \$1.32 billion in assets.
- S&P **AA+** credit rating (independent of the State of Alaska rating)

Guiding Principles

- AIDEA's primary goal is to encourage economic growth and diversification, with a focus on encouraging economic activity that is additive to the economy.
- AIDEA is here to make good projects better, not bad projects good.
- AIDEA brings process and pragmatism to development finance opportunities.
- AIDEA does NOT provide grants or incentives.
- AIDEA does not undertake the Field of Dreams notion of “build it and they will come.”



Role in Economic Development

- Objective vetting agent in the development of Alaska's businesses and infrastructure
- Finances projects that have an economic impact on the state and provide jobs for Alaskans
- Facilitates bringing interested parties together
- An equal partner in projects with private sector developers and their financial partners
- John Springsteen is the AIDEA liaison to the Governor's Industry Development Taskforce



What Does AIDEA Do?

Secures and deploys capital for economic growth and job opportunities across all commercial, industrial and infrastructure sectors



Debt

- Loan Participations
- Energy Loans
- Project Finance Loans
- Conduit Revenue Bonds



Equity

- 100% Ownership of project
- Partner in LLC or Subsidiary Corporation
- Secured and Collateralized
- Equity Equivalent Investments



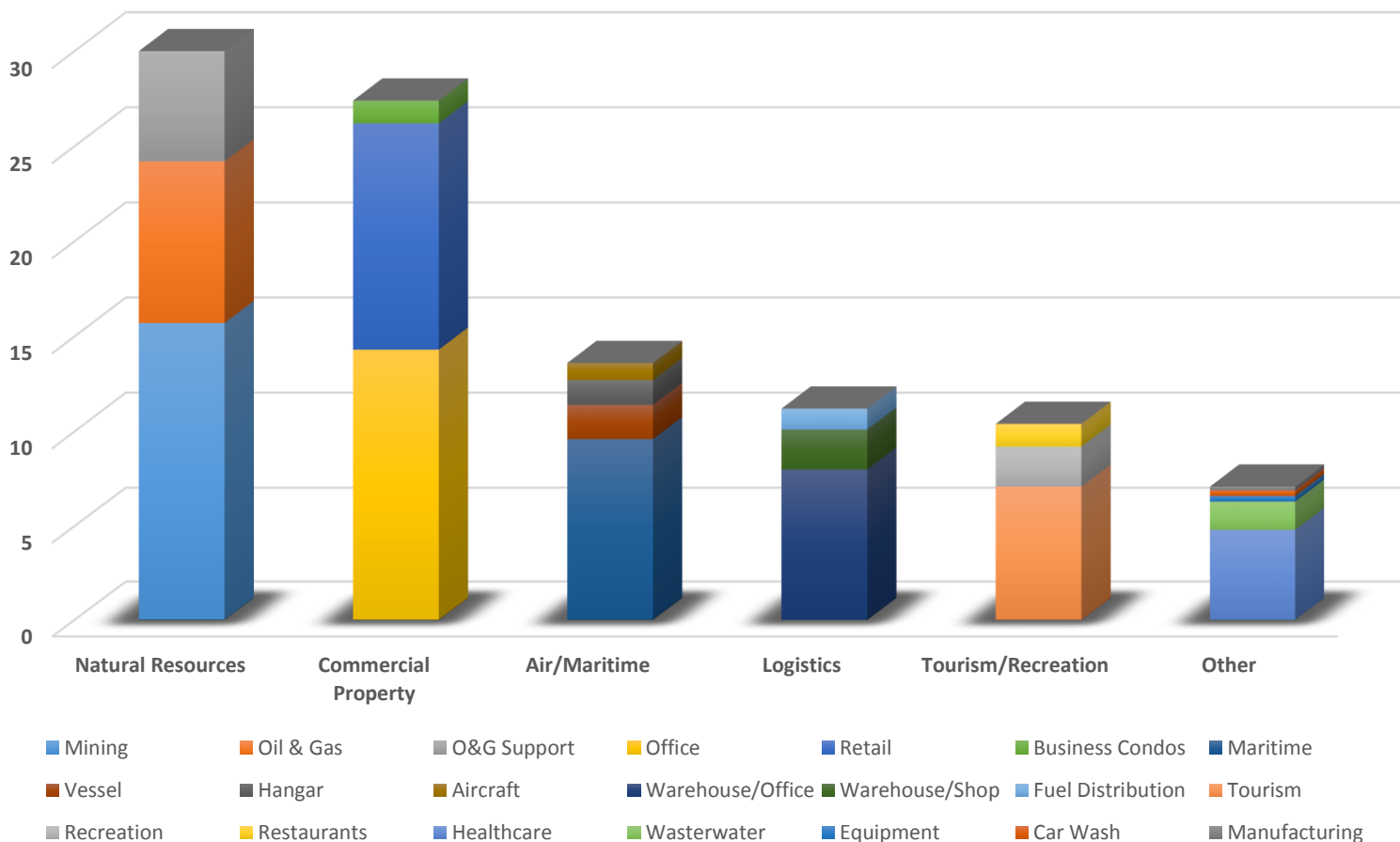
Enhancements

- Loan Guarantees
- Bond Guarantees

Diverse Portfolio

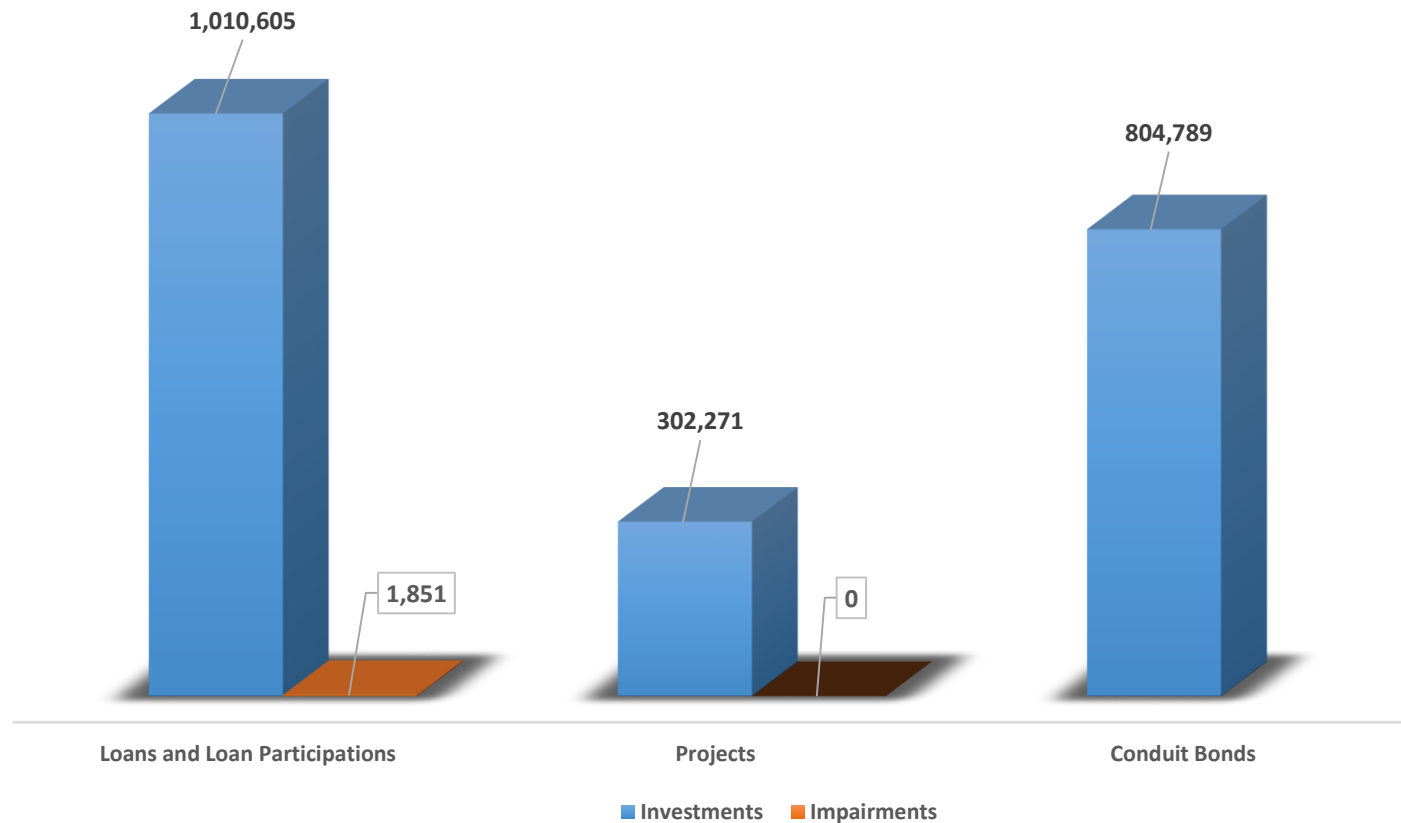
Industry Diversity of Combined Capacity Projects and Loans (%)

As of June 30, 2018



Investments vs Impairments

Loans, Development Project Investments and Bonds vs. Impairments (\$ thousands) Funded Since July 1, 2000



COMMERCIAL FINANCE

Loan Participation Program

Long-term commercial financing

- Participation may total up to 90% of a loan originated by an eligible commercial lender - not to exceed \$25 million
- Terms up to:
 - 15 years for personal property
 - 25 years for real property
- 75% loan-to-value;
- Fixed or variable interest rates
- \$1,000 application fee is credited towards 1% commitment fee



Loan Participation Program



- The advantage to the borrower is that AIDEA provides long-term fixed rates
- The advantage to the lender is that AIDEA shares in the risk while increasing the lender's liquidity
- Since 1992
 - AIDEA has loaned \$1.08 billion
 - 8,800 construction jobs created
 - 9,260 permanent jobs created /retained
- Loan Participation example
 - Total Loan Amount - \$2,000,000**
 - Lender Portion: \$ 200,000 (10%)
 - AIDEA Portion: \$1,800,000 (90%)
 - Lender Term: 10 Years (associated variable rate)
 - AIDEA Term: 25 Years (associated fixed rate)



Huna Totem Corporation

\$43 million partnership: HTC, City of Hoonah, SOA, Northrim, AIDEA and BIA

- State of Alaska - \$14 million
 - Huna Totem Corporation - \$4 million
 - **Northrim - \$5 million (20%): 20 years**
 - **AIDEA - \$20 million (80%): 25 years**
- } **BIA Loan Guarantee (90%)**
- Cruise ship dock, new & renovated buildings, and refinancing
 - 52 construction & 35 new jobs



BONDS

- Bonds are a common form of long-term debt
- Generally issued by a governmental entity
- Three types of bonds:
 - Governmental
 - Private Activity Bonds
 - Corporate (issued by the corporation)
- Bond rates determined by credit quality and duration
 - The higher the credit rating of the issuer or the strength of the project's projected revenues, the lower the rates
 - Bond maturities can range from a day or less to more than 30 years, rates increase with time

Conduit Revenue Bonds

Access to capital markets for tax-exempt & taxable financing

- Neither the assets nor credit of AIDEA or the State of Alaska are at risk
- Project is underwritten based on the strength of its economic and financial feasibility
- Bonds are repaid from the project's revenues
- Equipment, real estate, construction and rehabilitation



Yukon Kuskokwim Health Corporation



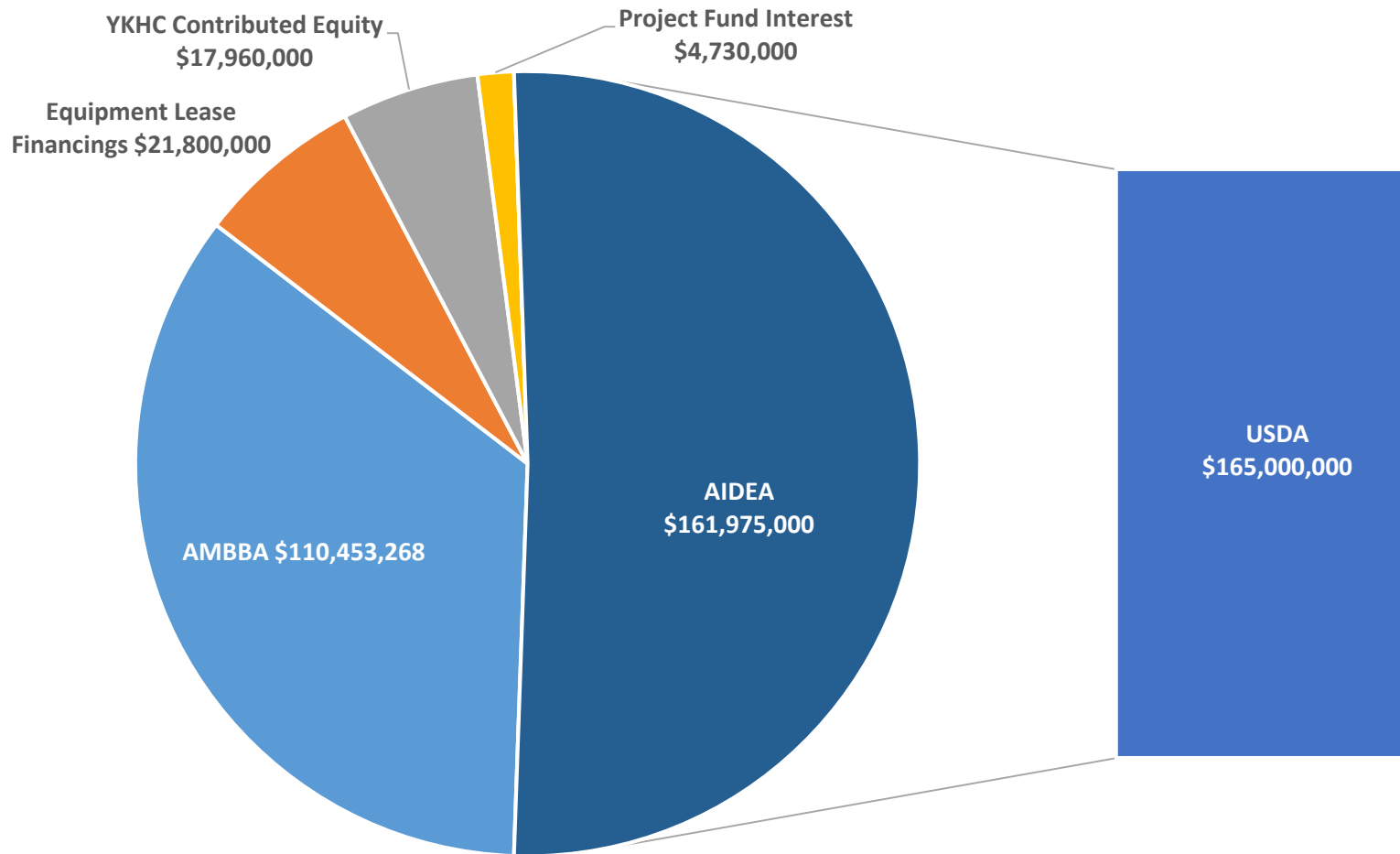
YKHC provides health services for some 30,000 Alaska Natives from 58 communities in the Yukon-Kuskokwim Delta

The IHS Joint Venture Construction Program, offered an opportunity for YKHC to increase funding to meet staffing and operation costs in a new facility financed and built by YKHC, consisting of:

- construction of a new 180,000 sq. ft. primary care clinic
- major renovation of the 90,000 sq. ft. YK Delta Regional Hospital in Bethel
- Upgrading 30,000 sq. ft. of office space
- 54-unit staff housing complex
- New services and 250-400 new staff

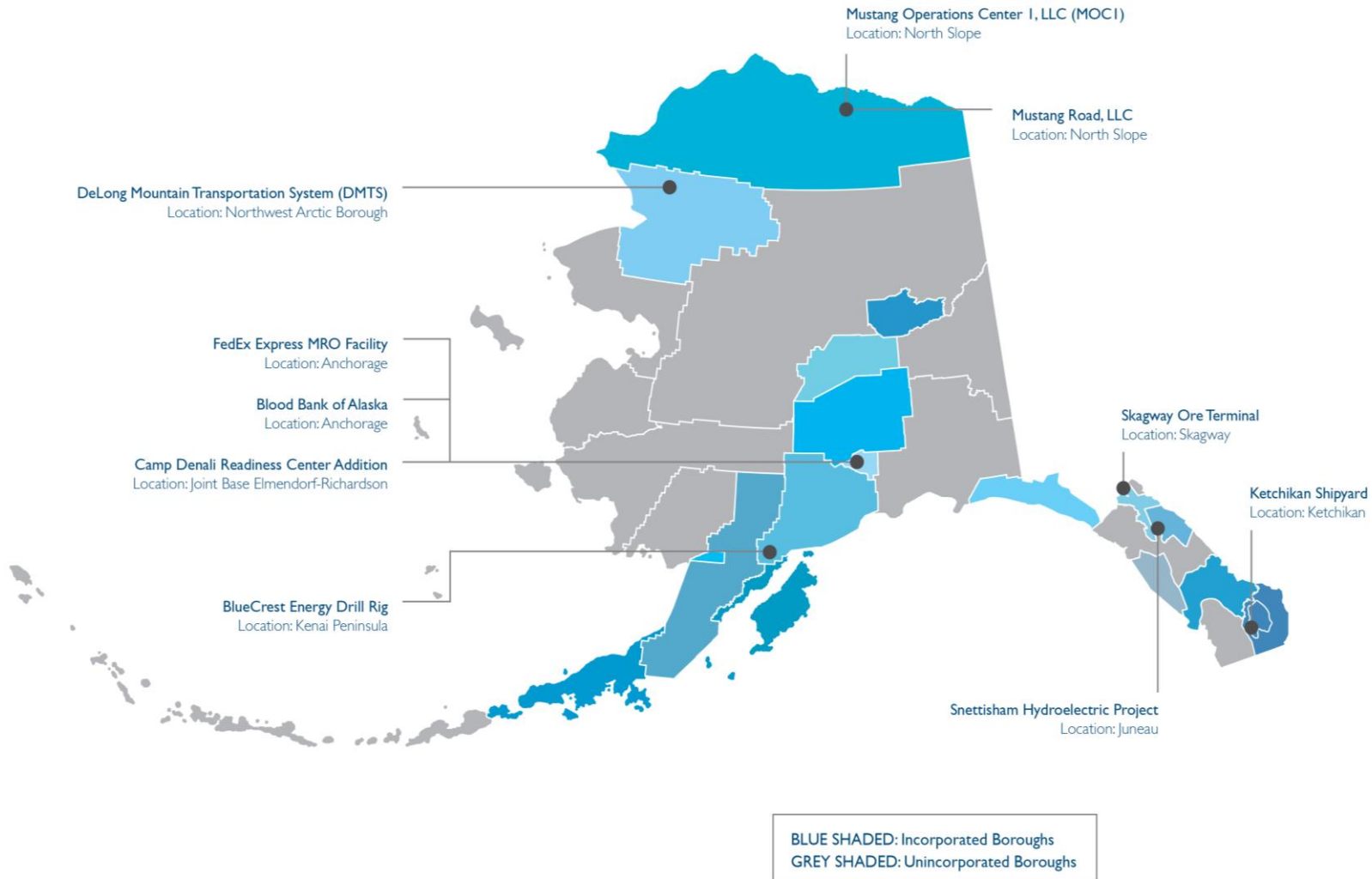


Capital Stack - \$319.9 million



PROJECT FINANCE AND INFRASTRUCTURE DEVELOPMENT

AIDEA Development Projects



Infrastructure & Project Finance



AIDEA works with project partners to finance industrial and infrastructure projects throughout the state.

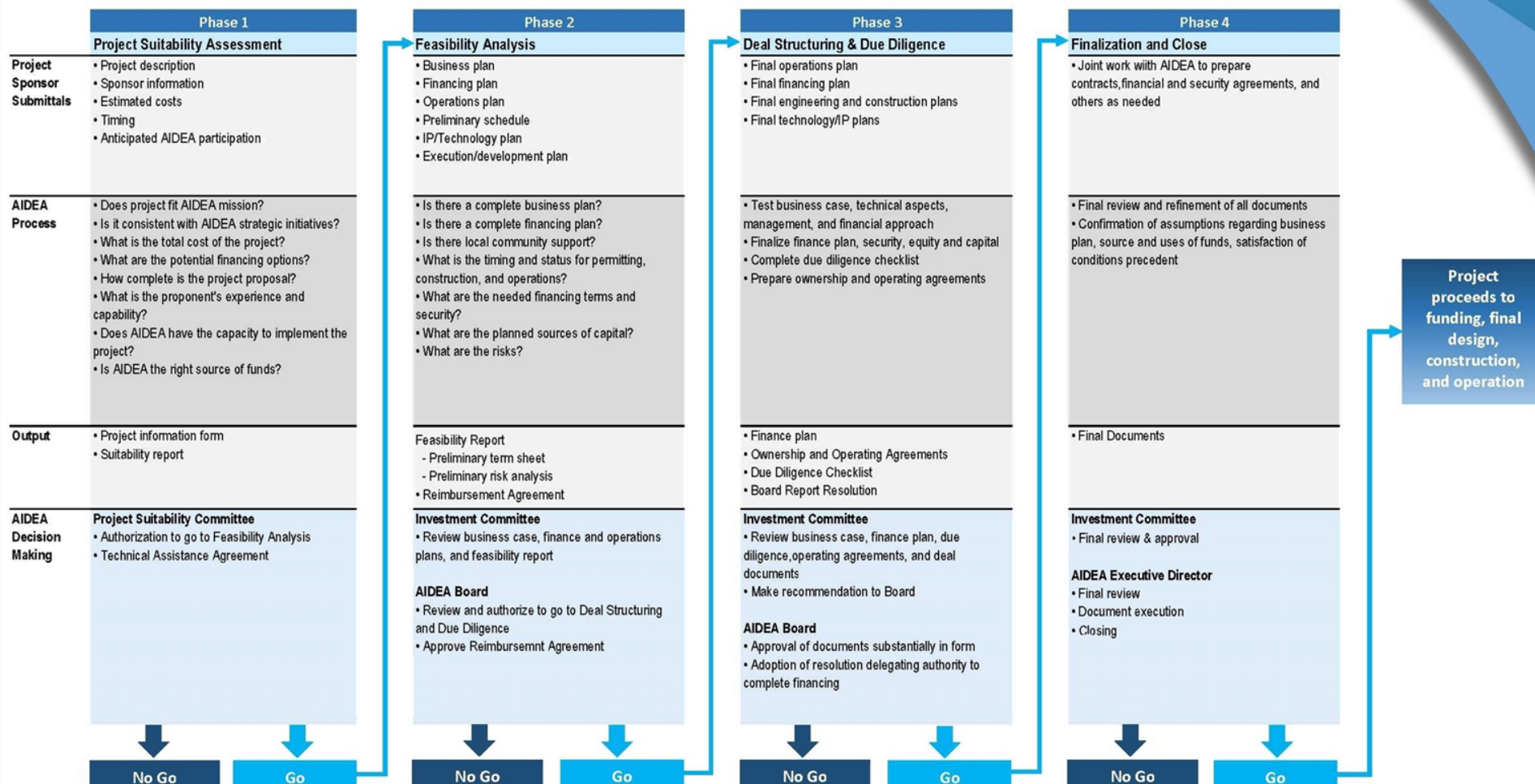
Variety of financial tools available to support projects including loans, guarantees, preferred equity, bonds, and full ownership or as part of an LLC.

Industrial roads, ports, harbors, logistics and industrial facilities



Analysis & Decision-Making

AIDEA Project Analysis and Decision-Making Process



FY2020 Operating Budget



Expenditures	FY2019 Mgmt Plan	FY2020 Gov	Change
Personal Services	11,982.6	11,982.6	0.0
Travel	150.0	111.5	-38.5
Services	3,390.5	3,390.5	0.0
Commodities	68.9	68.9	0.0
Capital Outlay	35.5	35.5	0.0
Total	15,627.5	15,589.0	-38.5
Revenues	FY2019 Mgmt Plan	FY2020 Gov	Change
1007 I/A Receipts (Other)	6,513.7	6,494.6	-19.1
1061 CIP Receipts (Other)	436.5	433.8	-2.7
1102 AIDEA Receipts (Other)	8,677.3	8,660.6	-16.7
Total	15,627.5	15,589.0	-38.2
Positions	82	82	0



Alaska Industrial Development and Export Authority

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