



ALASKA'S DEVELOPMENT FINANCE AUTHORITY

Senate Commerce, Community & Economic Dev FIN Subcommittee February 2019

Investing in Alaskans

1501SolutionFY2018PERMANENT JOBSFIGHLIGHTS

3 B I L L I O N POSITION \mathbf{n} ZEI $\widehat{\mathbf{m}}$ ------

\$161.98 MILLION CONDUIT BONDS ISSUED

\$12.88 million DIVIDEND PAID

\$88.5 MILLION TOTAL GROSS LOAN PARTICIPATIONS NDE



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 ≈ \$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

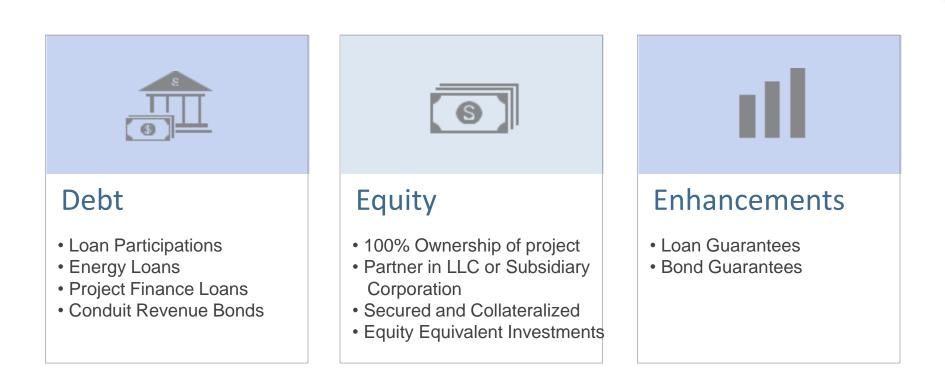
- Objective vetting agent in the development of Alaska's businesses and infrastructure
- Finances projects that have an economic impact on the state and provide jobs for Alaskans
- Facilitates bringing interested
 parties together
- An equal partner in projects with private sector developers and their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







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

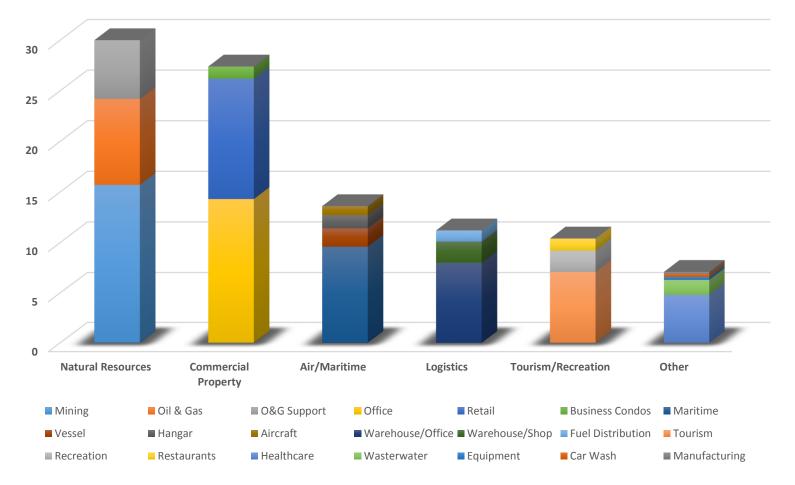


Diverse Portfolio



Industry Diversity of Combined Capacity Projects and Loans (%)

As of June 30, 2018



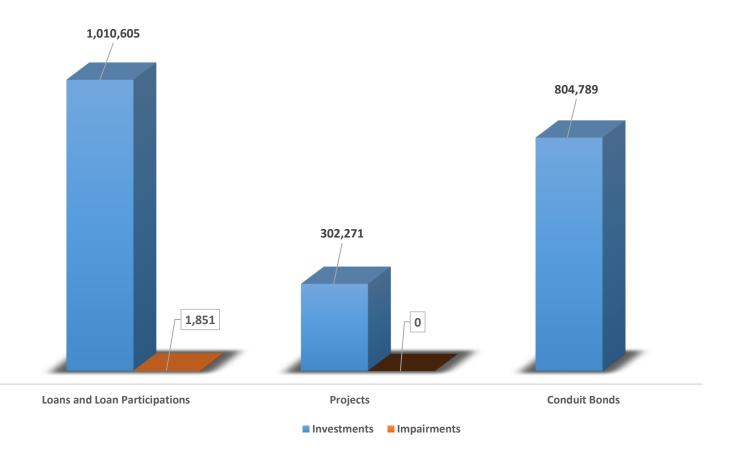
Investments vs Impairments



Loans, Development Project Investments and Bonds

vs. Impairments (\$ thousands)

Funded Since July 1, 2000



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COMMERCIAL FINANCE

Loan Participation Program

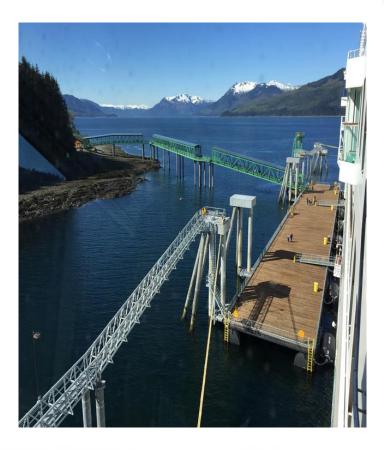
Long-term commercial financing

- 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

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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



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



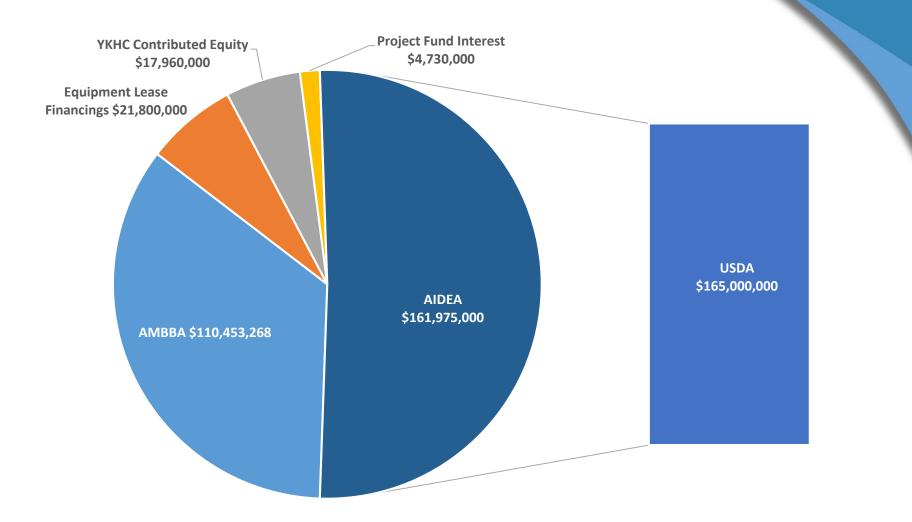
YKHC provides health services for some 30,000 Alaska Natives from 58 communities in the Yukon-Kuskokwim Delta

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



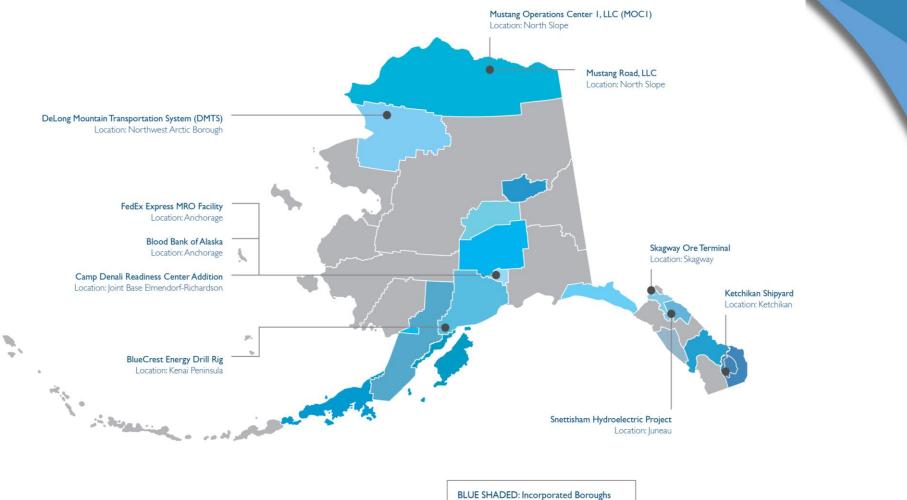


PROJECT FINANCE AND INFRASTRUCTURE DEVELOPMENT

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AIDEA Development Projects



GREY SHADED: Unincorporated Boroughs



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

	Phase 1	Phase 2	Phase 3	Phase 4
	Project Suitability Assessment	Feasibility Analysis	Deal Structuring & Due Diligence	Finalization and Close
Project Sponsor Submittals	Project description Sponsor information Estimated costs Timing Anticipated AIDEA participation	Peasibility Analysis Business plan Financing plan Operations plan Preliminary schedule IP/Technology plan Execution/development plan		Joint work with AIDEA to prepare contracts, financial and security agreements, and others as needed
AIDEA Process	Does project fit AIDEA mission? Is it consistent with AIDEA strategic initiatives? What is the total cost of the project? What are the potential financing options? How complete is the project proposal? What is the proponent's experience and capability? Does AIDEA have the capacity to implement the project? Is AIDEA the right source of funds?	 Is there a complete business plan? Is there a complete financing plan? Is there local community support? What is the timing and status for permitting, construction, and operations? What are the needed financing terms and security? What are the planned sources of capital? What are the risks? 	Test business case, technical aspects, management, and financial approach Finalize finance plan, security, equity and capital Complete due diligence checklist Prepare ownership and operating agreements	 Final review and refinement of all documents Confirmation of assumptions regarding business plan, source and uses of funds, satisfaction of conditions precedent
Output	Project information form Suitability report	Feasibility Report - Preliminary term sheet - Preliminary risk analysis • Reimbursement Aareement	Finance plan Ownership and Operating Agreements Due Diligence Checklist Board Report Resolution	Final Documents
AIDEA Decision Making	Project Suitability Committee • Authorization to go to Feasibility Analysis • Technical Assistance Agreement	Investment Committee • Review business case, finance and operations plans, and feasibility report AIDEA Board • Review and authorize to go to Deal Structuring and Due Diligence • Approve Reimbursemnt Agreement	Investment Committee • Review business case, finance plan, due diligence,operating agreements, and deal documents • Make recommendation to Board AIDEA Board • Approval of documents substantially in form • Adoption of resolution delegating authority to complete financing	Investment Committee • Final review & approval AIDEA Executive Director • Final review • Document execution • Closing
	No Go Go	No Go Go	No Go Go	No Go Go

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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
Revenues 1007 I/A Receipts (Other)	FY2019 Mgmt Plan 6,513.7	FY2020 Gov 6,494.6	Change -19.1
1007 I/A Receipts (Other)	6,513.7	6,494.6	-19.1
1007 I/A Receipts (Other) 1061 CIP Receipts (Other)	6,513.7 436.5	6,494.6 433.8	-19.1 -2.7



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