

INVESTING IN ALASKANS

# AIDEA OVERVIEW, BUDGET RESERVE + CREDIT SUMMARY

HOUSE FINANCE COMMITTEE  
MARCH 9, 2021

Alan Weitzner, Executive Director

[www.aidea.org](http://www.aidea.org)



## AIDEA'S MISSION

To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.

## AIDEA OVERVIEW

- ✓ Investing in Alaskans since 1967
- ✓ Alaska's Development Finance Authority
- ✓ Financially Self-Sustaining Public Corporation (no GF by statute AS 44.88.190(b))
- ✓ \$439.7 million in Dividends to Alaska since 1997
- ✓ Directed over \$3 billion into economic development in Alaska



# AIDEA AS 44.88

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## WITHIN AS 44.88.010(a)(10)

It is in the public interest to promote the **prosperity and general welfare of all citizens of the state by:**

(A) **stimulating commercial and industrial growth and expansion by encouraging an increase of private investment** by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;

(B) **encouraging the production of raw materials** and goods for export, the expansion of exports and raw materials and goods...;

(C) **creating the Alaska Industrial Development and Export Authority** with the powers necessary to accomplish the objectives stated in this paragraph, including the **power to issue taxable and tax-exempt bonds, to acquire ownership interests in projects, and to provide development project financing...**

# AIDEA PROGRAMS + PROJECTS

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- Conduit Revenue Bond Program
- Loan Participation Program
- Development Project Finance
- Sustainable Energy Transmission and Supply (SETS)
- Arctic Infrastructure Development Fund (AIDF)
- Small Business Economic Development Revolving Loan Fund
- Rural Development Initiative Loan Fund
- Business Export Assistance Program

## Development Project Finance:

- ✓ Delong Mountain Transportation System
- ✓ Skagway Ore Terminal
- ✓ FedEx Aircraft MRO Hangar
- ✓ Snettisham Hydroelectric Facility
- ✓ Alaska Ship & Drydock, Ketchikan
- ✓ Camp Denali Readiness Center (JBER)
- ✓ Mustang Holding LLC
- ✓ Interior Energy Project
- ✓ BlueCrest Energy Drilling Rig Loan
- ✓ AK SHIP – Vessel Repair Finance Program
- ✓ Duck Point Development II (Icy Strait Point)
- ✓ HEX Cook Inlet, LLC
- ✓ Ambler Access Project
- ✓ West Susitna Access Road Project
- ✓ Section 1002 Area Leases

# AIDEA PROGRAMS

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## Loan Participation Program

Provides long-term fixed rate financing to Alaska's commercial businesses, through a qualified Alaska financial institution, principally in support of construction and economic growth in Alaska's commercial real estate sector.



## Conduit Revenue Bonds

AIDEA is one of the State's principal issuers of taxable and tax exempt Conduit Revenue Bonds, principally supporting Alaska's healthcare sector development and Alaska Native or rural community access to healthcare.



## Project Finance

Assists Alaskans through AIDEA's ability to develop, own (in whole or in part) and finance installations and facilities within the state, especially those which advance economic development within a community, borough, or region of the state.

# AIDEA PROGRAMS

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## Infrastructure Development

Primarily focused on the responsible development of long-term infrastructure needed for the growth and diversification of the Alaskan economy, including public-private partnerships.



## Energy Planning

The Alaska Sustainable Strategy for Energy Transmission and Supply Act of 2012 created new programs and powers within AIDEA to address the state's energy needs by offering energy development financing options, including loans and guarantees.



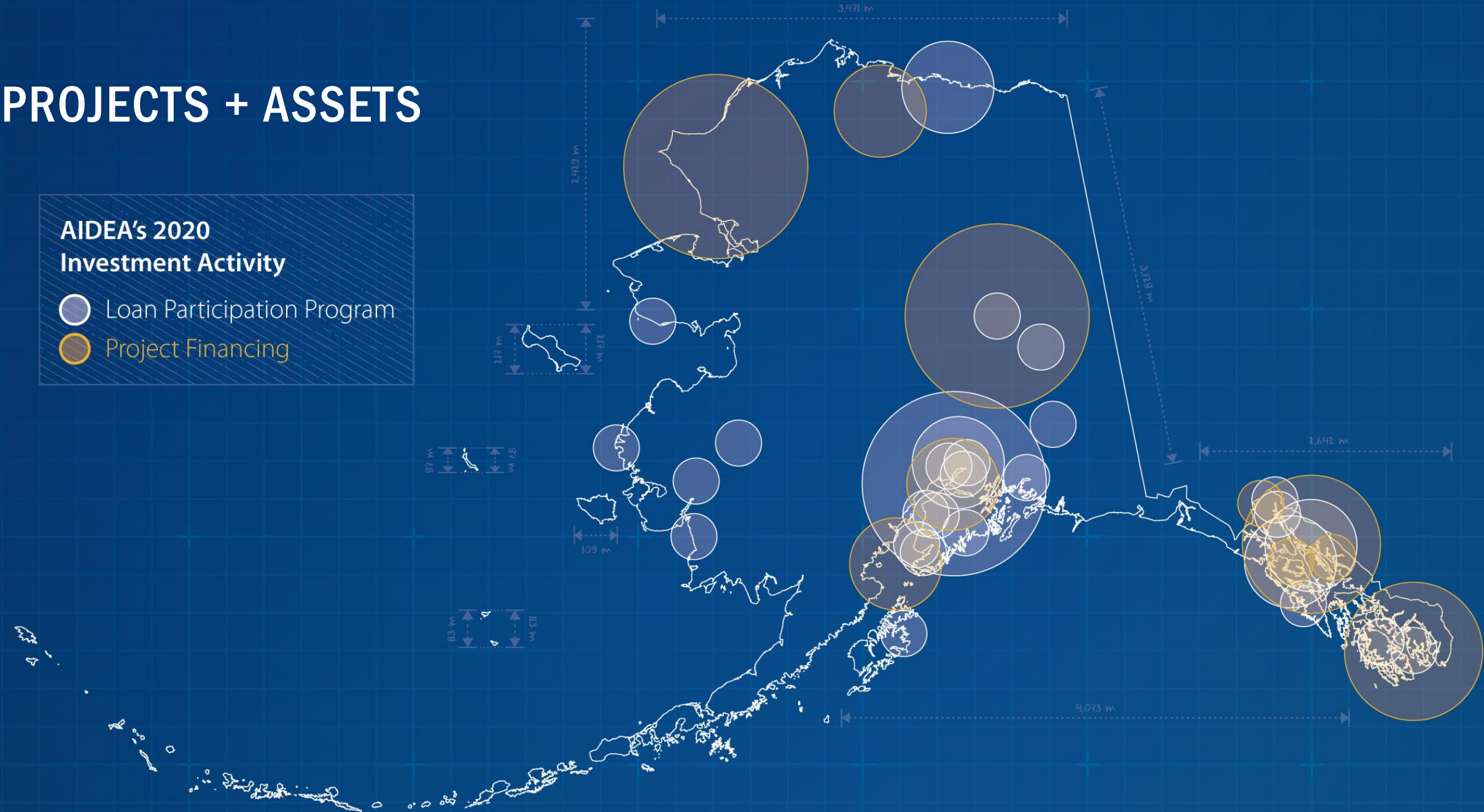
## Small Business Loans

AIDEA's two direct loan programs offer long-term financing for start-up and expanding small businesses. The loan programs, managed through DCCED, are focused on creating new jobs and/or retaining existing jobs in Alaska's communities.

# PROJECTS + ASSETS

**AIDEA's 2020 Investment Activity**

- Loan Participation Program
- Project Financing



# PROJECT INVESTMENTS

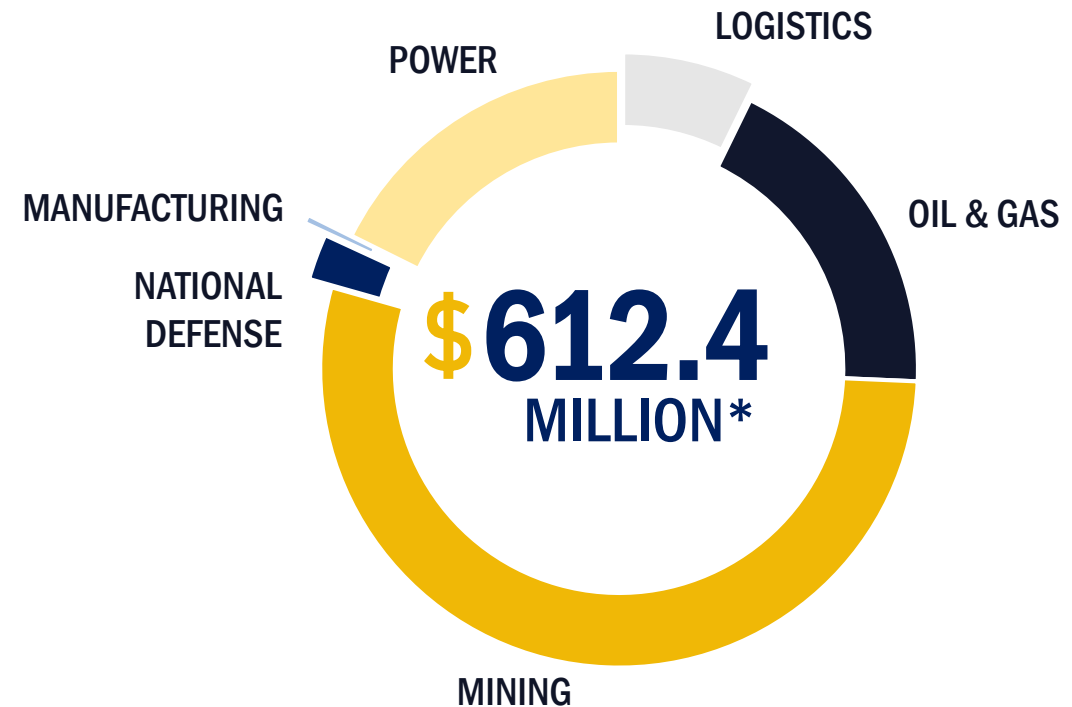
Facilitate Investment in Alaska's  
Industrial Sectors

Partnership with Public + Private  
Capital

Patient, Long-Term Capital

Direct Investment  
as Owner/Partner/Lender

Feasible Economic Structures,  
No Subsidies



*\* Total amount invested or committed in development projects held by AIDEA as of FYE 2020, includes only AIDEA funds and AIDEA proceeds from bonds issued.*



# FINANCIAL SUMMARY FY2020

## STATEMENT OF NET POSITION (\$thousands)

Cash Balance (incl. Restricted)	\$90,516
Programs:	
COVID-19 Emergency Programs	168,910
Enterprise Development Account	456,889
Development Project Finance:	
Revolving Fund - Projects	194,223
Revolving Fund - Capital Assets	141,531
SETS	143,760
AIDF	35,000
Other Assets	16,399
Capital Reserves – Securities	398,895
Total Assets	<u>\$1,646,123</u>
Less: Liabilities & Deferred	(\$226,650)
Net Position	<u>\$1,419,473</u>

## STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION (\$ thousands)

	FY 2020	FY 2019	FY 2018
Operating Revenues*	\$81,784	\$80,432	\$64,333
Operating Expenses*	<u>(31,318)</u>	<u>(32,876)</u>	<u>(39,223)</u>
Operating Income	50,428	47,556	25,110
Non-Operating Revenue (Expenses), Net and Other	(5,858)	(1,298)	(11,703)
Change in Net Position	<u>\$44,570</u>	<u>\$46,258</u>	<u>\$13,407</u>
Statutory Net Income	34,610	28,953	33,489
Declared Dividend to State GF (current year payable in FY2022)	<u>17,305</u>	<u>14,475</u>	<u>10,285</u>

\* Net of emergency programs for purposes of comparison to prior years

# BONDING CAPACITY

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- AIDEA's bonding capacity is subject to determination by external credit rating agencies and their evaluation of AIDEA's credit standing.
- Prior to 2019, AIDEA held long-term credit ratings of AA+ by S&P and Aa3 by Moody's, based in large part to AIDEA's capital reserves in place and the state's statutory dividend program.
- In 2019, Moody's downgraded AIDEA's Revolving Fund bonds to A2 referencing "the Revolving Fund bonds' exposure to actions the state may take as it seeks to adopt a revenue model less dependent on North Slope oil production." These bonds were defeased same year.
- AIDEA's capacity to provide financing opportunities is directly related to the asset base available to support those investments.



*The legislature expressed its intent in enacting the statutory dividend program that "the financial integrity of the [Authority] remain secure so that the Authority can continue to fulfill its vital economic development mission for the state" (see sec. 1, ch. 11 SLA 1996).*

# PROPOSED FY 2022 FUND DRAW

- \$60 million draw of funds would come from AIDEA capital reserves; currently \$398.9 million.
- Capital reserves are AIDEA's primary source of capital for new and ongoing investments.
- Alternative use of funds ("opportunity cost") is investment in ongoing and future development projects.
  - Returns on AIDEA's programs and project investments currently range from 3.5% to 9%, create or retain jobs for Alaskans, and generate local/state tax and royalty income.
    - Reinvested in communities, contributes to the Permanent Fund, and provides cashflow for AIDEA's reinvestment and dividend to the state.

**\*\$48/bbl**

Forecasted ANS Oil Price  
for FY 2022

**\*\$60/bbl+**

UGF Revenue per  
\$/bbl

*\*See slides 6 and 21 of Department  
of Revenue's Fall 2020 Forecast  
Presentation to the House Finance  
Committee on February 22, 2021*





# RESPONSIBLE RESOURCE DEVELOPMENT

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ACCESS TO ALASKA'S ABUNDANT NATURAL RESOURCES  
FOR ECONOMIC DEVELOPMENT





# 1002 AREA LEASE SALE

## ECONOMIC DEVELOPMENT POTENTIAL

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### HOW MUCH OIL IS ESTIMATED TO BE IN THE 1002 AREA?

- The U.S. Geological Survey estimates this area contains 10.4 billion barrels of technically recoverable oil.

### ECONOMIC BENEFITS FOR STATE OF ALASKA

- Public funding from taxes contributing to economic security within the local communities on the North Slope, providing revenue to fund local services, schools, health clinics, housing, emergency response, water and wastewater, heat and electric utilities, and countless essential services.
- Fixed royalty of 16.67% established, half of which goes to the State.
- Half of all proceeds earned through the Section 1002 Area Oil & Gas Lease Sale are shared with the State of Alaska.

### ESTIMATED JOB CREATION FROM DEVELOPMENT OF THE 1002 AREA

- 55,000 – 130,000 jobs are expected to be created, according to the House Committee on Natural Resources.

### ESTIMATED REVENUE GENERATED BY DEVELOPMENT OF THE 1002 AREA

- Estimated up to \$50 billion in future royalties, according to the nonpartisan Congressional Budget Office.

# AMBLER ACCESS PROJECT

## PROJECT BACKGROUND

- Access to Ambler Mining District defined within ANILCA.
- FY20 final EIS / FY21 Joint ROD from BLM/NPS.
- \$35M for AIDEA's Arctic Infrastructure Development Fund, matched by Ambler Metals LLC for Final Feasibility.
- Development Agreement with Ambler Metals coordinating the timeline between the Arctic Mine feasibility and Ambler Access Road feasibility by latest December 2024.

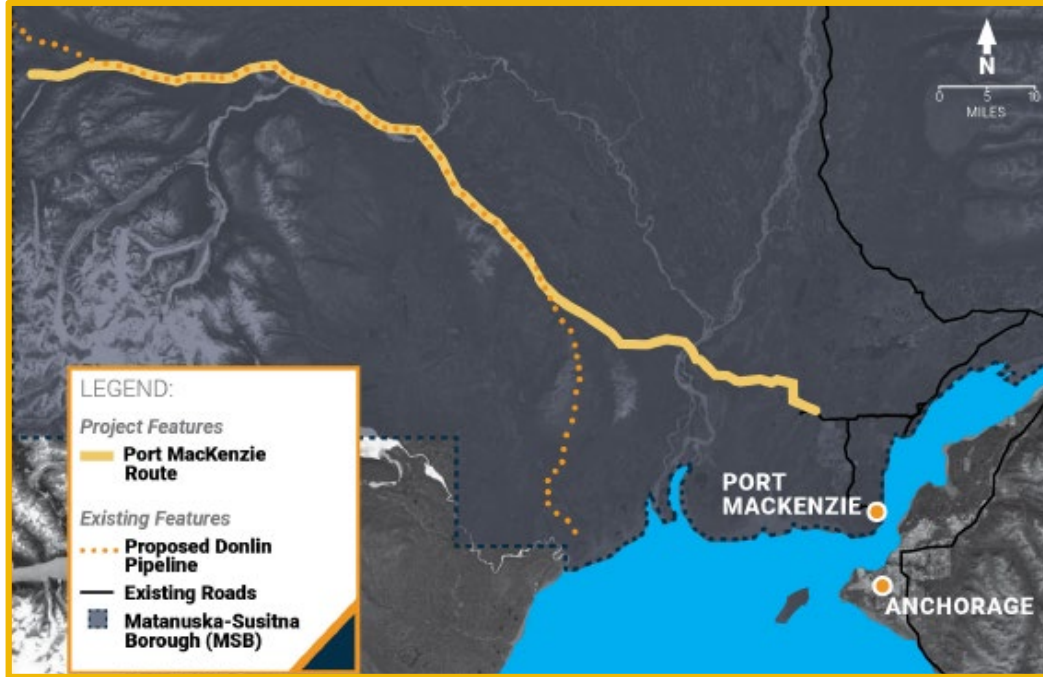
## ECONOMIC DEVELOPMENT OPPORTUNITY

Road Construction and Operations	Mines Construction
<ul style="list-style-type: none"><li>▪ 360 direct jobs for road construction on an annual average</li><li>▪ Up to 81 direct annual jobs for road operations and maintenance over the life of the road</li></ul>	<ul style="list-style-type: none"><li>▪ 2,777 direct jobs for mine construction; \$286M in wages annually</li><li>▪ 2,034 additional indirect and induced jobs; \$108M in wages annually</li></ul>
Mining Operations	Government Revenues (Life of All Four Mines)
<ul style="list-style-type: none"><li>▪ 495 direct jobs; \$72M in wages annually</li><li>▪ 3,436 additional indirect and induced jobs; \$228M in wages annually</li></ul>	<ul style="list-style-type: none"><li>▪ \$393M in mining license tax revenues to the State</li><li>▪ \$524M in corporate income taxes to the State</li><li>▪ \$214M in production royalties to the State</li><li>▪ \$13M in claim rents to the State</li><li>▪ \$193M in payments to local governments</li></ul>

# WEST SUSITNA ACCESS ROAD PROJECT

## PROJECT BACKGROUND

- 2014 Roads to Resources Program DOT&PF Study
- Pre-development feasibility stage of planning for a multi-use public access road leading to resource development opportunities that will diversify the state and borough economy and lead to job creation.
- Partnership between AIDEA, the Matanuska-Susitna Borough (MSB) and industry partners.



The proposed route is approx. 100 miles long, from the west end of Ayrshire Road to near the confluence of the Talachulitna and Skwentna Rivers. Near the Happy River crossing, the route would diverge away from the Donlin Gold gas pipeline route and continue west to a point of tie-in with existing mineral exploration roads.



# DISCUSSION

Thank you



Alan Weitzner, AIDEA Executive Director