



Alaska Industrial Development and Export Authority Overview

Alaska State Legislature- Senate Finance Committee

March 15, 2023

Randy Ruaro, Executive Director

www.aidea.org

AIDEA Mission

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

Sec. 44.88.010. Legislative finding and policy.

(a) The legislature finds, determines, and declares that

- (1) There exist areas of the state in which seasonal and nonseasonal unemployment exists;
- (2) This unemployment is a serious menace to the health, safety, and general welfare, not only to the people in those areas, but also to the people of the entire state;
- (3) The state lacks the basic manufacturing, industrial, energy, export, small business, and business enterprises and the other facilities referred to in this subsection necessary to permit adequate development of its natural resources and the balanced growth of its economy;
- (4) The establishment and expansion of industrial, manufacturing, energy, export, small business, and business enterprises in the state and the other facilities referred to in this subsection are essential to the development of the natural resources and the long-term economic growth of the state, and will directly and indirectly alleviate unemployment in the state;

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))
- The authority is a public corporation of the state and a body corporate and politic constituting a political subdivision within the Department of Commerce, Community, and Economic Development, but with separate and independent legal existence (**Sec. 44.88.020**).
- The purpose of the authority is to promote, develop, and advance the general prosperity and economic welfare of the people of the state, to relieve problems of unemployment, and to create additional employment (**Sec. 44.88.070**).

AIDEA Program Highlights

LOAN Participation Program (LPP)

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

Current LPP Statistics:

- \$422 million of program loans outstanding
- Total LPP loans outstanding has increased nearly 34% over the last 5 years
- Current borrowers are represented by 28 different industries
- Current loans outstanding represent over 6.75 million sq. ft. of total commercial collateral throughout the State of Alaska

AIDEA's Loan Participation Program works in partnership with eligible banks and credit unions to provide flexible financing rates (long-term or variable) over a longer period of time than traditional lending alone. Competitive interest rates coupled with longer repayment periods give borrowers more time to focus on building successful companies, creating and retaining jobs, and contributing to Alaska's economic development. Both for-profit and non-profit businesses are eligible to participate and loans can be used to finance new construction, expansions, and equipment purchases.



Loan Participation Program Financials



17

Loans Approved

A+

0%

Loan Delinquency



28

Industries Represented



116

Construction Jobs Supported



305

Permanent Jobs Supported



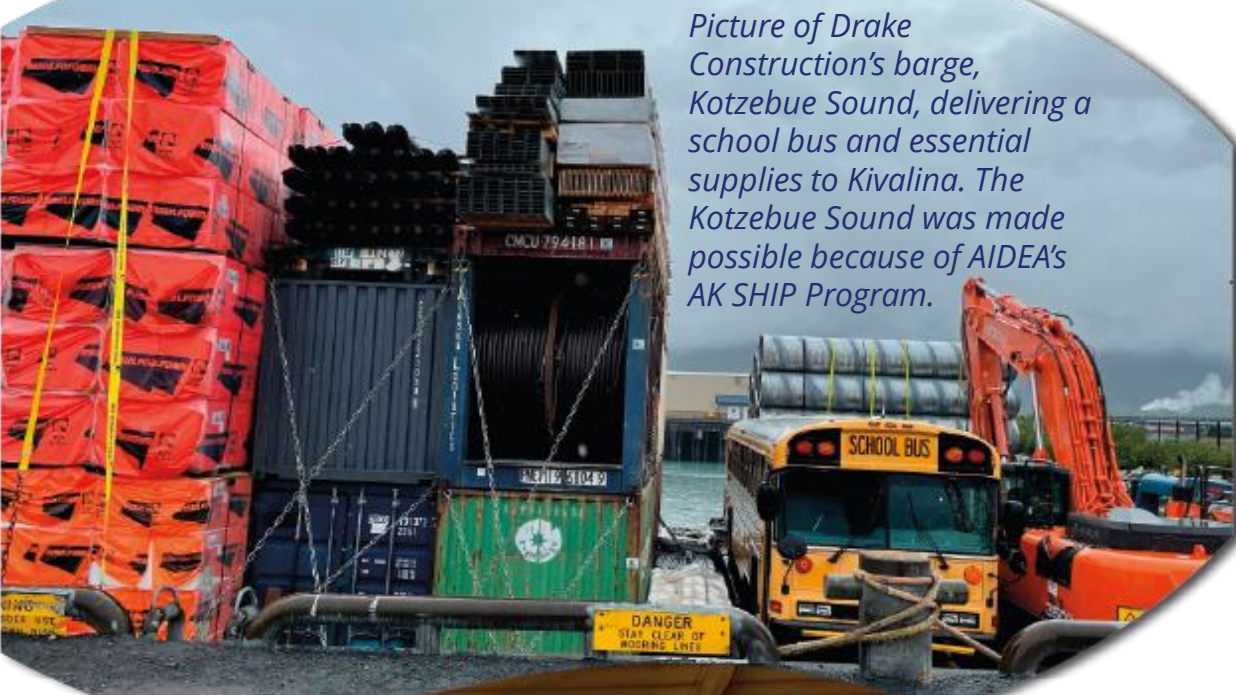
TOTAL LOAN PARTICIPATION PROGRAM PORTFOLIO OF LOANS OUTSTANDING
\$410.6 Million

\$20,556,158

Total Amount of Projects Being Financed

\$18,153,042

AIDEA Loan Total



Picture of Drake Construction's barge, Kotzebue Sound, delivering a school bus and essential supplies to Kivalina. The Kotzebue Sound was made possible because of AIDEA's AK SHIP Program.



Alaska's Ship Home-Porting For Improvements Program (AK SHIP)

AIDEA's Alaska Ship Home-Porting for Improvements Program (AK SHIP) is a financing program designed to enhance the competitiveness of Alaska's marine transport industry.

Established in 2019, this program offers short-term and bridge financing for repair, conversion, and maintenance work on commercial and industrial vessels at Alaska shipyards.

Conduit Revenue Bond Program



Tanana
Chiefs
Conference

Health Care

Expanding access for Alaska Natives
across Interior Alaska

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

**AIDEA has been involved in over \$1 billion
of bond issuances**

Financing to Tanana Chiefs Conference (TCC) in 2019
to expand access to healthcare

- Expand the Chief Andrew Isaac Health Center in Fairbanks
- Build new facilities in Tok, Evansville, Manley Hot Springs, and Northway
- \$126,685,000 principal amount series 2019A revenue bonds

AIDEA Project Financing

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.

Project Financing - Red Dog Mine | DMTS

1. Without AIDEA, there would be no mine
2. In 1986, AIDEA funds mine, road, and port with \$160 million
3. AIDEA saves mine in 1990 with funding \$85 million for expansion
4. Mine could continue to be successful with deposits on state land
5. Project provides significant economic benefits*
6. Project continues to yield significant dividends for NANA (royalty of \$255 million in 2021 and shares ~60% of the royalty with other Regional Corporations)
7. Future opportunities also exist (Aktigirug prospect could be one of the largest undeveloped zinc deposits in the world)

Description	Impact
Annual Average Number of Jobs (includes on-site contractors)	550
Average Salary of a Red Dog Mine Employee	\$99,000
Red Dog Wage Impact in NWAB	\$65 million
Red Dog Annual Payroll Spending	\$75 million
Spending on Goods and Services within State of Alaska (2015)	\$158 million
NANA Royalty Payments (since inception)	>\$1.3 billion
NANA 7(i) Payments from Red Dog's >\$1.3B Royalties	\$860 million
Community Investment and Donations in the Region (2010-2015)	\$2.8 million
Red Dog Mine's Payment in Lieu of Taxes (PILT) annual payment to Northwest Arctic Borough is \$14 - \$18 million per year.	\$14-18 million/yearly

*Table ES-1 Summary of Red Dog/DMTS Related Economic Impacts (thru 2016)

Red Dog is one of the largest zinc mines in the world.



Project Financing - FedEx Hangar

LOCATION IS ONLY
9.5 hrs
FROM 90% OF THE
INDUSTRIALIZED WORLD

3.6 million
TONS OF CARGO

300
NEW JOBS FOR ALASKANS

4th
BUSIEST CARGO HUB
IN THE WORLD

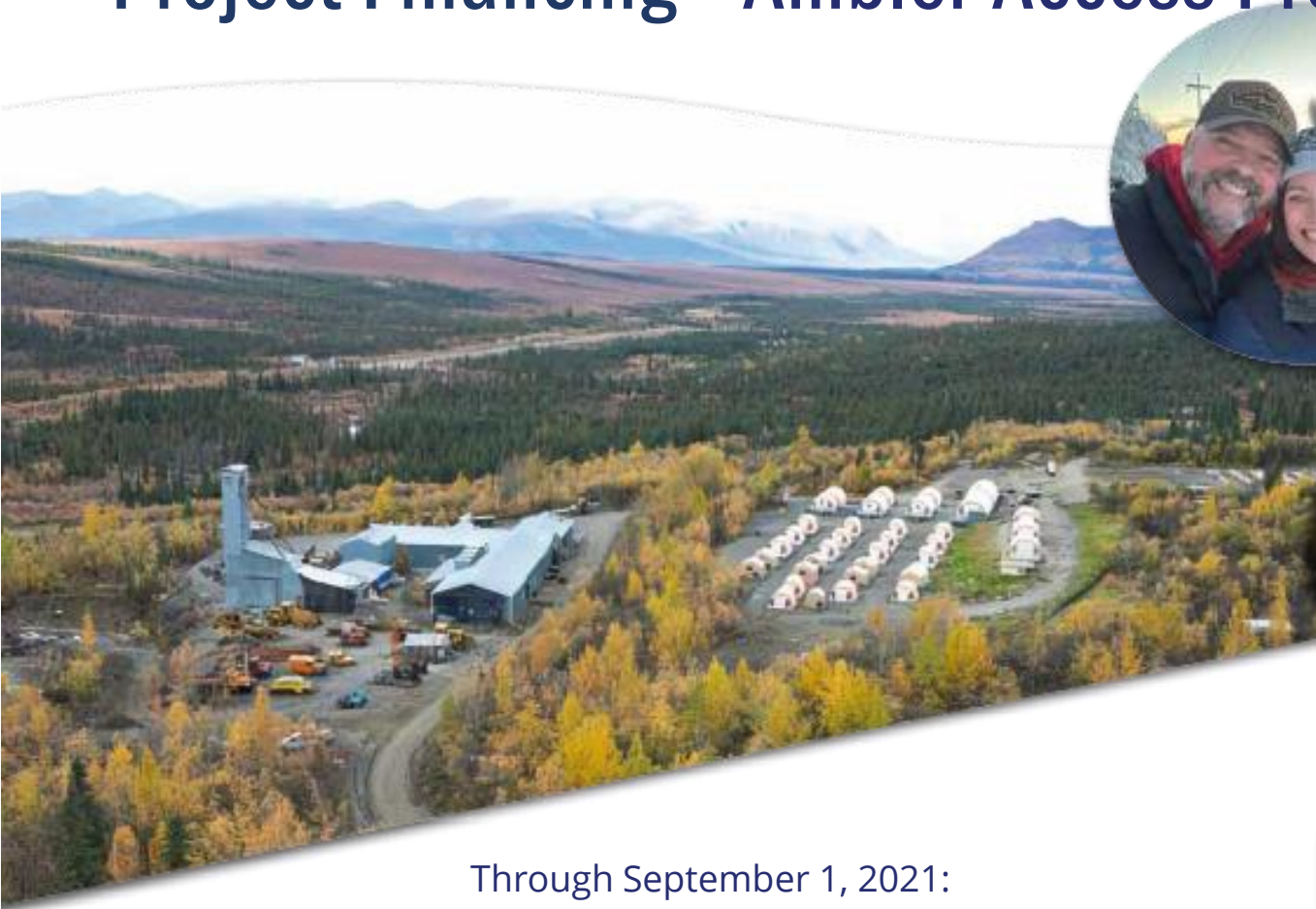


The FedEx Maintenance, Repair, and Operations (MRO) Facility is a hangar capable of accommodating one wide-body aircraft, such as a Boeing 747.

Project Financing - Ambler Access Project

Ambler Access Road is a proposed 211-mile private controlled industrial access road to the Ambler Mining District in northwestern Alaska.

Access to Ambler Mining District defined within the Alaska National Interest Lands Conservation Act (ANILCA).



Through September 1, 2021:



3,256 mining claims purchased for mining



3,931 jobs in mining operations & \$300 million in wages for mining operations

The Ambler Access Project is a 211-mile industrial access road leading to critical mineral resources, including copper, silver, gold, lead, and zinc. The Ambler Mining District has been characterized as one of the largest undeveloped copper-zinc mineral belts in the world. The area has been explored for decades, but development of the mineral resources has been limited due to a lack of transportation infrastructure.

Future Project Development – West Susitna Access Project

Approximately 100 miles long, this economic development project will provide access to many natural resources and increase diversification of Port MacKenzie for import and export opportunities. This multi-use public access road will lead to resource development opportunities that will diversify the state and borough economies and lead to job creation.

Project Benefits



MINERAL RESOURCES
Copper, gold, silver, and platinum potential. More than 3,000 active mining claims within the basin.



MANAGED RECREATIONAL ACCESS
Many opportunities including snowmachining, fishing, hunting, boating, recreational mining, and use of cabins.



FIRST RESPONDER ACCESS
Ability to provide first aid, fire response, and other emergency access in the area.



ENERGY RESOURCES
Active energy exploration in areas west of the Susitna River, including in Upper Cook Inlet where active oil and gas producing fields exist in the study area.



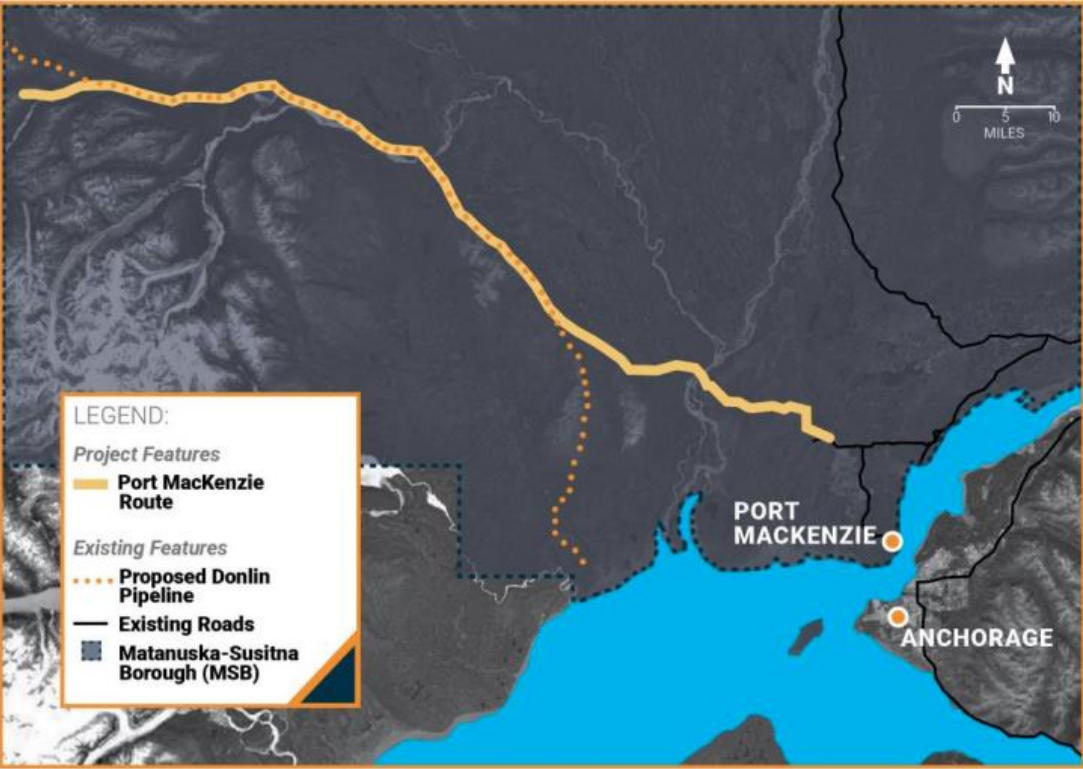
FORESTRY/ TIMBER HARVEST
More than 700,000 acres available for harvest; enhances fire suppression.



AGRICULTURAL RESOURCES
More than 65,000 acres of land identified for potential agricultural uses.



ALTERNATIVE ENERGY
Opportunities for clean energy projects, including geothermal, hydroelectric, solar, wind, carbon capture and sequestration, and biomass resources.



Potential Jobs and Wages of Local Mines

Project	Operating Jobs	Operating Wages (\$millions)	Total Jobs Impact Range	Total Wage Impact Range (\$millions)
Estelle	200-400	\$24-\$47	380-960	\$38-\$90
Whistler	500	\$59	950-1,200	\$95-\$115
Island Mountain	360	\$42	680-860	\$65-\$80
Raintree West	230	\$27	450-550	\$40-\$55
Canyon Creek	300	\$35	500-1,000	\$50-\$70

Source: University of Alaska Anchorage, Institute of Social and Economic Research; Alaska Department of Labor and Workforce Development; and McKinley Research Group estimates.

Future Project Development - ANWR 1002 Leases

"Kaktovik is the only community in the 1002 Coastal Plain . . . We are not an exhibit in a museum. Nor is the land that we have survived and thrived on for centuries to be locked away for the peace of mind of those from faraway places. This school of thought amounts to nothing more than green colonialism land-grabbing in the name of the environment."

- from the testimony by Fenton Rexford of Kaktovik before the House Resource Committee, March 6, 2019, 1:57 p.m.



*Representative of Arctic Coastline.
Photo credit: Judy Patrick*

- AIDEA has 10-year lease agreements with the BLM for seven tracts in the Coastal Plain of ANWR totaling 365,775 acres, effective January 1, 2021.
- AIDEA is specifically authorized by the Alaska State Legislature to promote and provide financing for Arctic infrastructure development and to enter into lease agreements with government entities necessary to fulfill these purposes (AS 44.88.800).
- ANWR has a USGS 2005 mean estimate of 7.7 billion barrels of oil of technically recoverable oil located on federal lands, and 3 billion barrels of oil in adjacent state waters and Native lands. Congressional Research Service, RL 32838, July 30, 2020.
- Return to state treasury from development run into the tens of billions of dollars.

AIDEA Financial Highlights

AIDEA 2022 Financial Highlights

Net Income*



\$35.8
MILLION



28+ YEARS
OF POSITIVE ANNUAL NET INCOME*



+45% INCREASE ABOVE THE
PREVIOUS 5 YEAR AVERAGE
(FY2017 TO FY2021)



+26% INCREASE ABOVE
THE PREVIOUS 10 YEARS AVERAGE
(FY2012 TO FY2021)

*Statutory Net Income

Annual Dividend



\$17.9
MILLION



\$463 MILLION OF
TOTAL DIVIDENDS DECLARED SINCE 1996



+67% INCREASE ABOVE
THE PREVIOUS 5 YEAR AVERAGE
(FY2017 TO FY2021)



+47% INCREASE ABOVE THE
PREVIOUS 10 YEAR AVERAGE
(FY2012 TO FY2021)

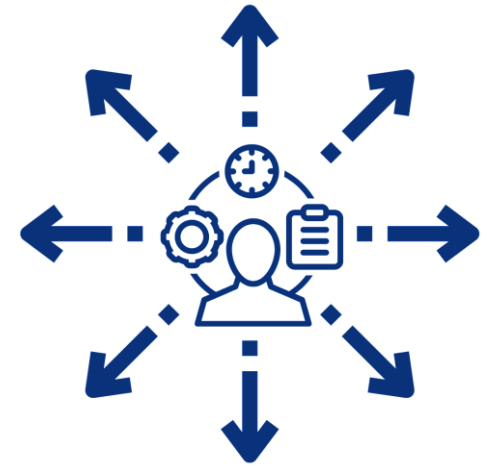
Where Does AIDEA Get Its Money?



Loan Participation
Program Investments



Successful Project
Investments



Externally Managed
AIDEA-Owned Funds

Financial Summary FY2022 (\$ Thousands)

STATEMENT OF NET POSITION

Assets and deferred outflows of resources

Assets:

Investment securities and cash	\$ 611,135
Loans, net	560,270
Development projects	461,814
Other assets	62,826
Snettisham project assets	59,340
Total assets	1,755,385

Deferred outflows of resources:

Deferred outflows of resources	1,495
Snettisham project deferred outflows of resources	1,681
Total deferred outflows of resources	3,176

Total assets and deferred outflows of resources

as of June 30, 2022
\$ 1,758,561

Liabilities, deferred inflows of resources and net position

Liabilities:

Other liabilities	45,001
Snettisham project liabilities	59,836
Total liabilities	104,837

Deferred inflows of resources	219,037
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Net position	1,434,687
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Total liabilities, deferred inflows of resources and net position

\$ 1,758,561

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues:

Interest on loans	\$ 16,614
Income from development projects	34,204
Snettisham project restricted income	2,522
Investment interest	9,112
Net increase/(decrease) in fair value of investments	(48,994)
Income from state agencies and component units	5,473
Pass through grant revenues	3,633
Other income	3,410
Total operating revenues	25,974

Operating expenses:

Interest	4
Snettisham project interest expense	2,522
Nonproject personnel, general and administrative	15,053
Net pension related adjustment	(897)
Net OPEB related adjustment	(2,345)
Provision for loan losses	5,371
Depreciation on projects	10,933
Other project expenses	500
Total operating expenses	31,141
Operating income (loss)	(5,167)

Other revenues and expenses, net and other	5,903
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Increase in net position, before dividend to State of Alaska	736
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Dividend to State of Alaska	(17,305)
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Decrease in net position, after dividend to State of Alaska	(16,569)
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Net position-beginning of year	1,451,256
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Net position-end of year	\$ 1,434,687
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For the year ending
June 30, 2022

Operating Budget Summary (\$Thousands)

	FY22 Actuals	FY23 Mngt. Plan	FY24 Governor	Change**
<u>Expenditure Categories</u>				
Personal Services	11,040.9	13,253.1	15,151.7	1,898.60
Travel	59.8	229.3	229.3	-
Services	1,191.7	2,188.4	2,766.4	578.00
Commodities	49.4	98.9	98.9	-
Capital Outlay	27.9	35.5	35.5	-
Totals	\$ 12,369.70	\$ 15,805.20	\$ 18,281.80	\$ 2,476.60

<u>Funding Sources</u>				
I/A Receipts *	5,472.8	6,827.4	8,404.0	1,576.60
CIP Receipts	753.7	250.0	1,150.0	900.00
AIDEA Receipts	6,143.2	8,727.8	8,727.8	-
Totals	\$ 12,369.70	\$ 15,805.20	\$ 18,281.80	\$ 2,476.60

* Represents receipts from AEA. All employees are AIDEA; AEA reimburses AIDEA for personal services costs.

** Change Detail

AEA - I/A Receipts for increased AEA personal services costs	900.0
AEA - I/A Receipts for 5 positions - Infrastructure Investment Jobs Act	676.6
AIDEA CIP - Increase related to AIDEA capital projects	900.0
	\$ 2,476.60

AIDEA Dividend Information

What Does AIDEA Do With Its Profits?

Revenue generated by AIDEA's investments go to two places:



Reinvested in AIDEA
programs and projects



Issued as dividends to
the State of Alaska.

AIDEA Annual Dividend Overview

- Dividend Statute: AS 44.88.088
- Determined annually through resolution by AIDEA's Board
- Dividends are to be not less than 25% nor more than 50% of the Authority's current fiscal year calculated statutory net income
- Average annual dividend:
 - ~\$16.6 million
 - 47% of net income

Recap of AIDEA Dividends to State of Alaska

Year Ended June 30	Payable in FY	Total Statutory Net Income	Total Dividend	% of Total Income
1995	1997	37,461,096	15,000,000	40%
1996	1998	42,902,054	16,000,000	37%
1997	1999	42,880,361	16,000,000	37%
1998	2000	52,373,699	26,000,000	50%
1999	2001	37,092,829	18,500,000	50%
2000	2002	35,597,000	17,500,000	49%
2001	2003	40,299,000	20,149,500	50%
2002	2004	36,351,840	18,175,900	50%
2003	2005	44,111,221	22,000,000	50%
2004	2006	17,625,687	8,812,000	50%
2005	2007	33,299,000	16,649,500	50%
2006	2008	20,043,890	10,000,000	50%
2007	2009	47,602,939	23,800,000	50%
2008	2010	45,440,683	22,720,000	50%
2009	2011	46,846,937	23,423,000	50%
2010	2012	58,881,794	29,400,000	50%
2011	2013	40,872,741	20,400,000	50%
2012	2014	41,490,764	20,745,000	50%
2013	2015	21,329,792	10,665,000	50%
2014	2016	35,318,000	17,650,000	50%
2015	2017	25,308,000	6,328,000	25%
2016	2018	37,884,000	12,883,000	34%
2017	2019	9,585,000	4,792,000	50%
2018	2020	33,489,000	10,285,000	31%
2019	2021	28,953,000	14,475,000	50%
2020	2022	34,610,000	17,305,000	50%
2021	2023	16,761,000	6,479,60	39%
2022	2024	35,805,322	17,904,000	50%
Cumulative		1,000,216,650	464,041,300	
Average Dividend			16,572,903.57	47%

2022 Declared Dividend

- Resolution NO. G22-15
- Declared on December 27, 2022 for the fiscal year 2024
- Amount of \$17,904,000



“WHEREAS, the staff of the authority has recommended that the total sum of cash or assets of \$17,904,000 be made available as a dividend to the State from Revolving Fund in fiscal year 2024 (the “Revolving Fund Dividend Amount”), which amount is approximately 50% of the Revolving Fund’s net income as defined in the Act;

WHEREAS, it is in the best interest of the State and the Authority that the Authority’s staff work with the State Department of Revenue to determine the timing of when during the 2024 fiscal year the dividend amount should be made available to the State;

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Alaska Industrial Development and Export Authority that in accordance with AS 44.88.088, the Authority shall make the sum of \$17,904,000 available to the State in cash or assets, and the staff of the Authority is hereby authorized to work with the Department of Revenue to establish the timing and the assets to be transferred.”

Budget Amendment for Dividend

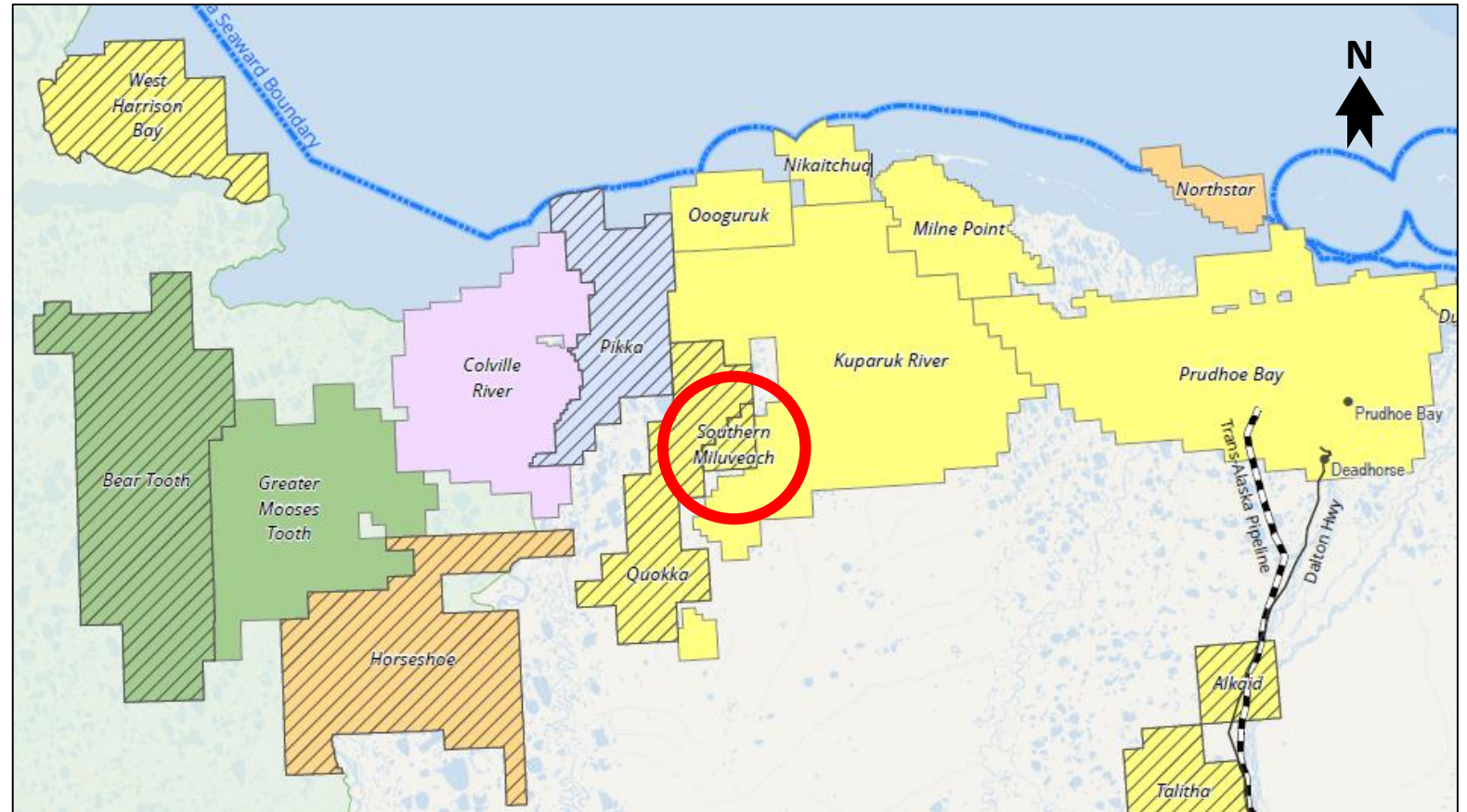
* Sec. 11. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. (a) The sum of \$17,904,000 [AMOUNT TO BE] declared available under AS 44.88.088 by the board of directors of the Alaska Industrial Development and Export Authority as the dividend for the fiscal year ending June 30, 2024, [UP TO \$17,904,000] is appropriated from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060), the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund (AS 44.88.660), and the Arctic infrastructure development fund (AS 44.88.810) to the general fund.

(b) The appropriation made in (a) of this section is reduced by real property assets and improvements, not to exceed \$13,904,000, transferred by the Authority to the Department of Natural Resources during the fiscal year ending June 30, 2024.

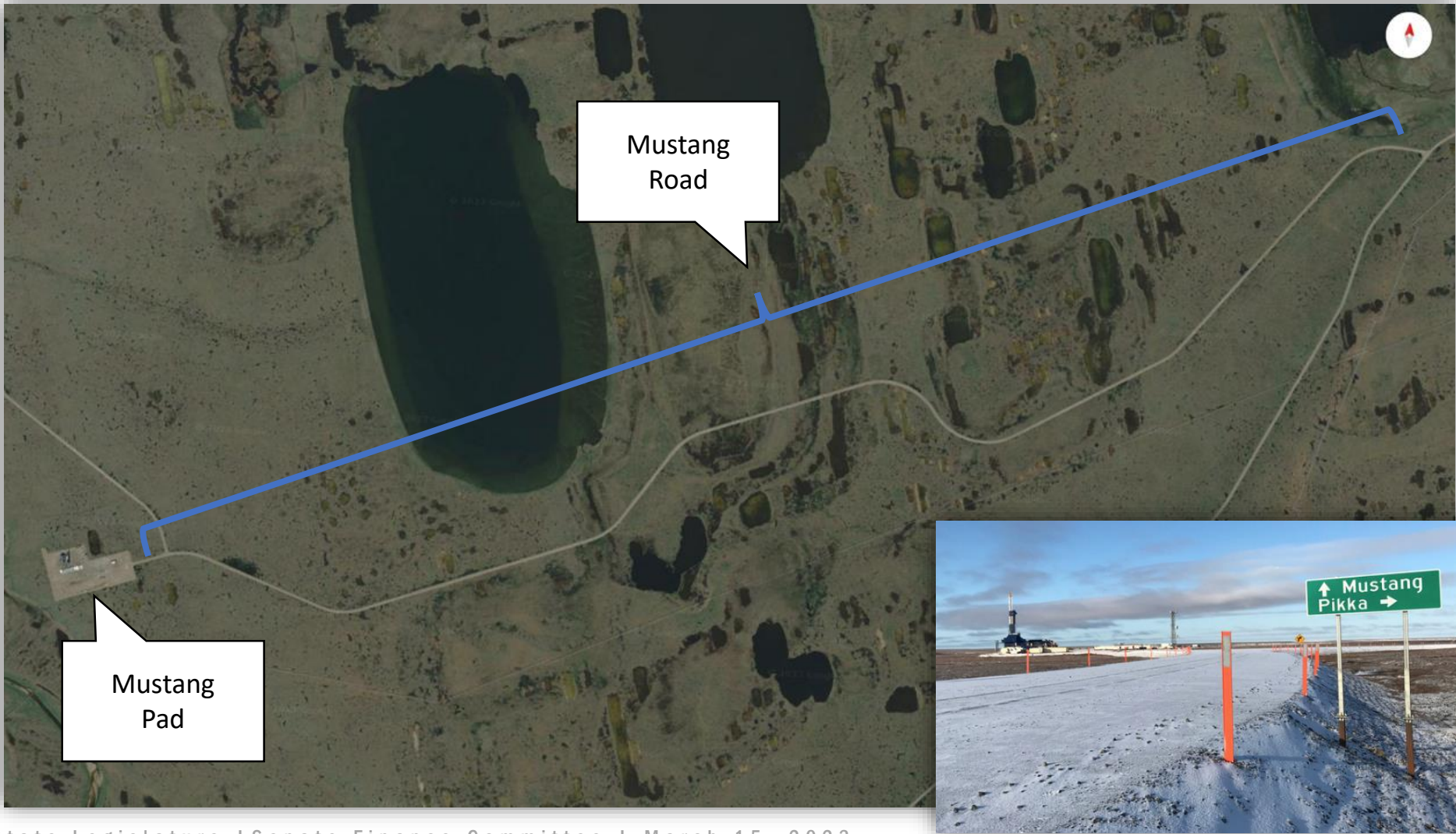
Mustang Road

Southern Miluveach Unit (SMU) & Mustang Project

- In 2009, Brooks Range & AIDEA entered discussions related to the Mustang Project
- Mustang Project located within the SMU
 - Location: ~19 miles west of the Kuparuk River Operations Center & ~55 miles west of Deadhorse
 - Mustang Pad: ~17 acres
 - Mustang Road: ~4.5 miles



Mustang Project Pad & Road



Mustang Road – Timeline

- **CY 2012**

- **Q4:** AIDEA Board approves \$20 million investment in Mustang Road LLC for the road and pad project
 - [AIDEA Board Resolution G12-08](#)
 - Total cost estimate of \$25 million
 - Brooks Range Petroleum Corporation (Brooks Range) to fund \$5 million & any cost overruns

- **CY 2013**

- **Q1-Q3:** Mustang road & pad constructed, completed in July 2013
 - AIDEA Board approves cost reimbursement agreement with Brooks Range re: SMU
 - [AIDEA Board Resolution G13-01](#)
 - DNR grants Brooks Range a 5-year early entry authorization



Mustang Road – Timeline (cont.)

▪ CY 2017

- **Q1:** Brooks Range assigns Mustang Road LLC (MR LLC) easement to AIDEA
- **Q2:** AIDEA Board approves acquisition of 100% membership interests of MR LLC
 - **AIDEA Board Resolution G17-06**
- **Q4:** MR LLC and Brooks Range enter into a Road and Pad Use Agreement
- **Q4:** AIDEA informs DNR that the Authority has acquired 100% of the membership interests in MR LLC and asks for the assignment of ADL 419880 from Brooks Range

▪ CY 2018

- **Q2:** Brooks Range and Oil Search Alaska (OSA) enter into a month-to-month SMU Infrastructure Use Agreement

Mustang Road – Timeline (cont.)

- **CY 2019**

- **Q1:** DNR grants Brooks Range a 20-year private, non-exclusive Mustang Road easement (ADL 419880)
- **Q2:** Oil Search Alaska (OSA) applies for an easement covering the entire length of the road crossing Brooks Range's and ConocoPhillips' leases
- **Q3:** OSA submits a supplement to the easement application addressing pump house pad location and a water source access road
- **Q3:** Brooks Range, via letter to DNR, states that the OSA easement application directly conflicts and overlays the Mustang Road easement (ADL 419880) and does not consider and protect the pre-existing easement



Mustang Road – Timeline (cont.)



- **CY 2020**

- **Q1:** DNR grants OSA a 5-year entry authorization and a 35-year easement term
 - Decision limited to determination whether granting easement will be of greatest economic benefit to Alaska and resource development
 - Access states OSA shall coordinate with other lease and easement holders and shall not unreasonably interfere with access or operations in leases held by other operators.
- **Q1:** Brooks Range files appeal concerning the DNR decision granting the overlapping easement
 - Basis of the appeal is that the granting of the easement to OSA, a 3rd party, constituted a taking of the private property (the Mustang Road) without consent or compensation
 - The appeal filing automatically stays the overriding easement decision; however, the then-DNR Commissioner, under 11 AAC 02.606(a), removes the automatic stay, which remains removed until the appeal is adjudicated
- **Q2:** AIDEA and OSA entered into a Memorandum of Understanding and Cost Reimbursement Agreement to develop a financing plan for surface infrastructure including access roads and pads for the development of the Pikka Unit
 - [AIDEA Board Resolution G20-24](#)

Mustang Road – Timeline (cont.)

- **CY 2021**

- **Q2:** DNR transfers the Mustang Road easement (ADL 419880) to Mustang Holding LLC

- **CY 2022**

- **Q2:** Mustang Holding LLC assumes Brooks Range easement appeal re: OSA (now Santos) overriding easement granted by DNR
 - Mustang Holding LLC is granted opportunity to provide a supplement to the appeal
 - OSA (Santos) is granted a rebuttal to the supplement
 - **Q3:** Mustang Holding LLC comments on Santos export pipeline Right of Way Application (ROW)
 - **Q4:** DNR grants OSA (Santos) pipeline ROW
 - **Q4:** AIDEA declares a \$17.9 million dividend in cash or assets
 - [AIDEA Board Resolution G22-15](#)



2022 Dividend Details/Components

- Total \$17,904,000 in Cash and Assets
 - Cash: \$4.0 million
 - Assets: \$13.9 million
 - Mustang Road*



*Based on third party valuation



PRESS RELEASE

Office of Communications and External Affairs
Communications@aidea.org
907.771.3024
15-2022

FOR IMMEDIATE RELEASE: December 27, 2022

AIDEA Board Approves over \$17 Million Dividend to State General Fund

(Anchorage) – Tuesday, Dec. 27, 2022, the Board of Directors for the Alaska Industrial Development and Export Authority (AIDEA) approved a dividend of \$17,046,000 in cash or assets to the State of Alaska Unrestricted General Fund for FY2024.

Under AIDEA's Dividend Statute, the "Dividends are not to be less than 25% and no more than 50% of the Authority's current fiscal year calculated statutory net income." The Board chose to declare the maximum amount of 50% as the dividend allocation to the State of Alaska.

"Financial returns from AIDEA's investments go to two places—back into AIDEA's pool of funds to be reinvested and as dividends issued to the State of Alaska's Unrestricted General Fund," said AIDEA Board Chair, Dana Pruhs. "This year's dividend announcement of \$17 million in cash or assets is an increase of \$3.5 million compared to last year. That is extraordinary," said Pruhs.

THANK YOU

Randy Ruaro

Executive Director