

INVESTING IN ALASKANS

Financing Infrastructure in Alaska

House Transportation Committee

April 25, 2024

Randy Ruaro, Executive Director

What is AIDEA?

AIDEA's Mission

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

Investing in Alaskans

- Revenue generated by AIDEA investments is allocated towards:
 1. reinvestment in AIDEA programs and projects; and
 2. annual dividends payable to the General Fund.
- AIDEA works with Alaska's communities and businesses to advance the State's economic development priorities.
- Projects must meet two important criteria:
 1. be a sustainable financial investment; and
 2. create tangible benefits for Alaska and its communities.

AIDEA OVERVIEW

- ✓ Investing in Alaskans since 1967
- ✓ Alaska's Development Finance Authority
- ✓ **Financially Self-Sustaining** Public Corporation (no GF per AS 44.88.190(b))
- ✓ \$468 million in Dividends declared to Alaska since 1997
- ✓ Directed over \$3.5 billion into economic development in Alaska

AIDEA's Purpose

WITHIN AS 44.88.010(a)(10), the Legislature finds, determines, and declares that:

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's FINANCIAL TOOLBOX



Loan Participation

The Loan Participation program provides long-term fixed and variable rate financing to Alaska's commercial businesses.



Project Finance

AIDEA can finance projects (whole or partial) through its ability to develop & own assets within the State.



Conduit Revenue Bonds

AIDEA is one of the State's Principal issuers of taxable & tax Exempt Conduit Revenue Bonds.



Energy & Resource Development

The Alaska Sustainable Energy Transmission Supply Fund (**SETS**) & Arctic Infrastructure Development Fund (**AIDF**) created new programs and powers within AIDEA to address the State's energy, Arctic infrastructure, and resource needs.



Asset Ownership

In addition to traditional financing, AIDEA can directly own assets that generate revenue or enable economic development.



AIDEA Bonds

AIDEA has the authority to issue tax-exempt and taxable bonds.



Strong Investment Relationships & Financial Expertise

AIDEA provides financial expertise and information to assist with projects, job creation, and infrastructure development.

AIDEA Infrastructure Finance



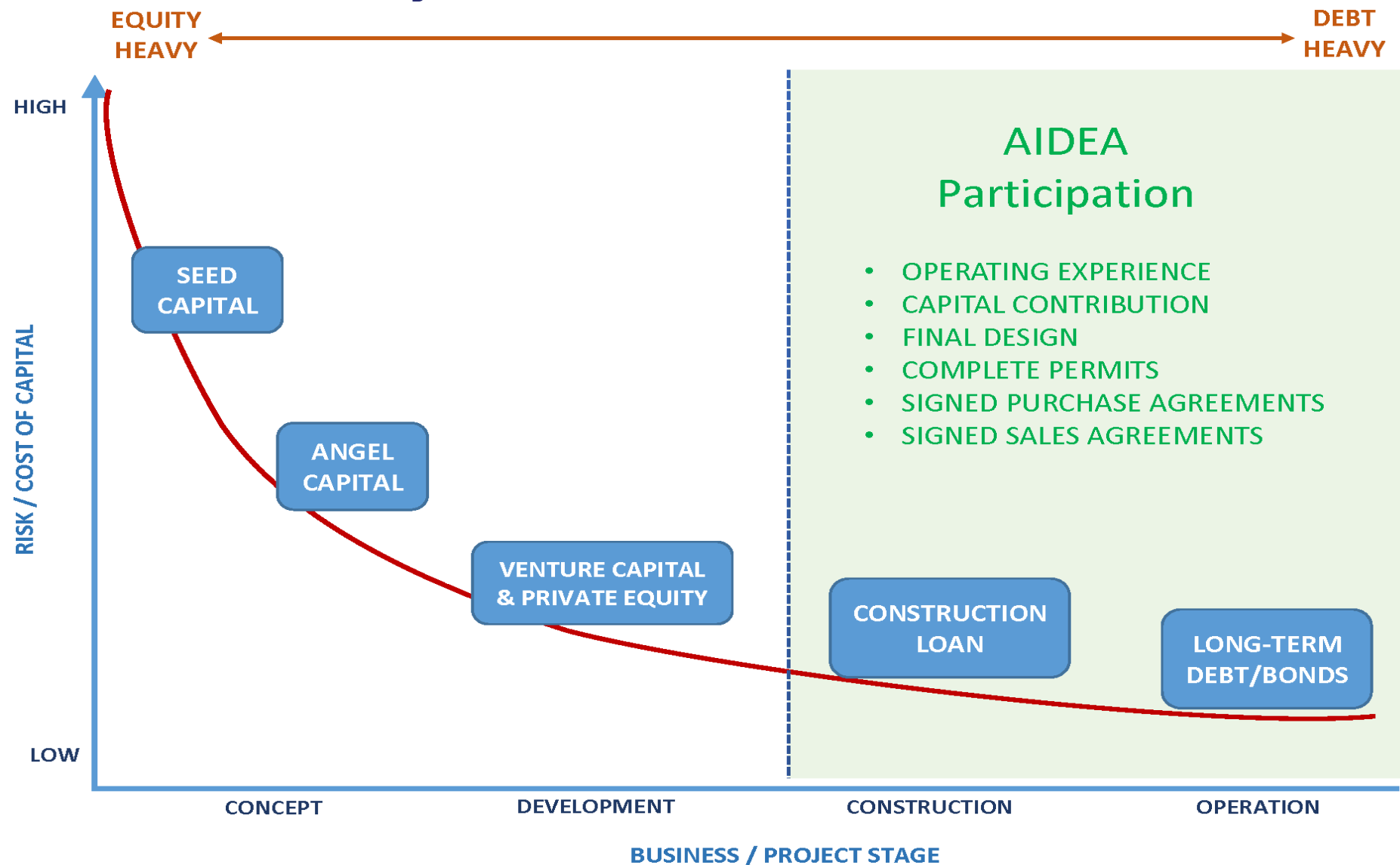
AIDEA-Financed Projects



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)
- ✓ **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

“Best-Fit” AIDEA Projects



AIDEA Project Finance

- **AS 44.88.172 - Economic Development Account (EDA)**
 - Establishes the EDA within AIDEA's Revolving Fund
 - Monies within the EDA may be used to:
 - Make loans
 - Issue bonds
 - Acquire assets
 - Manage & operate development projects
 - Currently, AIDEA has issued loans from the EDA, but has outstanding bond obligations
- **AS 44.88.800 – Arctic Infrastructure Development Fund**
 - Similar to the EDA, but with a geographical focus on the Arctic
 - Can finance 33% of an eligible project
 - Loan guarantees up to \$20 million
- **AS 44.88.900 – Definitions of “Plant,” “Facility,” and “Project”**
 - Generally, a plant or facility in connection with a business enterprise
 - Includes roads, buildings, machinery, and real property

AIDEA Bonding Authority

- **AS 44.88.090 – Bonds of the Authority**

- AIDEA can finance infrastructure by issuing bonds that are repaid from:
 - Income derived from the project; and/or
 - Income derived from AIDEA.

- **AS 44.88.095 – Bonding Limitations**

- AIDEA can issue bonds up to \$25 million without legislative approval;
- AIDEA cannot have more than \$400 million of outstanding bonds in a 12-month period;
- Bonds cannot mature more than 40 years from the date of issuance.

- **AS 44.88.120 – Nonliability on Bonds**

- The State of Alaska is not financially responsible for AIDEA's debts, nor can AIDEA make financial commitments or enter into agreements on behalf of the State.

- **AS 44.88.130 – Pledge of the State**

- The State of Alaska pledges to respect AIDEA's financial autonomy and not hinder AIDEA's ability to work with private financial markets or fulfil contract terms

AIDEA Bonding Capacity

- 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 AIDEA's dividend program.
- In 2019, the Legislature appropriated \$2 million from AIDEA's Revolving Fund that was not part of the AIDEA Dividend.
- As a result, Moody's downgraded AIDEA's Revolving Fund bonds by two steps, 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."
- 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).

Infrastructure Project Highlights



AIDEA INFRASTRUCTURE DEVELOPMENT DELONG MOUNTAIN TRANSPORTATION SYSTEM

- AIDEA-owned asset.
- In 1986, AIDEA funds mine, road, and port with \$160 million.
- AIDEA saves mine in 1990's with funding \$85 million for expansion.
- Mine could continue to be successful with deposits on state land.
- Project provides significant economic benefits.
- Project continues to yield significant dividends for NANA (royalty of \$255 million in 2021 and shares ~60% of the royalty with other Regional Corporations).
- Future opportunities also exist (Aktigirug prospect could be one of the largest undeveloped zinc deposits in the world).



Tax Revenue
(through '18)
\$1.3 Billion

NWAB PILT
(through '21)
\$269 Million

7(i) Payments
(through '21)
\$1.6 Billion

FY20 Employment
1,500 Jobs

FY20 Wages
\$120 million

AIDEA PROJECT FINANCE FEDEX AIRCRAFT HANGAR

- The FedEx Maintenance, Repair, and Operations Facility (MRO) is a hangar capable of accommodating one wide-body aircraft, such as a Boeing 747
- AIDEA-owned asset
- Initial investment – \$32.5 million
- Future investment is under consideration at the Anchorage and Fairbanks International Airports.



Ted Stevens Anchorage Int'l Airport

15,577
AIRPORT AND COMMUNITY
JOBS

1 in 10 jobs
IN ANCHORAGE

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

3.6 million
TONS OF CARGO

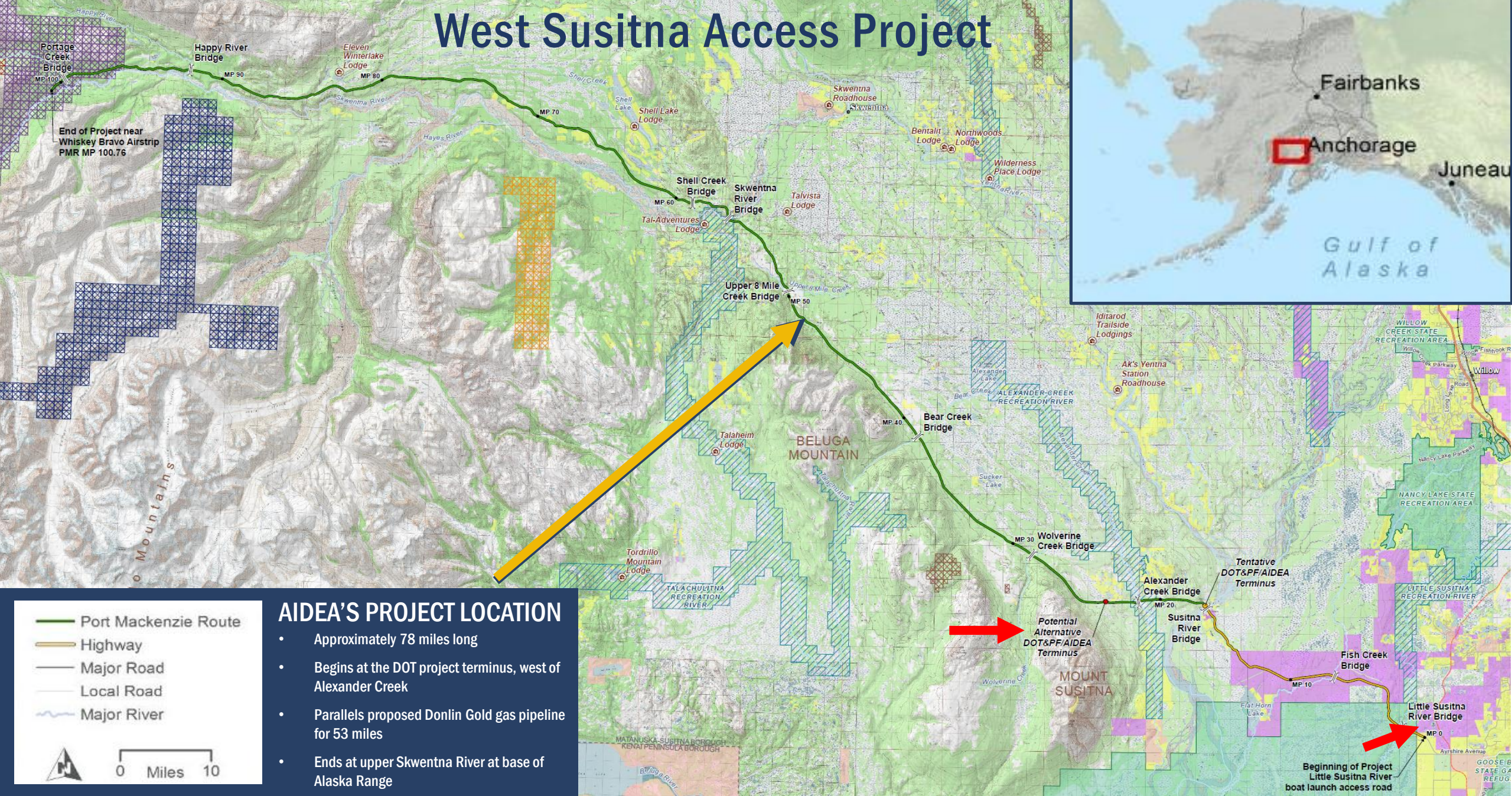
3rd
BUSIEST CARGO HUB
IN THE WORLD

Ketchikan Shipyard



Alaska Ship & Dry Dock – Ketchikan, AK | AIDEA-financed

West Susitna Access Project



Why is the West-Su Access Project Important?

A COMMON PROBLEM IN ALASKA: ACCESS TO LAND & RESOURCES

This proposed roadway provides access to thousands of acres of land, with the potential for resource development opportunities, Alaskan jobs, and recreational benefits.



Mineral Resources

Copper, gold, silver, platinum, and diamond potential; more than 3,000 active mining claims within the basin



Oil & Gas

Active oil and gas exploration in the northern Cook Inlet continues; nine oil and gas producing units and fields in the study area



Forestry

700,000+ acres available for harvest; enhance fire suppression



Agricultural Resources

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



Alternative Energy

Opportunities including geothermal and hydroelectric projects, and woody biomass resources



Recreational Resources

Recreation resource opportunities including snowmachining, fishing, hunting, boating, recreational mining, and use of cabins

West-Susitna Access – AIDEA Project Update

- 2024 field season planning underway
 - Analyze data gaps in the following areas:
 - ✓ LiDAR Acquisition and Mapping
 - ✓ Alternatives Conceptual Engineering
 - ✓ Cultural Resources Studies
 - ✓ Wetlands Studies
 - ✓ Fish Studies
 - ✓ Visual Resource Studies
- Estimated 2024 Field Season Cost:
 - ~ \$1.6 million



The banner features a yellow background with a white silhouette of a mountain range. Below the mountains, the text "West Susitna Access Project" is written in a large, dark blue serif font, and "2024 Field Season" is written in a smaller, dark blue sans-serif font below it.

All field season deliverables to be submitted
to AIDEA by EOY 2024

Next Step: Re-engage U.S. Corps of Engineers to
begin the permit application process

QUESTIONS?

Thank you

Randy Ruaro, AIDEA Executive Director