



ALASKA ECONOMY REQUIRES MORE CERTAINTY

Joe Beedle, Chairman Northrim Bank
Senate L&C – January 19, 2017

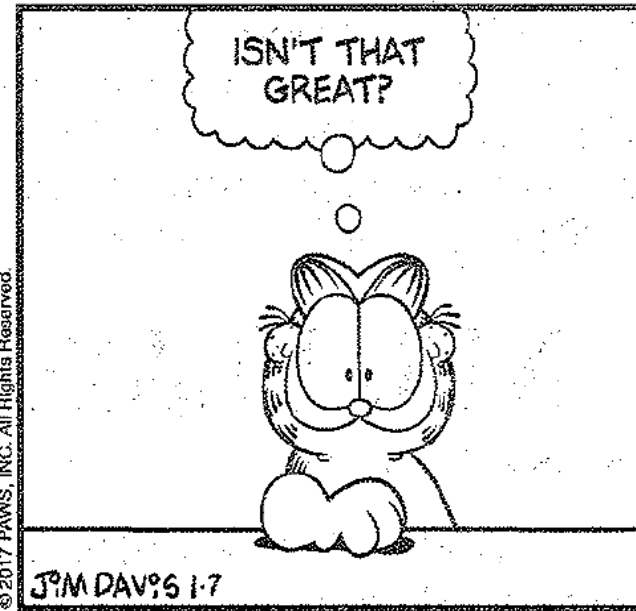
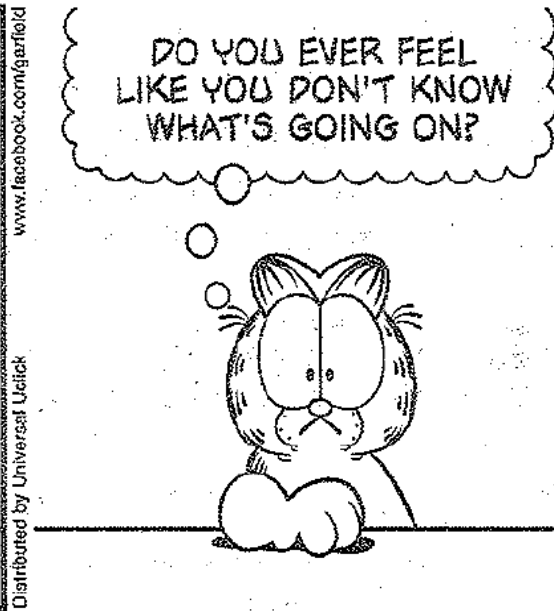
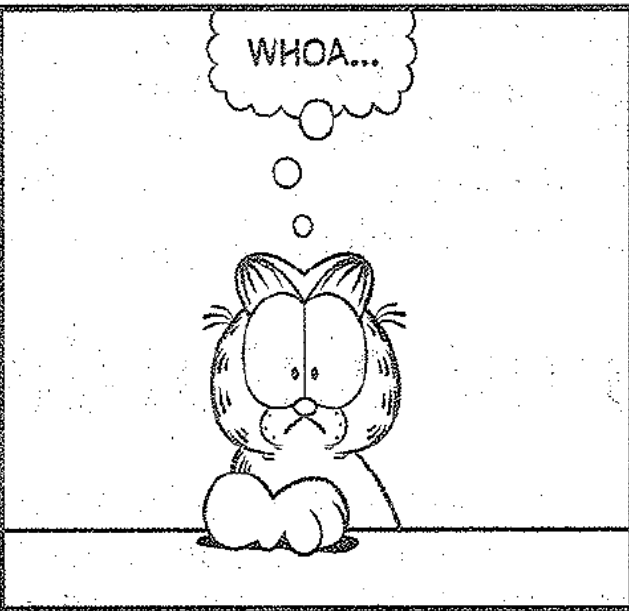


NRIM: BANK-SEC-NASDAQ-SAFE HARBOR

- Investor perspective - our economy/setting matters
- Capital is discerning, fickle - planning matters
- NRIM 100%907 'AK Proud' but 'institutional' Capital
- Beyond management, Markets look at 'our' Economy
- While AK State Gov 15% of AK Econ, what direction?
- State government fiscal leadership does matter!
- Current lack of state plan certainty is huge detractor
- We observe sig. less investment/borrowing/confidence
- Already extremely late, don't wait, drag on economy!



WHERE ARE WE GOING? HARD TO PLAN!



TAKING STOCK – NOT SELF CORRECTING

- AK Economic Outlook – DOL baseline agree <4+%>
 - ISER 5 yr. outlook not including 3rd step @ 4.5% downtrend
 - North. Econ 5-10 yr. outlook @ <7%>, no return to post high
 - Regions & Sectors impacted differently, all suffer
 - Investment recession 2010, wage recession 2016, continues
 - NE - 'S2' employment <24,000>, Population <30,000>
 - No I.D. econ movers, stimulus, “R” for 3 plus more Yrs. –
- AK State Gov; Fiscal Imbalance; Ops & Bal Sheet!
 - Double Deficits – Reserves end - Oil Still Critical, All Tools!
 - APFC/ER is 4th leg to stool – use it! Cuts - Plus all mod taxes
- Rising Rates, Nationalism – Risk of ‘Contagion’ spread



RECALCULATING...



BANK POSITION/OVERVIEW

- *The performance of the Alaska economy in 2017 will be impacted by a number of key variables. There will be a short-term drag on the economy if the Legislature is able to create a sustainable budget by making difficult decisions on reduced spending levels, increased taxes, and changes to the Permanent Fund. However, a budget solution will have long run positive impacts through a return of business confidence and a stabilized climate for private capital investment.*
-
- *The change in federal administration in 2017 has the potential to positively impact the government regulation of natural resource development in Alaska. The energy sector is starting to stabilize as the worst of falling oil prices and related cuts to employment and spending are likely behind us. Growth in tourism and healthcare are providing some opportunities.*
- —Mark Edwards, Northrim Bank Economist



NEED A PLAN – W/LEGISLATURE & GOV: STATEWIDE CEDS PROJECT

- Comprehensive Economic Development Strategy
- Northern Opportunity: Alaska's Economic Strategy
- Project has value – meaningful size – align w ARDORS
- Anchorage must update/complete its own CEDS
- Opportunity should include resource extraction & industry
- Not mush – need material meaningful employment/investment
- Think federal sea change – core/base/resource industry
- Entrepreneurial Investment – Grow Economic Wealth
- Focus growth entrepreneurs (#10-99) job creators, investors
- More focus on 2nd stage, existing/new, less on start-ups/micro
- Align permitting – simplify – coordinate; intro networking



SURTHRIVAL

- Visit for resources
 - <http://www.northrim.com/home/business/financialpreparedness>
- Opportunities do exist
- Navigate through uncertainty to SurThrive
- Stay engaged in disciplined public policy
- Support/demand alignment – fracture defeats
- Don't waste a near perfect opportunity to fix now
- No 'secret sauce' mix of ingredients, heat, vessel, politics, alignment for healthy & sustainable economy – takes ALL



STATE FISCAL & FINANCIAL ISSUES

- Tax credits – must be paid – otherwise accommodated
- Fiscal certainty
 - Must modify revenue stream and must implement all options, though effective dates spread over 3 years
- Prioritize spend/invest for economy, growth, seed, returns
- APFC prudent investment options AK; co-investment
- Alaska Business Monthly Editorial October Issue
 - AKBizmag.com by Joe B and Joe S 'Brexit/AKit'
- No leverage/borrow unless unrestricted revenue!
- Time for fiscal plan, legislative joint special committee



ALASKA CAPITAL INVESTMENT

- Create strategy for disciplined communications
 - Do not hype projects before their time
- How do we attract capital – the old fashioned way – prove it!
- Fiscal and regulatory certainty – improved certainty
- Politically more aligned now with federal administration
- AIDEA/AHFC, ANC'S, large players, investment returns,
- Leverage AIDEA even more – 'entrepreneurial capital'
- Real asset investments – be willing to give up autonomy/control – less emotional attachment
- FYI – new FASB rules leasing booked as liability – significant impacts – effective dates/cautions, like pension obligation...



ALASKA NATIVE ORGANIZATIONS

- How can AK Native Organizations help?
 - Engage in public policy
 - Political leverage
 - Develop/leverage property – license others
 - Support mitigation
 - Investment capital
- Not restricted to Native “C” Corporations
 - Associations/consortia/non-profits/tribes
- ANC collective aligned support – our backing!



OFFSETTING COST DRIVERS

- Trans: Airship/helium/lift capacity little infrastructure
- Overcapacity on trains/truck/transport vessels
- Impact mitigation strategies – standardize – ‘bank’
- Regulation – new administration improvements
- Permitting support – at all government levels
- Fiscal certainty agreements – PILT – AGDC/LNG
- Construction contractors excess capacity
- CEDS outline sources of efficient conduits
- ‘Plug’ ‘SurThrival’ – Northrim ‘tools’

