



ALASKA'S DEVELOPMENT FINANCE AUTHORITY

DCCED House Finance Subcommittee
February 4, 2020

- **Commercial Finance**
 - Loans brought to AIDEA by an Alaskan bank or credit union
 - \$50.5 million in loan participations funded in FY19 leveraging 13.4% of participating bank equity capital.
 - 229 temporary or construction jobs and 148 permanent jobs created or retained.
- **Conduit Revenue Bond Program**
 - Financing of up to \$145 million approved by AIDEA board for Tanana Chiefs Conference, bond issue closed October 2019.
- **Project Financing and Infrastructure Development**
 - \$113.3 million funded in project financings and infrastructure development projects in FY19.
- Paid dividend to State general fund of \$4.8 million and declared dividend of \$10.3 million to be paid in FY20

- **Commercial Finance**
 - \$37.1 million in loan participations funded as of December 31, 2019 leveraging 15.4% of participating bank equity capital.
 - Loan participation commitments of \$58.7 million, applications of \$10.4 million and \$128.1 million in a preflight status.
 - 99 permanent and 32 temporary jobs created or retained.
- **Conduit Revenue Bond Program**
 - Issued \$126.7 million in conduit revenue bonds for the Tanana Chiefs Conference Project. Financing authorized by AIDEA Board in FY19 and closed in October 2019.
 - Issued \$68.5 million in conduit revenue bonds for the Greater Fairbanks Community Hospital Foundation Project. Financing closed in December 2019.
 - Working with conduit borrower on additional financing anticipated to close in Q4 FY20.
- **Project Financing and Infrastructure Development**
 - First financing authorized under AK SHIP program in an amount not to exceed amount of \$3.6 million to UnCruise Adventures, an Alaskan owned business.
 - Board authorized up to \$15.0 million financing to Icy Strait Point in coordination with their second phase development with Norwegian cruise lines.
 - Additional \$14.0 million in SETS financing authorized for the Interior Energy Project.
 - More than a dozen projects in the pipeline with potential estimated AIDEA future investment of hundreds of millions of dollars. Potential projects range from smaller projects with an AIDEA financing of less than \$2 million to large projects with a potential AIDEA involvement of more than \$100 million.
- **Dividend**
 - \$14.5 million FY21 dividend to the State declared by AIDEA Board based on FY19 statutory net income of approximately \$29 million. Represents a 50% dividend, the maximum allowed under Statute.

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 using AIDEA's own resources-not General Fund by statute-AS44.88.190(b)
 - Statutory focus on jobs, economic development, finance, rural development, arctic development and energy.
 - Pays an annual dividend to the State of Alaska - \$422.4 million declared since 1997

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 use a "build it and they will come" approach.
- AIDEA does not provide grants.
- AIDEA partners with the private sector to advance economic growth and diversification.
- AIDEA uses a business model rather than a political model in project evaluation.

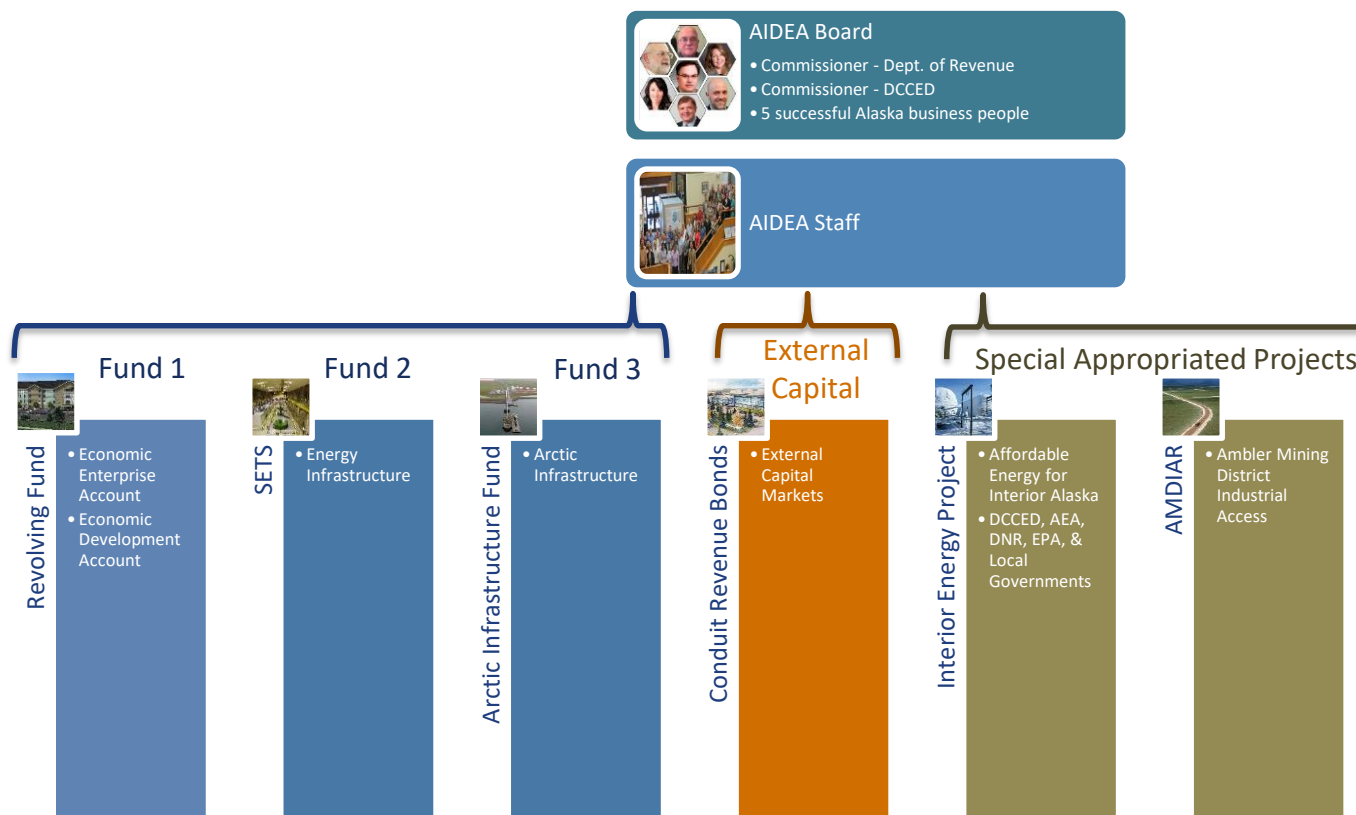


Role in Economic Development

- 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.
- Provides access to capital.



AIDEA – Funds and Special Projects



What Does AIDEA Do?



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



Debt

- Loan Participations
- Energy Loans
- Project Finance Loans
- Conduit Revenue Bonds



Equity

- 100% Ownership of project
- Partner in LLC or Subsidiary Corporation

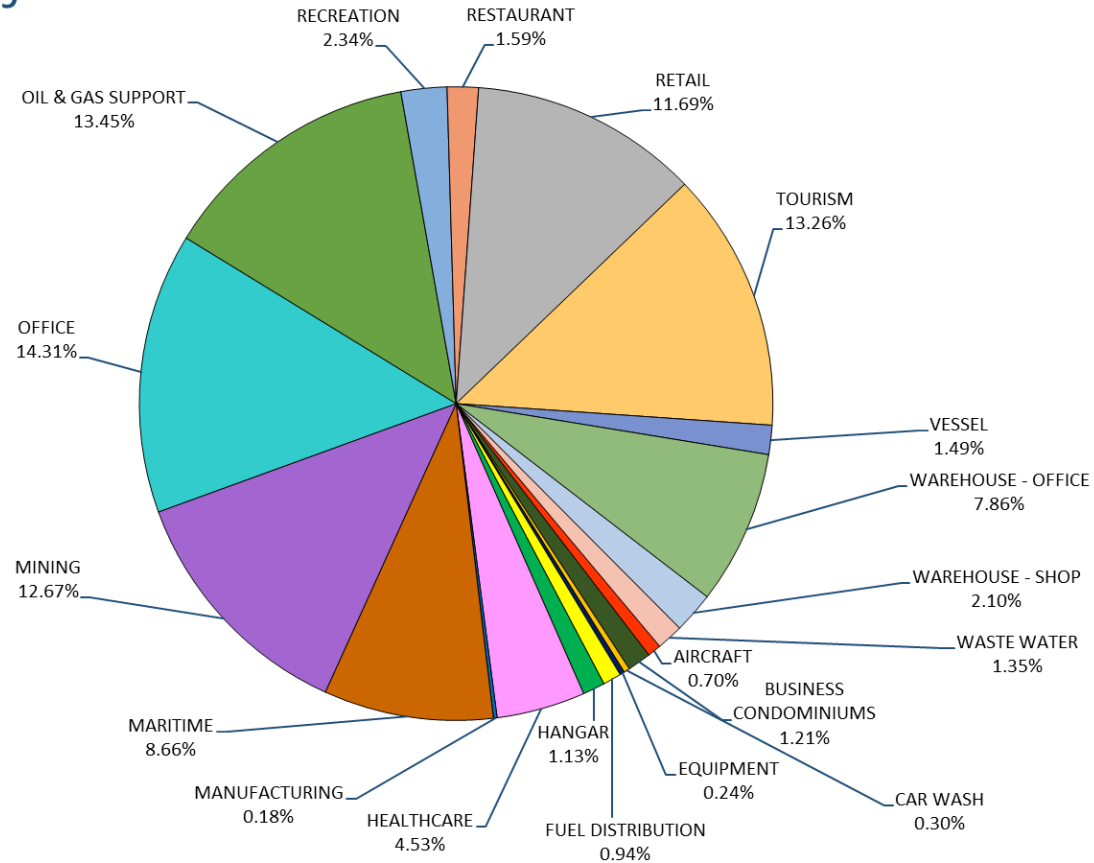


Enhancements

- Loan Guarantees
- Bond Guarantees

Diverse Portfolio

TOTAL EXISTING AND APPROVED CAPACITY PROJECTS AND LOANS AS OF JUNE 30, 2019

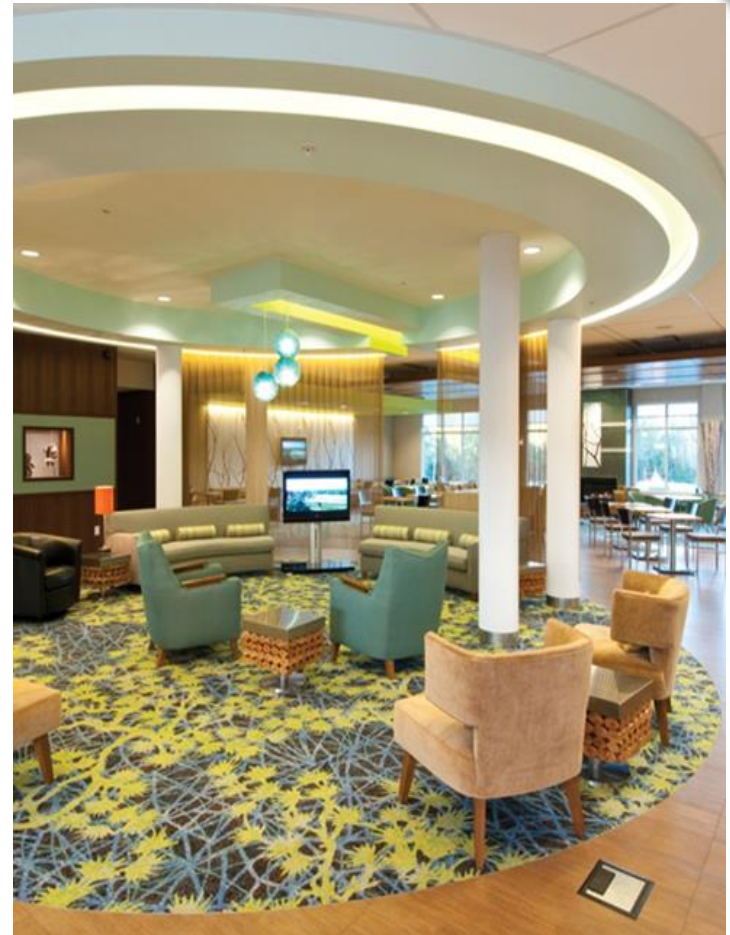


COMMERCIAL FINANCE

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 indexed to Federal Home Loan Bank of Des Moines
- \$1,100 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 (as of June 30, 2019)
 - AIDEA has funded 666 loans totaling \$1.2 billion
 - 9,312 construction jobs
 - 9,624 permanent jobs
- 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
- In addition to \$15 million AIDEA financing under the Project Finance Program

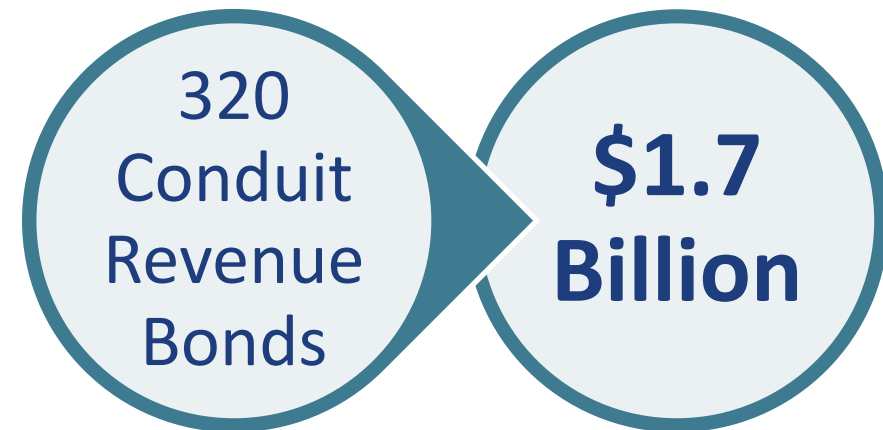


CONDUIT REVENUE BONDS

- 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

Private Activity Bonds (PABs)

- Tax-exempt bonds issued by a government entity for qualified projects – lots of conditions, few eligible activities
- Used for projects of a private developer, and the government generally does not pledge its credit.
- Issued as municipal bonds because the project serves a public need or enhances the economy of the city, borough or state.
- PABs include:
 - Industrial Development Bonds
 - 501(c)(3)
 - Tax-Exempt Facility



Conduit Revenue Bonds

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



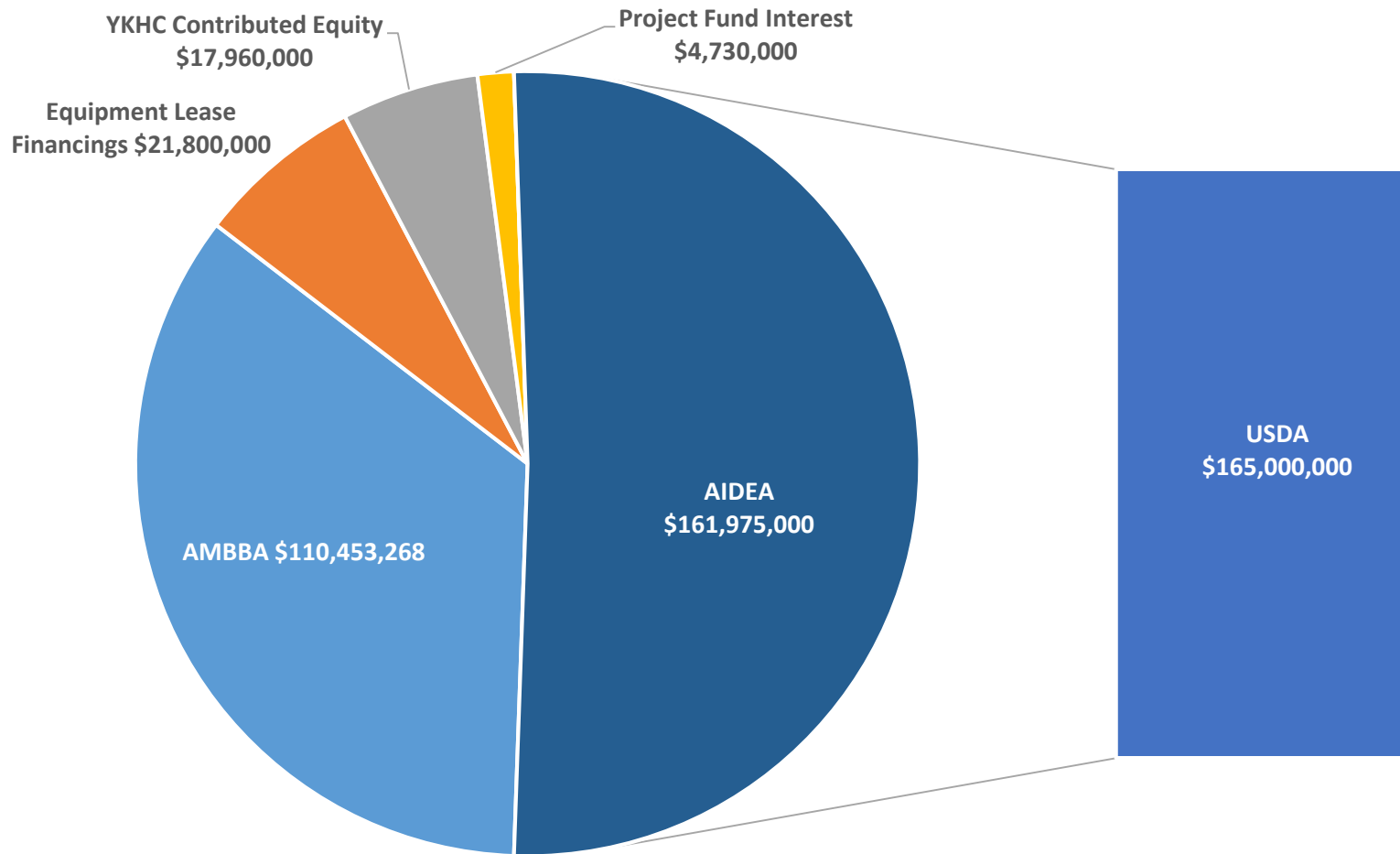
YKHC used AIDEA conduit bonds to supplement a USDA federal loan that allowed the project to go forward.

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



Tanana Chiefs Conference Project



Tanana Chiefs Conference was organized, among other things, for the promotion of the common welfare of Natives of Alaska and their physical, economic and social well being.

AIDEA issued conduit bonds for a holistic financing of new facilities some of which were located in a borough and others that are in the unorganized borough.

Proceeds of the Series 2019A bonds (\$126.7 million) will be used to:

- Fund the expansion of Chief Andrew Isaac Health Center in Fairbanks;
- Fund health care facilities in Tok, Evansville, Manley Hot Springs and Northway;
- Fund costs of issuance and necessary reserves.

PROJECT FINANCE AND INFRASTRUCTURE DEVELOPMENT

Project Finance & Infrastructure Development



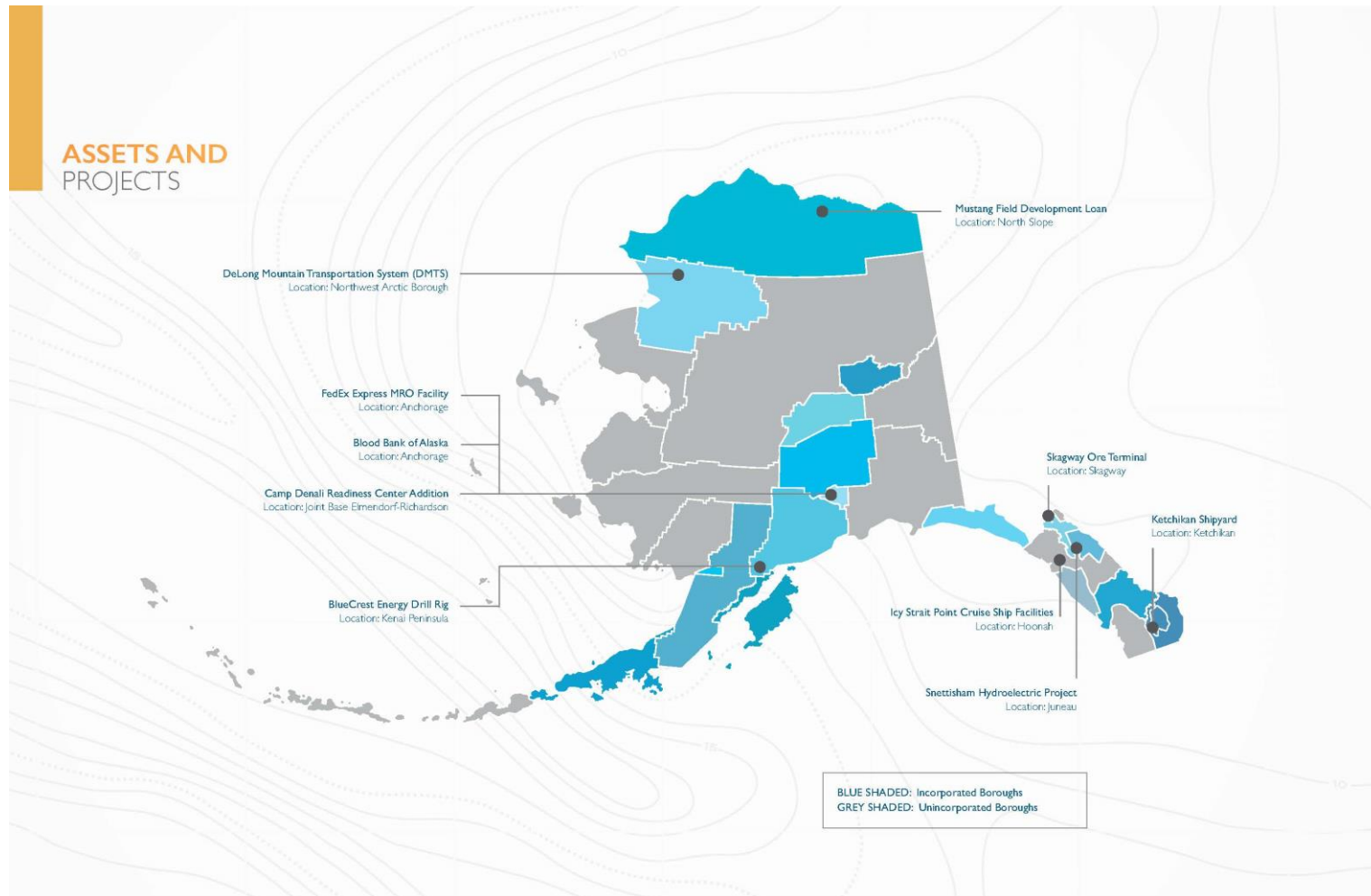
AIDEA works with project partners to finance industrial and infrastructure projects throughout the state.

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

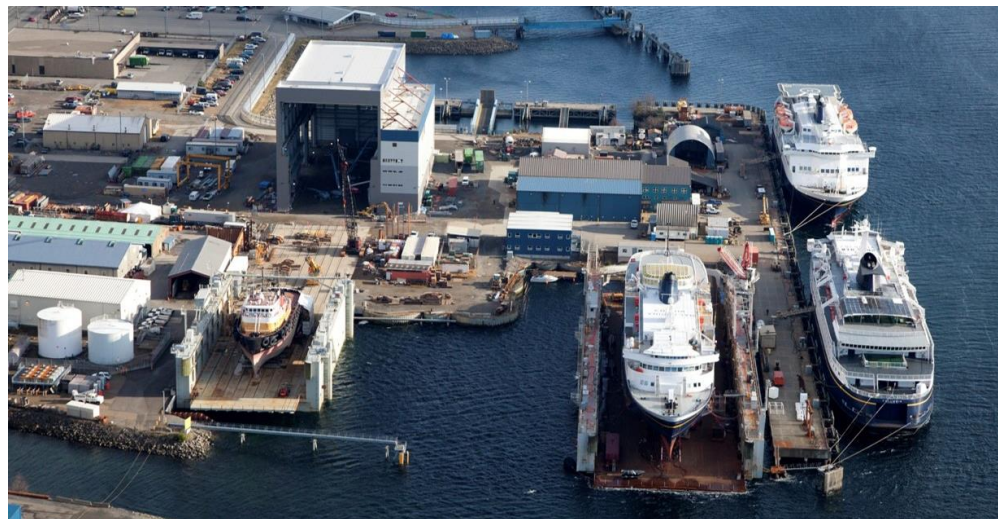


AIDEA Development Projects



Strategic Sectors

- Natural Resource Extraction
- Logistics & Transportation
- Tourism Infrastructure
- Agriculture & Forestry
- Communications
- Federal Facilities
- Health Care
- Aerospace
- Fisheries
- Energy



AIDEA Six Factor Model



1. **Operating Experience:** The developer has a demonstrated background and history in successfully building and operating the type of project for which they are seeking financing from AIDEA.
2. **Capital Contribution:** The developer will invest funds in tandem with AIDEA for the construction of the project.
3. **Plans and Designs:** The developer has complete plans, designs, and specifications for the project they wish to develop.
4. **Permits:** The developer has the necessary permits for the project.
5. **Purchase Contracts:** The developer has access to key materials and equipment.
6. **Sales Contracts:** The developer has revenues under contract from credible entities that can satisfactorily covers the term of the financing for the project.

Alaska Ship Home-porting for Improvements Program (AK SHIP)



- New financing program in FY19 created and funded by AIDEA supporting Alaskan shipyards.
- \$10 million dollar financing program will enhance the competitiveness of Alaska Shipyards by providing 6 to 24 month financings exclusively for ship repair, conversion and maintenance work in support of Alaskan Shipyards.
- Especially targeted to meet the seasonal financing needs of the state's industrial and commercial fleet owners and to facilitate scheduled maintenance cycle work at Alaska shipyards.
- AIDEA's program provides financing that was previously unavailable for Alaska shipyards.

Ambler Mining District Industrial Access Project



- Proposed 200 mile limited-use industrial access road to support mineral exploration and development on the west side of the Brooks Range in Northwest Alaska.
- Plan for AIDEA to provide financing and facilitate use of road by multiple users.
- Cost of AIDEA investment repaid by users with a rate of return to the investors including AIDEA.

- Maintains a small core staff which utilizes outside expertise as projects require.
- Provides personnel services to the Alaska Energy Authority (AEA).
- Increased efficiencies from collaborative integration of systems and personnel between AIDEA and AEA
- Two budget components
 - Operations
 - Facilities

Operating Budget History *



- FY17 Actuals- \$6.6 million
- FY18 Actuals- \$6.3 million
- FY19 Actuals- \$6.0 million
- FY20 Authorized- \$9.1 million
- FY21 Proposed-\$8.9 million

* Actuals, Authorized and Proposed reported net Interagency Receipts, substantially from AEA for personal services.

5 Year Payroll Authorized Budget Look Back-thru FY21 proposed (\$ in thousands)



	FY17	FY18	FY19	FY20	FY21 Proposed
Permanent PCN's Authorized	93	86	82	82	82
I/A Receipts Authorized	\$8,282	\$7,717	\$6,514	\$6,495	\$6,342
AIDEA Funds	\$5,422	\$5,635	\$5,469	\$5,488	\$5,488
Total Payroll Authorized	\$13,704	\$13,352	\$11,983	\$11,983	\$11,830



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