



January 8, 2021

The Honorable Senate President Cathy Giessel  
The Honorable Speaker of the House Bryce Edgemon

Subject: Alaska Industrial Development and Export Authority  
Annual Review of Excess Assets required by AS 44.88.205

This letter provides the review of assets of the Alaska Industrial Development and Export Authority (the “Authority” or “AIDEA”) as required by AS 44.88.205. AIDEA is to perform this annual review in order to determine whether it has assets in excess of the amount required to fulfill its statutory purposes. AIDEA must then determine whether any excess amount may be made available without breaching any agreement entered into by the Authority, materially impairing the operations or financial integrity of the Authority, or materially affecting the ability of the Authority to fulfill its purposes.

The Authority determines that the amount of excess unrestricted assets that may be made available for fiscal year 2022 is the \$17,305,000 dividend the AIDEA Board made available to the state under AS 44.88.088. This amount was determined at 50% of the fiscal year 2020 statutory net income and represents the maximum allowed under state statute. Attachment A describes the rationale for the conclusion.

Given the impact of the COVID-19 pandemic to Alaska, AIDEA has been fortunate to be in the position to declare the \$17,305,000 dividend for fiscal year 2022 from fiscal year 2020s statutory net income. Alaskans, including AIDEA, are facing significant economic challenges this current fiscal year as we all address the full ramifications of the pandemic. The remaining asset base – inclusive of the Authority’s capital reserves for reinvestment - are essential to AIDEA’s ability to sustain its critical mission of creating and retaining jobs for Alaskans and its efforts to diversify Alaska’s economy through long-term business financing and project development.

AIDEA’s capacity to provide financing opportunities is directly related to the asset base available to support those investments. A diversified asset base with adequate capital reserves allows AIDEA to maintain its programs, reinvest returned capital and provide financing for larger enterprise economic development investments, as well as address immediate need opportunities. To continue this vital role in the state economy, AIDEA must retain its financial strength and prudently establish/manage its credit standing with the financial markets. In order to do so, the Authority believes that excess assets disbursed should be in accordance with the dividend program. The statutory dividend program helps the Authority to define the stability that financial markets require in a financial intermediary like AIDEA in fulfilling its mission.

Please contact me if you need additional information. Your continued support of AIDEA and its mission is very much appreciated.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Alan Weitzner', is positioned above the printed name and title.

Alan Weitzner  
CEO / Executive Director  
Alaska Industrial Development and Export Authority

Attachment A

## ATTACHMENT A

### **Alaska Industrial Development and Export Authority Annual Review of Assets required by AS 44.88.205**

The Alaska Industrial Development and Export Authority (the “Authority” or “AIDEA”) is required to annually review its assets in order to determine whether it has assets in excess of the amount required to fulfill its statutory mandate. The Authority must then determine whether any excess assets may be made available without breaching any agreement entered into by the Authority, materially impairing the operations or financial integrity of the Authority, or materially affecting the ability of the Authority to fulfill its purposes.

The Authority finds that the amount of excess unrestricted assets is \$17,305,000, the amount made available by a unanimous vote of the Authority’s Board in December 2020 under AIDEA’s statutory dividend program. The dividend is 50% of the fiscal year 2020 statutory net income and notably represents the maximum dividend permissible under state statute. This dividend is available for appropriation for fiscal year 2022 and an increase over the \$14,475,000 made available for fiscal year 2021.

To continue the Authority’s statutory mission of promoting economic growth and diversification in Alaska, AIDEA must maintain its financial strength and credit standing. In order to do so, the Authority believes that excess assets disbursed should be in accordance with the statutory dividend program, as this program helps to provide the predictability and stability that financial markets require of financial intermediaries like AIDEA in its capacity as the state’s development finance authority. Additionally the disbursement of excess assets should be in an amount which ensures AIDEA’s ongoing financial capacity to fund existing programs, manage and maintain owned project assets, continue to develop larger enterprise economic development investments, as well as meet immediate need opportunities in fulfillment of our mission.

The Authority principally accomplishes its statutory economic development mission primarily by providing financing in three ways:

- (1) financing Alaskan businesses and projects, generally in conjunction with Alaska’s financial institutions;
- (2) as a financial intermediary, such as our conduit revenue bond program; and
- (3) ownership of all or part of development projects, usually associated with developing the State’s industrial capacity and natural resources.

Since inception, the Authority has been successful in all of these areas, directing over \$3 billion into economic development exclusively in Alaska. AIDEA’s operations are self-sustaining through our investments in Alaskans, returning income and capital to the Authority for reinvestment in Alaska and the declaration of over \$439.6 million in dividends to the state through the statutory dividend program.

## **COVID-19 Emergency Business Relief Programs**

AIDEA has been front and center in the statewide response to the COVID-19 global pandemic beginning with Governor Mike Dunleavy's declared State of Emergency issued on March 11, 2020. This response was initiated with AIDEA's Board, implementing the waiver or modification of the regulatory requirements specifically governing AIDEA's loan, guarantee, and finance programs to Alaska's businesses affected by the COVID-19 pandemic. Emergency Regulations were also written and adopted by the Board for a new emergency loan and guaranty program focused on Alaska's small businesses most at risk due to the economic crisis, with the intent to provide debt funding that would complement the federal emergency loan programs, dedicating \$25 million for this purpose.

In April 2020, AIDEA provided support to Alaskan businesses with the modification of AIDEA's statutory Business and Export Assistance Program into an emergency guaranty program with Alaska's financial institutions. The new program, Sustaining Alaska's Future Economy Guaranty Program (AK SAFE), was established to provide guarantees up to \$1 million to Alaska's banks and financial institutions for new funding under existing credit agreements to assist Alaska's businesses. Up to \$50 million was authorized by the Board to support the AK SAFE guarantees. As of the end of December, AIDEA has issued 10 guarantees to First Bank, Northrim, FNBA and AHFC at their request supporting their customer relationships and supporting \$7.2 million in additional funding to those businesses with a reported 650 jobs at risk or retained.

In June 2020, together with the Department of Commerce, Community and Economic Development (DCCED), AIDEA implemented the AK CARES Grant Program. Under funding directed by Governor Mike Dunleavy and with the approval of the Legislature, the program provided \$282 million to over 5,700 of Alaska's small businesses in need throughout the state. AIDEA was originally allocated \$150 million by DCCED under program which is reflected in our fiscal year 2020 report. Additional funding was received in fiscal year 2021 to reach the program funding level of \$282 million. The Authority coordinated grant applications, processing and funding with DCCED and brought in Credit Union 1 and the Juneau Economic Development Council as Program Operators.

## **Commercial Finance Programs**

Under the Authority's Commercial Finance Programs through the Enterprise Development Account (also referred to as the Loan Participation or Credit Program), AIDEA accomplishes its mission by acting as a secondary market for financial institutions by purchasing loan participations and by providing guarantees on bank originated loans. Since 1992, AIDEA's Commercial Finance Program has funded over \$1.2 billion under this program supporting 9,644 construction and 9,819 permanent jobs within Alaska's economy, across all sectors and regions of the state.

In fiscal year 2020, the Loan Participation Program originated 26 new loans, supporting the creation or retention of more than 332 temporary or construction jobs and 195 permanent jobs. The Authority's Revolving Fund purchased \$54.9 million of loan participations under this program. This leveraged 14% of participating bank equity capital providing a total of \$63.8 million of capital funding to the Alaska businesses. The Authority has continued new loan participations

during the COVID-19 pandemic and anticipates reporting the purchase over \$35 million of loan participations during fiscal year 2021.

The Authority's loan portfolio under this program totaled \$451.6 million as of the close of fiscal year 2020. This portfolio of loans is both industrially and geographically diverse, with projects located across the state. AIDEA's active involvement in providing financing has created or helped retain thousands of jobs in the retail, tourism, fisheries, timber, transportation, healthcare, recreation, restaurant, manufacturing and other sectors. In addition, AIDEA's role as a secondary financier has helped sustain commercial real estate values throughout the state, which positively impacts real property tax revenues collected by local governments, and provides a source of funding for purchases of commercial real estate.

Additionally, due to the COVID-19 pandemic in the fourth quarter of the fiscal year, AIDEA's Commercial Finance Programs received 82 loan modification requests for deferment of interest, and principal in a few cases, on loans amounting to over \$193 million, or approximately 44% of the Loan Participation Program's total portfolio. This has and will continue to impact AIDEA's cash flow and reinvestment capital by close to \$9 million as currently projected in fiscal year 2021 under the program.

### **Development Project Financing Programs**

Since the Development Project Financing Program under the Economic Development Account began in the mid-1980s, AIDEA has issued more than \$415 million of bonds (excluding refunding bonds) to finance economic development projects owned by the Authority throughout the state. In addition to ownership, the programs under the Economic Development Account have also been expanded to include project loan financing, in many cases where other financing is not being provided. Projects have represented hundreds of jobs for Alaskans in Anchorage, Fairbanks, Healy, Juneau, Ketchikan, Northwest Alaska (including the Northwest Arctic Borough), Seward, Skagway and Unalaska.

Recent activity within these Development Project Financing Programs include:

- **HEX LLC:** In March 2020, AIDEA authorized a \$7.5 million direct financing loan to HEX, LLC for the acquisition of the Kitchen Lights offshore unit and related infrastructure out of bankruptcy from Furie Operating Alaska. The loan funding and acquisition was completed in June 2020. By providing this funding, AIDEA was able to facilitate continued Cook Inlet natural gas production and further development of the Beluga and Sterling Formations, within the Kitchen Lights Unit, under Alaska ownership.
- **Alaska Ship Home-porting for Improvements Program (AK SHIP):** This \$10 million financing program was established in FY19 to enhance the competitiveness of Alaskan Shipyards by providing 6 to 24 month financings exclusively for ship repair, conversion and maintenance work in support of Alaskan Shipyards. The first financing under this program provides authorization of up to \$3.6 million for UnCruise Adventures, an Alaskan owned business. In February 2020, AIDEA added JAG Alaska, Inc, operator of the Seward Shipyard, to the program and financed a \$1.5 million barge overhaul for Drake Construction whose vessel homeports in Kotzebue. AIDEA's program provides financing

that was previously unavailable for Alaska shipyards.

- **Alaska Ship & Drydock:** In June 2020, AIDEA successfully completed the latest phase of the Alaska Ship & Drydock's development plan with relocation of the electrical switchyard at Ketchikan's shipyard allowing for the future expansion of a second assembly hall. The project used a mix of FTA funds with a state allocated match. The project was initiated in 2017, however funds were delayed and consequently the project was pushed back. AIDEA recognized that excess funds were available and was able to successfully expend 100% of all funds to additionally install the protective coatings on Dry Dock #2, significantly prolonging the functional life of the drydock. The medium voltage loop relocation project was substantially completed in June 2020 and fully accepted by AIDEA in October 2020.
- **Icy Strait Point:** AIDEA's board authorized up to \$15 million in financing to Icy Strait Point in coordination with their second phase development with Norwegian Cruise Lines. During the course of fiscal year 2020, Icy Strait Point used AIDEA's funding to complete the uplands portion and achieved substantial completion of the second phase in July 2020 following delays created by the COVID-19. AIDEA has provided stability to Huna Totem Corporation as it addresses the impacts of the COVID-19 pandemic.

AIDEA continues to explore opportunities to advance economic development in the State through development of industrial infrastructure. There are a number of potential industrial infrastructure projects in our project pipeline with a potential estimated future investment by AIDEA of hundreds of millions of dollars supporting oil production, development of new mines, and tourism infrastructure. AIDEA's experience in oil and gas, mining and other industrial sectors allows us to be in a position to coordinate projects with private sector partners for the overall benefit of the State.

The Authority retains bonding authorization for several potential development projects including;

- Up to \$145 million to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project.
- Up to \$125 million to finance the infrastructure and construction costs of the Niblack project.
- Up to \$65 million to finance the expansion, modification, improvement and upgrading of the Skagway Ore Terminal.

### **Sustainable Energy Transmission and Supply Development Program**

The 2012 state legislature passed SB25 establishing the Sustainable Energy Transmission and Supply Development (SETS) program, within the SETS Fund. This program was created so AIDEA could promote and finance qualified energy development in the state. Subject to statute, the SETS Fund may be used to help construct, improve, rehabilitate, and expand qualified energy developments. The SETS program may also finance qualified energy developments through loan or bond guarantees and direct loans.

AIDEA was given authorization to provide financing up to a principal amount of \$275 million for the IEP, including \$150 million in bonding authorization through the SETS Fund. AIDEA entered

into and closed on a Financing Agreement in FY18 with the IGU for the IEP that includes financing tools utilizing the \$275 million authorized for the project. We have committed to fund \$139 million in SETS Fund loans under the Financing Agreement. In March 2020 the AIDEA Board approved the issuance of up to \$78 million in conduit revenue bonds for IGU to further expand their system.

In August 2020, AIDEA's Board approved a \$17 million financing the Alaska Energy Authority's (AEA) acquisition of the 39.3 mile 115-kilovolt Soldotna-Quartz Creek transmission line (SSQ Line) from the Homer Electric Association as part of the Bradley Lake Hydroelectric Project. AEA's acquisition of the SSQ Line will be financed through AIDEA's purchase of a new 20-year bond series to be issued by AEA under AEA's Bradley Lake Power Revenue Bond Resolution (adopted on September 7, 1989). The SSQ Line is an essential component of the Railbelt transmission system, which delivers Bradley Lake generated hydroelectric generated power from Homer north to Fairbanks. AIDEA's financing assisted in expediting the acquisition and incorporation of the project bringing significant benefits to Alaska's Railbelt ratepayers including (i) better cost alignment, (ii) increased reliability, and (iii) future prospect for upgrades to the transmission system improving costs and services to ratepayers.

### **Arctic Infrastructure Development Fund**

Arctic Infrastructure Development Program was created in 2014 to promote and provide financing for Arctic infrastructure development. The fund was initially capitalized during fiscal year 2020 with a \$35 million commitment (consisting of \$7.5 million cash transfer from the Revolving Fund and \$27.5 million upcoming transfer) with funding dedicated to the Ambler Access Project.

In July 2020, a joint Record of Decision (ROD) was issued to AIDEA for the Ambler Access Project identifying the route for the road together with a BLM Right of Way, and a decision by the National Park Service authorizing the road to cross the Gates of the Arctic National Preserve. These are the key federal permits required for the development of the industrial access road as established over 40 years ago under ANILCA for access to the Ambler Mining District. The AIDEA Board approved the Authority to enter into an Interim Funding Agreement and a MOU with Ambler Metals in August 2020. The MOU provides that AIDEA and Ambler Metals will work cooperatively to establish a comprehensive plan regarding the Ambler Access Project permitting, feasibility, engineering and design; construction and operation; financing; and closure. The MOU provides that Ambler Metals and AIDEA have each committed to contribute up to \$35 million for this planning and development effort creating an additional \$70 million budget for the pre-construction phases of work. Going forward, the Ambler Road will be funded without using general funds. When funds are needed for construction the project will be funded by means of a public-private partnership approach that will involve AIDEA and private sector investors.

### **Conduit Revenue Bond Program**

AIDEA issued conduit revenue bonds totaling \$195.2 million in fiscal year 2020. This amount was comprised of two separate bond issuances, principally supporting Alaska's healthcare sector development and Alaska Native or rural community access. Conduit revenue bonds with a principal amount of \$126,685,000 were issued and the proceeds were lent to Dena' Nena' Henash d/b/a Tanana Chiefs Conference to provide funds to pay all or a portion of the costs of acquisition,

renovation, expansion, furnishing ,and equipping of the Chief Andrew Isaac Health Center in Fairbanks. Funds may also be used for the acquisition, renovation, expansion, furnishing and equipping of health care facilities in Tok, Evansville, Manley Hot Springs, and Northway.

Additionally, we issued \$68,480,000 in conduit revenue bonds and lent the proceeds to the Greater Fairbanks Community Hospital Foundation, Inc. for the purpose of refunding previously issued AIDEA conduit revenue bonds and paying for the bond issuance costs. AIDEA has a stand-alone revenue bond program wherein we are a conduit to facilitate market financings for facilities owned by and paid for by third parties. Such stand-alone bonds are not general obligations of AIDEA or the State. The bonds are payable only out of the revenues derived from the projects or the private businesses for which the projects are financed. AIDEA has issued over \$1.6 billion in conduit revenue bonds supporting over 300 projects within the State.