

INVESTING IN ALASKANS

AIDEA PROJECTS, INVESTMENTS AND CASH FLOW UPDATE

SENATE FINANCE COMMITTEE
February 25, 2021

Alan Weitzner, Executive Director



www.aidea.org



AIDEA'S MISSION

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

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))
- ✓ \$439.7 million in Dividends to Alaska since 1997
- ✓ Directed over \$3 billion into economic development in Alaska

AIDEA AS 44.88

WITHIN AS 44.88.010(a)(10)

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...**

PROGRAMS + PROJECTS

- Conduit Revenue Bond Program
- Loan Participation Program
- Development Project Finance
- Sustainable Energy Transmission and Supply (SETS)
- Arctic Infrastructure Development Fund (AIDF)
- Small Business Economic Development Revolving Loan Fund
- Rural Development Initiative Loan Fund
- Business Export Assistance Program

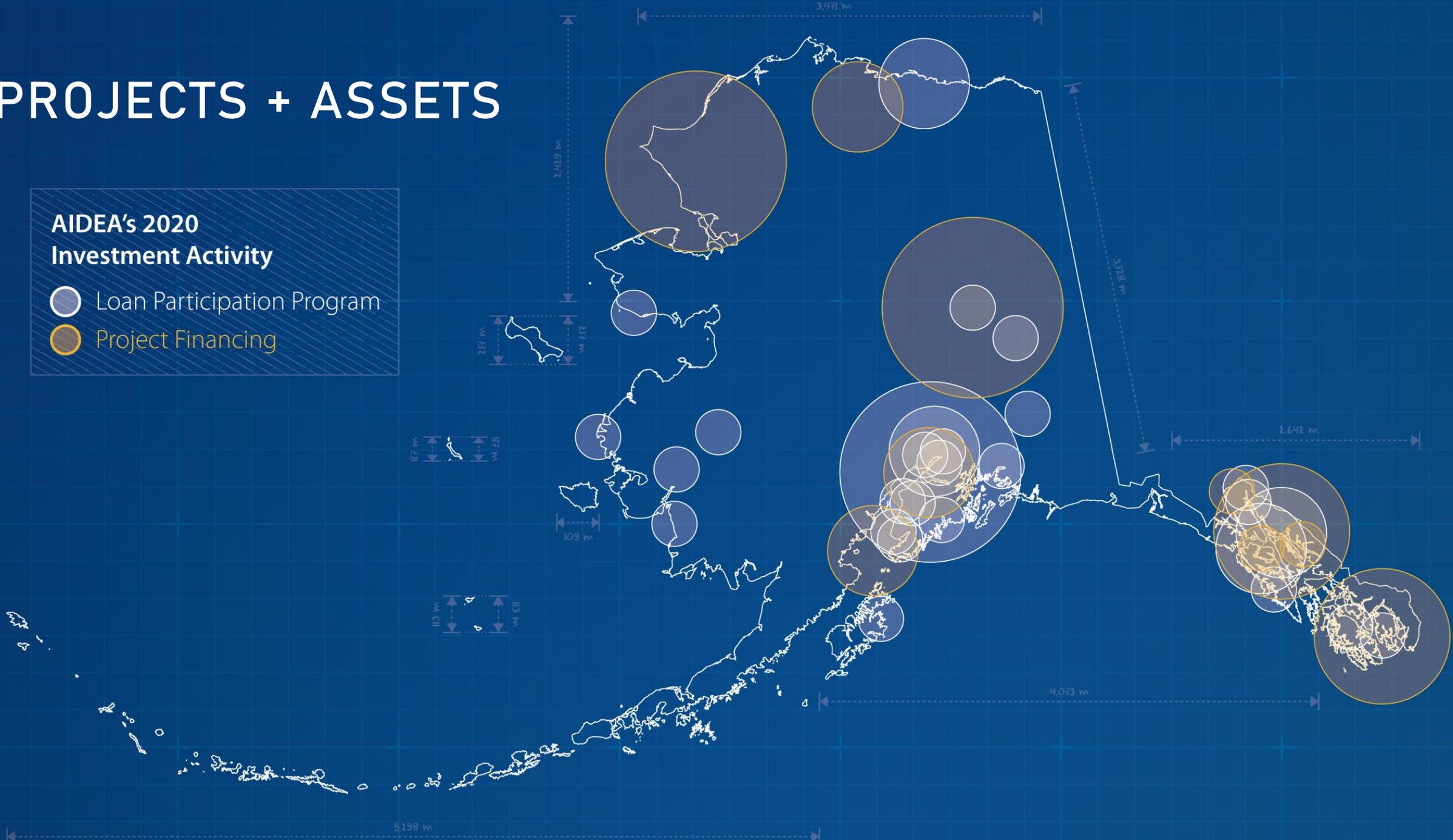
Development Project Finance:

- ✓ Delong Mountain Transportation System
- ✓ Skagway Ore Terminal
- ✓ FedEx Aircraft MRO Hangar
- ✓ Snettisham Hydroelectric Facility
- ✓ Alaska Ship & Drydock, Ketchikan
- ✓ Camp Denali Readiness Center (JBER)
- ✓ Mustang Holdings LLC
- ✓ 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

PROJECTS + ASSETS

AIDEA's 2020 Investment Activity

- Loan Participation Program
- Project Financing



PROJECT INVESTMENTS

- Facilitate Investment in Alaska's Industrial Sectors
- Partnership with Public + Private Capital
- Patient, Long-Term Capital
- Direct Investment as Owner/Partner/Lender
- Feasible Economic Structures, No Subsidies



* Total amount invested or committed in development projects held by AIDEA as of FYE 2020, includes only AIDEA funds and AIDEA proceeds from bonds issued.

FINANCIAL SUMMARY FY2020

STATEMENT OF NET POSITION (\$000S)

Cash Balance (incl. Restricted)	\$90,516
Programs:	
COVID-19 Emergency Programs	168,910
Enterprise Development Account	456,889
Development Project Finance:	
Revolving Fund - Projects	194,223
Revolving Fund - Capital Assets	141,531
SETS	143,760
AIDF	35,000
Other Assets	16,399
Capital Reserves – Securities	398,895
Total Assets	<u>\$1,646,123</u>
Less: Liabilities & Deferred	(\$226,650)
Net Position	<u>\$1,419,473</u>

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION (\$000S)

	FY2020	FY2019	FY2018
Operating Revenues*	\$81,784	\$80,432	\$64,333
Operating Expenses*	(31,318)	(32,876)	(39,223)
Operating Income	50,428	47,556	25,110
Non-Operating Revenue (Expenses), Net and Other	(5,858)	(1,298)	(11,703)
Change in Net Position	<u>\$44,570</u>	<u>\$46,258</u>	<u>\$13,407</u>
Statutory Net Income	34,610	28,953	33,489
Declared Dividend to State GF (current year payable in FY2022)	<u>17,305</u>	<u>14,475</u>	<u>10,285</u>

* Net of emergency programs for purposes of comparison to prior years

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 the state's statutory dividend program.
- In 2019, Moody's downgraded AIDEA's Revolving Fund bonds to A2 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).

RESPONSIBLE RESOURCE DEVELOPMENT

ACCESS TO ALASKA'S ABUNDANT NATURAL RESOURCES
FOR ECONOMIC DEVELOPMENT

1002 AREA LEASE SALE

PROJECT OVERVIEW

- Section 1002 Area designated for future development of its resource potential under ANILCA
- AIDEA Resolution G20-31 authorizing up to \$20 million in the first year under BLM's Section 1002 Area Oil & Gas Lease Sale
- Bids submitted on 11 tracts (\$19,236,345 in 1st Year)
- AIDEA highest bidder in 9 of 11 tracts bid
- Leases signed on 7 of the 9 tracts for an initial 10 year rights of use subject to lease stipulations
- Potential to add 1.4 million barrels per day to Alaska's oil production through TAPS

TIMELINE

- Jan. 20, 2021 President Biden announces moratorium on all oil and gas leasing activities in ANWR.
- Jan. 19, 2021 Bureau of Land Management announces official leaseholders; AIDEA holds 7 tracts.
- Jan. 6, 2021 Bureau of Land Management opens submitted sealed bids; AIDEA is the successful bidder of 9 of 11 tracts.
- Dec. 31, 2020 Deadline to submit qualified bids on leases.
- Dec. 7, 2020 Bureau of Land Management posts Detailed Statement of Sale.
- Aug. 17, 2020 Record of Decision (ROD) reached.
- Dec. 22, 2017 President Trump signs the Tax Cuts and Jobs Act, which includes authorization for responsible development in 1002 Area of ANWR.
- Dec. 2, 1980 President Carter signs Alaska National Interest Lands Conservation Act (ANILCA)

1002 AREA LEASE SALE

ECONOMIC DEVELOPMENT POTENTIAL

HOW MUCH OIL IS ESTIMATED TO BE IN THE 1002 AREA?

- The U.S. Geological Survey estimates this area contains 10.4 billion barrels of technically recoverable oil.

ECONOMIC BENEFITS FOR STATE OF ALASKA

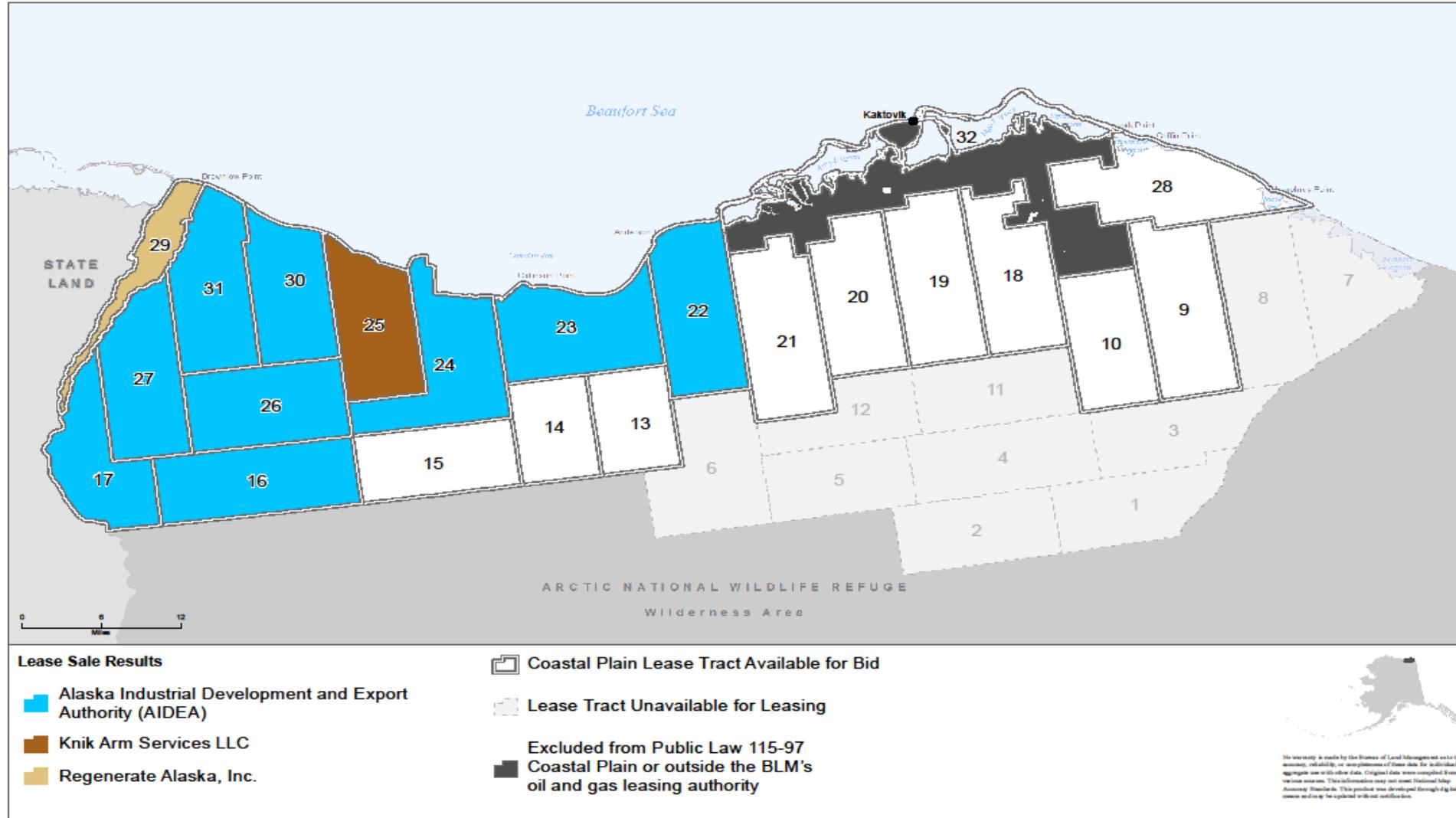
- Public funding from taxes contributing to economic security within the local communities on the North Slope, providing revenue to fund local services, schools, health clinics, housing, emergency response, water and wastewater, heat and electric utilities, and countless essential services.
- Fixed royalty of 16.67% established, half of which goes to the State.
- Half of all proceeds earned through the Section 1002 Area Oil & Gas Lease Sale are shared with the State of Alaska.

ESTIMATED JOB CREATION FROM DEVELOPMENT OF THE 1002 AREA

- 55,000 – 130,000 jobs are expected to be created, according to the House Committee on Natural Resources.

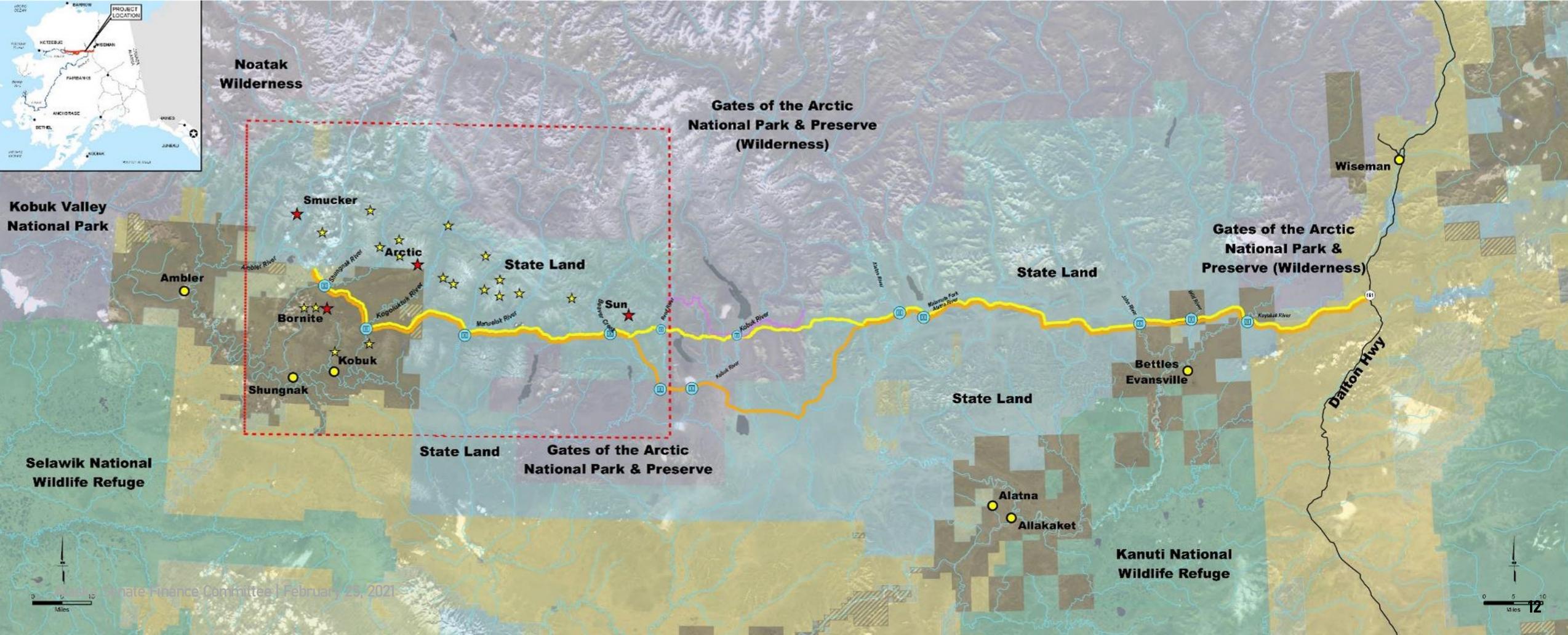
ESTIMATED REVENUE GENERATED BY DEVELOPMENT OF THE 1002 AREA

- Estimated up to \$50 billion in future royalties, according to the nonpartisan Congressional Budget Office.



AMBLER ACCESS PROJECT

PROJECT LOCATION



AMBLER ACCESS PROJECT

PROJECT BACKGROUND

- Access to Ambler Mining District defined within ANILCA.
- FY20 final EIS / FY21 Joint ROD from BLM/NPS.
- \$35M for AIDEA's Arctic Infrastructure Development Fund, matched by Ambler Metals LLC for Final Feasibility.
- Development Agreement with Ambler Metals coordinating the timeline between the Arctic Mine feasibility and Ambler Access Road feasibility by latest December 2024.



ECONOMIC DEVELOPMENT OPPORTUNITY

ROAD CONSTRUCTION AND OPERATIONS	MINES CONSTRUCTION
<ul style="list-style-type: none"> ▪ 360 direct jobs for road construction on an annual average ▪ Up to 81 direct annual jobs for road operations and maintenance over the life of the road 	<ul style="list-style-type: none"> ▪ 2,777 direct jobs for mine construction; \$286M in wages annually ▪ 2,034 additional indirect and induced jobs; \$108M in wages annually
MINING OPERATIONS	GOVERNMENT REVENUES (LIFE OF ALL FOUR MINES)
<ul style="list-style-type: none"> ▪ 495 direct jobs; \$72M in wages annually ▪ 3,436 additional indirect and induced jobs; \$228M in wages annually 	<ul style="list-style-type: none"> ▪ \$393M in mining license tax revenues to the State ▪ \$524M in corporate income taxes to the State ▪ \$214M in production royalties to the State ▪ \$13M in claim rents to the State ▪ \$193M in payments to local governments

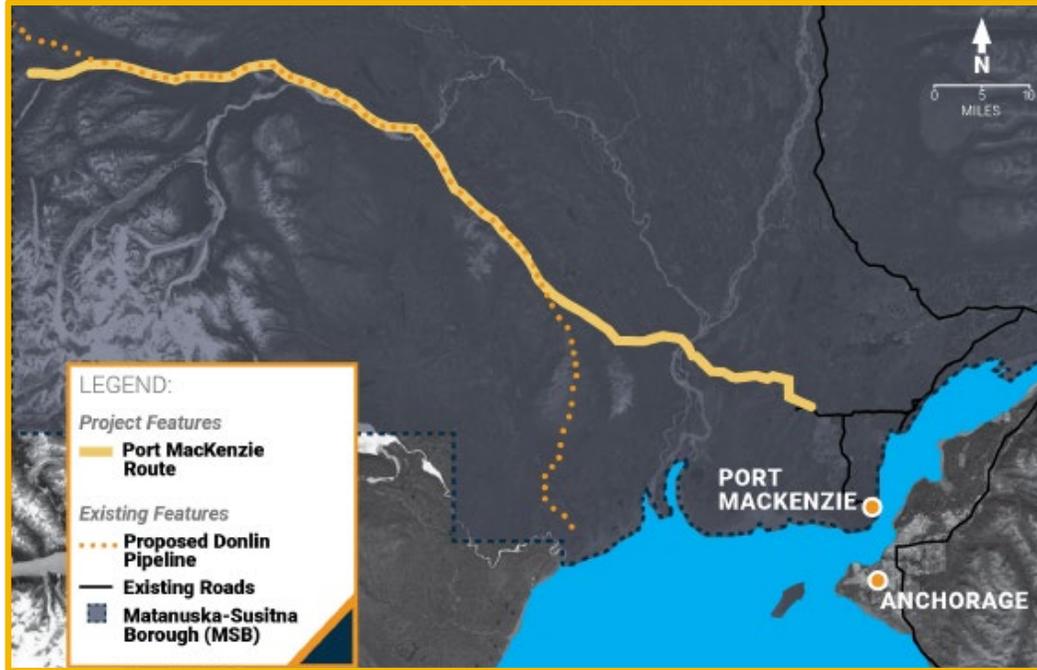
KEY ELEMENTS + ISSUES IN FINAL FEASIBILITY

- 200+ mile new road in remote Alaska
- Design components
 - 29 bridge crossings
 - Predominant permafrost across corridor
 - Materials site with 12 million cubic yards of fill
 - At least 40 fish passage sites
 - Subsistence concern considerations
- Crossing Approval from five landowners
- ANILCA and NEPA requirements
- 26 permits and authorizations
- Federal laws: CWA, NHPA, MSFCMA, ESA, MBTA, BGEPA, WSRA, RHA
- Multiple mines in exploration
- Coordinating with stakeholders (many hundreds of miles apart from each other)

WEST SUSITNA ACCESS ROAD PROJECT

PROJECT BACKGROUND

- 2014 Roads to Resources Program DOT&PF Study
- Pre-development feasibility stage of planning for a multi-use public access road leading to resource development opportunities that will diversify the state and borough economy and lead to job creation.
- Partnership between AIDEA, the Matanuska-Susitna Borough (MSB) and industry partners.



The proposed route is approx. 100 miles long, from the west end of Ayrshire Road to near the confluence of the Talachulitna and Skwentna Rivers. Near the Happy River crossing, the route would diverge away from the Donlin Gold gas pipeline route and continue west to a point of tie-in with existing mineral exploration roads.

PHASE 2 STUDY + SCHEDULE

We have concluded Phase 2, which included two objectives:

1 Advance preliminary engineering enough that preliminary opinions of probable capital costs can be developed for economic decision making.

2 Conduct wetland mapping and fieldwork to position the project for developing a Clean Water Act Section 404 permit application, if the project moves forward.

2020



JUNE

MSB Assembly approved participation in Memorandum of Understanding

AIDEA Board approved resolution



AUGUST

Executed funding, Notice to Proceed issued, project begins



SEPTEMBER

Wetland mapping and fieldwork completed

2021



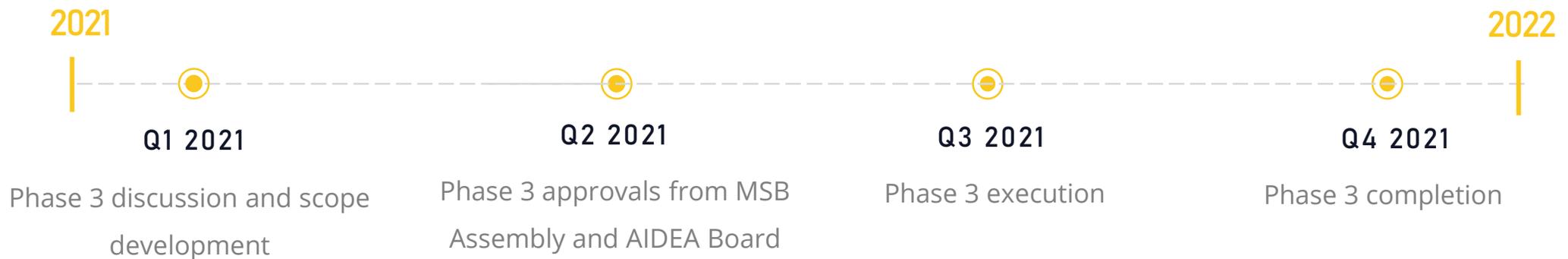
MARCH

Phase 2 study completed

POTENTIAL NEXT STEPS FOR PHASE 3

- Conduct baseline environmental studies:
- Cultural and historical resources, fish, wildlife, etc.
- Perform additional field work as required
- Identify mitigation and avoidance opportunities

- Advance engineering to the 10% – 15% design level
- Identify and explore alternative routes
- Conduct Port MacKenzie feasibility analysis and potential future development plans



DISCUSSION

Thank you



Alan Weitzner, AIDEA Executive Director