



March 31, 2023

The Honorable Bert Stedman  
Co-Chair, Senate Finance Committee  
State Capitol, Room 518  
Juneau, Alaska 99801-1182

Re: Responses to Senate Finance Committee Questions  
March 15, 2023 Hearing / AIDEA Overview

Dear Co-Chair Stedman,

Responses to questions and requests for documents, etc., raised at the March 15, 2023, hearing are attached. Questions from senators are summarized as understood from a recording of the hearing and not stated verbatim. Please advise if additional information is needed.

Sincerely,

Randy Ruaro  
Executive Director, AIDEA

**Question 1 (Senator Kiehl):**

*What is our default rate on the loan participation program? Has there been any missed payments on the conduit bond program?*

**AIDEA Response:** The default rate on the loan participation program, which has roughly \$410.6 million in loans outstanding, is zero percent. There have not been any missed payments on the over \$1 billion in conduit revenue bonds issued by AIDEA.

**Question 2 (Senator Kiehl/Olson):**

*Is a third-party consultant's report stating the Red Dog Mine would have been developed anyway, without AIDEA's involvement accurate?*

**AIDEA Response:** In 1985, SB 279 and SB 280 supporting AIDEA programs and authorizing bonding for the Red Dog mine were considered and passed by the legislature and enacted into law. SB 280 authorized AIDEA to issue up to \$175 million in bonds for the Delong Mountain Transportation System(DMTS). At the end of the legislative process, a significant majority of legislators found there was a need to finance infrastructure needed for development of the Red Dog mine and approved SB 279 and SB 280.

In addition, the legislature considered the purpose and need for additional financing and expansion of the DMTS as related to the Red Dog mine in 1996. At the time, the mine was not sustaining itself due to unexpectedly low commodity rates, particularly for zinc. The legislature considered the facts and approved HB 526 which authorized AIDEA to issue additional bonds for DMTS. AIDEA issued \$70 million in bonds financing the DMTS expansion in 1997. A copy of [HB 526](#) is attached as ***Exhibit A***.

**Question 3 (Senator Kiehl):**

*What are the proven and probable reserves in the Ambler mining district?*

**AIDEA Response:** Mineral Resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource. More information on mineral reserve definitions can be found on the [Canadian Mining Institute's website](#).

Below is a table from [Trilogy Metals Inc.'s Form 10-K](#) filed with the Securities Exchange Commission that provides the indicated and inferred mineral reserves for the Arctic and Bornite deposits located in the Ambler Mining District.

**Mineral Resources Comparison for Arctic**

Resource	Tonnage	Contained Metal Content				
		Cu	Pb	Zn	Au	Ag
Category	(Mt)	(Mlb)	(Mlb)	(Mlb)	(koz)	(Moz)
Indicated (2021) (note 1)	36.0	2,441	581	3,356	728	55
Indicated (2022)	-	-	-	-	-	-
% Change	100%	100%	100%	100%	100%	100%
Inferred (2021)	3.5	131	47	210	40	3
Inferred (2022)	4.5	189	69	288	62	5
% Change	28.5%	44.2%	46.8%	37.1%	55.0%	66.6%

note 1: Under S-K 1300, mineral resources are shown exclusive of reserves. Due to the reporting change, no indicated resources are indicated for 2022. In 2021, mineral resources are reported under NI 43-101 inclusive of reserves.

**Mineral Resources Comparison for Bornite**

Category	Tonnes (Mt) 2022	Tonnes (Mt) 2021	Percentage Change	Contained Metal Cu (Mlb) 2022	Contained Metal Cu (Mlb) 2021	Percentage Change
Inferred In-Pit	170.4	93.9	8.1%	4,303	2,034	111.5%
Inferred Outside Pit South Reef	22.0	35.3	(37.6%)	1,690	2,639	(35.9%)
Inferred Outside Pit Ruby Zone	10.4	15.0	(30.6%)	521	653	(20.2%)
<b>Total Inferred</b>	<b>202.7</b>	<b>144.2</b>	<b>40.6%</b>	<b>6,514</b>	<b>5,326</b>	<b>22.3%</b>

In 2022, in-pit mineral resources increased by increasing the size of the pit to maximize the copper resource. This resulted in reduction of the mineral resources from outside of the pit.

**Question 4 (Senator Stedman):**

*What does the negative number of \$48,994 (\$ thousands) for “net increase / (decrease) in fair value of investments” in the fifth line down on the right hand side of the financial summary slide (page 17) represent and what caused the decrease?*

**AIDEA Response:** The “investments” included within this number are AIDEA’s externally managed funds. The decrease was caused by mark-to-market accounting entries posted at June 30 to record an unrealized loss based on the fair current market values of the investment portfolio. It does not represent an actual loss. Fair market values fluctuate over time. For example, in FY21, \$10.8 million in unrealized losses were recorded at June 30, 2021; however, in FY20 and FY19, gains of \$26.8 and \$17.9 were recorded in those years respectively.

The below excerpt from the October 26, 2022 AIDEA Board meeting minutes, as described by former AIDEA Executive Director Alan Weitzner, explains the \$48,994.0 decrease is an unrealized loss, not an actual loss in the investment portfolio. Mark-to-

market accounting entries at June 30, 2022 record the fair current market values of the investment and fluctuates over time:

**AIDEA Board meeting minutes, page 8. October 26, 2022:**

“Chair Pruhs asked for the statutory net income amount. Mr. Weitzner informed that amount will be calculated and announced with the declaration of the dividend on December 7, 2022. This report shows the net income position under the accounting rules. Mr. Weitzner explained that the statutory net income definition within the dividend statute recognizes and excludes unrecognized gains and losses. Mr. Weitzner highlighted that an adjustment can be seen in the financial statement under operating income that represents an unrecognized loss of approximately \$50 million and is excluded in the calculation of the statutory net income. Mr. Weitzner described the conservative portfolio of securities are held at historical low interest rates. The dramatic increase in current interest rates causes an unrecognized loss, not an actual loss, in the investment portfolio as reflected in the mark-to-market of the assets under management. The capital in the portfolio continues to earn interest revenues and is available to reinvest in Alaska. Mr. Weitzner discussed the amendment to the statute that specifically recognized that the mark-to-market was not intended to impact the profit and loss statement, rather the intent was to recognize true cash available for distribution. There were no additional questions.”

**Question 5 (Senator Hoffman):**

*What does the positive number of \$461,814 (\$ Thousands) for “Development Projects” in the third line down on the left hand side of the Financial Summary slide (Slide 17) represent? And what individual projects are included within the overall number?*

**AIDEA Response:** The development projects lease receivables are addressed in the June 20, 2023 AIDEA financial statements under Note – 12 Lessor Activities (pg. 63). The development project loans represent the current balances less any allowances. Details on these loans are addressed in the June 20, 2023 AIDEA financial statements under the Economic Development Account (AS 44.88.172) section (pg. 24), the Capital Assets and the Lines of Credit (pg. 71) or Term Loans section (pg. 76). The FY2022 AIDEA financial statement can be found online [HERE](#).

<b>Development Projects - as of June 30 2022:</b>	
<i>(in thousands)</i>	
	<b>Ending Balance</b>
<b>Development projects accounted for as lease receivables:</b>	
Red Dog Project	192,035
Skagway	586
FedEx Hangar	8,915
Ketchikan Shipyard	147
DMVA Project	13,997
<b>Total Lease Receivable</b>	<b>215,680</b>
<b>Development Project Loans:</b>	
Blood Bank of Alaska, Inc.	3,642
BlueCrest	4,966
MOC1 Acquired Loan	13,948
Duck Point	4,046
Duck Point Development II, LLC	9,670
Hex Cook Inlet	2,186
<b>Total Development Project Loans</b>	<b>38,458</b>
<b>Capital Assets:</b>	
Net Investment in Ketchikan Shipyard	60,734
DMVA Camp Denali, net of accumulated depreciation	10,099
Red Dog, net of accumulated depreciation	102,294
<b>Total Capital Assets</b>	<b>173,127</b>
<b>Component Unit - Mustang:</b>	
	<b>34,549</b>
	<b>461,814</b>

**Question 6 (Senator Stedman):**

*What do the “Deferred outflow of resources” numbers under “Assets” and “Deferred inflows of resources” numbers under “Liabilities” in the left hand side of the Financial Summary slide (Slide 17) represent?*

**AIDEA Response:** Deferred Outflows/Inflows of Resources – Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. AIDEA has three items that qualify for reporting in this category:

- Deferred outflows of resources related to our participation in the Public Employees Retirement System (PERS) including pension and other postemployment benefits (OPEB).
- Deferred outflows of resources related to the Snettisham restricted direct financing lease.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. AIDEA has a deferred inflow of resources related to our participation in PERS, including pension and OPEB, and related to leases where AIDEA is the lessor. The GASB Statement No. 63 explaining these definitions and their accounting application can be found [HERE](#), with a printed copy attached as ***Exhibit B***.

Deferred Outflows of Resources / Deferred Inflows of Resources	
<i>(in thousands)</i>	
	<b>Ending Balance</b>
<b>Deferred outflows of resources:</b>	
Deferred outflows of resources related to employee pensions (1)	1,495
Snettisham project deferred outflows of resources (2)	1,681
	<b>3,176</b>
(1) Relates to participation in the Public Employees' Retirement System (PERS), based on the most recent plan valuation. Deferred outflows of resources include the impact of changes in certain actuarial assumptions and experience.	
(2) Snettisham direct financing lease pays for the debt service of the Snettisham Power Revenue Bonds.	
<b>Deferred inflows of resources:</b>	
Related to Leases	215,375
Related to employee pensions	2,802
related to OPEB	860
	<b>219,037</b>
Deferred inflows related to leases increased \$215.4 million as a result of implementing GASB 87. The standard requires recognition of a deferred inflow to accompany the lease receivable recorded in the year of the implementation. The lease receivable and deferred inflow are measured based on the present value of future cash flows over the life of the lease.	

**Question 7 (Senator Bishop):**

Regarding the “Snettisham project restricted income” amount of \$2,522 (\$Thousands) and the “Snettisham project interest expense” of \$2,522 (\$Thousands) under “Revenues, Expenses, and Changes in Net Position” on the right hand side of the Financial Summary slide (Page 17) why are the two numbers the same?

**AIDEA Response:** Power Revenue refunding bonds are special and limited obligations of AIDEA, payable solely from project revenues, currently received from Alaska Electric Light & Power (AEL&P) pursuant to a power sales agreement, and from other project funds. AEL&P pays for the debt service on the outstanding bonds. Receipts from AEL&P for debt service are recorded as income to AIDEA and AIDEA records the corresponding debt service payments as an expense. \$2,521,544 is the total interest paid on the Snettisham bonds debt payments for FY22.

**Question 8 (Senator Stedman):**

What are the current openings at AIDEA / AEA? How are the positions recruited for? And how long is it taking to hire?

**AIDEA Response:** In a recent presentation presented to Anchorage-based human resources professionals on March 20, 2023, the Anchorage Economic Development Corporation (AEDC) noted that unemployment in the city continues to be at a historic low—3.3% in January--and that *all* employers, regardless of industry, are facing hiring challenges.

AIDEA is no different in this regard and is currently recruiting for six positions, including for roles in its Shared Services division. The positions are: Accounting Technician, Chief Financial Officer, Human Resources Director, IT Analyst, Senior Budget Analyst, and a Senior Investment Officer. AIDEA sources talent through various avenues, including through posting employment openings on the AIDEA website, Workplace Alaska, online with professional associations, and social media sites like LinkedIn. The time it takes to recruit for different positions can vary especially for executive-level roles or positions requiring specific professional credentials or education.

**Question 9 (Senator Stedman):**

What has been the performance record, or rate of return, of AIDEA assets over the last three to four years?

**AIDEA Response:** The aggregated rate of return on AIDEA direct investments in the last three years is 7.48%. For detail on AIDEA's externally managed funds, please see [Callan's annual performance review presented at the August 3, 2022 AIDEA Board meeting](#).

**Question 10 (Senator Stedman):**

Can the General Land Use Permit held by Santos be revoked?

**AIDEA Response:** Mustang Holding LLC currently has an active appeal before DNR relating to the overriding easement granted to Santos for the Mustang Road. Whether DNR can revoke this easement has yet to be determined by the department.

**Question 11 (Senator Hoffman):**

*Please provide the list of resolutions and copies related to Mustang and vote counts if any votes on resolutions were not unanimous.*

**AIDEA Response:** A list of resolutions from earliest to latest, and votes if any were not unanimous is set out in the table below. Copies of resolutions are attached as ***Exhibit C***.

Resolution	Unanimous	Yea	Nay	Abstain
Resolution No. G12-06A	-	5	-	1
Resolution No. G12-08	✓	-	-	-
Resolution No. G13-01	✓	-	-	-
Resolution No. G14-09	✓	-	-	-
Resolution No. G17-06	✓	-	-	-
Resolution No. G17-08	✓	-	-	-
Resolution No. G18-02	✓	-	-	-
Resolution No. G18-04	-	5	-	1
Resolution No. G18-05	-	5	-	1
Resolution No. G18-11	-	5	-	1
Resolution No. G18-11A	-	4	-	1
Resolution No. G18-12	-	5	-	1
Resolution No. G20-02	✓	-	-	-
Resolution No. G20-26	✓	-	-	-
Resolution No. G21-04	✓	-	-	-
Resolution No. G21-17	-	6	-	1
Resolution No. G22-04	✓	-	-	-
Resolution No. G23-02	✓	-	-	-

**Question 12 (Senator Hoffman):**

*Please provide copies of minutes from meetings where Mustang was discussed.*

**AIDEA Response:** Copies of minutes from meetings where Mustang was discussed correlate to meetings where action was taken on resolutions. Copies are attached as **Exhibit D**.

**Question 13 (Senator Stedman):**

*Was the \$2.5 million “bridge loan” made by AIDEA in 2017 for property tax payments?*

**AIDEA Response 13:** The use of the \$2.5 million bridge financing for MOC1 is detailed on page 2 of AIDEA Board Resolution No. G17-08, which states:

“WHEREAS, the bridge financing would enable MOC1 to preserve its existing assets, pay outstanding obligations, and fund additional surface infrastructure that will support BRPC’s [Brooks Range Petroleum Corporation] planned drilling/production efforts; if BRPC’s efforts are successful, the bridge financing should also put the project in a position to seek and obtain the necessary financing to successfully complete the project.”



**Question 14 (Senator Stedman):**

*Have any appraisals or assessments of Mustang's assets been conducted in the past?*

**AIDEA Response:** In 2021, an appraisal for the Mustang Road was conducted by SolstenXP which valued the road at \$13,940,000. A copy is attached as ***Exhibit E***.

**Question 15 (Senator Stedman/Hoffman):**

*What is the replacement value of the Mustang Road?*

**AIDEA Response:** The replacement value of the Mustang Road is estimated at \$14,460,000. A detailed explanation can be found on page 14 of the SolstenXP report attached as ***Exhibit E***.

**Question 16 (Senator Stedman):**

*Have oil tax credits been claimed and paid for costs of the Mustang project?*

**AIDEA Response:** Effective September 23, 2020, Mustang Holding LLC (a subsidiary of AIDEA), acquired MOC 1 through foreclosure of the Mustang Project. Prior to the foreclosure, AIDEA/Mustang Holding LLC did not receive any tax credit payments related to MOC1, nor has AIDEA ever been the recipient of tax credit payments to Caracol Petroleum or TP North Slope Development. Oil tax credits in the amount of ~\$2.4 million remain to be paid to MOC 1.

Publicly available information from the Department of Revenue provides the following amounts of oil tax credits claimed and paid to MOC1, Caracol Petroleum, and TP North Slope Development:

	Mustang Operation Center 1 (MOC 1)	Caracol Petroleum	TP North Slope Development
2017 Payment	\$3,143,889	\$1,944,693	\$1,627,084
2019 Payment	\$4,159,365	\$2,572,830	\$2,152,632
2021 Payment	\$2,419,826	\$1,496,815	\$1,252,354
2022 Payment	\$9,926,224	\$6,139,996	\$5,137,206
<b>Total</b>	<b>\$19,649,304</b>	<b>\$12,154,334</b>	<b>\$10,169,276</b>

**Question 17 (Senator Hoffman):**

*Was there any value to the easement assigned to Brooks Range and how did AIDEA request or receive the easement?*

**AIDEA Response:** No. The easement was transferred via letter request to DNR. Please see attached as ***Exhibit F***.

**Question 18 (Senator Hoffman):**

*Please provide a list of members of the AIDEA Board.*

**AIDEA Response:** The current AIDEA Board roster can be found in the chart below, or on the [Boards & Commissions website](#).

Name	Appointed	Reappointed	Expires
<b>Crum, Adam</b> (Wasilla) Commissioner/Revenue/Designee	11/17/2022		
<b>Eledge, Randy</b> (Anchorage) Private Sector	02/24/2022		07/01/2024
<b>Fogle, Albert</b> (Anchorage) Private Sector	01/07/2019	07/01/2022	07/01/2024
<b>Kendig, Bill</b> (Wasilla) Private Sector	01/07/2019	07/01/2022	07/01/2024
<b>Pruhs, John (Dana)</b> (Anchorage) Private Sector	08/12/2013	07/01/2021	07/01/2023
<b>Sande, Julie</b> (Ketchikan) Commissioner/DCCED/Designee	01/14/2022		
<b>Vivlamore, William</b> (Fairbanks) Private Sector	10/26/2021		07/01/2023

**Question 19 (Senator Stedman):**

*Please provide a history of events related to the Mustang Project.*

**AIDEA Response:** A chronological timeline of the Mustang Project can be found in ***Exhibit G***.

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