

**1/30/07**

**OVERVIEW:**

**DOT**

**&**

**AIDEA**

**HFIN**

**FILE**

handout 1/30/07



# Alaska DOT&PF Overview House Finance Committee

January 2007

John MacKinnon  
Acting Commissioner

# Briefing Topics

- Department Overview
- Operations
- Capital Programs

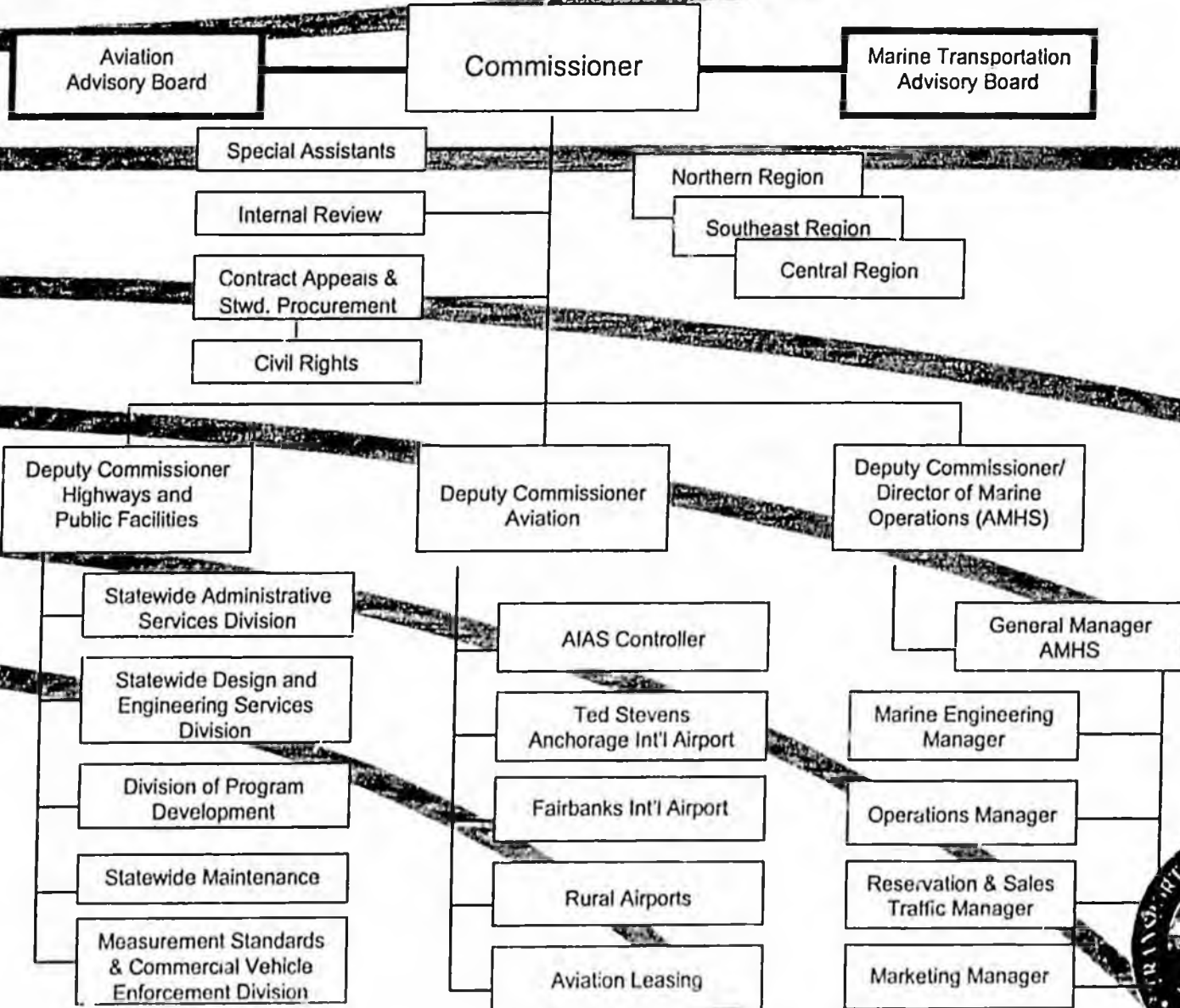


# DOT&PF's Mission

Provide for the movement of people and goods and the delivery of state services.

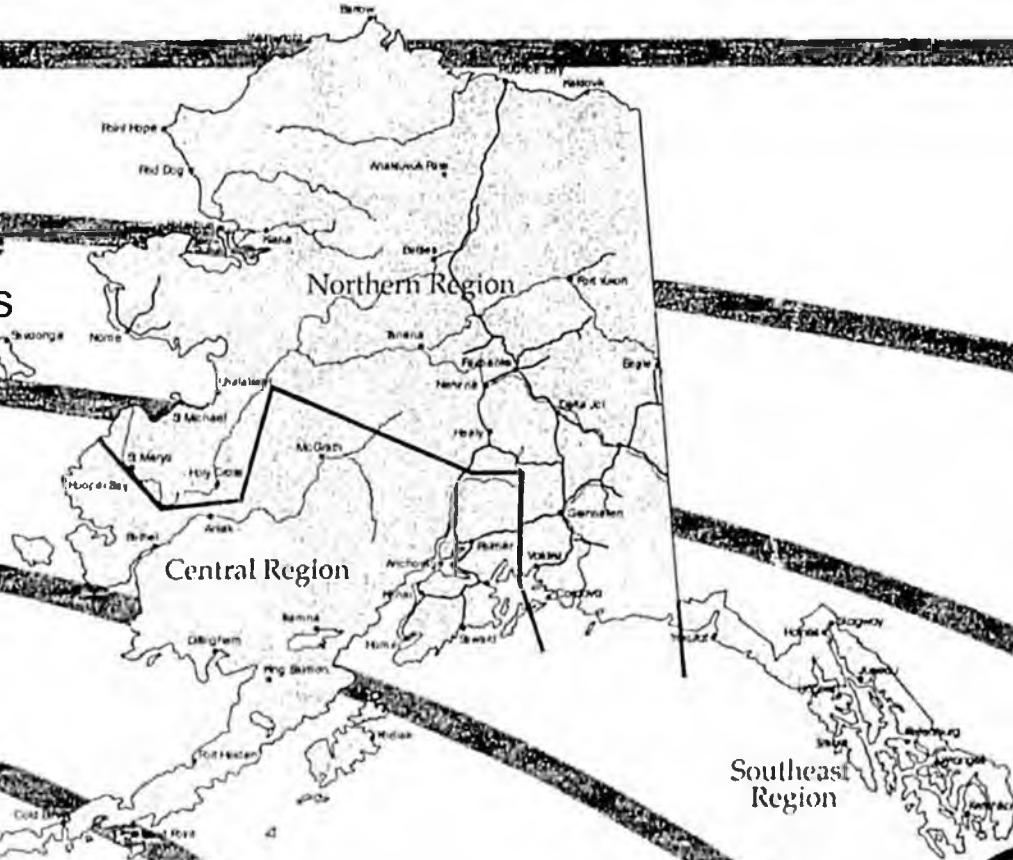


# DOT&PF Org Chart



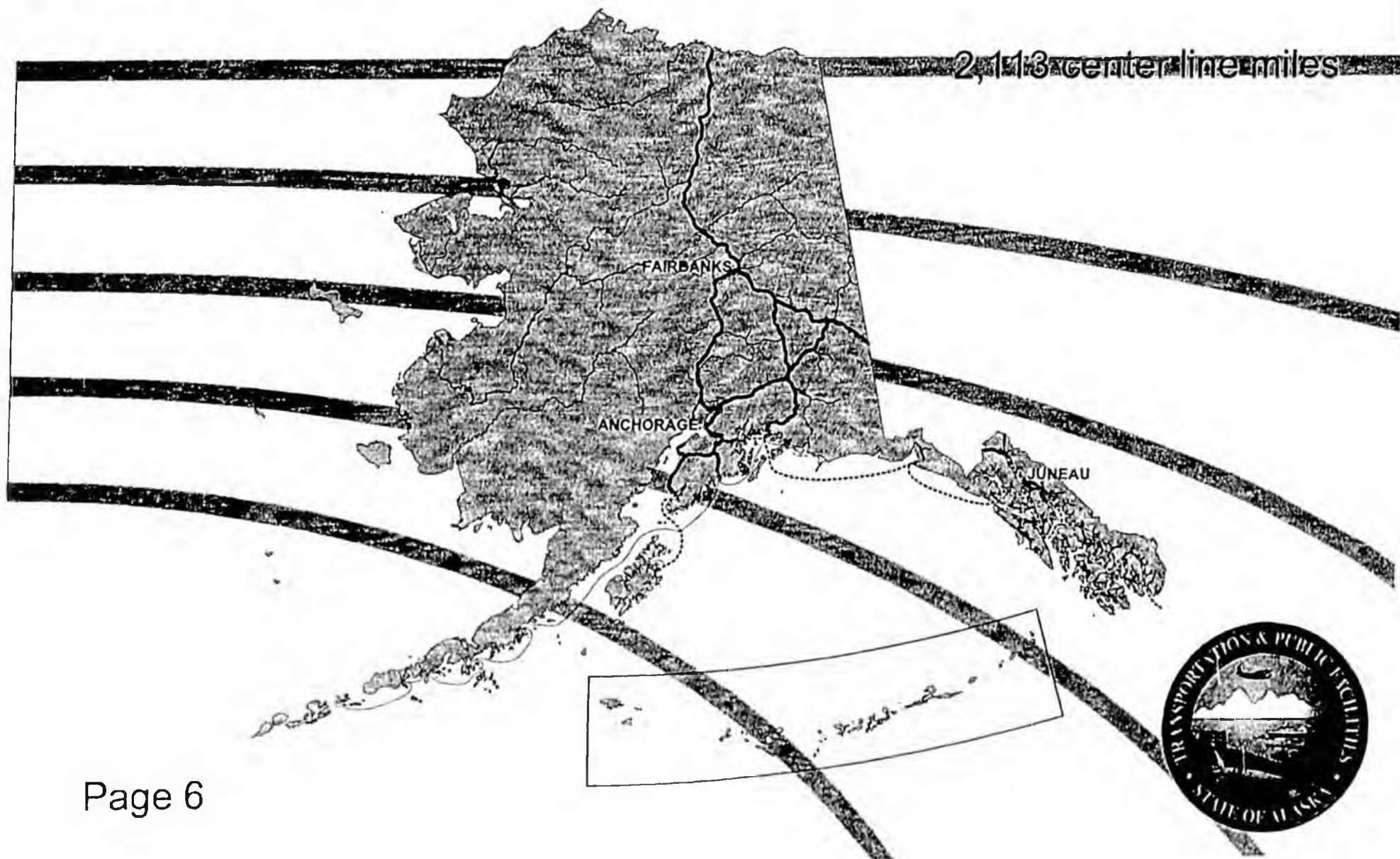
# DOT&PF Regional Boundaries

Main Office Locations  
Headquarters – Juneau  
Central Region – Anchorage  
Northern Region – Fairbanks  
Southeast Region – Juneau



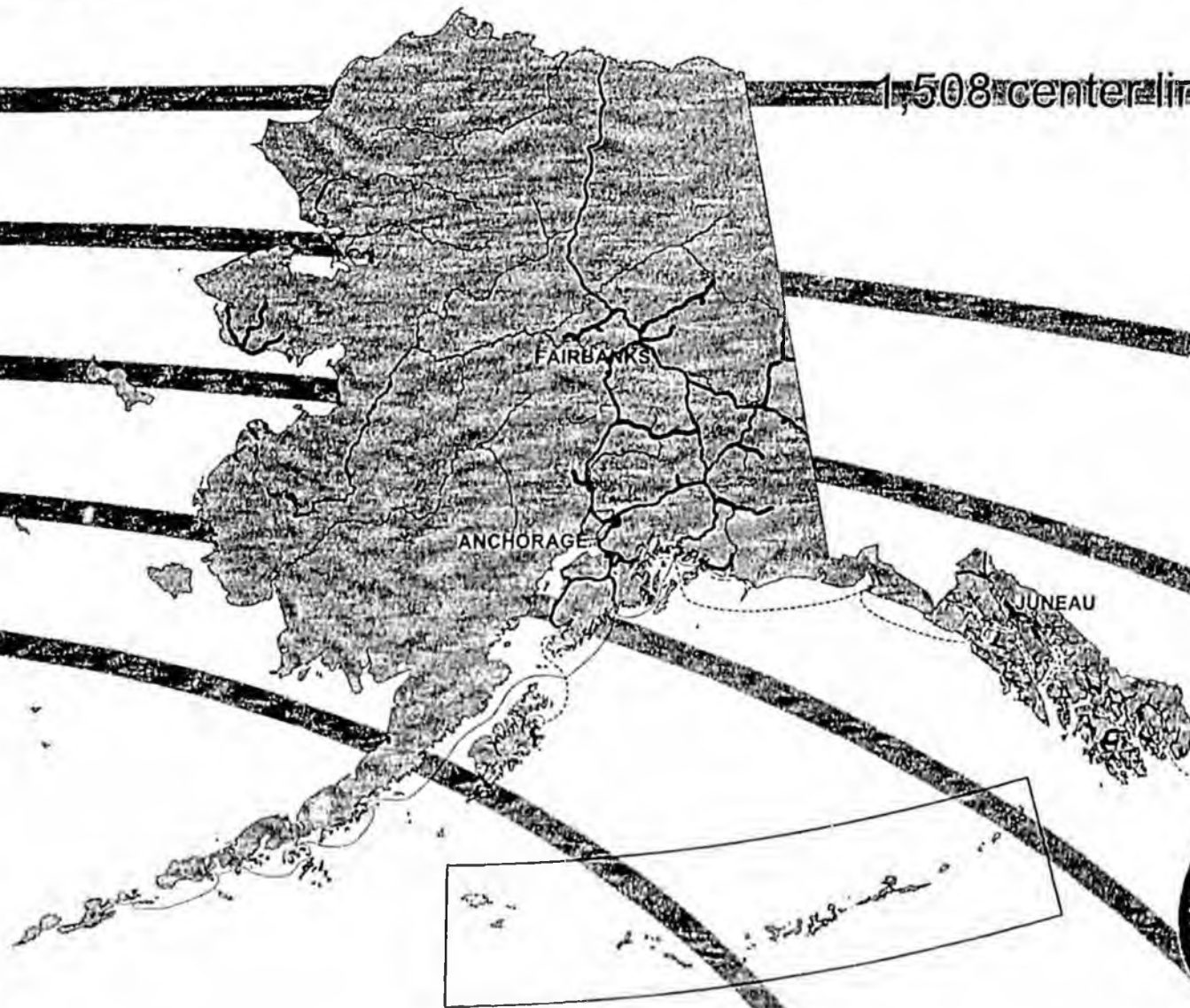
# National Highway System

2,113 center line miles



# Alaska Highway System

1,508 center-line miles



# DOT&PF Maintenance Stations

84 Stations Statewide



# DOT&PF Ports & Harbors

29 State-owned Harbors

12 Operated by agreement  
by local government



# Ports and Harbors

- Department is responsible for 24 of 99 public harbor facilities in AK
- 12 facilities are operated by local governments
  - Operating agreements provide no state funds for operations
  - State obligated for replacement and major repairs
- Capital Program is largely Corps of Engineers Program, except bond funds and state match
  - Corps funds breakwaters and navigation channels; State and Local fund mooring basins and inner-harbor facilities
- 71 state harbor facilities have been transferred to local ownership since 1986 using deferred maintenance funding
- In the process of developing a municipal harbor matching grant program pending funding (AS 29.60.810)



# Measurement Standards and Commercial Vehicle Enforcement

- Enforces all federal and state commercial vehicle laws to ensure safe highways
- Certifies the accuracy of all weighing and measuring devices used in commerce
- Issues permits for overweight vehicles
- Has implemented a new one-stop web-based permit system
- Worked with the trucking industry and Legislature to increase the penalties for overweight vehicles for the 1st time in 30 years

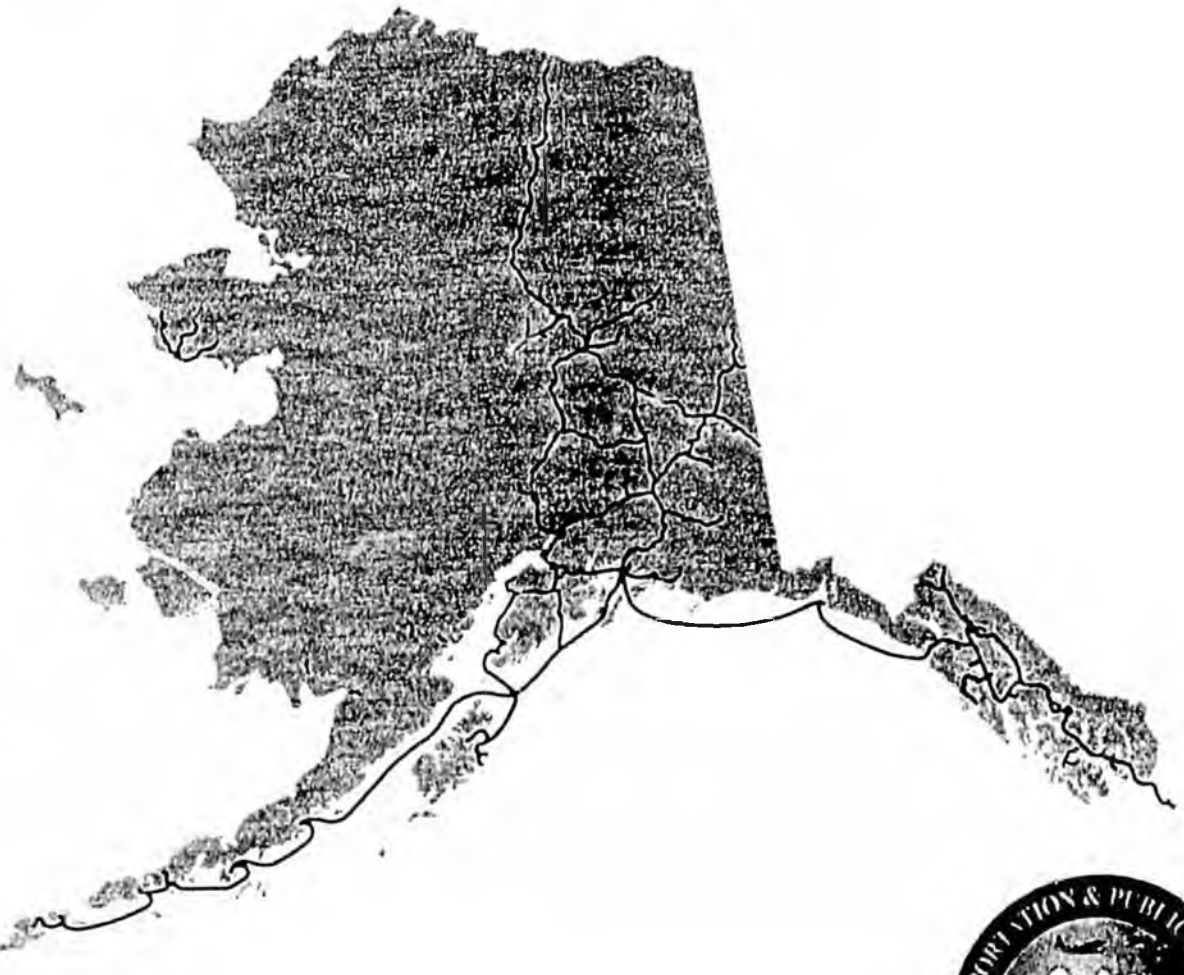


# AMHS Route Map

11 Vessels

32 Ports-of-Call

3,500 Nautical Miles



# Alaska Marine Highway System

11 vessels (4 are over 40 years old)

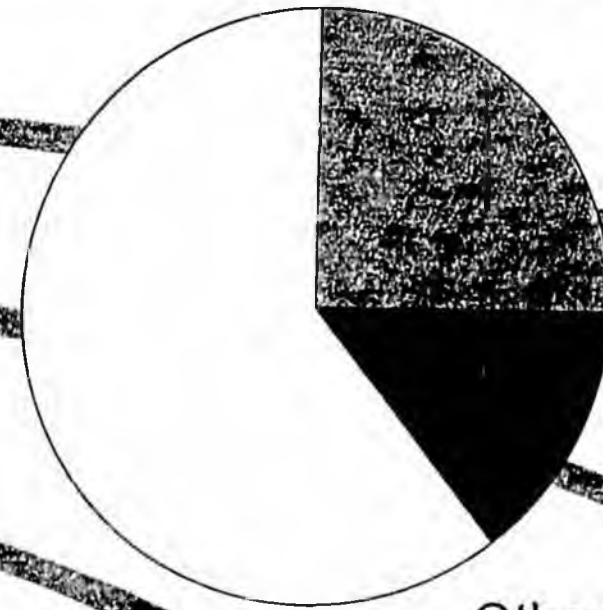
Transits 3,500 total nautical miles and serves 32 ports from Bellingham, WA to Unalaska

- CY 2005 Statistics - 282,236 passengers and 86,518 vehicles
- Other costs include longshoring, equipment repairs, Risk Management, food, marketing, laundry, etc.

Fuel 25%

Labor 61%

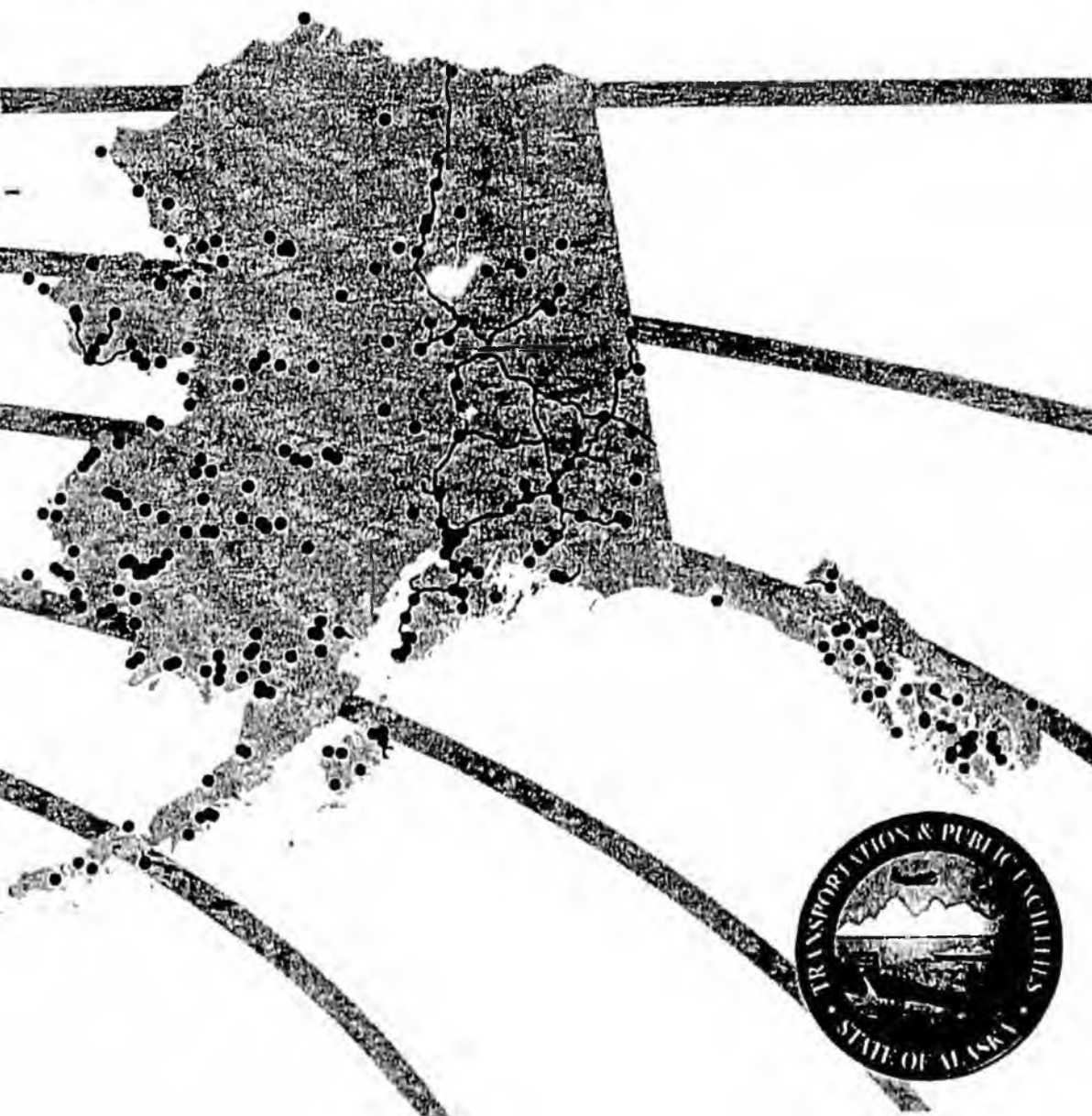
Other 14%



# DOT&PF Airports

258 State-owned Airports

Annual AIP capital budget -  
\$200 million



# DOT & PF Airports

- Largest Airport Operator in the U.S.
- 258 State owned & operated airports
  - 2 Internationals - Anchorage & Fairbanks
  - 21 Rural Certificated
  - 235 Community



# Alaska International Airport System (AIAS)

- Includes Anchorage and Fairbanks international airports
- Enterprise fund covers operating costs and capital costs not paid for by federal funds
- Total annual operating budget is approximately \$74.7 million
- FAA capital funds and passenger facility charges total over \$45.4 million annually
- Renovation of A and B concourses in Anchorage and replacement of the Fairbanks terminal are underway



# Ted Stevens Anchorage International Airport

- #1 cargo airport in the North America (almost 28 billion in landed cargo aircraft weight)
- In the top 3 of all cargo airports in the world
- Lake Hood is the busiest floatplane base in the world
- Large economic impact
  - nearly one in nine jobs in Anchorage
  - 9,792 airport jobs for \$453 million payroll
  - 5,984 community jobs for \$180 million payroll
- Serves 5 million passengers per year
- 58 airlines currently operating at airport



# Fairbanks International Airport

#43 cargo airport in the US (landed weight)

- Large floatplane base and general aviation runway
- Leasing revenues increased over prior year by 33%
- Serves nearly 970,000 passengers per year
- 17 airlines currently operating at airport



# International Airports

## Ted Stevens Anchorage International Airport

- \$79 M FY06 Construction
- Major projects recently completed or under construction
  - Taxiway K reconstruction
  - Taxiway Z construction
  - Remote refueling aprons
  - Taxiway U reconstruction
  - Lakeshore taxiway/Aircraft Drive separation
  - Echo parking phase II construction
  - Closed circuit television phase II
  - North Terminal medium voltage upgrade
  - Residential sound insulation

## Fairbanks International Airport

- \$36 M FY06 Construction
- Major projects recently completed or under construction
  - Taxiway Alpha relocation
  - De-ice pads and drainage improvements
  - General Aviation electrification
  - Terminal re-roof
  - Cargo apron relocation
  - Terminal area redevelopment

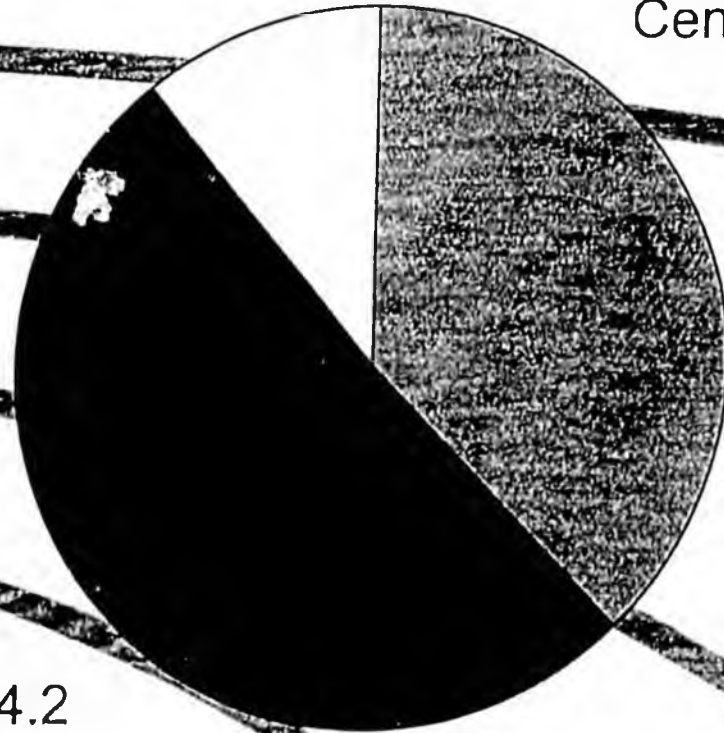


# FY08 Regional H&A Maintenance Funding

Southeast Region \$11.6

Central Region \$39.7

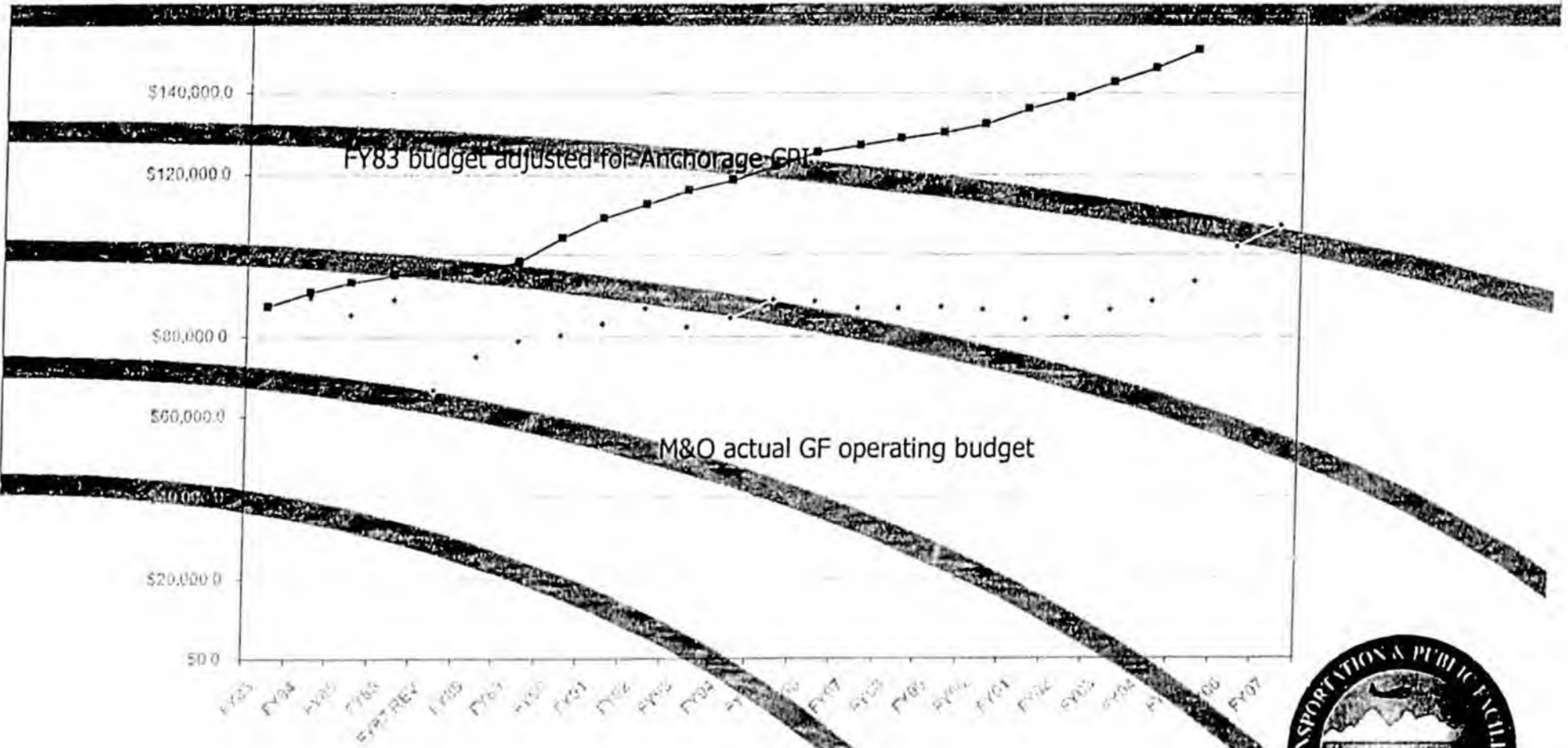
FY08 total  
maintenance and  
operations budget  
\$105.5 million



Northern Region \$54.2



# Maintenance and Operations General Fund Authorizations



# Maintenance

- FFY07 Federal Maintenance Programs
  - Highways
    - Preventive Maintenance \$11.0M
    - Pavement Refurbishment \$39.0M
  - Aviation
    - Preventive Maintenance \$4.0M



# Disasters

- **Storms**

- Parks Highway (\$3.8m)

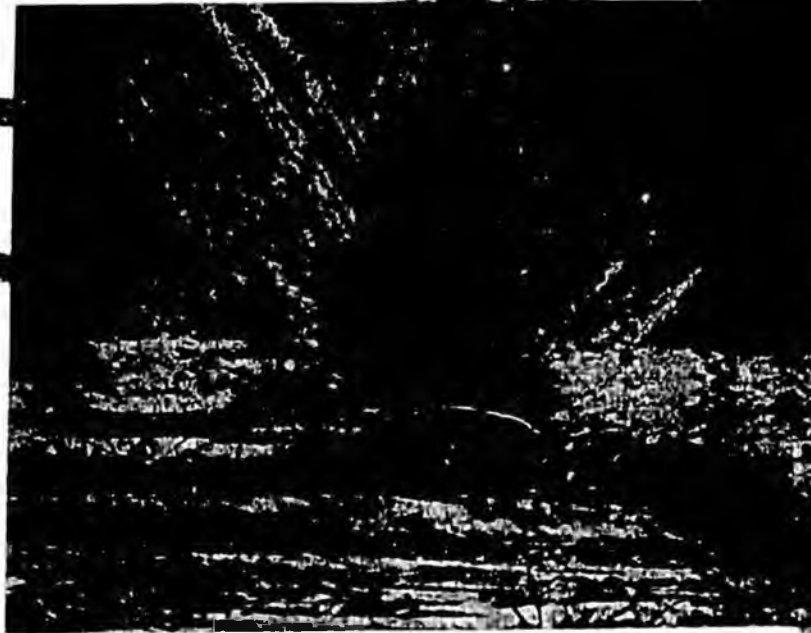
- Seward (\$1.6m)

- Richardson/Copper River/  
McCarthy Highways (\$28.6m)

- Hooper Bay school fire (\$.6m)



Copper River Highway



Keystone Canyon



# Facilities Maintenance

- 700 buildings
  - 4.2 million sq. feet
    - \$346 million original cost
    - \$1 billion estimated replacement value
- 213 buildings are over 30 years old (some from the 1940's and 1950's)



# Construction

- Regional construction offices provide oversight of all DOT&PF construction projects
- Construction consists of
  - Contract Administration
  - Field Inspection/Oversight
  - Quality Assurance



# Construction Program

Mode/System Contracts	Active Projects	Current Active
--------------------------	--------------------	----------------

Highways and Ferries
-------------------------

190
-----

\$1,182.8M
------------

Aviation
----------

89
----

\$555.7M
----------

Reimbursable
--------------

21
----

\$21.7M
---------

Harbors
---------

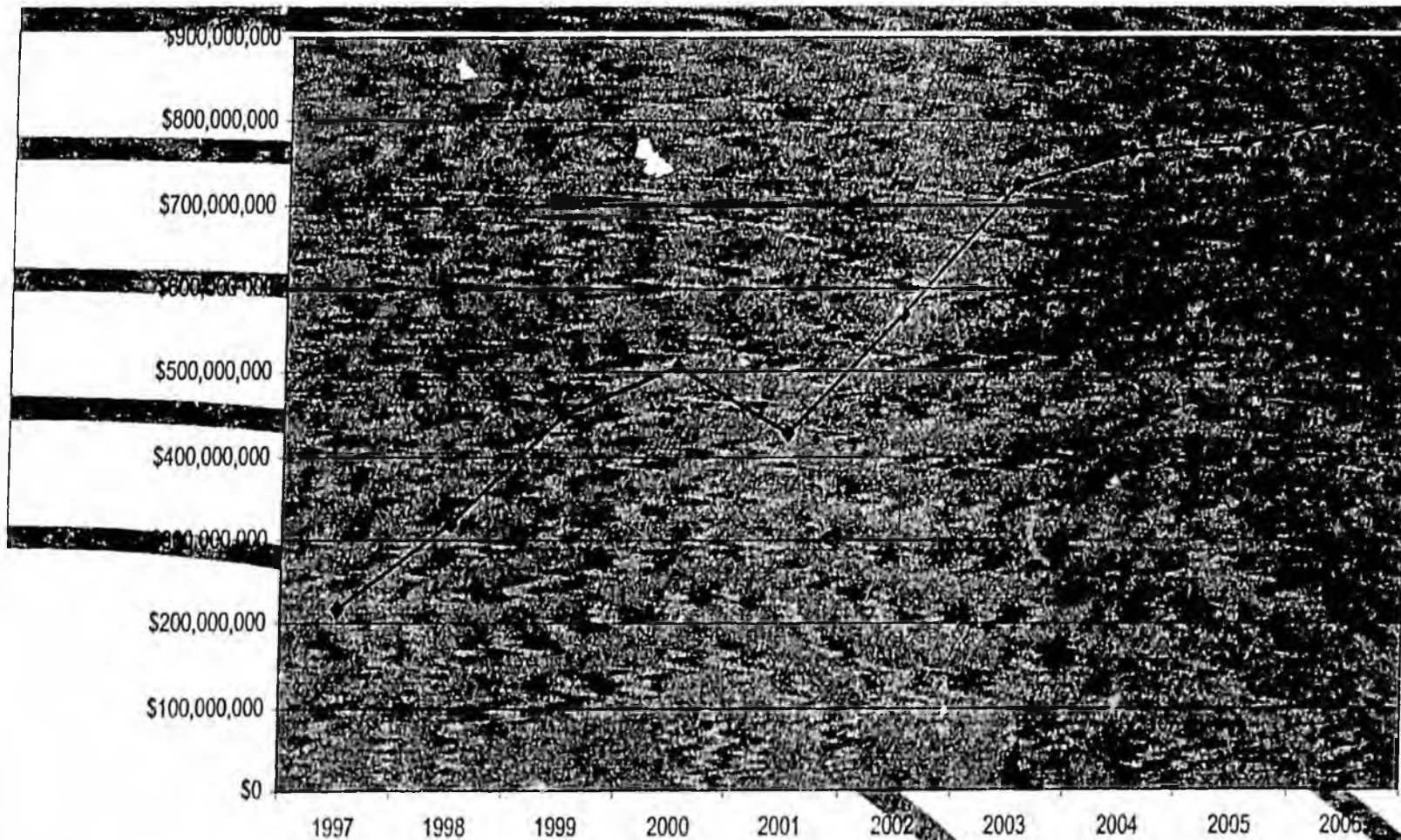
6
---

\$4.7M
--------



# Historical Construction Expenditures

## AMHS, Highways and Aviation



# Statewide Transportation Improvement Program (STIP)

- STIP is a required listing of planned project activity for all federally funded highway construction projects.
  - State's plan, not the Department's
  - 4-year STIP, renewable every 4 years
  - Limit projects to estimated funding
  - Extensive public process
  - Selection criteria –  
[http://www.dot.state.ak.us/stwdplng/cip\\_stip/stip06\\_08.shtml](http://www.dot.state.ak.us/stwdplng/cip_stip/stip06_08.shtml)
  - Follow regulations - Notice of regulation change issued
  - FHWA and FTA approval



# STIP Funding Categories

- National Highway System

- Federally defined, routes approved by Congress, that meet strict criteria
- 2,113 CL miles, 15% of the centerline miles carry 43% of the vehicle miles traveled and generate 83% of the major and fatal accidents
- NHS is underfunded – pavement needs \$300M
- Interval to address NHS at \$2 per mile is 66 years

- Alaska Highway System

- Alaska category for other high level roads.
- 1,508 CL miles & 94 proposed CL miles
- Interval to address AHS at \$1 mile is 125 years



# STIP Funding Categories

## Community Transportation Program

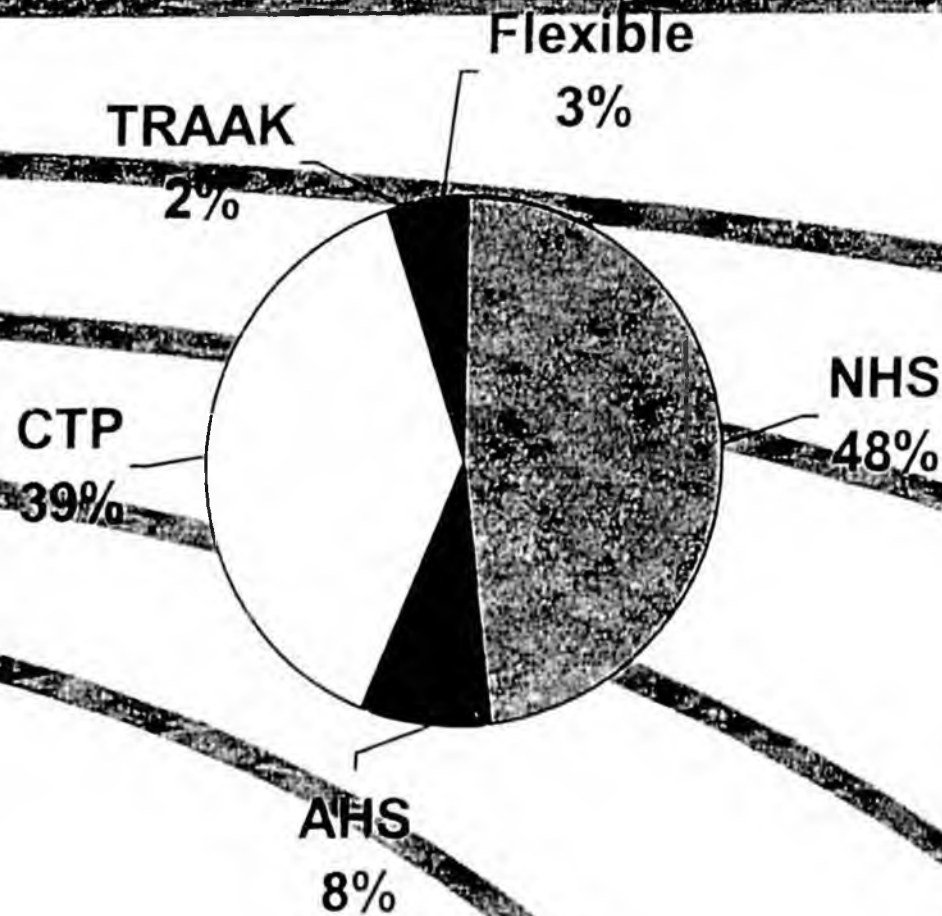
- Alaska category covering all eligible roads not in AHS or NHS. Essentially any other public road.
- In other states most of these roads would be owned and maintained by local governments and would not be eligible for federal-aid highway funds. In Alaska, the State owns a proportionally larger share of this class of roads
- 10,610 CL miles

## Trails and Recreational Access for Alaskans

- Alaska category encompassing Transportation Enhancements. Includes trails, waysides, landscaping, historic renovation, etc.



# Federal-Aid Highway Fund Distribution

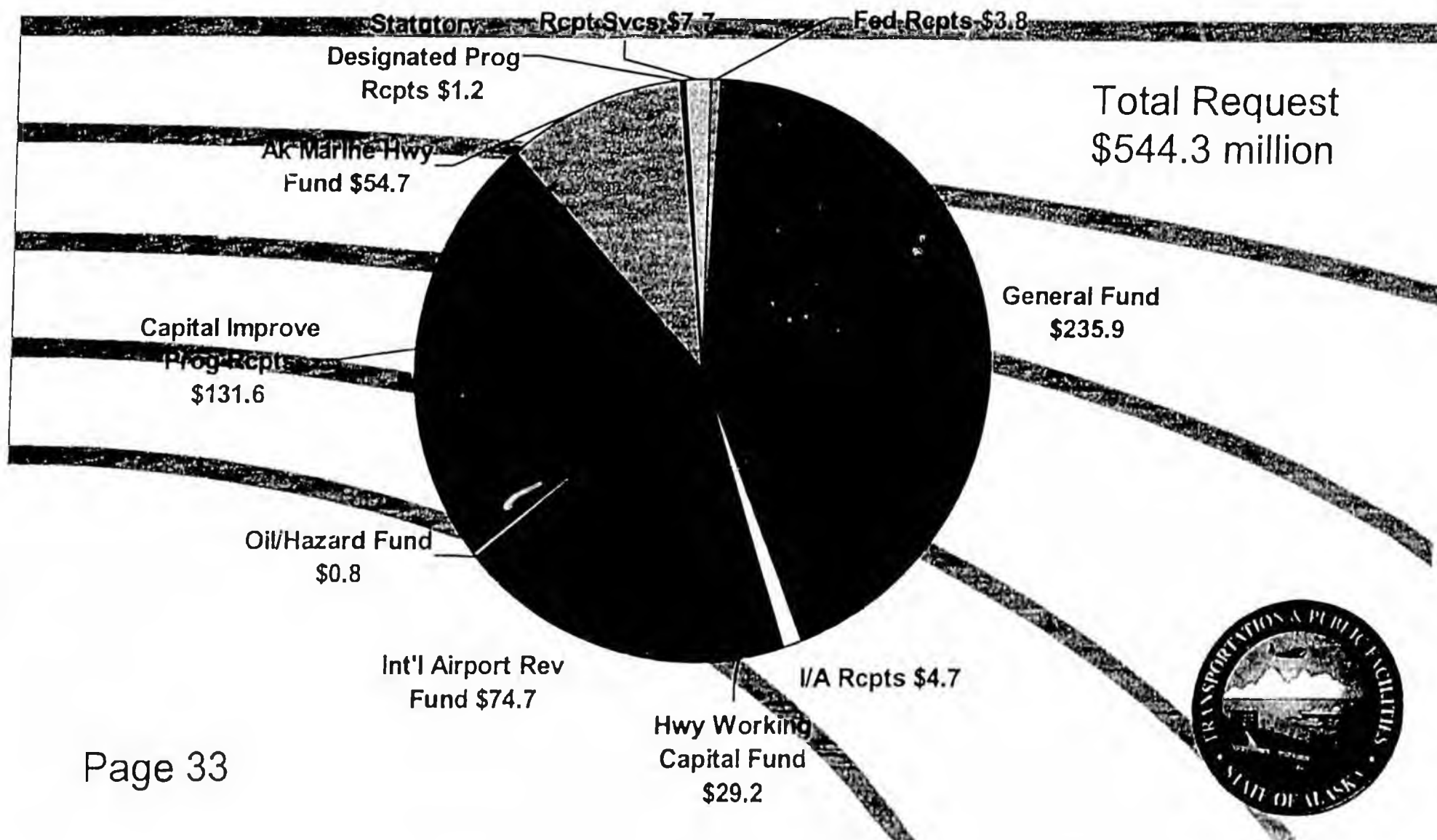


# 2006 – 2009 STIP

- SAFETEA-LU delivered more funds than expected
- Less funding available for the STIP because of deductive earmarks.
- 2007
  - Lack of federal appropriations act
  - Estimated level is the same as FFY2006
  - Conservative estimates have reduced the pain of reducing the STIP for 2007
  - Major amendment #13 will make the necessary adjustments to the STIP



# FY2008 Operating Budget Request by Fund Source (shown in millions)



# FY08 General Fund Request by Function (shown in millions)

Planning  
\$0.5

Measurement Standards &  
Commercial Vehicle  
Enforcement \$2.5

Administration  
\$10.2

Design and  
Construction  
\$4.7

Marine  
Highway  
System  
\$98.1

Maintenance  
and  
Operations  
\$105.5

Total FY08 GF  
request is \$235.3  
million



# Key Department Challenges

- Recruiting and retaining staff
- Lack of FFY07 transportation appropriation bills
- Preserving and protecting Alaska's infrastructure
  - Major proposed transportation projects
  - AMHS configuration
  - High inflation



**Questions?**





# Alaska Industrial Development and Export Authority

Overview for House Economic Development,  
Trade and Tourism Committee and  
House Finance Committee  
of the 25<sup>th</sup> Legislature

January 30, 2007

---

## AIDEA's Mission

**“To provide various means of financing  
to promote economic growth and  
diversification in Alaska.”**

AIDEA fulfills its mission by providing Alaskan businesses with long-term commercial and development financing at a reasonable cost.



---

# Board of Directors

**Mike Barry, Chair**

Public Member

**Emil Notti**

Commissioner, Dept. of Commerce, Community and Economic  
Development

**Leo Von Scheben**

Commissioner, Department of Transportation and Public Facilities

**Patrick Galvin**

Commissioner, Department of Revenue

**John Winther**

Public Member



---

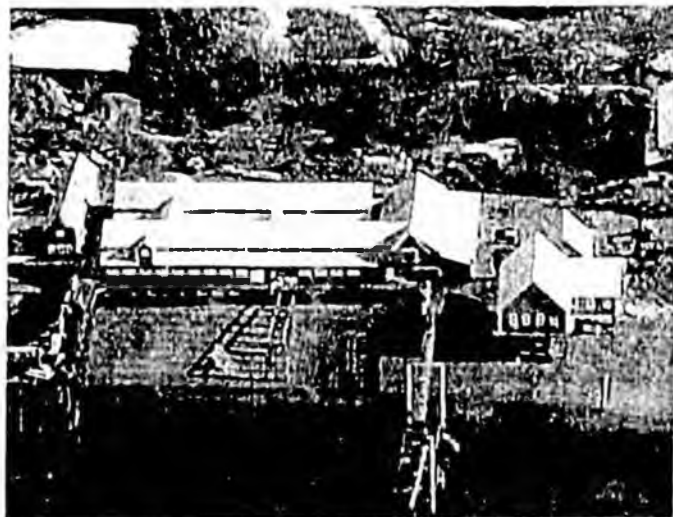
# AIDEA's Dividend

Since the start of the AIDEA dividend program in 1996, the AIDEA Board has made available over **\$204 million** in total dividends for appropriation to the state's general fund.



# AIDEA assists in financing

- Large and small Alaskan projects
- Urban and rural projects
- All major industry sectors, including retail, tourism, natural resource extraction and processing, air cargo and services



# AIDEA does not...



- ❑ Compete with the private sector
- ❑ Provide grants
- ❑ Finance only large projects



---

# AIDEA's credit ratings

AIDEA recently received upgrades from both Moody's Investors Services and Standard and Poor's.

## AIDEA Ratings

- **Moody's Investors Services = A1**  
(upgraded from A2, Dec. 20, 2006)
- **Standard and Poor's = A**  
(upgraded from A-, Oct. 7, 2005)



---

# AIDEA's credibility

Referring to AIDEA's recent ratings upgrades, Merrill Lynch noted in its January 25, 2007, presentation to the AIDEA Board,

"AIDEA has tremendous credibility with the Agencies based on its long term, proactive ratings approach.

This has yielded strong ratings, reduced borrowing costs for the State and positioned AIDEA well for the future."

# AIDEA's identified credit strengths

- Diverse sources of pledged revenue – loans, investments and projects
- Large and diversified loan portfolio with strong historical performance
- Support of State as key economic development agency
- Strong liquidity and debt service coverage – historical and projected
- Strong covenants
- Conservative and proactive debt management



---

# Key AIDEA Programs

## Credit

- Loan Participation
- Conduit Revenue Bond
- Loan Guaranty and Export Assistance
- Rural Development Initiative Fund
- Small Business Economic Development Loans

## Development Finance



# Credit Program: Loan Participation

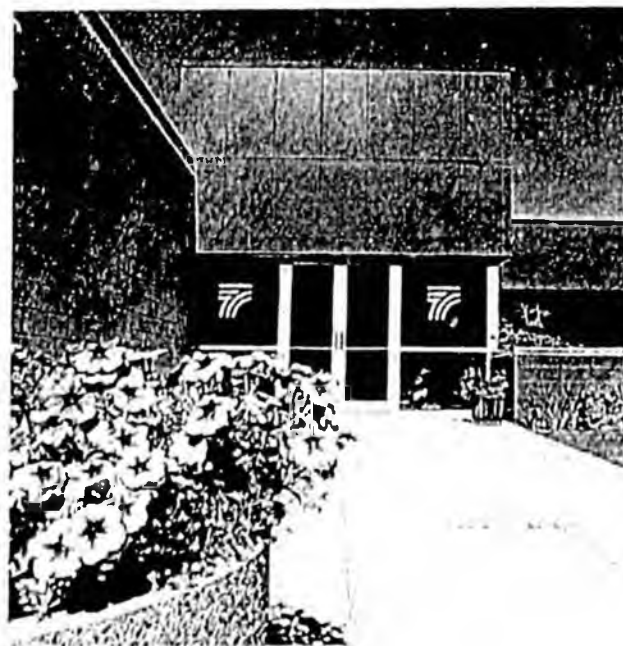
- **Objective:** To provide long-term financing to Alaska businesses.
- **To qualify:** Participation may total up to 90% of a loan originated by a commercial lending institution, with total participation not to exceed \$20 million.



---

# Loan Participation portfolio

- As of June 30, 2006, AIDEA's outstanding revolving loan portfolio consisted of **324 loans** with an outstanding principal balance of **\$361.5 million**.



# Loan portfolio diversification

## Loan Portfolio Diversification by Industry June 30, 2006

Industry	Percent
Hospital/Clinic/Day Care	1.59%
Restaurant	1.29%
Aviation	2.77%
Office/Warehouse	14.02%
Recreation	6.78%
Office/Business Condo	13.80%
Retail	27.69%
Tourism: Hotel/Lodge	21.70%
Warehouse/Shop	7.33%
*Other	3.03%
	100.00%

\*Other = single and multi-family dwelling, equipment, Laundromats, manufacturing and carwash.



# Loan delinquency is very low

## Loan Portfolio Delinquency

June 30, 2006

(000's)

<b>Loan Status</b>	<b>%</b>	<b>\$ Amount</b>
Current:	99.67	360,261
Past Due:		
31-60 days	0.17	620
61-90 days	0	3
Over 90 days	0.16	583
	100	361,467



# Loan portfolio diversification

## Loan Portfolio Diversification by Geographic Region\* June 30, 2006

	<u>% Loan Balance</u>	<u># Borrowers</u>	<u>% Borrowers</u>
<i>Anchorage</i>	54.9	139	51.5
<i>Interior</i>	5.3	26	9.6
<i>Northern</i>	3.5	6	2.2
<i>Mat-Su</i>	4.7	20	7.4
<i>Gulf Coast</i>	8.3	26	9.6
<i>Southeast</i>	21.1	45	16.7
<i>Southwest</i>	2.2	11	4.1

\* Economic regions used by the Alaska Dept. of Labor & Workforce Development



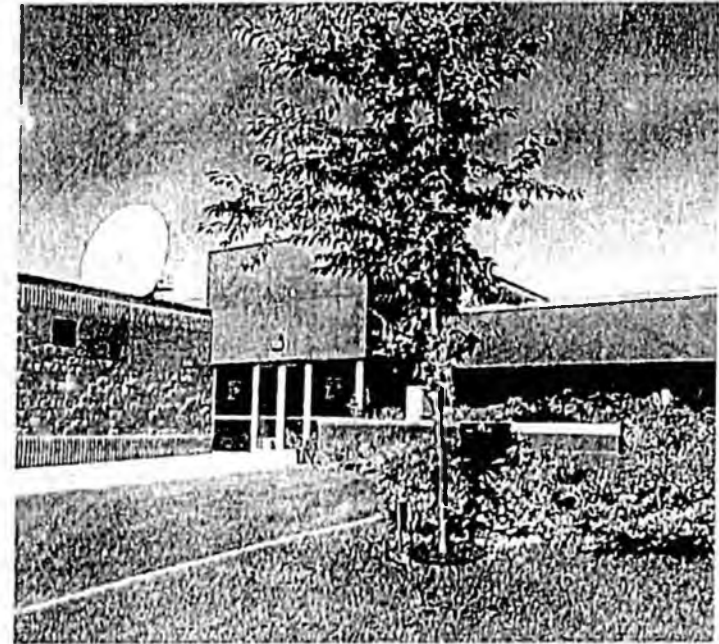
# Results from the loan programs

From FY 2002 through FY 2006, 1,781 construction jobs and 2,999 permanent jobs have been created or retained through AIDEA's loan participation program.



# Credit Program: Conduit Revenue Bond

- **Objective:** To provide financing where AIDEA acts as a conduit for the issuance of taxable and tax-exempt bonds.
- **Method:** Neither the assets nor credit of AIDEA or the state of Alaska are at risk; the creditworthiness of the project and credit enhancements offered by the applicant are essential to underwriting and placement of bonds.



# Conduit Revenue Bond Program

**To qualify:** A business enterprise may request the adoption of an eligibility resolution for tax-exempt financing by submitting a preliminary application and nonrefundable fee to AIDEA.

If AIDEA's Board adopts an eligibility resolution for a project, an application for financing the project may then be submitted.



# Conduit Revenue Bond projects

- Williams Lynx Alaska Cargoport, LLC.
- AEL&P - Lake Dorothy Hydro
- Nabors Alaska Drilling, Inc.
- Providence Hospital
- Fairbanks Memorial Hospital
- Ft. Knox Gold Mine
- Westours
- King Cove Corp.
- Alaska Public Telecommunications
- Harbor Enterprises
- Fairbanks Sewer & Water
- Fairbanks Motel Assoc.
- Hope Community Resources, Inc.
- Anchorage Sportsplex
- Spenard Builders Supply
- Carr's Quality Centers
- Tesoro Alaska
- Bering Straits Native Corp.
- Arctic Slope Reg. Corp.
- Sheldon Jackson College
- Association of Village Council Presidents
- Alaska Public Radio
- Peninsula Medical Center

# Conduit Revenue Bond Program

In 2006, AIDEA surpassed the one billion dollar mark in total bond issues since the inception of the program in 1978. Over \$354 million was issued in the period between 2003-06.



AIDEA's largest bond issuance to date was \$120 million issued in 2005 to fund the expansion and improvement of Fairbanks Memorial Hospital.



---

# Credit Program: Loan Guaranty and Export Assistance

- Provides eligible financial institutions with a guarantee of up to 80%, not to exceed \$1 million on the principal of the loan.
- Provides assistance to manufacturing enterprises for the export of goods and services.
- AIDEA is a city-state partner with the U.S. Export-Import Bank.



---

# Credit Program: Rural Development Initiative Fund

- **Objective:** To provide private sector employment by financing the start-up and expansion of businesses that will create significant long-term employment.
- **To qualify: Loans** may be made for working capital, equipment, construction or other commercial purposes, to businesses located in a community of 5,000 or less.
- **Maximum loan amount:** \$100,000/person
- **Maximum term:** 25 years

---

This program is administered by the Division of Investments, DCCED.



# Credit Program: Small Business Economic Development Loans

- **Objective:** To provide private sector employment by financing the star-up and expansion of business that will create significant long-term employment.
- **To qualify:** Must have fewer than 500 employees, net worth under \$6 million and average net income after taxes of less than \$2 million for preceding two years.
- **Maximum loan amount:** \$300,000
- **Maximum term:** 20 years for fixed asset loans

This program is administered by the Division of Investments, DCCED.



---

# Development Finance Program

- **Objective:** To finance infrastructure necessary to support Alaskan economic development projects.
- **Method:** AIDEA owns the project and is repaid through user fees, leases and other revenue sources.



---

# Development Finance Program

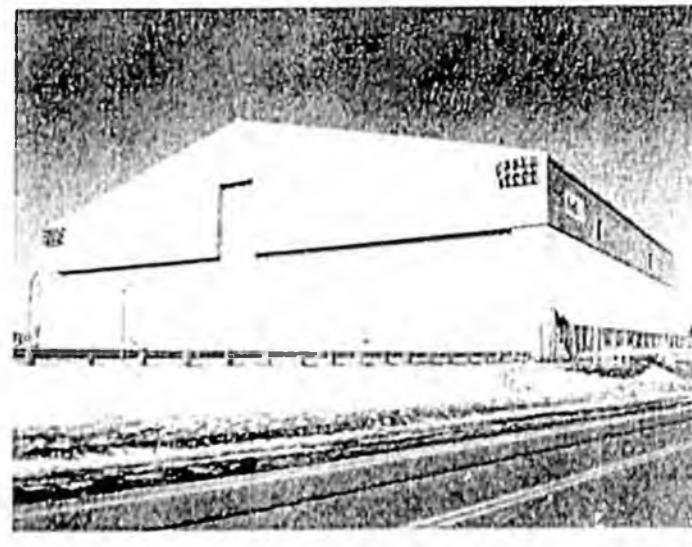
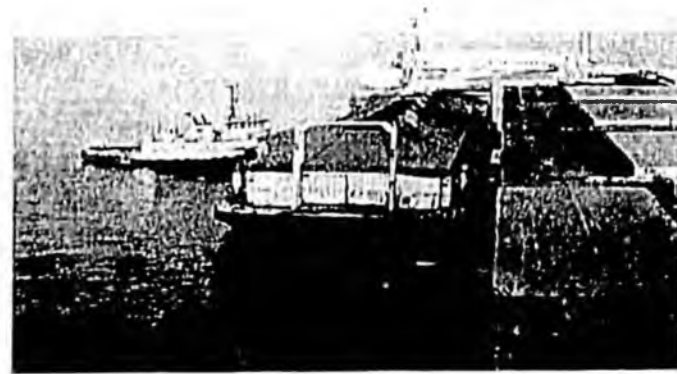
**To qualify:** The project must be endorsed by the local government and 3AAC 99.530 requires that:

- the project and its development under AS44.88 will be economically advantageous to the state and to the general public welfare and will contribute to the economic growth of the state;
- the project applicant is financially responsible; and
- the project is economically and financially feasible and able to produce revenue adequate to repay the bonds or loans with which it is financed.

# Development projects

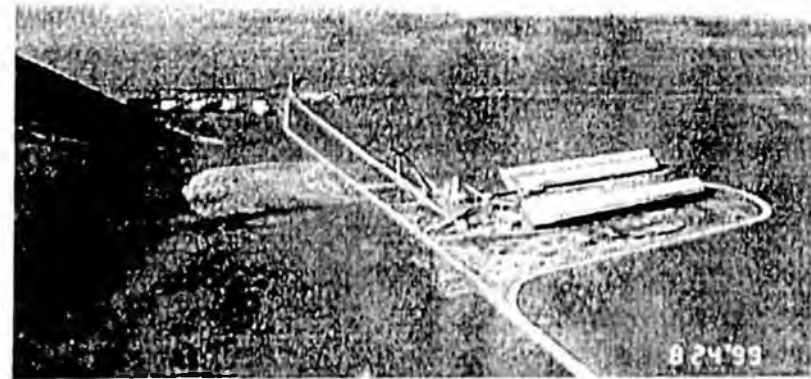


- DeLong Mt. Transportation System
- FedEx Maintenance Hanger
- Snettisham Hydroelectric
- Ketchikan Shipyard
- Skagway Ore Terminal
- Healy Clean Coal Project



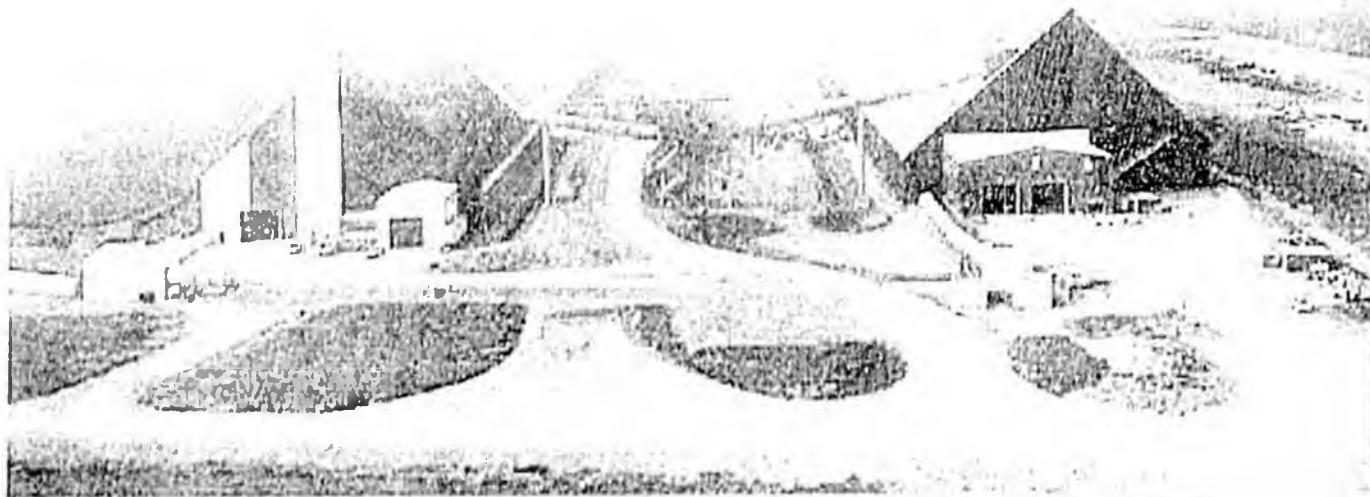
# DeLong Mt. Transportation System

- AIDEA's investment in the DeLong Mountain Transportation System (DMTS) made Red Dog mine a reality and created a tax base that led to the formation of the Northwest Arctic Borough.



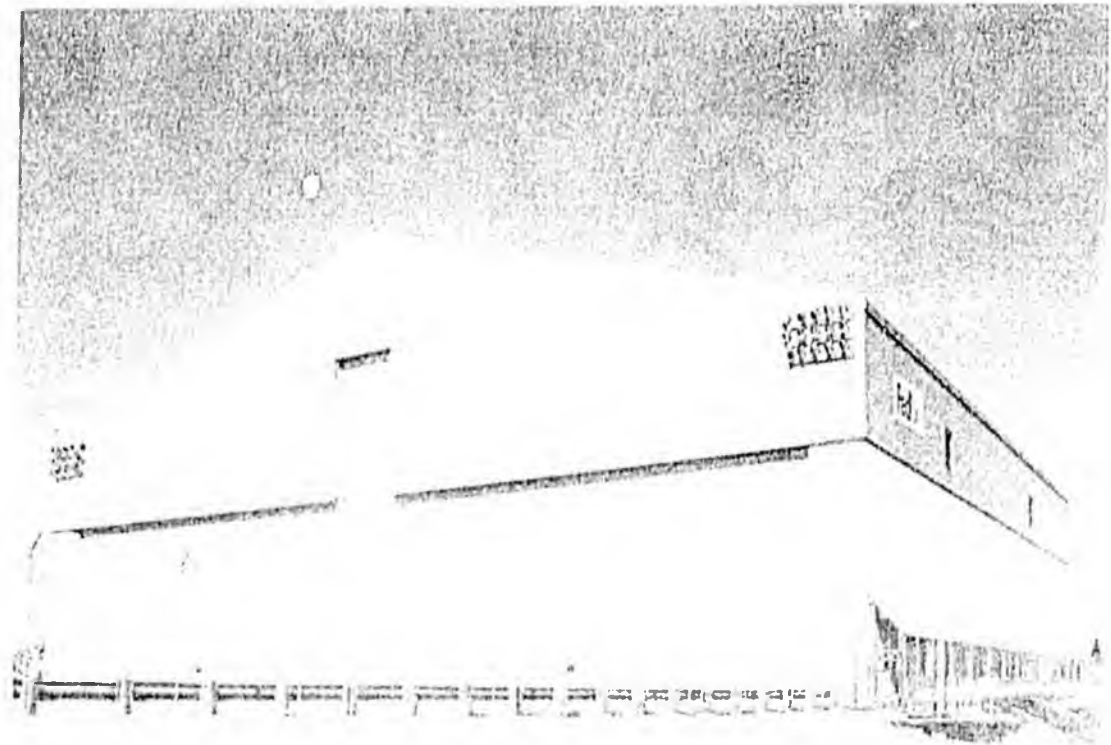
## DMTS and Red Dog Mine provide jobs

- Over 500 jobs, with over 57% of jobs held by NANA shareholders.
- These jobs represent over 30% of the private sector jobs in the NANA region.



# FedEx maintenance facility

- Created 20 permanent, highly-skilled jobs
- Brought a pilot base to Alaska
- Infuses income into Southcentral year-round
- Strengthens Alaska's role as an international air crossroads



# Snettisham hydroelectric project

- A 78,210 kw hydroelectric project located 28 air miles southeast of Juneau.
- Snettisham provides approximately 80% of the Juneau-Douglas area electrical energy.
- AEL&P purchases all project power under a long-term power sales agreement.



# Ketchikan Shipyard

## Owner

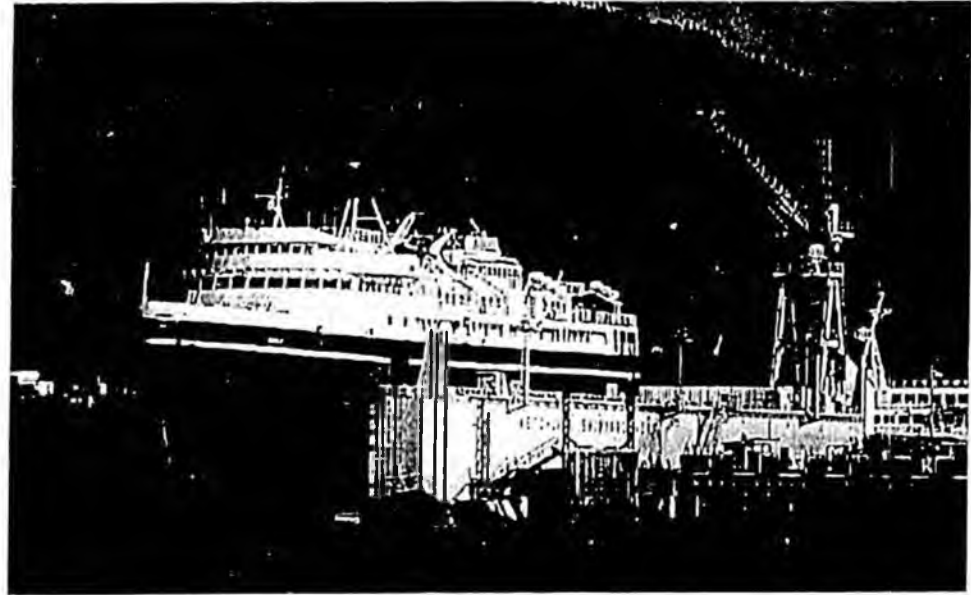
- AIDEA

## Local partners

- Ketchikan Gateway Borough
- City of Ketchikan
- Ketchikan Public Utilities

## Operator

- Alaska Ship and Drydock



---

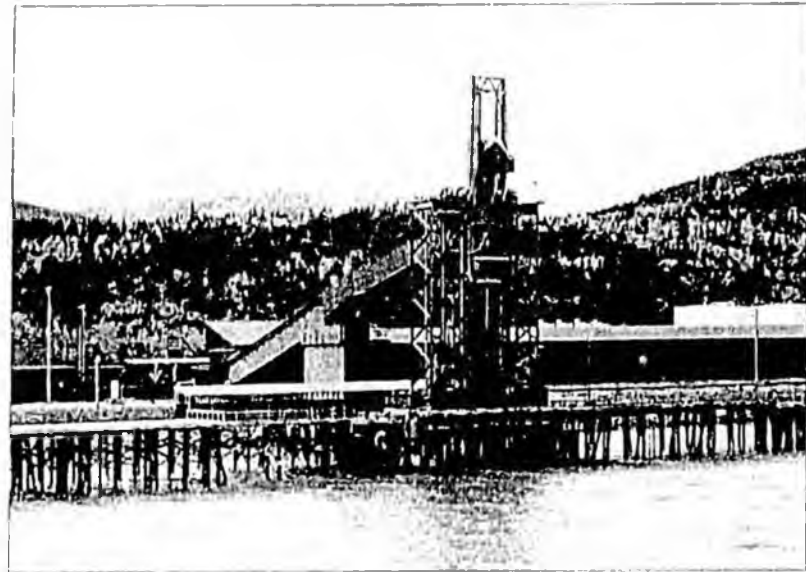
# Skagway Ore Terminal

- Idle since 1998.
- On January 19, 2007 AIDEA signed a seven year user agreement with Sherwood Copper of Vancouver, B.C., to trans-ship copper-gold production from a mine located at Minto, Y.T.



# Skagway Ore Terminal

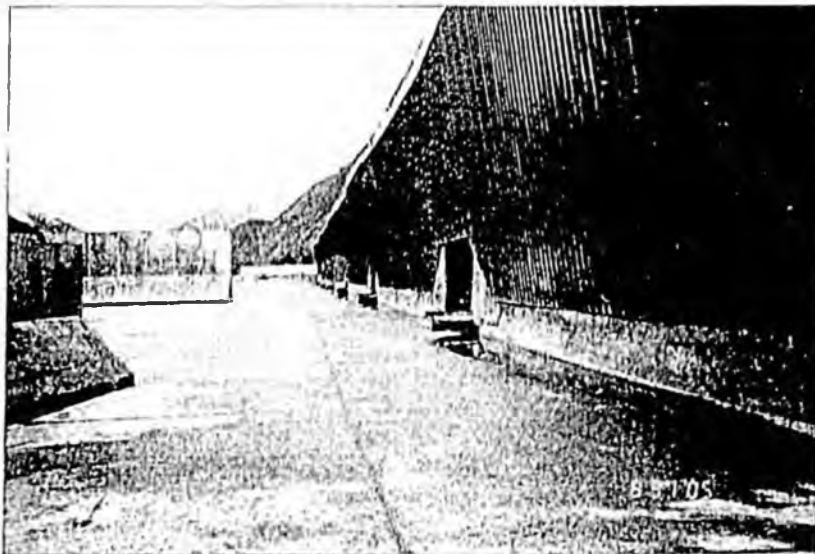
- The *estimated* cost of this project is \$7.6 million.
- AIDEA will receive an estimated annual user fee of approximately \$1.75 million.
- Option to extend for an additional ten years if agreed upon by both parties.



All AIDEA out-of-pocket costs will be paid by the user.

# Skagway Ore Terminal

## Local benefits

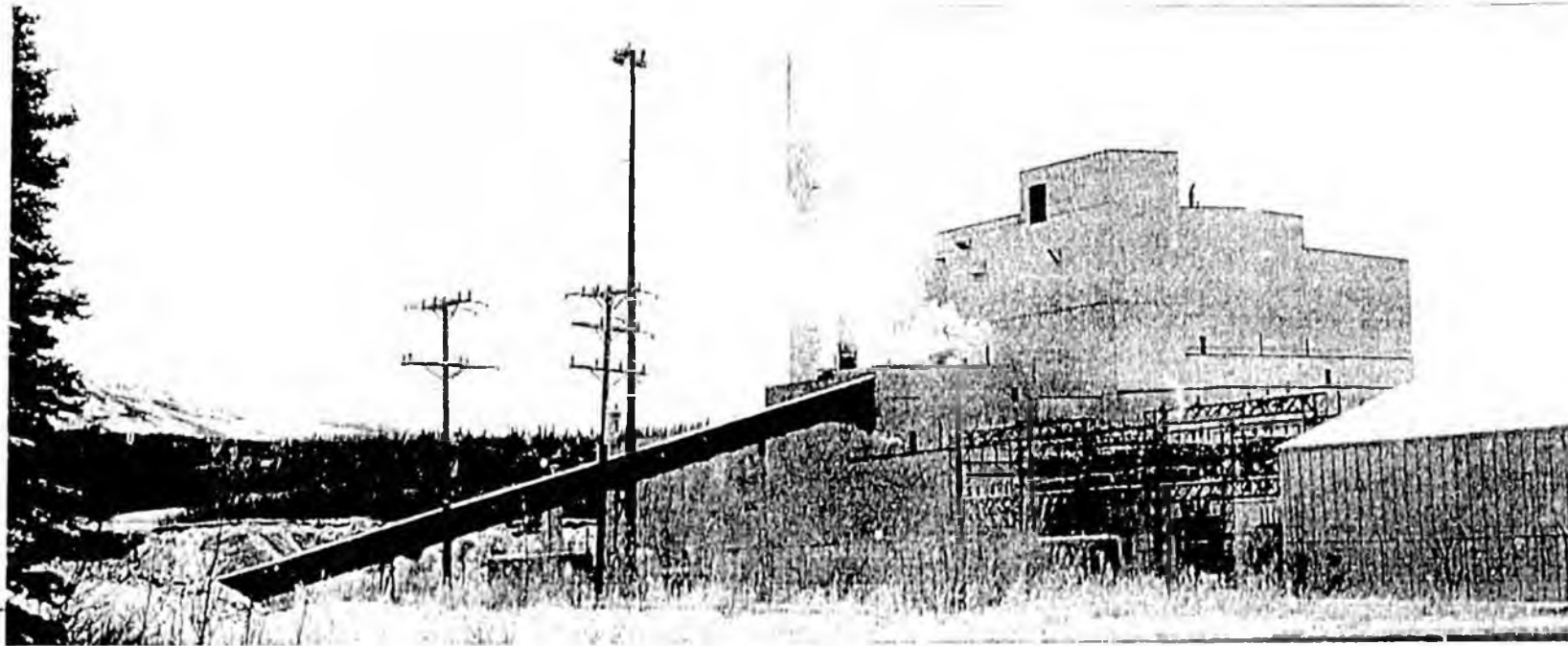


- Five full-time equivalent year-round jobs
- Local contractor to perform upgrade work
- Diversifies local economy
- Improves seasonal economic development



# Healy Clean Coal Project

- In November 2006, AIDEA signed agreements with Homer Electric Association (HEA) to re-start and operate the plant. HEA will also purchase power from the plant.
- AIDEA continues litigation/mediation with Golden Valley Electric over access issue to AIDEA's facility.



# AIDEA and the ALASKA ENERGY AUTHORITY

- By statute, AIDEA oversees and staffs the Alaska Energy Authority (AEA) whose mission is providing safe, reliable and efficient energy for Alaska.



---

# AIDEA and the ALASKA ENERGY AUTHORITY

- AEA builds rural energy projects
- AEA owns state energy assets – Bradley Lake Hydro Project, Alaska Intertie, Larsen Bay Hydro
- AEA manages the Power Cost Equalization program
- AEA provides training and assistance to rural utilities
- AEA pursues alternative energy programs
- AEA responds to electrical power emergencies

**AIDEA is Alaska's financing agency!**



**Alaska Industrial Development and  
Export Authority**

**813 West Northern Lights Blvd.**

**Anchorage, AK 99503**

**907-269-3000**

