



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, December 14, 2011
Anchorage, Alaska

1. CALL TO ORDER

Chairman Hugh Short called the meeting of the Alaska Industrial Development and Export Authority to order on December 14, 2011 at 10:35 a.m. A quorum was established.

2. ROLL CALL: BOARD

Members present: Chair Hugh Short (Public Member); Bruce Tangeman (Deputy Commissioner, Department of Revenue); Robert Sheldon (Public Member); and Gary Wilken (Public Member).

Members joining the meeting in progress: Ron Arvin (Public Member); Wilson Hughes (Public Member); Susan Bell (Commissioner, Department of Commerce, Community, and Economic Development); and Curtis Thayer (Deputy Commissioner, Department of Commerce, Community, and Economic Development).

3. AGENDA APPROVAL

The agenda was approved as presented.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Jim Hemsath (Deputy Director-Project Development and Asset Management); Valorie Walker (Deputy Director-Finance); Sara Fisher-Goad (Executive Director AEA); Linda MacMillan (Deputy Director-Operations); Karl Reiche (Projects Development Manager); Karsten Rodvik (Project Manager, External Affairs); Mark Schimscheimer (Project Manager); Aaron Rhoades (Human Resources Manager); Jay Drewry (Chief Procurement Officer); Chris Rutz (Chief Procurement Officer); Brenda Applegate (Controller); Sherrie Siverson (Executive Assistant AIDEA); Shauna Howell (Executive Assistant AEA); Sandy Burrows (Administrative Assistant); and Teri Webster (Administrative Assistant).

Others present: Brian Bjorkquist and Jerry Juday (Department of Law); Pat Clancy and Mark Gardiner (Western Financial Group); and Theresa Obermeyer (Public).

Listen to the full audio recording of the 12/14/2011 meeting at <http://www.aidea.org/boardmin.html>

5. PUBLIC COMMENTS

Theresa Obermeyer, Public

Mrs. Obermeyer discussed APOC Complaint 11-01-CD Obermeyer vs. Alaska Judicial Council. She provided background information regarding this complaint.

(Listen to the full audio recording of Mrs. Obermeyer's presentation of 12/14/2011 at <http://www.aidea.org/boardmin.html>).

6. PRIOR MINUTES – November 9, 2011 Board Meeting

Minutes from the November 9, 2011 board meeting were adopted as amended.

7. NEW BUSINESS

7A. Resolution No. G11-22 FY2013 Dividend Memo

Mr. Leonard reviewed Resolution No. G11-22 Fiscal Year 2013 Dividend Recommendation. He said this resolution sets the dividend amount for 2013. This dividend is based on statutory income of FY 2011 and the requirements are for the Board to set a dividend between 25 and 50 percent of that statutory net income. In the resolution, the staff recommends the dividend be set at approximately 50 percent (49.9 percent rounded to the nearest dollar) and that amount would be \$20.4M. Included in the memo to the Board were schedules that give a stress test of the different scenarios showing whether the Authority would continue to meet the debt coverage ratio and statutory limits. Mr. Leonard said he believes the Authority can give the maximum amount to shareholders (the state) and still be able to move forward with future business.

Mr. Arvin questioned the 50 percent of \$40,874,000 math. Ms. Walker explained how they came to the final figures that were presented in this report.

Mr. Short asked Ms. Walker about the decline in net income off the revolving loan fund from 2010 to 2011. Ms. Walker said the biggest single factor was the difference in the market value decline of investments. In 2010, the rates changed which brought higher investment gain and last year it was much smaller. She said the projection of what that number is difficult. The June 30 to June 30 number is required for generally accepted accounting principles for the investment gain or loss differential on the investments. She said in years past they did not have to recognize market value fluctuations unless something was sold.

Mr. Short asked how much has been paid back from the amount the State of Alaska capitalized AIDEA with initially and what was that amount. Mr. Leonard said that it was around \$340M and the Authority repaid it.

Mr. Sheldon said it is important to note this. This Authority has done a good job of both stewardship of funds, as well as creating jobs. He also thanked staff for a job well done in putting together the section on the bond revenue and the way it was presented.

Mr. Leonard said the approximate amount of \$324.4M dividends have been paid to the State, including the current dividend which will be paid in 2013.

MOTION: Mr. Wilken made a motion to adopt Resolution No. G11-22. Motion seconded by Mr. Hughes. The motion was approved with board members Wilken, Sheldon, Hughes, Arvin, Tangeman, and Short voting yea.

7B. Resolution No. G11-21 AIDEA Building

Mr. Leonard reviewed Resolution No. G11-21, which gives the AIDEA Executive Director the authority to move forward with procuring professional support, services to support the procurement of a replacement office building, and sale of the existing building. The resolution authorizes staff to spend up to \$350K to procure professional services to implement a procurement plan. It does not give AIDEA permission to go out and actually purchase a building. After the procurement plan is secure and goes out for an RFP, it would come back to the Board. The four areas being considered for this procurement plan are the purchase and renovation of an established building, the purchase of a portion of an established or newly constructed building, new construction based on the Authority's requirements, and the fourth is any viable alternative that may come up as the process progresses. Mr. Leonard deferred to Chief Procurement Officer, Chris Rutz, who provided an update regarding the ongoing process.

Mr. Rutz said the first step is to solicit for brokerage services and an architect and engineer firm that would assist in creating the RFP to acquire an appraisal of the existing building. He said an RFP will also be needed for legal services, knowing at some point there may be a need for outside counsel to assist in creating a purchase arrangement. The intent is to have an RFP ready by early February. A competitive process will be followed with input from the legal department so the various options can be evaluated at the same time. Hopefully, they can put together a process where those options are available on the market and can be considered right now. He said the engineering estimates may be a little high because they included money for due diligence, depending on what type of facilities they encounter. It is not expected that the engineering services cover the cost of a new building design. Once the RFP is released, it is expected there will be a multi-phase response and the Board will be kept apprised of the progress. Any proposal and award or acceptance and offer would be subject to Board approval.

Mr. Rutz said it is hard to say how long this process will take. New construction could take as long as two years. Another building could be found right away that may be suitable. In the meantime, current space needs will be evaluated, as well as projections of future space needs.

Mr. Arvin referred to page one of the memorandum describing the resolution where it discusses a monthly brokerage fee estimated to be \$30,000 and states that it does not include brokerage fees. He asked for clarification. Mr. Rutz said there may be a desire to obtain brokerage services to assist in putting together the RFP and therefore there may be some expenses and costs incurred. Any actual fees paid to the broker would probably be contingent on a percentage of the sale of the current AIDEA building, as well as either a shared fee on the purchase of a new property or a fixed price. Those fees will be incorporated into the RFP. The estimate of \$30K per month would cover expenses during the process.

Deputy Commissioner Tangeman said money was previously authorized for renovations. He asked whether the Authority will be continuing with upgrades for inadequate structural issues that would allow for the building to be sold. Mr. Leonard said it will be used to sell the building and keep up with the current staff demands. He said more money will be needed out of that pot of funds to set up more offices. He said this will be the last board meeting in this meeting room as it will be converted to four offices. Another modification is to make one of the conference rooms on the first floor into offices. He said the Authority has recently hired four new individuals for AEA that need to be housed in this building. This will help get through 2012 or whenever staff are able to move into a new building.

Mr. Short asked what the plan was for the board room and where their meetings will be held. Commissioner Bell offered to look at the availability of the DCCED conference facility in the Atwood Building which has video conferencing. She said during the legislative session, having video conferencing available would be preferential to teleconferencing. She volunteered to look at their space first and other floors as well.

Ms. Siverson said one of the issues staff encountered with meetings downtown is with parking. Commissioner Bell said she would look into the process of validation. Ms. Siverson said that Shauna Howell and she have done a lot of research and have asked for available dates at the BP Energy Center, which has no fees. The other place they have been looking at is the Public Conference Room at the Loussac Public Library, which has small fees and lots of free parking. They are looking at a variety of options.

Mr. Short said a plan will be put together and sent to the Board. Mr. Leonard said if there is not a plan by the next board meeting, AIDEA will not move forward with the modifications.

Chair Short asked if there has been discussion between AEA and AIDEA to co-locate if there is enough commonality or has there been a discussion that AEA is in one place and AIDEA is somewhere else. Mr. Leonard said finance and procurement are shared between AEA and AIDEA and presently there is no plan to split those shared services. He said staff is looking at co-locating in the same building. He understood in November that the Board's desire was for both agencies to co-locate so that was how they moved forward in analyzing the space needs. Ms. Fisher-Goad said this plan also has the Susitna/Watana project office in the same building. Having a project office creates a lot of additional work for administrative and finance staff in order to coordinate the courier services between the two, plus any technical support services. Finance probably is the largest reason to co-locate. She said Ms. Walker supervises probably the largest number of employees still in the building and she finds that everybody in finance touches AEA issues. Some people in finance touch AIDEA issues, but pretty much AEA has a lot of activity throughout the entire finance group from the brick and mortar work to the Rural Energy programs, that would make it very difficult to split into two separate locations.

MOTION: Mr. Arvin made a motion to adopt Resolution No. G11-21. Motion seconded by Mr. Sheldon. Motion approved with board members Wilken, Sheldon, Hughes, Arvin, Tangeman, Bell and Short voting yea.

7C. Executive Session: DeLong Mountain Transportation System (DMTS)

MOTION: Mr. Sheldon moved to go into executive session to discuss business and proprietary information regarding the DMTS. Commissioner Bell seconded the motion. There being no opposition, the motion passed.

EXECUTIVE SESSION: 11:07 a.m.

The Board reconvened its regular meeting at 1:25 p.m. Mr. Bjorkquist said everything covered in executive session was appropriate to the motion.

MOTION: Mr. Sheldon moved to recess the AIDEA meeting. Mr. Wilken seconded the motion. Motion passed.

RECESS: 1:26 p.m.

The Board reconvened its regular meeting at 1:59 p.m.

8. DIRECTOR COMMENTS

8A. Director's Status Report

Mr. Leonard said staff is working on the new web site and thanked the Board for their comments which will be incorporated. Staff hopes to have the new web site go live in January.

Mr. Leonard reported on the Endeavour project saying the rig is in the shipyard and the upgraded modification contract has been signed. AIDEA is working with their partners on the conditions subsequent and will be sending out a detailed report on the project before the end of the year. Mr. Wilken asked for photos of the project to share when asked about this project. Mr. Hemsath said he will send some photos to the Board.

Mr. Leonard said if the Board has comments or questions on the loan reports, project updates, the Callan report or the Polaris Fund, AIDEA staff are available to answer questions.

Mr. Sheldon asked about the Polaris Fund. He said listed on the last page is a total portfolio valued a little over \$7M, which went in with a remaining value of \$3.5M. Another location states that distributions to date were \$5.932M. He asked if those were cash distributions or in-kind distributions. Ms. Walker said they are cash distributions, because two of them were distributions of stock. The stock was sold and reported against the original \$6M at the net sales price. She said there is a little bit of a discrepancy between how they valued and what was recorded. The Authority is not allowed to hold stock and it was sold immediately.

Mr. Sheldon asked two questions about the dashboard report. The first item is "Unrestricted Cash and Securities," and the second item is "Funded Loan Participations." Mr. Sheldon asked why a broader scale was not used because to him the difference between \$428M and \$436M is pretty close and that is not necessarily a good thing. Mr. Leonard said part of the \$428M are payments received. As AIDEA issues loans, a target of around \$50M, loan payments against the principal are also coming in from \$25M to \$30M. He said it balances itself out.

Mr. Sheldon's second question about "Anticipated Fundings as of 11/30/2011," which lists a Key Bank of Alaska loan with an anticipating funding date of 12/1, yet the funding expiration date is listed as 11/24. He wondered what the internal requirements are if the Authority goes over a date because it looks like it may have become funded six or seven days after the expiration date. Mr. Leonard said he would have to check on those figures and get a response back to the Board. Mr. Short said the Board would not see this loan because it is under \$3M to which Mr. Sheldon said he does not require a response.

Mr. Sheldon said a few meetings ago the Board received a summary of where projects were at, a scoring sheet. He asked if that could be presented again at the next meeting to see the changes. Mr. Leonard said he is planning to give a more detailed report at year-end which would include a new project sheet. He said they would have one included in the next meeting packet.

Chairman Short said it is time to review AIDEA's Strategic Plan and that would definitely be one of the key documents to review.

8B. Next regularly scheduled meeting Thursday, January 26, 2012 – location TBD

Mr. Leonard said the next regularly scheduled AIDEA board meeting is Thursday, January 26, 2012. The Board will be informed once a site has been confirmed.

9. BOARD COMMENTS

Mr. Wilken said he will be participating by teleconference at the January 26, 2012 meeting. The other item he wanted to discuss was a chart Senator Lesil McGuire presented. He said it is a really interesting chart which shows the break-even point of the State General Fund at various prices per barrel. He said it shows, despite what we think is a lot of money in the general fund to spend, we are relatively very close to being upside down. He noted that oil would have to be at \$84 a barrel for this to be upside down. He said in 2007 it was \$55 a barrel to break even and today we are being saved not by the flow, but by the global price of oil. He thought people ought to refer to this chart a couple times a year.

MOTION: Deputy Commissioner Thayer made a motion to recess the AIDEA meeting. Motion was seconded by Mr. Sheldon. Motion passed.

RECESS: 2:10 p.m.

The Board reconvened its regular meeting at 2:37 p.m.

MOTION: A motion was made by Mr. Wilken to go into executive session to discuss the Executive Director Review. Deputy Commissioner Tangeman seconded the motion. Motion passed.

EXECUTIVE SESSION: 2:38 p.m.

7D. Executive Session: AIDEA Executive Director Review

The Board reconvened its regular meeting at 2:52 p.m. Mr. Bjorkquist said everything covered in executive session was appropriate to the motion.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:53 p.m.



Ted Leonard, Executive Director/Secretary