



## **Alaska Industrial Development and Export Authority**

### **BOARD MEETING MINUTES**

Thursday, September 24, 2015

Anchorage and Juneau, Alaska

#### **1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on September 24, 2015 at 11:35 a.m. A quorum was established.

#### **2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue); Crystal Nygard (Public Member); and Gary Wilken (Public Member).

Members participating via teleconference: Vice-Chair Russell Dick (Public Member); and Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development (DCCED)).

#### **3. ROLL CALL: STAFF, PUBLIC**

AIDEA Staff present: John Springsteen (AIDEA Executive Director); Ted Leonard (AIDEA Director Emeritus); Chris Anderson (AIDEA Director-Commercial Finance); Mike Catsi (AIDEA Director-Business Development & Communications); Mark Davis (AIDEA Chief Infrastructure Development Officer); Jim Hemsath (AIDEA Director-Project Development & Asset Management (PDAM)); Michael Lamb (Chief Financial Officer); Gene Therriault (AEA Director-Energy Policy & Outreach); Tom Erickson (Chief Procurement Officer); Leona Hakala (AIDEA Loan Officer); Karl Reiche (AEA Project Manager); Karsten Rodvik (AIDEA External Affairs Officer); Jeff San Juan (AIDEA Infrastructure Finance Officer); Lori Stender (AIDEA Project Manager PDAM); Jessica Stolp (AEA Project & Facilities Coordinator); Nick Szymoniak (AIDEA Energy Infrastructure Development Officer); Kirk Warren (AEA Project Manager); Sherrie Siverson (AIDEA Executive Assistant); and Krin Kempainen (AIDEA Administrative Assistant).

Public present: Alan Bailey (Petroleum News); Elwood Brehmer (Alaska Journal of Commerce); Tim Gallagher (HDR); Tyson Gallagher (Legislative Secretary-Rep Gattis); Mark Gardiner (Western Financial Group); Keith Hand (Spectrum Energy); Harold Heinze (public); Jerry Juday (Department of Law); Sunny Morrison (Accu-Type Depositions); Asaf Shalev (Alaska Dispatch News); Bob Shefchik (Interior Energy Project (IEP) Team Leader); Amy Slinker (Pfeffer Development); Ethan Tyler (DCCED); and Sue Wolfe (Northrim Bank).

Public participating via teleconference: Pamela Throop (Fairbanks).

#### **4. AGENDA APPROVAL**

John Springsteen requested pension obligations, GASB 68, and AIDEA's financial reporting be added to Executive Session.

The agenda was approved as amended.

#### **5. PUBLIC COMMENTS**

There were no public comments.

#### **6. PRIOR MINUTES - August 6, 2015**

The minutes were approved as presented.

#### **7. NEW BUSINESS**

##### **7A. Resolution No. L15-06 Westdahl, LLC**

Chris Anderson explained Resolution No. L15-06 Westdahl, LLC. This is a request from Northrim Bank for participation in a loan to Westdahl, LLC, on a 90/10 basis. The gross loan amount is \$6,997,500, AIDEA's participation would be \$6,297,750 for a term of 25 years. Northrim's term is 10 years. The guarantors are Mark E. Pfeffer Revocable trust, Mark E. Pfeffer Alaska Trust, Pfeffer Augustine Grantor Retained Annuity Trust, Gerald E. Neeser Revocable Trust, Mark Pfeffer, Gerald Neeser, and Muldoon Community Improvement, LLC. The use of the proceeds will be long-term financing for a 21,000 square-foot retail center at Debarr Road and Muldoon Road. She reviewed the loan summary provided to the Board. Staff recommends approval of Resolution No. L15-06.

Deputy Commissioner Parady noted Northrim Bank's participation is 10% for 10 years, and asked why AIDEA is taking a longer-term risk at 90% for 25 years. Ms. Anderson said 25 years is AIDEA's niche in the market. She stated a 10-year duration for a commercial bank is considered long-term.

Chair Pruhs asked if the appraisal value of \$441 per square foot is the current trend in Anchorage. Ms. Anderson said the cap rate for an income property like this usually falls within the 7.5% to 8.6% range. The appraisal emphasized an income approach. Chair Pruhs asked if the stated \$2.5 million of borrower contribution is in real dollars or in equity. Ms. Anderson believes a portion of the borrower contribution is in equity. Chair Pruhs commented it is important on all loan summaries to clearly define the type of appraisal being used and to define the breakdown of borrower contribution. This will assist in understanding the current market trends. Chair Pruhs asked to review the three separate types of appraisals. Ms. Anderson said the analysis and appraisals are contained in the credit presentation on pages three and four.

Deputy Commissioner Parady requested a brief discussion regarding the ordinary risks to this loan resolution. Ms. Anderson stated the appraiser provided a fair amount of analysis regarding the general marketplace. General vacancies range from 5% to 6%, which is a healthy market.

Staff is comfortable with the vacancy rate and the tenants. The state's portfolio has shown no indication of increased delinquencies.

Ms. Anderson said the building is currently under construction. Chair Pruhs commented he assumes the sponsoring bank is comfortable without the term loan being in place. Sue Wolfe stated the bank approved an in-house term loan under a swap contract in the event AIDEA financing was not available.

**MOTION: Mr. Wilken moved to approve Resolution No. L15-06 Westdahl, LLC. Motion seconded by Ms. Nygard.**

**The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.**

**7B. Resolution No. G15-17 Regulation Amendments 3 AAC 100 AIDEA Procurement**

**MOTION: Mr. Wilken moved to approve Resolution No. G15-17 Regulation Amendments 3 AAC 100 AIDEA Procurement. Motion seconded by Ms. Nygard.**

Mr. Springsteen corrected the Memorandum for Resolution No. G15-17 on page three, third bullet point to read, "The \$25,000 to \$50,000 limit for written quotes is increased to \$50,000 to \$100,000." He noted the language of the Resolution No. G15-17 reflects this correction. The resolution authorizes the adoption of amendments to AIDEA's procurement regulations and will bring the regulations up-to-date with statute. The amendments facilitate a smoother procurement process by allowing electronic submissions of bids and proposals.

Tom Erickson provided an overview of the requested changes to AIDEA's procurement regulations. Public notice was given of the requested changes and no public comments were received. A public hearing was advertised and held on September 9, 2015. No members of the public appeared. Staff recommends approval of Resolution No. G15-17.

Ms. Nygard requested additional information regarding the elimination of a procurement officer from every procurement evaluation committee. Mr. Erickson said the proposed requirement is for three AIDEA employees to serve on an evaluation committee, of which one could still be a procurement officer. Staff determined a procurement officer may not be the best person to be involved in the actual value of scoring solicitations and did not want to codify a procurement officer must serve on the evaluation committee.

Chair Pruhs wanted to ensure the public is aware that if Pentex goes out for solicitations, the dollars are protected with performance, payment, and bid bonds for construction. Mr. Erickson noted the requirements for performance and bid bonds are automatic for construction above \$200,000.

**The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.**

**7C. Resolution No. G15-18 Regulations amendments to 3 AAC 99 Bonds, Commercial and Development Finance Loans, and 3 AAC 101 Sustainable Energy Supply & Transmission (SETS)**

**MOTION: Mr. Wilken moved to approve Resolution No. G15-18 Regulations amendments to 3 AAC 99 Bonds, Commercial and Development Finance Loans, and 3 AAC 101 Sustainable Energy Supply & Transmission (SETS). Motion seconded by Ms. Nygard.**

Mr. Springsteen said Resolution No. G15-18 authorizes the adoption of amendments to AIDEA's bond loan and SETS regulations to conform with changes to statute made by the Legislature in HB 105. He explained the changes detailed in the Memorandum provided to the Board members. Public notice was given and no public comments were received. Staff recommends approval of Resolution No. G15-18.

Ms. Nygard requested additional clarification regarding amendments three and four. Mr. Springsteen provided further explanation.

**The motion was approved with members Pruhs, Dick, Burnett, Parady, and Wilken voting yea. Ms. Nygard voting against.**

**7D. Resolution No. G15-19 New Regulations 3 AAC 103 Arctic Infrastructure Development Fund**

**MOTION: Mr. Wilken moved for discussion to approve Resolution No. G15-19 New Regulations 3 AAC 103 Arctic Infrastructure Development Fund. Motion seconded by Ms. Nygard.**

Mr. Springsteen said Resolution No. G15-19 readopts the regulations for AIDEA's Arctic Infrastructure Development Program and Fund. Following the adoption of Resolution No. G15-12, staff discovered one public notice had not been correctly published. Staff republished the notice and resolicited public comment, which now meets the statutory requirements.

Mr. Wilken stated he will be voting against Resolution No. G15-19 because of his continued concern regarding the Arctic Infrastructure Development Program and Fund and legislating tensions between regions of the state. Exhibit D heightens his concerns by allowing regions of the world to compete for limited resources that should benefit Alaska, but may ultimately benefit outside Alaska.

**MOTION: Deputy Commissioner Parady moved to table Resolution No. G15-19 New Regulations 3 AAC 103 Arctic Infrastructure Development Program and Fund until the next meeting. Motion seconded by Mr. Wilken. The motion to table was approved unanimously.**

**7E. Resolution No. G15-21 - Regarding Employee Benefits of and for Pentex Alaska Natural Gas Company LLC and Subsidiaries**

**MOTION: Mr. Wilken moved to approve Resolution No. G15-21 - Regarding Employee Benefits of and for Pentex Alaska Natural Gas Company LLC and Subsidiaries. Motion seconded by Ms. Nygard.**

Mr. Springsteen said Resolution No. G15-21 regards employee benefits of and for Pentex Alaska Natural Gas Company, LLC, and its subsidiaries. Ted Leonard gave an overview of the resolution as detailed in the Memorandum provided to Board members.

**The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.**

**7F. AIDEA Building**

Mr. Springsteen said item 7F is an update from the AIDEA Building Committee on options for upgrading the building. While the bones of the building – structure and base are relatively sound, the guts of the building – heating, ventilation, air conditioning, electrical, and plumbing – are showing their age, require increasing care and may impose risks. He invited Karl Reiche to give a report from the AIDEA Building Committee regarding options for upgrading the AIDEA building.

Mr. Reiche said we looked at remodeling the building while vacating the building and it is a pretty expensive option. We looked at a complete remodel while occupying the building, and that's still a very expensive option. Option C would keep the building as is and staff would solicit a full audit of all systems. The results of the audit would assist us in coming up with a budget to take care of immediate problems and plan a 20-year schedule and budget to get ahead of building problems. Staff recommended option C as a reasonable approach. Even though option C is a minimal approach, it's not to say we couldn't take on special projects to enhance conference rooms and other specific parts of the building as needed. We did include a comment that we recommend having a contingency fund approved in advance in light of various pipe breaks and electrical problems the building has experienced, so staff can effect repairs immediately. At this time, we don't have funds set aside to take care of unexpected repairs.

Chair Pruhs noted the recent approval of \$173,000 for repair of critical items and asked if any critical incidents have occurred since the last report. Mr. Reiche said he expects that until the building is audited, pipes will continue to break causing minor flooding. A light fixture caught fire in the lobby recently. Chair Pruhs suggested a \$50,000 contingency fund.

Mr. Wilken asked where the funding comes from for building repairs. Mr. Reiche said the plan would come to the Board in the form of a resolution. Chair Pruhs said the funds come from the revolving fund.

Mr. Wilken asked what the expected life of the building is for Options A and B. Mr. Reiche said a 30- or 40-year lifespan. Mr. Wilken recommended taking action on approving Option A or B.

Deputy Commissioner Parady said he is not ready to discuss action on approving the long-term Options A or B.

Chair Pruhs said this is a tough issue and believes the work should be done correctly.

**MOTION: Mr. Wilken moved to adopt Option C attachment D in the amount of \$1.25 million. Ms. Nygard seconded.**

**The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.**

### **7G. Interior Energy Project Update**

Mr. Springsteen invited Bob Shefchik and Nick Szymoniak to provide an update summarizing the IEP work since the last meeting. Mr. Szymoniak gave an overview of the IEP Request For Proposals (RFP) process, a summary of the five finalists, and the IEP Project calendar of milestones.

Mr. Wilken stated he had requests from the public regarding the members of the RFP evaluation committee. He believes it would be helpful to reveal the list of members. Mr. Szymoniak said the members of the evaluation committee is currently confidential and will be made available upon the selection of a finalist and completion of the process. The general composition is comprised of AIDEA staff, utility representatives, and other outside individuals with a deep understanding of the project.

Mr. Wilken asked what recourse options are available for the four finalists who are not chosen at the December meeting. Mr. Szymoniak said only one proposal will advance for recommendation to the Board. If the finalists who do not advance wish to protest, they can provide their comments at the December meeting and at the public forum in Fairbanks.

Mr. Shefchik reviewed non-RFP IEP items, including energy supply, transportation, distribution, storage and regas, conversions, and HB 105 quarterly reporting. Deputy Commissioner Parady asked if AIDEA is scheduled to present that report before a legislative committee. Mr. Shefchik said HB 105 requires the report be submitted to the record keepers in the House and Senate and notice be given to legislators of its availability. No committee meetings are scheduled and the legislative process will be followed. Mr. Springsteen noted AIDEA will provide a project briefing to the Legislative Budget and Audit Committee upon request. Deputy Commissioner Parady asked to be apprised of any such requests.

Mr. Wilken asked if a hauling test truck with a pup will be utilized this winter. Mr. Shefchik said there will be a test truck, but without a pup, because there are no manufactured liquefied natural gas (LNG) pups. Chair Pruhs asked for the truck arrival date. Mr. Shefchik said the truck is scheduled to be in Anchorage on October 19, 2015, and a lease agreement is currently being developed.

Mr. Wilken asked for an update regarding assistance with conversions from Washington, D.C. through Senator Murkowski, Michael Pawlowski, or the Environmental Protection Agency (EPA). Gene Therriault said per Senator Murkowski's staff, an amendment was proposed on one of the energy bills that would expand an existing program to Alaska that is currently available in California. There is no direct appropriation pending from Congress or the EPA for assistance with conversion. Mr. Therriault indicated Mr. Pawlowski and Chuck Kleeschulte are both looking for conversion assistance opportunities.

**7H. Executive Session: Interior Energy Project, Brooks Range Petroleum (BRP), Mustang Operations Center (MOC1), BlueCrest Energy drill rig loan, Skagway Ore Terminal, pension obligations, GASB 68, and AIDEA's financial reporting**

**MOTION: Mr. Wilken moved to go into Executive Session to discuss confidential and financial information related to the Interior Energy Project, Brooks Range Petroleum (BRP) Mustang Operations Center (MOC1), BlueCrest Energy drill rig loan, Skagway Ore Terminal, pension obligations, GASB 68, and AIDEA's financial reporting. Motion seconded by Ms. Nygard. The motion was approved.**

The Board entered Executive Session at 1:07 p.m. Participants included board members Dana Pruhs, Russell Dick, Jerry Burnett, Crystal Nygard, Fred Parady, and Gary Wilken. AIDEA staff invited to join the session: John Springsteen, Sara Fisher-Goad, Ted Leonard, Mark Davis, Jim Hemsath, Nick Szymoniak, and guests Mark Gardiner, Jerry Juday, and Bob Shefchik.

The Board reconvened its regular meeting at 4:36 p.m. Chair Pruhs stated no formal action was taken during executive session.

**8. DIRECTOR COMMENTS**

Mr. Springsteen said the Governor was well-received during the recent LNG Producer/Consumer Conference in Tokyo, Japan. During the Governor's presentation, he noted and presented the recent letter provided by AIDEA to REI discussing the working relationship.

Mr. Springsteen noted the final closing of the Snettisham Hydroelectric Refunding Bonds occurred August 25, 2015, and will result in an estimated total savings of over \$5 million for approximately 12,000 households in the Juneau service area. He recognized Michael Lamb for leading the process.

Mr. Springsteen stated the Alaska Oil and Gas Congress concluded this morning with an infrastructure workshop led by Jim Hemsath and Mark Davis. He reported AIDEA and Alaska Airlines are cosponsors of the International Economic Development Council's upcoming 2015 annual conference in Anchorage 4 through 7 October.

Mr. Springsteen announced Mike Catsi was published in the Spring 2015 Economic Development Journal his article *Economic Development Financing, Developing the "Last Frontier."*

The loan, dashboard, delinquencies- to-outstandings reports, IFD and PDAM project matrices, and the Callan Quarterly Review were included in the packets and he is available to answer any questions. Board members interested in continuing education opportunities should contact Ms. Siverson.

**9. BOARD COMMENTS**

Chair Pruhs expressed his appreciation to all in attendance.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 4:39 p.m.

  
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John Springssteen, Executive Director  
Alaska Industrial Development & Export Authority

