



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, March 4, 2020
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on March 4, 2020, at 12:47 pm. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner, DCCED); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (SOA-DOR); and Julie Sande (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: Tom Boutin (CEO/Executive Director); Brenda Applegate (Chief Financial Officer); Alan Weitzner (Chief Investment Officer, PFAM); Lex Sargento (Chief Procurement Officer); Linda Senn (Human Resources Director); Geoffrey Johns (PFAM Investment Officer); Karsten Rodvik (External Affairs Officer); Jesse Peterson (Sr. Manager, PFAM); Sherrie Siverson (Executive Assistant); Aimee Sudbeck (Administrative Assistant); Kevin Buckland; and Sam Tappen (phone).

AEA Staff and AIDEA Counsel and Consultants: Jerry Juday (Department of Law); and Curtis Thayer (Executive Director, AEA).

Public: Sunny Morrison (Accu-Type Depositions); Elwood Brehmer (Alaska Journal of Commerce); Brad Walker, Eric Whaley (phone) (Bank of America); Steve Noble (phone) (DOWL); Toby Drake (Drake Construction); Wes Smith (FNG); Marc Greenough (Foster Garvey); Rick Dusenbery, John Hendrix, Kevin Hennessey(sp), Mary Ann Pease (HEX LLC); Mike Newman (Hilltop Securities). Dan Britton, Steve Haagenon, Wes Smith (IGU); Doug Ward (Industrial Development Service); Tim Jagielski (JAG Alaska Inc.); Cynthia Cartledge, Mark Melchert (JDO LAW); Alex Johnson (phone) (National Parks Conservation Association); and Sam Tappen (phone).

4. AGENDA APPROVAL

MOTION: A motion was made by Mr. Fogle to approve the agenda. Motion seconded by Mr. Kendig.

Chair Pruhs requested a friendly amendment to add discussion of personnel matters to the executive session. There was no objection to the friendly amendment.

The motion to approve the agenda, including the friendly amendment to add discussion of personnel matters during executive session, passed without objection.

5. PUBLIC COMMENTS

Doug Ward of Ketchikan informed he retired in 2018 from a 30-year career of developing the Ketchikan Shipyard. He has come out of retirement to assist with the development of the Seward Shipyard and is involved with resolving the issues in Dutch Harbor. Mr. Ward specifically expressed his support for agenda Items 7D. and 7E. He thanked the Board for considering the resolutions and urged members' approval.

6. PRIOR MINUTES - January 15, 2020

MOTION: A motion was made by Mr. Kendig to approve the Minutes of January 15, 2020. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of January 15, 2020 passed without objection.

7. NEW BUSINESS

7A. Presentation by Interior Gas Utility Related to Conduit Revenue Bond Financing

Tom Boutin, CEO/Executive Director, requested Brenda Applegate, CFO, introduce the next presenters from Interior Gas Utility (IGU). Ms. Applegate welcomed Dan Britton, President/CEO Interior Gas Utility (IGU), and Mike Newman, Hilltop Securities, financial advisor to IGU, who presented information relating to the conduit revenue bond financing highlighted in Item 7.B. Chair Pruhs welcomed the representatives. Members requested permission to ask questions during the presentation.

Mr. Britton introduced other members of the team who are present in the audience to answer questions; Marc Greenough, Council, Brad Walker, Bank of America, Wes Smith, Comptroller IGU, and Steve Haagenson, Chair of IGU. Mr. Britton discussed the mission of IGU is to provide low-cost, clean-burning natural gas to the largest number of customers in the Fairbanks North Star Borough (FNSB or Borough) as soon as possible. He outlined the structure of the public corporation and described its various historical acquisitions and State-supported financing authorizations. Currently, IGU has a monopoly on the provision of natural gas with its service area. It is wholly owned by the Borough, while maintaining an independent legal existence. The goal of IGU is to bring both economic and environmental well-being to the residents of Interior of Alaska by improving the air quality, physical health, and economy.

Mr. Britton provided a detailed review of IGU's history, formation, capitalization, and current organizational structure. The holdings include all assets of Pentex, Fairbanks Natural Gas (FNG), Titan Alaska LNG LLC, Arctic Energy Transportation LLC, and Polar LNG LLC. All of the entities will be logistically consolidated into the single IGU entity within the next six to 10 months. Mr. Britton discussed the four LNG storage and vaporization facilities. The facility in Talkeetna has been serving the Talkeetna Lodge as its single customer for over 20 years. There is potential for expansion to serve additional customers.

Mr. Britton reviewed the history of the financing agreement, including SB 23, HB 105, SETS funds, and additional AIDEA funds agreed to in 2019. As part of the original financing, there

was authorization to issue up to \$150 million of conduit revenue bonds with the moral obligation of the State of Alaska. Mr. Britton informed the conduit revenue bonds before the Board today are simply conduit revenue bonds and will not have the moral obligation of the State of Alaska for this first issuance. The total available SETS funds for the project is \$139 million. Key terms that provide a high level of security to the bondholders include the SETS 0% interest rate and deferral of principal payments for the first 15 years. The interest rate then becomes .25% for the remainder of the term. Mr. Britton explained additional layers of support within the financing agreement to mitigate associated demand risk. The investment grade rating for the bond issuance is BBB-. On January 22, the bond interest rate was right below 3.7%. Mr. Newman informed rates have dropped significantly since January. The bonding authority has been extended to July 1, 2023.

Chair Pruhs requested additional information regarding the bond payments per year. Mr. Britton noted the range is from approximately \$3 million to approximately \$5 million a year. Mr. Newman explained the debt service on the bond issue has been structured in contemplation of future issuance of debt by IGU to build out the system.

IGU qualifies for the LNG Storage Tax Credits, which have a sunset date of January 1, 2020. The North Pole project does not currently qualify. Discussions are ongoing with the Legislature to determine available options that would allow for the qualification of the North Pole facility. Mr. Britton described the extensive service territory in Fairbanks.

Ms. MacKinnon commented she received IGU's packet electronically and reviewed all of the documents. She noted IGU has an excellent website that includes meeting minutes. Ms. MacKinnon informed she reviewed several meetings during which this topic was discussed.

Mr. Britton outlined the forecasted gas sales and anticipated customer base of a 35% residential conversion rate over a 10-year period. The commercial conversion rate is expected at 70%. There is a high level of participation from FNSB schools and the North Pole schools, and facilities are expected to participate. There are current grant programs to assist in conversions. Commissioner Anderson inquired if any interest has been shown by military bases. Mr. Britton indicated no military bases are included as potential customers in the provided pro forma. Active conversations are ongoing which could provide potential future opportunities. Mr. Britton believes the State facilities are hoping to convert to natural gas. Chair Pruhs asked if a reasonable cost estimate has been conducted for the State's conversion. Mr. Britton believes studies have been conducted regarding considerations of upgrades to infrastructure. Chair Pruhs asked if there is a way to estimate the State's possible volume use, if converted, including the economic benefit to the consumers for the conversion. Mr. Britton agreed.

Mr. Britton discussed the two primary projects to be funded with the bond issuance is the LNG production facility at Point McKenzie and service lines, meters, and distribution systems. Mr. Britton explained the current customer base is approximately 50% residential and 50% commercial in customer numbers. However, the customer volume is approximately 90% commercial and 10% residential.

Mr. Britton reviewed the included information showing the customer base and gas sales. A substantial contributing factor to the support of the project is the poor air quality in Fairbanks. Natural gas will assist in the control measures and environmental regulations. Mr. Britton noted the City of Fairbanks and North Pole provide conversion incentives to natural gas. At this point, there are no building regulations requiring a new or replacement boiler to be dual-burn or dual-feed. Mr. Britton believes it would make sense for a regulation to be instituted and will continue the conversation with the two cities. Chair Pruhs expressed strong support for such regulations to allow for possible conversion in the future.

Chair Pruhs inquired as to the total amount of State support for this project. Ms. Applegate noted the SETS loan is \$139 million, and the capital appropriation is \$57.5 million. Chair Pruhs requested the Executive Director write a letter to the Mayor of Fairbanks and the Mayor of North Pole asking for their support and requesting they provide ways to assist with new furnaces and/or replacements. Mr. Boutin agreed.

Commissioner Anderson asked for additional information regarding the number of conversions of residences or commercial buildings Fairbanks needs to reach the clean air standard goal. Mr. Britton noted the number is over 6,000 conversions, and requires the completion of Phase 2 and Phase 3 of the distribution expansion. The current program would assist approximately 125 homes. He believes additional pressure will continue as it relates to wood-burning bans throughout the community and reduction on fuels that cannot be burned, thus improving the environmental driver to natural gas.

Mr. Britton highlighted the capital improvement program, the capital planning model, the proposed project, financing plan, and the financial pro forma for FY 2030 - FY 2039. The authorizing resolution for the Series 2020 bonds is \$78 million. This consists of \$60 million for the project funds, \$6 million for the capitalized interest reserve fund, \$5 million for the debt service reserve fund, and the remaining funds allow for possible interest rate differences between the time of authorization and time of issuance. The total authorized amount is not expected to be reached.

IGU maintains a minimum debt service reserve coverage ratio of 1.2. Before any future debt is issued, a look-back will have to be satisfied. IGU has available capital of approximately \$6 million. The inventory for the new tank is being funded through operating cash. IGU has not established a minimum cash balance yet. Mr. Britton expects new policies will be instituted that are necessary to ensure operations run successfully.

Mr. Britton noted the capital planning model was contracted through NewGen Strategies. IGU maintains a 20-year financial forecast and includes Phases 1, 2, and 3. Phases 4, 5, and 6 have been identified as part of the project, but they are not included within the current financing mechanism. IGU has the ability to pause the future capital expenses for Phases 2 and 3, and for the further expansion of the liquefaction if the demand profile does not match expectations.

Mr. Newman discussed the 2020 proposed financing plan. The anticipation is to sell approximately \$61 million of bonds at a premium, which will finance the project and the reserve

funds. The bonds are tax exempt with a fixed rate of interest and a 30-year maturity date. IGU has the ability to optionally redeem and refinance the bonds to take advantage of lower future rates, if available. The cost of capital, which is the interest rate plus the cost of financing, is approximately 3.64%. The bonds will be secured solely by the revenues of IGU. Mr. Newman discussed the due diligence performed on the project plan thus far. IGU will be subject to a rate covenant to provide a 1.10x debt service coverage with auxiliary covenants regarding additional debt incurred. The market is favorable at this time, with investors looking for opportunities to earn yield and to invest in tax exempt expenditures.

Mr. Fogle inquired as to the cost of financing and services paid to Hilltop Securities, Bank of America, and to any other financial services company. Mr. Britton explained page 27 of the packet included a total estimated cost of issuance of just under \$1.2 million for the project. Mr. Newman informed Hilltop Securities was selected pursuant to a RFP competitive selection. The proposal was submitted at \$70,000 plus travel. Additional competitive RFPs for underwriters were submitted. The professionals were all secured through competitive procurement, including the special counsel and disclosure counsel. Mr. Newman discussed the existing rates envisioned A+ debt based on moral obligation and were expected to be issued in the fall of last year. Due to discussions between AIDEA and IGU, the bonds will not have the moral obligation and will carry a different credit rating. The fees are being revisited to reflect appropriate underwriter compensation to enhance demand. Mr. Newman explained his fiduciary duty is to IGU. It is his responsibility to control costs and ensure costs are appropriate.

Vice-Chair Karl expressed appreciation and compliments for the intelligent choices made during this process.

Chair Pruhs commented for the record he is glad the IGU financing companies were using Wells Fargo or JP Morgan.

Mr. Fogle requested Mr. Britton take sensitivity into consideration during the additional financial tranches of the project. Mr. Britton agreed, and advised Bank of America is the lead on the project.

Ms. MacKinnon noted the Board has not had sufficient time to review the draft credit report. She requested staff confirm the Fitch report has been released. Ms. MacKinnon asked for additional clarification to reconcile the \$78 million versus the bond rating for specifically \$60 million. Mr. Newman informed the goal of the analyst was to distribute the report to the public by 5:00 Eastern Standard Time. He explained the proceeds are approximately \$72 million from an issuance of \$61 million worth of bonds. The Fitch expectations are current as of this morning.

Mr. Britton expressed appreciation to Ms. Applegate and her team for their diligent effort in assisting the process.

MOTION: A motion was made by Mr. Kendig to enter into Executive Session to discuss confidential financial information related to the Interior Gas Utility; Mustang

Development Project; Ketchikan Shipyard / Alaska Ship & Drydock; HEX LLC; and personnel matters. Motion seconded by Ms. Sande.

The motion was approved without objection.

EXECUTIVE SESSION: 2:04 pm

The Board reconvened its regular meeting at 5:12 pm, with Vice-Chair Karl absent.

Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

7B. Resolution No. G20-03 Authorizing the Sale of Conduit Revenue Bonds for the Interior Gas Utility; Bond Sale Supporting Documents

Mr. Britton recommended approval of Resolution No. G20-03. He advised Ms. Applegate is available to describe the resolution and a number of guests are in the room available to answer any questions regarding the conduit bond issuance. Ms. Applegate informed Resolution No. G20-03 approves the sale of AIDEA's revenue bond series 2020A for IGU. The principal amount is not to exceed \$78 million. The resolution authorizes:

- Execution of an indenture between AIDEA and U.S. Bank National Association as Trustee to secure the conduit revenue bonds
- Execution of a loan agreement securing payment of the conduit revenue bonds
- Execution of a bond purchase agreement
- The delegation of authority to staff to complete the necessary documents and issue the bonds

The Series 2020A bonds are a conduit issue. This is not an obligation of AIDEA or the State. The bonds are payable solely from payments made by the borrower IGU. No private activity bond allocation is required from the State of Alaska. The bond proceeds will be loaned to the borrower in an aggregate principal amount not to exceed \$78 million. The bonds are at a fixed rate. Ms. Applegate gave a detailed review of the project the bonds will fund.

Chair Pruhs inquired as to the approximate cost of the expansion of the liquefaction facility in Port McKenzie. Mr. Britton noted the preliminary estimates are approximately \$50 million to \$55 million for the liquefaction project. The project is at a 65% design level.

MOTION: A motion was made by Mr. Kendig to approve Resolution No. G20-03. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution No. G20-03 passed unanimously, with Vice-Chair Karl absent.

7C. Resolution No. G20-04 Authorizing Executive Director to Sign Subordination Agreement for the IGU Loan and approving Subordination Agreement

Mr. Boutin recommends approval of Resolution No. G20-04. The Subordination Agreement is a credit feature of the bonds and is made necessary by the loan. Mr. Boutin informed bond counsel and Ms. Applegate are present to answer any questions. Ms. Applegate explained the intent of the Subordination Agreement is to formalize the information in the financing agreement. AIDEA's SETS loan will be subordinate to the conduit revenue bonds as they relate to IGU. The bonds are secured by the revenues of IGU. The SETS loan is secured by the assets of IGU.

MOTION: A motion was made by Mr. Kendig to approve Resolution No. G20-04. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution No. G20-04 passed unanimously, with Vice-Chair Karl absent.

7D. Resolution No. G19-15A Amending Resolution related to the Alaska Ship Home-Porting for Improvements Program "AK SHIP" to Finance Commercial Ship Repair

Mr. Boutin informed Resolution No. G19-15A clarifies and allows the AK SHIP program to be applied to shipyards throughout Alaska. The financing will continue to come before the Board. Mr. Boutin discussed the range of terms expected as provided in the documentation to members. He believes additional opportunities will develop after the passage of this resolution. Staff recommends approval.

MOTION: A motion was made by Mr. Kendig to approve Resolution No. G19-15A. Motion seconded by Ms. Sande.

Chair Pruhs commented his support for the record. He believes it is appropriate to allow all the ship areas in Alaska to compete fairly.

A roll call was taken, and the motion to approve Resolution No. G19-15A passed unanimously, with Vice-Chair Karl absent.

7E. Resolution No. G20-05 Authorizing Alaska Home-porting (AKSHIP) Program Loan to Drake Investments LLC

Mr. Boutin advised Resolution No. G20-05 authorizes the first AK SHIP financing to occur at the Seward Shipyard. The project is a rebuilding of a 200-foot steel barge owned by Drake Investments and home-ported in Kotzebue. Mr. Boutin noted Toby Drake, Drake Investments, is present today, as well as Alan Weitzner, CIO, AIDEA. Mr. Boutin introduced Tim Jagielski, JAG Alaska Inc., to discuss the project and answer any questions. Mr. Jagielski informed JAG Alaska has been operating Seward Shipyard for about 18 months. There are currently 115 employees. All of the jobs are competitively bid. The vessels must be 300-feet or less and under 3,500 tons. Topside work is also conducted in areas necessary. The AK SHIP program is very important to JAG Alaska in order to provide a competitive deferred payment option for commercial customers.

Chair Pruhs noted the loan participation program normally has more detailed information from the borrower. The information was not presented for this resolution. The financial statements are typically presented in a confidential manner. Chair Pruhs requested future AK SHIP information contain personal financial statements and cash flows for the borrower for the Board to review. These requirements are normal in the course of business. Mr. Weitzner agreed to provide the requested information in the future. He highlighted three years' worth of financial statements for the borrower have been reviewed.

Chair Pruhs asked if representatives from AIDEA have seen the barge. Mr. Weitzner indicated a visit to see the barge was scheduled, but was postponed due to weather. Staff will complete a site visit before the loan is constructed. A third-party verification of the evaluation of the barge has been represented in the provided memo. Chair Pruhs asked that pictures of the completed repairs be provided to members.

Ms. MacKinnon requested an explanation of the process used to verify the voracity of the claim the repairs will keep the vessel operational for the lengths of time represented in the terms. Mr. Weitzner explained the third-party valuation includes verification of expected continued life after the repair. Mr. Drake informed once the work is complete by JAG Alaska, both the Coast Guard and ABS will certify the vessel. Ms. MacKinnon commented Southeast is experiencing a loss of ferry service. She gave an anecdotal account of warranty repairs that were necessary after the completion of initial repairs. Ms. MacKinnon asked Mr. Drake if any business will be affected by supply disruptions nationally and internationally related to the coronavirus. Mr. Drake believes all the steel and components required to complete the repair are housed in Seward. The expected completion date is April 15, 2020. The barge is used to move materials and equipment around the region.

MOTION: A motion was made by Mr. Kendig to approve Resolution No. G20-05. Motion seconded by Ms. Sande.

Mr. Fogle asked if Drake Construction conducts work with Red Dog Mine. Mr. Drake stated some work with Red Dog Mine has occurred. The hope is to expand the working relationship. Mr. Fogle noted for the record AIDEA maintains financing with Red Dog Mine.

A roll call was taken, and the motion to approve Resolution No. G20-05 passed unanimously, with Vice-Chair Karl absent.

Chair Pruhs requested an amendment to the agenda to consider Resolution No. G20-07, approving a development project financing loan under AS 44.88.172 to HEX, LLC.

MOTION: A motion was made by Mr. Kendig to include Resolution No. G20-07 as the next agenda item. Motion seconded by Ms. Sande.

The motion to include Resolution No. G20-07 as the next agenda item passed without objection.

7F. Resolution No. G20-07 Approving a development project financing loan under AS 44.88.172 to HEX, LLC.

Mr. Boutin recommends approval of Resolution No. G20-07. He noted members have the term sheet for review. Chair Pruhs advised for the record Resolution No. G20-07 finances the acquisition of the entities holding the natural gas leases and natural gas production infrastructure of the Kitchen Lights Unit and to finance additional development of those assets. Mr. Boutin advised this is reserve-based lending, a process which AIDEA does not frequently utilize.

Ms. MacKinnon asked staff if this resolution is within AIDEA's legal boundaries to consider. Jerry Juday, Department of Law, advised the AIDEA bylaws require the topic is contained within the public notice posted. The topic of HEX is in the agenda posted for the public, albeit in terms of executive session discussion. Mr. Juday believes technical compliance with AIDEA bylaws has been met.

Ms. MacKinnon requested John Hendrix, HEX LLC, to explain why it is critical to act on this resolution today. Mr. Hendrix stated there are only two entities bidding on this asset. The deadline for final bid was set for two weeks from February 20, which is tomorrow. This loan would provide the acceptable funding to move forward with an appropriate final offer to win the bid. He complimented AIDEA staff for their assistance during this process. Mr. Hendrix explained traditional avenues of financing were considered, but he found difficulty. The momentum of NGOs and banks is against Alaska investing. Initially, he believed the AIDEA financing alternative would be too lengthy of a process.

Ms. MacKinnon asked if it is fair to say this particular asset is located in Alaska in the Soldotna/Kenai region and is in bankruptcy court in the United States. Mr. Hendrix advised the asset is in bankruptcy court in Delaware, since around August of 2019. HEX LLC bid on that asset and won the asset in an open bid on December 5, 2019. Ms. MacKinnon inquired as to the goals and purposes of acquiring the specific asset. Mr. Hendrix believes it is good for Alaska to have an Alaskan-based oil and gas company to respond to the needs of Alaskans and to build synergies with IGU, Fairbanks, and others. He feels HEX LLC can be a responsible operator and a supporter for local Alaska workers.

Chair Pruhs asked Mr. Hendrix to speak to the benefits to the State and Kenai Peninsula Borough regarding number of employees, taxes, and royalties. Mr. Hendrix stated there are currently about 19 contractors who will be converted to employees. Alaskan employees are encouraged, as much as possible. Approximately \$9 million a year is paid by Furie to pay property taxes and gas taxes to the State of Alaska. The Borough is paid approximately \$3.2 million.

Commissioner Anderson requested additional information regarding Mr. Hendrix's background and qualifications. Mr. Hendrix gave a detailed description of his lengthy tenure and extensive experience in the oil and gas industry.

Ms. MacKinnon requested additional information from Mr. Boutin describing reasons for support. Mr. Boutin reviewed the term sheet for the record. The loan amount is \$7.5 million. A portion of the proceeds will fund a reserve fund. The interest rate is fixed at 10% a year. The

coverage ratio covenants will be monitored and maintained. The equity contribution is defined and required. Collateral and AIDEA's security position is defined and required. There are standard default provisions. The performance criteria is defined. Monthly reporting is defined and specified.

MOTION: A motion was made by Mr. Kendig to approve Resolution No. G20-07. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution No. G20-07 passed unanimously, with Vice-Chair Karl absent.

8. DIRECTOR COMMENTS

8A. Ambler & West Susitna Status Report, Resolution No. G19-21

Mr. Boutin noted three AIDEA staff members called in ill today; Mark Davis, Jeff San Juan, and Chris Anderson. It is possible to reach Mr. Davis on the phone, if necessary. Mr. Boutin requested Mr. Weitzner provide the update on West Susitna Access Road. Mr. Weitzner discussed Phase 1 was completed at the end of 2019. The full LIDAR data is being received from DNR. The field examination report by HDR has been completed. Discussions are ongoing with participants and resource owners regarding Phase 2 scope and developments.

Mr. Boutin provided the Ambler update. The EIS is expected to be completed and received Friday. The Record of Decision and the US Corps of Army Engineers Clean Water Act permit is expected in 30 days. The Memorandum of Understanding negotiations with Trilogy have been set aside. Trilogy has evolved and has a major investor. Chair Pruhs acknowledged additional details can be communicated after the Record of Decision is received.

8B. Navision Status Report, Resolution No. G17-10A

Mr. Boutin introduced Lex Sargento, Chief Procurement Officer, to present the Navision Status Report provided to members. Mr. Sargento advised the project is tracking six weeks ahead of schedule. An additional update will be given at the April meeting. The administrator has been responsive and was onsite last week.

Mr. Fogle requested additional clarification regarding the travel budget category. Mr. Sargento explained the travel is budgeted for Serenic administrators to be onsite. The trips occurred last week and have not yet been expensed, but they are encumbered to the budget.

**8C. Finance Dashboard Report, Commercial Loan Reports, Resolution No. G11-18
Status Report**

Mr. Boutin commented he has discussed with Mr. Weitzner's team and Ms. Anderson's team regarding coronavirus. The conventional wisdom now is the Alaska Cruise Ship industry is expected to benefit. Other parts of the world will be shut down and there will be more passengers looking toward Alaska. Staff is watching the developments, particularly in Southeast because the loan participation program is very heavy in the tourism industry.

Chair Pruhs informed Vice-Chair Karl told him the U.S. reservations have been declining due to cancellations. Chair Pruhs referenced an article in "Cruise Industry News" noting Norwegian Cruise Line sees meaningful decrease in bookings. Chair Pruhs requested Mr. Boutin diligently follow the developments. Chair Pruhs requested Mr. Boutin contact the businesses industry-wide that have loans outstanding with AIDEA that may be adversely affected by a decrease in tourism and discuss the business' contingency plan.

Chair Pruhs emphasized the reliance on hard data and the importance of obtaining the data. Mr. Boutin agreed. He informed he will also survey the participating loan offices, banks and credit unions to understand the feedback they are receiving from clients. Chair Pruhs discussed anecdotally he knows people in Alaska who are cancelling trips to Seattle due to the fear of contracting coronavirus. He believes there are people reticent about coming to Alaska on a cruise ship for the same reasons. Chair Pruhs encouraged management and staff to maintain diligence in communicating with partners and determining the contingency plans for an up to 50% decrease in tourists. He noted the situation directly affects Ms. Chris Anderson's portfolio and suggested attention be focused while she is out of the office. Chair Pruhs requested a report be given at the next Board meeting.

Commissioner Anderson commented the Alaska Development Team within the Department of Commerce has been tracking the coronavirus since February 1, 2020 on a global basis and have begun to survey local businesses and industry. Reports are forthcoming regarding results to establish trends concerning impacts. In addition, the Department of Military and Veterans Affairs and Homeland Security requested business continuity operations plans. Commissioner Anderson informed her Department is going to reach out to various businesses to make them aware to begin developing their business continuity plan for a variety of situations. She will provide updates to the Board.

Chair Pruhs believes there will be some extent of ramifications. Ms. Applegate informed the policy is to conduct an evaluation twice a year on the loan portfolio. Focus is directed on the loans that have a greater than 90-day delinquency, as well as identifying loans that potentially could have an issue. Collaboration with the bank occurs in those instances. The next evaluation is scheduled for June 30. Ms. Applegate noted if the participating banks are seeing a general decline in the tourism industry, it is possible AIDEA would need to evaluate the percentage of the portfolio to align with the participating banks. A member indicated 13% of the portfolio is tourism-related.

Chair Pruhs noted the information for Items 8D., 8E. and 8F. is included in the Board packet. There were no questions.

8D. Infrastructure Development (IFD)/Project Finance & Asset Management (PFAM) Project Matrices, Dec 31, 2019 4th Quarter Project Facts Sheets

8E. AIDEA and AEA Quarterly Org Chart

8F. Continuing Education Calendar

8G. Building Expenses-Capital AR Report

Mr. Sargento discussed the summary of the building expenses approved under three different resolutions. The work is related to maintenance, repair work, replacement of the roof, chillers, HVAC, and other capital improvements. Work has been completed on most of Resolutions No. G15-14, No. G15-14A, and No. G15-22 adopted in 2015. Resolution No. G17-15 addresses annual maintenance repairs and capital improvements.

Chair Pruhs reminded members that the Board elected to authorize staff to spend up to \$250,000 per year on maintenance, repairs, and capital improvements, rather than requesting separate resolutions for each occurrence. Chair Pruhs noted Curtis Thayer, Executive Director AEA, was present and works in concert with Mr. Boutin on building issues.

Mr. Sargento reported on ongoing projects and upcoming projects being considered. The total available balance is \$533,000. Chair Pruhs suggested a high level report be presented twice a year that outlines the status of the building and expenses. He requested the report also include a listing of potential projects and potential costs. Mr. Thayer informed a likely resolution to come before the Board would include using available balance for other projects, such as the completion of the second floor and the parking lot. It is possible additional funds will be required in excess of the \$250,000 a year.

Ms. Sande noted a request was made in December for staff to provide a list of the deferred and capital projects. Mr. Sargento agreed to follow through.

Chair Pruhs suggested a broker's letter of record is conducted on the building. This is a broker's appraisal based on the market and the condition of the asset. It is inexpensive to conduct and Chair Pruhs believes it will provide valuable information. Commissioner Anderson agreed. She has been familiar with the building for many years and does not believe it is fit for purpose. Commissioner Anderson suggested an assessed value of all of the properties be presented to the Board at the next meeting so effective decisions can be made.

Mr. Thayer informed for the record the building next door is also an owned asset. Mr. Boutin noted the property line has to be revealed before a sale can occur to ensure AEA/AIDEA is not currently using a portion of the property next door in its everyday operations. Currently, the building is being utilized for storage. Mr. Fogle requested Mr. Boutin complete a survey in the next two months. Members agreed and Chair Pruhs encouraged Mr. Boutin to move forward. Mr. Boutin agreed.

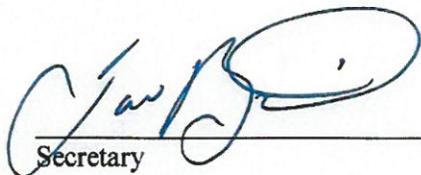
The next regularly scheduled AIDEA Board Meeting is on Wed. April 15, 2020

9. BOARD COMMENTS

Chair Pruhs welcomed Ms. MacKinnon to the Board and expressed appreciation to staff. Board members echoed comments.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 6:22 pm.



Secretary

