



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, January 9, 2019
Anchorage and Ketchikan, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on January 9, 2019, at 12:39 p.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Julie Anderson (Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); Albert Fogle (Public Member); Bernie Karl (Public Member); Bill Kendig (Public Member); and Greg Samorajski (Deputy Commissioner Department of Revenue [DOR]).

Member present via teleconference: Julie Sande (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: John Springsteen (CEO/Executive Director); Chris Anderson (Commercial Finance Director); Brenda Applegate (Chief Financial Officer); Mark Davis (Chief Infrastructure Development Officer [IFD]); Alan Weitzner (Chief Investment Officer, Project Finance & Asset Management [PFAM]); Terence Cato (IT Manager); Yulia Ellsworth (Assistant CFO/Controller); Leona Hakala (Loan Officer); Michele Hope (Interim Chief Procurement Officer); Karsten Rodvik (External Affairs Officer); Jeff San Juan (IFD Finance Officer); Linda Senn (Human Resources Manager); Rich Wooten (PFAM Project Manager); Sherrie Siverson (Executive Assistant); and Krin Kemppainen (Administrative Assistant).

Public: Alex Johnson (National Parks Conservation Association); Jerry Juday (Department of Law); and Ladonna Lindley (Accu-Type Depositions).

Public present via teleconference: Molly Difchner (United Tribes of Bristol Bay).

4. AGENDA APPROVAL

The agenda was approved as presented.

5. PUBLIC COMMENTS

Alex Johnson, Alaska Program Manager for the National Parks Conservation Association, explained the organization's mission is to protect and enhance the National Parks and other park units across the nation. The three-person Alaska office is based in Anchorage and works to serve all 16 units across Alaska. Mr. Johnson expressed appreciation for the ability to attend both

meetings today. The National Parks Conservation Association has specific interests in the Ambler access road because of the potential positive and negative impacts to the national parks in the Ambler area. Additionally, the Association has particular interests in the Pebble Mine proposal. The Association pays specific attention to the analyses currently underway by the Bureau of Land Management (BLM), including the Environmental Impact Statement (EIS), the National Park Service's Environmental and Economic Analysis (EEA), and Army Corps of Engineer's EIS for the Pebble Mine Project. Mr. Johnson expressed appreciation to the Board for their service.

Chair Pruhs requested staff provide Mr. Johnson with the contact information for AIDEA representatives.

6. NEW BUSINESS

6A. Resolution No. G19-02 IT Capital Resolution (Various IT improvements/replacements)

MOTION: Mr. Karl moved to approve Resolution No. G19-02 IT Capital Resolution. Motion seconded by Commissioner Anderson.

Mr. Springsteen stated Resolution No. G19-02 is a request for capital funds for IT improvements and replacements. The AIDEA Board had previously instructed staff to provide a multi-year IT capital request, rather than an annual request. The current request is for a not-to-exceed amount of \$329,600 to be deployed over the next two to three years. This request includes replacement of the phone system purchased in 2004, and upgraded in 2010; outfitting meeting room space currently under construction; installation of a battery operated intercom system for emergency response; and replacement of an uninterruptible power supply battery bank. Mr. Springsteen noted within the limitations set in statute, the AIDEA Board decides how AIDEA deploys its capital for loans and projects, including this request. Staff recommends approval of Resolution No. G19-02.

Chair Pruhs asked if the phone system is shared with the Alaska Energy Authority (AEA). Mr. Springsteen said yes. Chair Pruhs asked if any of these items experienced flood damage during the earthquake. Mr. Springsteen stated the uninterruptible power supply system experienced some water damage.

Commissioner Anderson asked if the requested funds are capital dollars. Chair Pruhs stated the monies come out of AIDEA's internal Revolving Fund.

Deputy Commissioner Samorajski requested additional information on AIDEA's budgets. Mr. Springsteen explained AIDEA's capital budget expenditures are at the discretion of the Board. AIDEA's operating budget is subject to the Executive Budget Act. The funds authorized for Resolution No. G19-02 will be expended from AIDEA's Revolving Fund.

Mr. Karl asked for the phase-in timeline of the projects. Mr. Springsteen stated the projects will be instituted in different phases over the next two to three years. Mr. Karl asked if the

improvements were put out for bid. Mr. Springsteen stated Resolution No. G19-02 is an authorization for expenditure and the projects have not gone out for bid yet.

Mr. Fogle requested historical context regarding previous IT capital expenditures. Mr. Springsteen stated it has been a couple of years since an IT capital request has been submitted and at that time, the Board suggested staff submit multi-year requests. Mr. Fogle asked when the next IT capital request is anticipated to occur. Mr. Springsteen anticipates the next IT capital request will occur in two to three years.

The motion was approved with members Pruhs, Anderson, Fogle, Karl, Kendig, Samorajski, and Sande voting yea.

6B. Resolution No. G19-04 FY20 Operating Budget Submission Ratification

Mr. Springsteen stated Resolution No. G19-04 is a request for the Board to ratify AIDEA's FY20 Operating Budget. The submission was included in the Governor's Operating Budget and submitted to the Alaska State Legislature. The Operating Budget was approved by the AIDEA Board Audit and Budget Subcommittee prior to submittal to the Governor's Office. AIDEA's Operating Budget is subject to the Executive Budget Act and to legislative approval. The funds for AIDEA's Operating Budget are from AIDEA's earned funds and not from the State's General Fund.

Mr. Springsteen stated approximately \$5.9 million dollars of AIDEA's Operating Budget is projected to be reimbursed by AEA for the upfront cost of personnel. Staff believes the FY20 Operating Budget submission will allow AIDEA to continue to support its mission to finance commerce and industry for economic development in the state of Alaska. Staff recommends approval of Resolution No. G19-04.

Chair Pruhs requested clarification regarding the changes to the reporting structure following the new Administrative Order. Mr. Springsteen explained AIDEA is a public corporation. Staff's reporting responsibility is to the seven-member Board, which is selected by the Governor. AIDEA is administratively aligned to the State Governor's Office through Commerce. Approval authority rests with the seven-member Board.

Commissioner Anderson stated her understanding the budget process is at the discretion of the Board, but the allocation of the \$5.5 million General Funds from AEA does come through the Commerce budget. Commissioner Anderson reminded the Board the State continues to incur significant budget challenges. She asked if the approved budget is subject to further change even before it reaches the Legislature. Chair Pruhs and Mr. Springsteen agreed. Chair Pruhs noted the Governor has the final approval.

Deputy Commissioner Samorajski asked if the Office of Management & Budget (OMB) reviews AIDEA's budget at the same time the Commerce budget is reviewed. Commissioner Anderson explained AIDEA's budget will primarily be reviewed separately from Commerce's budget. The allocation from General Funds to AEA will be reviewed concurrently.

Chair Pruhs inquired if this year's budget is substantially different from previous year's budgets. Mr. Springsteen stated the budget is substantially the same, with the included authorization to address any extraordinary business during the year.

MOTION: Mr. Kendig moved to approve Resolution No. G19-04 FY20 Operating Budget Submission Ratification. Motion seconded by Mr. Fogle.

The motion was approved with members Pruhs, Anderson, Fogle, Karl, Kendig, Samorajski, and Sande voting yea.

6C. Resolution No. G19-03 Relating to Office Building Earthquake-Related Repairs and Capital Work

MOTION: Mr. Karl moved to approve Resolution No. G19-03 Relating to Office Building Earthquake-Related Repairs and Capital Work. Motion seconded by Mr. Kendig.

Mr. Springsteen stated Resolution No. G19-03 is a request to authorize funds for high-priority earthquake repairs to AIDEA's office building. This request is for a not-to-exceed amount of \$100,000, and will cover repair of the building's west exterior wall and other repairs deemed high priority. Staff is assessing anticipated remaining damage, including the cost and timeframe for the additional repairs in excess of this resolution. Evaluation of subsequent building damage resulting from the series of aftershocks is ongoing. The office building is self-insured by the State of Alaska. Staff has been working with the State's Office of Risk Management regarding reimbursement for earthquake related repairs. The State coordinates directly with the Federal Emergency Management Agency (FEMA).

Chair Pruhs asked if any funding not reimbursed by FEMA will come out of AIDEA's revolving fund. Mr. Springsteen said yes. He stated staff recommends approval of Resolution No. G19-03. Mr. Springsteen described the impacts to the building after the recent earthquake and aftershocks.

Chair Pruhs explained staff will most likely return to the Board annually to request additional AIDEA Revolving Fund monies for building maintenance, safety, and functionality.

Mr. Karl asked at what point the building is no longer economically feasible to repair. Chair Pruhs believes that is a downstream question for the new Administration. Chair Pruhs invited staff to have a work session on this issue, when necessary. Mr. Springsteen noted staff reviews the expenditures on an annual basis and compares costs to local rents. The commercial marketplace is being monitored, along with the sale value of the building and possible acquisition of another build-to-suit space.

Chair Pruhs commented on the functionality and economic benefits of owning the building, including AEA not paying rent. Chair Pruhs encouraged staff to continue to evaluate the costs and benefits, and to report any further challenges.

The motion was approved with members Pruhs, Anderson, Fogle, Karl, Kendig, Samorajski, and Sande voting yea.

7. DIRECTOR COMMENTS

Mr. Springsteen welcomed the new Board Members and looks forward to working with the Board in shaping the ongoing direction of the Authority. New Board Member orientation is tentatively scheduled for March 5, 2019. An AIDEA Board strategic planning session is tentatively scheduled for April 16, 2019. Mr. Springsteen provided AIDEA pins to Board Members. He distributed the AIDEA primer given to the Legislature outlining the current structure.

Mr. Springsteen stated the loan, dashboard reports, IFD & PFAM project matrices, were included in the board packet. Please contact Ms. Siverson for continuing education opportunities.

The next AIDEA Board meeting is scheduled for Wednesday, March 6, 2019, at AIDEA's office in Anchorage.

Chair Pruhs inquired as to the timing of new Board Member updates on MOC1 and IEP. Mr. Springsteen stated the Chair can call an executive session at his discretion to discuss confidential subjects. Staff has agreed to ensure Board Members are fully apprised of all information prior to the date of a meeting.

8. BOARD COMMENTS

Commissioner Anderson reiterated her enjoyment of the AEA Board and anticipates enjoyment of working with the AIDEA Board.

Chair Pruhs inquired if the new Members have seen the financial statements and balance sheets. New Members replied in the affirmative. Chair Pruhs advised the goal is to build a balance sheet, create jobs, opportunities, and provide dividends to the State.

Ms. Sande expressed appreciation for the assistance during the transition and is looking forward to service.

Mr. Karl asked if Mr. Springsteen has received feedback regarding the AIDEA dividend to the State. Mr. Springsteen indicated he read a blog discussing the size of the dividend. He feels part of the discussion that is not addressed regards the continued low interest-rate environment. The benefit for an Alaska borrower is the access to lower-cost capital. The impact to AIDEA is less interest earned on the lending and financing of projects. As the interest-rate environment increases, AIDEA will earn more on its funds and the cost of capital for borrowers will increase.

Mr. Karl stated he is impressed with the quality of work produced by AIDEA. He believes there are opportunities for improvement with regards to leveraging AIDEA's money. Mr. Karl noted

AIDEA's rate of return is dismal. He understands AIDEA is super conservative and suggested better circumstances to leverage AIDEA's money exist and should be reviewed.

Chair Pruhs stated AIDEA's investment perception and policy is a balancing act between the AIDEA Board, the Administration, and the Legislature. This presents a challenge to industry. Chair Pruhs agrees more can be done to sensibly monetize the balance sheet. He believes Mr. Springsteen has been diligently working on this message to industry.

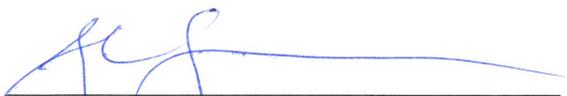
Deputy Commissioner Samorajski stated the Board should focus on AIDEA as a development organization and potentially finance development projects that may not be commercially viable and perhaps will not contribute high rates of return. The tradeoff is the project benefits of creating jobs and opportunities for spin-off. He stated even positive low rates of return should not be dismissed.

Chair Pruhs agreed and believes AIDEA is currently acting as Deputy Commissioner Samorajski described. Mr. Springsteen stated AIDEA's approach to financing infrastructure is focused on commerce and industry rather than public needs or policy-related issues. AIDEA always examines the resource viability of each project. Mr. Springsteen commented on the consideration of the balance between risk and return. Potential ideas and modifications will be discussed during the Board's strategic planning session.

Chair Pruhs expressed appreciation to staff for their efforts and Members for their participation.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:19 p.m.



John Springsteen, CEO / Executive Director
Secretary-Treasurer
Alaska Industrial Development & Export Authority