

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, December 9, 2020
Anchorage, Alaska
Via Teleconference

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on December 9, 2020, at 8:32 am. 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

Others present: Sunny Morrison (Accu-Type Depositions); Curtis Thayer (AEA); Amy Adler, Kevin Buckland, Robert Hawkins, Geoffrey Johns, Sam Tappen, Alan Weitzner, Alyssa Wilson (AIDEA); Stefan Saldanha (Department of Law); Ken Castner; and Holly Sheldon Lee.

4. AGENDA APPROVAL

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

The motion to approve the agenda passed without objection.

5. PRIOR MINUTES – October 28, 2020

MOTION: A motion was made by Mr. Fogle to approve the Minutes of October 28, 2020, as presented. Motion seconded by Mr. Kendig.

The motion to approve the Minutes of October 28, 2020 passed without objection.

6. PUBLIC COMMENTS

Chair Pruhs requested the public to please state their name and affiliation, if any. He noted public comments should pertain to agenda items and are limited to two minutes per person.

Ken Castner, resident of Homer, informed that he is commenting on Item 7A., Executive Session. Mr. Castner noted that he provided public testimony at yesterday's Budget and Audit Committee meeting to raise similar objections about what is being addressed in executive session. Mr. Castner believes Board members spend too much time in executive session. He expressed understanding of the discussion of sensitive issues, and reiterated that the Board is

handling public money. The public has a right to know who the Board is dealing with, how decisions are made, and what subject matter is being discussed under the protection of the executive session.

Mr. Castner noted that on September 16th, the combined meetings had a total of six hours and 28 minutes in executive session and on October 28th, the combined meetings had a total of four hours and 45 minutes in executive session. Mr. Castner stated that his obligation under the Open Meetings Act is to inform members they are not exempt from conducting the meeting in public and cannot pick and choose what they do not want to say or discuss in public. Mr. Castner expressed awareness that industry often conducts business in private, but AIDEA handles public money, has public authorization, and needs to meet the Open Meetings Act.

Mr. Castner highlighted his concern for the non-scheduling of public comment at some meetings. He stated every single meeting should have an agenda item for public comment. Mr. Castner informed that he was allowed to speak at yesterday's Budget and Audit Committee meeting because he was recognized as attending, but there was not an agenda item to allow public comment or to invite public comment. Mr. Castner advised that he has written some letters, of which some have gotten through to AIDEA and some of them have not. He has no control over that. Mr. Castner hopes this issue can be handled administratively so that it does not have to be handled judicially.

Holly Sheldon Lee, of Talkeetna, informed that public comments are listed as three minutes online, and if the three-minute length is inaccurate, someone might want to update the information online. Ms. Lee advised that she has written the Board regarding the policy of first come/first served for the CARES money that is being distributed to the small businesses in Alaska that are going out of business. Ms. Lee reminded the Board that the government workers have not been affected by this, but those who have grown up in Alaska and have worked hard all of their lives are the ones falling victim.

Ms. Lee offered the idea of fractionalization with the remaining CARES money. She would like everyone to have a copy of the letter she sent. In the letter, Ms. Lee noted that AIDEA has gone through an enormous amount of money and Alaskans are losing some second and third-generation businesses.

Ms. Lee discussed the second item of concern is the interdepartmental policy within the State of the Alaska charging and raising of State rates, such as the GLT hanger lease lot on the Talkeetna Airport. There has been an unprecedented raise this year in the lease and interest is being charged on the raise. Ms. Lee's business cannot pay the lease because the National Park Service interpreted the State mandates in a way that completely cancelled their mountain climbing season. Reservations had been taken for three years before the 2020 mountain climbing season and the unit flying season to Denali. She noted her business is in deep trouble, along with her peers. Ms. Lee implored the Board to revisit how the remaining life-giving money is distributed to those who grew up in Alaska.

Chair Pruhs thanked Ms. Lee for her comments. He requested staff provide everybody a copy of Ms. Lee's comments.

MOTION: A motion was made by Vice-Chair Karl to enter into Executive Session to discuss confidential matters related to FY2022 AIDEA Dividend to the State, Commercial Finance Loan Modifications, Ambler Access Project, and AIDEA's workforce organization. This is supported by the Open Meetings Act of AS 44.62.310, which allows the Board to consider confidential matters in executive session. In this case, the Board believes that these are subjects which would have an adverse effect on the finances of AIDEA or are protected by law due to rules protecting personal privacy and certain business information. Motion seconded by Commissioner Anderson.

The motion was approved without objection.

7. NEW BUSINESS

7A. EXECUTIVE SESSION: 8:44 am

Confidential matters related to FY2022 AIDEA Dividend to the State, Commercial Finance Loan Modification, Ambler Access Project, and AIDEA's workforce organization

The Board reconvened its regular meeting at 1:06 pm.

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

7B. FY20 AIDEA Financial Statements (Update to BDO Audit Presentation)

MOTION: A motion was made by Mr. Fogle to accept the FY20 AIDEA Audited Financial Statements Report as presented. Motion seconded by Mr. Kendig.

The motion to accept the FY 20 AIDEA Audited Financial Statements Report as presented passed without objection.

7C. Resolution No G20-30 Declaration of AIDEA's Annual Dividend to the State

Alan Weitzner, Executive Director, explained Resolution G20-30 determines dividends to be made available to the State for fiscal year 2022, and provides a procedure for making dividends available.

Chair Pruhs requested Mr. Weitzner clarify that the resolution recommends the sum of \$17,097,200, which is approximately 50% of the net income, as defined by statute. Mr. Weitzner agreed and noted this is specifically for the revolving fund. The dividend at 50% of the net income and adding all of the funds would be \$17,305,000.

MOTION: A motion was made by Mr. Fogle to approve Resolution No. G20-30, with a 50% dividend. Motion seconded by Mr. Kendig.

Commissioner Anderson expressed support for the 50% dividend. She believes it is important in these troubled times to help stem the disastrous economic conditions and offer help to the State

by supporting their efforts. She noted that the Department of Commerce has endeavored to alleviate fines, fees, and provide assistance to small businesses and entities under regulations.

Mr. Kendig expressed support for the 50% dividend. He added that it is unknown where AIDEA will be in the next fiscal year. He does not think the financial effects of Covid-19 are currently known, and he is afraid of a delayed reaction. Mr. Kendig feels caution is warranted and expressed the importance of protecting AIDEA's assets.

Ms. Sande expressed appreciation for the conversation and discussion today. She believes there are many things outside of AIDEA's control during these unprecedented times. She appreciates the great work of the agencies throughout Alaska and on behalf of Alaskans. Ms. Sande expressed support for the full dividend of 50%.

Ms. MacKinnon commented that it is AIDEA's fiduciary responsibility to look at the balance of the needs of the corporation for past performance and the possibility of performance or challenges that AIDEA may face in the future. Ms. MacKinnon concurred with previous comments that Alaska, like the world, is experiencing the shock of the pandemic and unknown consequences to businesses across the state. She discussed the amount to pay and the calculation to consider net profit is established in State statute. Staff has applied the conditions in State statute on three of the funds and the calculations have resulted in a net operating profit and offers the maximum dividend percentage.

Ms. MacKinnon discussed there remains uncertainty in the world and in the business environment. She believes that given consideration of all that the small businesses are experiencing within the state, and the decisions that small businesses have to make, it would behoove AIDEA to review the 25% threshold that is laid out in statute, which is the minimum dividend to consider.

Ms. MacKinnon noted that her experience working with the team at the Department of Revenue is that this Administration has reached out to businesses and individuals across the state and tried to offer relief through changes in regulations, fees, and reduction of collection of other sources of income. Ms. MacKinnon acknowledges it is really tough now for the State and it is tough now for Alaska businesses. She appreciates the Administration helping the state's small businesses by waiving fees. Ms. MacKinnon discussed the delta between the minimum and the maximum dividend contribution from AIDEA is a balance of AIDEA's needs and AIDEA's ability to help solve economic issues into the future. With all of the aforementioned considerations, she expressed support for the 50% dividend to the State of Alaska.

Vice-Chair Karl expressed he was initially against paying the 50% dividend, but through the wisdom of this Board, and particularly Ms. MacKinnon, he became convinced that possibly the 50% dividend was the way to go. Vice-Chair Karl believes the future is going to be tough. He is supportive of the 50% dividend.

Mr. Fogle agreed with previous Board members' comments. He believes it is vastly important that AIDEA partners with the State to show good faith. Mr. Fogle is supportive of the 50% dividend.

Chair Pruhs expressed congratulations to the staff and the fellow Board members on a very exceptional year to be able to declare a dividend. He discussed that the true assets that AIDEA has to facilitate a dividend is approximately \$300 million. Chair Pruhs stated for the record that staff and the Board should be commended for obtaining a greater than 10% rate of return of \$34 million on the performing assets.

Chair Pruhs acknowledged and agreed the economic situation is difficult and unfortunate. The future is hard to predict and hard to manage because of the unknown economic situation in Alaska. Chair Pruhs discussed that because of the low price of oil, Covid-19, and other smaller issues, that there is a distinct possibility that next year will be more stressed than this year. He believes some things will be in AIDEA's control and some things will not be in AIDEA's control. This dividend is representative of 2020.

For the record, Chair Pruhs stated we are in troubled waters and we are trying to navigate the ship as best we can based on the information available to staff, but the challenge is ahead of us. The dividend discussion in 2021 could be pleasant or unpleasant depending on the circumstances. Chair Pruhs is supportive of the 50% dividend, with the caveat of continued future caution. The return on investment of the \$300 million in assets is challenged because of Covid-19 and the price of oil. Chair Pruhs expressed confidence in the staff and the Board to do the best possible for the public and to provide as much information as possible to the public, without violating confidential information.

A roll call was taken, and the motion to approve No. G20-30, with a 50% dividend, passed unanimously.

Chair Pruhs expects a public announcement will be forthcoming regarding this action. He stated for the record, that including the \$17 million, AIDEA has now given over \$439 million in dividends to the State, which is more than the State has invested in AIDEA, other than the special programs. Chair Pruhs noted that since he has been on the Board, AIDEA has given over \$120 million in dividends to the State. He believes AIDEA has conducted good work and that this information should be shared with the public to provide a better understanding of what AIDEA does, why AIDEA does the work, and the benefits achieved from AIDEA's work. Mr. Weitzner agreed.

7D. AK Safe Guarantee Program Update

Mr. Weitzner advised that the Board has been provided with a memorandum update on the performance of the AK SAFE Guarantee Program, which was initiated and established with Board Resolution G20-10 on March 27, 2020, as an emergency measure by AIDEA's Board to support Alaska businesses in surviving and managing the Covid-19 pandemic. Mr. Weitzner highlighted that the program is one of the emergency provisions that AIDEA implemented to begin addressing at the very early stages of the economic impact to the Alaska economy.

The AK SAFE Guarantee Program is a furtherance of AIDEA's statutory mission of advancing economic development and providing additional employment opportunities to the State of Alaska. He reported that through the program, AIDEA was able to support and preserve in excess of 600 jobs and provide surety for loans in excess of \$7 million for Alaska's businesses during this crisis.

Mr. Weitzner requested Geoffrey Johns, AIDEA Investment Officer, provide a brief summary of the status of the program. Mr. Johns discussed AK SAFE was one of a suite of programs that AIDEA established to secure jobs and businesses within the state of Alaska as result of Governor Dunleavy's Covid-19 Emergency Declaration. AK SAFE is a unique program where AIDEA is providing a loan guarantee on a second advance for a preexisting loan with financial institutions and their business clients or Alaska-based businesses throughout the state of Alaska. The program is at the discretion of the financial institutions to whom they extend this guarantee and ultimately apply to AIDEA for the application, as it is an advance and additional debt load that businesses need to be able to service.

Mr. Johns explained that approximately 200 inquiries for the program have been received. AIDEA has provided AK SAFE guarantees to 26 businesses for a total in excess of \$7 million of guarantees. Mr. Johns informed that he is finalizing two additional AK SAFE applications this week. He reiterated the guarantee applications were only brought to AIDEA upon the strength of the borrowers as evidenced by the financial institutions.

Mr. Weitzner expressed appreciation for the participation and the support received in this program from the Alaska Housing Finance Corporation, First Bank, Northrim, and First National Bank of Alaska.

Vice-Chair Karl asked if Mr. Weitzner is aware if Sheldon Air Service, the aviation business that commented earlier today, knows about this program. Mr. Weitzner is not aware. The deadline for the existing program, as defined by the Board, is December 15th. The deadline timing is aligned with the statewide Emergency Declaration by the Governor. Chair Pruhs inquired as to a possible extension to the deadline date. Commissioner Anderson does not know the status of an extension to the Governor's orders.

Chair Pruhs requested AIDEA staff contact Ms. Lee and offer this program and all of the programs available that may benefit her organization. Vice-Chair Karl expressed support. Ms. Sande asked if there was funding available if other applicants proceeded before the deadline. Mr. Weitzner agreed.

7E. AK Cares Program Update

Mr. Weitzner discussed the AK CARES Program was authorized by the Board through Resolution G20-18 and is in alignment with the Governor's Emergency Order of April 8, 2020. This program works at the direction of Department of Commerce. The memorandum provided to members will be available on the website and outlines the current status of the program. Mr. Weitzner explained the program initiated regulations for an emergency loan program and was ultimately converted into a grant program. This was based upon the availability and allocation of CARES Act funding which was provided by the State through Governor Dunleavy's allocation and subsequent approval by the legislative Budget and Audit Committee.

Mr. Weitzner discussed the opening of the program was June 1st. The original allocation was \$150 million and ultimately increased to \$280 million for the underlying AK CARES Program. The program was structured to address the business relief necessary for Alaska's seasonal businesses that were not obtaining that same relief initially from the federal programs. It was

defined to provide amounts between \$5,000 and \$100,000, based upon a broad range of eligible expenses. The AK CARES Program changed over time to work with federal programs to provide additional relief to Alaska's businesses.

Mr. Weitzner described the development of the program. AIDEA created an online application submittal portal in August. As of December 2, 2020, a total of \$274.2 million has been dispersed to grant recipients consisting of 5,580 small Alaska businesses. During the creation of the program, it was established that at minimum, up to 20% would be dedicated to rural communities. As of December 2, 2020, \$106.1 million, or approximately 39%, of the total was allocated to rural communities consisting of 2,208 applicants of the total.

Chair Pruhs noted for the record that he is surprised that tourism is not listed as an industry type. He commented that the Kenai Peninsula Borough had the largest number of loans at 1,451 for the commercial fishing industry type. Mr. Weitzner explained the industry types are components of the different sectors of tourism. Commissioner Anderson explained the industry types included in tourism are specified by the NAIC codes, and include accommodations, food service, hospitality, retail, and others. Commissioner Anderson praised the Kenai Peninsula for their effective and focused effort to ensure help was provided to businesses. Mr. Weitzner agreed that Tim Dillon, Executive Director of Kenai Peninsula Borough, has done an excellent job.

Mr. Weitzner provided an overview of the key partnership involvement with Credit Union 1, Juneau Economic Development Council (JEDC), and DCCED. During this last stage of the program, AIDEA has engaged BDO as an auditor to review the project compliance of the program operators. Additionally, AIDEA has engaged the Yukon Accounting and Consulting to review the program compliance of randomly-selected parties under the grant agreement. Both of the audit reports should be concluded by the end of the year.

Ms. MacKinnon stated for the record that she has a potential conflict of interest that she disclosed previously due to her husband's family and small business that applied for a grant through this program. Ms. MacKinnon advised that she filed the appropriate documents to her ethics supervisor and notified the Administration.

Mr. Weitzner recognized AIDEA Board and staff have received approximately \$400,000 through the AK CARES Program with individual grant applications. The Department of Law has reviewed the question of AK CARES grant applications from public employees, Board and Commission members and their families. The Department of Law considered the Ethics Act's prohibition on influencing State grants, contracts, leases or loans and has determined that potential concerns under the provision are outweighed by the fact that this disaster aid is available to all Alaskan small businesses that have been negatively impacted by the pandemic. A public officer's personal or financial interest in the matter does not violate the Ethics Act if that interest is one possessed by the public at-large for a larger class of persons. According to Alaska Statute 39.52.110 (b), if eligibility criteria is met, all affected State employees, Board and Commission members and their families are allowed to apply for an AK CARES grant in the same manner as any other member of the public. Neither public servants, nor their families should be restricted from applying for this disaster relief simply because they choose to serve the State, either as employees or Board members. None of the AIDEA applicants participated in any way on the review or approval of their applications.

Mr. Weitzner informed that Alyssa Wilson, AIDEA, has been principally involved in the discussions directly with grant applicants. Mr. Weitzner requested Ms. Wilson provide feedback on the reception of the program by the grant applicants. Ms. Wilson provided anecdotal examples of how the program has helped save Alaska businesses. Chair Pruhs thanked Ms. Wilson for following up with Alaskan businesses.

Commissioner Anderson reported that the staff within Department of Commerce and staff of the program operators have also received many comments of appreciation for the AK CARES Program. She thanked AIDEA and the Board for their patience in working through the intricacies of this program development that is truly making a difference for impacted Alaskan businesses. Commissioner Anderson acknowledged the program is coming to a close and unfortunately, there are still businesses that need help. She indicated that communication would occur with any applicant that will not be receiving this funding and information will be given to them regarding other avenues of assistance available to Alaskans. Commissioner Anderson agreed this crisis is not over and will continue to provide whatever help is possible.

7F. AIDEA Board Meeting Schedule for 2021

Chair Pruhs informed that the AIDEA Board Meeting Schedule for 2021 is included in the packet. He asked for comments and considerations. Ms. MacKinnon requested to schedule a meeting in February for strategic planning. Chair Pruhs indicated he is out of town on January 6th, 2021. It was determined that the meeting schedule will be returned to staff and the Board will be polled to determine best meeting dates for January and February. The remainder of the schedule was approved by the Board and the revised schedule, including updated January and February dates, will be posted publically as soon as available.

8. DIRECTORS COMMENTS

All reports are included in Board packets.

8A. Update on Policy concerning Authorizations and Delegations - No questions.

8B. Organizational Chart Quarterly Update - No questions.

8C. Resolution No. G19-21 Report - No questions.

8D. Resolution G-11-19 Report, Finance Dashboard and Commercial Loan Reports - No questions.

8E. Infrastructure Development (IFD)/Project Finance & Asset Management (PFAM) Updated Project Matrices

Ms. MacKinnon commented that she has been following Bokan Mountain Alaska and Ucore's efforts. She noted recent press releases and inquired as to AIDEA's contact and knowledge of development. Mr. Weitzner informed that staff has been in ongoing contact with the management group of Bokan and Ucore. There is a current proposal under review.

8F. Interior Energy Project Quarterly Report to the Legislature - No questions.

9. BOARD COMMENTS

Vice-Chair Karl expressed appreciation to the staff and Executive Directors of AIDEA and AEA, especially during these difficult times. He informed that he is working in an unpaid position on a gasline in the state that has nothing to do with the Alaska Gasline Development Authority or the State of Alaska. Vice-Chair Karl noted that he is a strong advocate for this gasline and believes there is a real opportunity for the state. He explained that initially he was against this gasline, but has since traveled to China and understands how the gas is needed in the Pacific Rim. Vice-Chair Karl emphasized that he is not enriched by this gasline in any way. He noted for the record that AIDEA is not involved in the gasline and the State of Alaska is not involved in the gasline.

Ms. Sande expressed appreciation for the updates today. She noted that AIDEA's decisions this year makes her incredibly proud to serve on the Board. She highlighted that in partnership with DCCED and JEDC, AIDEA has provided critical relief to more than 5,000 Alaskan businesses, of which 2,200 were in rural areas. The approval of the full 50% dividend was made possible through the hard work of AIDEA's staff and good leadership team. Ms. Sande is also appreciative of the AK SAFE Guarantee Program, which has preserved more than 600 Alaskan jobs. Ms. Sande expressed concern regarding the number of vacant positions AIDEA currently has reflected on the organizational chart. She encouraged increased work and communication between the Division of Personnel and AIDEA staff, as the delivery of programs is critical to AIDEA's mission and cannot be completed without the staff.

Commissioner Anderson expressed appreciation to the staff and Board members for their efforts and commitment. She noted her concern regarding the organizational chart and the ability to fill the vacant positions rapidly. Commissioner Anderson commented she will do everything she can in her power to move this process through as quickly as possible.

Chair Pruhs thanked staff for the good information presented. He expressed appreciation to Board members for their time, patience, and due diligence. Char Pruhs is proud of the accomplishments thus far, and encouraged the continued help to the community where statutorily possible.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:59 pm.



Alan Weitzner, AIDEA Executive Director
Secretary