

Alaska Industrial Development and Export Authority  
BOARD MEETING MINUTES  
Wednesday, June 29, 2022  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on June 29, 2022, at 8:31 am. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Julie Sande (Commissioner, DCCED); Deven Mitchell (DOR); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

**3. AGENDA APPROVAL**

**MOTION: A motion was made by Vice-Chair Kendig to approve the agenda, as presented. Motion seconded by Mr. Vivlamore.**

**The motion to approve the agenda passed without objection.**

**4. PRIOR MINUTES – May 25, 2022**

**MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of May 25, 2022, as presented. Motion seconded by Mr. Vivlamore.**

**The motion to approve the Minutes of May 25, 2022, as presented passed without objection.**

**5. PUBLIC COMMENTS (*2 minutes per person, for one hour*)**

Chair Pruhs informed that comments are limited to two minutes per person. He asked participants to please state their name, and affiliation, if any.

Alan Weitzner, Executive Director, advised of the technical difficulty in connecting to a person online who wished to make a public comment.

Raymie Hamann, AIDEA Executive Assistant, explained the directions for the members of the public online who wished to make a public comment. There were no responses from members of the public online and no responses from members of the public in-person. There being no public comments, Chair Pruhs closed public comments. He requested that Ms. Hamann inform him if the person who was originally online reconnects and wishes to make a public comment.

**6. NEW BUSINESS**

**6A. Resolution No. G22-07 Hex Cook Inlet LLC**

Mr. Weitzner informed that Resolution G22-07 approves amendments to the loan agreement with HEX Cook Inlet, LLC and co-borrowers. Attached to the resolution and linked to the public agenda is a copy of the resolution, a Memorandum from staff explaining the modifications of the loan agreement and reasons for support, and a HEX Cook Inlet presentation. Mr. Weitzner advised that John Hendrix, HEX Cook Inlet, and two members of his management team are in attendance to review the presentation and to answer Board questions.

Mr. Weitzner discussed that the Board approved a resolution in 2020 that established a \$7.5 million loan to facilitate HEX Cook Inlet's acquisition of Furie Operating and other entities which have leases for the Kitchen Lights Unit (KLU). Mr. Weitzner informed that since that time, Mr. Hendrix and his management team have been operating the KLU and producing natural gas that has benefited Cook Inlet natural gas users, largely within Anchorage and the Kenai Peninsula. The benefits included are within AIDEA's mission of job growth and economic development by retaining upwards of 21 Alaska-trained professional staff. Additional benefits include contributing taxes of approximately \$1.6 million a year to the Kenai Borough and to the State, as well as providing natural gas production and diversity for the broader Cook Inlet Basin area.

Mr. Weitzner invited Mr. Hendrix to review the presentation. Mr. Hendrix expressed appreciation to AIDEA for their courage, the management team, and the Board. He discussed that oil and gas is like the alpha energy economic mover in the State. Mr. Hendrix expressed hope that through HEX's efforts and AIDEA's efforts that Alaskans will see that Alaska does not solely need outside influences to invest in its resources. HEX's primary mission is to show that Alaskans can run oil and gas companies.

Mr. Hendrix reviewed that HEX's corporate structure includes HEX, HEX Cook Inlet, Corsair Oil and Gas, Cornucopia Oil and Gas, and Furie Operating Alaska. HEX sells to every utility in Alaska's Southcentral region. Mr. Hendrix informed that according to Enstar's information, HEX's price was .50 cents per Mcf lower than the newcomer out of North Fork. He showed a map of the KLU 83,000 acreage position and discussed the additional lease sales this year.

Mr. Hendrix continued to highlight the benefits from HEX's Alaska based local ownership, management, and senior management team. The companies saved from bankruptcy contribute to the Alaskan economy and to the Alaskan people. The earnings stay in Alaska and are reinvested in the State. HEX supports local nonprofits and schools in the areas of Homer, Nikiski, and Kenai. The State also benefits from 12.5% royalties, 20 mills property tax, and 12.5% of overrides, in which the State of Alaska has awarded to others. Mr. Hendrix noted the challenges of 25% taken directly to manage the business.

Mr. Weitzner explained that the operation was in bankruptcy before Mr. Hendrix and his management team acquired it with the actions taken by AIDEA. HEX has made it into an operating entity, which has contributed over \$7.5 million to the State through the royalty payment obligation.

Mr. Hendrix discussed the benefits of the sinking fund for DR&R (dismantlement, removal and restoration) provided to the State. He noted that .10 cents of every molecule of gas from the Beluga Formation goes into the sinking fund and .20 cents of every molecule of gas from the

Sterling Formation goes into the sinking fund, totaling approximately \$850,000 for abandonment. Mr. Hendrix informed that there is an additional set-aside account for further abandonment, if needed. He continued the presentation showing a graphic illustrating the increase of Alaskan full-time employees (FTE) from 2020 at five Alaskans and 17 non-Alaskans until 2022 at 21 Alaskans and three non-Alaskans. Mr. Hendrix commented that this reversal of non-Alaskan employees to Alaskan employees occurred while coming out of bankruptcy and during the COVID-19 pandemic. He noted that the company did not qualify for much of the COVID funds offered for job growth because the company grew from one employee to 20 employees after bankruptcy.

Vice-Chair Kendig asked for an explanation of the difference between firm contracts and non-firm contracts. Mr. Hendrix explained that firm contracts are committed and include penalties. Non-firm contracts avoid penalties. The firm contract has to produce certain amounts of gas at fixed rates. If HEX cannot supply the gas, then HEX has to buy the gas and provide it at the fixed rates. Mr. Hendrix explained that Furie went bankrupt due to the firm contract clause because they tried to produce the Sterling Formation, which is still an unproven source of gas, and cost \$17 million in penalties to reimburse Enstar. Mr. Hendrix discussed that HEX tries to avoid contracts that obligates the company to those kinds of penalties.

Mr. Hendrix summarized the presentation. He noted that Furie is the only company to participate in the 2022 Cook Inlet Lease Sale and was the highest bidder of all Cook Inlet leases in 2021. Furie is securing the boundaries around the platform drillable areas. Mr. Hendrix informed that HEX Cook Inlet acquired other acreage to diversify the portfolio. He reiterated the benefits to Alaska as a diligent and responsible locally owned Cook Inlet operator. Mr. Hendrix discussed that the company is financially healthy. He introduced Kevin Hemmingway, CFO, and Michael Cipriano, Controller. Mr. Hendrix stated that the company is equivalent to a AA-rated company. He reviewed that company's charitable giving and sponsorship within the local community. Mr. Hendrix highlighted that the company provides competition and diversity of gas supply in the Upper Cook Inlet basin. Hilcorp has about 85% of the market and HEX has about 6% of the market. He hopes that share will grow to 10% to ensure more gas to Alaskan homes.

Mr. Hendrix discussed that Alaskans now pay less at their home meters for gas compared to the Lower 48 prices. Alaska does not have to travel through multiple transporters to get the product to the home meters. Alaskans are paying about \$10.50 at the meter and the price spike in the Lower 48 is causing their prices to approach \$20.00. Mr. Hendrix showed a picture of the Julius-R Platform, which is the newest platform in Cook Inlet. He noted that there is also a new shore facility. The plans are to grow the company and to prove up the area resources.

Mr. Hendrix informed that the company would like to utilize AIDEA as a future partner in other opportunities. He discussed the upcoming completion of a nine-month subsurface survey in the Cook Inlet that will reveal the highest rated drillable targets under the KLU and within a three-mile radius. A plan will be developed to drill that area and the company would like to have AIDEA continue to be a partner during that endeavor, as well as additional on-land opportunities. Mr. Hendrix reiterated that the company is doing its best as a responsible oil and gas company for Alaska.

Mr. Eledge asked for the number of available slots on the platform. Mr. Hendrix noted that there

are two more available slots and the existing well bores can be sidetracked. Mr. Eledge asked to return to the slide showing the acreage position and to discuss the overlays for KLU. Mr. Hendrix explained that the KLU is highlighted yellow, and the platform is under the center dot. Furie can drill within three to five miles outside the radius of the platform.

Chair Pruhs asked if HEX has any other loans with AIDEA. Mr. Weitzner explained that HEX only has one loan approved under Resolution G20-07. The original amount of the loan was \$7.5 million and approximately \$5 million has been paid. Mr. Weitzner advised that Mr. Hendrix and his property company have an affiliated loan through the Loan Participation Program for the office building that supports HEX Cook Inlet.

Chair Pruhs asked Mr. Weitzner to state the requested loan amendment for the record. Mr. Weitzner discussed the information highlighted in the memorandum. He explained that the structure of the loan includes a quarterly cash sweep related to the excess cash flow that is generated by HEX Cook Inlet and its underlying subsidiaries. The cash sweep amortization was structured over five years and has brought forward the principal repayment on the loan. The request is an amendment to the existing loan to waive the cash sweep, which will provide the ability of HEX Cook Inlet to accumulate capital for further investment into natural gas production in Cook Inlet. Staff has reviewed the confidential financial information provided by HEX Cook Inlet under the confidentiality statute 44.88.215, and concluded that the existing term-out of the loan is sufficient to meet the requirements of the full payout under the loan. Staff supports the loan amendment to waive the cash sweep.

Mr. Weitzner discussed the secondary point of the amendment to the loan agreement is related to certain tax payments that need to be made by HEX Cook Inlet, LLC under their corporate structure. Mr. Weitzner asked Mr. Hendrix to provide information regarding that request. Mr. Hendrix explained that under the current structure, he cannot take distributions to pay income tax. Mr. Weitzner added that there are other lenders that were involved in the restructuring to remove the entity from bankruptcy and restrictions were placed on distributions. One of the elements that was not included, which should have been included and is a normal undertaking for loan agreements, is to allow for the current corporate tax structure to be accommodated. HEX Cook Inlet is a limited liability company, with John Hendrix as the principal responsible party. The tax becomes his obligation based upon receipts of the underlying companies. The amendment will allow for the company to cover its tax obligations through the principal responsible party.

Mr. Mitchel informed that he had a conversation with Mr. Hemmingway prior to the meeting. Mr. Mitchel believes the project is effective in the aspects of Alaska-hire, state benefits, energy security, and local benefits to the region for employment and taxes. He understands that the current budget includes significant funding for prior tax credits and cashable credits, some of which are attributable to the acquired company, which could free up restrictions from the pre-bankruptcy filings. Mr. Mitchel believes that those credits and the Board's considerations today could be an additional benefit to allow more flexibility in the future.

Mr. Hendrix expressed hope that the budget goes smoothly and that the tax credits are paid. They have been waiting over five years for the tax credits to be paid. He explained that the State has not answered if the audits are complete. Mr. Hendrix gave specific information regarding other

creditors and maintaining a good relationship with AIDEA as the first position. He noted that the payment of the tax credits have been approved by the Governor and if they are not paid immediately, then the State owes HEX 11% interest each day of delay. Mr. Hendrix discussed a previous delay last from the State to other creditors of 45 days that cost him \$3,000 per day. He noted that HEX did not hold the State accountable last year, but will hold the State accountable this year.

Mr. Weitzner explained that AIDEA does not benefit from any payment of oil tax credits by the State to HEX and its underlying subsidiaries. AIDEA's loan is directly related to the underlying subsidiary and is based on current production of natural gas and the sales of that natural gas within the Cook Inlet region. Based on staff's analysis, staff supports the amendment to remove the cash sweep. Staff believes that there are sufficient resources and a payment profile that will be recognized over the remaining term of the debt. Any benefit of the tax payment is an issue related to the terms of the acquisition that were necessary with existing creditors.

Chair Pruhs asked if the HEX loan has been properly paid on time. Mr. Weitzner informed that Mr. Hendrix and his financial team has acted in full performance and compliance under the terms of the AIDEA loans, as well as within the full structure with the co-lenders. He noted that every payment has been provided on-time. Chair expressed appreciation for the information provided. He requested that the Board enter into executive session to discuss confidential information regarding HEX.

Mr. Weitzner informed that the information HEX provides on a quarterly basis is subject to the confidentiality statute 44.88.215 and per the terms of the underlying loan agreement. Any questions regarding the confidential information would need to occur within executive session.

**MOTION: A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss confidential financial information. This is supported by the Open Meetings Act, which allows a board to consider confidential matters in executive session and discussions of these subjects would have an adverse effect upon the finances of AIDEA and are protected by law. Motion seconded by Mr. Vivlamore.**

**The motion to enter into Executive Session was approved without objection.**

**EXECUTIVE SESSION: 9:06 am**

The Board reconvened its regular meeting at 9:38 am. Chair Pruhs advised that the Board did not take any action on the matters discussed while in Executive Session, other than to discuss confidential financial information of HEX.

**MOTION: A motion was made by Mr. Vivlamore to approve Resolution No. G22-07, as presented. Motion seconded by Vice-Chair Kendig.**

Commissioner Sande expressed appreciation for the presentation and the thorough efforts of staff. She highlighted that when the original loan was approved, the Board requested that the company demonstrate Alaskan-based employment. AIDEA recognizes the value that Alaskan-based employment brings to the State and to the communities. She recognized the company for its focus on providing Alaskan-based employment.

**A roll call was taken, and the motion to approve Resolution No. G22-07 passed unanimously.**

**6B. Resolution No. G22-08 Owned Property Maintenance & Civil Site Improvements**

Chair Pruhs requested Mr. Weitzner to discuss Resolution No. G22-08 Owned Property Maintenance & Civil Site Improvements. Mr. Weitzner explained that the resolution approves funding for building maintenance and civil improvements to include a parking lot reconfiguration, repairs, paving, and exterior site improvements. He noted that a memorandum is attached to the resolution. Mr. Weitzner informed that he asked Curtis Thayer, Executive Director of AEA, to join the discussion regarding the building improvements.

Mr. Weitzner summarized the outstanding building improvements and the initial budget estimates for the specific work. The aggregate amount is approximately \$1.16 million. The improvements are to be expensed over the current fiscal year and the next fiscal year. Mr. Weitzner highlighted that there are current appropriations previously approved by the Board, including Resolution G15-15, Resolution G19-03, and Resolution G19-07, that have an aggregate of unexpended related building improvements of approximately \$500,000. Additionally, the full balance allocation of \$275,000 under Resolution G21-26 will be applied to the current proposal. The net position requested today for the civil improvements is for a maximum of up to \$400,000, and is based upon early estimates and budgets. The proposed budget includes a 20% contingency related to the improvements. The higher contingency amount is due to inflation pressures and supply chain issues concerning goods and services. The presented budget may change and may improve. A large component variable is the asphalt for the parking lot improvements. Staff is comfortable with the current budget numbers.

Mr. Weitzner discussed that the previously adopted Resolution G15-15 will demolish the Blues Central adjacent property, which was acquired in 2013, and later found to be unsuitable for expansion. He reviewed that the previously adopted Resolutions G19-03 and G19-07 address work required in the building related to the earthquake in 2018. Those building improvements and reconditioning were undertaken. Insurance payments were also utilized for some of those improvements. The building additions augment the health and safety standards within the building for the staff, including additional awnings, parking lot improvements, lighting improvements, picnic areas, and updated signage. The signage that is currently on the building relates to the initial acquisition in 2001.

Mr. Weitzner reviewed the presentation to the Board. He highlighted AIDEA's mission to promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment. Mr. Weitzner discussed that every loan, equity investment, and bond underwriting by AIDEA is invested solely within the state of Alaska. AIDEA has driven and directed over \$3.5 billion into economic development in Alaska, while providing nearly \$450 million in dividends declared back to the State for use in the General Fund for social services. The investments are either reinvested into Alaska or are provided as dividends to the State.

Mr. Weitzner discussed the graphic identifying AIDEA's eight loan programs operating within Alaska and all of the projects AIDEA has undertaken. He noted that with the Board's support,

the last eight projects have been initiated since 2018, during the time in which the economy has been broadly challenged. Mr. Weitzner reviewed AIDEA's existing facility and four lots. There are currently 83 PCNs. The number of parking spaces is being revised as the Municipality of Anchorage (MOA) code requirements are considered. Mr. Weitzner showed a graphic of the potential expansion of the parking lot in front of the building that is within full current MOA code. The demolition of the Blues Central building allows for an ingress and egress off of Northern Light Boulevard which has no current access.

Mr. Weitzner reviewed the timeline and noted the elements of the work that have been initiated under the \$275,000 budget, including the survey. The plan is to undertake the initial RFPs for the work. A large amount of the work will be undertaken during FY23 and into FY24. Full completion of the work is anticipated by October 2023, upon approval of today's budget. Mr. Weitzner showed a graphic of the monument sign of the current logos for AIDEA and AEA to be placed at the corner of Arctic Boulevard and Northern Light Boulevard. He noted that the United States flag and Alaska flag will be placed in the front of the building as part of the approved landscaping area. Other areas of security around the building will be improved.

Chair Pruhs asked Mr. Thayer if he has any comments. Mr. Thayer indicated that he has no comments. Mr. Weitzner asked Mr. Thayer if he supports the proposal. Mr. Thayer expressed that he absolutely supports the proposal.

Commissioner Sande expressed appreciation for staff's patience regarding State funding and deferred capital projects over the last few years. She fully supports the proposal, especially the improved safety measures for staff. Commissioner Sande requested additional information regarding the main parking area during the transition. She suggested the possibility of utilizing visitor parking for staff parking, if necessary.

Mr. Weitzner recognized the support of Commissioner Sande and the conversations regarding the particular improvements. He indicated the importance of broadly communicating that the key issue is to ensure that there are enough parking spaces to accommodate access to the building by full-time staff and visitors.

Mr. Eledge noted that it is evident that the grounds have deteriorated over time. He asked if staff has identified the cost of compliance with MOA's Title 21. Mr. Weitzner indicated that he is not familiar with Title 21, but can follow-up with information. Mr. Thayer commented that the proposed rendition complies with Title 21 and primary landscaping. The diagram of the updated parking lot and layout reflects the compliance and is incorporated in the cost. Mr. Eledge asked if the expense of the remodel and the demolition was the trigger for Title 21. Mr. Thayer explained that Title 21 is related to City permits and funding limits for major improvements. The property already contains green space, which will be taken into consideration regarding the Title 21 landscaping. Mr. Thayer responded to Commissioner Sande's comments and noted that there were previously 11 visitor parking spaces up front, which have been reduced to four visitor parking spaces. He stated that when large meetings occur in the building a couple of times a month, staff is notified that additional visitor parking spaces are needed for that day.

Mr. Weitzner apologized for not being familiar with Title 21 specifically. He advised that the \$120,000 line item in the budget for landscaping includes the MOA requirements for landscaping

and are shown in the schematic of the future lot, as well as augmentations to the current landscaping. Mr. Thayer informed that the graphic showing the proposed lot changes does identify the Title 21 requirements.

Mr. Mitchel spoke in favor of the improvements. He gave an anecdotal experience of his confusion of navigating to the office building during the wintertime with no access off of Northern Lights. He encouraged staff to continue the process of improvements and he is supportive of this State agency having a nice facility. Mr. Mitchell reminded staff to include lighting for the flags.

**MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G22-08. Motion seconded by Mr. Vivlamore.**

Commissioner Sande thanked Mr. Weitzner, Mr. Thayer, and their teams for their thoughtful responses to Board questions and for their patience. She is looking forward to the improvements.

**A roll call was taken, and the motion to approve Resolution No. G22-08 passed unanimously.**

Chair Pruhs requested a brief at-ease. There was no objection.

The Board reconvened its regular meeting.

## **7. DIRECTORS COMMENTS**

### **7A. Update FNSB MFZ Land Development**

Mr. Weitzner discussed that the FNSB (Fairbanks North Star Borough) MFZ (Military Facility Zone) Land Development focuses on developing land for housing unit construction that would be available for the military in support of their missions within FNSB and a specific partnership with the City of North Pole. Mr. Weitzner requested Angela Kuest, AIDEA, to provide an update of the land reviews. He advised that Ms. Kuest is the Project Manager. Ms. Kuest informed that the project continues to progress with subdivision design work. The boundary and topographic survey were completed. An application with FNSB is targeted for mid-August. The results of the soil samples are favorable, and work is ongoing with the City of North Pole regarding an ordinance to proceed with purchasing the land.

Mr. Weitzner explained that a piece of property has been identified within the City of North Pole in consort with the Mayor of the City of North Pole and the City Council. An initial environmental assessment was conducted and came back clean. Out of an element of caution, additional samples were taken, based upon the PFAS issues within the broad community. Ms. Kuest indicated that she read the report yesterday and those results were favorable as well.

Mr. Weitzner discussed that the structure is for the City of North Pole to purchase the property and then transfer to AIDEA for the development. Other issues related to the development continue to be considered with FNSB about a property tax exemption. This is a critical underlier for the economic feasibility of the proposal. Mr. Weitzner explained that discussions are ongoing with Senator Murkowski and Senator Sullivan regarding the allocated housing allowance



differences between the Fairbanks Military Facility Zone and every other military facility area within Alaska. The delegation has presented the deficiency information to the Department of Defense (DOD). The DOD will conduct additional analysis in July. This element is critical to the economic feasibility of the development. Mr. Weitzner indicated that Morgan Neff, Chief Investment Officer, has been leading the economic side of the analysis. He requested Mr. Neff to provide an update on the preliminary assessment.

Chair Pruhs asked for the number of lots or units that are included in the preliminary subdivision design. Ms. Kuest explained that the target consists of a combination of multiplexes and two apartment buildings, totaling 166 units.

Mr. Neff discussed that the financial review of the project has been extensive, and the market has changed during this time. Interest rates continue to rise, which adds to the costs, and is offset by the recent reduction in lumber prices. Mr. Neff explained that the base allowance for housing (BAH) is critical to the project. If the base allowance does not increase, the economic aspect of the development becomes problematic. Mr. Neff noted that the layout of the development consists of units with one bedroom, two bedrooms, and three bedrooms. The current structure of the base allowance leaves a substantial portion of the military unavailable to rent based on current market conditions and the applications received to-date. The data supports the suggested need to take a myopic approach to adjusting the BAH.

Mr. Weitzner informed that if the BAH within the FNSB military area is increased to at least the average across the state, that is effectively an adjustment of \$200 to \$300 a month. This brings the development into a broad level of economic feasibility. He highlighted the additional benefit of being able to aggregate and preorder lumber and supplies for the contractors to build out the 166 units.

Chair Pruhs asked for more information about the coordination between the developers. Mr. Weitzner explained that as lots get identified for different housing builders, the supplies and inventory can be purchased in aggregate. Mr. Neff stated that the financial model is conservative and adds a 25% contingency value in the analysis. The financial model does not factor in all of the concessions. Chair Pruhs asked for the overall magnitude of the project. Mr. Neff noted that total development costs are between \$50 million to \$65 million, which includes the underlying property. Chair Pruhs asked about the feedback from the local financial institutions. Mr. Neff indicated that the feedback has been positive, and they are looking to support the effort. He noted that active communication is ongoing with all potential capital sources for the project.

Mr. Weitzner commented that staff has been reaching out to the local building community to understand their interests and to facilitate the existing home builders within the market. Mr. Weitzner indicated that Mr. Vivlamore has provided much support and direct involvement. The plan is to provide a presentation on August 3, on the full dynamics and benefits of the proposed investment.

Mr. Vivlamore reiterated the importance of additional housing in the Interior for the military expansion. He noted that this is not an easy project and much work has occurred. The 10-year tax abatement from the Borough is going to assist with the less than average BAH in this area, but it has not produced the numbers that were expected. Approximately 50 units have been requested

through the application phase.

Mr. Weitzner reiterated that the key driver of the project is the expansion of Eielson and providing housing units that benefit the military mission and the Fairbanks area.

Chair Pruhs asked for the update from the federal representatives regarding an increase to the BAH in the Fairbanks area. Mr. Weitzner discussed the two ways that DOD can address the issue. There is an ability to receive an emergency allocation on a short-term basis for one-year or two years. During that time period, the concept is to conduct a further in-depth review that would support a permanent increase in the regulatory formula by December. Currently, other BAH allocations within Alaska are in the top 30 percentile. Fairbanks is below the 50 percentile for the United States and at the bottom of the housing allowance allocation in Alaska, irrespective of the actual cost of housing.

Chair Pruhs inquired as to the reasons, especially since housing in Fairbanks is more expensive than housing in Anchorage. Mr. Neff indicated that the third-party support data that justifies the appropriate increase continues to show for the last several years that Fairbanks remains in the top two most expensive places to live within Alaska. Staff does not understand why there is such a disconnect.

Chair Pruhs requested clarification of the process moving forward. He asked if the BOH increase would need to occur before the development begins. Mr. Weitzner explained that staff has communicated to the delegation that an adjustment to the BOH needs to be identified by DOD before staff can prepare an economic feasibility of the development. The current BOH base rates do not broadly support the investment.

Chair Pruhs asked about the Alaska command's response to the BOH deficiency, given the need for additional housing in the Fairbanks area. Mr. Neff noted that staff's review and analysis revealed that this has been a perpetual issue that has been raised, but not examined thoroughly. He indicated that Alaska command has been very supportive, engaged, and appreciative of staff outlining the issues. The disconnection of Fairbanks from the other military housing areas is not justified. There is no data to support it and there is no command narrative to support it either.

Mr. Weitzner discussed the support of the delegation through weekly meetings and updates. The delegation is engaging with DOD to progress this issue. In order to move forward, staff would have to be convinced that there is reasonable economic feasibility for the investment. Under the regulations, AIDEA is obligated to provide a financial plan that supports the underlying investment. There is a gap at this point on the assumptions of the featured lease rates based on the historical housing allowance specifically for Fairbanks. If the development was slated for Anchorage or Kodiak, for example, there would be no issue. There were no additional questions.

#### **7B. AIDEA FY 2022 Audit Schedule**

Mr. Weitzner informed that the letter linked to the agenda was received from the State Department of Finance regarding the annual obligation of AIDEA's financial statements to include in the State's reported financial statements. The full financial statements are due on October 17. The draft financial statements are due on October 3. The target date for the completion of the financial statements has been identified with the auditors Eide Bailly for

September 30. Staff is working within shared services with AIDEA and AEA, and with Donna Keppers, CFO, to ensure that the timeline is appropriate to achieve the deadlines.

Chair Pruhs asked Mr. Weitzner if he is confident in the timeline. Mr. Weitzner expressed that he believes that the requirements can be met. He noted that this is Eide Bailly's second year as auditor and the final financial statements were late last year. Mr. Weitzner believes that was due to it being Eide Bailly's first year in the process of understanding the different underlying programs and projects. He indicated that Eide Bailly has already begun to work with staff to meet the requirements. Mr. Weitzner will continue to update the Board on the progressions.

Mr. Mitchel asked if AIDEA has a statutory deadline for providing the financial statements. Mr. Weitzner advised that AIDEA does not have a separate statutory obligation by any certain date to report its financial statements. AIDEA does have an obligation to provide a copy of the financial statements to the Legislature by January 10. Mr. Mitchel indicated that he works with another public corporation that has deadline of October 1, and they do not always meet their deadline. There were no other questions or comments.

#### **7C. Loan Dashboard Report**

Mr. Weitzner reviewed the monthly Loan Dashboard Report linked to the agenda. He highlighted that delinquencies for the program are extremely low. This is due to the management of the Commercial Loan Department headed by Tiffany Janssen and oversight from Mr. Neff. Mr. Weitzner directed attention to page 13 of 13, listing the delinquency percentage. The 1.1% delinquent balance is related to loans in the program with Key Bank. The delinquent status of the loans not being paid on time has been previously identified. Key Bank does not have a loan servicing department in Alaska for these Alaska loans. The loans are complicated and are serviced out of a general servicing group on the East Coast. The delinquencies are not necessarily an issue with the borrower, but rather an issue with the loan servicer. He gave the example that the borrower may make a late payment of over 30 days to Key Bank, and Key Bank's servicing department may not register the payment to AIDEA until over 60 days. Mr. Weitzner informed that staff has informed Key Bank that the issue has continued for over 90 days and if improvement does not occur, then a request will be presented for Key Bank to purchase the full loans from AIDEA and remove them from the portfolio.

Chair Pruhs asked if this issue has been discussed with Alaska's senior staff at Key Bank. Mr. Weitzner indicated that the conversations were not helpful. The loans were delegated to Key Bank's service department outside of Alaska, and Alaska's Key Bank representatives directed staff to communicate with the service department. Staff addressed a letter to Key Bank regarding the particular loans and staff is hopeful that the process will change.

#### **7D. Development Project Financing Report**

Mr. Weitzner discussed the Development Project Financing Report linked to the agenda identifies the principal projects AIDEA has undertaken through the fact sheets. Changes to each project are identified by the date of the fact sheet.

Mr. Eledge commented that he found the fact sheets very informative. He believes the format is a great addition to the information. Mr. Eledge expressed appreciation to staff.

### **7E. Predevelopment Projects Quarterly Report**

Mr. Weitzner explained that the linked Predevelopment Projects Quarterly Report is a follow-up on the report previously requested by the Board regarding the underlying predevelopment activity, principally the Ambler Access Project and the West Susitna Access Project. Several levels of funding have been identified and approved by the Board through resolutions. G19-21 was Phase I of the West Susitna Access Project and had funding of \$50,000 allocated by the Board and other parties for preliminary field work activities. G20-20 provided for an additional budgeted amount of \$162,000. G21-28 allocated \$8.5 million from the Legislature to support the permitting and application to the Corps for a 404 permit on the identified road route. To-date, \$1.4 million has been expended in pursuit of the permitting and predevelopment work on the West Susitna Access Project.

Mr. Weitzner informed that the allocations for the Ambler Access Project for the budgeted predevelopment and final feasibility work in partnership with Ambler Metals, Doyon land access, NANA land access, the State, and the federal government under the Programmatic Agreement and the Joint Record of Decision, have been in excess of \$48 million of the total allocation of \$70 million. AIDEA's portion was \$35 million and AIDEA's allocation to-date is \$19.4 million.

Chair Pruhs asked if the repercussions from inflation are impacting the predevelopment work. Mr. Weitzner explained that the predevelopment work is mostly related to field studies, final feasibility, design work, and professional services. A large component is logistics, including fuel for helicopters and other transportation of the crews. Mr. Weitzner agreed there have been inflationary impacts. He noted that the impacts have remained within the initial budgeting. Mr. Weitzner indicated that there likely will be adjustments of the preliminary discussions regarding the total capital cost for the road development as the full design of the road is approached. This is due to current costs and future expectations of iron costs for bridge work and culverts, and transportation issue related to full construction. There were no additional questions.

### **7F. Investment Measurement Service Quarterly Review**

Mr. Weitzner noted that the quarterly Investment Measurement Review is available. Chair Pruhs asked if the portfolio is insulated from the stock market. Mr. Weitzner noted that one of the roles and responsibilities of Mr. Neff is to engage with AIDEA's external advisor Callan, as well as with the underlying external money managers. Mr. Weitzner requested that Mr. Neff provide a brief assessment of the current status. Mr. Neff discussed that AIDEA's investments are not completely insulated from the events in the interest rate market. He noted that the losses in the equity market have been greater than those within the investment grade market, which is the primary allocation of the portfolio. Mr. Neff reminded the Board that Callan will present to the Board at the August 3 meeting and will provide an update on the requested search. He encouraged Board members to communicate questions and concerns at that time. Mr. Neff expressed that he is pleased with the portfolio's performance during this market period.

Chair Pruhs asked when AIDEA's fiscal year ends. Mr. Weitzner informed that AIDEA's fiscal year ends on June 30. This is the same as the State's fiscal year-end. Chair Pruhs asked for the investment performance over the year. Mr. Weitzner explained that the income statement reflects

capital adjustments to the value of long positions as unrealized gains. If the security is sold for a loss or a profit, that is reflected on the income statement as a realized gain or loss. The impact on the portfolio from the adjustments made by the money managers are largely unrealized gains or losses. Mr. Weitzner noted that the Board and staff have been discussing the Investment Policy over the last nine months. The agreed upon position was to maintain the conservative Investment Policy primarily with an investment grade rating and yield, and to manage the capital to be available for the projects within Alaska. AIDEA does not take its mission or statutes to be principally money managers for gains of external investments outside of Alaska. The capital has primarily been identified for specific projects and available for future projects that are needed for the state of Alaska. The investments primarily include long-term securities from U.S. Treasuries and investment-grade level corporate bonds. With the interest rate increases, as has broadly occurred, the effects have impacted the portfolio. The inflationary pressures on the investments have been less than the pressures and impacts on equity investments and higher risk securities.

Chair Pruhs commented that there are big swings based on the market and the changes made by the Legislature a few years ago. Mr. Weitzner discussed that the Legislature changed the dividend statute in 2018, in order to recognize the fact that these types of swings do not impact the dividend because the dividend is on a cash basis of the Revolving Fund, SETS Fund, and the Arctic Infrastructure Development Fund. The current impacts of unrealized gains or losses is excluded from the measurement of the dividend amount paid. There are some years with large unrealized losses from interest rate changes and other years with large realized gains.

**7G. Next regularly scheduled AIDEA Board Meeting Wednesday, August 3, 2022**

**MOTION: A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss ongoing litigation, which is attorney-client privileged information and confidential. This is supported by the Open Meetings Act, which allows a board to consider attorney-client privilege information and confidential matters in executive session. The discussion of these subjects would have an adverse effect upon the finances of AIDEA and are protected by law. Motion seconded by Mr. Vivlamore.**

**The motion to enter into executive session was approved without objection.**

**8. EXECUTIVE SESSION: 10:56 am Ongoing litigation related to the Ambler Access Project protected by the attorney/client privilege**

The Board reconvened its regular meeting at 12:53 pm. Chair Pruhs advised that the Board did not take any actions on the matters discussed while in executive session, other than to discuss ongoing litigation with Counsel.

**9. BOARD COMMENTS**

Commissioner Sande expressed appreciation to staff and the Board for today's discussions. She extended her comments regarding the FNSB and North Pole project and thanked staff for their efforts and persistence to assist Alaskans. Commissioner Sande believes the project is a perfect example of the ways in which AIDEA can work on behalf of the state in a more flexible fashion than other State agencies. She reiterated the discussion regarding the public good of the project and the housing challenges of communities.

Vice-Chair Kendig commented on the good meeting. He expressed appreciation to staff for their helpful and detailed reports.

Chair Pruhs thanked the Board for today's meeting. He expressed appreciation to staff for the information provided. Chair Pruhs stated that he was in Fairbanks yesterday and it was smokey with the 41 fires burning. He noted that the forecast for the next week does not include rain relief. Chair Pruhs asked Mr. Weitzner about his experience yesterday related to the fires. Mr. Weitzner noted that he and staff were in Kotzebue at the invitation of NANA and the Subsistence Advisory Committee related to the Ambler Access Project. One of the days in Kotzebue was scheduled for the Subsistence Advisory Committee to tour the Red Dog Mine, the road, and port operations, as a good example of considerations for the Ambler Access Project development, including subsistence management. Unfortunately, the Committee did not get the opportunity to fly out to the mine. The day was focused on workforce development issues around the project.

Chair Pruhs thanked Ms. Hamann and staff for their assistance with today's meeting. He looks forward to the August meeting.

#### **10. WORK SESSION: Board Training on Roles and Responsibilities**

Chair Pruhs noted that the Board training on roles and responsibilities work session will be conducted by a Department of Law representative. He invited her to introduce herself for the record. Wendy Horton informed that she is an attorney with Department of Law. She expressed appreciation to the Board for allowing her to present this information and encouragement to members as they continue serving on the Board. She hopes that today's brief and high-level overview discussion will lead to new questions and additional training going forward for Board members. Ms. Horton noted that any additional training or particular areas of training can be organized and coordinated with Mr. Weitzner. She requested members to ask questions during the presentation.

Ms. Horton thanked members for their service on the Board and the important position they hold for the State of Alaska, for the people of Alaska, for the economic development throughout the state, and for the due diligence in learning how to govern AIDEA. She expressed her approach with client discussions are focused on the common end goals. The key goals with respect to Board governance and serving as a Board member relate to the legal governance aspect of the organization and the cohesive dynamic of the internal teamwork of the Board members and executive level staff members.

Ms. Horton informed that she provided information to Board members, including statutory basis and some of the specific nuances that apply directly to AIDEA, and not necessarily to other State corporations. She reiterated that AIDEA is exempt from the Administrative Procedures Act in many situations. AIDEA is subject to the Open Meetings Act. Board members, especially the Chair, should be cognizant of following those requirements. Another key component to remember while serving as Board members is to be aware of potential liabilities that could arise. The main goal as a member of the Board is to advance AIDEA's mission and AIDEA's statutory purpose and not for personal investment purposes or personal advancements. The goal is strictly focused on furthering AIDEA's mission and purpose to promote Alaska's industry, and undertaking projects and programs that will aid in employment opportunities for the people of

the state of Alaska.

Ms. Horton believes it is important to emphasize that some of the government corporations are pseudo-public, pseudo-private, pseudo-nonprofit, and a conglomerate of different entity structures, and it is necessary to ensure that actions are in line with the mission and purpose and that there are clear policies in place so that the Board can oversee the high-level and macro management process. She noted that this is not micro-management of the day-to-day operations or staff operations of the corporation. Ms. Horton believes the macro management process can be established by setting clear policies and procedures regarding the operations of Board meetings. She commented that her observations are that the Board does a good job of following the established procedures and in maintaining the current policies.

Ms. Horton commented on the importance of periodic review of policies and procedures for due diligence purposes and to ensure that the policies and procedures are still serving the whole organization well. She reminded members that from a legal standpoint, serving as a member of the Board does not give any one member any heightened authority over any other member. A title such as the Chair does not have more weight than any other member. She believes this is important to remember internally and externally. No individual Board member is the representative of AIDEA.

Ms. Horton discussed that the Board acts collectively as a team. She reiterated the importance of members actively participating as a team player in the team environment by attending, preparing for the meeting, and respectfully communicating opinions on the record. This will help create a consistent legal record regarding Board governance and Board meetings that there is active participation and the Board is appropriately managing the entity with time and effort.

Ms. Horton reviewed team-building tips regarding Board interactions and interactions with executive staff:

- Listen to fellow Board members.
- Attempt to not abstain from voting, as long as there is no conflict of interest.
- Tell fellow Board members openly when you agree or disagree with them.
- Do not let disagreements on one issue carry over to the next issue.
- Accept the fact that there will be split votes on the Board.
- If you are on the minority side, then accept and support the majority decision, internally and externally to the public.
- If on the majority side, then give respect to the minority issues.
- Leave disagreements in the Board room; when the meeting is over, the debating is over.
- There is no way to know everything about the complex job governing AIDEA. This is a learning process for everybody and new challenges are faced every day.

Chair Pruhs commented that when a subject matter is put forth as a vote and there is a disagreement, typically people pick and choose the information provided by staff to support their decision. He asked for ways on how the folks who provided the information are not seen in a negative way. Ms. Horton believes this is a key communication issue for an effective Board. Chain of command, the communication flow, and the communication structure and system need to be set and established by Board direction and need to go hand-in-hand with the operations of the entity. Ms. Horton noted that it is important to remember in a business setting that it is easy to let personal emotions come into play when the person is close to the issue or has worked very hard on the matter. These emotions have the potential to drive the person in a direction that is not the best course of action for the entity. She suggested taking a step back and remembering that business can feel personal, but it is not personal. Effective communication is necessary of the shared overall end goal and mission of the Board, executive staff, and staff of moving AIDEA forward with successful economic development for Alaska.

Ms. Horton believes that chain of command helps with communication processes. She gave the example of ways that potentially negative news is delivered by whom and to whom. These are the internal conversations that the Board needs to have with the Executive Director regarding how to best communicate the ideas and current challenges.

Ms. Horton listed ways that people are not good Board members and are not good team players:

- Talk too much and listen too little.
- Act as if you have answers for all the issues.
- Refuse to change your mind on any issue, no matter the evidence or new information presented.
- Refuse to compromise.
- Ignore advice and constructive criticism from fellow Board members.
- Leak information from a closed Board session.
- Publicly criticize Board decisions.
- Publicly criticize the work of AIDEA, staff, or the economic development efforts AIDEA is undertaking, even if it is an investment the member does not personally agree with.

Ms. Horton discussed roles and responsibilities. The Chair is not the king, and gets one vote like everybody else. She reiterated the importance of having a cohesive way to communicate between the Board and staff. If multiple Board members communicated with multiple staff members regarding requests, reports, and questions, this can cause a chaotic organization with misdirection. A cohesive communication strategy is necessary so that the Board knows the channels to follow. The Board is the governing body and the Executive Director is the CEO who is going to handle hiring, firing, putting out fires, and day-to-day operations of the business. The Executive Director is the person to defer to regarding how to best communicate issues, problems,



and successes. Ms. Horton noted that there are different methods of communicating depending on the nature of the news; good news, bad news, or no news. She believes it would be beneficial for the Board to spend time discussing with Mr. Weitzner and the executive team on clear communication channels and methods. The discussion would include who will communicate with whom, and by what method of communication, including phone, email, MS Teams, or during scheduled meetings. The parameters created can be flexible when changes need to be made, and will ultimately provide an organized plan for clear communication systems. This will also ensure that the Board's messages can clearly be communicated to the right people and disseminated from there, as appropriate.

Mr. Mitchel asked if the normal communication flow is that Board members communicate to the Board Chair and then the Board Chair communicates to the Executive Director. Ms. Horton agreed and noted that there will be committees and other circumstances where the communication innerworkings are a little bit different than that normal communication flow from Board members to the Board Chair to the Executive Director. There are some differences that arise that are based on the operations of each organization. Ms. Horton gave the example that it would make sense that AIDEA's Chair would have direct communication with the Chief Investment Officer and that the high-level executives would provide the reports within their area of expertise. The problem arises when multiple Board members reach out to multiple executive level officers or to multiple staff members, and it is no longer clear what the priorities are, who gets precedent, or to whom that person answers.

Ms. Horton noted the value of providing staff with a clear line of communication of the entity and the structure of whom to talk to if there is an issue. Ms. Horton discussed the importance of Board members fulfilling the role of a hands-off manager. The Board is not supposed to be active in the day-to-day operations or job complaints. This could potentially become a liability situation for the Board.

Mr. Weitzner highlighted that AIDEA's communication has broadly followed Ms. Horton's suggestions. He believes the communication has broken down in some circumstances and it is worth reinforcing the method of organizing the information to executive staff, who then passes it along to staff. This will avoid confusing directions or unnecessary duplication of work. Ms. Horton believes these issues are reflective of staff frustrations at any organization. She reiterated that the Board's governance and high-level oversight of the organization should optimize the organization's function. The Board is the sounding board for the Executive Director and the Board can also help with higher-level external roadblocks that may emerge. Ms. Horton commented that this contributes to the internal organization of the entity operating seamlessly.

Ms. Horton believes that Mr. Weitzner's role as Executive Director is well-established. She commented that the role of Executive Director in some regards is an employee/employer relationship with the Board, as well as a full team player role with a seat at the table. The Executive Director not only provides information within the reports, but will have additional day-to-day information that is pertinent to the conversations and to the decisions that Board will make. It is important that an open mind is kept in the relationship between the Executive Director and the Board.

Ms. Horton discussed that although technically the Board approves the budget, staffing, and

hiring, this is an area that the Board should be hands-off. In practice, the Board has one employee to govern and to answer to the Board directly, and that is the Executive Director. She believes it will be helpful with communication if Board members keep this concept in mind during any interaction with staff. It is the Executive Director's responsibility to appropriately manage the staff.

Ms. Horton listed descriptive words of an ideal Board Chair:

- Planner, helping to plan meetings and agenda.
- Facilitator, facilitating conversations and active participation.
- Delegator, delegating authority based on people strengths, appointing committee members, or asking people to serve on committees, and delegation of the Executive Director levels if assistance is needed.
- Liaison, internal between the Board and the Executive Director, and external with community affairs.
- Team building, ensuring that relationships stay intact and bringing issues to the attention of the Board or the attention of the Executive Director.

Ms. Horton reiterated the importance of being cognizant that everyone shares the same goals of advancing AIDEA's purpose. This will facilitate the fulfillment everyone's roles and working together nicely. She discussed that in Alaska, there is limited personal liability for serving on boards in a fiduciary capacity. AIDEA has investments that place the Board members in a fiduciary role. Alaska has robust protection and laws to step in and indemnify Board members. Ms. Horton explained that the Board has a duty of loyalty and a duty of care to the organization, to the State of Alaska, and to the people of the state of Alaska who are set to benefit from AIDEA's economic development. The duty of loyalty includes abstaining from conflicts of interest. The duty of care refers to due diligence of being informed and reviewing information and reports from staff. If a member is not actively performing their job, it could move them into the realm of negligence. If a member does not believe they can perform the job, then they should resign.

Ms. Horton noted that at a later point, she would like the opportunity to discuss additional training subjects specifically to items such as the Open Meetings Act, ethics, and professional communication. She believes the additional training would be beneficial. Ms. Horton concluded her presentation.

Mr. Eledge expressed appreciation to Ms. Horton for the information and commented that it would have been timely for him to have the information when he first became a Board member. He suggested to Mr. Weitzner that the information is included in new Board member packages going forward. Mr. Eledge believes the information is appropriate for any board member in the state.

Ms. Horton noted that if the Board is interested, she is willing to facilitate creating an easy-to-use

form that can be utilized in the future.

Mr. Weitzner agreed that Mr. Eledge raised a valid point that AIDEA should prepare an information packet for Board members. He noted that the suggestion will be implemented.

Vice-Chair Kendig requested that future work sessions include the subjects of communicating with the public and communicating with the press. He commented that when he first came on the Board, it was during hectic times with a new Administration. Vice-Chair Kendig requested to receive another copy of the Board policies for AIDEA and AEA.

Chair Pruhs expressed appreciation to Ms. Horton for the information. He suggested that the next work session occur within the next quarter and focus on Open Meetings. He recommended creating a list of subjects for the continuing education sessions to occur every six months. Chair Pruhs noted that sessions lasting about an hour seem to work well.

Commissioner Sande expressed appreciation to Ms. Horton for the information.

#### 11. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:38 pm.



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Alan Weitzner, AIDEA Executive Director  
Secretary