

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

**RESOLUTION NO. G24-02**

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AUTHORIZING LOANS TO THE ALASKA ENERGY AUTHORITY RELATED TO WORKING CAPITAL FOR PROJECTS, AUTHORIZING AGREEMENTS RELATED TO PERSONNEL SERVICES, REPEALING RESOLUTION NO. G12-04, AND PROVIDING FOR RELATED MATTERS**

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**WHEREAS**, Resolution No. G01-09 authorizes the Alaska Industrial Development and Export Authority (“AIDEA”) to make loans to the Alaska Energy Authority (“AEA”) relating to power projects owned, operated, or maintained by AEA or relating to a power project or bulk fuel facility to which AEA participates in development or construction, subject to certain restrictions including that the unpaid balance of loans at any time may not exceed, in the aggregate, \$2,500,000;

**WHEREAS**, Resolution No. G01-09 also authorizes AIDEA to enter into appropriate financial arrangements with AEA for AEA to pay AIDEA for personnel services, overhead expenses, administrative support, and other related services AIDEA provides to AEA, and provides for related matters;

**WHEREAS**, the number and size of AEA’s grant, energy development, and energy conservation programs, and AEA’s statutory authorities and responsibilities have expanded since adoption of Resolution No. G01-09;

**WHEREAS**, Resolution No. G12-04 authorizes AIDEA to make loans to AEA not to exceed, in the aggregate, \$7,500,000;

**WHEREAS**, the AEA programs, statutory authorities and responsibilities has

increased the scope of the types of projects and the amounts for which AEA has working capital needs;

**WHEREAS**, AIDEA has the authority to make loans, and AEA has the authority to accept loans, to finance AEA's working capital needs related to projects;

**WHEREAS**, AEA continues to need, and AIDEA continues to provide to AEA, personnel services, overhead, administrative support, and other related services, which require the continuation of appropriate financial arrangements between AEA and AIDEA; and

**WHEREAS**, it is appropriate and necessary or desirable to repeal and replace Resolution No. G12-04 with this Resolution No. G24-02 to commence the application and charging of interest on the outstanding balance of the loans.

**NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:**

**Section 1.** The Executive Director and any employee of AIDEA designated by the Executive Director are authorized to use money in the revolving fund account (AS 44.88.060) to make loans from time to time to AEA for the purpose of paying working capital needs of AEA relating to projects, subject to the limitations established in Section 2 of this Resolution. The Executive Director or designated employee may make a loan as described in this Section if the Executive Director or designated employee is satisfied that the expenditure or expenditures for which the loan is to be made will eventually be reimbursed.

**Section 2.** The unpaid balance of loans described in Section 1 of this Resolution shall not at any time exceed, in the aggregate, \$7,500,000. A loan described in Section

1 of this Resolution shall bear interest at an initial annual percentage rate of 5.25% commencing July 1, 2025. The annual percentage rate shall be adjusted quarterly based upon the previous quarter returns of AIDEA's revolving fund account (GL Account 11010) on the 15<sup>th</sup> calendar day following each quarter end. For avoidance of doubt the interest rate adjustment shall occur on or around each of October 15, January 15, April 15 and July 15.

**Section 3.** AIDEA may require that AEA identify for each loan described in Section 1 of this Resolution, any designated sources of repayment of the loan from amounts to be received by AEA from the State of Alaska or from other sources that, in the opinion of the Executive Director or designated Deputy Director, may provide adequate assurance of repayment of the loan. Each loan described in Section 1 of this Resolution shall mature and be payable in full no later than the earlier to occur of (a) twelve months after the date of disbursement of the amount loaned, or (b) as soon as practicable after the date on which amounts from AEA identified sources of repayment are available to repay all or part of the loan.

**Section 4.** If AEA fails to repay a loan described in Section 1 of this Resolution on the date repayment is due in accordance with Section 2 of this Resolution, the Executive Director or designated employee may discontinue making loans under Section 1 of this Resolution.

**Section 5.** AIDEA may pay for, and provide to AEA, personnel services, overhead, administrative support, and other related services AIDEA provides to AEA. AIDEA may enter into appropriate financial arrangements with AEA for reimbursement of amounts AIDEA expends for these personnel services, overhead expenses, administrative support, and other related services.

**Section 6.** AEA shall report on options for reducing or stopping the need to borrow funds from AIDEA within sixty (60) days.

**Section 7.** AEA shall seek to amend the indirect cost agreement with the Federal Government to include the cost of borrowing working capital.

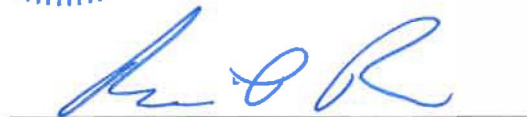
**Section 8.** All loans and financial arrangements between AIDEA and AEA that comply with the terms of this Resolution are hereby ratified, affirmed, and approved, including all outstanding loans and financial arrangements between AIDEA and AEA made under Resolution No. G12-04.

**Section 9.** Resolution No. G12-04 is repealed effective when this Resolution No. G24- 02 becomes effective.

DATED at Anchorage, Alaska, this 17th day of April, 2024.



Chair



Secretary



## MEMORANDUM

**To:** Board Members  
Alaska Industrial Development and Export Authority

**From:** Randy Ruaro  
Executive Director

**Date:** April 15, 2024

**Subject:** Alaska Industrial Development and Export Authority loans to the Alaska Energy Authority  
Resolution No. G24-02

### BACKGROUND

Previously, the Alaska Industrial Development and Export Authority (AIDEA) board approved Resolution No. G95-16 which provides for interest free loans of up to \$2 million from the AIDEA enterprise development account (AS 44.88.155) to be used for the payment of working capital expenses related to the Alaska Energy Authority (AEA) owned, operated and maintained facilities. Resolution No. G95-16 also authorized AEA to pay for overhead expenses and administrative support and services provided by AIDEA.

Changes made in 1999 to the Alaska Statutes relating to AEA authorized AEA to participate in the development and construction of power project and bulk fuel facilities that the AEA does not own, operate, and maintain and thus incur working capital expenses. The bulk fuel facilities constitute a project as defined under AS 44.88.900 and thus the aggregate amount of loans was increased to \$2.5 million as approved by Resolution G01-09.

In December 2012 Resolution G12-04 was passed authorizing two things, 1) granting AEA the authority to borrow up to \$7.5 million interest free from AIDEA for working capital needs arising from AEA projects and 2) authorizing AEA to obtain from AIDEA personnel services, overhead expenses, administrative support, and other related services AIDEA provides AEA, and enter appropriate financial arrangements for AEA to reimburse AIDEA for those services.

### PROPOSAL

Given that AIDEA has the authority to make loans (AS 44.88.080(13)), and AEA has the authority to accept loans, AIDEA seeks to finance AEA's working capital needs related to projects.

AIDEA staff is requesting the Board's authorization to commence charging interest to AEA at an initial rate of 5.25% for loans made to AEA from AIDEA's revolving fund, in which the enterprise development account is established, on all outstanding and future loans commencing July 1, 2025

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with the interest rate to be reset on a quarterly basis.

Pursuant to AIDEA's revolving fund (AS 44.88.060) AIDEA has the powers and responsibilities as established in AS 37.10.071(c) which states "[i]n exercising investment, custodial, or depository powers or duties under this section, the fiduciary of a state fund shall apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the fund entrusted to the fiduciary. Among beneficiaries of a fund, the fiduciaries shall treat beneficiaries with impartiality".

Thus, as AIDEA is subject to the prudent investor rule and any AIDEA loans made under the enterprise development account (AS 44.88.155) or the economic development account (AS 44.88.172) both of which are established in the revolving fund are either required (AS 44.88.159) or permitted (3 AAC 99.575) to charge interest on project (AS 44.99.900(13) (A-I)) loans it is prudent to do so for those loans made by AIDEA to AEA for AEA project loans.

The suggested interest rate of 5.25% represents the opportunity cost of otherwise investing those funds in accounts currently managed by Invesco Aim Advisors, Inc.

### **AIDEA STATUTORY AUTHORITY & MISSION**

AIDEA is an independently governed, public corporation of the State of Alaska established by the Alaska State Legislature in 1967 as the state's development finance authority to engage with Public and private institutions with a mission to promote, develop, and advance the general prosperity and economic welfare of Alaskans. Since inception, AIDEA has been responsible for directing more than \$3 billion in economic development within Alaska through our programs and successful development project investments."

Pursuant to AS 44.88.088, ADIEA has adopted a policy to pay an annual dividend to the state from the revolving fund. Any loans made to AEA from the revolving fund that are subject to an interest rate will generate additional statutory net income resulting incremental dividend payments. Dividends may not be less than 25% nor more than 50% of the net income of the revolving fund for a fiscal year.

For example, if the loan was fully drawn or advanced, at a simple annual interest rate of 5.25% compounding monthly, payable within 1 year, AIDEA could pay an additional dividend amount of approximately \$100,000 and \$200,000, depending upon the Board's decision on the percentage of net income paid.

### **RECOMMENDATION**

AIDEA staff recommends that the Board approve Resolution No. G24-02 authorizing the Executive Director to charge interest rates on its previous interest rate free loans to AEA.