

AIDEA and AEA BOARD
Budget and Audit Subcommittee
Tuesday, June 8, 2021

1. CALL TO ORDER

Chair Albert Fogle called the AIDEA and AEA Budget and Audit Subcommittee to order on June 8, 2021, at 10:42 am. A quorum was established.

2. ROLL CALL OF BOARD MEMBERS, STAFF AND PUBLIC

Members present: Chair Albert Fogle (Public Member) (phone); Julie Sande (Public Member) (phone) and Anna MacKinnon (SOA-DOR).

Staff present: Tiffany Janssen; David Kennedy; Morgan Neff (AIDEA); Amy Robinson (phone); and Stefan Saldanha (Department of Law) (phone).

Public present: Sunny Morrison (Accu-Type Depositions) (phone).

3. AGENDA APPROVAL

MOTION: A motion was made by Ms. Sande to approve the agenda. Motion seconded by Ms. MacKinnon.

The motion to approve the agenda passed without objection.

4. PRIOR MINUTES - April 27, 2021

MOTION: A motion was made by Ms. Sande to approve the April 27, 2021 Meeting Minutes, as presented. Motion seconded by Ms. MacKinnon.

The motion to approve the April 27, 2021 Minutes passed without objection.

MOTION: A motion was made by Ms. Sande to enter into executive session to discuss confidential matters related to AIDEA's Investment Policy and Investment Management Agreements, Allen Marine, and Milo, LLC. This is supported by the Open Meetings Act, AS 44.62.310, which allows a board to consider confidential matters in executive session. In this case, the Board believes that these are subjects which would have an adverse effect upon the finances of AIDEA or protected by law due to rules protecting personal privacy and certain business information. Motion seconded by Ms. MacKinnon.

The motion to enter into executive session passed without objection.

5. NEW BUSINESS

A. EXECUTIVE SESSION: 10:46 am

Discuss confidential matters related to AIDEA's Investment Policy and Investment Management Agreements, Allen Marine and Milo, LLC.

The Subcommittee reconvened its regular meeting at 12:01 pm. Chair Fogle advised that no decisions were made while in executive session.

B. Investment Policy and Investment Management Agreement Review

MOTION: A motion was made by Ms. MacKinnon to postpone Item B. Investment Policy and Investment Management Agreement Review to the June 22, 2021 meeting from 1:00 to 3:00 pm. Motion seconded by Ms. Sande.

The motion to postpone Item B. Investment Policy and Investment Management Agreement Review to the June 22, 2021 meeting passed without objection.

C. Loan Modification Proposal: Allen Marine

Chair Fogle requested Morgan Neff, Chief Investment Officer (CIO) AIDEA, present on the loan modification proposal by Allen Marine. Mr. Neff informed that staff recommends advancement of the proposed loan modification for Allen Marine to the full AIDEA Board. The modification consists of interest-only payments from July 1, 2021, to October 1, 2021. The loan modification will be revisited in September 2021, with the exploration of new funding and liquidity. This request modification will provide the borrower with the flexibility to address the operations and to identify additional sources of liquidity that have been constrained due to the extension of the Covid-19 pandemic and its impact on the cruise season.

Mr. Neff requested that Tiffany Janssen, Commercial Finance Director, provide a brief overview of the modification. Ms. Janssen explained that this four-month interest only request by Allen Marine was originally a request from Northrim for a 12-month interest only modification. The restructure is being tied to an alternative BIA guarantee. Allen Marine is an Alaskan Native family-owned business. They are an operator and major employer in Southeast Alaska, operating day tour cruises and a small luxury cruise line. The compliance certificate and the cruise ship schedule have not yet been determined. Ms. Janssen noted that at this point, it is unclear what revenue Allen Marine will be able to generate this year. AIDEA has a 56.2% participation. The initial loan was a 48.7% LTV. The 2022 projected debt service coverage ratio is 1.43, with six-month interest-only payments and six months of regular payments. Staff recommends that the proposal is advanced before the full AIDEA Board on June 23, 2021.

MOTION: A motion was made by Ms. MacKinnon to advance the loan modification proposal as explained by AIDEA staff for Allen Marine to the full Board meeting on June 23, 2021. Motion seconded by Ms. Sande.

A roll call was taken, and the motion to advance the loan modification proposal for Allen Marine to the full Board passed unanimously.

D. Loan Modification Proposal: Milo, LLC

Chair Fogle requested Mr. Neff present the loan modification proposal for Milo, LLC. Mr. Neff explained that staff supports the proposed loan participation modification consisting of four months of partial interest payments from July 2021 to October 2021, with regular monthly principal and interest payments resuming November 1, 2021, and a four-month maturity extension. Mr. Neff discussed that Milo, LLC has been negatively affected for two straight years by the economic impact of the Covid-19 pandemic on the tourism industry.

Mr. Neff requested Ms. Janssen provide additional information. Ms. Janssen restated that the borrower is Milo, LLC, and owns Skagway Brewing Company located in Skagway. The restaurant and microbrewery has been greatly affected by the cruise ship moratorium. She reviewed the proposed loan modification request as previously outlined by Mr. Neff. The originating lender is First National Bank Alaska. Milo, LLC is considering alternative funding sources by October, such as a grant via the Restaurant Revitalization Act. The intent is to provide the ability to remain viable for next season. During normal business times, Milo, LLC is a major employer in Skagway, employing approximately 80 to 100 employees during the tourism season and approximately 20 employees year-round. Staff recommends the approval of this proposed loan participation modification. Mr. Neff advised that the proposed loan modification amount is within BAS's threshold and ability to take action today.

MOTION: A motion was made by Ms. MacKinnon to approve the loan modification for Milo, LLC, as presented by AIDEA staff. Motion seconded by Ms. Sande.

A roll call vote was taken, and the motion to approve the loan modification for Milo, LLC passed unanimously.

6. BOARD COMMENTS

Ms. MacKinnon thanked Mr. Neff for working on AIDEA's Investment Policy and making recommendations for a conversation that will occur on June 22, 2021. She thanked Ms. Janssen and her team for preparing valuable information regarding loan modifications and presenting the information in a professional and understandable format. Ms. MacKinnon commended staff for their job well done. She recognizes that there are many businesses that are struggling and she is appreciative of the open communication to understand ongoing needs through the fall. Ms. MacKinnon expressed hope that the cruise season materializes, while understanding CDC's possible impact on Alaskan cruise ships going forward. Ms. MacKinnon noted that these considerations were factors in her decisions today.

Chair Fogle echoed the comments of appreciation to staff for their outstanding job and efforts to assist Alaskans who have been negatively affected due to the pandemic. He thanked all attendees.

7. ADJOURNMENT

There being no further business of the Subcommittee, the AIDEA and AEA Budget and Audit Subcommittee meeting adjourned at 12:11 pm.



Alan Weitzner, AIDEA Executive Director
Secretary