

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G21-32

**RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY
DETERMINING DIVIDENDS TO BE MADE AVAILABLE
TO THE STATE FOR THE FISCAL YEAR 2023 BUDGET**

WHEREAS, pursuant to AS 44.88.088 (the “Act”), the Alaska Industrial Development and Export Authority (the “Authority”) is required to adopt a policy for the payment of dividends to the State each fiscal year from three of the Authority’s funds;

WHEREAS, pursuant to the Act, the dividend may not be less than 25 percent nor more than 50 percent of the statutorily-defined audited net income of the Authority’s Revolving Fund, Sustainable Energy Transmission and Supply Development (SETS) Fund, and Arctic Infrastructure Development Fund for the fiscal year that is two years prior to the fiscal year in which the dividend is to be made available (the “base fiscal year”); provided, however, that the dividend from each respective fund may not exceed the unrestricted net income for the base fiscal year for such Fund;

WHEREAS, in enacting the Act, the legislature expressed its intent that the “financial integrity of the Authority remain secure so that the Authority can continue to fulfill its vital economic development mission for the State;”

WHEREAS, the staff of the authority has recommended that the sum of \$6,295,500 be made available as a dividend to the State from the Revolving Fund in fiscal year 2023 (the “Revolving Fund Dividend Amount”), which amount is approximately 37.5% of the Revolving Fund’s net income as defined in the Act;

WHEREAS, the staff of the Authority has recommended that the sum of \$184,100 be made available as a dividend to the State from the SETS Fund in fiscal year 2023 (the “SETS Fund Dividend Amount), which amount is approximately 37.5% of the SETS fund net income as defined in the Act;

WHEREAS the Arctic Infrastructure Development Fund did not have positive statutorily-defined net income for fiscal year 2021, therefore no dividend is recommended from the Fund;

WHEREAS, making the Revolving Fund and SETS Fund Dividend Amounts available to the State and the appropriation of these amounts by the legislature will not cause the Authority to violate any of its covenants to bond holders;

WHEREAS, making of the Revolving Fund and SETS Fund Dividend Amounts available to the State and the appropriation of these amounts by the legislature will not materially impede the Authority’s ability to continue to fulfill its vital economic mission to the State;

WHEREAS, in compliance with the Act, it is in the best interests of the Authority that the Revolving Fund and SETS Fund Dividend Amounts be made available to the State; and

WHEREAS, it is in the best interest of the State and the Authority that the Authority’s staff work with the State Department of Revenue to determine the timing of when during the 2023 fiscal year the dividend amount should be made available to the State.

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

Section 1. In accordance with AS 44.88.088(a)(1), the Authority shall make the sum of \$6,295,500 available to the State as a dividend from the Revolving Fund for fiscal year 2023.

Section 2. In accordance with AS 44.88.088(a)(2), the Authority shall make the sum of \$184,100 available to the State as a dividend from the SETS Fund for fiscal year 2023.

Section 3. The staff of the Authority is hereby authorized to work with the Department of Revenue to establish the timing of when, during fiscal year 2023, the fiscal year 2023 dividends will be made available to the State.

Section 4. The Executive Director of the Authority is hereby authorized and directed to notify the Commissioner of Revenue, in accordance with AS 44.88.088, of the amount and timing of the dividends made available pursuant to this resolution.

Section 5. The Executive Director is authorized and directed to take such actions as may be necessary to implement this resolution, including, such actions as may be necessary to transfer the dividends to the State.

Dated at Anchorage, Alaska this 1st day of December 2021.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



Chair



Secretary



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Alan Weitzner
Executive Director

Date: December 1, 2021

Subject: Fiscal Year 2023 Dividend Recommendations

RECOMMENDATION

The Alaska Industrial Development and Export Authority (AIDEA) staff recommends approval to declare dividends at the maximum level under statute to the State of Alaska's Unrestricted General Fund (UGF) for the fiscal year 2023 Operating Budget totaling \$6,479,600, comprised of the following:

- \$6,295,500 from the Revolving Fund, and
- \$184,100 from the SETS Fund.

As one of the largest investors in the State of Alaska, AIDEA has continued to generate positive statutory net income in every year since the Dividend Statute was signed into law on June 27, 1996. Should this dividend declaration be approved, AIDEA will have declared since 1997 in aggregate more than \$446 million in dividends and on average \$16.5 million per year.

BACKGROUND

Pursuant to AS 44.88.088 (the "Dividend Statute"), the Authority's Board is required to determine the amount of dividends to be made available for appropriation by the legislature annually. Under the Dividend Statute, the dividends are to be not less than 25% nor more than 50% of the Authority's current fiscal year calculated statutory net income for the following AIDEA funds:

- Revolving Fund;
- Sustainable Energy Transmission and Supply Development (SETS) Fund; and
- Arctic Infrastructure Development Fund (AIDF).

Any amounts declared as a dividend are payable to the State's UGF for inclusion in the State's Operating Budget for the fiscal year under deliberation (i.e. AIDEA's FY 2021's statutory net income determines FY 2023's dividend payments).

DETERMINING FACTORS

The Dividend Statute gives the AIDEA Board broad discretion to determine the amount of the dividends. AIDEA's internal policy was developed to provide guidance to the Board within the constraints of AS 44.88.088. The Board also has the authority to determine when, during the fiscal year, dividends should be made available.

In establishing the dividend requirement, the legislature stated its intent that: "the financial integrity of the [Authority] remains secure so the Authority can continue to fulfill its vital economic development mission for the State." (See sec.1, ch.11 SLA 1996). Thus, the legislature also made it clear that although dividends were to be made available, the dividends must be determined in a manner that does not impede the Authority's ability to fulfill its primary mission to "promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment."

In AIDEA staff recommending and AIDEA's Board determining an annual dividend, both staff and the Board evaluate the balance between these two principles - without breaching any agreement entered into by the Authority, materially impairing the operations or financial integrity of the Authority, or materially affecting the ability of the Authority to fulfill its purposes:

- AIDEA's asset base – our investments, loans, developments and projects within Alaska – are not financial investments that are un-allocated assets or easily liquidated and transferred to serve other purposes. They are committed, encumbered or held in reserve to fulfill our statutory purpose through our programs for job growth and economic development in Alaska. Current and future project commitments, encumbrances and funding obligations are currently expected to reach in excess of \$400 million. This includes ongoing development project funding commitments in excess of \$200 million, \$65 million in new loan participations, up to \$50 million in new project undertakings, ongoing obligation for loan modifications and reserves for the responsible management of Mustang Holdings LLC.
- As of the date of this letter, AIDEA's development project pipeline has 15 major infrastructure and development projects in active review status with a potential AIDEA investment target estimated at approximately \$1 billion. There are an additional 12 projects in early stage financial planning with AIDEA for critical energy, port and resource development projects. Our capital base remains our sole source of funding for these development opportunities covering all regions of the state. AIDEA's partners on these projects rely on our continued financial capacity as a source of financing for these projects.

Any current or future appropriation of our capital base, outside of this recommended annual dividend, is very problematic to sustaining AIDEA's mission and directly impacts AIDEA's capacity to:

- Meet its operating costs,
- Maintain existing project assets and commitments,

- Sustain low-cost capital programs,
- Undertake emergency programs (e.g. COVID-19 programs and loan modifications),
- Advance critical infrastructure development within the state, and
- Maintain the trust of our project and loan program partners on our ability to meet future project capital commitments.

DIVIDEND PAYMENT PLAN

The Dividend Statute requires that “the dividend for a fiscal year be made available before the end of that fiscal year.” The Authority is to “notify the Commissioner of Revenue when the dividend is available.” Beyond those mandates, the AIDEA Board has the discretion and flexibility to determine when, during the fiscal year, the dividend will be made.

In past years, staff has worked with the Department of Revenue to determine when dividends will be made available. This allows both agencies to better anticipate and meet cash-flow needs. Staff again requests that it be granted the authority to work with the Department of Revenue to determine the timing of when dividends will be made available. Historically, the Authority transfers the dividend in quarterly installments at mid-quarter.

CONCLUSION

The Dividend Statute requires the Board to annually determine dividends based on the current year’s calculated statutory net income. Staff recommends the Board determine and declare dividends totaling \$6,479,625 for fiscal year 2022 as presented through declarations from the Revolving Fund and the SETS Fund.

It is crucial that the private financial market have confidence that AIDEA’s funds are separate and independent of the State of Alaska. Staff believes these proposed dividends are sustainable and will provide the State with the needed and on-going economic return from the Authority without limiting the Authority’s primary mission in this current unprecedented economic environment to “promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment.”

