

State of Alaska FY2010 Governor's Operating Budget

Department of Commerce, Community, and Economic Development Alaska Industrial Development and Export Authority Component Budget Summary

Component: Alaska Industrial Development and Export Authority

Contribution to Department's Mission

Provide means of financing to promote economic growth and diversification in Alaska.

Core Services

- Loan Participation Program
- Development Finance Program - AIDEA-owned projects
- Conduit Revenue Bond Program
- Business and Export Assistance Program
- Rural Development Initiative Fund and Small Business Economic Development Revolving Loan Fund (AIDEA statutory programs managed by DCCED)
- Staffing and administrative overhead for the Alaska Energy Authority

End Result	Strategies to Achieve End Result
<p>A: Economic growth in Alaska is promoted</p> <p><u>Target #1:</u> 500 Permanent jobs annually created or retained in Alaska by AIDEA financing.</p> <p><u>Status #1:</u> The creation of 366 permanent jobs and retention of 652 jobs in the state exceeded the target of 500 permanent jobs annually created or retained in Alaska by AIDEA financing.</p> <p><u>Target #2:</u> 400 Construction jobs annually created or retained in Alaska by AIDEA financing.</p> <p><u>Status #2:</u> Did not meet target of 400 construction jobs annually created or retained this fiscal year. 206 Construction jobs created in 2008.</p>	<p>A1: Maintain/improve existing "A" credit rating</p> <p><u>Target #1:</u> Keep loan delinquencies (over 90 days) at or below Alaska financial industry levels.</p> <p><u>Status #1:</u> As of 6/30/2008 delinquency rate was .65% which is better than the target of keeping loan delinquencies below industry levels.</p> <p><u>Target #2:</u> 1:1 ratio of cash to General Obligation debt outstanding.</p> <p><u>Status #2:</u> AIDEA exceeded its cash to debt ratio target of 1:1, final numbers not available at time of publishing.</p> <p><u>Target #3:</u> Percent of loan portfolio to one type of industry limited to 50%.</p> <p><u>Status #3:</u> As of June 30, 2008 the two high percentages were 24.26% in tourism and 21.32% in retail. AIDEA has met its percentage target for 2008.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Purchase loan participations • Manage loan portfolio and mitigate risk through industry and geographic diversification • Invest funds • Manage AIDEA-owned projects • Communicate AIDEA's mission, goals, and results to program stakeholders 	<ul style="list-style-type: none"> • Proactively seek and facilitate new business and economic development opportunities • Streamline and optimize the evaluation of new business proposals • Perform business feasibility studies and evaluate project proposals • Develop and participate in technical assistance programs

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$8,604,400

Personnel:

Full time	69
Part time	0
Total	69

Performance

A: Result - Economic growth in Alaska is promoted

Target #1: 500 Permanent jobs annually created or retained in Alaska by AIDEA financing.**Status #1:** The creation of 366 permanent jobs and retention of 652 jobs in the state exceeded the target of 500 permanent jobs annually created or retained in Alaska by AIDEA financing.

Number of Permanent Jobs Created or Retained in Alaska by AIDEA Financing

Fiscal Year	YTD Total
FY 2008	652
FY 2007	258
FY 2006	813
FY 2005	1026
FY 2004	630
FY 2003	542

Analysis of results and challenges: The Loan Participation Program provides long-term financing to Alaska businesses for new or existing projects, or for the refinancing of existing loans. The Loan Participation Program has been highly successful since its inception in the early 1980's. AIDEA's participation in financing loans helps businesses create jobs for Alaskans. In addition, AIDEA-owned projects have had a significant impact over the years, as these projects have created and retained over 652 jobs in the state.

Target #2: 400 Construction jobs annually created or retained in Alaska by AIDEA financing.**Status #2:** Did not meet target of 400 construction jobs annually created or retained this fiscal year. 206 Construction jobs created in 2008.

Number of Construction Jobs Created or Retained in Alaska by AIDEA Financing

Fiscal Year	YTD Total
FY 2008	206 -54.32%
FY 2007	451 -26.07%
FY 2006	610 +56.41%
FY 2005	390 +25.81%
FY 2004	310 -34.18%
FY 2003	471

Analysis of results and challenges: AIDEA measures its success by creating jobs and distinguishes the types of jobs created. Since AIDEA's loan participation program is used to finance commercial real estate projects and businesses, it is important to distinguish permanent jobs created from construction jobs which, although temporary in nature, are important in measuring economic growth.

A1: Strategy - Maintain/improve existing "A" credit rating

Target #1: Keep loan delinquencies (over 90 days) at or below Alaska financial industry levels.

Status #1: As of 6/30/2008 delinquency rate was .65% which is better than the target of keeping loan delinquencies below industry levels.

% Loan Delinquencies (over 90 days) at June 30

Year	Alaska Financial Inst	AIDEA %Delinquent
2008	5.92%	0.65%
2007	3.94%	0.51%
2006	2.82%	0.16%
2005	2.10%	0.20%
2004	N/A	0.77%
2003	N/A	4.75%

Analysis of results and challenges: Since AIDEA's loan portfolio is primarily commercial real estate and AIDEA does not have the ability to diversify to other types of loans, such as residential or multifamily real estate, it is important for AIDEA's delinquency rate to remain below the banking industry's level of delinquencies.

Target #2: 1:1 ratio of cash to General Obligation debt outstanding.

Status #2: AIDEA exceeded its cash to debt ratio target of 1:1, final numbers not available at time of publishing.

Ratio of Cash to GO Debt Outstanding at June 30

Year	YTD Total
2008	N/A
2007	1.87 +0.54%
2006	1.86 -1.06%
2005	1.88 +22.08%
2004	1.54 -7.78%
2003	1.67 +9.15%
2002	1.53

Analysis of results and challenges: At least one dollar of cash is available for every dollar of General Obligation debt AIDEA has outstanding. On June 30, 2007 AIDEA had \$1.87 in cash for every dollar of debt outstanding. Debt coverage is an important measure used by rating agencies to determine AIDEA's credit strength.

Target #3: Percent of loan portfolio to one type of industry limited to 50%.

Status #3: As of June 30, 2008 the two high percentages were 24.26% in tourism and 21.32% in retail. AIDEA has met its percentage target for 2008.

Analysis of results and challenges: The loan participation program has helped diversify the Alaskan economy by providing financing for a large variety of commercial facilities ranging from office buildings, warehouses and retail establishments to hotels, fishing vessels and manufacturing facilities. AIDEA, unlike commercial banks, is limited in its loan participations to the category of commercial real estate and tangible personal property. AIDEA manages the commercial real estate portfolio for maximum diversification in conjunction with market needs.

Key Component Challenges

Based on the current economic environment, forecasts suggest a severe constriction in the secondary capital market, which will result in businesses seeking out funding in both the development finance and loan participation programs, which will result in increased workloads for staff for Fiscal Year 2010.

Expansion of the Ketchikan Shipyard and the Skagway Ore Terminal will lead to an increase in economic development and job growth in both Ketchikan and Skagway, which will result in increased workloads.

Attraction of diverse economic development projects in the State.

Start-up of the Healy Clean Coal Project.

Increase the loan portfolio while maintaining the highest credit quality and generating increased earnings in Fiscal Year 2010.

Maintain AIDEA's current credit rating on its revolving fund bonds. AIDEA's credit rating strengthens its ability to provide the kinds of financing that helps promote economic growth, development and diversification in Alaska. The credit rating also has a direct relationship on the interest rate that AIDEA has to charge Alaskan businesses in the loan participation program.

Significant Changes in Results to be Delivered in FY2010

No significant changes.

Major Component Accomplishments in 2008

Funded 18 participated loans for a total of \$48,242,113 (AIDEA portion) in Fiscal Year 2008.

Received 18 applications for loan participations totaling \$44,261,175 (AIDEA portion) in Fiscal Year 2008.

The Ketchikan Shipyard is an AIDEA-owned development finance project that provides 120 to 150 direct jobs in Ketchikan. AIDEA is now completing work to install a second ship lift and landing grid, and is at the start of a federally-funded project to build uplands improvements. Both projects will expand the shipyard's capacity to build and repair marine craft on a year round basis. Additionally, work is underway to address long term deferred maintenance projects at the shipyard such as cathodic protection and sheet piling repair through state funding.

The first phase of the upgrade to the Skagway Ore Terminal (SOT) is complete. AIDEA completed a facility-use agreement with Sherwood Copper Corporation and the first load out of Sherwood's production from its copper-gold mine at Minto, Yukon Territory took place on October 23, 2007. Recent strengthening of coal and base-metal prices has brought new interest from mine operators in the Yukon Territory and British Columbia to ship bulk commodities through the AIDEA's Skagway Ore Terminal. AIDEA has completed a feasibility analysis on expansion of the ore storage shed from 25,000 square feet to 40,000 square feet and is projecting expansion completion by end of FY 09. Another feasibility analysis is underway to further expand SOT to 50,000 square feet.

The AIDEA board declared a \$23.8 million dividend for Fiscal Year 2009 in Fiscal Year 2008. The dividend declared for Fiscal Year 2009 is the second highest dividend since the inception of the dividend program and 138% higher than the previous year. Since the dividend program began in 1996, AIDEA will have cumulatively paid over \$228 million to the State of Alaska by the end of Fiscal Year 2009.

Statutory and Regulatory Authority

AS 42.45	Rural and Statewide Energy Programs
3 AAC 106	Loan Programs
3 AAC 107	Grant Programs

3 AAC 160 Rural Development Assistance and Bulk Fuel Storage Facility Grant Programs

Contact Information
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Alaska Industrial Development and Export Authority Component Financial Summary

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	6,288.2	7,015.1	7,411.0
72000 Travel	19.7	68.2	68.2
73000 Services	1,185.8	843.7	1,070.8
74000 Commodities	48.5	38.9	38.9
75000 Capital Outlay	85.0	15.5	15.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,627.2	7,981.4	8,604.4
Funding Sources:			
1007 Inter-Agency Receipts	3,517.9	2,933.2	3,243.5
1061 Capital Improvement Project Receipts	0.0	176.2	179.3
1102 Alaska Industrial Development & Export Authority Receipts	4,109.3	4,872.0	5,181.6
Funding Totals	7,627.2	7,981.4	8,604.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	3,517.9	2,933.2	3,243.5
Capital Improvement Project Receipts	51200	0.0	176.2	179.3
AK Industrial Dev. Export Auth. Receipts	51406	4,109.3	4,872.0	5,181.6
Restricted Total		7,627.2	7,981.4	8,604.4
Total Estimated Revenues		7,627.2	7,981.4	8,604.4

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	0.0	0.0	7,981.4	7,981.4
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	0.0	107.8	107.8
Proposed budget increases:				
-Support for Energy Planning and increasing costs of Contractual Services	0.0	0.0	442.7	442.7
-Core Service Increases	0.0	0.0	14.8	14.8
-Fund Alaska Regional Development Organizations (ARDORS) at the FY09 level and continue pay 50% of the salary increases	0.0	0.0	57.7	57.7
FY2010 Governor	0.0	0.0	8,604.4	8,604.4

Alaska Industrial Development and Export Authority Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2009</u> <u>Management</u> <u>Plan</u>	<u>FY2010</u> <u>Governor</u>		
Full-time	68	69	Annual Salaries	5,215,820
Part-time	0	0	COLA	185,588
Nonpermanent	0	0	Premium Pay	77,684
			Annual Benefits	2,476,757
			<i>Less 6.85% Vacancy Factor</i>	(544,849)
			Lump Sum Premium Pay	0
Totals	68	69	Total Personal Services	7,411,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	3	0	0	0	3
Accountant II	1	0	0	0	1
Accounting Technician	3	0	0	0	3
Accounting Technician II	2	0	0	0	2
Admin Assistant	1	0	0	0	1
Administrative Assistant	3	0	0	0	3
Administrative Manager	1	0	0	0	1
Assistant Grants Administrator	1	0	0	0	1
Assistant Project Manager	1	0	0	0	1
Asst Project Manager	1	0	0	0	1
Circuit Rider Technician	1	0	0	0	1
Contract/Grants Administrator	1	0	0	0	1
Controller	2	0	0	0	2
Coordinator-Rural Com Outreach	1	0	0	0	1
Credit Administrator	1	0	0	0	1
Data Systems Specialist	1	0	0	0	1
Dep Dir/Project Dev/Operations	1	0	0	0	1
Deputy Director	1	0	0	0	1
Deputy Director Credit	1	0	0	0	1
Deputy Director Finance	1	0	0	0	1
Deputy Director-Rural Energy	1	0	0	0	1
Executive Director	2	0	0	0	2
Finance Assistant	3	0	0	0	3
Grants Administrator	1	0	0	0	1
Human Resource Officer	1	0	0	0	1
Loan Officer I	1	0	0	0	1
Loan Officer II	2	0	0	0	2
Loan Services Supervisor	1	0	0	0	1
Loan Servicing Technician II	2	0	0	0	2
PCE Program Administrator	1	0	0	0	1
Procurement Assistant	1	0	0	0	1
Procurement Manager	3	0	0	0	3
Program Manager	1	0	0	0	1
Project Assistant	1	0	0	0	1
Project Development Manager	1	0	0	0	1
Project Development Specialist	1	0	0	0	1

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Project Manager	10	0	0	0	10
Project Manager II	1	0	0	0	1
Rural Electric Utility Worker	3	0	0	0	3
Technical Engineer II	3	0	0	0	3
Warehouse Manager	1	0	0	0	1
Totals	69	0	0	0	69