

State of Alaska FY2005 Governor's Operating Budget

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

Contents

<i>Component: Alaska Industrial Development and Export Authority</i>	3
<i>End Results</i>	3
<i>Strategies to Achieve Results</i>	3
Component Financial Summary.....	8
Summary of Component Budget Changes.....	9
Personal Services Information.....	10

Component: Alaska Industrial Development and Export Authority

Contribution to Department's Mission

The mission of the Alaska Industrial Development and Export Authority (AIDEA) is to provide means of financing to promote economic growth and diversification in Alaska.

Core Services

The core services of the Alaska Industrial Development and Export Authority are:

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

End Results	Strategies to Achieve Results
<p>(1) Increase Alaska investment and jobs in Alaska</p> <p><u>Target:</u> 300 Permanent jobs created or retained in Alaska by AIDEA financing <u>Measure:</u> Number of permanent jobs created or retained in Alaska by AIDEA financing</p> <p><u>Target:</u> AIDEA loan participation of 90% <u>Measure:</u> % of AIDEA loan participation.</p> <p><u>Target:</u> 300 Construction jobs created or retained in Alaska by AIDEA financing <u>Measure:</u> # Construction Jobs created or retained in Alaska by AIDEA financing</p> <p>(2) Maintain/improve existing credit rating</p> <p><u>Target:</u> "A" rating <u>Measure:</u> AIDEA's credit rating</p> <p>(3) AIDEA-owned projects will promote economic growth and be economically and financially feasible</p> <p><u>Target:</u> A 2 to 1 ratio of non-AIDEA capital investment to AIDEA capital investment for AIDEA-owned projects</p>	<p>(1) Expand the loan participation program</p> <p><u>Target:</u> Keep loan delinquencies and loan losses at or below Alaska financial industry levels. As of 6/30/03 the Alaska financial industry delinquency rate was 2.46%. <u>Measure:</u> Delinquency percentages and net losses compared to performance of Alaskan banks</p> <p>(2) Maintain healthy cash reserves</p> <p><u>Target:</u> 1:1 ratio of cash to GO debt outstanding <u>Measure:</u> Ratio of cash to outstanding GO debt outstanding.</p> <p>(3) Educate the business community on opportunities at AIDEA that would utilize financing capabilities to promote qualified projects</p> <p><u>Target:</u> 75% of businesses surveyed have heard of and understand AIDEA's financing programs <u>Measure:</u> Percent of businesses surveyed through the business outreach program who have knowledge of AIDEA's programs</p> <p><u>Target:</u> 10 proposed projects analyzed annually</p>

End Results	Strategies to Achieve Results
<u>Measure:</u> Ratio of private and other public investment to AIDEA investment	<u>Measure:</u> Number of proposed projects analyzed

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Issue loans • Invest funds • Manage AIDEA-owned projects • Balance loan portfolio risk mitigation through industry and geographic diversification • Facilitate business development opportunities 	<ul style="list-style-type: none"> • Evaluate business proposals • Perform project feasibility studies • Participate in public outreach programs • Project management • Survey businesses to evaluate knowledge of AIDEA's programs

FY2005 Resources Allocated to Achieve Results							
<p>FY2005 Component Budget: \$6,572,500</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">65</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">65</td> </tr> </table>	Full time	65	Part time	0	Total	65
Full time	65						
Part time	0						
Total	65						

Performance Measure Detail

(1) Result: Increase Alaska investment and jobs in Alaska

Target: 300 Permanent jobs created or retained in Alaska by AIDEA financing
Measure: Number of permanent jobs created or retained in Alaska by AIDEA financing

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

Year				# Perm Jobs	YTD Total
2003				542	542

Analysis of results and challenges: AIDEA financing will help increase Alaska investment and jobs. This measure allows us to gauge our effectiveness.

Target: AIDEA loan participation of 90%
Measure: % of AIDEA loan participation.

Analysis of results and challenges: NA - Legislation was effective July 1, 2003 to raise the participation rate from 80%to 90%.
 This measure compares AIDEA's participation to the statutory allowable participation rate.

Target: 300 Construction jobs created or retained in Alaska by AIDEA financing
Measure: # Construction Jobs created or retained in Alaska by AIDEA financing

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

Year				# Const Jobs	YTD Total
2003				471	471

Analysis of results and challenges: AIDEA financing will help increase Alaska investment and jobs. This measure allows us to gauge our effectiveness.

(2) Result: Maintain/improve existing credit rating

Target: "A" rating

Measure: AIDEA's credit rating

AIDEAs Standard & Poor's Credit Rating

Year				S&P Rating	YTD Total
2003				A-	

Analysis of results and challenges: The rates AIDEA charges on loan participations are dependent on AIDEA's credit rating in the financial markets; therefore, if AIDEA's credit rating declines, Alaska businesses will pay higher interest rates for AIDEA financing.

AIDEA's current credit rating (Standard and Poor's Rating: A- and Moody's Investors Service Rating: A2)

(3) Result: AIDEA-owned projects will promote economic growth and be economically and financially feasible

Target: A 2 to 1 ratio of non-AIDEA capital investment to AIDEA capital investment for AIDEA-owned projects

Measure: Ratio of private and other public investment to AIDEA investment

Analysis of results and challenges: AIDEA expects future financing opportunities such as the Delong Mountain Transportation System or the Federal Express Maintenance Facility in Anchorage. These projects provide jobs to their local economy and a return on AIDEA's investment. This ratio varies per project. For example, for the initial investment base for Red Dog Project, AIDEA invested approximately \$180 million in the DMTS, and Cominco invested approximately \$400 million in the Red Dog Mine.

This measures AIDEA's ability to attract private or other public investment dollars.

(1) Strategy: Expand the loan participation program

Target: Keep loan delinquencies and loan losses at or below Alaska financial industry levels. As of 6/30/03 the Alaska financial industry delinquency rate was 2.46%.

Measure: Delinquency percentages and net losses compared to performance of Alaskan banks

Loan Delinquencies & Loan Losses at or Below Alaska Financial Industry Levels

Year				%Delinquent	YTD Total
2003				.88%	.88%

Analysis of results and challenges: We expect the loan participation to expand due to recently passed legislation. For FY 2004, AIDEA anticipates issuing \$80 million in loans, compared to \$60 million in FY2003. As of 6/30/03 the Alaska financial industry delinquency rate was 2.46%. AIDEA's total delinquent loan rate was 0.88% as of 10/31/03. This measure allows AIDEA to gauge its performance against the Alaska financial institutions.

(2) Strategy: Maintain healthy cash reserves

Target: 1:1 ratio of cash to GO debt outstanding

Measure: Ratio of cash to outstanding GO debt outstanding.

Ratio of Cash to General Obligation Debt Outstanding

Year				Ratio	YTD Total
2002				1.67	1.67

Analysis of results and challenges: Sufficient cash reserves allow AIDEA to maintain its "A" rating. This is a measure used by the rating agencies.

(3) Strategy: Educate the business community on opportunities at AIDEA that would utilize financing capabilities to promote qualified projects

Target: 75% of businesses surveyed have heard of and understand AIDEA's financing programs

Measure: Percent of businesses surveyed through the business outreach program who have knowledge of AIDEA's programs

Analysis of results and challenges: AIDEA needs to market its financing capabilities. A survey is required to determine the percentage of businesses with knowledge of AIDEA's financing programs. This measure will allow AIDEA to gauge the business community's knowledge of AIDEA's programs.

Target: 10 proposed projects analyzed annually

Measure: Number of proposed projects analyzed

Analysis of results and challenges: We currently analyze approximately 5 potential projects annually. This measure will allow AIDEA to gauge the business community's interest in AIDEA's financing programs.

Key Component Challenges

Continue the work of the joint AIDEA/Golden Valley Electric Association committee to resolve disagreements blocking start-up and operation of the Healy Clean Coal Plant.

Dispose of the ASI facility in a manner that will afford the greatest utilization of the facility and highest financial return to the Authority.

Increase the size of the loan portfolio while at the same time maintaining the highest credit quality that will generate increased earnings.

Continue support of the shipyard development program and negotiate a long-term operating agreement with a shipyard operator that will bring the greatest economic benefits to the City and Borough of Ketchikan, while at the same time allow for a return of and return on the Authority's cash investment in the project.

Significant Changes in Results to be Delivered in FY2005

With the elimination of the Alaska Science and Technology Foundation (ASTF) funding in FY04, SB 173 formally repeals the ASTF statutes and transfers oversight of outstanding ASTF grants to AIDEA. Assuming SB 173 will become law in the 2004 Legislative session, a new position is needed to carry out the necessary administration.

Major Component Accomplishments in 2003

Legislation expanding the loan participation program was approved during the 2003 Legislative Session.

During the period of December 4, 2002 - September 5, 2003, AIDEA funded 32 loans for a total of \$35,049,092, an increase of 35% in total dollars over the period from December 4, 2001 to September 5, 2002.

During the period of December 4, 2002 - September 5, 2003, AIDEA received 42 applications for loan participations totaling \$72,875,820, an increase of 42% in total dollars over the period from December 4, 2001 to September 5, 2002.

AIDEA had two conduit revenue bond issuances for Providence Health Systems for a total of \$58,995,000.

AIDEA has entered into an agreement to sell its 49% interest in the Seward Coal Facility to the Alaska Railroad. The sale is contingent on a two-year coal contract and final approval of a federal grant to the railroad to pay for the acquisition.

The second ship lift at the Ketchikan shipyard is currently in the design phase with the Ketchikan Gateway Borough

managing the project design under the terms of an MOU with AIDEA. AIDEA has extended the terms of the operating agreement through June 30, 2004 with Alaska Ship and Drydock, the current shipyard operator.

Statutory and Regulatory Authority

AS 44.88 Alaska Industrial Development and Export Authority
3 AAC 99 Alaska Industrial Development and Export Authority

Contact Information
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**Alaska Industrial Development and Export Authority
Component Financial Summary**

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,953.1	4,667.2	4,883.4
72000 Travel	33.1	68.2	68.2
73000 Contractual	1,215.9	1,646.5	1,566.5
74000 Supplies	42.8	38.9	38.9
75000 Equipment	96.5	15.5	15.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,341.4	6,436.3	6,572.5
Funding Sources:			
1007 Inter-Agency Receipts	2,195.3	2,420.0	2,490.0
1102 Alaska Industrial Development & Export Authority Receipts	3,146.1	4,016.3	4,082.5
Funding Totals	5,341.4	6,436.3	6,572.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	5.3	0.0	0.0
Unrestricted Total		5.3	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	2,195.3	2,420.0	2,490.0
AK Industrial Dev. Export Auth. Receipts	51406	3,146.1	4,016.3	4,082.5
Restricted Total		5,341.4	6,436.3	6,572.5
Total Estimated Revenues		5,346.7	6,436.3	6,572.5

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	0.0	0.0	6,436.3	6,436.3
Adjustments which will continue current level of service:				
-Changes to Retirement and Other Personal Services Rates	0.0	0.0	136.2	136.2
FY2005 Governor	0.0	0.0	6,572.5	6,572.5

**Alaska Industrial Development and Export Authority
Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2004 Authorized	FY2005 Governor		
Full-time	65	65	Annual Salaries	3,764,193
Part-time	0	0	Premium Pay	53,533
Nonpermanent	0	0	Annual Benefits	1,433,206
			<i>Less 7.00% Vacancy Factor</i>	(367,532)
			Lump Sum Premium Pay	0
Totals	65	65	Total Personal Services	4,883,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	4	0	0	0	4
Accountant II	1	0	0	0	1
Accounting Technician	4	0	0	0	4
Accounting Technician II	1	0	0	0	1
Admin Assistant	1	0	0	0	1
Administrative Assistant	2	0	0	0	2
Administrative Clerk III	2	0	0	0	2
Administrative Manager	1	0	0	0	1
Business Plan Dev Specialist	1	0	0	0	1
Contracts Administrator I	1	0	0	0	1
Dep Dir/Project Dev/Operations	1	0	0	0	1
Dep Dir-Bus Dev-Rural Energy	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
Development Specialist II	3	0	0	0	3
Engineering Assistant III	1	0	0	0	1
Executive Director	1	0	0	0	1
Finance Assistant	3	0	0	0	3
Financial Analyst	1	0	0	0	1
LAN Administrator	1	0	0	0	1
Loan Officer II	2	0	0	0	2
Loan Servicing Officer	1	0	0	0	1
Loan Servicing Technician II	3	0	0	0	3
Mgr Training & Rural Outreach	1	0	0	0	1
Operations Manager	1	0	0	0	1
Procurement Manager	2	0	0	0	2
Program Manager	3	0	0	0	3
Project Assistant	1	0	0	0	1
Project Development Manager	1	0	0	0	1
Project Manager	6	0	0	0	6
Project Manager II	2	0	0	0	2
Project Manager, Bradley Lake	1	0	0	0	1
Rural Development Manager	1	0	0	0	1
Rural Elect Utility Worker	3	0	0	0	3
Technical Engineer II	2	0	0	1	3
Warehouse Manager	1	0	0	0	1
Totals	64	0	0	1	65

