

State of Alaska FY2009 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

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

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 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 <u>Measure #1:</u> Number of 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 <u>Measure #2:</u> Number of construction jobs annually created or retained in Alaska by AIDEA financing</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. <u>Measure #1:</u> Loan delinquency percentages compared to performance of Alaska banks</p> <p><u>Target #2:</u> 1:1 ratio of cash to General Obligation debt outstanding <u>Measure #2:</u> Ratio of cash to outstanding General Obligation debt</p> <p><u>Target #3:</u> Percent of loan portfolio to one type of industry limited to 50% <u>Measure #3:</u> Percent of loan portfolio by industry type</p>

Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Issue loans • Manage loan portfolio and mitigate risk through industry and geographic diversification • Invest funds • Manage AIDEA-owned projects | <ul style="list-style-type: none"> • Facilitate business development opportunities • Evaluate business proposals • Perform project feasibility studies • Participate in public outreach programs |
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FY2009 Resources Allocated to Achieve Results

Personnel:

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$7,599,200	Full time	66
	Part time	0
	Total	66

Performance Measure Detail

A: Result - Economic growth in Alaska is promoted

Target #1: 500 Permanent jobs annually created or retained in Alaska by AIDEA financing

Measure #1: Number of permanent jobs annually created or retained in Alaska by AIDEA financing

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

Year	YTD
FY 2003	542
FY 2004	630
FY 2005	1026
FY 2006	813
FY 2007	258

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, as it mirrors the overall health of the real estate market. AIDEA's participation in financing loans helps businesses create jobs for Alaskans.

Target #2: 400 Construction jobs annually created or retained in Alaska by AIDEA financing

Measure #2: Number of construction jobs annually created or retained in Alaska by AIDEA financing

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

Year	YTD
FY 2003	471
FY 2004	310
FY 2005	390
FY 2006	610
FY 2007	451

Analysis of results and challenges: AIDEA measures it's 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.

Measure #1: Loan delinquency percentages compared to performance of Alaska banks

% Loan Delinquencies (over 90 days) at June 30

Year	Alaska Financial Inst	AIDEA %Delinquent
2003	NA	4.75%
2004	NA	.77%
2005	2.10%	.20%
2006	2.82%	.16%
2007	3.94%	.51%

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 industries level of delinquencies.

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

Measure #2: Ratio of cash to outstanding General Obligation debt

Ratio of Cash to GO Debt Outstanding at June 30

Year	YTD
2002	1.53
2003	1.67
2004	1.54
2005	1.88
2006	1.86
2007	1.87

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%

Measure #3: Percent of loan portfolio by industry type

Loan Portfolio Diversification by Industry		
Industry	% of Total Outstanding Principal Balance	
	June 30, 2006	June 30, 2007
Hospital/Clinic/Day Care	1.59%	6.56%
Restaurant	1.29%	2.65%
Aviation	2.77%	1.12%
Office/Warehouse	14.02%	20.88%
Recreation	6.78%	7.93%
Office/Business Condo	13.80%	12.43%
Retail	27.69%	25.03%
Tourism: Hotel/Lodge	21.70%	9.28%
Warehouse/Shop	7.33%	8.73%
Other	3.03%	5.39%
	100.00%	100.00%

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

AEA challenges include, scheduling and managing Denali Commission requested Bulk Fuel and Rural Power System Upgrade projects with an unpredictable capital funding stream; for the training programs the primary challenges include high turnover in bulk fuel and utility clerk job classes and last minute cancellations from training participants which makes it difficult for AEA to fill available training slots. The increasing per unit cost of fuel has increased annual demand on the bulk fuel revolving loan fund.

Significant Changes in Results to be Delivered in FY2009

Creation of the new component "Statewide Project Development, Alternative Energy and Efficiency" will allow AEA to more thoroughly describe the challenges, results and accomplishment for both rural and statewide programs

Major Component Accomplishments in 2007

In fiscal year 2007, AEA funded 51 Bulk Fuel loans for \$8.1 million and committed to 15 more loans for \$2.8 million at June 30, 2007.

AEA and grantee TDX Power completed preconstruction activities on a 1 MW wind power plant in Sand Point. Following an RFP, AEA initiated a grant to AVEC for a 400 kW wind power plant in Chevak. Estimated diesel displacement for the two projects is 193,000 gallons per year (GPY).

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

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	5,745.0	6,446.4	6,569.0
72000 Travel	53.0	68.2	68.2
73000 Services	1,122.5	965.6	907.6
74000 Commodities	37.8	38.9	38.9
75000 Capital Outlay	158.3	15.5	15.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,116.6	7,534.6	7,599.2
Funding Sources:			
1007 Inter-Agency Receipts	3,014.7	2,792.6	2,796.2
1061 Capital Improvement Project Receipts	0.0	163.9	164.2
1102 Alaska Industrial Development & Export Authority Receipts	4,101.9	4,578.1	4,638.8
Funding Totals	7,116.6	7,534.6	7,599.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	3,014.7	2,792.6	2,796.2
Capital Improvement Project Receipts	51200	0.0	163.9	164.2
AK Industrial Dev. Export Auth. Receipts	51406	4,101.9	4,578.1	4,638.8
Restricted Total		7,116.6	7,534.6	7,599.2
Total Estimated Revenues		7,116.6	7,534.6	7,599.2

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	0.0	0.0	7,534.6	7,534.6
Adjustments which will continue current level of service:				
-FY 09 Health Insurance Increases for Exempt Employees	0.0	0.0	12.6	12.6
Proposed budget increases:				
-Core Service Increases Paid to Department of Administration	0.0	0.0	52.0	52.0
FY2009 Governor	0.0	0.0	7,599.2	7,599.2

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

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
			Annual Salaries	4,645,408
Full-time	66	66	Premium Pay	70,637
Part-time	0	0	Annual Benefits	2,341,424
Nonpermanent	0	0	<i>Less 6.92% Vacancy Factor</i>	(488,469)
			Lump Sum Premium Pay	0
Totals	66	66	Total Personal Services	6,569,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	2	0	0	0	2
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 Clerk III	1	0	0	0	1
Administrative Manager	1	0	0	0	1
Assistant 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
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
Deputy Director-Energy	1	0	0	0	1
Development Manager	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
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
Operations Manager	1	0	0	0	1
Procurement Manager	2	0	0	0	2
Program Manager	2	0	0	0	2
Project Assistant	1	0	0	0	1
Project Development Specialist	1	0	0	0	1
Project Director	2	0	0	0	2
Project Manager	12	0	0	0	12
Rural Electric Utility Worker	3	0	0	0	3
Tech Eng II / Architect II	2	0	0	0	2
Technical Engineer II	1	0	0	0	1
Warehouse Manager	1	0	0	0	1

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Totals	66	0	0	0	66