



Alaska Industrial Development and Export Authority  
**BOARD MEETING MINUTES**  
August 11, 2010  
Anchorage, Alaska; and Skagway, Alaska

**1. CALL TO ORDER**

Chairman Pat Galvin called the meeting of the Alaska Industrial Development and Export Authority to order on August 11, 2010 at 10:35 a.m.

**2. ROLL CALL: BOARD**

A quorum was established.

Board members present in Anchorage: Mike Felix (Public Member); Chairman Pat Galvin (Commissioner, Department of Revenue).

Participating via teleconference: Susan Bell (Commissioner, Department of Commerce, Community & Economic Development) Juneau.

Commissioner Leo von Scheben (Department of Transportation & Public Facilities) and Vice-Chair John Winther (Public Member) were absent.

**3. AGENDA APPROVAL**

The agenda was approved as amended.

**4. ROLL CALL: STAFF, PUBLIC**

Staff present in Anchorage: Ted Leonard (AIDEA Executive Director); Chris Anderson (Deputy Director-Credit); James Hemsath (Deputy Director-Business Development); Valorie Walker (Deputy Director-Finance); Steve Haagenson (AEA Executive Director); Karsten Rodvik (Project Manager-External Affairs); Mike Catsi (Business Development Officer); Bill Phelan (Loan Officer II); Brenda Fuglestad (Administrative Manager); and Sherrie Siverson (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist and Mike Nave (Department of Law); and Ken Vassar (Birch, Horton, Bittner & Cherot).

Participating via teleconference: Tom Smith (City Manager of Skagway); John Conrad (Skagway Port Commission Chairman); Mr. Robert Venable (Southeast Conference).'

**5. PUBLIC COMMENTS**

There were no public comments. A moment of silence was observed to honor Senator Ted Stevens and others that were killed in a tragic plane crash on Monday, August 9, 2010.

**6. OLD BUSINESS**

There was no old business.

## 7. NEW BUSINESS

### 7A. Resolution No. G10-11 Emergency Regulations, Recovery Zone Facility Bonds

Authority to adopt emergency regulation to related to the recovery of bill bonds and the socioeconomics.

Ken Vassar presented some minor changes to the draft of regulations that the Board had approved previously to Resolution No. G10-11 Adoption of Emergency Regulations relating to Recovery Zone Facility Bonds 3 AAC 99.907. These changes include:

- Changing the date on the first page of the Regulations manual to August 5, 2010 due to little changes in the manual.
- Give the Executive Director of the Authority permission to waive or reduce the volume cap fee of 0.25% if circumstances justify the action. When AIDEA is the issuer and AIDEA has a fee in place under its regulations this fee can be waived to prevent double fees. Where AIDEA is not the issuer, but somebody asks AIDEA to reallocate volume capital for their project then it is appropriate to charge them a fee because AIDEA is taking actions that will benefit them but not otherwise receiving a fee for those actions.
- Section 100, subsection B: change the requirement of a letter from that city declaring the project is in a recovery zone to not requiring a letter. If AIDEA has sufficient economic information to be able to declare an area a recovery zone, the letter would not be necessary. If AIDEA feels they need a letter, they can still ask for it.
- Section 170, subsection B: delete subsection B due to the language in Section 100.

Mr. Leonard asked the board to reapprove Resolution No. G10-11 because the resolution they approved on July 13, 2010, was not published in three newspapers of general circulation as required by AS 44.88.085. Therefore, the adoption of the permanent regulations was not valid.

**MOTION: Mr. Felix moved to approve Resolution No. G10-11. Seconded by Commissioner Bell. The question was called. A roll call vote was taken. Messrs. Galvin, Felix, and Mme. Bell voting yea. Commissioner von Scheben and Mr. Felix absent. The motion passes.**

### 7B. Resolution No. ER10-01 Saint Francis LC (Mt. McKinley Animal Hospital Project).

AIDEA expressed official intent to issue bonds to finance the facility described here within dealing with a veterinary clinic. This is an eligibility resolution which allows AIDEA to start the process of a conduit bond for three million dollars. This is the first recovery zone

Mr. Vassar explained in detail what a conduit bond is. He estimated the bond will save over \$840,000 of gross interest and savings of approximately \$542,000 for the borrower.

**MOTION: Mr. Felix moved to approve Resolution No. ER10-01. Seconded by Commissioner Bell. The question was called. A roll call vote was taken. Messrs. Galvin, Felix, and Mme. Bell voting yea. Commissioner von Scheben and Mr. Felix absent. The motion passes.**

### **7C. Resolution No. G10-09 Skagway Ore Terminal Building**

At the July 13<sup>th</sup> board meeting, staff was directed to prepare a recommendation on how AIDEA might be involved in and support the Municipality of Skagway Borough's (Municipality) application for \$20 million funding for enhancements to the Port facility through the U.S. DOT TIGER II grant process. Based on a review of the application, the impact on AIDEA's Ore Concentrate Storage Building (CSB), loading facility and long range business plan for the Port, staff recommends that the existing CSB be expanded from its current nominal 40,000 square feet to 60,000 square feet in order to complete the CSB project and provide coverage of the total storage pad.

Resolution No. G10-09 authorizes the Executive Director to commit to the construction of the Authority's CSB, based on an approved finance plan, so as to cover all the available slab space (approximately 60,000 square feet) at a cost not-to-exceed \$15 million. Board authorization is sought so that such facility could be completed in conjunction with the completion of the ore handler and uplands improvements, and so that this potential expenditure can be included as a potential source of matching funds in the Municipality Tiger II grant process. The Authority will not commit to improvements to its CSB nor complete any such work unless and until all the following conditions are met within one (1) year of the date of this resolution:

- a) an extension to the ground lease extension until 2040 is granted to the Authority;
- b) the Municipality of Skagway Borough approves the movement of zinc/lead concentrate through its boundaries and has obtained all necessary and required federal, state and local permits to do so;
- c) the TIGER II grant described above is awarded by the U.S. Department of Transportation to the Municipality of Skagway Borough;
- d) that the amount of the federal grant funds for use by the Municipality from the U.S. Department of Transportation is in an amount that is equal to or exceeds the amount sought in the Municipality of Skagway Borough's Tiger II grant application referenced above; and
- e) a finance plan is presented to the board that will satisfy the requirements of AS 44.88.173(a).

An essential component of the project economics is dependent on the Municipality arranging for an extension of the ground lease of the property under the shed to the year 2040. Currently, the ground lease is held with PARN/White Pass Railroad until 2023 at which point the property reverts back to the Municipality. The extension of the lease allows AIDEA to cost the new storage space at a 20 year term rather than the current 7 year term, assuring that the facility will remain cost competitive. Most importantly, this extension allows AIDEA to garner revenue from the existing facility for an additional 17 years.

Under the TIGER II grant scenario, the facility is estimated to be completed by 2012, which includes all cost match construction. The most likely time for a new mine to begin production is 2015, leaving a gap of 2 – 4 years before any storage income becomes available. This gap

represents a real loss of interest income on the project dollars. However, using a conservative number for continued income from the existing facility past 2023 until 2040 provides a very strong positive net present value, after deducting the "loss" of unrealized interest income, based on the lease extension. From this analysis, staff concludes that the extension of the ground lease for the existing project provides a revenue stream that offsets the loss of interest income from the project funds for a reasonable length of time pending new tenants for the CSB.

A discussion ensued regarding alternatives if the Tiger II Grant was not awarded.

In summary, in order to support the Municipality's application for \$20,000,000 in TIGER II funding, staff recommends that AIDEA commit to complete the Ore CSB for \$15,000,000; that, with the Municipality's \$5,000,000 contribution, would bring the matching funds for this application to \$20,000,000 or 100% match, which should secure a high ranking on the application process and increase the probability that the Municipality would be awarded a grant.

**MOTION: Commissioner Bell moved to approve Resolution No. G10-09. Seconded by Mr. Felix. The question was called. A roll call vote was taken. Messrs. Galvin, Felix, and Mme. Bell voting yea. Commissioner von Scheben and Mr. Felix absent. The motion passes.**

Chair Galvin asked the Board to consider adopting a resolution acknowledging the long-term services of Brenda Fuglestad for her work with AIDEA and the Board. Brenda has been a tremendous asset for the corporation and we are all going to miss her significantly.

**MOTION: Mr. Felix moved to approve a resolution recognizing Brenda Fuglestad's 30 year service to the State of Alaska. Seconded by Commissioner Bell. The question was called. A roll call vote was taken. Messrs. Galvin, Felix, and Mme. Bell voting yea. Commissioner von Scheben and Mr. Felix absent. The motion passes.**

Mr. Bjorkquist stated the topics for an Executive Session will be Healy clean coal - strategy and negotiations related to the sale and recent events in permitting. Also, potential negotiation related to DMTS and strategy associated with that.

**MOTION: Mr. Felix moved to go into Executive Session to discuss litigation and negotiations relating to Healy Clean Coal and potential negotiations related to DeLong Mountain Transportation System. Seconded by Commissioner Bell. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Messrs. Galvin, Felix, and Mme. Bell voting yea. Commissioner von Scheben and Mr. Winther absent.**

#### **EXECUTIVE SESSION – 11:17 a.m.**

The Board reconvened its meeting at 12:27 p.m.

Roll call was taken and a quorum was established. Chair Galvin advised that the Board had not taken any formal action on the matters discussed while in Executive Session.

Chair Galvin stated there was one other item to add before Board Comments. He has been alerted that the legislation that passed altering the composition of the Board takes effect September 9. This means that, in addition to adding more public members, we are losing the designation of the third cabinet member. The Board will now be made up of the Commissioner

of Revenue and the Commissioner of Commerce. Commissioner von Scheben will be stepping off the Board. The Board takes this opportunity to acknowledge Leo's services over the past four years. He has been a strong contributor to the direction of the Board and particularly with work on the Healy Clean Coal project in the executive committee. A certificate acknowledging his role in board matters will be created and at this time we need a formal resolution acknowledging his service.

**MOTION: Mr. Felix moved to approve a resolution recognizing Commissioner Leo von Scheben's service as a board member for AIDEA. Seconded by Commissioner Bell. The question was called. A roll call vote was taken. Messrs. Galvin, Felix, and Mme. Bell voting yea. Commissioner von Scheben and Mr. Felix absent. The motion passes.**

## 9. BOARD COMMENTS

Mr. Leonard said staff is working on recovery zone bonds. There has been strong interest in this program and it will help AIDEA bring access to capital to a lot of different small businesses. Staff have been meeting with ARDORS and city chambers and are moving forward with the program. AIDEA projects are going well. Several projects are in pre-feasibility stages and we are moving forward in order to bring more development projects to the Board over the next six months. Current reports on loans and delinquencies are included in the board packet.

In response to questions from the board, Mr. Leonard said we are aware of the target sectors in the strategic plan and the projects we are talking about range from aviation to energy to fishing of different sizes. There is a mixture of several large projects and four or five smaller ones which are important to job creation in rural areas.

Mr. Leonard said that part of the Board's direction to the AIDEA management team was to get out there and start getting the outreach there to let businesses know that AIDEA is here to start doing projects and I believe that the number we are getting in on requests is directly related to the success of that.

Commissioner Bell asked if there are projects which makes a difference in community economics, do you expect to see increased because of the interest. Mr. Leonard said that several banks have stated they plan to use this vehicle instead of their normal commercial loan process. We are hoping to see several small projects come in and know of several large projects that could use this funding. The first round should result in enough projects in order to allocate the entire \$135 million. If not, we will still have an opportunity to use the rest by the end of the year.

The next scheduled meeting is Wednesday, September 22, 2010.

## 10. ADJOURNMENT

There being no further business of the Board, the meeting was adjourned at 12:36 p.m.

  
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Ted Leonard, Executive Director/Secretary  
Alaska Industrial Development and Export Authority