

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, September 30, 2021
Anchorage, Alaska
Via Teleconference

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on September 30, 2021, at 10:20 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Julie Anderson (Commissioner, DCCED); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (Special Assistant to the Commissioner-DOR); and Julie Sande (Public Member).

3. AGENDA APPROVAL

Chair Pruhs requested to reverse the order of Item 4. and Item 5., so that the agenda reads Item 4. Prior Minutes, and Item 5. Public Comments.

MOTION: A motion was made by Mr. Fogle to approve the agenda with the change to move Item 4. to Item 5., and Item 5. to Item 4. Motion seconded by Mr. Kendig.

The motion to approve the agenda as amended passed without objection.

4. PRIOR MINUTES - August 12, 2021 and August 13, 2021

MOTION: A motion was made by Mr. Kendig to approve the Minutes of August 12, 2021 and August 13, 2021, as presented. Motion seconded by Ms. Sande.

The motion to approve the Minutes of August 12, 2021 and August 13, 2021, passed without objection.

5. PUBLIC COMMENTS (*2 minutes per person, for one hour*)

Chair Pruhs reminded the public that comments are limited to two minutes per person. He requested that each person state their full name and their affiliation, if any.

Chair Pruhs welcomed former Executive Director John Springsteen to the boardroom. Chair Pruhs noted that Mr. Springsteen's input and guidance is highly appreciated and he will be indulged the time needed to make his comment.

Mr. Springsteen informed that he is with the Alaska Development Team in the Office of Governor Mike Dunleavy. He noted that these comments are on behalf of the Governor. Mr. Springsteen stated that the Governor strongly supports advancing the rare earth element industry

in Alaska and increasing opportunities to perform value-added processing in the state. The Governor supports AIDEA's project financing of Ucore's Ketchikan Strategic Metals Complex with commercially reasonable assurances, as determined by the AIDEA Board. The Governor appreciates AIDEA's engagement to further this development and looks forward to progress on this project.

Chair Pruhs thanked Mr. Springsteen for the comments and requested that he remain to answer any questions.

David Kennedy, AIDEA, instructed the public participating telephonically to press star-nine if they wish to make a public comment.

There being no further public comments, Chair Pruhs closed public comments.

6. NEW BUSINESS

6A. Resolution G21-22 Ambler Access Project, NANA Land Access Permit

Alan Weitzner, Executive Director, advised that Resolution G21-22 relates to development of the Ambler Access Project with respect to a land access permit with NANA Regional Corporation to conduct certain development activities. Mr. Weitzner noted that attached to the Resolution is a Board memorandum which outlines and summarizes the agreement with NANA to have access to their land over the next three years for the feasibility and permitting activities engaged with Ambler Metals for the further development of the Ambler Access Project.

Mr. Weitzner expressed appreciation to NANA on behalf of staff and Amber Metals in working on this permit and having access to the land for these activities. Attached to the memorandum is a copy of the permit that has been executed with NANA. Mr. Weitzner summarized principal terms:

- The Permit is a revocable license issued to AIDEA as Permittee to enter certain NANA lands defined within the agreement and are related to the feasibility and permitting activities under the development agreement;
- The field activities conducted during the term of the Permit are for the purposes of providing environmental, engineering, and design information. This is not an ongoing right-of-way;
- No other lands owned by NANA except those designated in the Permit will be accessed;
- The term of the Permit will be for approximately three years, which is through the term of the development agreement, and will expire on December 31, 2024;
- AIDEA is responsible for obtaining all necessary permits and other governmental approvals and for maintaining compliance with all applicable federal, state, and local laws;
- Any engaged contractor or subcontractor will have insurance covering the activities defined within the permit;
- NANA will assess an annual administrative fee in the negotiated amount of \$38,000 annually for the access during the term of the Permit. NANA requires a surety bond of \$1,000,000 for the access to 21.4 miles of land.

Mr. Weitzner informed that these costs were budgeted in the 2021 field season budget and the 2022 field season budget. He explained that Doyon is the other land owner within the Ambler Access Project and that Doyon has also provided a land access agreement. The surety bond for Doyon is in the amount of \$500,000 for access to 10.1 miles of land. Mr. Weitzner reiterated appreciation for working with NANA during this permitting agreement stage. He noted that the resolution is looking for the Board's support on this action.

Commissioner Anderson asked for information regarding the differences between the Doyon study area and the NANA study area. Mr. Weitzner noted staff would have to provide the Board with further definition. The measurement utilized is the miles of the road. The boundary for the right-of-way corridor is between 250 to 400 feet.

Ms. MacKinnon asked if there is a plan to begin field work this 2021 season. Mr. Weitzner indicated that there is an approved annual work plan with BLM that is being implemented and work on cultural resources is ongoing. The hope is that the cultural resource work on the NANA land will be completed this field season, after this agreement and resolution is approved by the Board. Additionally, there has been modified geotechnical work achieved this year. Approximately 60% of the presented field season work has been completed this year.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-22. Motion seconded by Ms. Sande.

A roll call was taken, and the motion to approve Resolution G21-22 passed unanimously.

6B. Resolution G21-25 Investment Policy for Outside Advisor-Managed Investment Assets

Mr. Weitzner explained that Resolution G21-25 is an amended and restated resolution relating to fixed income investment policies. Attached to the resolution is the full language of the amended policy. This has been reviewed by the Budget and Audit Subcommittee (BAS) and by the Board during the most recent work session on August 13, 2021. Staff is requesting formal adoption of the new policy. Mr. Weitzner informed that Morgan Neff, Chief Investment Officer, is available to address Board questions.

Chair Pruhs asked if there is a simplified way to place the actual changes to the Investment Policy on the record. Mr. Weitzner stated that the marked copies were previously provided for public review during the BAS meetings and the Board work session meeting on August 13, 2021. Chair Pruhs requested that the changes the Board will vote on today are reflected in today's record before a vote is taken. Mr. Weitzner noted that the changes can be added to the information on the website.

Chair Pruhs requested that the changes be presented verbally for the record. Mr. Weitzner noted that under Section I. Investment Policy for External Advisor-Managed Investment Assets, delete the words "a contract or contracts," and insert "an Investment Management Agreement." The term "Investment Management Agreement" replaces the term "contract" throughout the Investment Policy. Mr. Weitzner indicated that staff separately provided the form of the Investment Management Agreement to the public and Board.

Mr. Weitzner explained that the changes in Section A. are the replacement of the term “contract” with the term “Investment Management Agreement.” The major change of the Investment Policy occurs on page one, under B.1. Eligible Long Term Securities, in the third sentence. The sentence previously read, “Investments must carry an average rating of BBB or above, at the time of purchase.” The revised sentence will begin with, “Investment must carry a rating of BB or above, at the time of purchase.”

Chair Pruhs requested an explanation of the difference between the investment grade quality of BBB- and the quality of BB. Mr. Weitzner noted that the investment grade credit rating system ranges from the highest rating of AAA to AA+ to AA to AA-, continuing down to the lowest level of investment grade ratings of BBB-. He explained that the investment becomes riskier with the lower credit ratings. The minimum rating allowed of BB is below an investment grade rating, which is why the following language in parenthesis has been added to the Investment Policy; “(subject to the BBB- weighted average credit quality of the portfolio).”

Ms. MacKinnon asked for examples of the types of investments that move between the investment ratings. Mr. Neff explained that the BB component would be primarily corporate bonds that are not necessarily lower in quality, but they are often assigned that rating because of the overall size of the company. He added that a company would typically need in excess of \$5 billion in revenue to qualify for an investment grade rating. Mr. Neff discussed that this change provides the ability to optimize the credit quality of the portfolio to retrieve the most optimal risk to return profile. Further amendments will focus on the investment duration, and how to mitigate the portfolio’s sensitivity to interest rates during the current macro environment.

Mr. Fogle commented that the BAS did not have a chance to review the specific document that is being presented now. He noted that discussion occurred at the previous Board work session regarding these changes. Mr. Fogle was hoping that the red-line version of the document could come before the BAS before it was brought before the full Board. Mr. Weitzner conveyed that this red-line version has been presented at least three times. It was first presented to the BAS and then presented during the full Board work session. Mr. Weitzner expressed his understanding that the red-line version was to be presented at this meeting for the adoption of the changes to the Investment Policy.

Mr. Fogle remembers reviewing the proposed changes many months ago and then at the previous work session. He expressed that he did not have the understanding that the proposed changes were going to be brought before the Board at this meeting. Mr. Fogle believes it would behoove the public to see a red-line version of the changes and to bring the recommendations to the BAS before staff presents for the full Board’s adoption. Mr. Weitzner reiterated that the full red-line mark-up has been provided several times and it is available to the public for their review. It has been fully discussed. Mr. Weitzner does not see the additional benefit of having another discussion of the exact document. All of the accumulated information of the presentations are attached to the document. This includes Callan’s report that was reviewed in the previous work session.

Mr. Fogle explained his understanding was that these recommendations were discussed, but the finalized version of the recommendations were not yet agreed upon. He requested that the red-line document goes back to the BAS for a full red-line review.

Chair Pruhs commented that the October and December meetings already have dense agendas. He conveyed his preference to fully review the red-line version in detail during today's meeting, to make any necessary changes, and to take action after the review. Chair Pruhs asked the Board to consider his request.

Mr. Weitzner asked for a brief recess to provide the Board with a copy of all of the changes and to post the same material online for the public's review. Chair Pruhs agreed. A brief at-ease occurred.

Mr. Weitzner noted that the information is accessible online within today's agenda, as well as within the agenda from the June 8, 2021 BAS meeting, and within the agenda of the August 13, 2021 meeting. He reported that all members also have a copy of the proposed policy changes. Mr. Weitzner conveyed that staff recommends the implementation of the policy as soon as possible because the current situation has the investment managers on a month-to-month basis. The agreed consensus policy needs to be established in order to work with Callan to have a selection criterion for potentially new investment managers or to continue the existing agreements with the current managers.

Ms. MacKinnon asked if AIDEA's investment advisor Callan will consider the State of Alaska's Department of Revenue investment team as they provide recommendations for investment opportunities. Mr. Neff noted that discussion with Callan has occurred regarding this option. He requested that Department of Revenue staff upload performance to Callan's portals and provide that level of statistical information on the investments and its risk measures to Callan, as that information is not publically available.

Mr. Weitzner believes that Ms. MacKinnon has previously identified the fact that Department of Revenue has worked with Callan and their information should be available. The process proposed within the policy is that Callan, as a fiduciary for AIDEA, will review appropriate and available asset managers. The Selection Committee would analyze the information and identify the managers to utilize. Mr. Weitzner believes that the Department of Revenue would be included within the selection criteria reviewed by Callan.

Ms. MacKinnon informed that she has requested separate information from Department of Revenue regarding outside money manager fee amounts and that she will request that her contact person connect directly with Mr. Neff regarding this communication.

Mr. Weitzner continued the review of the proposed changes under Section B.1. Eligible Long Term Securities, page two. Language was added in the middle of the page to the sentence that begins, "In the event that the rating of a security is downgraded below investment grade while the security is owned by AIDEA (including an unrated investment assigned a rating by the Investment Manger, it will no longer be eligible for purchase", and followed by the added language, "if the weighted average credit quality of the portfolio falls below BBB- (investment grade). If the security that is downgraded causes the weighted average credit quality of the portfolio to fall below BBB- (investment grade)," and continues with the current language, "the Investment Manager will immediately report the downgrade to AIDEA with a plan of action for monitoring the security and its orderly disposition within a six month period."

Mr. Weitzner reviewed that the additional sentence is added to the end of that paragraph; “In either case, the Investment Manager will reposition the portfolio within 6 months to represent a minimum weighted average credit quality of BBB-.”

Mr. Weitzner discussed the next change occurs on page five under D. Duration, which reads, “The duration of each externally managed fixed income portfolio may not exceed 25% of the duration of the Barclays Capital Aggregate Bond Index for domestic fixed income portfolios and the contractual non-U.S. dollar denominated benchmark for the portfolios (or sub-portfolio component) available for investment in non-U.S. dollar denominated instruments.”

Mr. Weitzner discussed the change on page five under E. Portfolio Quality, which deletes the language, “Each externally managed fixed income portfolio will be a high quality portfolio.” The rating “AA” will be replaced with “BBB- (investment grade).” The sentence will read, “The weighted average quality rating shall be BBB- (investment grade) or better, using the methodology described in Section 1.5.1 to assign a rating for compliance purposes.”

Mr. Weitzner discussed the change on page six under G. Performance Standards replaces the word “evaluated” with the word “reviewed” and inserts the words “and evaluated annually.” The sentence now reads, “Performance will be reviewed quarterly and evaluated annually and compared to the performance of the appropriate benchmark index and peer groups.”

Mr. Weitzner discussed the change on page seven under Section II. Investment Policy for Direct Authority-Managed Investment Assets, Item C. The language of “Deputy Director - Finance” is replaced with “Chief Investment Officer.”

Mr. Weitzner discussed that the final changes are on the last page of the document that deletes the language in B., “Without prior written approval by the Authority, the assets of the Authority may not be used for the purchase of bonds of a corporation upon which any regular interest payment has been defaulted within five years before purchase, except bonds never in default but which have been outstanding for less than five years.” Additionally, the entire Section VIII. Effective Date language of “This Resolution amending Resolution G01-14A shall take effect immediately upon its adoption. Dated at Anchorage, Alaska, the 11th day of October 2001, amended the 21st day of June, 2006, amended the 19th day of July 2011, amended the 6th day of December 2012, and further amended this 1st day of October, 2013”, has been deleted. Mr. Weitzner noted that concludes the proposed changes of the externally managed Investment Policy.

Chair Pruhs expressed appreciation for the review of the changes on the record.

Mr. Fogle noted that review at the work session meeting showed a detriment to the portfolio by removing the investment banks that refuse to do business with oil and gas in the Arctic. He asked if a final determination has been made whether or not to begin divesting from some of these investment banks. Mr. Weitzner responded that staff has not proposed that change in the Investment Policy. The credit quality of the portfolio has been identified with the goal of increasing the return and liquidity of the portfolio. The issue regarding investment banks is for the Board to discuss.

Mr. Fogle requested that review begin to determine possible divesting from the banks that do not truly affect the overall rate of return.

Chair Pruhs requested that a side-by-side comparison be presented that shows the history of the current portfolio and the history of what the proposed changes to investments would have returned. He believes it is a good question and he is curious to know how it affects the portfolio.

Commissioner Anderson recommended that the current resolution is addressed and the investment bank issue be taken up at the next Board meeting. Mr. Weitzner requested that the issue be deferred to the December 1st, 2021 Board meeting. There was no objection.

Ms. MacKinnon commented that staff has done an outstanding job in evaluating the risk, duration, and other factors involved in investment. She noted that this journey began about a year-and-a-half ago with two questions from the BAS; 1) What is the fully loaded cost for each of the asset managers? and 2) What is the risk associated with the different revenue streams that support AIDEA and the economic development mission?

Ms. MacKinnon discussed the difficulty in getting the first answer of the true cost of the managers because of the different methods used to apply the costs. The second question addresses the three-legged stool relating to AIDEA's three revenue streams of project management, loan portfolio, and interest earnings. The BAS had discussions regarding whether the current investment portfolio that is being invested by the money managers following the investment policy is actually weighted appropriately with risk. Ms. MacKinnon stated that it is her opinion that AIDEA was effectively hiding its money under a mattress in a protection mode and not utilizing the engines in the market to grow the asset base.

Ms. MacKinnon noted her understanding of the reasons for being in a protection mode are due to the loan portfolio's unique risks, as seen by the challenges from Covid-19. Likewise, the projects portfolio needs capital for investments and poses additional risks as the projects near completion. She agreed that Chair Pruhs has appropriately stated that these interest earning assets need to be better protected than the two other revenue streams. Ms. MacKinnon believes that there should be an opportunity to see investment in equities within the Investment Policy. She noted that she will defer to Chair Pruhs' view since he has more Board experience watching the market turns, the project development, and the loan portfolio. Ms. MacKinnon stated publically that the equity market has undergone a huge upturn and AIDEA's assets did not grow during that time. She noted that there is a reason AIDEA's assets were protected and did not participate in the gain. Ms. MacKinnon discussed that she has previously challenged AIDEA's Chief Investment Officer and Executive Director to consider the opportunity for equity investments in these assets. She proposed a formula to weight each component of the revenue stream and to take a small portion of the protective investments and invest that portion in equity investments that could provide an upswing in returns. The danger is the possibility of incurring a downswing in returns and losing the value to be able to invest in Alaskans.

Ms. MacKinnon stated that she will support staff's recommendations, and highlighted that she continues to see missed opportunities to include equity investments in the portfolio, while understanding the need for funds to be available during this fiscal time for projects and loans.

Chair Pruhs commented on his tenure on the Board and discussed that one of the challenges AIDEA has faced with the three legs of the investment stool was the mark-to-market issue with investments. It caused huge swings, which affected what AIDEA showed for P&L statements and the ultimate dividend to the State. Staff would work very hard with positive effects and then after the December 31st date, before the Trump Administration when the market jumped up, the statements were showing a big loss because of the markets. Consequently, the P&L statements were not pleasant with wild swings. Subsequent legislation changed the mark-to-market calculation. Chair Pruhs conveyed that he was disconcerted because staff worked very hard to build a balance sheet and the weighted average in the managed accounts would make a drastic change to the P&L statement, which did not reflect the efforts of staff and the Board. Chair Pruhs understands that the equity market has shown huge returns, and believes baby steps need to be taken. He remembers that when he first became a member of the Board, the equity market portfolio was showing losses of \$20 million to \$30 million.

Ms. Sande expressed appreciation to Ms. MacKinnon for continuing to push the conversation forward. She commented that Mr. Fogle has also been working hard to continue to have this conversation. She believes that, in hindsight, taking a more aggressive policy would have paid dividends. Ms. Sande noted that she reviewed previous years' Board minutes and understands that some of the previous members were grappling with the same conversation, which helped her form the position that AIDEA has a responsibility to ensure the investment leg of the stool remains stable.

Ms. Sande believes that discussion occurred at the last meeting to have a third party provide some feedback. She remarked that one of the reasons she feels so strongly regarding preserving the investment funds as liquid is to have the ability to act quickly to take advantage of projects. Ms. Sande requested an update regarding the status of third-party feedback. Mr. Weitzner reviewed that the conversation occurred during the work session on August 13th for staff to conduct an internal review and then to discuss the benefits of a third-party review. Staff has initiated an internal review in looking at the capital that is available for higher risk investment that is within the loan programs and project assets, including the encumbrances of the development agreements.

Mr. Weitzner clarified an important element of the work session on August 13th, defining that AIDEA is not the Permanent Fund. In consideration of AIDEA's investment and investment opportunities, the mission and statutes are very different from an investment manager. AIDEA is an economic development authority that is looking to utilize its capital, the return of capital from the different programs, to reinvest in Alaskans. AIDEA is not an asset manager that is looking for a specific total return percentage. AIDEA is looking for opportunities for capital to be invested in Alaskan projects, advancing strategic initiatives within the state, and having tangible advancement on job growth and economic development within the state.

Mr. Weitzner discussed that staff's assessment of the broader and robust conversation encompasses ways to maintain capital that supports AIDEA's mission. These ways include defining components that may have a higher risk and higher return aspects and still meet the mission of investing in Alaskans, advancing projects within the state, and creating strategic initiatives.

Chair Pruhs commented that from a business perspective, if a business entity were to come to AIDEA with a project, they would look at AIDEA's financial information, P&L, the reserves, the capital, and make a determination if AIDEA has the bandwidth to move forward with a working project relationship. Chair Pruhs believes AIDEA's challenge is maintaining its mission, reserves, and capital for future projects to participate. He understands that there is a balance between the concerns regarding preserving the nest egg and losing equity market investment opportunities. Chair Pruhs discussed that the State of Alaska is challenged by outside lack of investment because of the state's geographic location. He does not believe the issues would be present if the same natural resources were located just north of the equator.

Mr. Fogle asked if this conversation will be continued with staff in December when the staff analysis is complete. Chair Pruhs agreed.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-25 Amended and Restated Resolution of the Alaska Industrial Development and Export Authority Relating to Fixed-Income Investment Policies. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution G21-25 passed unanimously.

6C. Resolution G21-26 Office Building Maintenance, Repair, and Capital Work

Mr. Weitzner explained that Resolution G21-26 relates to office building maintenance repair, capital work, and increasing the annual allocation for such work. Attached to the resolution is a Board Memorandum, providing the background, and a 5-year capital plan to be reviewed by the Board. Mr. Weitzner noted that this information was derived from Board discussions regarding the building and a request of staff to review the future requirements compared to the annual allocation authorized under Resolution G17-15 of \$250,000.

Mr. Weitzner thanked the Board for identifying the necessity of the capital plan. Staff examined the procurement process for the building and has subsequently made changes to approaching the method. Staff engaged an external consultant through a competitive process, Mintz Consulting, to advise staff. Essential changes have also been made in the procurement staff. Mr. Weitzner invited Dave Heimke, Chief Operating Officer, and Travis Oaks, Contracting Officer, to join the presentation. Mr. Weitzner explained that Mr. Oaks has taken ownership of the entire operation regarding the building, which is a fundamental change to the approach.

Mr. Heimke discussed the procurement for expert assistance to set up the five-year capital plan and to provide insight for the upcoming building management contractor renewal. On September 1st, the Procurement Evaluation Committee awarded Cange Group, LLC the property management contract for 813 West Northern Lights. Mr. Heimke highlighted that AIDEA staff verified and validated much of the information collected by Mintz Consulting for the five-year capital improvement plan. The information includes end-of-service life, previously identified capital improvements, and evaluation of the current estimates for total installed costs. The evaluation resulted in an increased annual amount for major maintenance, repair, and capital improvements from \$250,000 to \$275,000. Careful consideration was given to life/safety improvements.

Mr. Heimke discussed Mr. Oaks' professional background and noted that Mr. Oaks has taken the lead in the management of both new contractors. He is available to answer any questions.

Mr. Fogle expressed appreciation for providing the list within the five-year capital work plan. He commented that he has been asking for this list for over a year. Mr. Fogle asked for an overview of the funding for this resolution and how it relates to the resolution that carried forward previous funding for capital projects. Mr. Heimke directed Mr. Fogle's attention to the five-year capital work plan under FY22 in the amount of \$331,690. He noted that this amount exceeds the \$275,000, and the remaining amount is the carried-forward funding.

Chair Pruhs asked if there is any way to get rid of the back parking lot. Mr. Heimke informed that an evaluation is currently underway regarding the next door property, 825 W. Northern Lights, and the evaluation would address the back parking lot. Chair Pruhs asked if the budgeted amount of \$135,000 for parking lot upgrades will need to be changed after the evaluation of the next door property is complete. Mr. Heimke noted it is premature to provide that answer because the amount may be adjusted based on the final plan, but that the intent is for any additional work to be an augmentation.

Commissioner Anderson asked if AIDEA still owns the Blues Central building next door and if AIDEA has tried to sell it. Mr. Weitzner explained that the next door building was initially listed under a procurement process to identify for requests for interest. Staff is evaluating whether a direct listing of the building should be taken to simplify the public procurement process. Mr. Weitzner believes that a listing will be the end result of the evaluation. Commissioner Anderson commented that the back parking lot would then no longer be a concern. Mr. Weitzner indicated that may or may not be the result, depending on the final outcome.

Commissioner Anderson noted that discussions have occurred over the years regarding whether or not the building is suited for AIDEA's needs. She asked if that conversation continues to be ongoing. Mr. Weitzner informed that AIDEA has owned and maintained the building since 2000. The current plan is in place with the assumption that AIDEA and AEA will continue its occupancy. Due to the telework activities for the current month, Mr. Weitzner discussed that staff is evaluating the workspace and has created transitional workspaces within the office building, but the occupancy has not changed dramatically. Commissioner Anderson asked if the building is close to 100% occupied while utilizing all of the space. Mr. Weitzner agreed. He added that staff has been able to create meeting spaces and transitional spaces. Each staff member has their own enclosed, non-risk work environment.

Chair Pruhs commented that he will speak out-of-the box and discuss one of the ideas is to demolish the building across the street and sell the lot. He indicated that if additional capacity is needed, that a project office could be built across the street. Mr. Heimke agreed that scenario is one of the options, and includes the benefit of street access from Northern Lights by the removal of the facility. Chair Pruhs expressed advocacy for an independent projects facility. He expressed appreciation for the path of work that is planned. He is excited for the opportunities.

Mr. Weitzner thanked Mr. Fogle for his previous comments and identified requests during this process. Evaluation of the property management and engaging a new property manager were important elements in these responsive activities.

Chair Pruhs noted that he is hopeful that this spring will be the last time the parking lot becomes like a lake. Mr. Weitzner noted that element is one of the first ones that will have direct actions. He requested Mr. Oaks provide additional information. Mr. Oaks explained the glaciation was due to surface water and ponding next to the property. This was identified as a potential water main that is leaking and should not contain water. The issue is being address by AWWU. Mr. Oaks indicated that next week, the property manager is scheduled to remove asphalt at the front entryway, fix the grade, remove the drain, and clean the drain. Chair Pruhs suggested putting in a dry well. Mr. Oaks noted that was being considered.

Ms. Sande asked how many people comprise the internal maintenance team for the 30,000 square-foot building. Mr. Weitzner explained that previously, the internal maintenance team was effectively the procurement staff of four people. Currently, the internal maintenance team is the procurement group of Mr. Heimke and Mr. Oaks. A third person will be hired as support for the team. The external property manager Cange holds a three-year contract. There are underlying subcontractors for each component, including janitorial services.

Chair Pruhs asked if Mr. Heimke knows the water table depth on the property. Mr. Heimke noted he does not know the water table depth. Chair Pruhs suggested that is good information to consider in making decisions. Chair Pruhs inquired as to the known structural section under the parking lot. Mr. Heimke reported that there are past design documents that may have considered that information. Chair Pruhs cautioned that if the area is in an active zone for frost and the structural section did not go below the zone, then any aesthetic fixes will not endure.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-26. Motion seconded by Ms. Sande.

Chair Pruhs stated for the record that Resolution G21-26 relates to office building maintenance, repair and capital work.

A roll call was taken, and the motion to approve Resolution G21-26 passed unanimously.

MOTION: A motion was made by Mr. Kendig to enter into Executive Session to discuss confidential matters related to Allen Marine Loan Modification and Alaska SMC LLC. This is supported by the Open Meetings Act, which allows a Board to consider confidential matters in executive session. In this case, the Board believes that these are subjects which would have an adverse effect upon the finances of AIDEA and are protected by law, due to the rules protecting personal privacy and certain business information. Motion seconded by Mr. Fogle.

The motion was approved without objection.

**6D. EXECUTIVE SESSION: 11:51 am
Confidential matters related to Allen Marine Loan Modification and Alaska SMC LLC**

The Board reconvened its regular meeting at 2:40 pm. Chair Pruhs advised that the Board did not take any formal actions on matters discussed while in executive session.

6E. Resolution L21-04 Allen Marine Loan Modification

Mr. Weitzner stated that Resolution L21-04 regards modification of a loan participation related to Allen Marine, Inc. He noted that this resolution has been added to the agenda. The information has been posted and is available for public review. Mr. Weitzner explained this resolution undertakes a fourth modification on the loan participation through Northrim with Allen Marine, Inc. It is related to a confidential memorandum that has been shared with the Board for their review during executive session. He highlighted that the information is confidential and has been provided under statute 44.88.215.

Mr. Weitzner requested Tiffany Janssen, Commercial Finance Director, to provide a brief summary of the proposed modification. Ms. Janssen discussed that Northrim has requested a fourth modification on the Allen Marine, Inc. loan. The previous modification was approved June 23rd and was to come due October 1st. Certain conditions are described in the confidential memorandum to address further modifications on that loan. AIDEA has a 56.2% participation rate. The balance is \$9,068,000. Mr. Weitzner explained that the modification will also extend interest only payments from October 1st through June 30th, 2022, with principal and interest payments to resume July 1st, 2022.

Chair Pruhs commented for the record that this is an ongoing program that AIDEA has purposefully enacted to assist businesses that have experienced issues related to COVID-19. He noted that Allen Marine is one of many businesses in AIDEA's portfolio that have had challenging times due to the COVID-19 restrictions. Chair Pruhs believes that AIDEA is addressing these critical issues to assist Alaska businesses that employ Alaskans. He explained that the amount of the loan is the reason this specific modification is before the Board. Chair Pruhs expressed support and hopes that Allen Marine's business recovers 120% by spring.

MOTION: A motion was made by Mr. Kendig to approve Resolution L21-04, Allen Marine Loan Modification. Motion seconded by Ms. Sande.

A roll call was taken, and the motion to approve Resolution L21-04 passed unanimously, with Mr. Fogle not present.

7. DIRECTORS COMMENTS

7A. Public Engagement Update

Mr. Weitzner requested Colleen Bryan, Communications Director, join the discussion of the public engagement update. He indicated that the procurement for a public engagement system was approved at the last Board meeting. Highlighted in the previous discussion was the importance of stakeholder engagement and public process. Ms. Bryan noted the solicitation for public engagement and communication tools was issued on September 1st and was closed on September 27th. Four bids were received. The Proposal Evaluation Committee will be meeting early next week to conduct the initial review. The top two bidders will be invited to present a demonstration of their products. The notice of award is expected to be issued by mid-October,

which is followed by the 10-day protest period. A vendor for these services is expected to be in place by the October 27th Board meeting. There were no questions.

Ms. Bryan announced that the formal advertising began today for an engagement and communication specialist. This role will be important in extending the public engagement effort and expanding communication. She expressed appreciation for the support of expanding AIDEA's communications team.

Mr. Weitzner discussed that the position is on the organizational chart and is in the budget. He thanked the Board and specifically Commissioner Anderson, who agreed to reallocation of one of the PCNs for that particular role. The position provides a critical function in how AIDEA is able to address the information requirements for the public and to be consistently available. There were no questions.

7B. Digital Transformation Update

Mr. Weitzner noted that references have been made in several occasions regarding the transition of the internal systems and procedures within AIDEA and AEA. He noted that Mr. Heimke and Dona Keppers, Chief Financial Officer, have been focusing on this digital transformation. Mr. Weitzner explained that the current process is paper-intensive. Their evaluation reviews how to prioritize the most effective transition and processes to a digital environment.

Mr. Heimke highlighted five activities that are either ongoing or complete. The loan program is undergoing the process of scanning historical loans using optical character recognition (OCR). This effort is led by Ms. Janssen and her team. Mr. Heimke requested Ms. Keppers provide additional information. Ms. Keppers informed that there is an individual working part-time in the Finance Department that has also been helping with the scanning effort. The goal is to eliminate paper with regard to the loan program. She reported that scanning for FY21 has been completed and FY20 is in progress. This access now includes property locations. The OCR documents are searchable and archived documents can be readily found. This effort is a positive change that continues to move forward.

Commissioner Anderson asked how far back the process will archive. Ms. Keppers noted that she asked the same question of staff. The plan is to first review the State's retention cycle in order to determine the length of time the documents must be retained. Ms. Keppers is awaiting an answer from staff. She commented that this is a huge job and is a significant internal change. Ms. Keppers informed that when the Finance Department is looking for certain information now, staff can connect with Ms. Janssen's team and get the requested information quickly.

Mr. Weitzner added that the focus is to ensure that the organization is ready to grow. This is one of the limitation factors that will take work. It is a high value element to transform digitally and to be able to address the needs of the public.

Mr. Heimke reviewed another process cataloged all of the current digital transformation projects envisioned. Ms. Keppers discussed that the list is comprehensive. The next steps will include prioritizing the list, generating estimates for cost complete sections of the projects, and understanding the internal rate return of the projects. Mr. Heimke highlighted a recent effort by

AEA staff that focused on merging the travel authorization and credit card reconciliation. The side-by-side processes contained redundancies and were paper-heavy. Ms. Keppers informed that over the last month, AEA has been working the new effective process that moves paper to scan through the entire process quickly. She discussed that the next step is to introduce training with AIDEA in order to begin that process as well.

Chair Pruhs asked if all the information is going on a server. Mr. Heimke agreed. Chair Pruhs asked if the server is backed up by the cloud. Mr. Heimke noted the server is not currently backed up by the cloud. Review is occurring regarding that option as part of the transformation project in order to better understand the cost/benefits and cyber risks that are incurred by outboarding information. Chair Pruhs encouraged that there be an alternative to the information leaving the building so that there would be limited risk to cyber security issues. He emphasized the focus of mitigating any problems caused by cyber security risks.

Commissioner Anderson informed that one of the Governor's targets is to migrate data from individual insider servers to a more secure cloud environment. She believes that additional discussion should occur. This is a big effort across the State, especially in light of the recent State agency hacks.

Mr. Weitzner noted that an update can be provided specifically to the Board in executive session regarding the efforts staff is undertaking. There are confidential issues regarding security and arrangements to the IT structure.

Chair Pruhs asked if AIDEA was insured for cyber hacking. Mr. Weitzner noted that would have to be discussed in a confidential setting. Chair Pruhs informed that he is a trustee for a large pension and last year's premium was \$6,000 and this year's premium was \$126,000. Chair Pruhs believes the issue should be discussed in executive session to ensure staff has the resources and guidance to be proactive. Mr. Weitzner advised that staff has taken a very keen focus on the issue, particularly given AIDEA's obligation under the confidentiality statutes for the loan programs and projects. Mr. Weitzner reiterated the serious nature of the issue and not having public discussion of the measures.

Mr. Heimke continued the discussion noting that digital transformation is an improvement to the business processes. Ms. Keppers explained that the input of cost coding numbers is being moved to the front-end of the structure. The account coding structure is fairly complex. The initiation of the procurement processes culminate in accounting where the account coding is gathered. The new structure would implement the account coding on the front-end. A project has been piloted to test the structure. Mr. Heimke stated that the Ambler Access Project increases the burden on the procurement and the finance transfer. Staff realized that it would be necessary to update those two systems. Staff has implemented a stated digital format of the purchase requisition and maintaining a digital format through the accounting and finance areas after the procurement process is completed. Benefits include no paper accumulation and no lost papers. This process keeps the information in a time function that provides digital reminders. Ms. Keppers added that this alleviates the time burden within the Accounting Department and minimizes the error rate.

Chair Pruhs asked if the Ambler Project cost controls, project management, contract administration, and procurement project relates with AIDEA staff in Fairbanks. Mr. Heimke agreed and noted that the contract administrative position has just been posted.

Mr. Weitzner commented that there were instances within shared services where AIDEA and AEA would have two separate processes for the shared service. This calibration takes the best practices and enhances their applications in order to improve the partnership. This benefits all parties, including suppliers and vendors. The intent is to have an update on the digital transformation as a permanent element of the Director's comments. This is a critical undertaking with significant changes occurring within the organization. There were no additional questions.

7C. Loan Dashboard Report

Mr. Weitzner highlighted that the Loan Dashboard Report is effective through August 31, 2021. The starting balance of the fiscal year was \$463.9 million, and as of the end of the month, the balance is \$452.2 million. Mr. Weitzner explained that this is not an overall reduction in the portfolio. There is effectively \$14.4 million in funding that has been approved and will be coming into the program. This is shown on page 14. It is anticipated that the loan participation program will grow throughout the fiscal year, given the state of current interest rates and the issues that the economy is facing through the impact of COVID-19.

Chair Pruhs asked for additional information regarding the applicant RVIN, as found on page nine of the Dashboard Report. Mr. Weitzner informed that RVIN is an RV sales company and facility based in Wasilla. Ms. Janssen discussed that a new RV maintenance facility is being constructed, as well a sales building and showroom area. AIDEA is taking a 90% participation in this loan. Chair Pruhs asked if AIDEA takes less than 90% participation. Ms. Janssen agreed. Mr. Weitzner advised that AIDEA's participation amount is actively discussed during the review of loans at the Investment Committee. He noted that loan participations at less than 90% are being seen more frequently.

Chair Pruhs requested that the loan participation percentage amount, the total amount of the loan, and the name of the servicing bank be listed on the Dashboard Report next to each loan. Ms. Janssen agreed. Chair Pruhs asked if there has been any progression in attracting other financial institutions to utilize the loan participation program. Ms. Janssen discussed that other eligible financial institutions are submitting new participation requests. One request is currently being considered and will go before the Investment Committee soon. Staff is actively expanding to try and work with other lenders. Mr. Weitzner discussed that during staff's visits to potential facilities, staff has been taking the opportunity to talk with local banks about the program.

Ms. Sande commented that she would be interested in further conversation and follow-up information regarding benchmark reporting and achievable indicators in different industries or underrepresented business lines. Mr. Weitzner noted that staff would welcome the opportunity to review the way the information is represented to make it more cogent. He believes that there are several benchmarks that can be identified and adjustments that can be made. The current model for the Dashboard Report was established previously.

Chair Pruhs added that on an annual basis, he would like to see the volume of loan participation deployed, to whom it was deployed, and which banks participated. He suggested and highly recommended that AIDEA present and offer workshops at different industries' annual tradeshows to inform participants that AIDEA is a viable financial tool and to show participants how to leverage the loan programs through their local banks or credit unions. Chair Pruhs believes this will help AIDEA's overall perception in industries and communities in all areas of the state.

Mr. Weitzner agreed to follow-up with the suggestion. He highlighted that in every engagement that staff has, part of the presentation emphasizes how AIDEA is present day-to-day in each of the communities through several of the programs. Most recently, at the Southeast Conference, staff was able to share the numbers and communities that benefited from the AK CARES grant programs for small businesses and working with DCCED. Staff's presentation also includes the information of the loan participation program and the benefits to the communities.

Ms. Janssen informed that she and Ms. Bryan are working on a couple of different presentations that will be implemented over the next few months. One of the presentations focuses on the details of the loan participation program. Another presentation is directed toward lenders to understand the logistics of the program. She discussed that education is critical in communicating the benefits of the program.

Chair Pruhs noted that a concurrent benefit could be identifying information needed to enhance the program in order to facilitate utilization. Mr. Weitzner highlighted that one of the very first actions staff undertook was placing the loan participation application online, which increased availability.

Mr. Weitzner discussed that there are zero delinquencies as shown on page 15. He recognized Ms. Janssen and her fully staffed team for their diligent and extensive efforts in working with the originating banks, the underlying servicing banks, and the internal accounting systems to ensure payments are applied as the payments are received. He noted that previous processes defined the payments as unapplied for up to 60 or 90 days, which resulted in high numbers of reported delinquencies that were not reflective of the portfolio. Mr. Weitzner noted this efficiency improvement was at the direction of Ms. Janssen and work with Ms. Keppers. Ms. Janssen commented that the success was a team effort with the goal of providing the Board with a clear and accurate indication of the performance of the portfolio. Staff maintains a monthly discussion to ensure the information is accurate as it comes to the Board for review.

Mr. Kendig expressed appreciation for the efforts of Mr. Weitzner and Ms. Janssen. He commented that approximately a year ago, the process was taking nearly 60 days to close the books on loan participations. Mr. Kendig asked for the cash flow impact for FY21 due to the modifications. Mr. Weitzner discussed that staff took a dedicated approach to quantifying and directly tracking impacts from the modifications. The total cash impacted amount is \$15.4 million. Ms. Janssen explained that the forecasted amount was derived from a previous year data dump. Staff has manually input the payments that would have been received from the promissory notes and then staff input the actual payments that have been received from the inception of the modifications and going forward. The numbers shown are exact numbers. Mr. Weitzner

informed that the aggregate impact shown is not finalized, as there are 14 continuing loan modifications. Staff will maintain the monitoring and reporting of the impact.

7D. Development Project Financing Report

Mr. Weitzner reviewed the Development Project Financing Report included in the packet. These reports show the direct financings under AS 44.88.172, SETS, Arctic Infrastructure Development Fund. There were no questions.

7E. AIDEA-AEA Organization Chart

Mr. Weitzner highlighted that Mr. Kennedy, who previously held the Executive Assistant position, is taking the permanent position of Business Systems Analyst within the Shared Serviced Department.

7F. Investment Measurement Service Quarterly Review

Mr. Weitzner informed that the Investment Measurement Service Quarterly Review is available for examination within the Executive Director's office.

7G. Next regularly scheduled AIDEA Board Meeting, Wed. October 27, 2021

Mr. Weitzner indicated that the next regularly scheduled AIDEA Board meeting is Wednesday, October 27, 2021.

8. BOARD COMMENTS

Chair Pruhs discussed that Vice-Chair Bernie Karl has decided against renewing his Board member appointment due to a potential conflict in an energy program he is undertaking in Dutch Harbor. Chair Pruhs expressed appreciation to Mr. Karl for his efforts, contributions, guidance, colorful insights, and the joy of working with him. He will be missed. Chair Pruhs again expressed sincere thanks to Mr. Karl for his contributions to AIDEA, AEA, state of Alaska, and to the residents. Chair Pruhs looks forward to many conversations with him, his guidance and experiences that provide benefit. Chair Pruhs indicated that the Vice-Chair position will be replaced at the next Board meeting.

Ms. Sande thanked Mr. Weitzner and his team for participating in the Southeast Conference. She thanked Chair Pruhs for acknowledging Mr. Karl and his wisdom and humor. He will be missed. She recognized Mr. Karl for his remarkable public service to the state of Alaska.

Mr. Kendig echoed Chair Pruhs' comments regarding Mr. Karl. His colorful comments and insights will be missed.

Commissioner Anderson added to the expressions of appreciation to Mr. Karl, as a fellow person from Fairbanks. She understands his generation and his humor that will be missed. Commissioner Anderson noted that Mr. Karl offered much insight into many industries within

the state. She commented on today's good meetings and thanked Mr. Weitzner and Curtis Thayer, AEA.

Chair Pruhs shared an anecdote about Mr. Karl that his response to the question, "How are you doing?" was always the same; "I've never had a bad day in my life." Chair Pruhs stated he will always remember and cherish Mr. Karl's optimism and optimism for the state.

Chair Pruhs thanked Mr. Weitzner and staff for the good meeting. Chair Pruhs noted that the next two meetings will contain full dockets and will include important decisions. He reminded Board members to study the information and to attend both meetings. Chair Pruhs welcomed Raymie Hamann, AIDEA Executive Assistant, and congratulated Mr. Kennedy to his new position.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:29 pm.



Alan Weitzner, AIDEA Executive Director
Secretary