

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, May 25, 2022
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on May 25, 2022, at 10:51 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Julie Sande (Commissioner, DCCED); Deven Mitchell (DOR); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

3. AGENDA APPROVAL

MOTION: A motion was made by Vice-Chair Kendig to approve the agenda, as presented. Motion seconded by Mr. Fogle.

The motion to approve the agenda passed without objection.

4. PRIOR MINUTES – April 13, 2022

MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of April 13, 2022, as presented. Motion seconded by Mr. Fogle.

Mr. Eledge noted that the second paragraph on page six begins, “Mr. discussed for the record”. He asked what name should be inserted. It was determined that Mr. Neff’s name should be inserted at the beginning of the second paragraph on page six. There were no objections to the correction.

The motion to approve the Minutes of April 13, 2022, as corrected with the insertion of Mr. Neff’s name in the second paragraph of page six, passed without objection.

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

Chair Pruhs informed that comments are limited to two minutes per person. He asked participants to please state their name and affiliation, if any, and to please speak to the business on the agenda.

Bryce Ward, Mayor of Fairbanks North Star Borough, commented regarding the development efforts for residential property in the North Pole area. The Borough has been working with the AIDEA team to develop a housing tax incentive for the property. Mayor Ward provided his support for the concept of conducting the civil work and improvements for the property to provide residential opportunities for developers in the Interior. He indicated that an approval

process is forthcoming with the Fairbanks North Star Borough Assembly for the exemption, which he understands is the critical piece to the development of the property. Mayor Ward communicated that the Borough is responsive and working with AIDEA. The Borough is excited to share with the Assembly the information on the development plan after it is finalized. Mayor Ward reiterated that the exemption process requires approval by the Assembly and the development plan information will be needed prior to that approval. He applauded the efforts of AIDEA for the site development plan which allows developers to take advantage of the public infrastructure that it is not being provided for by the private market. Mayor Ward noted that Fairbanks North Star Borough is still in need of housing.

Melissa Heuer, Susitna River Coalition, advised that the individuals on the phone need to press star-9 if they want to make a public comment. She commented regarding the West Susitna Road on the agenda and the notice that was sent out this week about the initiation of the National Environmental Policy Act (NEPA) permitting process. Ms. Heuer expressed her disappointment that AIDEA did not wait for the cost/benefit analysis to be completed by the State or for the cost/benefit analysis to be completed by AIDEA. She believes this highlights the reason the public has such little faith in AIDEA at the moment and whether or not this is a potential misinvestment on behalf of AIDEA. Ms. Heuer believes the recent Borough outreach was fantastic and showed strong opposition to the road, in general, and even more opposition to the proposed budgeted private road.

Ms. Heuer indicated that the recent report regarding Alaska's mega projects shows that AIDEA has a potential loss of \$3.2 billion since 1970, through the poorly invested project funds. She believes this project ties directly into that category. Ms. Heuer informed members that the public is paying attention and continues to be highly disappointed in the actions around the West Susitna Road project.

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

Chair Pruhs asked if Alan Weitzner, Executive Director, would like to make any comments. Mr. Weitzner expressed appreciation to Mayor Ward for his comments and for the proactive work that he and his team are undertaking to identify a way to achieve a property tax exemption that works with the investment plan. Mr. Weitzner noted that Ms. Heuer has provided previous comments. He and staff have also had direct discussions with Ms. Heuer and understand her position. The application and the notification information identify that the initiation of the process is subject to the acceptance of the U.S. Army Corps of Engineers (USACE) application and decision on the process. The submission is part of the obligation under State statute to ensure that Alaska's resources are being used with the best elements of conservation and utilization for Alaskans. Mr. Weitzner advised that additional details will be provided during the update.

Mr. Fogle requested Mr. Weitzner discuss the comment by Ms. Heuer regarding the \$3.2 billion losses that AIDEA has incurred over its history. Mr. Weitzner commented that he does not believe the number is true. He noted that he has not read the economic report that Ms. Heuer referenced. Mr. Weitzner discussed that AIDEA is a State corporation and has directed \$3.5 billion into economic development across all programs since inception in 1967. The programs include the conduit revenue bond program and loan participation program. AIDEA has consistently shown a net profit from operations since the declaration of the dividends in 1997,

returning approximately \$450 million to the State.

Mr. Weitzner informed that AIDEA's income statements and financial statements are available for public review. Mr. Weitzner noted that he does not see an accumulation of \$3.2 billion in losses within the financial statements available to the public. He is unaware of the analysis of the report that Ms. Heuer referenced.

Mr. Fogle asked Mr. Weitzner if he is able to get access to the report referenced by Ms. Heuer and share it with the Board and the legal team. Mr. Weitzner agreed.

Chair Pruhs commented for the record that putting Alaskans to work on a long-term basis is just as important as the return on investment of the bottom line. This is a consideration on each AIDEA investment and project partnership. There are thousands of jobs in Alaska particularly connected to AIDEA and its involvement that will not be reflected on the financial statement.

6. NEW BUSINESS

6A. Callan Presentation – Fixed Income Market and US Macro Update

Mr. Weitzner informed that this presentation is responsive to the Board's request for an update from the external advisor on the fixed income investments. Mr. Weitzner introduced Alex Ford of Callan, and Morgan Neff, AIDEA Chief Investment Officer. He noted their close association in identifying the issues within the presentation. Chair Pruhs welcomed Mr. Ford and Mr. Neff.

Mr. Fogle requested that after the presentation, Mr. Weitzner and Mr. Neff provide an update of AIDEA's divestiture of the banks and investment firms that are not willing to do business in the Arctic. Mr. Weitzner indicated that a recess would need to be taken before that discussion. There was no objection.

Mr. Neff explained that at the prior meeting, the Board requested that the in-person annual reviews be reinstated. He explained that due to scheduling, Mr. Ford could not attend in-person to provide the annual performance review. The decision was made to modify the presentation and allow Mr. Ford to provide the Board with a macro and fixed income update focused on the recent market volatility. Mr. Neff informed that Mr. Ford will provide the annual performance review in-person at the August Board meeting. The presentation today will directly relate to the presentation in August. Mr. Neff briefly discussed Mr. Ford's professional background.

Mr. Ford provided an overview of Callan and its business structure. The presentation is linked to the agenda and he is open for questions at any point. The presentation contains a brief update on global economics and markets, an overview of the fixed income market, followed by a discussion regarding inflation. Mr. Ford reviewed the summary of the U.S. economy shown on page 3. The first quarter of 2022 saw a contraction in GDP of -1.4%. He believes this is explained by current inventory levels, the continued deficit trade balance, and the decrease in federal and state government spending. Mr. Ford noted that consumer spending continues to be strong and was positive in the first quarter. He believes there will be a return to a positive trend GDP growth going forward. Mr. Ford discussed the CPI measure of inflation is at a 40-year high. The CPI climbed 8.5% year-over-year as of March. In 2021, the Federal Reserve used the word "transitory" in reference to inflation, but that has since been retired. The inflation is more

persistent than anticipated. Supply chain issues continue to linger. The Federal Reserve has become more aggressive and hawkish in their response. Mr. Ford discussed the U.S. Treasury yield curve, and noted that short-term interest rates have increased.

Mr. Neff asked if an inversion in interest rates when the short-term interest rates are higher than the long-term interest rates indicate a recessionary period. Mr. Ford agreed. He noted that historically, the time from the inversion to a recession has occurred within six months to three years. The performance of the market in that period can be good.

Mr. Ford discussed that both the war in Ukraine and activities in China are weighing heavily on markets. He informed that it is unusual for the equity market and the bond market to have concurrent negative returns. This has been a challenging environment for institutional investors. The two bright spots in the market are private real estate and energy commodities. Mr. Ford discussed the chart showing the long-term investment returns by asset class. AIDEA's externally managed funds are invested in the U.S. Fixed Income asset class.

Mr. Weitzner requested that Mr. Ford concentrate on the U.S. Fixed Income structure and strategies for the remainder of the presentation. Mr. Ford agreed. He explained that AIDEA's portfolio is benchmarked to the Aggregate Bond Index. It is composed of U.S. Treasuries, Government-Related Agencies, Corporate Credit, and Mortgage-Backed Securities. Mr. Ford added that AIDEA is diversified across the economic sectors. All of the debt is high quality, with a fixed rate in U.S. dollars, and publicly issued. The portfolios do not contain high yield investments and do not contain investments outside the U.S. Mr. Ford discussed that AIDEA's outside portfolio managers, Alaska Permanent Capital Management and Barrow Hanley, are fairly conservative. He stated that the Board may want to consider a future introduction of a core-plus fixed income strategy that includes high yield bonds and non-U.S. bonds.

Mr. Ford discussed that the fixed income asset class tends to add value and hold value when other asset classes are selling off, as shown in the U.S. Equity Declining Periods chart. Mr. Ford reviewed that the first quarter performance for fixed income has been challenging, and is driven by the increasing interest rate environment. As interest rates rise, bond prices move in the opposite direction, causing a near-term negative return. In the first quarter of 2022, the Bloomberg Aggregate was -5.9%. The Bloomberg Intermediate Government Credit was -11%. The one-year return for Bloomberg TIPS was 4.3%.

Mr. Ford commented that the market expects the Federal Reserve to continue to increase rates quite steeply and quite dramatically, as shown in the presentation. There have been two rate hikes this year and there is the potential for an additional five to seven rate increases. Mr. Ford discussed the chart showing that the effective yield has been in a decline over the last 40 years. The bond holdings during 2021 did not generate much income with an effective yield of 2.9%. The effective duration, which is the interest rate risk, was high at 6.6% in 2021. The reinvestments will be at the higher interest rates as the portfolio bonds mature and will eventually outweigh any negative price depreciation.

Mr. Neff added that the active manager will also utilize the market and will reinvest at higher rates, as well as review the curve for relative value and return potential on that portion. Mr. Ford agreed, and noted that active managers also add value by lowering the potential risk. Mr. Ford

discussed the expectations over the next decade as shown on the chart on page 20 related to core fixed income return components.

Chair Pruhs asked if the chart on page 20 refers to AIDEA's actual portfolio. Mr. Ford explained the chart reflects the aggregate market and not AIDEA's portfolio. Mr. Neff informed that AIDEA's portfolio has been directly correlated to the aggregate benchmark. Chair Pruhs commented that the industry has been talking about the increase of interest rates for over a year, and he assumes that money managers understand that when the government prints money and spends money, that puts pressure on inflation. Chair Pruhs asked what steps were taken six months ago or nine months ago with the portfolio to head off the expected increase in rates. Mr. Ford informed that the managers took positions in anticipation of increased interest rates. The rating sensitivity to interest rates tends to be lower than the aggregate index benchmark and does not drawdown as much as the index in this environment. Mr. Ford noted that the managers take active positions in sectors in anticipation of higher inflation, but they cannot escape the backdrop of this negative fixed income environment. Mr. Ford highlighted that the managers' performance is better than their benchmark.

Chair Pruhs inquired about measuring AIDEA's managers' performance by looking in the quarterly report to see if the managers are active by changing directions or if they remained status quo. Mr. Neff informed that the active management benchmark is called the Information Ratio. It shows an analysis of the managers' performance as an active manager versus the benchmark status quo. Mr. Weitzner added that Callan's quarterly reports provide AIDEA's portfolio performance compared to the benchmarks. Chair Pruhs clarified that he is requesting the information of the portfolio performance after the managers made a change compared to the portfolio performance if the managers had not made a change and remained status quo. Mr. Neff explained that there are relative reports that show the managers' attribution as an active manager. That information will be lined out at the August 3, 2022 annual review with Mr. Ford.

Mr. Fogle requested that the August 3rd meeting be very succinct to AIDEA's portfolio and how the portfolio is impacted by the market. He does not feel that a market overview needs to be provided. Mr. Fogle suggested that Mr. Ford provide an outline to Mr. Neff prior to the meeting to ensure the information is relevant to AIDEA's specific request. Mr. Fogle indicated that he can review the outline with Mr. Neff. There were no additional questions.

7. OLD BUSINESS

7A. Resolution No. L22-01 824 NW 52nd LLC

Mr. Weitzner invited Tiffany Janssen, Commercial Finance Director, to provide an update regarding the Phase II Environmental requirement and the discussions with the borrower. Ms. Janssen advised that she spoke with Northrim regarding the Phase II requirement and the borrower has decided to move forward with the environmental engineer. The borrower has elected not to commit to the loan until the Phase II has been deemed satisfactory by AIDEA. The commitment letter is now dated June 20, 2022. There were no questions.

8. DIRECTORS COMMENTS

8A. Update FNSB MFZ Land Development, Ambler Access Project, West Susitna Access Project, and Alaska Ship & Drydock

Mr. Weitzner informed that project information is linked to the agenda. Mr. Weitzner invited Angela Kuest, Sr. IFD Officer, and Mr. Neff to join the discussion and to be available to answer questions. Mr. Weitzner advised that Mr. Vivlamore is also available to answer questions. Mr. Weitzner expressed appreciation to Mayor Ward for his participation in public comment and for his continued staff support as the project progresses.

Chair Pruhs asked Mr. Weitzner to specifically identify the issues that need to be resolved to complete the project. Mr. Weitzner explained the first critical issue is the property tax abatement. The Fairbanks North Star Borough ordinance that was approved for broader development does not apply to the structure of this development. Mr. Weitzner gave an overview of a proposed partnership. The City of North Pole would acquire the land and contribute it to AIDEA, after which AIDEA would invest in the underlying utility connections to water service, wastewater, electrical, heating sources for the housing units, and the land master plan. AIDEA would define certain lots that would be available to attract multiple housing contractors under a consistent design and known unit floorplans.

Mr. Weitzner discussed the two stages of the project include the land development and the housing unit construction. He noted that Mayor Ward and his team are working on the 10-year tax abatement component with the Borough Assembly. If approved, the full proposal will be presented to AIDEA at the August 3rd meeting.

Mr. Weitzner explained that the second critical issue regards the delayed review of the land acquisition. A secondary property assessment is occurring, including core sampling. There are no known contaminants on the land, as indicated by the initial Phase I report. There have been public comments regarding the known PFAS groundwater contamination issue within the City of North Pole and Fairbanks North Star Borough. This property is adjacent to and will be linked to City service water provisions. Any possible PFAS groundwater contamination will not affect the property development. Development restrictions will be established to ensure there is no breach of the groundwater plume. More detailed information can be provided, if requested.

Chair Pruhs asked if it would be possible for AIDEA to provide a 99-year lease for each lot if PFAS or hydrocarbons are found in the groundwater. Mr. Weitzner explained that the current water service provided by the City addresses the PFAS groundwater issue and financing has been created for independent lot development. He discussed that AIDEA's proposed land development is structured with a long-term recovery of capital which benefits a lower cost investment from the housing contractors and provides the affordability for military personnel.

Mr. Weitzner explained that the final issue of concern relates to the military allowance for housing. The report was prepared primarily by Mr. Neff and has been provided to the delegation. It has been part of Senator Murkowski's questioning and testimony with members of the military command with the Air Force to address deficiencies in housing allowances that are directly related to the Fairbank North Star Borough. Mr. Weitzner indicated that the military housing allowance for Fairbanks is between 18% to 26% lower than other military housing allowances.

Chair Pruhs asked for the reason for the discrepancy. Mr. Weitzner noted that Mr. Neff identified that the housing allowances for Fairbanks is not supported by local data of the underlying rental market. Associated housing rents have risen upwards of 6% over the last 10 years, while the housing allowance was reduced by 3.5%. This creates a 10% disparity gap. Mr. Weitzner indicated this issue needs to be addressed. He believes it is critical to the success of the proposed development that the military recognizes and corrects the deficiency quickly.

Mr. Neff discussed that staff's analysis determined that Fairbanks continues to be a high-cost place to live in Alaska and this is not represented in the underlying military allowance. Mr. Weitzner cautioned that if the discrepancy is not corrected, then the housing that Fairbanks North Star Borough has been proactive with the property tax abatement will not meet the military requirements. The military will not be able to afford the housing in the proposed development.

Commissioner Sande asked if all of the military allowances decreased by 3.5%. Mr. Weitzner noted that the other five housing allowances increased. Mr. Neff informed that staff is using historical housing data available from the Labor Force Development and AHFC. Staff has requested the data used by the third-party consultant and no information has been provided.

Mr. Mitchell commented that he attended an AHFC meeting last month and there has been a significant change in the vacancy rate from the range of 20% to 5% in the last year.

Chair Pruhs asked if Senator Murkowski and Senator Sullivan are working on this issue. Mr. Weitzner agreed and noted that their staff is heavily involved. The report has been shared with the military command in Washington, D.C.

Commissioner Sande inquired if it would be helpful if the Board members reach out individually to the Senators' offices to get an update on the status. Mr. Weitzner agreed that would be helpful.

Mr. Weitzner asked Ms. Kuest if other issues need to be raised at this time. Ms. Kuest believes Mr. Weitzner discussed the pertinent issues. The soil samples were taken on Monday and the analysis will be provided to the City of North Pole to complete the ordinance that would allow for the purchase of the property.

Commissioner Sande asked if there is a timeline that if no action is taken on the issue, then the project will die. Mr. Weitzner explained that staff identified to the delegation staff, to the partners at Fairbanks North Star Borough, and to the City of North Pole that the focus is to present a proposal for final investment decision to initiate the project development at the August 3rd meeting for the Board's review. If the date is pushed out, there will be ramifications on when the housing will be available. The boundary has been pushed to have housing available by fall of 2023. The BAH rates are published in December and if there is an obligation to wait until the end of December for the new rates to be published or if the rates are not changed, then staff is not in a position to present an economically feasible proposal to the Board.

Mr. Fogle expressed appreciation for the presentation. He asked at what ranks the BAH allowance would be feasible to purchase the properties. Mr. Weitzner highlighted that the military command intention of the property development is for lease and not for home purchase. The demand from personnel is for lease property. Mr. Weitzner noted that the home builders and the contractors are the investors and will make it available. He explained that the subject of on-

base housing reduction was directly discussed with the Eielson Air Force Base command regarding the accommodation of the expansion of the KC-135 fleet. Mr. Weitzner informed that the reduction of on-base housing means that more lower ranks are looking for off-base housing.

Mr. Fogle commented that the lower ranks without dependents are going to be in the barracks. Mr. Weitzner indicated that is different from the facts that military command has provided. Mr. Neff informed that staff was asked to focus on this housing for E09 and O01 through O04, but because of the reduction of on-base housing, some of the lower ranks will need off-base housing as well. Mr. Weitzner stated that there is a current commitment to move much of the on-base housing off-base and that the majority rank class that will need off-base housing are the lower ranks. Mr. Neff noted that the economic review indicated that only two of the officer positions can routinely afford the proposed level of rent based on current market conditions. The housing allowance becomes even more critical in this economic review.

Mr. Fogle asked if the proposed development will be single family homes, multi-family homes, or zero-lot line construction. Mr. Weitzner discussed that the proposed 35-acre development is only focused on multi-family complexes that would support one-bedroom, two-bedroom, and three-bedroom units. Mr. Fogle commented that the investor class is limited if there are five units or more in each complex. Mr. Weitzner indicated that requirement has been applied by the Fairbanks North Star Borough.

Chair Pruhs asked for the estimated cost to build the units. Mr. Neff explained there are several inputs to compare against different cost assumptions. Chair Pruhs requested to see that information. Mr. Weitzner noted the information and assumptions are based upon budgets and initial feedback from contractors, but there are no actual contractor costs or bids.

Mr. Fogle asked for the estimate cost to build a five-plex. Mr. Weitzner expressed that he would prefer to recess to have that conversation. At this point in time, he is very cautious of discussing specific numbers because they would become benchmarks and the numbers are only early assessments.

Chair Pruhs commented that staff has to be careful about the need when only the ranks of 04 and 05 will be able to afford the cost. Mr. Weitzner and Mr. Neff agreed. Mr. Weitzner advised that other applicants for the Fairbanks North Star Borough property tax exemption have proposed certain square footage per unit and the assumed lease rates. Staff has used this information during their assessment. Mr. Weitzner informed that other applicants are reviewing the option that the units will be broadly available to all residents within the North Star Borough and that military personnel will be provided a discounted lease rate.

Chair Pruhs asked for clarity that anybody can rent the property. AIDEA would be building an infrastructure for community access, regardless of the military discount. Mr. Weitzner explained that AIDEA is limited by regulations and statutes that are required for housing. Mr. Weitzner deferred to DOL to comment on those requirements. Chair Pruhs requested that a memo on the subject is sent to all Board members, rather than engage in discussion today. Chair Pruhs indicated that is a problem because AIDEA is competing against the private industry, rather than helping the base that has a housing problem for military personnel. Chair Pruhs expressed his opinion that this precedent opens the possibility of AIDEA building developments across the

state, regardless of the ramifications, and becoming a political whipping post.

Mr. Weitzner discussed that AIDEA's ability to undertake this development is solely under the Military Facility Zone and the need to support the military. Broader development that is coming to the Fairbanks North Star Borough is faced with the same issues of economic feasibility. AIDEA's initial focus of approximately 150 units hopes to attract multiple housing contractors and to lower the overall cost of the lease rates to accommodate the military.

Chair Pruhs commented that the purpose and concept of the project is for the military to have confidence in providing housing for their personnel, rather than providing housing for the Fairbanks community. Chair Pruhs noted that if the housing is open to military and non-military, that does not solve the initial problem that the military needs housing for their personnel. Chair Pruhs stated for the record that his support for the project was to solve the problem that the military would not transfer personnel if housing was not available to support the squadrons. He discussed that if the project is for the general public who occupies 20% to 25% of the units, that means those units are not going to the military, which presents a problem to the command and to the initial goal. Chair Pruhs indicated that if AIDEA is prohibited from participating because of statutes or regulations, then AIDEA needs to move on.

Commissioner Sande commented that her support and interest in this project was broader than the subset of the military. She recognizes that there is a statewide housing problem. Commissioner Sande indicated that discussions regarding statewide workforce spirals into discussions regarding the statewide housing problem. She expressed her understanding of AIDEA's mission and AHFC's mission. Commissioner Sande discussed that she is very interested in this project from the potential perspective of utilizing this model in the five other military housing communities that have similar needs. Commissioner Sande noted that data from those models could be used statewide.

Chair Pruhs commented that the government would then be competing with private industry. Commissioner Sande discussed that the government is here to serve where private industry will not serve. Chair Pruhs discussed that the private industry is not involved because there is no rate of return. He is in favor of this specific project to help the military in Fairbanks. He expressed his support if AIDEA can utilize tools to reduce the cost of infrastructure for the military. Chair Pruhs commented that the community needs to support AIDEA's facilitation of the project, rather than the false criticism that AIDEA is in competition with private development industry.

Mr. Weitzner acknowledged his understanding of the comments and the issues that need to be addressed. He noted that an investment is not being proposed at this meeting. Staff will continue their due diligence in order to present a proposal for consideration at the August 3rd meeting. Mr. Weitzner explained that AIDEA is only focused on the land development and every opportunity is available to any interested home builder contractor to benefit. AIDEA is not competing with private contractors.

Commissioner Sande thanked Mr. Weitzner, Mr. Neff, and staff for their efforts. She believes this is another great example of AIDEA's ability to think outside of the box to assist and benefit Alaskans. Commissioner Sande acknowledged that AIDEA does take criticism and she believes that some of the criticism is from people who are not going to help solve the problems. She noted

that her vantage point is from the 40,000-foot level that if Alaska does not have workforce, there is no benefit to the economy. If the workforce shortage is due in part to a housing shortage, she believes that AIDEA is the perfect organization to help facilitate that conversation.

Mr. Weitzner expressed his appreciation again to Mayor Ward, Mayor Welch, Fairbanks Economic Development Corporation, Fairbanks North Star Borough, and Mr. Vivlmore for their efforts in assisting AIDEA during this process. There were no additional questions.

Chair Pruhs called a break for lunch.

The Board reconvened. Chair Pruhs requested Mr. Weitzner provide the update on the Ambler Access Project. Mr. Weitzner asked Jeff San Juan, AIDEA, to join him to report on the status of project development. Mr. Weitzner stated that included in the packet and linked to the agenda is the judgment from Judge Sharon Gleason of the District Court of Alaska. Mr. Weitzner summarized that the Court has accepted the request from the Department of Interior (DOI) to voluntarily remand the Record of Decision. The Court has taken the decision to not vacate the Record of Decision. Additional work is required by DOI through the Bureau of Land Management (BLM) to administer on the two issues of caribou vegetation under Alaska National Interest Lands Conservation Act (ANILCA) Section 810 and the coastal resources Tribal consultation under National Historic Preservation Act (NHPA) Section 106.

Mr. Weitzner explained that the judgment decides that the case stays within the purview of the District Court of Alaska. All parties are available to requisition reviews by the Judge on actions. There is a requirement for BLM and DOI to report on the status of the remand every 60 days. Staff sees this as a positive effect, which was part of AIDEA's petition request to attach a level of accountability in the process.

Mr. Weitzner informed that he sent a letter to Deputy Secretary Tommy Beaudreau to ask that DOI act in anticipation of a positive request for the voluntary remand and to develop a process as soon as possible. AIDEA identified the distinct need for immediate action and that further delay is causing harm. The issues for remand can be and should be addressed quickly with the BLM. Mr. Weitzner will provide a copy of the letter to the Board and to the public.

Mr. Weitzner discussed that the annual work plan and the 2022 field season. He noted that the Board approved a collective \$30.8 million budget shared between AIDEA and Ambler Metals at the January Board meeting under Resolution G22-03. Subject to the resolution, the Executive Director is able to make nonmaterial modifications to the budget. Mr. Weitzner indicated that a few nonmaterial adjustments have been made. The budget amount of \$30.8 million remains the same. Work was moved out of the 2022 field season and work was brought in from the 2023 field season. Stakeholder engagement funding has been supplemented by another \$500,000 due to the requirements with the remand. Portions of the geotechnical work was deferred to later in the season. Mr. Weitzner clarified that the proposed 2022 field season work is final feasibility work, and it is not occurring on State, Federal, or private land. The construction of a gravel road is not occurring at this time and there will be no ground-disturbing activities this field season. Work continues on cultural resources, hydrology studies, geotechnical studies on locations with full cultural resource reviews.

Mr. Weitzner discussed that the Programmatic Agreement is signed by AIDEA, BLM, and other consulting parties. It relates to the phases of the project development and is specifically focused on construction activities. It is being applied to final feasibility preconstruction activities, which is unusual. Neither the State nor the Arctic Borough have ceded their rights to the federal government to determine what occurs on State land. The private landowners of NANA and Doyon are not signatories to the Programmatic Agreement. Mr. Weitzner noted there is support to continue the critical field season work without any delays to the investment potential and the economic development benefits promised to the State through ANILCA that codifies access of this project.

Mr. Weitzner asked Mr. San Juan to provide a brief update on the current activities, the field crew calendar, and the permitting status. Mr. San Juan noted that helicopters are currently flying out of Coldfoot to review the ice break-up reports for the different river crossings. Project activity will occur with permits. Doyon permits are authorized for all of the work included in the draft annual workplan and include landing zone clearing. Only sites that have been inventoried for cultural resources will be cleared. Hydrology studies and engineering reconnaissance will occur to determine potential bridge crossing sites. Fish habitat and wetland studies will occur later in the field season. Staff is anticipating permits from the State of Alaska and NANA by June 1, 2022, and by the middle of June from the Northwest Arctic Borough.

Mr. Weitzner discussed that the State of Alaska went through a public review process regarding the permits that will be issued by June 1, 2022. Mr. Weitzner noted there is an adjustment to NANA's annual fee of \$19,000 related to specific permit work that was not previously proposed and identified.

Chair Pruhs asked for the number of miles of road proposed on NANA land. Mr. Weitzner stated that approximately 26 miles of total road is on NANA land. Chair Pruhs asked if Mr. Weitzner is comfortable with the DNR land use permit dates of June 1, 2022. Mr. Weitzner agreed. Chair Pruhs asked for the economic consequences if the permits are not issued by that date. Mr. Weitzner noted that he does not have the specific mobilization costs to establish Dahl Creek Camp. Chair Pruhs suggested that from this point forward, Mr. Weitzner inform any agency, including DNR, of the economic consequences of the delay caused by missing a permit milestone. Mr. Weitzner agreed, and identified that staff has been working directly with Management and Permitting with the focus on this issue.

Chair Pruhs asked when the expected work peak will occur during the summer. Mr. San Juan anticipates that by the middle of July, there will be approximately 40 people in the field at Dahl Creek. The first part of the project is focused on the eastern side at Coldfoot on Doyon land. The crews will be moving to the western side toward the end of June. Chair Pruhs discussed the importance of Board members seeing the Ambler Mine and ongoing activities in order to understand the ultimate goal of the project and how funding is being spent. He asked Mr. Weitzner to schedule a site visit. Mr. Weitzner noted that he and Chair Pruhs were able to visit the location during the end of last year's field season. He agreed that it is essential for Board members to see the environment. Mr. Weitzner indicated that he will coordinate with Ambler Metals, NANA, and others to arrange the details and will provide proposed dates and recommendations to the Board before a public notice is issued. Chair Pruhs asked if it constitutes a meeting if more than three Board members are present. Mr. Weitzner agreed. Chair Pruhs

informed that a work session will be conducted during that time. Mr. Eledge asked about funding for the site visit. Chair Pruhs indicated the funding will be taken out of the project.

Mr. Weitzner addressed the comment that Mr. Fogle raised earlier regarding the Subsistence Advisory Committee (SAC) that includes direct engagement with NANA, Doyon, Ambler Metals, Co-Chair Fred Bifelt and Co-Chair Larry Westlake. The next meeting will be June 27 to 29, 2022 in Kotzebue. The members will tour the Red Dog facilities, including the attached road operation, and will view how the Red Dog's Subsistence Advisory Committee operates within NANA. Mr. Weitzner informed that they have attempted to engage again with Tanana Chiefs Conference (TCC) to see how they can participate on the SAC and provide input. Mr. Weitzner explained that the obligation under the Programmatic Agreement under the Record of Decision is focused on construction. The current element is the preconstruction phase and final feasibility phase. AIDEA undertook an unusual role in the project development that had not been previously seen in Alaska. The SAC was formed early and prior to the requirements of the Record of Decision because of the importance of the issue. The requirement to form a SAC is at the 90% design phase. This year's field season work is anticipated to get to about a 35% design.

The SAC has active participation from the villages. Letters have been received from Chief Brian Ridley of TCC making requirements on the way that AIDEA is required to engage with TCC. AIDEA asked the Co-Chairs of the SAC to delay a meeting that was scheduled in April in order to engage with TCC in May. AIDEA went through that process and needed to have the parties of the SAC, including NANA, Doyon, Ambler Metals, and the SAC Co-Chairs. The SAC is not AIDEA's committee. It is the Co-Chairs' committee, and they ultimately declined to have the meeting with TCC, AIDEA and lawyers. The purpose of the SAC is to provide technical recommendations. A subsequent SAC meeting with TCC has been scheduled the last week in June. Mr. Weitzner noted that he will be participating.

Chair Pruhs suggested that the Board also visit Red Dog Mine during their time of the Ambler site visit. Mr. Weitzner agreed, and noted that additional arrangements will be required with Teck and NANA. Chair Pruhs asked for the status of the relationship with Ambler Metals. Mr. Weitzner indicated that the weekly meetings and scheduling are progressing as outlined. There were no additional questions.

Mr. Weitzner requested Jesse Peterson, AIDEA Project Manager, join the discussion of the update on West Susitna Access Project. Mr. Weitzner identified that AIDEA submitted the 404-permit application to the U.S. Army Corps of Engineers (USACE) yesterday. A press release was issued to notify the public. AIDEA has submitted an opinion piece to different newspapers that discuss the reasons for the application at this stage. Chair Pruhs requested that the opinion piece is provided to the Board. Mr. Weitzner agreed.

Mr. Weitzner recognized the public comments of Ms. Heuer, Executive Director Susitna River Coalition. He noted that the independent economic study facilitated through the Governor's Office is separate from AIDEA's economic analysis related to the project. Mr. Peterson commented that the 404-permit application process is anticipated to take approximately 12 to 18 months to complete. Staff will be responsive to any questions from USACE and will facilitate the process. Preparations are being made to begin the field season, including engineering refinements and cultural surveys. The 106-permit is on a parallel track with the 404-permit and

regards the cultural and historical aspect of the project development. Engagement will begin with the local Tribes. Additional work will begin on alternative route identification.

Mr. Weitzner discussed that the West Susitna Access Road project was identified as early as 2013, and a resolution was passed by the Mat-Su Borough Assembly in 2014, as part of the Road to Resources Project planning. Mr. Weitzner reminded the Board that the Ambler Access Project was the principal and first Roads to Resources Project identified. The economic study and resources have been addressed and identified in the initial planning undertaken by the Department of Transportation (DOT). In 2019, AIDEA became involved in partnership with the Mat-Su Borough with a Memorandum of Understanding (MOU) to initiate the first phase of the early prefeasibility work on the route. That effort resulted in the submission to USACE of the route from Port MacKenzie across the Skwentna, leading to the Yentna Mining District area.

Mr. Weitzner reviewed that resolutions were approved by the Mat-Su Borough in 2020 and 2021 in support of the phases, including Phase 3 funding of \$8.5 million defined by the Legislature for the road development. AIDEA is currently utilizing those funds on these actions, as directed by the Legislature.

Chair requested the Board's indulgence to enter into executive session to discuss the West Susitna Access Road.

MOTION: A motion was made by Mr. Fogle to enter into Executive Session to discuss the West Susitna Access Road. Motion seconded by Vice-Chair Kendig.

Wendy Horton, Assistant Attorney General, Department of Law (DOL), stated that DOL approves the motion to enter into closed executive session to discuss only confidential or privileged matters. DOL will remain present throughout the entirety of the executive session to ensure that only confidential or privileged matters are discussed.

The motion was approved without objection.

Executive Session: 1:20 pm

Discuss confidential matters related to West Susitna Access Road.

The Board reconvened its regular meeting at 1:46 pm. Chair Pruhs stated that the Board is taking no action on West Susitna. Ms. Horton confirmed the executive session is complete and further confirmed that the only matters discussed were of confidential and privilege in nature and no actions were taken by the Board.

Chair Pruhs requested Mr. Weitzner continue the meeting with the update on Alaska Ship & Drydock. Mr. Weitzner asked Mr. Peterson to join the discussion. The fact sheet is linked to the agenda. Mr. Peterson explained that the Board passed Resolution G20-28 in 2020, which increased Vigor's annual repair and replacement obligation due to the increase in maintenance costs. The resolution included the process to aggregate the total maintenance costs from 2018 through 2022 to review in the first quarter of 2023. This information will provide a better understanding of the annual maintenance costs at the shipyard. That process is ongoing with quarterly updates as planned and should reveal accurate data.

Chair Pruhs asked for the deferred maintenance amount. Mr. Peterson discussed that the deferred maintenance list grows every year, and the current range is between \$3 million to \$5 million. Chair Pruhs requested that the list and budgetary amount is provided to the Board. Mr. Peterson agreed. Chair Pruhs suggested that “due by” dates are listed or notes indicating consequences of not performing the maintenance by the due date. Mr. Peterson agreed.

Commissioner Sande asked if the Board needs to have a summary or response from Vigor regarding the vote to unionize and how that may impact their operations. Mr. Peterson stated that staff discussed with Vigor regarding the union update. A more comprehensive discussion will occur after the vote. Mr. Peterson noted that Vigor expressed cautious optimism that movement continues to be in Vigor’s favor and the vote to unionize will not succeed.

Chair Pruhs asked for the functional life of the facility. Mr. Peterson noted that there are different areas of concern. The receiving slab that receives the ships when they come off of the drydock is limited in its capacity. The settlement has been removed and monitoring continues. Cathodic protection is needed for the piers of the dock to prevent erosion. Sections of the pier stations for ship-to-shore power have been replaced and will continue with one replacement a year as part of the maintenance plan. The R&R account does not have the funds to support a massive deferred maintenance program, but some of the smaller items can be completed on an annual basis. Mr. Peterson noted that the drydocks need ongoing care. Coatings, sandblasting, and painting is an ongoing focus.

Commissioner Sande expressed appreciation for the communication between AIDEA staff and Vigor staff. She highlighted that this facility provides Alaska with a state-of-the-art resource. The deferred and major capital projects are worrisome, but much of the yard is in great shape.

Chair Pruhs asked if the facility is being depreciated on the books. Mr. Weitzner agreed. Chair Pruhs asked for the annual depreciation amount. Mr. Neff indicated that he would provide that number. Chair Pruhs asked if the depreciation is a non-cash item. That was confirmed. Chair Pruhs discussed that if a capital improvement project was undertaken, the depreciation could be applied to a cash item and would not hurt the profit and loss (P&L) statement. That was confirmed. Chair Pruhs discussed the concept of reserving the annual depreciation amount for deferred maintenance, with the possibility of additional money from the State. He noted that the cost of deferred maintenance gets more expensive the longer the maintenance of the original problem is deferred.

Chair Pruhs asked if it is an accurate statement that if depreciation is taken and those dollars are directed toward a capital program to reinvest back into the drydock facility, this does not affect the P&L statement or the dividend to the State. Mr. Weitzner agreed. He identified that the capital contributions from AIDEA have been limited and have been defined with the operation and ownership of the project with benefit from State support for the capital programs that have been initiated and from federal funding. AIDEA has not broadly dedicated funding. Additional components need to be considered regarding the project establishment and the partnership with the Ketchikan Borough. The focus has been on the maintenance and contributions to the R&R account.

Commissioner Sande reviewed the secondary piece of this issue is the strategic plan

development by the Borough and Vigor that would assist in understanding the deferred capital projects. She noted that the last plan in 2012 included components that are no longer relevant to the current objectives.

Chair Pruhs asked for Vigor's renewal term date. He wants to avoid beginning a new term when the facility has a great deal of deferred maintenance. Mr. Weitzner identified that the operating agreement with Vigor is through 2025. These are related to the agreements with the Ketchikan Gateway Borough and the Municipality of Ketchikan. The project is a public/private partnership. Mr. Weitzner noted that decisions on how to begin to address these issues would be made at the point in time of a new operating agreement. Chair Pruhs commented that decisions should be made now to create the program in order to have the facility ready for the new term. Commissioner Sande agreed that decisions should be made now. Mr. Weitzner clarified that he identified the end point of the current agreement. He agreed that preparations leading to the end of the current agreement need to occur.

Chair Pruhs asked for the current depreciated value on the balance sheet. Mr. Weitzner indicated that the total depreciated value is \$64.1 million. Chair Pruhs asked if the facility has been appraised. Mr. Weitzner stated the facility has not been appraised. Chair Pruhs noted that in 2.5 years, there will either be the same operator or a new operator. To be good stewards of the asset, the process should begin now to understand the facility's worth and the maintenance needs.

Commissioner Sande asked for additional information regarding the DOT deadline. Mr. Weitzner explained the arrangement with DOT for the lease on land that matures in five years, provided that financing and construction of a new berth intended for Ward Cove would occur. He explained the current status. The berth construction has not proceeded by DOT. Mr. Weitzner indicated that there is time to address the issue and needs to be incorporated into the operating agreement before the 2025 time period.

Commissioner Sande asked if the discussion regarding this issue should be with herself, Commissioner Anderson, and Mr. Weitzner. Mr. Weitzner noted that he has raised the issue with Commissioner Anderson, and it would be helpful to maintain a continued discussion to have an agreement on the details.

Mr. Weitzner informed that the book value of the Alaska Ship & Drydock is compiled from the actual cost of investment contributed by State, municipality, and federal funds to build out the facility. The picture shown in the fact sheet is not the current shipyard. The picture is the initial drawing that includes all of the capital projects envisioned, including \$50 million of investment that is needed to fulfill the final capital plan. This issue needs to be addressed to update the capital plan for any operator after 2025.

Chair Pruhs explained that the Legislature put the depreciating asset on AIDEA's books without providing money to cover the cost of facility maintenance that needs to occur. He suggested that the Legislature is made aware of the list of maintenance items and the amount of the annual depreciation so that funds can be put back into the facility in order to continue leasing in 2025. Chair Pruhs noted that there is a cost to ownership and the challenge is covering those ownership costs when the facility is being leased at no cost.

Mr. Weitzner noted that this issue has been discussed previously and the consensus is that the operating agreement does not recognize those points. Staff is working with the agreement in partnership with the city and the Gateway Borough to define these critical issues for the 2025 maturity date. Chair Pruhs suggested that staff provide a schedule of deferred maintenance that needs to occur and to get support from the city and the borough to request funding from the Legislature. There were no additional questions.

8B. Org Chart

Mr. Weitzner highlighted the changes made within the organizational chart. The new full-time position of General Counsel has been defined. Discussion about the position is ongoing with DOL and the Governor's Office. An MOU is being developed between AIDEA and DOL regarding the structure. Recruitment for the General Counsel position will begin soon. The position will functionally report to the Executive Director of AIDEA, and will work also with AEA's Executive Director. The position will functionally be an AIDEA employee. The position will focus on the transactional and legal responsibilities within AEA and AIDEA. There are critical elements that are State sovereign issues related to elements of litigation and opinions that are in the purview of the Attorney General.

Mr. Weitzner noted that there are a few positions that have identified candidates and a few positions that have accepted candidates that are in the midst of the complicated hiring process. Mr. Weitzner emphasized that AIDEA's staff is high-quality and focused professionals who believe in the mission. He expressed that AIDEA has been fortunate in identifying qualified and experienced staff. Mr. Weitzner identified that in some cases, there are delays in ultimately retaining the staff, which has been a complication. He has worked with Commissioner Sande and her office to determine helpful ways to expedite the hiring process.

Mr. Eledge asked Mr. Weitzner what additional services and responsibilities the new position will provide that are beyond the current functions. Mr. Weitzner indicated that the focus will be on transactional issues and program management of the external counsel. He discussed the benefits of having a person who is accountable to AIDEA and AEA. Mr. Eledge asked if someone from the Attorney General's Office will still attend the AIDEA meetings. Mr. Weitzner believes the new position will fill that role. There is a coordination aspect with DOL. There may be certain cases in which AIDEA requests DOL attend for specific issues.

Mr. Mitchell commented that the Permanent Fund Corporation and the Railroad have general counsel. He believes that the level of sophisticated transactions and business arrangements within AIDEA warrant that same level of counsel.

Chair Pruhs inquired as to ways to help Mr. Weitzner regarding the organizational vacancy amount of approximately 23%. He asked how the vacancy rate is affecting the execution of the mission. Mr. Weitzner commented that identifying qualified experienced staff is an issue within all agencies and authorities within the State of Alaska and within the private sector. Mr. Weitzner informed that AIDEA and AEA have had individuals who have accepted positions that AIDEA and AEA have not been able to timely accept their acceptance of the position. This is an issue of conflict that is being addressed with Commissioner Sande, who has been proactive on how the State's operation can be more internally responsive to obtain the staff positions in a

timely manner. Mr. Weitzner expressed that the Board knows that staff is pushed to its limits in undertaking work to fulfil AIDEA's mission. Mr. Weitzner explained that out of the 83 positions on the organizational chart, effectively 27 positions are specifically focused on AIDEA's eight loan programs and administering and monitoring approximately 18 projects.

Chair Pruhs noted that the current staff is probably undertaking at least 20% more work than they should be due to the vacancy rate. Mr. Weitzner noted that percentage number of additional work is likely higher. Chair Pruhs expressed concern that the staff is working harder for their same pay, which may increase attrition. He asked how the Board can help reduce the vacancy rate to below a 10% amount. Mr. Weitzner informed that Megan Schmidt, HR Director, joined staff with the ultimate retirement of Linda Senn, previous HR Director. Mr. Weitzner noted that Ms. Schmidt made prearrangements for travel during this time and is not in attendance today. He requested Ms. Senn join the discussion to provide her insights regarding the recruitment challenges. She agreed that at this time, recruiting is difficult across all industries. Ms. Senn highlighted that AIDEA's and AEA's particular challenge is getting the approvals through the Administration. Staff is working with Commissioner Sande to receive authority to make the necessary expedited internal decisions. That authority has not yet been granted and candidates are being lost.

Mr. Weitzner gave the example of identifying well-qualified candidates as far back as January and because of the untimely process, the high-demand candidates need employment and go elsewhere. The recruitment process is then restarted, and another well-qualified candidate is identified, and the same untimely challenge occurs, and that candidate is lost. A third candidate is now put forward in the process.

Chair Pruhs requested a timeline for the process beginning at advertising through hire. Mr. Weitzner noted for the record, that the 19 to 20 open positions are for both AIDEA and AEA. Ms. Senn explained that nearly all of the positions are in active recruitment. A few of those positions are being contracted out and have not yet been reallocated. Ms. Senn gave a general description of the timeframe because each position's timeframe is different. When staff is made aware that someone will be leaving the organization, staff works with the manager to ensure the position description is updated. This takes two to three days, unless there are delays regarding description changes. Staff then posts the vacancy on the internet using recruitment titles that align with private industry titles to attract the appropriate talent. Staff conducts ongoing review of how the ads are being received so that adjustments can be made. This level of attention increases in difficulty as the vacancy list grows longer. It may take two weeks or longer before staff has a viable candidate to proceed to the interview level. The positions are open until filled. If there is not a viable candidate after two weeks, the ads will be refreshed.

Ms. Senn continued the description and noted that it may take another couple of weeks to interview candidates and to check references. Staff provides a verbal offer to the candidate and advises that acceptance is contingent on the final approval from the Governor's Office. Ms. Senn noted that the average time for a candidate to accept the verbal offer is one day. The next step in the process is staff's request for information from Commissioner Sande's office regarding the full cost of the position. Commissioner Sande indicated that her process is challenged and can take up to a couple of weeks. Ms. Senn explained the next step is to go through Office of Management and Budget (OMB).

Mr. Weitzner requested a recess because it is not necessary to discuss this level of detail publicly.

Commissioner Sande commented that there can be delays between the Commissioner's Office and the other processes involved and she is working closely with Mr. Weitzner and Ms. Senn to address those issues. Ms. Senn indicated that after the new HR Director gave her verbal acceptance, it took 45 days for the final approval. Commissioner Sande noted that this issue is a priority for Commissioner Paula Vrana, Department of Administration.

Chair Pruhs commented that it takes approximately 14 weeks or 3.5 months to fill a position and he now understands why there is a 23% vacancy rate. Commissioner Sande informed that other State agencies do not have the expedited hiring processes utilized by AIDEA and AEA, and that their hiring process takes even longer.

Mr. Eledge noted that he understood from earlier in the discussion that there is the ability to use contract employees. Chair Pruhs clarified that AIDEA has that ability, but AEA does not. Mr. Eledge asked if it is possible to use contract employees to bridge the tide. Ms. Senn acknowledged that contract employees are utilized, and Ambler is a prime example.

Commissioner Sande commented that this discussion is sensitive, and she suggested being careful. She believes the Board's questions have been answered regarding the delays in hiring. Commissioner Sande reiterated that she is working closely with Mr. Weitzner and the Administration on how to solve the issues. She heard loud and clear that there is nearly a 25% vacancy rate. Commissioner Sande gave her understanding that for State agencies, the most efficient vacancy rate is between 3% and 7%. The State is budgeted for a vacancy rate of between 3% and 7%. Commissioner Sande believes that the mission can no longer be carried out with a 25% vacancy rate.

Mr. Weitzner emphasized that staff is carrying on with the mission and is delivering on that mission because they are of high-quality and are dedicated. He requested that the Board recognize these attributes. Mr. Weitzner reiterated that HR is actively recruiting to continue to address the vacancy issues and is identifying candidates that meet the necessary experience levels. The process is for permanent hire positions so that the organization can maintain sustainability. Mr. Weitzner requested that if the Board has other views regarding this issue, that they be discussed in a different way. He noted that this issue is fundamental to the operation. Staff has identified the solution with Commissioner Sande and the solution is being pursued to have permanent staff in place.

Commissioner Sande clarified that the Board has the utmost respect for the staff, their work, their efforts, and their continued diligence during the session. The Board is impressed with staff's professionalism.

Mr. Weitzner requested a recess. There was no objection.

The Board reconvened. Chair Pruhs requested the Board enter into executive session to discuss the organizational chart, Item 8B.

MOTION: A motion was made by Vice-Chair Kendig to enter into Executive Session to discuss the organizational chart. Motion seconded by Mr. Fogle.

The motion was approved without objection.

Executive Session: 2:48 pm

Discuss the organizational chart.

The Board reconvened its regular meeting at 2:59 pm. Chair Pruhs stated that no action was taken about the organization while in executive session.

Chair Pruhs offered his clarification that previous comments may have been misunderstood in this meeting and in previous meetings. He emphasized that in no way is he disparaging or thinks less of the valuable employees of AEA and AIDEA. Chair Pruhs expressed his opinion that staff is immersed in a herculean event and accomplishment with the limited tools available. He reiterated his focus and the Board's focus is to give staff the tools and support necessary in order to accomplish the mission. Chair Pruhs commented that staff is stepping up to the plate to get employees in this difficult environment. He stated that his goal is not to diminish staff, but to give staff the tools to be able to be successful.

Chair Pruhs commented that he does get frustrated when he sees the number of vacancies because, as a business owner with valued employees, he thinks of the stress and the amount of work that has to be undertaken in order to uphold the mission. He explained that Board members are here to help with the mission, to facilitate as much as possible, and to create policy so that staff is successful in the mission. Chair Pruhs believes that the Board is by no means here to disparage staff or to say that staff is not valuable or that contract employees should be brought in at more money to do the same job.

Vice-Chair Kendig echoed Chair Pruhs' comments. He added that the Board was trying to help and recognizes that staff is overworked. Vice-Chair Kendig informed that he joined the Board in 2019 and there were problems. He believes that Mr. Weitzner and Curtis Thayer, AEA, have made improvements to create a dream team. Vice-Chair Kendig acknowledged that staff is overworked. He apologized that the message got misconstrued. The Board is trying to look for ways to take some of the burden off the staff.

Mr. Eledge commented that this is his third meeting as a Board member. He continues to be impressed by the professionalism and dedication to the mission displayed by the internal resources within the organization.

Mr. Weitzner expressed appreciation for the clarifications provided. He recognized that the Board's intention is clear in their dedication and attention to determine how to fully facilitate the mission, how to best fulfill the positions, and how to keep the organization sustainable going forward. Mr. Weitzner would like to utilize the opportunity to raise issues with Board members to assist in the communication process, similar to initiating the discussions with Commissioner Sande. There were no other questions or comments.

8C. Loan Dashboard Report

Mr. Weitzner reviewed the monthly report of the current status of the Loan Participation Program. He requested that Ms. Janssen join the discussion to answer questions. Mr. Weitzner directed attention to page 7 of 13 in the report that is linked to the agenda. He explained that the information is responsive to the discussion at the previous Board meeting regarding the determination of a risk management policy with the Program. Ms. Janssen and her team manually developed the chart showing the repayment industry risk of participation loans by region. This information is an important element for better reporting and for better risk management decisions. Ms. Janssen informed that the chart was developed manually because the current digital location of the loan information has exceeded its limitations to accept additional categories or search elements. Staff is working with the software engineer to be able to generate the report automatically in the future. Ms. Janssen explained that the chart contains much information, including the top five industries and the highest concentration region for the industries.

Mr. Weitzner discussed a follow-up to a previous question by Chair Pruhs regarding the definition of the regions as shown in regional diversity. Ms. Janssen explained that the regions are set by the State Department of Workforce Development. The regions reflect the state's population measures and include areas such as Nome within the Northern Region. She noted the importance of a standardized measurement and expressed her opinion to utilize the same regional structure as the State, rather than AIDEA having its own individual recategorization of the regional structure.

Mr. Weitzner commented that a key element to increasing productivity and efficiency for the staff is the digitization of direct systems and access to the data. Much time has been dedicated to the transition of updating the reporting system from paper to automatization in order to increase the functionality of the data. Mr. Weitzner highlighted that Ms. Janssen and Mr. Neff have been advancing that directive toward more efficiency. Ms. Janssen informed that 100% of the active loans are now electronically digitized.

Mr. Weitzner discussed that much attention has been focused on the ability to efficiently quantify and report on the delinquencies. This important information is used to seek access to capital markets. Mr. Weitzner identified the ongoing concentrated issue with Key Bank and the need for staff's direct involvement with the delinquencies. He explained that Key Bank's loan servicing center is based on the East Coast, and they are not directly administering the loans in Alaska. Direct involvement of staff results in a higher cost for AIDEA, and review is underway regarding the impacts to the service agreements.

Mr. Fogle expressed appreciation for the report. He requested an update on the current modified loans. Ms. Janssen discussed that there are six loans listed and the information is included in the Board's confidential packet. She noted that specifics cannot be discussed regarding the borrowers, but some of the modifications are ending. Mr. Fogle asked if the borrower whose modification ended on April 1, 2022, has begun the repayment for principal and interest as of May 1, 2022. Ms. Janssen indicated that payments are still being received for May. The reports will be compiled at the beginning of June. Mr. Weitzner advised that further discussion on the details would need to occur in executive session. Mr. Fogle noted that no specific borrower is currently being discussed.

Chair Pruhs called a five-minute recess.

The Board reconvened.

Mr. Fogle indicated that he has no further questions regarding the Loan Dashboard Report.

Mr. Mitchell expressed appreciation to Ms. Janssen for the additional detail on the loan analysis that was compiled manually.

Commissioner Sande thanked Ms. Janssen.

8D. Quarterly Report to Legislature (Interior Energy Project)

Mr. Weitzner discussed the Interior Energy Project (IEP) Report is required under Senate Bill 23 and House Bill 105 to be provided to the Legislature on a quarterly basis. The report linked to the agenda today is the most recent report compiled after the April Board meeting.

Chair Pruhs asked for an overview of the status comparison to proforma. Mr. Weitzner explained they are in line with management's projections, as reflected in the report.

Vice-Chair Kendig expressed appreciation to staff for providing the acronyms list. There were no additional questions.

8E. Next regularly scheduled AIDEA Board Meeting, Wed. June 29, 2022

9. BOARD COMMENTS

Vice-Chair Kendig expressed hope that the misunderstanding was cleared. He stated that the Board is very impressed with staff at both AEA and AIDEA. He noted that the Board sees how the staff is overworked and wants to help. Vice-Chair Kendig believes that AEA and AIDEA have assembled a dream team and the Board wants to continue to assist in supporting staff.

Mr. Eledge echoed the comments of Board members. He is supportive of the progress going forward and is appreciative of staff and management.

Commissioner Sande expressed that she looks forward to collaborating with Mr. Weitzner and the team to provide relief and to improve the delays in hiring. She understands that there is a national workforce shortage and that AIDEA is not the only agency in the State that is struggling with hiring delays. Commissioner Sande thanked the staff for their work and positive contribution to the mission. She joined the Board three years ago and continues to remain proud and appreciative of the staff's efforts.

Chair Pruhs expressed appreciation to the staff and noted that he has no intention to diminish their work or their diligent efforts. He apologized if any of his comments were taken as diminishing staff's hard work. Chair Pruhs commented that he joined the Board eight years ago. His mantra is to participate, contribute, and make a positive difference. He discussed that in any organization, it is important that employees and leadership have trust in their leadership and all are in full support of the mission. Chair Pruhs expressed appreciation and pride for the

organizations of AIDEA and AEA, and their great accomplishments. He noted that sometimes the cart is put before the horse or that too many expectations are put on staff and that the focus may get misinterpreted, but the right intentions are present.

Chair Pruhs referenced his mantra to participate, contribute, and make a positive difference, and noted that if there is no faith in the leadership, whether that is a Board member or the executive team, then that is a challenge. Chair Pruhs stated that this is his last meeting, and he will resign from the AIDEA Board. He believes that after eight years, it is important that the staff has faith in their leadership. Chair Pruhs discussed that after today's meeting and the unfortunate comments were taken out of context, he believes it is important to put that aside and to continue the mission fully. He expressed appreciation for working with everyone, including the current Board and previous Boards. Chair Pruhs emphasized that the staff is of primary importance and the mission is important, and it is important for the staff to have trust in their leadership. Chair Pruhs discussed that his comments today resulted in the questioning of that trust.

Mr. Mitchell stated that he understood Chair Pruhs' comments and encouraged him to take some time to reflect before resigning from the Board. Mr. Mitchell informed that he has attended meetings over the years and has attended four meetings serving on the Board with Chair Pruhs. He commented that Chair Pruhs is always prepared, asks good questions, is interested, and has a background that lends itself to the mission of the organization. Mr. Mitchell does not believe Chair Pruhs' attributes are overwhelmed by the misstep of a statement that was interpreted in a way that was not intended. He suggested Chair Pruhs take some time to reflect, rather than submitting a resignation rashly.

Commissioner Sande commented that today has been a long day with much discussion. She feels it is important to take time to reflect. Commissioner Sande believes it would be a tremendous loss to the State and to the organization. She hopes that Chair Pruhs will reconsider his resignation.

Mr. Fogle agreed and hopes Chair Pruhs will reconsider.

Mr. Eledge commented that he has total and complete confidence in Chair Pruhs and his ability and leadership in the organization as Chairman. Mr. Eledge is very pleased to serve with Chair Pruhs, and he feels the void would be more than he wants to see. He asked Chair Pruhs to reconsider and to change his words of resignation to benefit Mr. Eledge and the organization. Mr. Eledge understands that the resignation was not offered as a gesture. He recognizes that it takes a good man to consider such an action, and would appreciate Chair Pruhs' continued leadership as Chairman.

Mr. Fogle noted his history on the Board with Chair Pruhs, Commissioner Sande and Vice-Chair Kendig, which includes the extra Board meetings, the extra committee meetings, the 1002 Area, and the COVID-19 relief assistance funds. Much work was accomplished with Chair Pruhs at the helm. Mr. Fogle expressed hope that Chair Pruhs will take the time to reconsider. He believes today is probably a combination of many frustrating hours of Board members and staff that can be reconciled. Mr. Fogle stated it is easy to leave and it is harder and more meaningful to stay and build the relationships as the leader of the organization. He asked Chair Pruhs to consider retracting his resignation.

Vice-Chair Kendig added that he could not imagine the Board getting through some of the tough decision-making over the last year, especially through COVID-19, without Chair Pruhs' leadership. He noted that more important decisions are upcoming. Vice-Chair Kendig requested Chair Pruhs to reconsider his resignation and to stay.

Chair Pruhs expressed appreciation for the Board's confidence and noted that the other side of the coin is the staff who executes the work. He stated that the staff has to believe in their leadership. Chair Pruhs noted that he is proud that he has never missed a meeting in eight years. This is because he cares and he is committed. Chair Pruhs stated he wants to do the right thing and he wants to make a positive difference. He questioned whether or not his effect is positive if staff thinks they are not supported or that their mission is not important or that their compensation is not important.

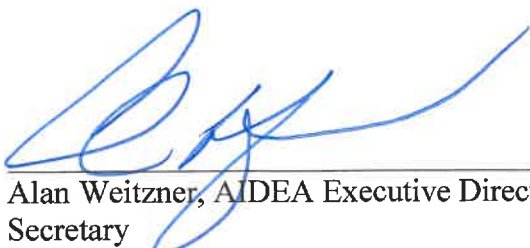
Chair Pruhs discussed that it is a balancing act. He stated that he will defer his resignation until he has an opportunity to speak with both Mr. Weitzner and Mr. Thayer after they get feedback from staff. Chair Pruhs commented that he is one person and the organization is made up of everyone as a whole, which is the important factor. He appreciated the Board's support and stated that the Board needs to support the staff who are contributing 120% to 150%. Chair Pruhs expressed his frustration with that level of workload. His focus is on getting things done and he does not want to see any more valuable people leave the organization. Chair Pruhs noted that he obviously presented his concern in the wrong way and that was not his intent. He expressed that it is paramount and of utmost importance for staff to feel supported, rather than worrying about what the Chair is thinking or feeling that the Chair is not fighting for staff.

Mr. Weitzner commented that Chair Pruhs has been a constant advocate for everyone within the organization. Mr. Weitzner noted that he and Chair Pruhs have had direct conversations regarding how to identify and retain staff to maintain the organization. Mr. Weitzner joined the Board members in their comments and asked Chair Pruhs to reconsider his resignation. Mr. Weitzner indicated that Chair Pruhs is a key component in what the organization is able to do within the state.

Chair Pruhs reiterated that he will defer his resignation until after he has discussions with Mr. Weitzner and Mr. Thayer. Chair Pruhs stated that he does not want to be a liability to Mr. Weitzner and to staff. He expressed appreciation for the support and noted that he is happy to speak with staff personally. Mr. Weitzner thanked Chair Pruhs for taking the time to reconsider the resignation. There were no other comments.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:31 pm.



Alan Weitzner, AIDEA Executive Director
Secretary