



# Alaska Industrial Development and Export Authority

## *Investing in Alaskans*

***Unit 23 Working Group***  
*Kotzebue May 9, 2013*

Mark Davis | Deputy Director

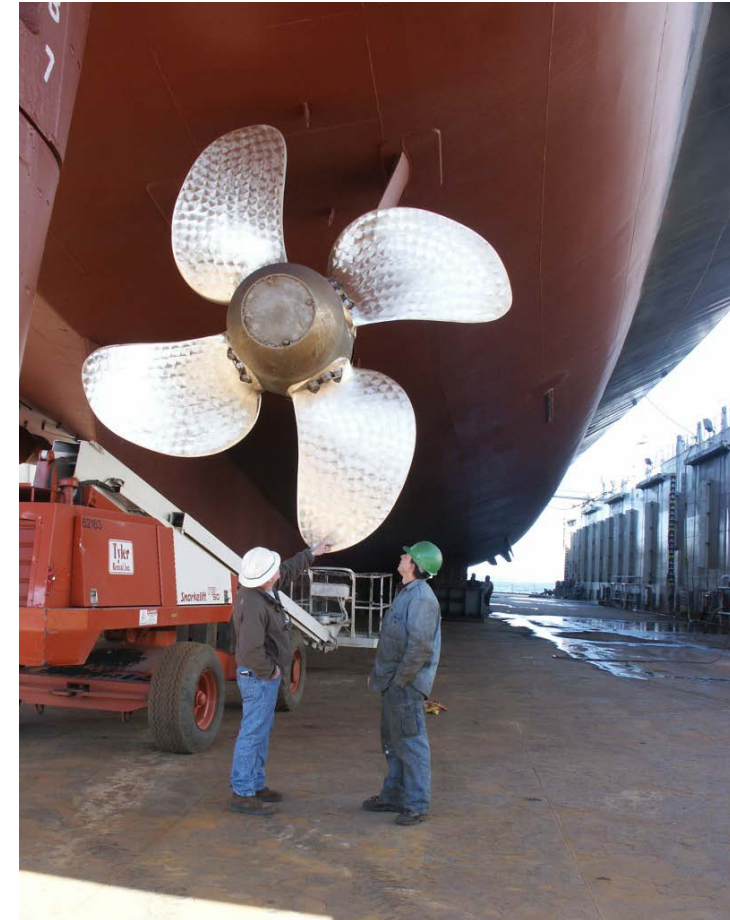
Mike Catsi | Business Development Officer



# AIDEA's Mission

**To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.**

**AIDEA fulfills its mission by providing Alaska businesses, projects and infrastructure with access to long-term commercial and development financing at a reasonable cost through its strong balance sheet and credit rating.**



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# AIDEA Overview

- AIDEA was created in 1967 with the legislative intent to increase job opportunities and to encourage the economic growth of the state, including the development of its natural resources, through the establishment and expansion of manufacturing, industrial, export, and general business enterprises.
- In the 1980s the legislature provided initial funding for AIDEA with cash and a loan portfolio. Additional funding was later provided to finance the DeLong Mountain Transportation System.
- AIDEA has repaid the State all of its initial capitalization funds through its annual dividend program.
- AIDEA currently has approximately \$1.3 billion in assets under management.
- AIDEA's has ownership in 8 Alaskan projects.

# AIDEA's Dividend

The FY 2014 AIDEA dividend to the State general fund is:

**\$20.745 million**

This is AIDEA's 18th dividend since the program's inception.

The total amount of dividends declared by  
AIDEA since the start of the program equals:

**\$345 million**



# AIDEA Assists in Financing

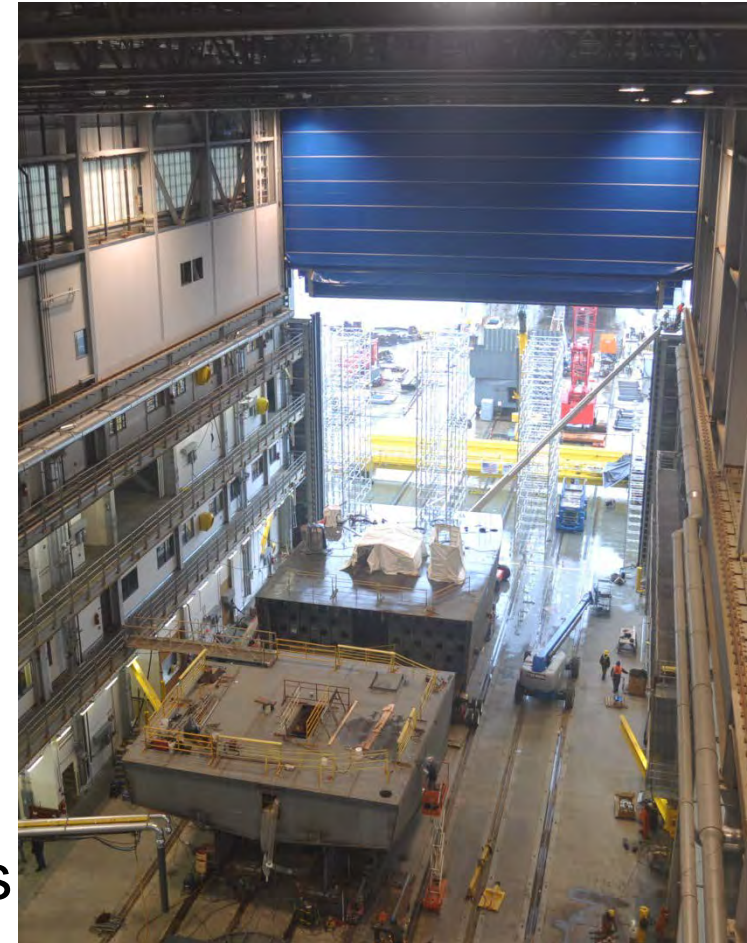
- Urban and rural projects
- All major industry sectors including:
  - Natural Resource Extraction and Processing
  - Federal Facilities and Installations
  - Transportation and Logistics
  - Infrastructure
  - Retail
  - Tourism
  - Energy
  - Services



# AIDEA's Financing Tools

AIDEA uses a variety of tools to help finance economic development projects:

- Debt
  - Loan Participation
  - Direct Lending
- Direct Investment through wholly or partially owned entities
- Loan & Bond Guarantees
- Issuing Taxable & Tax-Exempt Bonds



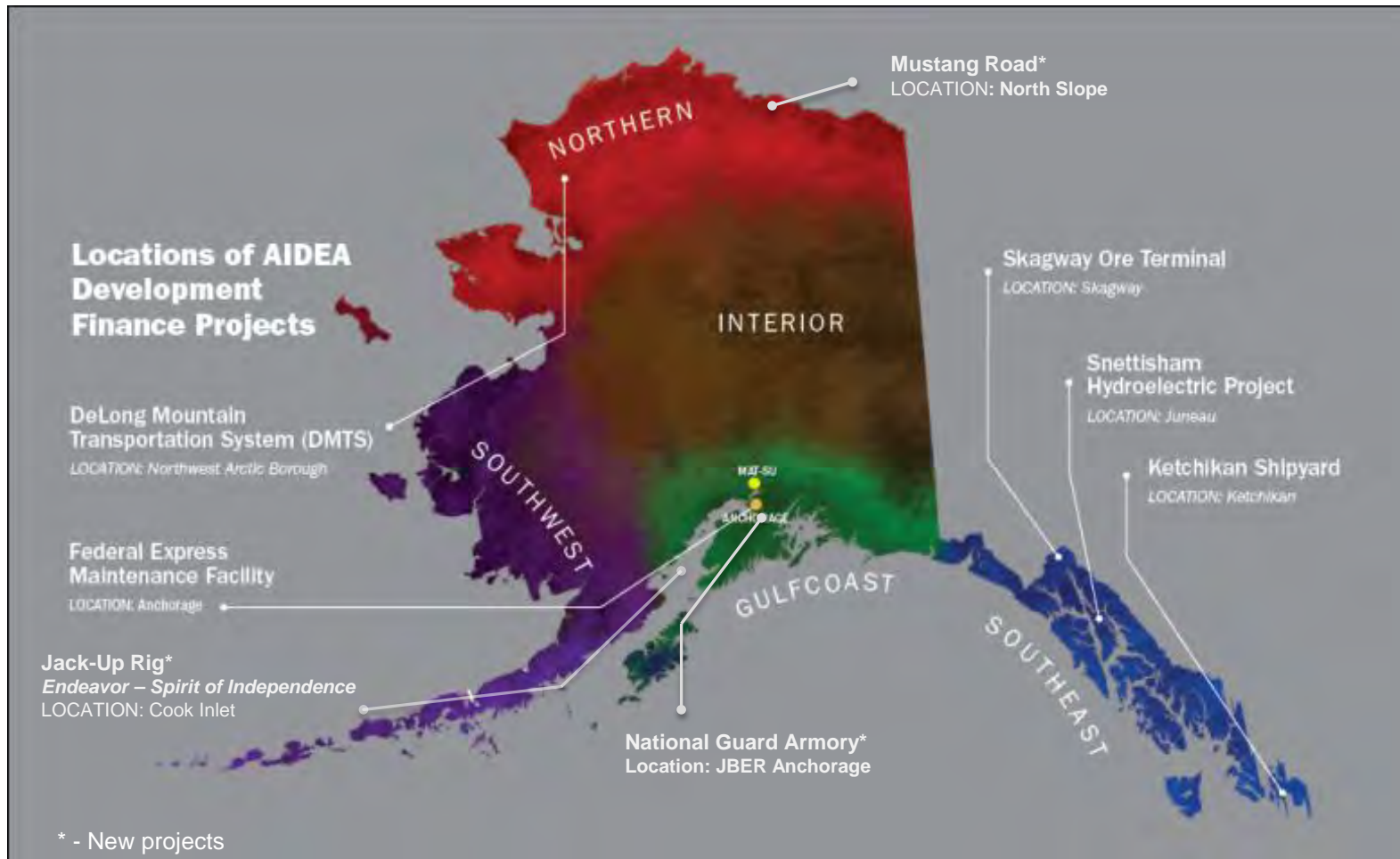
# Criteria for AIDEA Involvement

- Many projects must be **endorsed** by the local government.
- The project and its development must be **economically advantageous** to the state and to the general public welfare.
- The project applicant is **financially responsible**.
- The project must be economically and financially feasible and able to **produce revenue adequate** to repay the investment, bonds or loans with which it is financed.





# AIDEA Assets



# DeLong Mountain Transportation System

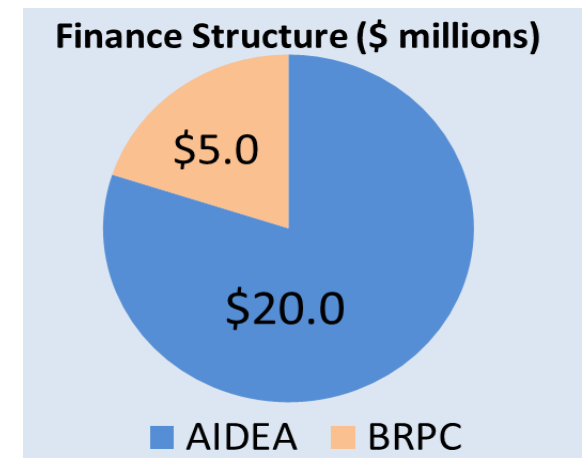
- DMTS connects the Red Dog Mine to the transshipment facility on the coast 52 miles away.
- AIDEA invested \$265 million to be repaid over 50 years.
- AIDEA is exploring additional use of the DMTS by other mining companies and resource developers.



# Mustang Road Development Project

The project consists of a 4.5 mile access road and production pad for Brooks Range Petroleum Company (BRPC) drill site and production facility. The project connects the existing Tarn Road to the proposed Mustang Development field.

- The project consists of five elements: Ice Road, Gravel Quarry, Mine & Site Access Roads and the Main Production Pad.
- The Mustang Road, LLC is an 80/20 ownership agreement with AIDEA the preferred owner.
- AIDEA's financing is capped at \$20 million while the project is estimated to cost \$25 million.
- BRPC will pay \$5 million and any cost overruns.
- The project will be repaid over 15 years at 8.0%.



# Ambler Access Project

## Purpose

Evaluate potential transportation corridors serving the Ambler Mining District for the purpose of providing all season access for exploration and development of the mineral resources within the district.

## Need

- Access remote mineral deposits
- Economic development and diversification
- Increase employment and workforce development opportunities
- Increase tax base and public services
- Decrease cost of living



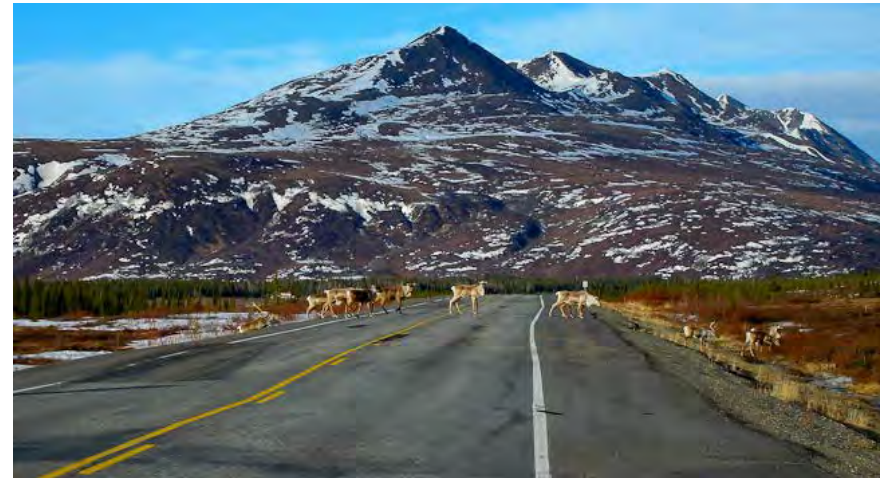
Dalton Highway

# Public Input

Agency and Stakeholder involvement provides input into this process and is considered in parallel. Public outreach on the access project has occurred over the past year and continues today.

## Community Concerns

- Need more opportunities for lower cost of living and jobs
- Impact on Cultural Resources
- Ability to maintain subsistence lifestyle and cultural values in the future
- Importance of Sheefish and Caribou
- Who will be allowed road access and what types of uses?



Parks Highway

# Engineering and Environmental Considerations

- Corridor Route
- Federal Lands
- Wild and Scenic Rivers
- Salmon/Sheefish Rivers
- Habitat
- Wetlands Impacts
- Material Site Availability
- Drainage Crossings
- Construction Costs
- Maintenance Costs
- Special Considerations

# 2013 Ongoing Baseline Studies

- Snow and Aufeis Survey
- Breakup Survey
- Raptor Nest Surveys
- Fish Surveys
- Mammal Surveys
- Hydrologic & Hydraulic Studies in GANPP
- Subsistence Study
- Wetland Mapping & Delineation
- Construction Costs
- Maintenance Costs
- Special Considerations

# Controlled Access is Planned

**Unit 23 concerns over the impact of a public access Ambler Road were addressed to the DOT&PF Commissioner in a letter July 10, 2012.**

- The road is planned to be an industrial road owned and operated by a private entity for the purpose of resource development in the Ambler Mining District.





# Controlled Access

- The EIS process requires several alternatives to be evaluated and a controlled access road will be one, as will the no action alternative.
- Access to the road may be controlled through the structure of an ownership agreement with the parties to the project.
- This structure may be a concession to a private entity based on an agreement that imposes strict operating, maintenance, safety standards and capital improvement requirements.
- There may be provisions in the contract to allow for additional users of the road based on a limited use permit.
- The road, as planned, will not be permanently connected with villages, so access may be limited to winter months by ice roads.

# P3 Financing for Infrastructure

## **What are Private-Public Partnerships (P3)?**

A P3 is a contractual agreement between a public agency and a private sector entity resulting in greater private sector participation in the delivery and/or financing of infrastructure projects.

There are numerous ways to classify P3s, but the most important from a public policy perspective is based on the sharing of responsibilities and risks.

Project funding will be paid by the users of the road, who will pay the private party for its services in the P3 project.

# What is a P3 Transaction?

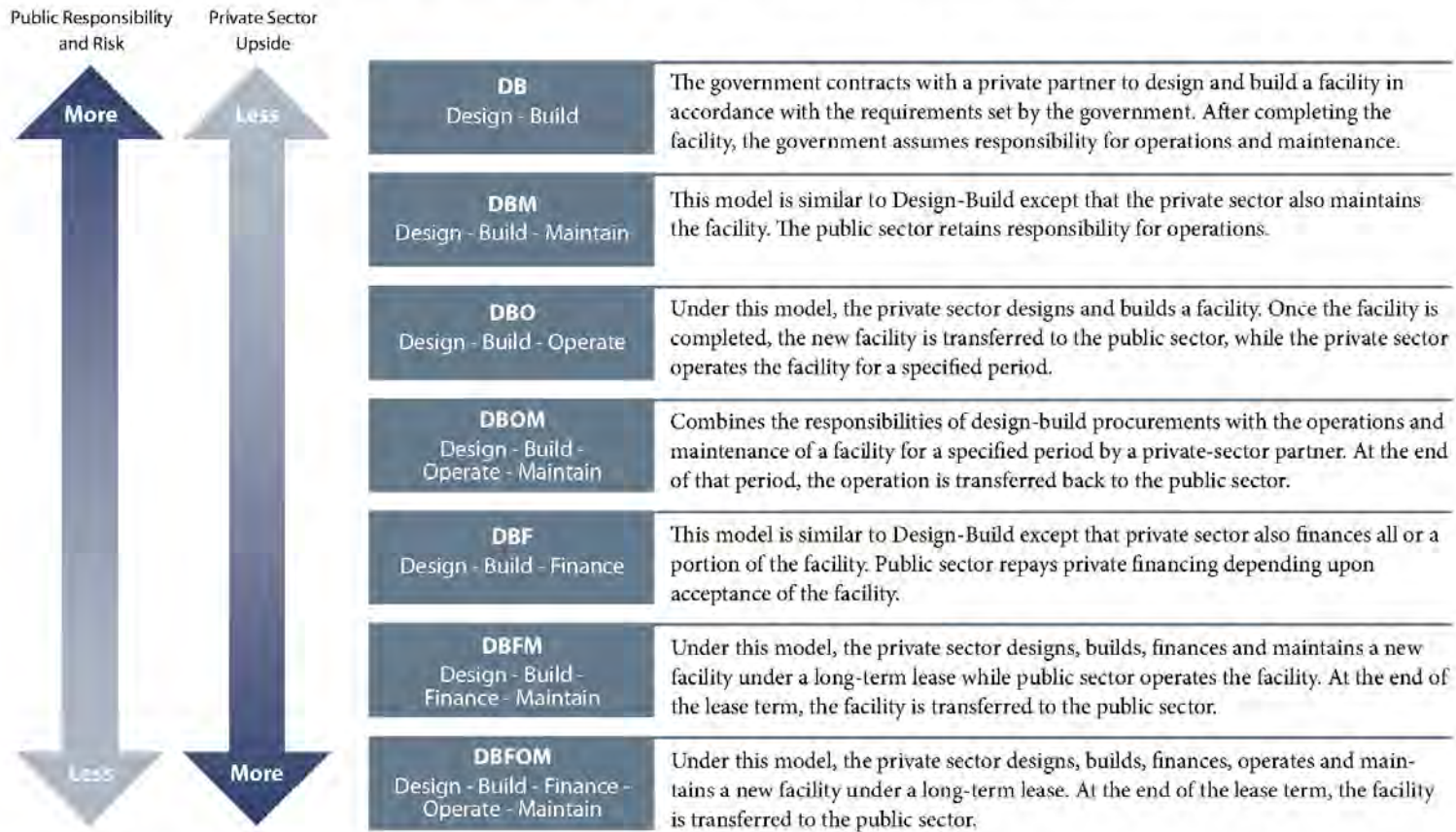
- Under a traditional municipal finance approach, a public entity will design, construct, finance and operate its own assets
- Under various forms of P3, the public entity will contract with a private party to take on some or all of the traditional government roles
- Entering into a P3 involves a shifting of risk, responsibility and potential benefit from the public to the private parties
- P3 has been used by public entities globally for one or more of the following reasons:
  - Lower construction costs
  - Lower annual costs
  - Faster project delivery
  - Innovative project design and operational delivery
  - Transfer risk to private sector
  - Shift financing burden/risk to private partner
- **P3's therefore have no single definition as they can cover all three major aspects of a major project**
  - Project Delivery
  - Financing
  - Operations, Maintenance and Ongoing Investment

# OBJECTIVES OF P3

- Maximize the ability of public sponsors to leverage existing revenue sources.
- Make possible major infrastructure investments that might not otherwise receive financing.
- More effective use of existing public funds.
- Accelerate projects into construction compared to traditional delivery methods.
- Transfer Risk to Private Sector
- Capture Private Sector Innovation
- Promote Life Cycle Efficiencies/Performance
- Create Competitive Tension to Drive Value

# Spectrum of P3 Approaches

*Each Approach has a Different Mix of Risk and Reward to Both Parties*



AIDEA

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