



# ALASKA ECONOMIC FUNDAMENTALS - STATE LEGISLATURE

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# WINDS OF CHANGE

## NATIONAL - AK - INTERNATIONAL

- Political/Economic: markets, regulations, resource price
- Major Paradigm Shift via Trump
  - But Presidents have limited power, checks & balances
- Any Alignment: Congress – Executive – Courts, AK, Global
- Fits Alaska Brand...DNA...less regulation - more enterprise 70% AK support exists for resource development! No poll required!
- U.S. consumer 70% U.S. Econ, 12% World Econ, 4% growth?
- Trade/Trump: But 27% Ex/Import US Econ, S&P 44% sales abroad
- Federal lands - regulation relief could be big – how earn support
- Investment climate – DOW - APFC \$55B – improved
- All complex, inextricably linked – no mandates, but mistrust



# WINDS OF CHANGE - CONTINUED

- Growing U.S. economy helps AK, our resources, visitors...
- Federal initiatives list – might grow – name your idea
- Strong AK delegation – aligned for quick early moves
- International Trade, mixed but possibly some quid pro quo
- Russia to AK - may not be all evil on econ – military investment
- Alaska Vs Canada – Trudeau less supportive of energy, Nat. Res.
- Cautious optimist - A new federal paradigm
- Early AK support to capitalize upon
- But debilitating Fed signal AK LNG FERC feedback 266 pages!
- Entrenched core Fed Civ. Prof. hard to change....help w/logic!



# NEED A PLAN – W/LEGISLATURE & GOV: STATEWIDE CEDS PROJECT

- Comprehensive **E**conomic Development Strategy
- **N**orthern **O**pportunity: Alaska's Economic Strategy
- Project has value – meaningful size – align w ARDORS
- Anchorage must update/complete its own CEDS
- Opportunity should include resource extraction & industry
- Not mush – need material meaningful employment/investment
- Think federal sea change – core/base industry again
- Entrepreneurial Investment – Grow Economic Wealth
- Focus growth entrepreneurs (#10-99) job creators, investors
- More focus on 2<sup>nd</sup> stage, existing/new, less on start-ups/micro
- Align permitting – simplify – coordinate; intro networking



# GOVERNMENT ASSETS & LAND

- Must leverage State, Fed, ANC land
- Election observations as they relate to assets and land – dispose of lands and surplus assets
- Making available – in creative formations/uses
- Inventory, mapping, cataloging, land use
- Mental Health Trust/Land Trust Office
- More progressive local government land availability
- Mitigation banks!



# MITIGATION IMPACTS - DEVELOPMENT

- Establish overarching 'Mitigation Bank' and network formula/metric - \$ denominated payment
- Mitigation is a limiting factor to permitting
- Rules must be followed, but ability to move forward and be helpful for development
- Predictable & Fair! Currently not clear!
- Factor relative values; habitat, species, geography
- Unite agencies (USACE, DNR, DEC,..) define
- Middle person – broker – entity - quantify - escrow
- Prime project/manger/permits; dup. in mitigation process



# OIL REALITIES AND NEWS

- Oil Still Rules our economy – will not change
- Oil still efficient energy via transport & hold Vs LNG and alternative energy
- Existing infrastructure/pipeline – use it!
- Oil companies focus on lower risk, accept lower returns more accessible prospects
- ANC's – expected to play a role, support them
- Alaska must remain competitive
- Pay earned tax credits! – IRS pays refunds!



# NATURAL GAS

- Economic/investment challenges AGDC/AK LNG
- Gas to liquids into TAPS more likely?
- Agrium- real potential to open plant
- ANC gas – middle earth opportunities – Bush?
- Cook Inlet continued optimism
- Cleaner energy
- Mine equalizer?
- Monetize challenge when stranded





# STATE FISCAL & FINANCIAL ISSUES

- Tax credits – must be paid – otherwise accommodated
- Fiscal certainty
  - Must modify revenue stream and must do all options at once
- Prioritize spend/invest for economy, growth, seed, returns
- APFC prudent investment options AK; co-investment
- Alaska Business Monthly Editorial October Issue
  - AKBizmag.com by Joe B and Joe S ‘Brexit/AKit’
- No leverage/borrow unless unrestricted revenue!
- Time for fiscal plan, legislative joint special committee



# ALASKA CAPITAL INVESTMENT

- Create strategy for disciplined communications
  - Do not hype projects before their time
- How do we attract capital – the old fashioned way – prove it!
- Fiscal and regulatory certainty – improved certainty
- Politically more aligned now with federal administration
- AIDEA, ANC'S, large players, investment returns,
- Leverage AIDEA even more – 'entrepreneurial capital'
- Real asset investments – be willing to give up autonomy/control – less emotional attachment
- FYI – new FASB rules leasing booked as liability – significant impacts – effective dates/cautions



# ALASKA NATIVE ORGANIZATIONS

- How can AK Native Organizations help?
  - Engage in public policy
  - Political leverage
  - Develop/leverage property – license others
  - Support mitigation
  - Investment capital
- Not restricted to Native “C” Corporations
  - Associations/consortia/non-profits/tribes
- ANC collective aligned support – our backing!



# OFFSETTING COST DRIVERS

- Trans: Airship/helium/lift capacity little infrastructure
- Overcapacity on trains/truck/transport vessels
- Impact mitigation strategies – standardize – ‘bank’
- Regulation – new administration improvements
- Permitting support – at all government levels
- Fiscal certainty agreements – PILT – AGDC/LNG
- Construction contractors excess capacity
- CEDS outline sources of efficient conduits
- ‘Plug’ ‘SurThrival’ – Northrim ‘tools’



# SURTHRIVAL

- Visit for resources
  - <http://www.northrim.com/home/business/financialpreparedness>
- Opportunities do exist
- Navigate through uncertainty to SurThrive
- Stay engaged in disciplined public policy
- Support/demand alignment – fracture defeats
- Don't waste a near perfect opportunity to fix now
- No 'secret sauce' mix of ingredients, heat, vessel, politics, alignment for healthy & sustainable economy – takes ALL



# NORTHRIM BANK – BYLINE – POSITION:

- The performance of the Alaska economy in 2017 will be impacted by a number of key variables. There will be a short-term drag on the economy if the Legislature is able to create a sustainable budget by making difficult decisions on reduced spending levels, increased taxes and changes to the Permanent Fund. However, a budget solution will have long-run positive impacts through a return of business confidence and a stabilized climate for private capital investment.
- We are closely monitoring the potential changes in interest rates, which have remained low for nearly a decade. Potentially rising rates will impact a number of sectors, and could be most broadly felt in housing prices.
- The change in federal administration in 2017 has the potential to positively impact the government regulation of natural resource development in Alaska. The energy sector is starting to stabilize as the worst of falling oil prices and related cuts to employment and spending are likely behind us. Strong growth in tourism and healthcare are also providing opportunities in the Alaska economy.

