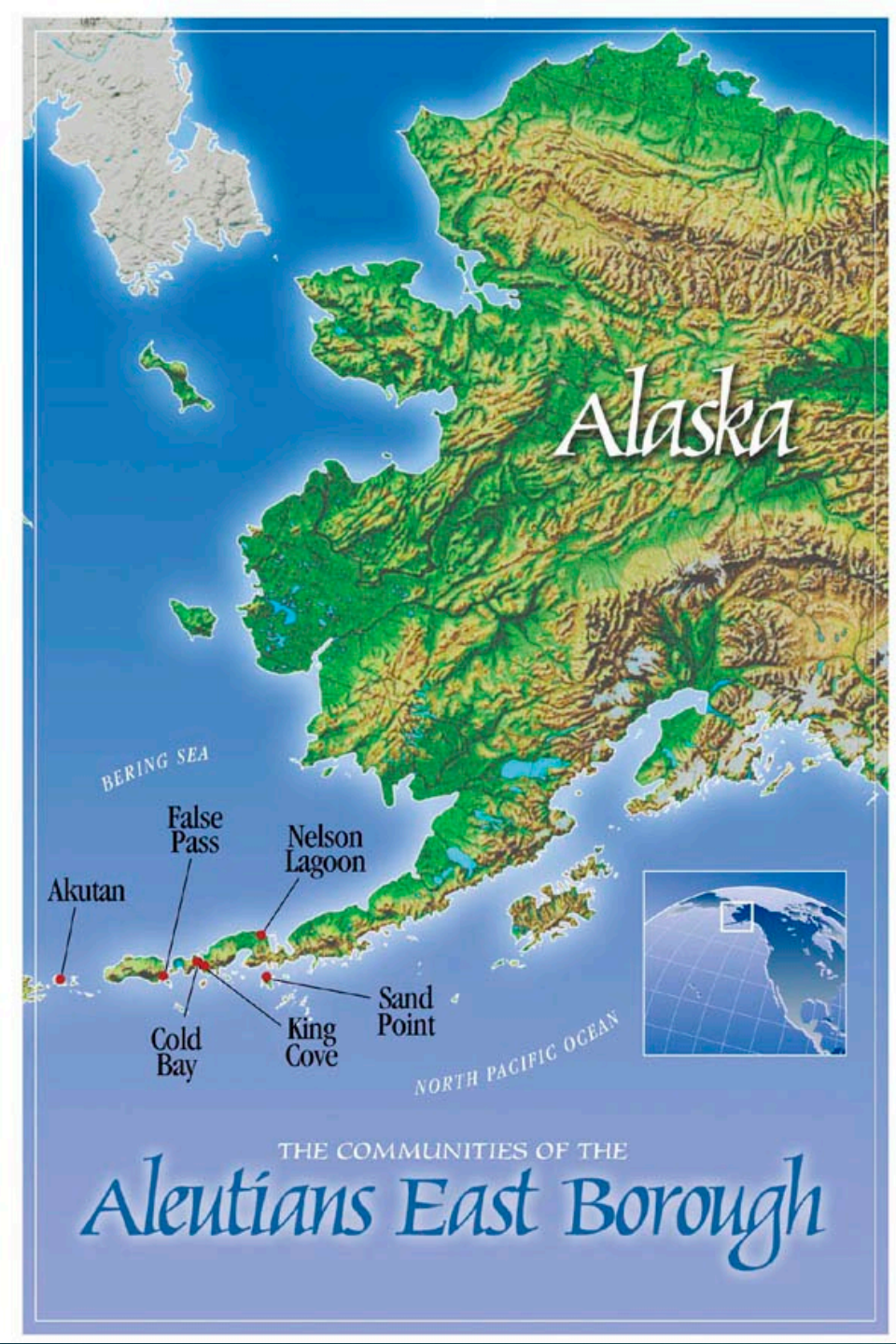


Financial Workshop

JANUARY 9, 2025

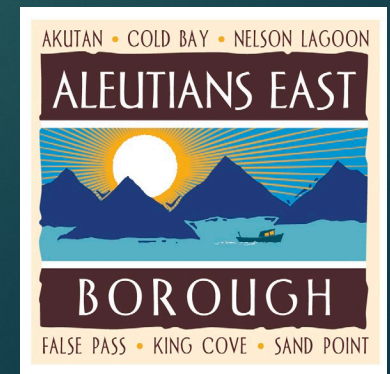
Mission

The Aleutians East Borough's Mission is to: Provide governmental services to the communities of Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point that include: education, fisheries support, planning, project management, capital projects, and tax collection.



Fiscal, Statutory & Code Obligations

- The Borough has numerous fiscal obligations.
- Some are required to maintain operations, others are mandated by Alaska Statute or Borough Code, and some have been agreed to with an outside entity.
- Some obligations are required annually, and others may be a one-time payment.



Outline of Obligations

Obligation	Type of Requirement	Annual or One Time Payment
Educational Financial Support	Alaska Statute	Annual
School Maintenance	Alaska Statute	Annual
Capital Improvement Maintenance Reserve and Improvement Account	Borough Code	Annual
Bond Debt Payments	Alaska Statute/Agreement	Annual, until 2031
Akutan Transportation Link	Agreement	Annual, until September 2032
King Cove Access Road Maintenance	Agreement	Annual, until 2035
Eastern Aleutian Tribes	Agreement	Annual
Akutan Harbor – Army Corps Payment	Agreement	One-Time Payment
General Operations	Fiscal Obligation	Annual

Educational Financial Support

- Per Alaska Statute 29.35.260, the Borough, as a general law municipality, constitutes a borough, school district and establishes, maintains, and operates a system of public schools on an areawide basis.
- The Borough is required to provide fiscal support to the School District.
- Each fiscal year, the State of Alaska establishes a minimum/maximum contribution amount, which includes the local appropriation and in-kind funding. In FY25, the Borough appropriated \$1,587,600 to the school district. **This is \$242,550 below the maximum contribution of \$1,830,150 resulting in about 87% of the maximum contribution.**
- The Borough provides a local contribution, student scholarships, student travel and in-kind services.



FY 25 Support



Local Contribution

\$1,300,000



Scholarships

\$35,000



Travel

\$20,000



In-Kind Services

\$232,600



Total

\$1,587,600

School Maintenance

School District Responsibilities – Per Alaska Statute 14.14.060(f), the school district shall provide custodial services and routine maintenance for school buildings and shall appoint, compensate, and otherwise control personnel for these purposes.

Borough Responsibilities – The Borough shall provide for all major rehabilitation, all construction and major repair of school buildings.

Borough Appropriations – The Borough has been honoring this fiscal responsibility on an annual basis. The amount appropriated is determined each fiscal year based on what is needed and the funding available.

Maintenance Projects Completed in 2023 and 2024

CDB Terminal Cargo Door Repairs	\$15,244
Terminal Repairs	\$33,360
Fire/Sprinkler Inspection (2024)	\$15,505
Elevator Inspection (2024)	\$14,171
Akutan School Repairs	\$71,549
False Pass School Boilers (2023/2024)	\$129,256
False Pass School Electrical (2023/2024)	\$100,774
False Pass School Water Leaks	\$10,666
False Pass School Water Heater	\$55,331
King Cove School Fire Damage	\$50,000
Sand Point School Boilers (2023/2024)	\$93,683
Sand Point School Plumbing	\$41,730
Sand Point School Sewage Pipes	\$44,155
Total	\$675,424

Capital Improvement Maintenance Reserve and Improvement Account

- Per Section 6.04.042 of the Borough Code establishing a Maintenance Reserve Account is mandated.
- Each year the mayor shall include in the proposed budget for the coming fiscal year the deposit to the Capital Improvement Maintenance Reserve Account of the greater of \$100,000 or an amount equal to two and one-half percent of the total anticipated revenues from the borough sales tax and the state shared fisheries business license tax.
- Based off the maintenance needs the Borough is facing and anticipated changes in future funding, Administration believes the proposed budget amount should increase from \$100,000 to \$150,000 each year and will be recommending a code change to the Assembly for this.

Bond Debt Payments

Overview

Per Alaska Statutes, a municipality may acquire, construct, improve and equip capital improvements and issue negotiable or nonnegotiable general obligation bonds for these purposes. A municipality may incur general obligation bond debt only after a bond authorization ordinance is approved by the majority body at an election. The full faith and credit of a municipality are pledged for the payment of principal and interest on general obligation bonds. (AS 29.470.180; AS 29.47.180 and AS 29.47.200). Therefore, the Aleutians East Borough has followed Alaska Statute and acquired bond debt for numerous capital improvement projects over the years.



Long Term Bond Debt

The general obligation bonds payable at December 31, 2024, are comprised of the following: 2015 Refunding Series One in the amount of **\$95,000**, the 2016 Refunding Series Three in the amount of **\$7,955,000**, and the 2021 Refunding series for refinancing of 2010 series three general obligation bonds in the amount of **\$1,760,000** resulting in a total bonds payable amount of **\$9,810,000**.

Annual required installments on all Borough general obligation bonds as of June 30 are as follows:

Year Ending December 31, 2024	Principal	Interest	Total
2025	\$0.00	\$215,202	\$215,202
2026	\$2,200,000	\$381,158	\$2,581,158
2027	\$2,200,000	\$281,852	\$2,501,852
2028	\$2,340,000	\$178,323	\$2,518,323
2029	\$2,445,000	\$68,468	\$2,513,468
2030	\$300,000	\$9,125	\$309,125
2031	\$305,000	\$3,084	\$308,084
	\$9,810,000	\$1,137,212	\$10,947,212



Akutan Transportation Link

The Aleutians East Borough entered into a Co-Sponsorship Agreement between the City of Akutan and the State of Alaska Department of Transportation and Public Facilities for the Akutan Airport in January 2010 providing assurances to FAA for federal construction and agreeing to operate the airport for at least 20 years.

The Borough agreed to provide reasonable public access between the community of Akutan and the airport for 20 years.

The Borough began providing the transportation link in September 2012; therefore, the Borough must provide reasonable public access until September 2032.

Anticipated Costs for the Next 2 Years

	Maritime*	Other Helicopter Costs	Total Annual Expenses	Anticipated Revenues	Net Expenses
Year 1	\$1,152,195	\$205,000	\$1,357,195	\$340,000	\$1,017,195
Year 2	\$1,202,868	\$205,000	\$1,407,868	\$340,000	\$1,067,868
Total	\$2,355,063	\$410,000	\$2,765,063	\$680,000	\$2,085,063

*USDOT selected Grant Aviation and Maritime Helicopters to provide Essential Air Service between Unalaska and Akutan. 50% of the helicopter operation is covered under the agreement. The amount reflected in the table is the amount the Borough is responsible for, which is 50% of the overall helicopter costs.

**The Borough has asked the State of Alaska to assist with this financial obligation.
This would help alleviate this big commitment.**

King Cove Road Maintenance

- ▶ In 2010, the Borough and State of Alaska entered into a Maintenance Agreement regarding the King Cove Access Road Completion. Per the agreement, the Borough agreed to provide the necessary care to maintain and operate the road for a minimum of twenty years, the life of the facility, subject to conditions.
- ▶ The Borough has entered into a Memorandum of Agreement (MOA) with the City of King Cove to maintain the road for the past eight years (FY17 through FY24). The Borough the City \$99,000 per year to maintain the road.
- ▶ The Borough has provided maintenance for 7 years, so, at a minimum there is 13 year remaining to provide these services.



In 2018, the Borough entered into a MOA with DOT. This agreement is to extend approximately 19 miles from the current road terminus at mile 17.2 on AWB Route #1 at the northeast corner of Cold Bay to the existing road system in Cold Bay. Per the agreement, the Borough would agree to the Project's right-of-way, operations and maintenance on the date of substantial completion.

Per Resolution 19-01, the Borough Assembly agreed to provide for maintenance of the constructed improvement pursuant to the MOA for a period of at least 20 years. Therefore, the Borough will be responsible for the costs associated for the maintenance/operation of the road. The cost for this has not been determined yet.



New Road Maintenance



Eastern Aleutian Tribes

- ▶ In 1993, the Borough and EAT signed a Transfer of Responsibilities Agreement.
- ▶ The agreement is outdated and is in the process of being revised; however, the Borough has historically provided EAT \$150,000 per year for behavioral health services.

Akutan Harbor One-Time Payment

The Borough entered into a Project Partnership Agreement with the Army Corps of Engineers for the Akutan Harbor Project.

The total construction costs for the General Navigation Features that have been accounted for to date is \$38,853,187.86. Of this total, the Borough's costs were \$3,885,318.78 representing the first 10 percent cost share. The Borough still owes the 2nd 10% obligation in amount of \$3,293,110.48.

The Borough should be receiving the 2nd letter from the Corps soon and will be required to make payment within 90 days.



General Operations

In order for the Borough to operate there are numerous expenses that must be paid.

These expenses are approximately \$2,500,000.

These items include but are not limited to: Payroll, Administration Needs, Insurance and Utility Costs.

Anticipated Expenses

Expense	Anticipated Amount
Education	\$1,055,000 or more
Maintenance Reserve	\$150,000 or more
Bond Debt (based off a 3-year average)	\$2,533,777
Helicopter	\$1,067,868
KCAP Road Maintenance	\$113,500
Eastern Aleutian Tribes	\$150,000
General Operations	\$2,500,000
Total	\$7,570,145

Revenues

The Borough receives revenues from the following revenues from the following revenue sources:

Local
Raw Fish Tax
Leases and Other
Interest Revenue

State
Shared Fisheries Business Tax
Resource Landing Tax
Community Assistance

Federal
Payment in Lieu of Taxes
USFWS Revenue Sharing

Local Funding Sources



Raw Fish Tax

- 2% tax on all sales of raw fish in the boundaries of the Borough, obligation of seller
- Buyer collects and remits tax on behalf of seller
- Report and tax due on the 15th of each month for the prior months sale activity

Trend: The amount of fish tax collected is decreasing. With low fish prices, lower volumes of fish collected, seafood processor closures, and other impacts, the Borough's fish tax is much less than the historical average.

Fund Usage: These funds are used to supplement the Borough's General Fund and operational costs.

Leases and Other Revenue

This includes the following:

- ▶ 4-plex Rentals in Sand Point
- ▶ Tidelands Leases
- ▶ Land Leases
- ▶ Permitting Fees
- ▶ Surplus Sales and Other

Trend: These funds do not bring in a significant amount of money. Some of these items cost more to operate than what is brought in.

Fund Usage: These funds are placed in the General Fund for operations.

Interest Revenue

The Borough has invested funds in the AMLIP Portfolios and the AEB Operating Reserve Fund.

Trend: By investing funds wisely, the Borough has earned a lot of interest revenue over the last two fiscal years. The Borough anticipates seeing the interest rates decrease and the amount of funds earned decrease due to expending large sums of money in the immediate future.

Fund Usage: These funds supplement the Borough's General Fund and operational costs. Without these funds we would have needed to use permanent fund earnings to make the Borough's FY24 budget whole.

State Funding Sources

Shared Fisheries Business Tax

This is funded by the State of Alaska Department of Revenue.

The State is required to pay the municipalities 50% of the state fisheries business tax collected from fish processors operating inside the municipal boundaries from the prior year.

For instance, the Borough receives 25% and the City of Akutan receives 25% of the shared fish business tax collected in Akutan. If Port Moller were operating the Borough would receive 50% of the tax collected from that operation since it is not within a city boundary.

Trend: With the fish taxes declining and seafood processor closures, the amount the Borough collects will decrease.

Fund Usage: These funds are used to help supplement the Borough's General Fund and operations.



Revenue Landing Tax

Funded by the State Department of Commerce,
Community and Economic Development.

The Borough applies for alternative method funding.

The funds are distributed by Fishery Management
Area.

Trend: These amounts are unpredictable and have
been declining over the past few years.

Funding Usage: These funds are used to supplement
the Borough's General Fund and operations.

Community Assistance Program

Funded by the State of Alaska Community Assistance Fund AS 29.60.850

- ▶ Must apply for this funding each year.
- ▶ Basic community assistance payment for a fiscal year is \$300,000
- ▶ If the amount available to fund the program is less than the amount necessary, the payments are reduced pro rata (in equal proportions)
- ▶ If the amount available exceeds the amount to fully fund the basic payments, the balance shall be distributed on a per capita basis (population)
- ▶ Trend: Over the past few years, this funding has been consistent; however, it is dependent on the State of Alaska's ability appropriate monies to this Fund.
- ▶ Fund Usage: These funds are used to help supplement the Borough's General Fund and operations.



Federal Funding

Payment in Lieu of Taxes

These are Federal funds appropriated to compensate for nontaxable federal lands.

Factors for payment amount:

- Entitlement land and per acre payment rates
- Population-based payment ceilings
- Prior year non-PILT payments
- Pass through laws
- Inflation

The payment is received in June for the fiscal year.

Trend: Historical average collected is \$690,000. These funds are contingent upon Federal appropriation.

Fund Usage: These funds are used to help supplement the Borough's General Fund and operations.



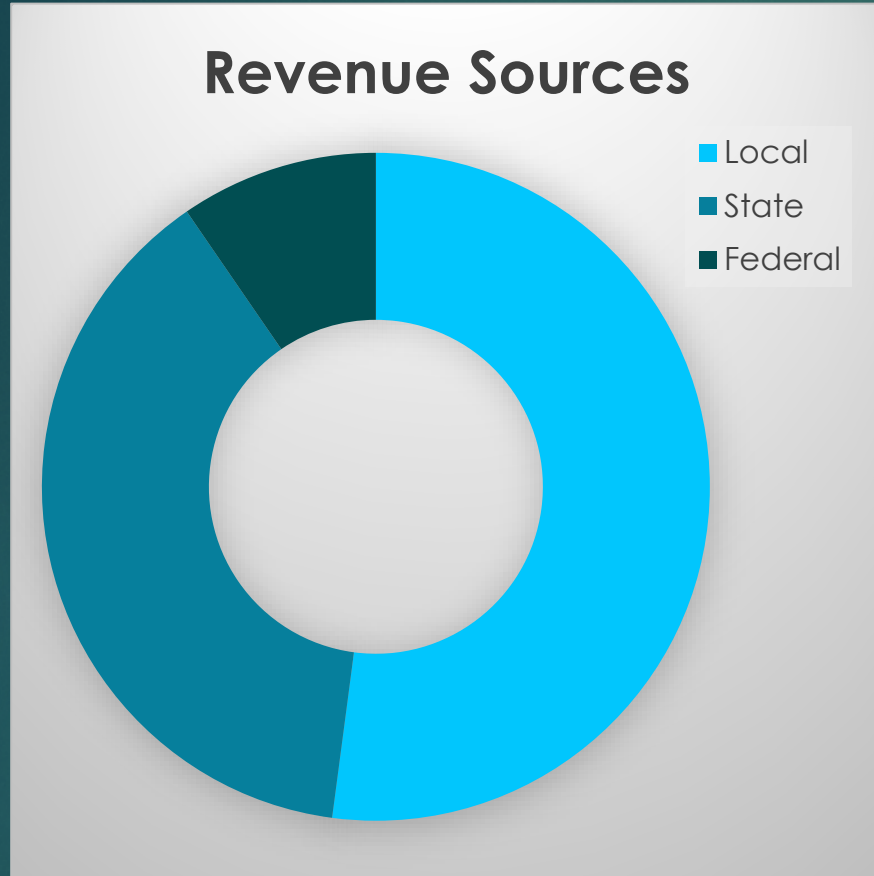
US Fish and Wildlife Revenue Sharing

- ▶ THE REFUGE REVENUE SHARING ACT PROVIDES FOR ANNUAL PAYMENTS TO LOCAL GOVERNMENTS FOR LANDS UNDER THE ADMINISTRATION OF USFWS.
- ▶ FUNDED FROM REVENUES GENERATED FROM THE LANDS AND CONGRESSIONAL APPROPRIATION
- ▶ TRENDS: THE FIVE-YEAR AVERAGE IS APPROXIMATELY \$18,000. ANTICIPATE THIS DECREASING OVER TIME.
- ▶ FUND USAGE: THESE FUNDS ARE USED TO SUPPLEMENT THE BOROUGH'S GENERAL FUND AND OPERATIONS.



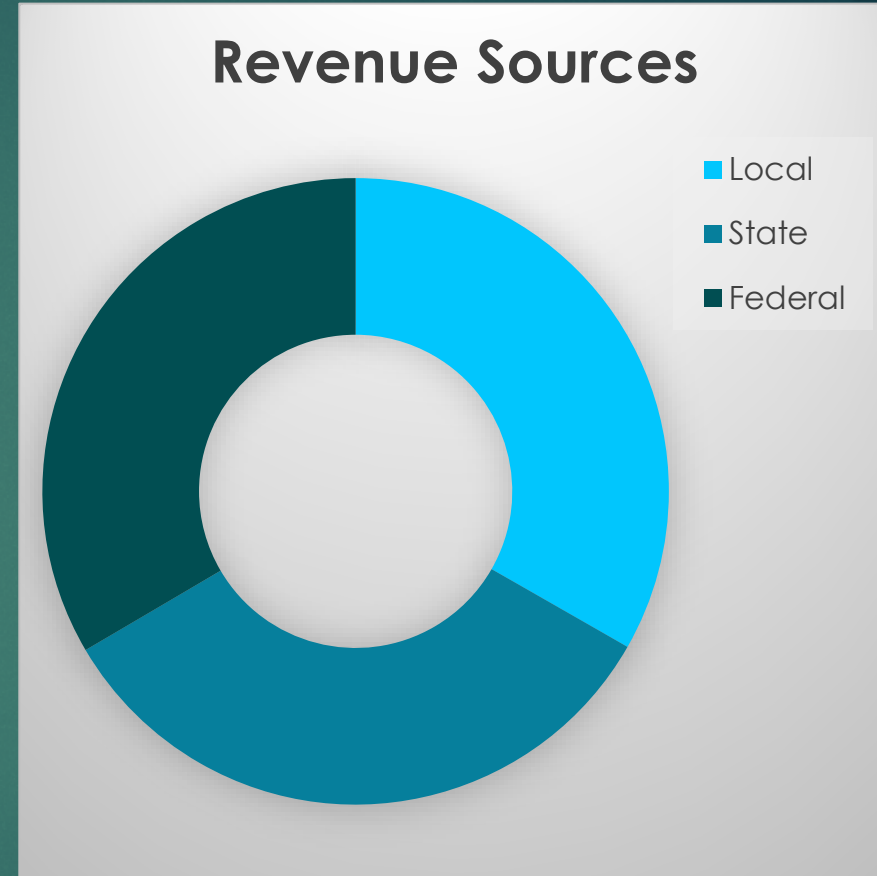
General Fund Revenue

FY24 Revenues



FY24 Revenues = \$8,150,00
\$4,246,000 is local
\$3,123,000 is State
\$780,000 is Federal

FY25 Projected Revenues

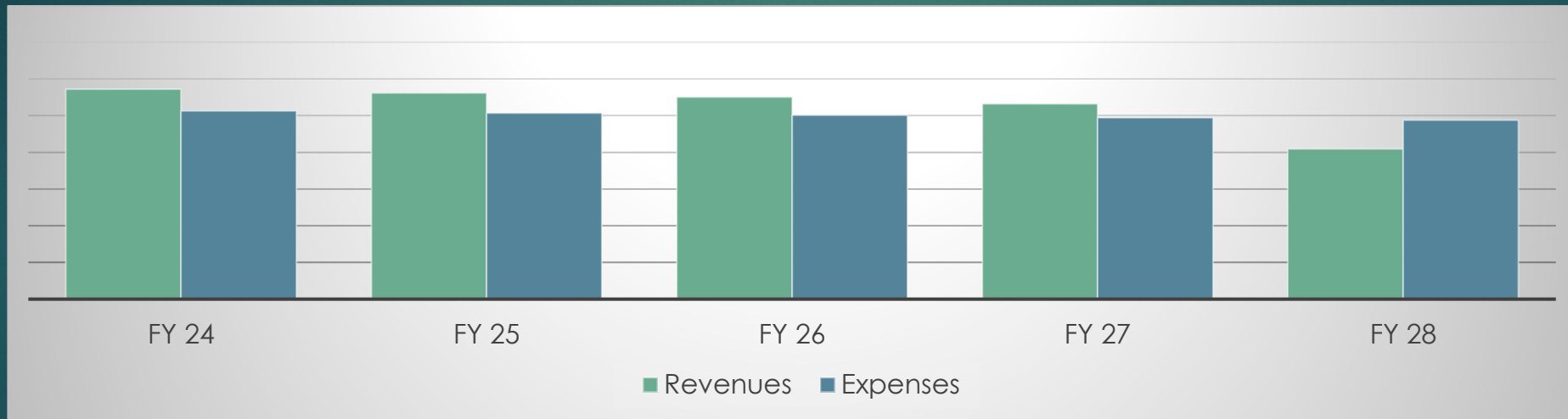


FY25 Projected Revenues = \$6,516,000
\$2,168,000 is local
\$2,168,000 is State
\$2,180,000 is Federal

Liquidity Analysis

In December 2022, the Borough requested APCM to conduct a Liquidity Analysis to determine the Borough's ability to pay its bills in a timely manner and assess one's solvency, which is your assets in excess of liabilities. Simply, this is your ability to turn an asset into cash to cover operations.

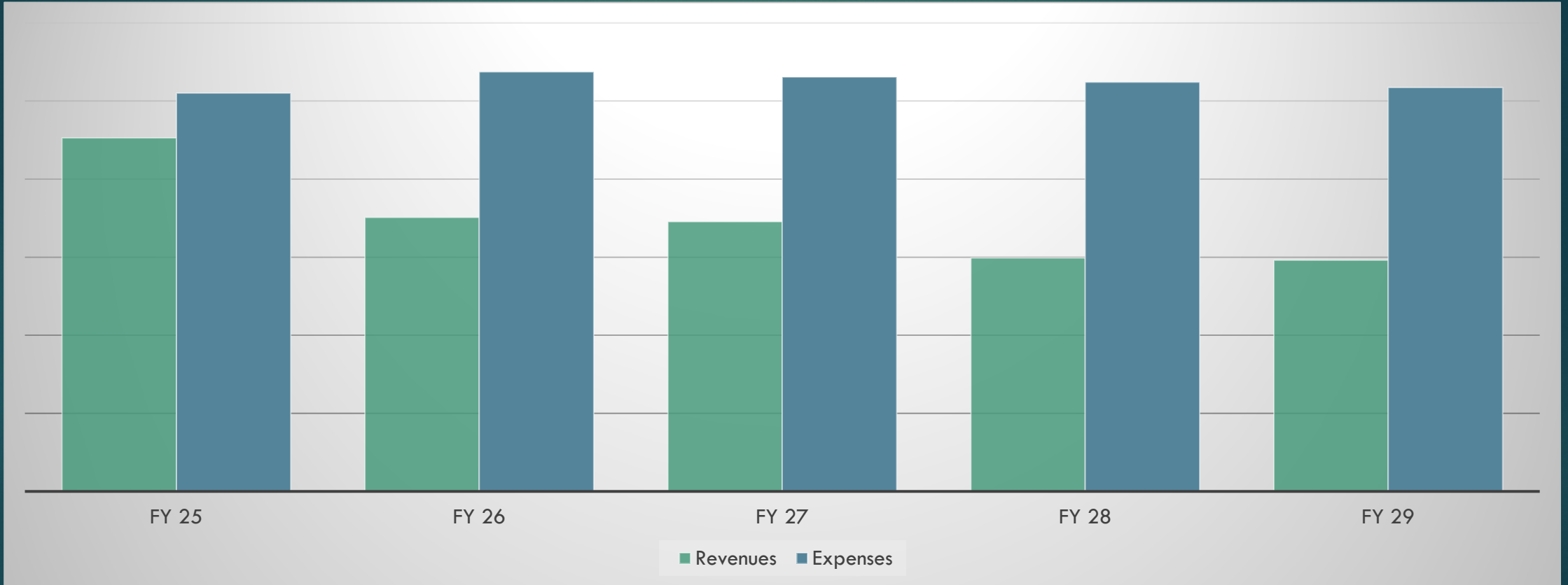
2022 Projections



At that time, it was believed that the shift in expenses exceeding revenues would not occur until 2028, when Trident left Akutan.

Due to the fishery impacts, the Finance Department updated the Liquidity Analysis. It is now anticipated that the Borough's expenses will exceed revenues immediately and will continue over time.

2024 Projections



General Revenues	2024	2025	2026	2027	2028	2029
<i>Borough Fish Tax</i>	\$ 2,716,896	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 960,000	\$ 960,000
<i>Unrestricted Investment Earnings</i>	\$ 1,480,047	\$ 1,432,978	\$ 1,212,765	\$ 1,117,021	\$ 845,744	\$ 797,872
<i>Restricted Investment Earnings</i>	\$ 2,166,002	\$ 2,166,002	\$ 2,166,002	\$ 2,166,002	\$ 2,166,002	\$ 2,166,002
<i>State Grants -Shared raw Fish Tax</i>	\$ 2,641,694	\$ 1,147,755	\$ 895,249	\$ 895,249	\$ 895,249	\$ 895,249
<i>State Grants -Shared FMA2</i>	\$ 114,676	\$ 100,000	\$ 112,382	\$ 110,134	\$ 107,932	\$ 105,773
<i>State Grants- Shared FMA 3</i>	\$ 4,196	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
<i>State CAP funds from DCCED</i>	\$ 363,404	\$ 358,736	\$ 363,404	\$ 363,404	\$ 363,404	\$ 363,404
<i>Payment in Lieu of Taxes</i>	\$ 765,084	\$ 615,000	\$ 602,700	\$ 590,646	\$ 578,833	\$ 567,256
<i>Federal Sources</i>	\$ 15,849	\$ 1,565,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
<i>Miscellaneous</i>	\$ 143,621	\$ 68,110	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
<i>Gain/Loss of Disposal of Capital Assets</i>		\$ -	\$ -		\$ -	\$ -
Total General Revenues and Transfer	\$ 10,411,468	\$ 9,055,081	\$ 7,019,002	\$ 6,908,956	\$ 5,983,664	\$ 5,922,056
Change in Net Position	\$ (837,075)	\$ (1,149,873)	\$ (3,728,403)	\$ (3,709,191)	\$ (4,501,302)	\$ (4,423,700)

FY25 Budget and Future Budgets

- In FY25, we began experiencing a shift in revenues/expenditures.
- During the budget process, we projected having a \$2,174,061 budget deficit. Fortunately, the Borough was able to use Local Assistance Tribal Consistency Funds, a one-time funding source, and a portion of the Permanent Fund Earnings to cover the deficit.
- As shown on the Liquidity Analysis, we continue to anticipate seeing the expenditures outweighing our revenues.
- The Borough Administration and Finance Department will need to research alternative funding sources to cover future deficits.



What is the Borough trying to do to combat this...

- Created a Cash Flow Management Plan
- Borough Investments
- Permanent Fund
- Disposing of Assets
- Making cuts, adjustments and efficiencies when and where possible
- Requesting financial assistance
- Continue to support the fisheries



Cash Flow Management Plan

Objective: Generate non-tax revenues through increased investment earnings while ensuring safety and liquidity of the Borough's money to cover the Borough's Operating Costs.

Per the Borough code the Mayor is authorized to invest Borough funds, and the Code also states the authorized investments that may be made.

Based off this the Borough created a Cash Flow Management Plan, which is bringing the Borough one step closer to creating a sustainable fiscal environment for the Borough to meet obligations and maintain operations.

Monies are being invested wisely generating revenues; enough cash remains easily available for operational purposes and the Borough has taken steps for a major shift in the Borough finances. Originally, we were preparing for Trident's departure; however, the plan has come into play much sooner with the closure of Peter Pan Seafoods in Port Moller and King Cove.

Checking Account (Operating Cash)

Target \$3,500,000 - \$4,000,000

- The Borough's Checking Account is a transactional account that allows the Borough to deposit and disburse funds for day-to-day operations. These funds are intended to cover the Borough expenses in the short and immediate term.
- The target range covers approximately half of the Borough operational funds.
- If funding exceeds the max target range, the excess funds will be moved to another account.
- If funding is less than the min target range, funds will be moved into the checking account.

AMLIP Series 1 (Operating Cash)

Target \$5,000,000 to \$7,000,000

- The AMLIP Series 1 Portfolio provides a safe, high-yield, short term investment option to maximize revenues for the Borough. These funds are readily accessible to the Borough for use on the same day if requested before cutoff.
- The target range covers approximately one year of operational costs.
- If funding exceeds the max target, the excess funds will be moved to the Borough's Operating Reserve Account or Permanent Fund.
- If funding is less than the min target, funds will be moved into the portfolio.

Operating Reserve Account (Rainy Day Reserves)

Target (\$5,000,000 - \$10,000,000)

- The Operating Reserve Account is meant to provide a source of funds in emergency or crisis situations.
- These reserves must be available when needed with no specific time horizon.
- The funds are invested in a longer-dated fixed income assets to improve yield and provide capital appreciation in economic downturn.
- Funds from this account may be moved to the AMLIP .1 Portfolio when the AMLIP target level is not being met.
- If funds exceeds the max target, the excess funds may be moved to the Borough's Permanent Fund.

Permanent Fund (Perpetual)

- The purpose of the Permanent Fund is to grow in perpetuity and provide a permanent potential source of fiscal support to further the Borough's goals and needs.
- The Permanent Fund generally takes advantage of higher risk capacity to improve earnings via additional asset classes that improve return expectations.
- Permanent funds shall be available to meet the needs of the Borough, including the school district, arising out of natural disasters, major financial emergencies, and for the payment of principal and interest on GO Bonds to prevent an impending default.
- In the event of a natural disaster, or major financial emergency, the Assembly may appropriate money from the permanent fund account to forward fund the Borough's operating budget for the next fiscal year.

Borough Financial Investments

Over the past few years, the Borough has been striving to invest Borough funds in accounts that will maximize revenues for the Borough.

Borough funds have been moved to higher interest yielding accounts.

In FY24, the Borough yielded \$1,459,805.14 in general fund interest revenue.

This is not a funding source the Borough can steadily rely on due to the uncertainty in interest rates and large expenditures occurring this fiscal year; however, the goal is to maximize the interest as long as possible.



Permanent Fund

In May 1989, the Borough Assembly established the Permanent Fund for natural disasters and financial emergencies. Throughout the years, the Borough Assembly has reviewed and updated their investment policies.

What can the Permanent Funds be used for?

These funds are available to meet the needs of the Borough, including the school district, arising out of natural disasters, major financial emergencies, and for the payment of principal and interest on general obligation bonds to prevent an impending default. In the event of a natural disaster, or major financial emergency, the Assembly may appropriate money from the Permanent Fund account to forward fund the Borough's operating budget for the next fiscal year.

What is the purpose of the Permanent Fund?

The purpose focuses on having a fund that can exist in perpetuity and provide a permanent, potential source of fiscal support to further the Borough's goals and needs. It also seeks to preserve purchasing power over time.

What is the Permanent Fund Spending Policy?

The Assembly may, in any fiscal year, appropriate an amount not to exceed four percent (4%) of the five-year average fund market value, to be computed using the five (5) prior calendar market value. These funds must be allocated to specific municipal functions.

Who manages the Permanent Fund?

Alaska Permanent Capital Management



As of December 31, 2024,
the Borough's Permanent Fund
Market Value has \$46,939,993

Permanent Fund Earnings

Since FY15, the Borough Assembly has appropriated earnings from the Permanent Fund to projects and/or to cover the Borough's budget deficit.

Appropriating these funds to the communities and/or Borough projects is not a requirement but is determined every year during the budget cycle. In FY2025, a portion of the Permanent Fund Earnings was appropriated to cover the Borough's projected budget deficit.

Between FY15-FY25, the Borough Assembly has appropriated approximately \$20.58 million in Permanent Fund Earnings towards Borough and Community Projects!

Disposing of Assets

The Borough owns numerous assets through the communities and in Anchorage. With the fiscal situation, Administration is reviewing the Borough assets and determining if each asset is something that we are required to keep, can transfer ownership of or dispose of.

Administration is slowly going through the list and working on disposing assets as needed.

The Borough is in the process of terminating the Nelson Lagoon Teacher's Quarters and will be looking at other properties and items over the next few months.



Making budget adjustments and efficiencies when and where possible...

This includes but is not limited to:

- ▶ Removing Departments and not filling positions
- ▶ Changing phones to Teams, getting rid of unneeded items (phone lines/fax lines/postage machines)
- ▶ Consolidating Services
- ▶ Using existing services to their fullest extent
- ▶ Not doing Fish Expo this year

Requesting Financial Assistance

- Asking the State of Alaska for financial assistance with the Akutan-Akun Link
- Looking for grant funds where we can
- Continue to lobby for the Essential Air Service, PILT, Community Assistance Funds and other monies

Continue to Support the Fisheries

The Borough continuously supports and invests in the fisheries.

The Borough supports the fisheries with the advocacy of sustainable fisheries within the Borough through the study, investigation and monitoring of fish and providing assistance and guidance on managing these resources. The Borough has also taken the lead on numerous fishery projects including the salmon portal, electronic monitoring and cod tagging.

These investments support the Borough and our fishing communities in ways that strengthen the economic vitality of the Borough.



Summary



Any questions?