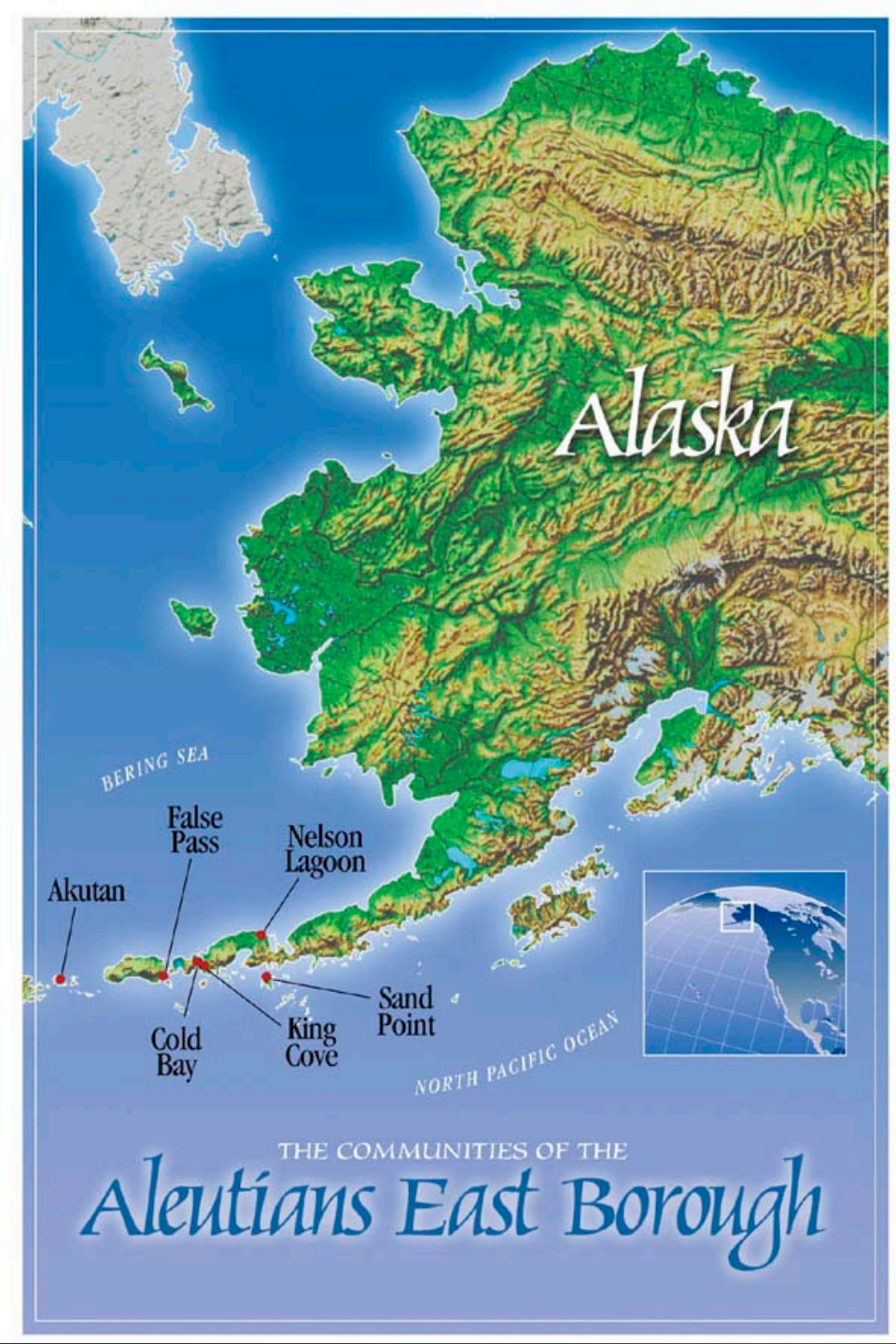


Financial Overview

MARCH 13, 2025

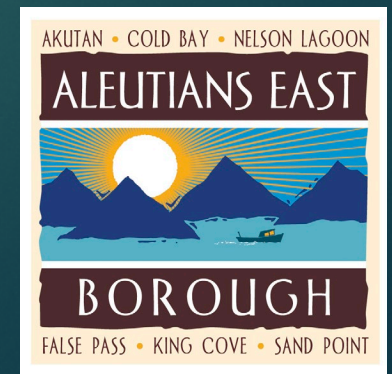
Mission

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 (will be paid off in April 2025)	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 FY26, Borough is required to contribute \$656,009 with a maximum contribution of \$1,730,564. In FY26, the Borough proposes contributing \$1,574,081. **This is \$156,000 below the maximum contribution of \$1,730,564 resulting in about 91% of the maximum contribution.** The School District has asked for additional funding.
- The Borough provides a local contribution, student scholarships, student travel and in-kind services.



FY 26 Anticipated Support



Local Contribution

\$1,300,000



Scholarships

\$35,000



Travel

\$20,000



In-Kind Services

\$219,084



Total

\$1,574,084

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 needs continue to be a huge need and challenge within the region...

- In 2023/2024, the Borough expended approximately \$650,000 on maintenance projects.
- In 2025, the Borough anticipates spending approximately \$700,000 on School Maintenance Projects.
- The Borough will be allocating ~\$5,500,000 in Borough funds to complete the Sand Point School Major Maintenance DEED Project.
- The Borough is also looking at building a new swimming pool in 2025/2026. Currently, the cost for this is unknown.

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 \$150,000 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.**

Long Term Bond Debt Payments

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 (EAS) 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. **If the Federal Government cancels the EAS program the Borough will be required to cover 100% of the operation.**

**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 years remaining to provide these services.
- ▶ The City has provided information regarding numerous landslides, which has the potential to cost the Borough money to pay for remediation.



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

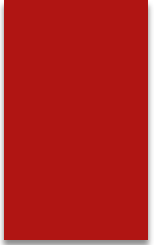
The Borough entered into a Project Partnership Agreement with the Army Corps of Engineers for the Akutan Harbor Project.

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 will be paying this in April 2025.



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	\$1,574,084
Maintenance Reserve	\$150,000 or more
Bond Debt (based off a 3-year average)	\$2,581,158
Helicopter	\$1,067,868
KCAP Road Maintenance	\$113,500
Eastern Aleutian Tribes	\$150,000
General Operations	\$2,500,000
Total	\$7,986,769

Revenues

The Borough receives revenues from the following 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
- The amount of fish tax collected is decreasing. The Borough anticipates receiving \$1.3 million in fish tax revenue in FY26, which is approximately 29% of the 5-year average.
- These funds are used to supplement the Borough's General Fund and operational costs.

Leases and Other Revenue

- This include the 4-plex rental, tidelands leases, land leases, permitting fees and surplus sales.
- This does not bring in a significant amount of money.

Interest Revenue

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

State Funding Sources

Shared Fisheries Business Tax

- 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.
- With the fish taxes declining and seafood processor closures, the amount the Borough collects will decrease. We are anticipating \$1.35 million in FY26 which is 63% of the 5-year average.

Revenue Landing Tax

- Funded by DCCED by Fishery Management Areas.
- These funds are unpredictable and have been decreasing over the years.

Community Assistance Program

- The Borough will receive \$254,094 in FY26, which is about \$71,000 less than the 5-year average.



Federal Funding

Payment in Lieu of Taxes

- These are Federal funds appropriated to compensate for nontaxable federal lands.
- The payment is received in June for the fiscal year.
- Historical average collected is \$690,000. These funds are contingent upon Federal appropriation.

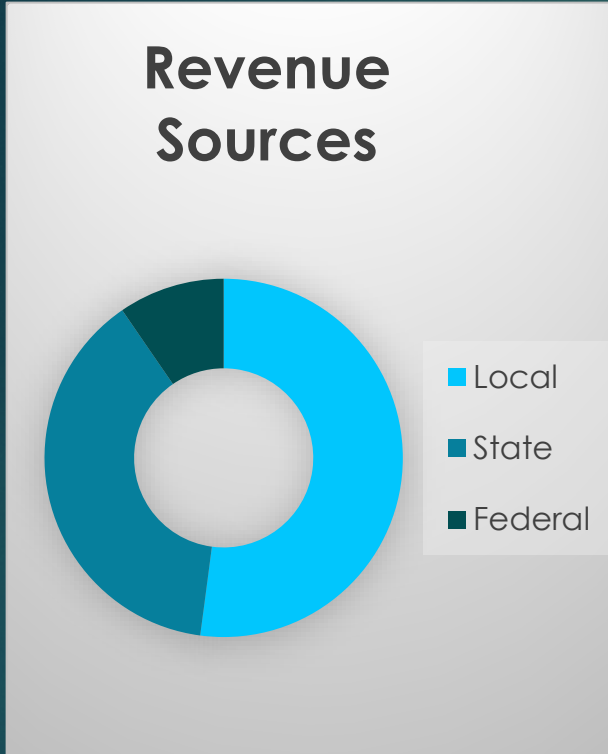
US Fish and Wildlife Revenue Sharing

- The Refuge Revenue Sharing Act provides for annual payments to local governments for lands under the administration of USFWS.
- The 5-year average is approximately \$18,000.



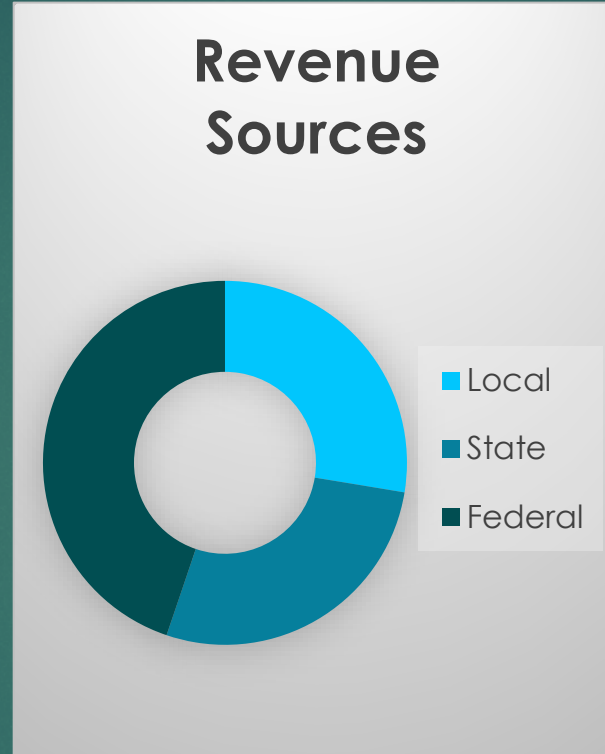
General Fund Revenue

FY24 Revenues

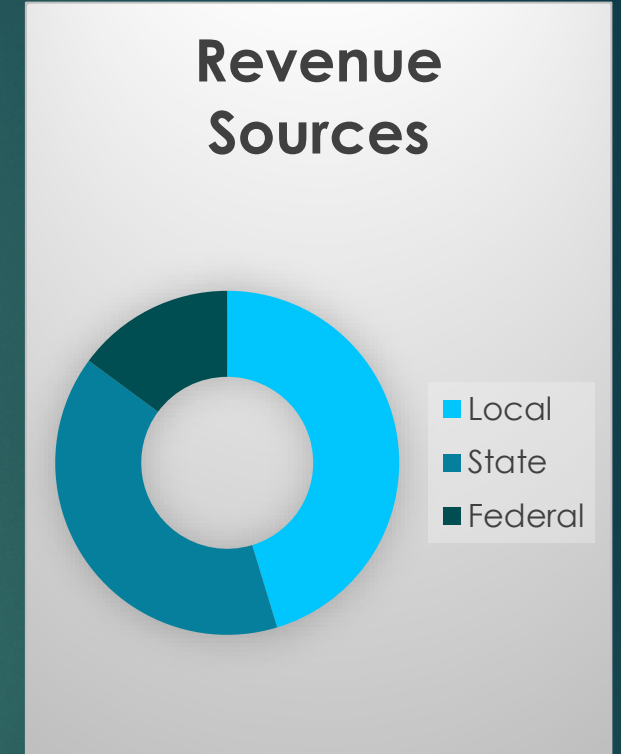


FY24 Revenues = \$8,150,000
\$4,246,000 is local
\$3,123,000 is State
\$780,000 is Federal

FY25 Projected Revenues



FY25 Projected Revenues = \$7,854,898
\$2,168,000 is local
\$2,168,000 is State
\$3,518,898 is Federal

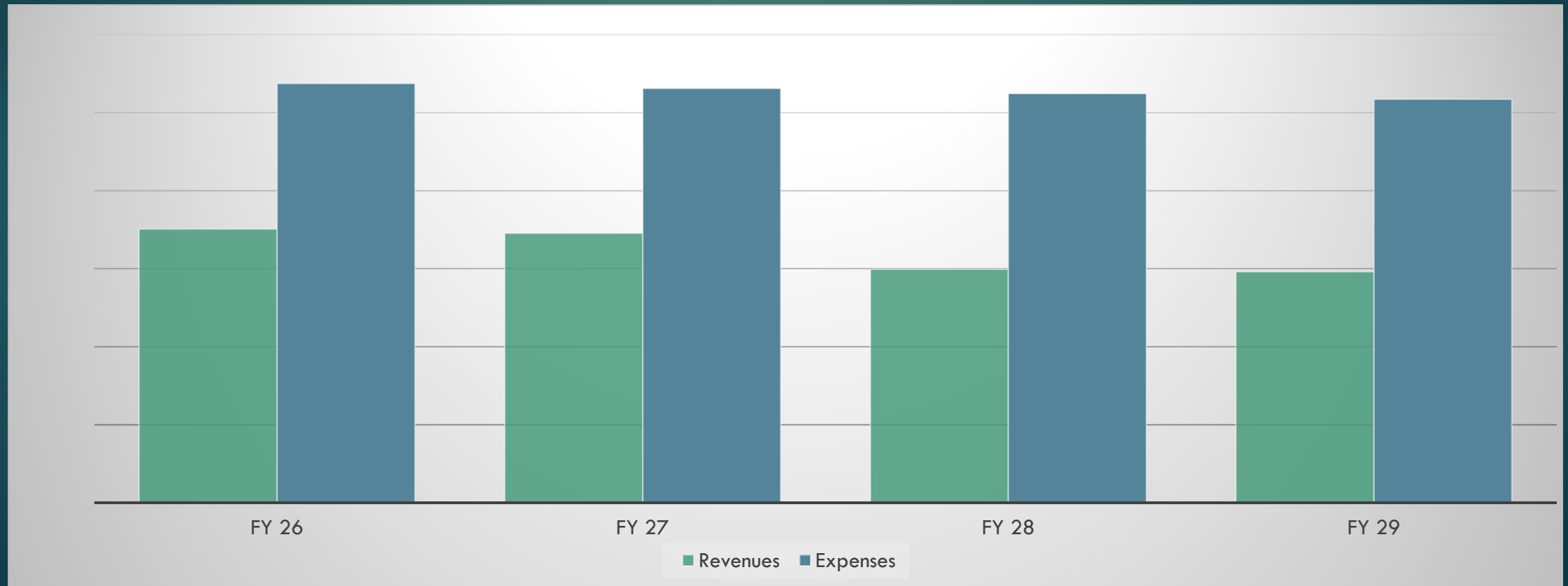


FY26 Projected Revenues = \$4,233,204
\$1,918,110 is local
\$1,685,094 is State
\$630,000 is Federal

Liquidity Analysis

The Borough has conducted 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. It is anticipated that the Borough's expenses will exceed revenues immediately and will continue over time.

Projections

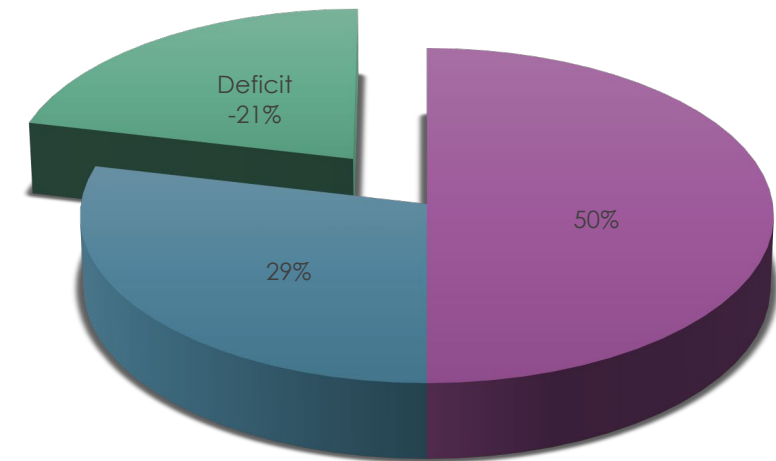


General Revenues	2024	2025	2026	2027	2028	2029
<i>Borough Fish Tax</i>	\$ 2,716,896	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 960,000	\$ 960,000
<i>Unrestricted Investment Earnings</i>	\$ 1,480,047	\$ 1,432,978	\$ 1,212,765	\$ 1,117,021	\$ 845,744	\$ 797,872
<i>Restricted Investment Earnings</i>	\$ 2,166,002	\$ 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)

FY26 Budget and Future Budgets

- ▶ In FY25, The Borough began experiencing a shift in revenues/expenditures.
- ▶ The Borough is projected to have a \$3,000,000 budget deficit in FY2026.
- ▶ Administration will propose using the Permanent Fund Earnings to cover a portion of the deficit and are looking at other funding sources.
- ▶ 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.

FY 26 Preliminary Projection



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.

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 in 2028; however, the plan has come into play much sooner with the closure of Peter Pan Seafoods in Port Moller and King Cove and lower fish tax collections.

Borough Investments

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

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

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.

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

We have removed departments, changed phone systems, gotten rid of unneeded items, consolidated services and use existing services to their fullest extent.



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 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