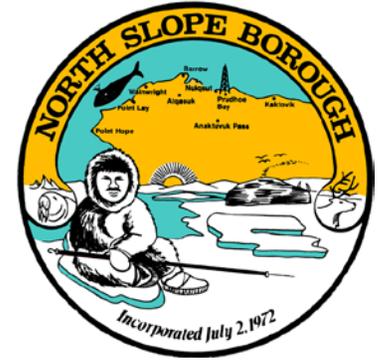


NORTH SLOPE BOROUGH
Office of the Mayor
P.O. Box 69
UTQIAGVIK, AK 99723



HARRY K. BROWER, JR., MAYOR

Members of the North Slope Borough Assembly
Utqiagvik, Alaska

In accordance with the North Slope Borough municipal charter provisions, I am pleased to present the annual budget document for the fiscal year 2020-2021. This operating budget is balanced as required by law, and projects expenditures to equal estimated operating revenues of \$413,861,293. This budget is based on a preliminary forecast of our property tax receipts associated with oil and gas assets of the North Slope Borough.

I requested that our departments for the most part, prepare a status quo budget in order to have a balanced budget without reliance from our savings. The foundation of our budget is built on property tax revenues. We continue to be blessed with stable property tax values and expect to receive approximately \$387,460,000 in funding for the coming year. This funding is primarily collected from oil and gas properties, but it also includes tax payments from local businesses and homeowners. Our remaining estimated revenue of \$26,429,854 is derived from charges for services, investment income and intergovernmental contributions.

This year's budget reflects an increase in revenues of \$11,530,474 from the prior year's original budget. The increase in estimated revenue is primarily due to an increase in the Borough's population. Recent census data put our population on slope at 17,591, which is approximately a 400 person increase over last year. This affects our tax cap formula in a positive way. Half of our region's population increase occurred in the service area.

The abundance of our natural resources which have been developed over the last five decades has served as a lifeline to urban communities within the State. The Borough has been part of the solution in so many ways for the State of Alaska since the Borough's inception. When Alaska entered statehood, it immediately imposed a state income tax to its residents which lasted until 1980 when Governor Jay Hammond signed a bill repealing the tax after the State began seeing billions of dollars of oil revenues from our region.

We survived a serious legislative threat to our taxing authority last year. We were able to defend our position in large part due to our aggressive lobbying efforts and media outreach to remind the rest of the State of our indigenous role in the development of resources they depend upon. We also reminded them of the logistic and climatic challenges we have in providing the basic necessities most residents in the State take for granted. I will continue to remain vigilant in protecting our culture, our values, and our constitutional authority of home rule governance.

As your Mayor, my sentiment and vision have emulated that of our early leaders in providing a solid foundation and stable outlook on the Borough's finances. We continue to work toward affirming and defending the self-determination and sustainability of our Home-Rule government for the betterment of our region to provide the basic necessities and services that our constituents deserve.

My administration and I have worked collectively with our Department Directors, Deputy Directors, Division Managers, and Assembly Budget Committee to implement our budget for the upcoming fiscal year. We will continue to align our resources with the needs of our people across all of our region while maintaining and improving the services we provide to our people.

In this year's budget, these are some of my proposed initiatives that I would like to call your attention to. A summary of my proposed initiatives will be discussed during the budget presentation.

Economic Impact Assistance Program for Our Communities

Last year we sought supplemental funding for the Economic Impact Assistance Program (EIAP) and this year we are making it part of our budget from the start. This proposed budget will distribute 100% of the revenue from EIAP payments to our village governments who need it the most. This initiative provides major funding to next tier governments for their discretionary use to benefit their communities. I think we should be helping them build capacity with this revenue.

The \$9,768,000 in revenue will be administered from the Mayor's Office directly and in a manner that allows village governments to build capacity and increase services to residents in a meaningful way.

School District

Education is one of my top priorities to ensure we provide the needed resources and investments to our schools for our youth to succeed in life and secure meaningful employment when they graduate. This year we increase our contribution to the School District by nearly 22%, restoring prior year funding reductions and allocating \$5,000,000 to establish the Qargi charter school. In addition, we will provide \$3,500,000 in supplemental funding through Mayor's Office Initiatives for Breakfast and Village Athletic Programs, Vocational Education and the Residential Learning Center.

Permanent Fund

My commitment to investing for the future continues. I am very pleased to report to you that for the sixth budget cycle in a row, the North Slope Borough Operating Budget is balanced without any transfer from our Permanent Fund. Previously, Permanent Fund transfers into the General Fund prevented the growth we need for future generations. In the last three years, we have contributed approximately \$18.6 million. We are committed to contributing 25% of the Real Property Management Fund revenues to the Permanent Fund.

Housing Department

During the previous three years, operating expenses of the newly formed Housing Department were substantially budgeted through Mayor's Office initiatives as projects were developed and the Department was staffed. This year, an operating budget for the Housing Department is presented independently from other initiatives. This represents a substantial increase for the Department compared to last year but not a significant increase in spending.

The Residential Emergency Heating Upgrades Initiative has funded improvements to over 450 homes across the slope during the last three years. The Housing Department will continue that program within its budget.

This year we are planning to complete 5 multifamily housing units, making 44 units of housing available to families living in multigenerational homes. This is a significant first step in addressing our housing shortage. I am requesting funding to continue these projects in other communities and increase funding for our loan program to include upgrades for homeowners who need assistance.

Fringe Benefits

Our departments are recognizing a change in the permanent benefit rate from 62% to 64%. This percentage increase is not driven by a change in our coverages or support levels, but is instead a more accurate reflection of the true cost of employee benefits applicable to each borough department.

Conclusion

In light of the ever changing financial landscape, the State's fiscal limits and legislative challenges, I am committed and will continue to work tirelessly with my administration, our Assembly, our residents, elders, our corporations and traditional forms of government to overcome obstacles with workable solutions. We must ensure our resources are not taken away from us and that our values and beliefs are not compromised. We must be able to continue to provide services to the constituents across our Borough.

In closing, I thank the Assembly for their stewardship and hard work, and for the notable task undertook in reviewing the 2020-2021 budget. Your continued energy, vision, and leadership serve us all.

This proposed budget represents the best efforts of our Departments working together to solve our community needs with limited financial resources. I want to recognize all of my Directors, Deputy Directors, and Division Managers for their time and effort in preparation for the budget that is before you. I also thank all of our employees for everything they do in providing essential services to our people. Their dedication and hard work must not be taken for granted. I hope our communities recognize the excellence in service they receive from this Administration and the Assembly and join me in offering a sincere thank you for all.

Respectfully,

A handwritten signature in blue ink that reads "Harry K. Brower, Jr." in a cursive style.

Harry K. Brower, Jr.
Mayor