

North Slope Borough

OFFICE OF THE MAYOR

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Josiah B. Aullaqsruaq Patkotak, Mayor

March 15, 2024

To the residents of the North Slope Borough, and Honorable Assembly members,

In accordance with the powers vested in the office of the Mayor of the North Slope Borough, through our municipal charter, I am pleased to present our Fiscal Year 2024-2025 annual budget for the Assembly's consideration. With estimated revenues totaling \$463,876,666, this balanced budget addresses the following highlights: operations and maintenance of the core services that our borough provides to our residents, payments for general obligation bond debt service, and additional expenditures for the local support of the North Slope Borough School District and Ilisagvik College.

During this week's budget workshops, we will present the revenue plan that supports the overall spend. The School District and College leadership will present their total budget plans that include our local support allocation. I, or my designee, will present our budget that delivers the core services to our eight communities; beyond that we will shed some light on my administration's strategic plan that speaks to structural and "positioning" goals we've established that we believe will bring long term efficiency to our operations. We have worked collectively with our departments' leadership, the component unit leadership, and the NSB Assembly budget committee to develop this budget for fiscal year 2024-2025. In short, we will continue to do our best to provide an efficient and economical government responsive to the will of the people.

Property Tax Revenue

We begin our budgeting process in December for delivery to the Assembly by March 15. Simultaneously, all property in the borough, Local or Oil and Gas, is assessed by the state at its full and true value as of January 1st. The state is required to transcribe preliminary assessed values (AV) on March 1st with an appeal and deliberations window to follow. Due to timing of finality, we utilize a conservative

estimate based on prior year AV, minus expected depreciation, plus an adjustment for value influx. That AV estimate we've utilized to craft this budget is \$22.6 billion. This represents a 5 % increase in base planning from the prior year value of \$21.5 billion.

Alaska Statute AS§ 29.45.080 imposes a tax cap method to determine the maximum allowable tax a municipality may levy and collect on oil & gas production and pipeline properties for municipal operations. This method is based on the average per capita full and true assessed value in the state, multiplied by the local population which includes an adjustment for the oil and gas workforce, that determines our per capita value and produces our property tax revenue. We then select our tax mill rate which is tied to a multiplier that together determines our maximum operating-to-debt-service-budget allocation. For this fiscal year, we've determined a mill rate of 17.99 that has a multiplier of 375%. Based on all this, the Department of Finance has calculated \$324,708,550 of property tax revenues for operations and \$81,865,450 for bond debt service. We have a high degree of certainty that property tax revenues will increase once we have the final tax roll on June 1st; but this is a safe calculated revenue determination.

Unassigned Fund Balance/Other Revenues

This budget assumes reliance on a transfer of \$40,070,553 from the unassigned fund balance which is equivalent to the 4% permanent fund draw we took in March, 2024.

Other revenue estimates of \$17,232,113 include charges for services, projected investment income, and federal and state revenue receipts.

Expenditures

Budgeted expenditures include \$303,920,090 for the NSB operations, \$38,766,371 for the NSBSD, \$11,964,758 for Ilisagvik College, \$27,359,997 in transfers to enterprise funds, and \$81,865,450 for bond debt service. Revenues received above the budget estimates and additional appropriation requests may be presented throughout the fiscal year increasing the total amount of both revenue and expenditures.

Department of Administration and Department of Finance

On March 5, 2024 the Administration and NSB Assembly passed Ordinance 2024-04 to provide for a Department of Administration and a Department of Finance. This budget reflects the separation of Administration and Finance and budgets each department independently. This change will allow for a more streamlined focused operation in each function.

Wages and Benefits

The NSB has not comprehensively analyzed and implemented changes to their compensation plan since 2010. In FY23-24 an independent firm was engaged to conduct a borough wide compensation survey to assess our base wages and total rewards compensation against industry standards. A reserve is budgeted in the Mayor's Office to implement some anticipated salary adjustments. Depending on the fiscal ramifications of the survey, those dollars will be allocated into individual departments.

Consent Decree and Compliance Order By Consent (COBC)

The NSB entered into a consent decree in 2021 with the Department of Justice and the EPA for RCRA and Clean Water Act violations. In June 2022 we entered a COBC with the State of Alaska. Subsequent fiscal years have seen significant expenditures towards environmental clean-up and compliance with the orders of these decrees. In FY24-25 the Department of Public Works has budgeted \$17.4 million for these items.

Technical Training Center Enterprise

The Technical Training Center located in Deadhorse, AK has been making substantial progress in training our residents to enter the workforce or enhance their existing skills. I am committed to continuing the investment in our residents to meet the needs of local employment. This fiscal year budget increases to bring residents from our outlying communities in for training, expand the current curriculum, and purchase training equipment.

Debt Service Requirement

This budget includes an appropriation for debt service of \$81,865,450. This amount includes principal and interest for current bond debt obligations and \$5.5 million of anticipated new debt. The total outstanding debt as of July 1, 2024 is \$312,512,250.

The next stage after the operating budget is consideration of capital improvement projects. According to the 2023-2028 NSB Six-Year Capital Plan, we have \$814 million in total CIP project needs through 2028. Our infrastructure is aging and in continuous need of significant maintenance and repair. My administration will propose an approximately \$140 million bond issuance during the fiscal year for consideration by the Assembly and Borough voters; which will focus on high priority, attainable, projects.

Conclusion

The Borough's economy and tax base remain very strong. The 2023 certified AV of \$23.8b is a record high for the North Slope. New developments like Willow and Pikka are expected to further add to this record in the times drawing nigh. With this bright future in mind I am proposing this balanced budget. My administration has worked closely together to carve out this plan to best serve our community needs. I want to acknowledge all of the directors, deputy directors, and division managers for their time and effort in preparation of this budget and overall plan. All of us employees, whether elected, classified, mayoral appointees, ETP's, project specific staff etc., take pride in being of service to our residents. On behalf of all of us, we thank the listening audience and our assembly members for the constructive criticism we receive throughout the year to help us do better.

In closing, I show gratitude to the Assembly-members for your unwavering stable stewardship, hard work with the hours of reading material we send to you throughout the year, and for the task you will undertake during the next few days in reviewing the 2024-2025 budget. Your continued energy, vision, and oversight, I believe, will be looked back upon by future generations as striking a careful balance on the fulcrum of one of the most powerful, first-class, home rule governments in the United States; Our North Slope Borough. Quyanapiallak!

Respectfully, Your Mayor.

A handwritten signature in blue ink, appearing to read 'Josiah B. Aullaqsruaq Patkotak', written in a cursive style.

Josiah B. Aullaqsruaq Patkotak