



The budget also provides for the Borough’s debt service obligations, ensuring the timely payment of principal and interest on general obligation bonds. Maintaining these commitments protects the Borough’s creditworthiness and supports continued investment in critical infrastructure.

Over the next several days, my administration and I will walk through the revenue plan that supports this budget and the overall level of expenditures. We will provide a clear overview of how our primary funding sources—particularly property tax revenues based on assessed values and governed by the statutory tax cap—support Borough operations and our long-term financial responsibilities. We will also discuss the assumptions used in developing revenue projections, as well as the factors that may influence final revenue outcomes.

In addition, the leadership of the North Slope Borough School District and Ilisagvik College will present their comprehensive budget plans, including the local support provided through this budget. These presentations will demonstrate how Borough investments are translated into education, workforce development, and the continued strength of our communities.

This budget is the result of a coordinated effort among our department leadership and component units, reflecting a shared commitment to responsible planning and service delivery for FY 2026–2027. In carrying out this work, we remain focused on providing an efficient and economical government that is responsive to the will of the people—guided by our responsibility to care for our communities, steward our resources wisely, and uphold the values that define who we are.

### **Borough’s Revenues**

Property tax revenue represents approximately **90 percent** of the Borough’s operating revenues and is the primary funding source for services across our communities. All taxable property—including local property and oil and gas infrastructure—is assessed at full and true value as of January 1. The State Petroleum Assessor assesses the value of oil and gas properties and issues preliminary assessed values on March 1, followed by an appeal process. Due to the timing of the final tax roll issued on or prior to June 1, this budget is developed using a conservative estimate. For Fiscal Year 2026–2027, we have used an estimated assessed value of **\$28 billion**, representing an **11 percent increase** over the prior year’s baseline planning value of **\$25.3 billion**. This approach ensures that our revenue projections remain prudent and that we do not overextend our spending based on uncertain final valuations.

Property tax revenues are further governed by Alaska Statute AS 29.45.080, which establishes a tax cap on oil and gas production and pipeline properties. This statutory framework limits the maximum amount of tax a municipality may levy for operations and is calculated using the statewide average per capita assessed value, multiplied by the Borough’s population, including adjustments for the non-resident oil and gas workforce. This calculation determines the Borough’s allowable taxable value for operations.

Within this framework, the Borough establishes a mill rate and corresponding multiplier that together determine the allocation between operating revenues and debt service obligations. For Fiscal Year 2026–2027, a **mill rate of 17.99**, combined with a multiplier of **375 percent**,

has been applied. Based on these factors, the Department of Finance has projected **property tax revenues of \$400,033,000 for operations and \$103,687,000 for debt service.**

In addition to property taxes, the Borough receives revenues from charges for services, investment earnings, prior year tax collections, and intergovernmental sources. Although these revenues represent a smaller portion of total funding, they provide supplemental support to operations and contribute to a more diversified revenue structure. For FY2026–2027, these revenues are estimated at **\$32,055,784.**

### **Borough's Expenditures**

The Fiscal Year 2026–2027 departmental budget of **\$375,112,873** reflects a balanced approach to delivering essential services across the Borough while maintaining fiscal discipline. Resources are allocated to support core functions including general government, public safety, health services, housing, public works, and cultural programs. Personnel and contractual services continue to represent the largest share of departmental expenditures, reflecting the cost of delivering services in our region. Targeted increases are included in key areas such as health, housing, and public works to address community needs and strategic priorities, while other departments reflect efficiencies and realignments from prior years. The Mayor's Office reflects an increase associated with expanded initiatives and operational support.

The budget also includes an operating transfer of **\$29,500,000** to Enterprise Funds, primarily supporting Power Generation and Distribution and the Technical Training Center. This represents an increase of **\$2,394,113** from the prior year.

To ensure the long-term sustainability of services in Prudhoe Bay, the Borough is currently conducting a feasibility rate study for Service Area 10 operations. This analysis will help guide potential rate adjustments to better align revenues with the full cost of service and enhance the overall financial performance of the enterprise fund in supporting critical services to the oil and gas industry. Notably, water, wastewater, and landfill rates in Prudhoe Bay have remained unchanged for over a decade, underscoring the importance of this review. Updating the rate structure is essential to maintaining reliable and sustainable utility operations, as well as supporting necessary investments to preserve and maintain key infrastructure, including making investments to preserve the infrastructure of the water plant including the expansion of landfill operations.

Overall, this budget ensures that departments are appropriately resourced to maintain service levels, respond to emerging needs, and support the long-term stability and well-being of our communities.

### **Borough's Outstanding Debt Obligations**

The Borough's current outstanding debt principal totals **\$510,895,000**, spread across twelve bond series. Approximately **84 percent** of this debt is scheduled to mature within the next five years, with the remaining balance maturing within ten years, primarily related to school bonds. The current debt service payment for FY2027 principal and interest is **\$103,687,000.**

This debt structure reflects a relatively short maturity profile, allowing the Borough to retire obligations efficiently while maintaining flexibility for future capital planning. It also demonstrates our continued commitment to responsibly managing debt in support of critical infrastructure investments for our communities.

### **School District**

Education continues to be one of my highest priorities to ensure we provide the needed resources and investments to our schools in order for our youth to excel academically. The proposed contribution to the baseline support for the School District is **\$38,766,371**. In addition, this budget includes **\$5,950,000** in supplemental funding through the Mayor's budget initiatives. These targeted investments support key programs, including the breakfast feed program, village athletic programs, the Qatqinniagvik Learning Center, village vocational education, student activities, social-emotional learning, Ilisagñiat Instructional Leadership Teams (ILTs) in all schools, and the immersion teachers' program. Together, these initiatives are designed to strengthen academic outcomes, support student well-being, and promote cultural learning and engagement. We also recognize that the School District may face additional budgetary challenges in the coming year. My administration remains committed to working closely with District leadership to monitor these needs, and we will evaluate and consider additional support as necessary throughout the fiscal year. Through this continued partnership, we aim to ensure that our students, families, and educators have the support they need to succeed.

### **Ilisagvik College**

The proposed baseline contribution to Ilisagvik College is **\$12,212,162**, representing an overall increase of **\$176,370** from the prior year. This increase reflects contractual escalation associated with the campus lease. Based on ongoing discussions with Ilisagvik College leadership and a review of their financial position, including available fiscal reserves, we believe the College is well-positioned to manage potential budgetary gaps for the upcoming fiscal year. However, my administration will continue to work closely with College leadership to monitor financial conditions throughout the year. Should additional needs arise, we will evaluate and consider providing supplemental support through the Borough's established supplemental budget process.

### **Permanent Fund**

I am pleased to report to you that the operating budget is balanced without any transfers from our Permanent Fund. This will enable the body of the Permanent Fund to grow to a level which will provide for future operations of the North Slope Borough long after the full decline of oil production is realized. As of today, the Permanent Fund stands at approximately **\$1.4 billion**—an all-time high—demonstrating the strength of our financial position and the effectiveness of disciplined stewardship.

### **Fund Balance**

As reflected in the Fiscal Year 2025 Financial Audit, the Borough's total fund balance has grown to **\$317,811,257, of which \$248,605,718** is classified as unassigned. This strong fund balance position provides the Borough with financial flexibility to address both planned and unforeseen needs.

This budget includes an appropriation of **\$22,746,622** from the unassigned fund balance to support specific expenditures. The use of these funds is carefully considered to ensure that one-time resources are applied in a manner that does not create ongoing structural obligations, while maintaining adequate reserves for future stability.

### **Conclusion**

The Borough's economy and tax base remain strong. The final certified assessed value for Fiscal Year 2025–2026 **reached \$29.2 billion**—an all-time high for the Borough—reflecting the continued strength of our resource base and financial position. This budget represents the collective effort of my administration, our department leadership, and staff across all levels of government working together to best serve the needs of our communities. I extend my sincere appreciation to our directors, deputy directors, division managers, and all employees—whether elected, classified, appointed, or project-based—for their dedication and commitment to public service. Each of you plays a vital role in delivering essential services to our residents, and your work does not go unnoticed.

I also want to thank the Assembly for your steady leadership, thoughtful review, and the time and effort you dedicate throughout the year. Your willingness to engage, ask questions, and provide constructive feedback strengthens our decision-making and helps ensure that we remain accountable to the people we serve.

As you consider this budget in the days ahead, I recognize the responsibility you carry in balancing our community needs with available resources. This budget reflects our best efforts to work together, prioritize wisely, and deliver services in a manner that is both efficient and responsive. I thank you for your continued service, leadership, and commitment to the people of the North Slope.

Quyanapiallak!

Respectfully, Your Mayor.

Josiah B. Aullaqsruaq Patkotak