

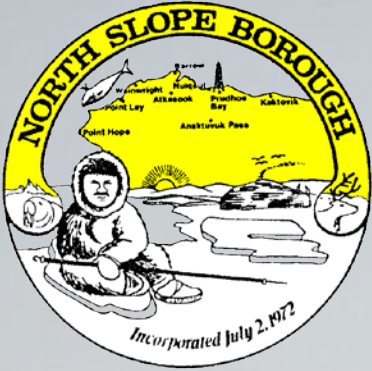


# NORTH SLOPE BOROUGH

Presentation to the House Finance  
Committee: Governor's Budget Proposal and  
NSB Impacts- March 18, 2019



Prepared by Fadil Limani, North Slope Borough Department of Administration and Finance

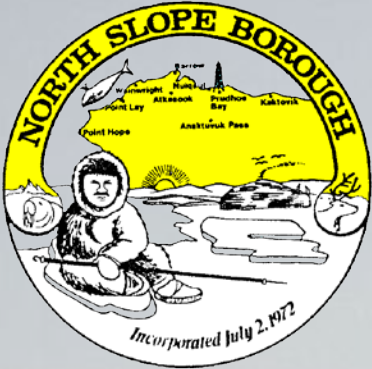


# FOUNDATION OF THE BOROUGH

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- We, the People of the North Slope Borough area, in order to form an efficient and economical government with just representation, and in order to provide local government responsive to the will of the people, and to the continuing needs of the communities, do hereby ratify and establish this Home Rule Charter of the North Slope Borough of Alaska.





# OVERVIEW OF THE BOROUGH

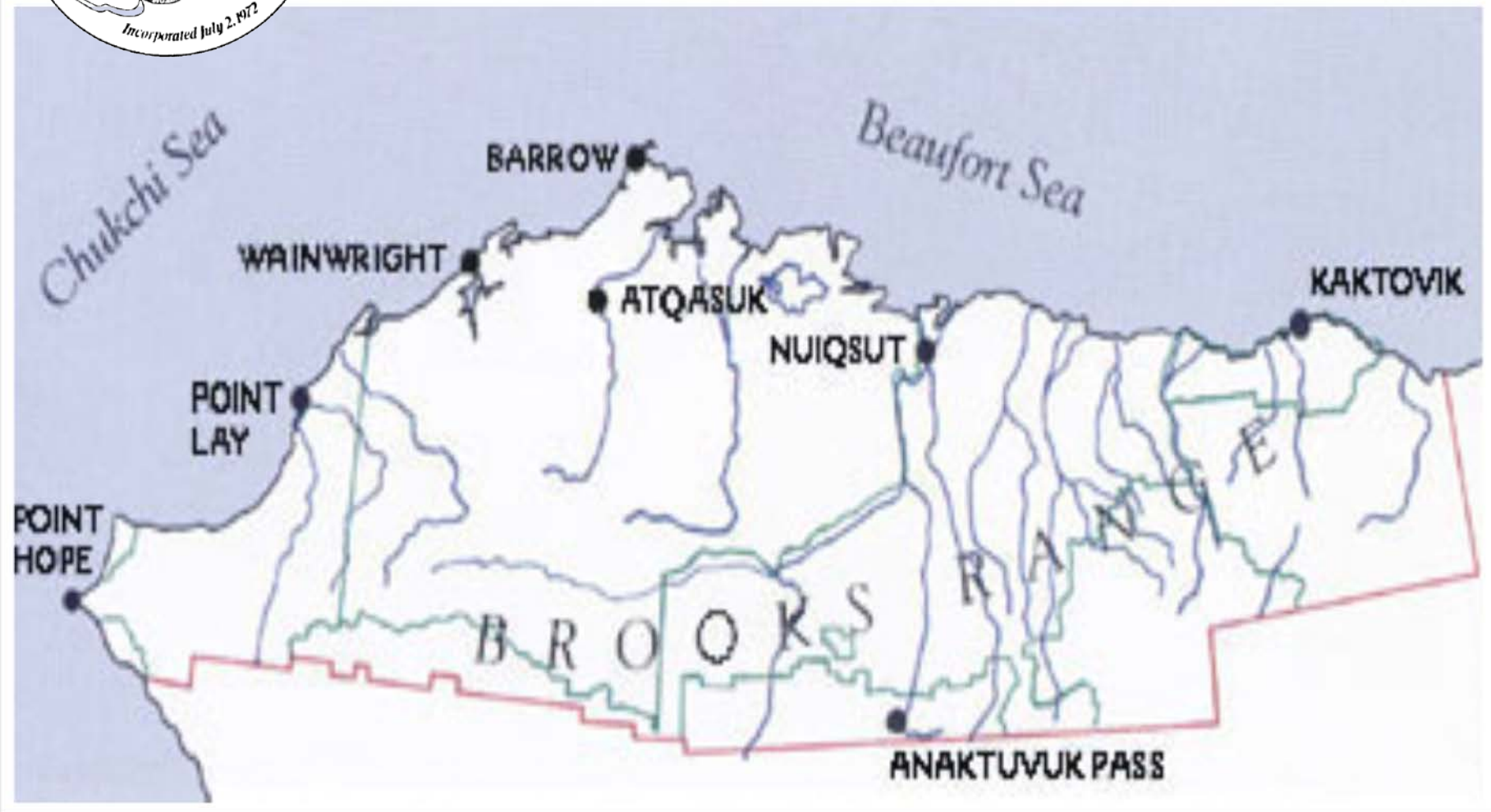
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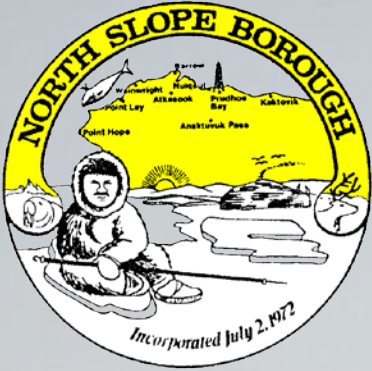
- The Borough encompasses an area of approx. 95,000 square miles in Northern Alaska north of the Arctic Circle.
- The Borough extends 650 miles from Point Hope on the Chukchi Sea to the Canadian border and 225 miles south from Point Barrow.
- Most of the Borough's residents reside in eight communities: Utqiagvik, Anaktuvuk Pass, Atkasuk, Kaktovik, Point Hope, Nuiqsut, Wainwright, and Point Lay.
- The Borough's total population as of Jan. 1, 2019 was 16,302 <sub>3</sub>





# BOROUGH'S GEOGRAPHICAL LOCATION

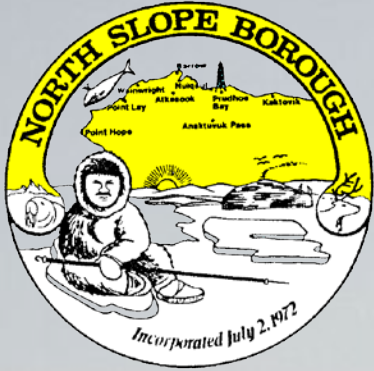




# BORORUGH GOVERNANCE

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- The Borough was incorporated on July 2, 1972 and adopted its home-rule charter in 1974, giving it the ability to exercise any power not prohibited by State law, in addition to its mandatory powers of taxation, property assessment, education, and planning/zoning services.
- Legislative power of the Borough is vested in the Assembly, which now consists of eleven members elected to staggered three-year terms.

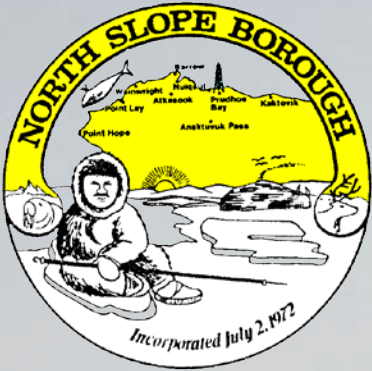


# BORORUGH SERVICES

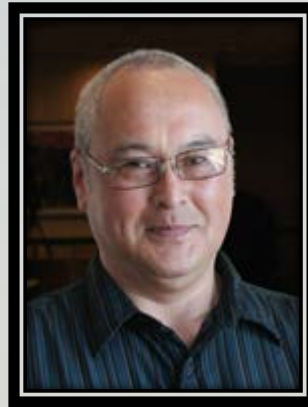
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- The Borough is a full-service municipality, providing a variety of services including:
  - education
  - police and fire protection
  - search and rescue services
  - sewer and sewage treatment facilities
  - health services and clinic facilities
  - light, power, water, and heat
  - garbage and solid waste collection (among others)





# MAYOR'S VISION



**P**rovide a solid foundation and stable outlook on the Borough's finances and continue working towards our founding father's vision of self determination and sustainability of our Home-Rule government for the betterment of our people.



# BOROUGH'S PROJECTED RESOURCES FY20

Resource	FY19-20
Property Tax	\$ 378,490,000
Federal Grants	1,275,787
State Grants	2,243,989
Charges for Services	9,359,008
Investment Income	2,500,000
Other Revenue	8,490,596
Total	\$ 402,359,380

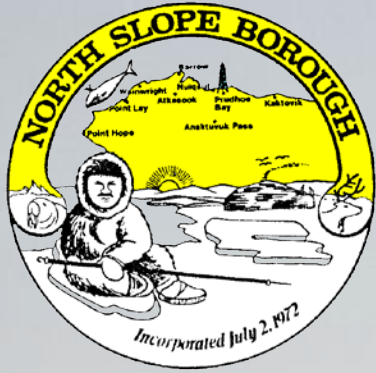
Note: 93% of the Borough's revenue is comprised of oil and gas property tax and PILT





# BOROUGH'S PROJECTED EXPENDITURES FY20

Expenditure	FY19-20
NSB Departments	\$ 253,903,428
NSB School District	31,838,063
Ilisagvik College	11,879,680
Transfers	19,193,959
Debt Service	85,544,250
Total	\$ 402,359,380



## BOROUGH'S IMPACTS OF GOVERNOR'S PROPOSED BUDGET

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- The Governor's FY20 budget proposal would “**Decimate**” the North Slope Borough as a result of repealing the levy of tax surrounding the oil and gas properties.
- 95-97% of NSB Tax Base is Oil and Gas Infrastructure
- The Borough is subject to an operating tax cap and does not have other assets to tax to makeup the difference of loss revenues
- The Borough does not have the ability to eliminate programs at any level to conform to such legislation

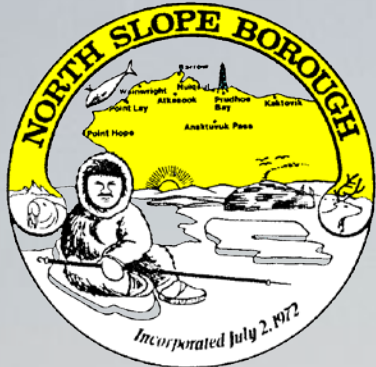


## BOROUGH'S IMPACTS OF GOVERNOR'S PROPOSED BUDGET

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- The proposed legislation does not conform to Federal and State constitution
- NSB pledged their “full faith and credit” including Ad valorem taxes on property within the Borough to secure and pay for general obligation bonds
  - Current outstanding debt (P+I) \$251,431,154
  - Enacting such legislation would “impair” contractual obligations of the bonds
- Such proposed legislation would impede the Borough from fulfilling its Pension and OPEB obligations
  - NSB’s share of Net Pension and OPEB liability \$150,693,191

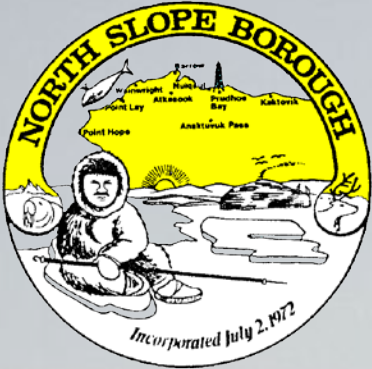




## BOROUGH'S IMPACTS OF GOVERNOR'S PROPOSED BUDGET

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- Governor's proposal surrounding the reduction in Baseline Student Allocation creates a burden for the Borough in the amount of \$4,511,923 for FY20.
  - The minimum required Borough Contribution \$15,375,626
- School Debt Reimbursement Program
  - Currently DEED reimburses the Borough on one project.
    - Project Cost \$1 million for Design work Meade River School. 2014B Bonds
  - Eligible School Projects Subject to reimbursement prior to 5yr suspension
    - Project Cost \$65,979,000
    - No reimbursement by DEED
  - School Project and related Bonds since suspension of DEED reimbursement
    - \$65,530,000
- Total cost to the NSB \$131,509,000

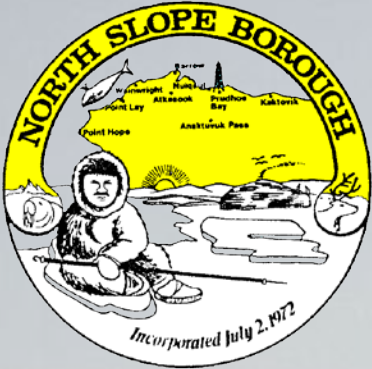


## BOROUGH'S SUPPORT TO SOA

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- Since inception, the Borough has continued to be the solution in fulfilling the needs and obligations of the State across the North Slope by providing the following services on its behalf:
  - Education, Public Safety, Fire, Correctional Facilities, Search and Rescue, Health, Permitting, Roads and etc. Approx. \$175 million annually in operating funds.\*
- The Borough receives little to no support for such services
  - In FY18, the Borough received approx. \$7.5 million from the State in the form of Grants.

\*Does not include capital infrastructure



## BOROUGH'S SUPPORT TO SOA

- The Borough has not levied taxes to is full taxing authority, resulting in significant resources to the State.
  - **In the last 30 yrs. the State has received in excess of \$643 million**
  - Over the last 3 budget cycles, the Borough has reduced its mill rate to 17.99 in an effort to provide additional resources to the State to offset some of its fiscal challenges. The .51 mill has resulted in approx. \$35 million to the State over this time frame.
- As a result of the State's budget crisis over the last 4 yrs., the Borough entered into an MOU with DOR and has provided significant financial resources for the Assessment and Audit Functions of the State for AS43.56 properties.





## Questions?

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