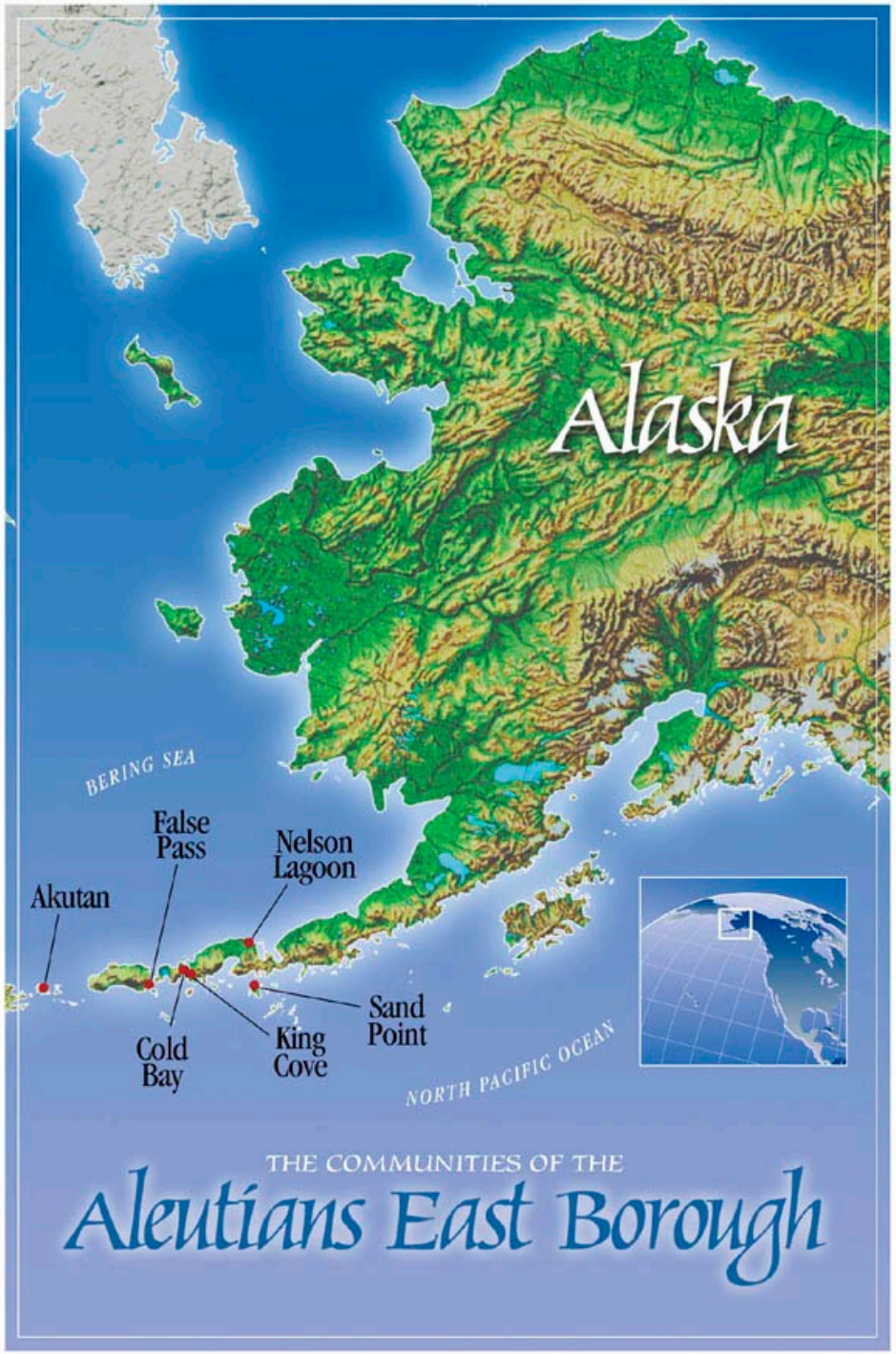
Managing through Fiscal Deficits

DECEMBER 10, 2025



The Aleutians East Borough's 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.

What does a municipality do when local revenues are threatened?

Mini-Strategic Plan

Establish 3-Year and 1-Year Goals

- 3-Year Goal: Create a sustainable fiscal environment for the Borough to meet obligations and maintain operations.
- 1-Year Goal: Implement a plan to address the immediate Borough needs, requirements and commitments and determine future needs.

Outline Next Steps

- Conduct a Liquidity Analysis
- Complete and implement a Cash Flow Management Plan
- Outline the Borough's statutory and code obligations/requirements
- List Borough projects with know costs associated with them
- Determine ways to reduce expenditures and how to become more efficient with the resources that the Borough has available
- Determine ways to generate more revenue

Tasks

- Bank Accounts, Investment Accounts, Bonds Assessed
- Cash Flow Management Plan Drafted
- Borough Statutory and Code Obligations/Requirements Determined
- Reductions and Efficiencies Determined
- Liquidity Analysis Completed
- Borough Fiscal Obligations Determined
- Borough Projects/Costs Listed

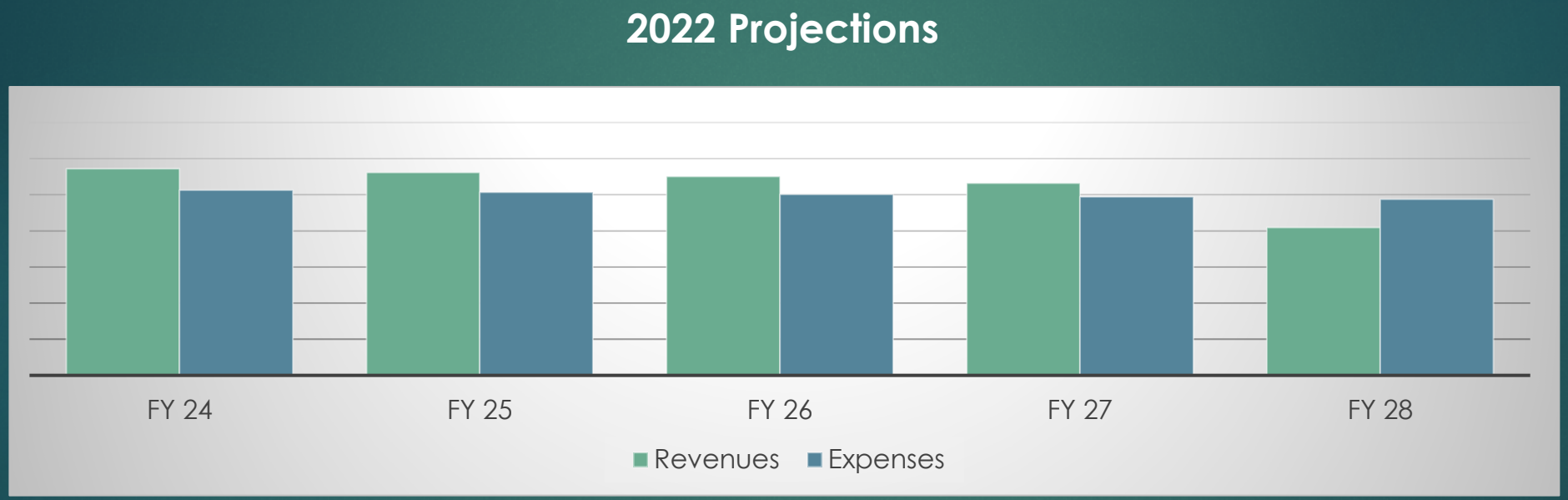
Bank Accounts, Investment Accounts, Bonds and Other Funding Assessed

- Review all the financial accounts

- Talk to your financial institution and investment advisors about the best places to put your money and how to yield the most interest and incur the least amount of fees

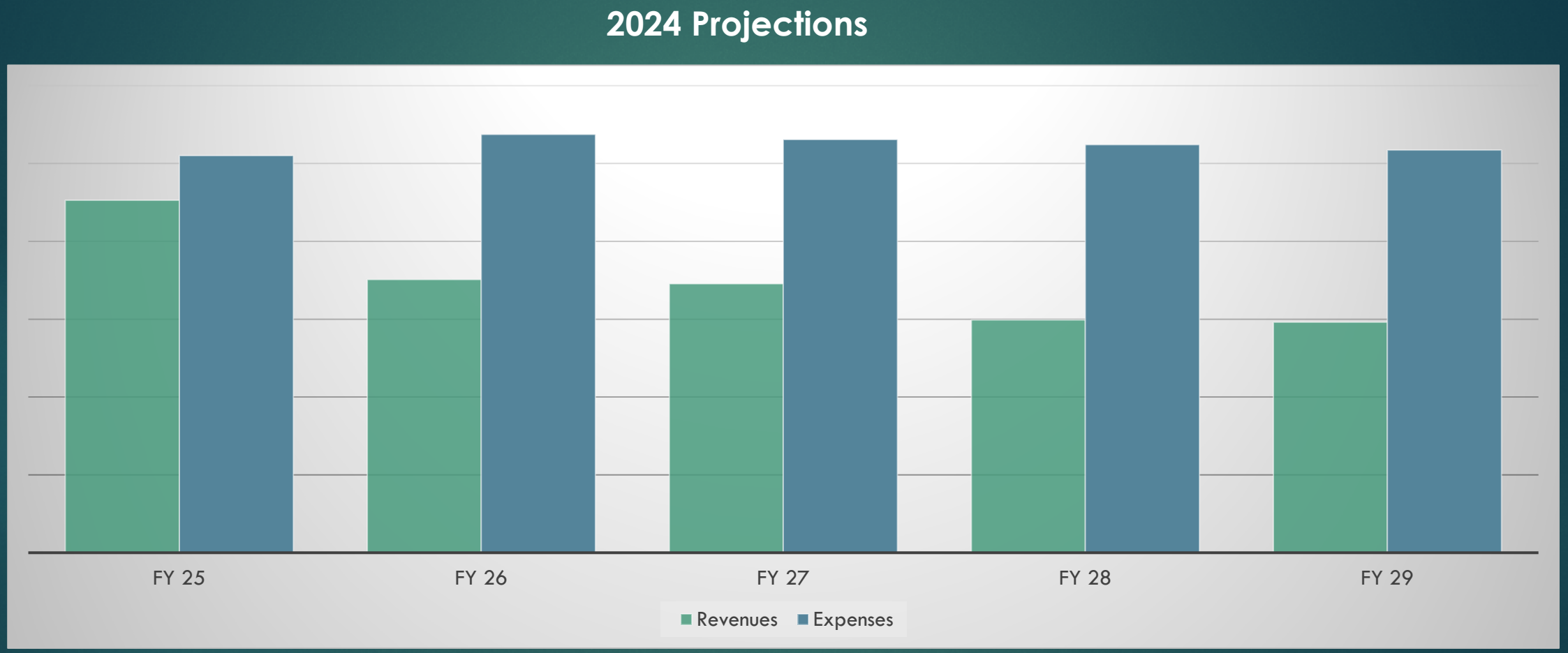
Liquidity Analysis

In December 2022, the Borough requested APCM to conduct a Liquidity Analysis to determine the Borough's ability to pay its bills in a timely manger 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.



At this time, the Borough believed that the shift in expenses exceeding revenues would not occur until 2028, when Trident left Akutan.

Due to the fishery impacts, the Finance Department updated the Liquidity Analysis again in 2024. It is now anticipated that the Borough's expenses will exceed revenues immediately and will continue over time.



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.

Per the Borough code the Mayor is authorized to invest Borough funds, and the Code also states the authorized investments that may be made.

Based off this the Borough created a Cash Flow Management Plan, which is bringing the Borough one step closer to creating a sustainable fiscal environment for the Borough to meet obligations and maintain operations.

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; however, the plan came into play much sooner with the closure of Peter Pan Seafoods in Port Moller and King Cove.

Checking Account (Operating Cash)
Target $3,500,000 - $4,000,000

- The Borough's Checking Account is a transactional account that allows the Borough to deposit and disburse funds for day-to-day operations. These funds are intended to cover the Borough expenses in the short and immediate term.
- The target range covers approximately half of the Borough operational funds.
- If funding exceeds the max target range, the excess funds will be moved to another account.
- If funding is less than the minimum target range, funds will be moved into the checking account.

AMLIP Series 1 (Operating Cash)
Target $5,000,000

- The AMLIP Series 1 Portfolio provides a safe, high-yield, short term investment option to maximize revenues for the Borough. These funds are readily accessible to the Borough for use on the same day if requested before cutoff.
- The target range covers approximately one year of operational costs.
- If funding exceeds the max target, the excess funds will be moved to the Borough's Operating Reserve Account or Permanent Fund.
- If funding is less than the min target, funds will be moved into the portfolio.

Operating Reserve Account (Rainy Day Reserves)

Target ($12,000,000)

- The Operating Reserve Account is meant to provide a source of funds in emergency or crisis situations.
- These reserves must be available when needed with no specific time horizon.
- The funds are invested in a longer-dated fixed income assets to improve yield and provide capital appreciation in economic downturn.
- Funds from this account may be moved to the AMLIP .1 Portfolio when the AMLIP target level is not being met.
- If funds exceeds the max target, the excess funds may be moved to the Borough's Permanent Fund.

Permanent Fund (Perpetual)

- The purpose of the Permanent Fund is to grow in perpetuity and provide a permanent potential source of fiscal support to further the Borough's goals and needs.
- The Permanent Fund generally takes advantage of higher risk capacity to improve earnings via additional asset classes that improve return expectations.
- Permanent funds shall be 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 GO 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.

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	Agreement	One-Time Payment
General Operations	Fiscal Obligation	Annual

Revenues

Identify revenue sources and research how they are funded and what circumstances impact the source.

These are the items the Borough researched:

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

FY26 Budget and Future Budgets

- The Borough has been experiencing a budget deficit for the past two years.
- As shown on the Liquidity Analysis, we continue to anticipate seeing the expenditures outweigh our revenues.
- The Borough Administration and Finance Department have and will continue to research alternative funding sources to cover future deficits.

What is the Borough trying to do to continue to combat this…

- Review and Update the Cash Flow Management Plan
- Continuously Review Borough Investments
- Permanent Fund
- Dispose of Assets
- Continue to make cuts, adjustments and efficiencies when and where possible
- Request financial assistance
- Continue to support the fisheries

Additional Thoughts and Suggestions…

- Financial Work Sessions
- Continue to review plans and funding sources and make adjustments when necessary
- Look at your financial software and determine if an upgrade or change is required
- Sometimes it takes having the right people in the right place at the right time
- Change is necessary, change is challenging, but change is doable

Any questions?