



To: The Aleutians East Borough Assembly

From: Anne Bailey, Borough Administrator *Anne Bailey*

Date: January 21, 2026

**Re: Response to Chris Babcock's Letter Received on December 28, 2025**

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On December 28, 2025, the Borough Administration received a letter from Assembly Member Chris Babcock regarding concerns with the Borough and their actions. The main points that were raised were:

- Northern Region Bering Sea Snow Crab and Central Bering Sea Fishermen's Association Bering Sea Snow Crab delivered in Akutan in 2026
- Emergency meetings held regarding Trident's departure in Akutan.
- Lack of response to King Cove's financial hardship, which is further amplified by the fact that Peter Pan Seafoods contributed substantial fisheries tax revenue to the Borough for many years, revenue that benefited all AEB communities.
- The Borough's permanent fund
- City of King Cove Waste Heat Energy
- Transparency

I will address each item outlined above and respond to the questions/comments that were directly conveyed in the letter.

**Northern Region Bering Sea Snow Crab and Central Bering Sea Fishermen's Association (CBSFA) Bering Sea Snow Crab Delivered in Akutan**

**Why is the Borough assisting the City of Saint Paul following the closure of its fish processing plant by allowing snow crab quota to be processed within the Borough, resulting in Saint Paul receiving a 3.5% tax and the Borough receiving a 2% tax?**

The Bering Sea Aleutian Crab Rationalization Program regulations governing the Bering Sea Opilio (Snow) crab fishery (the "BSS Fishery") include a regional landing requirement under which a certain amount of the total allowable catch (TAC) must be landed in the North Region, which includes Saint Paul and in the South Regions, which includes Akutan and Unalaska. However, the Program allows participants to agree to alter the regional landing designations on a

season-by-season basis. This part of the program ensures that the entire TAC can be safely and efficiently harvested when delivery to the designated region is not feasible.

In 2024, crab harvesters, processors in Dutch Harbor and the cities of Saint Paul and Unalaska went through the process to exempt Bering Sea Snow (BSS) Crab from regional delivery requirements. Since the lone processor in the North region, Trident's plant at Saint Paul, was not able to operate, designated crab would need to be delivered in Unalaska. All participating IFQ and IPQ holders and the respective community representatives of Unalaska and Saint Paul entered into a Framework Agreement and signed onto an Exemption Contract. The two communities then developed a Memorandum of Agreement (MOA) that the City of Unalaska would collect raw fish tax on the North region crab delivered in Unalaska and remit those tax receipts to the City of Saint Paul.

The Trident Plant in Akutan has not processed crab since 2023. In late 2025, the Borough and the City of Akutan were informed that Trident is gearing up to process crab in Akutan in 2026. Trident will have the capacity to process portions of the South region crab, the North region crab and undesignated crab in Akutan triggering the need to enter into a tax memorandum of agreement. If this arrangement did not work out, Akutan and the Borough would get a portion of the South Region Crab but would lose out on the other crab processing shares, and potential tax revenue. Also, potential future emergency agreements that might be needed for South region crab shares processing could have been jeopardized.

At the December 11, 2025 Assembly Meeting, the Assembly adopted Resolution 26-25 authorizing the Mayor to negotiate and execute an agreement between the City of Saint Paul and the Borough for collecting and remitting taxes on north region designated and a portion of the undesignated shares owned by the Central Bering Sea Fishermen's Association (CBSFA) Bering Sea Snow Crab delivered in Akutan in 2026. The Tax MOA between the Borough and the City of Saint Paul has the following tax structure:

North Region Crab: The City of Saint Paul's Fish tax revenue for the North Region Crab is 3.5%. The Harvesters would pay, and the Processors would collect and remit to the City of Akutan a 1.5% tax and to the Borough a 2% tax, totaling 3.5%. In turn the City would remit 1.5% and the Borough would remit 2% raw seafood tax value of all North Region Crab to Saint Paul.

CBSFA Crab: The City of Saint Paul's Fish Tax Revenue for the undesignated portion is 2%. The Harvesters would pay, and the Processors would collect and remit to the City of Akutan a 1.5% tax and to the Borough a 2% tax, totaling 3.5%. In turn the City of Akutan would remit 1% of the raw seafood value of all CBSFA Crab and retain .5% and the Borough would remit 1% of the raw seafood value of the CBSFA Crab to Saint Paul and retain the other 1%.

The Borough will also receive an administrative fee of 1.5% of the gross sales of the North Region and CBSFA crab, which will help offset Borough costs for administering this.

Therefore, the Borough has agreed to do this for the following reasons:

- 1) The North Region Crab will be harvested.

- 2) The Borough will receive crab processing shares that will benefit the City of Akutan and the Borough that would otherwise not have been received.
- 3) Emergency agreements may be needed for South region crab shares in the future.

The Memorandum from the December Assembly Meeting is attached to this to provide more information regarding this issue.

**Why has the City of King Cove received little to no Borough assistance following the closure of Peter Pan Seafoods nearly three years ago?**

The Bering Sea crab processing shares historically earned in King Cove were not part of the Maruha-Nichiro sale of Peter Pan Seafoods to Rodger May, instead it was part of an intra-company transfer to Westward Seafoods in Unalaska, which was allowed under the Right of First Refusal Agreements. In this instance, the crab moved to a different community and there is not any fish tax revenue being collected in the Borough, which then could be passed on to the City of King Cove.

**Emergency meetings held regarding Trident's departure in Akutan**

**Residents have also pointed out the number of emergency meetings that were held when the possibility of Trident Seafoods leaving Akutan was discussed – a closure that ultimately did not occur – while noting the lack of similar Borough response when Peter Pan Seafoods permanently shut its doors in King Cove.**

Regular Assembly meetings were held where Trident presented the status of their operation and/or the Borough Assembly discussed or went into Executive Session to discuss the financial impacts Trident's departure would have on the Borough and strategies on how to create a sustainable fiscal environment for the Borough. A high-level summary of what was discussed at the meetings can be found below:

- August 18, 2022 Assembly Meeting: Trident Seafoods presented at the Assembly Meeting. Trident stated that the aging infrastructure in Akutan needed to be replaced and that they were considering rebuilding adjacent to the current Akutan footprint and the other is a new property in Captain's Bay Unalaska. Trident and a third-party engineering firm weighed feasibility costs benefits of design options and were continuing to study the plant design, necessary support infrastructure and site options throughout 2022 aiming for a decision on whether to proceed and in what location by the end of the year. At this time, they were looking to be fully operational for A season of 2026. Trident closed by saying that they understood the Borough's support for and dependence on Trident's Akutan operation and just like this investment decision will have a long-term impact on Trident Seafoods, they know it will have a long-term impact on the Borough and your communities with respect to revenue, project planning and setting priorities. The Assembly asked additional questions.
- April 13, 2023 Assembly Meeting: Assembly Member Gronholdt commented about Trident's departure.

- July 13, 2023 Assembly Meeting: At this meeting, the Borough Assembly moved into Executive Session for a discussion of the status of Trident's move from Akutan to Unalaska. The discussion included strategies, in the best interest of the Aleutians East Borough, regarding the effect the move will have on the Borough. A matter, the immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity. AS 44.62.310(c)(1). No action was taken at this meeting and information that was discussed cannot be expanded upon, but the title provides a good overview of the discussion.
- August 17, 2023 Assembly Meeting: Trident Seafoods presented at the Assembly Meeting. Trident reiterated that the aging infrastructure in Akutan needed to be replaced and it is not feasible to update the existing facility without a completely new build. Late 2022, Trident determined the feasibly economic site to meet their design needs is the property that they acquired in Captain's Bay in Unalaska. Trident stated that they began discussing the implication of this decision with the community of Akutan. They stated that the initial timeline was 2027 to go live but now they are anticipating no earlier than 2028 due to the rapidly deteriorating marked conditions across all species. The extended timeline provided Trident more time to consider how it will impact Akutan and for the Borough to begin evaluating impact on long-term project planning. The Assembly asked additional questions. Many Assembly members stated that they hope Trident is considering the livelihood of Akutan and Trident confirmed that they would work with Akutan during the transition.
- September 20, 2023 Assembly Meeting: At this meeting, the Assembly moved into Executive Session for a discussion of the status of Trident's move from Akutan to Unalaska and the financial impacts it may have. The discussion included strategies and financial impacts, in the best interest of the Aleutians East Borough, regarding the effect the move will have on the Borough. A matter, the immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity. AS 44.62.310(c)(1). No action was taken at this meeting and information that was discussed cannot be expanded upon, but the title provides a good overview of the discussion.
- May 9, 2024 Assembly Meeting: Trident and Silver Bay Seafoods were invited and provided updates on what was occurring with their plants. Trident provided a quick update on Akutan stating that "it is really highly unlikely that they would break ground in 2025." He continues that Trident is committed to making sure there is a plan for the future and to improve communication on what the future looks like. Trident further discussed operations in Akutan, Sand Point and False Pass. Assembly Member Warren Wilson brought up his concern for the fishermen in King Cove and Trident stated they are doing what they can to help.

**The main purpose of these meetings was to discuss the financial impact Trident's departure would have on the Borough and determine strategies on how to create a sustainable fiscal environment for the Borough to meet obligations and maintain operations.**

Excerpts from the meeting minutes referenced above are attached.

Some of the strategies include creating and executing a Mini-Strategic Plan and holding a Financial Workshop and overviews.

- Mini-Strategic Plan: Based off the information provided by Trident at the August 18, 2022 Assembly Meeting, Borough Administration created a mini-Strategic Plan setting the following 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 needs, requirement and commitments and determine future needs.

The plan included the following tasks which the Borough began executing:

- Conducting a Liquidity Analysis
- Implementing a Cash Flow Management Plan
- Determining with the Borough owes and/or what the Borough is obligated to pay
- Outlining the Borough's statutory and code obligation/requirements; listing
- Listing Borough projects with known costs associated with them
- Determining ways to reduce expenditures and how to become more efficient with the resources that the Borough has available
- Determining ways to generate more revenue
- September 21, 2023 Financial Workshop: On September 21, 2023, the Borough held its first Financial Workshop where we were able to inform the Assembly and the public about the 1 and 3-year goals and provided information regarding the Borough's bank accounts; the Borough's fiscal, statutory and code obligations; a review of the Permanent Fund and Alaska Municipal League Investment Portfolios; the Borough revenue sources, the liquidity analysis; cash flow management plan and an overview of the Borough projects. This was extremely in depth and provided a wealth of knowledge.
- May 9, 2024 Financial Overview: Administration provided a financial overview and reviewed the Borough's mission, which is to provide governmental service to the communities of Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon, and Sand Point including Education, Fisheries Support, Planning, Project Management, Capital Projects and Tax Collection. Administration also reviewed revenue sources, fiscal obligations, the permanent fund, the liquidity analysis, and the cash management plan.
- City of Akutan Discussions: Borough Administration had discussions with the City of Akutan regarding the impacts Trident's departure would have on them and what their plans were. Very little information was shared, and no action resulted from these discussions.

To summarize:

- 1) The Borough held regular meetings where Trident Seafoods discussed their plans on rebuilding and moving the plant from Akutan to Unalaska and the Borough discussed

or went into executive sessions to discuss strategies and financial impacts that would occur to the Borough due to Trident's departure.

- 2) The Borough created and executed a mini-strategic plan to outline with the goal of creating a sustainable fiscal environment for the Borough to meet obligations and maintain operations.
- 3) The Borough held its first financial workshop to inform the public of the Borough's goal and in-depth overview of the Borough's finances and had additional financial overviews.
- 4) Borough Administration had discussions with the City regarding the impacts Trident's departure would have on them and what their plans were. No action resulted from these discussions.

### **Lack of Response to King Cove's Financial Hardship**

**The closure of Peter Pan Seafoods has caused significant and ongoing financial hardship for King Cove. Despite repeated requests by King Cove administration for assistance, many residents feel the Borough Assembly has not responded with the same urgency or level of engagement in other situations.**

The Borough provides financial contributions to the City of King Cove and its residents on an annual basis. The Borough has also held meetings regarding the Peter Pan Closure and financial assistance.

#### **Financial Contributions**

The Borough is aware of the financial hardship that the City of King Cove is facing. The Borough contributes to King Cove and to the other communities within the Borough. In FY26, the Borough has expended or appropriated the following that directly benefits the residents of King Cove:

- \$824,000 on King Cove School maintenance projects
- \$111,000 to maintain the King Cove Road
- \$100,000 to reimburse the City of King Cove for expenses associated with the King Cove Access Project
- \$150,000 for legal representation for the Land Exchange

Totaling \$1,185,000 in contributions/appropriation for King Cove related items.

#### **City of King Cove Stabilization Funding Request**

In October 2024, the City of King Cove sent Borough Administration a document regarding having the Borough establish a community stabilization fund, which Administration and Finance vetted thoroughly. The Borough responded to the City stating that "the Stabilization Fund is not something the Borough can sustain or afford, would not be equitable to the six communities and has potential to harm the Borough's economic health and impact the Borough's ability to fulfil fiscal obligations." A similar email was sent to the Assembly.

On March 6, 2025, the Borough received another document from the City of King Cove, which was presented at the March 13, 2025 Assembly meeting. Borough Administration and Finance

vetted the document thoroughly and ran numerous scenarios to see if the proposed fund would work, and it was determined that this is not something that can be sustained and/or would not be sufficient to meet the Borough community's needs.

### Meetings

Regular Assembly meetings were held where Peter Pan Litigation or other items related to King Cove's financial situation were discussed. A high-level summary of what was discussed at the meetings can be found below:

- January 11, 2024 Assembly Meeting: During Assembly Comments, Assembly Member Warren Wilson stated that during the Strategic Plan it was based more or less on Trident moving out of Akutan and then we come to find out today, the disaster is getting worse. He discussed Peter Pan announcing that they are no longer buying tanner or cod, so that is devastating news for us in King Cove and the Borough. He concluded that we are resilient people and we are going to make ends meet and hopefully we are able to take care of our communities. Mayor Osterback responded that we were preparing for something that was supposed to happen in 2028 but it happened in 2023 and it is not going to change the strategy of the Borough in the short-term going down the road because we showed everything that we have to pay to keep the Borough functioning. In the long run it might affect more of the projects. But we have to pay for all the basic infrastructure and fisheries.
- April 11, 2024 Assembly Meeting: During Assembly Comments, Assembly Member Gronholdt commented that our fisheries are in tough shape. What's going to happen with King Cove Peter Pan and Trident False Pass is still up in the air and the prices are down all around and hopefully some of these things will get resolved in the short term. Assembly Member Warren Wilson also stated that the drift fleet has a market with Silver Bay and that there is a lot of confusion about what is occurring at the King Cove Plant.
- May 9, 2024 Assembly Meeting: Silver Bay Seafoods (SBS) presented at the meeting. SBS discussed the market and stated that they have entered into a formalized lease with Peter Pan Seafoods to lease their Port Moller and Dillingham facilities and are focusing on providing support facilities in Port Moller. They also state that the False Pass facility is going to be critical in supporting the expanding fleet for the region. SBS does not have an agreement with Peter Pan or lease for the King Cove facility but conversations between the parties continue. SBS is also trying to support the King Cove fleet as much as possible and is trying to determine solutions to the problem. The Assembly had additional comments and questions.
- August 8, 2024 Assembly Meeting: During Assembly Comments, Assembly Member Gronholdt asked if others had heard about Wells Fargo and McKinley Capital visiting King Cove and if the Borough can help. Assembly Member Warren Wilson responded that the people coming out is another firm that is handling the Alaska end of the receivership and they are bringing people who are interested in either the plant or parts of the plant and as far as helping out, he did not know if that was possible now.

- October 14, 2024 Assembly Meeting: The Assembly had a high-level discussion about the King Cove and Port Moller plant bids and court filings. A lot of the information that was shared was from news articles. Mayor Osterback stated that the Borough had talked to our legal counsel and lobbyist and throughout the process there was not a lot the Borough could do and the mayor decided to have the Borough follow the City of King Cove's lead and back them whichever way we could. Assembly Member Wilson, who is also the Mayor of King Cove, commented that the City is watching how this whole process unfolds and further provided information on his opinion the bid/court filings and what the City was doing. The Assembly provided additional comments.
- November 14, 2024 Assembly Meeting: During Assembly Comments, Assembly Member Warren Wilson stated that the City of King Cove presented at the Seafood Task Force and an article regarding that meeting was published in *IntraFish*. Assembly Member Gronholdt stated that the King Cove Road and getting the seafood plant back up and running were important and suggested an executive session. Mayor Osterback stated that the Borough has met with Rodger May and have meetings with different groups of people to discuss the plant. Assembly Member Brenda Wilson concluded that all of the things we are learning about cannery closures and shutdowns should be documented for the future because we do not know how many times this would happen and we do not have to reinvent the wheel.

During Public Comments, Assembly Member Wilson asked about the letter sent in October regarding a financial stabilization fund and the Borough Administrator responded that the letter was received and a response will be sent soon. City of King Cove Administrator Hennigh also discussed the Seafood Task Force and stated that they had reached out to Rodger May and Mayor Osterback. Assembly Member Gronholdt asked if it was possible to get from the receivership the amount of money that was not paid to the fishermen who has delivered to Peter Pan Seafoods and the Borough stated they would check with their attorney. Assembly Member Hoblet said the City of False Pass is also asking that question and he knows that a lot of money is owed to the city and to fishermen.

- December 12, 2024 Assembly Meeting: During Assembly Comments, Assembly Member Gronholdt said at our next meeting there are some items concerning Peter Pan in King Cove and should be added to the agenda via Executive Session.
- January 9, 2025 Financial Workshop: Later in 2023, the Borough began seeing a decrease in fish tax revenues. The revenues began decreasing due to the closure of Peter Pan in King Cove and Port Moller and the overall low prices in the remaining fish tax revenue. Therefore, on January 9, 2025, the Borough held its second Financial Workshop since the Borough was no longer preparing for a drop in revenue but was experiencing a drop in revenues.
- January 9, 2025 Assembly Meeting: At this meeting, the Assembly moved into Executive Session for a discussion of the fisheries in the Borough and the financial impacts it may have. A matter, the immediate knowledge of which would clearly have an adverse effect

upon the finances of the public entity. AS 44.62.310(c)(1). No action was taken at this meeting and information that was discussed cannot be expanded upon, but the title provides a good overview of the discussion.

- March 13, 2025 Assembly Meeting: The Borough Administrator provided a financial overview and discussed the stabilization fund proposed by the City of King Cove. Administration responded that the stabilization fund is not something the Borough can sustain or afford, would not be equitable to the six communities and has potential to harm the Borough's economic health and impact the Borough's ability to fulfil fiscal obligations.

The City of King Cove provided a presentation. City Administrator Hennigh explained the City's stance on their request and it was determined that communication needed to be improved among the city and borough administrations. The Assembly also provided comments regarding the shutdown and potential shutdowns in other communities and the need to be proactive. The conversation resulted in Borough Administration/Finance meeting with all the communities.

- May 8, 2025 Assembly Meeting: During Public Comments, Assembly Member Warren Wilson commented that Pacific Seafoods was looking at the King Cove plant and the Aleut Corporation conducted a survey of the plant.
- September 11, 2025 Assembly Meeting: During Assembly Comment, Assembly Member Paul Gronholdt requested to include a discussion item about the litigation that is ongoing in Port Moller. Administration responded that the Borough's legal counsel has been asked to look into this. Assembly Member Warren Wilson provided additional information regarding the litigation and that we have to let this lawsuit ride between those parties before they can negotiate with any processors to acquire any plants that are affected by this shutdown.
- October 9, 2025 Assembly Meeting: A Peter Pan Litigation Memo was included in the meeting packet as an informational item. The Borough attorneys summarized the litigation and concluded that "it would not be advantageous or beneficial to the Borough to attempt to join any legal action challenging the Supreme Court."
- City of King Cove Discussions: In April 2025, Borough Administration met with the City of King Cove Administration to discuss items occurring in King Cove and additional conversations have occurred periodically over the last few months.

Excerpts from the meeting minutes referenced above are attached.

To summarize:

- In FY26, the Borough has provided \$1,185,000 in contributions/appropriation for King Cove related items.

- The City of King Cove has requested funds through a community stabilization fund. This was vetted thoroughly and it was determined that it was not something the Borough can sustain or afford, would not be equitable to the six communities and has potential to harm the Borough's economic health and impact the Borough's ability to fulfil fiscal obligations.
- The King Cove Financial Situation and the Peter Pan Closure/legal issues were discussed numerous times by the Borough at Assembly meetings or in meetings with the City Administration.

**Peter Pan Seafoods contributed substantial fisheries tax revenue to the Borough for many years, revenue that benefited all Borough communities.**

The Borough and the Cities of King Cove, Akutan, False Pass and Sand Point have their own tax structures set up for collecting fish tax revenue. The Harvesters pay, and the Processors collect and remit fish taxes to the cities and to the Borough. When Peter Pan was operating in King Cove, the Harvesters paid, and the processors would remit 2% tax to the City of King Cove and 2% tax to the Borough.

The Borough's fish tax collected throughout the region has been used to operate the Borough, cover the Borough's fiscal and statutory requirements and have been used over the years to bond projects and fund capital projects throughout all six communities.

**The Borough's Permanent Fund**

**Additionally, questions continue to be raised about the Borough's permanent fund balance, which currently exceeds \$46 million. Chris has explained that a portion of these funds are restricted under the GASB cap established by the federal government, this still leaves approximately \$26 million in unrestricted funds. Community members frequently ask: How severe does a “rainy day” situation need to be before these funds are utilized to support Borough communities facing real economic distress?**

Per the Aleutians East Borough Code of Ordinances, the Borough is required to have a Permanent Fund. Section 6.06.041 of the Code outlines the Borough's Permanent Fund requirements. The purpose of the Permanent Funds is to grow the corpus, which is the principal amount invested, in perpetuity and provide a permanent, potential source of fiscal support to further the Borough's goals and needs.

The Borough has established a spending policy and does withdraw money on an annual basis from the Permanent Fund, which must be allocated to specific municipal functions. Per Borough Code, “the Borough Assembly may only appropriate the accumulated earnings from the Permanent Fund Account to the General Funds as follows: In its discretion and consistent with this Chapter, the Borough Assembly may, in any fiscal year, appropriate an amount not to exceed 4% of the five-year average fund market value, to be computed using the five (5) prior calendar years market value.” In FY26, the amount withdrawn from the Permanent Fund was \$1,816,333 which were used to cover the Borough's fiscal deficit. In prior years, the funds were used for Borough projects or community budget requests.

The Borough has \$51 million in the Permanent Fund, \$19 million of that is the corpus, leaving \$32 million in committed funds. These committed funds are for **Borough** purposes and must be available to pay the Borough's General Obligation Bond debt and be available to the Borough and the School District in case of a natural disaster and a major financial emergency. While the last few years have been in a steady decline, the Borough is not in a major financial emergency yet. The only economic stress that the Borough can assess would be the Borough's finances, as the communities within the Borough retain their own governmental controls.

The spending policy that has been established not only protects the corpus, but it also ensures there is an allowable withdraw sufficient to cover operations and required obligations. The corpus has not been inflation-proofed; therefore, once the permanent fund earnings are no longer available, the corpus would not be worth much in today's dollars and would not meet its intended purpose. The spending policy also meets Governmental Accounting Standard Board (GASB) Statement 54 outlining the Permanent Funds as a restricted fund and only permits the withdrawal of the corpus to be done by a majority vote of the borough voters voting in a general or special election.

A brief history of the Permanent Fund and how it came about is as follows:

Ordinance 89-6 establishes the Permanent Fund and stipulates funds from the account shall only be available to meet the needs of the Borough and school district arising from a natural disaster, and major financial emergency. It was further amended to include use for payment of principal and interest on general obligation bonds in Ordinance 90-13. In 1992, Ordinance 92-7 outlined the details for operation of the fund, such as its balance, how much to deposit into the fund, payments to debt service as a priority before payment to permanent fund account, earnings-inflation proofing, and earnings allocation to the general fund. It is important to note a goal was set, but bond debt payments were to come first, there was intent to inflation-proof the account and earnings should be allocated to a specific municipal purpose.

Ordinance 01-08 further detailed also states in the event of a natural disaster or major financial emergency, the assembly may appropriate money to forward fund the Borough's operating budget for the next fiscal year. In FY02, there was a need to forward fund the Borough's operating budget and \$4 million was transferred to the general fund. These funds were paid back to the Permanent Fund by September 21, 2016.

Ordinance 18-11 stipulates the goal of providing a permanent potential source of fiscal support to the Borough's goals and needs and also adds the spending policy, which indirectly protects the Corpus and ensures the withdraw doesn't exceed the potential return.

Ordinance 25-03 changed the language in the Borough Code to bring the Borough in compliance with the GASB Statement No. 54.

To summarize:

- The Borough is required to have a Permanent Fund and the funds are to be used to meet the needs of the Borough and school district.

- The main priority is to have funds available to pay the Borough general obligation debt. It is fiscally responsible to ensure that a balance is always available for that intended use.
- In the event of a natural disaster, or major financial emergency, the Borough may forward fund for the Borough's next fiscal year.
- The Corpus is not inflation-proofed, which was part of its original intent, and the Corpus is not protected in today's monetary value.
- The spending policy protects the sustainability of the account so it can provide a permanent source of fiscal support for the Borough.

### **City of King Cove Waste Heat Energy**

**I have been informed of significant cost savings the City of King Cove has provided the Borough over the years by supplying waste heat to help heat the King Cove school – savings that amount to thousands of dollars. Residents question whether these contributions have been adequately recognized or considered when King Cove seeks Borough support.**

The waste heat that was supplied was a direct benefit to the Aleutians East Borough School District, which indirectly helped the Borough.

The Aleutians East Borough is mandated to provide funding to the School District. In FY26, the Borough Assembly approved \$1,576,289 in funding that included \$1,300,000 in local contributions, \$25,000 for school scholarships, \$20,000 for School Contribution and \$220,789 in in-kind services (insurance, maintenance, office space, janitor services, and housing). The Borough's contribution is approximately 10% of the School District's funding while the remainder comes from the State of Alaska and Federal government. When the School District receives funds from the Borough, State and Federal government they are then responsible for paying for utilities including the heat/electricity at the King Cove School. Therefore, the waste heat that was provided in King Cove was a direct benefit to the School District.

### **Transparency**

**We often state that the Aleutians East Borough Assembly and administration strive to be open, transparent, and accountable to all Borough communities. A newsletter or official informational release explaining these issues-fisheries tax decisions, permanent fund policy, inter-community support, and Borough priorities-would go a long way toward demonstrating that commitment and ensuring resident's receive accurate information.**

The Borough strives to be transparent by doing the following:

- Meeting information, budget information, and the code can be found on the Borough's website ([www.aleutianseast.org](http://www.aleutianseast.org)).
- The Borough holds an annual financial workshop that is open to the public and we encourage the communities to attend.
- The Borough holds an annual strategic plan meeting that is open to the public and we encourage the communities to attend.

- The Borough thoroughly reviews the Borough's Budget with the Assembly beginning in May for the next fiscal year. These meetings are open to the public and can be heard on the KSDP.
- The Borough issues an annual report, which is required by the Borough Code, and distributed to all box holders in the Borough.
- Staff also provide detailed reports at the Assembly meetings and are readily available to answer questions at the meeting or during the work week.
- The Borough relays information on the Borough's Facebook page, Borough's website, the Natural Resources Facebook page and Fish Blog.
- Occasionally, the Borough releases *In the Loops* and *Fish News*' articles.

All the information that is requested above can be found in one of these formats; however, Administration will be looking at additional ways to disseminate information.

**Attachments can be found at the following links:**

1. [Chris Babcock Letter received December 28, 2025](#)
2. [December 11, 2025 Assembly Meeting Crab Information](#)
3. Assembly Meeting Minute Excerpts for Akutan/Trident Related Items
  - o [August 18, 2022](#)
  - o [April 13, 2023](#)
  - o [July 13, 2023](#)
  - o [August 17, 2023](#)
  - o [September 20, 2023](#)
  - o [May 9, 2024](#)
4. Assembly Meeting Minute Excerpts for King Cove/Peter Pan Related Items
  - o [January 11, 2024](#)
  - o [April 11, 2024](#)
  - o [May 9, 2024](#)
  - o [August 8, 2024](#)
  - o [October 14, 2024](#)
  - o [November 14, 2024](#)
  - o [December 12, 2024](#)
  - o [January 9, 2025](#)
  - o [March 13, 2025](#)
  - o [May 8, 2025](#)
  - o [September 11, 2025](#)
  - o [October 9, 2025](#)