

Aleutians East Borough
Special Assembly Meeting Minutes

Assembly Mayor Alvin D. Osterback called the Aleutians East Borough Regular Assembly Meeting to order by videoconference in each community on May 28, 2026, at 2:00 PM.

Roll Call for Elected Officials

Mayor Alvin D. Osterback	Present
Brenda Wilson	Present
Chris Babcock	Present
Glen Gardner Jr.	Present
Jim Smith Sr.	Present
Josephine Shangin	Excused
Paul Gronholdt	Present
Warren Wilson	Present

Advisory

Samantha McNeley	Present
Tom Hoblet	Present

A quorum was present.

Staff Present

Anne Bailey, Administrator
Glennora Dushkin, Executive Assistant
Ernie Weiss, Natural Resources Director
Charlotte Levy, Fishery Analyst
Jacki Brandell, Finance Director
Seward Brandell, Accounting Clerk
Beverly Ann Rosete, Borough Clerk

Others Present

Adoption of the Agenda

MOTION Brenda made a motion to adopt the Agenda
SECOND Glen seconded the motion.

Hearing no objections, the agenda will stand as presented.

Community Roll Call and Public Comments on Agenda Items

The communities of Akutan, False Pass, King Cove, Nelson Lagoon, Sand Point, and the Anchorage office were participating by videoconference. The meeting was also broadcast on KSDP radio.

Conflict of Interest

Mayor Osterback asked for any potential conflict of interest to be discussed. There were no conflicts on this agenda.

Minutes

- May 14, 2026, Regular Assembly Minutes

MOTION Brenda made a motion to accept the May 14, 2026, Regular Assembly Meeting Minutes.
SECOND Chris seconded the motion.
Hearing no objections, the minutes will stand as written.

Investment Report

- April 2026 Investment Report

May 28, 2026

Consent Agenda

Public Hearings

- **Ordinance 26-02**, Adopting the Operating and Capital Budget for Fiscal Year 2027

MOTION Brenda made a motion to approve Ordinance 26-02.

SECOND Chris seconded the motion.

DISCUSSION

Administrator Bailey said the FY27 proposed budget reflects several positive developments from the State of Alaska, including continued 100% reimbursement of harbor and school bond debt, community assistance funding, increased K-12 education funding, and energy relief funding for both schools and communities. The budget also includes funding for major maintenance projects, which could result in approximately \$603,000 in reimbursements to the borough for previously completed school projects, pending the governor's approval. The borough has budgeted \$1.7 million in fish tax revenue, and all departments have reviewed their budgets to identify cost savings. A new Maintenance Director position has been added, and the budget includes a proposed 2.1% cost-of-living adjustment for employees. The proposed budget currently reflects the Premier Platinum 250 health insurance plan. Any change to the AMHT Fairweather plan would require Assembly action. Education support has been increased by \$100,000, bringing the local contribution to \$1.4 million and total education support to approximately \$1.7 million. The budget also assumes continued helicopter operations, including state funding that will cover approximately 50% of Maritime helicopter costs in FY27. It further assumes that the City of Akutan will take over helicopter operations under a contract expected to begin July 1. Overall, the proposed budget results in an estimated deficit of approximately \$2.2 million. To balance the budget, the borough would use about \$1.87 million in Permanent Fund earnings and approximately \$361,000 from savings. If the Assembly switches to the AMHT Fairweather health plan, the deficit and required transfer from savings would increase slightly. Several budget assumptions remain dependent on final state approvals and the completion of pending agreements.

Assembly Member Paul raised questions regarding the recently approved emergency budget for repairs to the Cold Bay Dock. Administrator Bailey explained that no expenses have been incurred yet and no invoices have been received. Once the repair bills are paid, the borough will submit the invoices to APRA for reimbursement. The repair costs will initially be charged to miscellaneous expenses within Fund 10-900 and the reimbursement will be recorded as other revenue, effectively offsetting the expense. Because of this reimbursement process, no budget amendment is expected to be necessary, and the project is not reflected in the current FY27 budget proposal.

Paul also inquired about the timeline for filling the newly proposed Maintenance Director position. Administrator Bailey stated that the position would be posted as soon as possible, likely around mid-June, to hire the right candidate, although the posting may not occur before July 1.

Additionally, Paul questioned the proposed transfer of Permanent Fund earnings to cover the budget deficit, noting that he did not recall discussing that option during budget planning sessions. Administrator Bailey responded that the use of Permanent Fund earnings to balance budget deficits had not been specifically discussed during recent financial work sessions but has been a common practice in recent years whenever the borough has faced a budget shortfall.

Aleutians East Borough
Special Assembly Meeting Minutes

Assembly Member Paul expressed concern about the emergency authorization of approximately \$2 million for Cold Bay Dock repairs, questioning why the Assembly was not involved in the decision-making process through a special or emergency meeting.

Administrator Bailey responded that the borough code authorizes the administration to declare an emergency and take immediate action when necessary. In this case, the administration followed the procedures outlined in the code and was not required to seek Assembly approval before proceeding. Administrator Bailey emphasized that the repairs were time-sensitive and needed to be completed quickly to ensure the dock would be safe and operational for the upcoming ferry service.

Administrator Bailey reported that the work was scheduled to be completed promptly and that the repairs had progressed well. The administration also coordinated with the borough's insurance company and insurance brokers throughout the process to ensure the project was handled properly and in accordance with applicable requirements.

Administrator Bailey concluded that the administration acted within its authority under existing borough code. If the Assembly wishes to require Assembly involvement in similar emergency expenditures in the future, the borough code would need to be amended accordingly.

Warren suggested that the borough consider using part of its Permanent Fund earnings to provide direct assistance to communities affected by the severe winter. He noted that the borough has previously used Permanent Fund earnings to help balance the budget, and proposed allocating about half of the projected \$1.8 million to support local infrastructure repairs, utility and energy costs, and other community needs. Warren specifically mentioned ongoing repair needs in King Cove and acknowledged that other communities across the borough are facing similar challenges.

Mayor Osterback clarified that the Permanent Fund was originally established as a financial safeguard for the borough. It was created during a period when the borough carried significant bond debt, with the goal of ensuring the borough could continue meeting its financial obligations, maintaining facilities, supporting schools, and avoiding the possibility of property taxes being imposed if revenues declined.

He explained that the fund was intended to grow to approximately \$20 million to provide long-term financial stability and support maintenance of borough infrastructure. While the assembly has, in years with surplus revenues, funded projects in individual communities, those allocations were made through an assembly decision-making process based on available funds and project priorities. The Permanent Fund itself was not created to distribute money directly to communities.

Mayor Osterback emphasized that the borough's current financial position requires continued use of Permanent Fund earnings to support operations. He cautioned that drawing down savings beyond sustainable levels could reduce investment returns and eventually force cuts to infrastructure maintenance, staffing, and other borough services. He noted that the borough is already addressing deferred maintenance and investing resources to protect the fishing industry, which remains critical to the region's economy.

Aleutians East Borough
Special Assembly Meeting Minutes

While acknowledging that many communities are facing financial hardships and infrastructure needs, he stated that the borough's first responsibility is to maintain its financial stability and ensure essential services, facilities, and schools remain operational. He expressed support for future community project funding when financial conditions improve, but said the borough is not currently in a position to make those distributions.

Regarding future bonding proposals, Mayor Osterback recommended discussing them during a financial workshop so the assembly and public can fully understand the costs, risks, and long-term obligations associated with new debt before presenting any proposal to voters.

Warren emphasized that communities provide and maintain critical infrastructure that supports local schools, including utilities and heating systems, but many are struggling with budget shortfalls. He advocated for allocating a portion of Permanent Fund earnings to communities to help fund infrastructure repairs, school-related projects, and harbor maintenance. He also noted recent damage to harbor facilities from winter ice conditions and discussed the uncertainty of future fishery revenues, while expressing cautious optimism about the local fishing season and community finances.

Mayor Osterback responded that allocating half of the Permanent Fund earnings to the communities would create approximately a \$1 million shortfall in the borough's budget, making it impossible to adopt a legally required balanced budget. He noted that if additional revenues become available later in the year, the Assembly could revisit funding requests. He also pointed out that communities can request emergency assistance when needed and encouraged collaboration with state and federal legislators to secure funding for local projects. Drawing on past experience, he emphasized that working together as a region can strengthen efforts to obtain outside funding through the borough's lobbying resources. He concluded that removing \$1 million from the current budget structure is not feasible because the borough is legally required to maintain a balanced budget.

Chris emphasized that the borough should remember that its financial resources are generated by the communities it serves, particularly through the fishing industry. He expressed concern that discussions about borough finances sometimes overlook the needs of the communities that provide the tax base. He noted that the Permanent Fund was originally intended to reach \$20 million but has grown to nearly \$50 million, while communities are currently facing significant economic challenges. Using King Cove as an example, he pointed to population decline and decreasing school enrollment as residents struggle with the rising cost of living. Chris argued that, because local fishermen contribute substantially to the borough's revenues and the Permanent Fund, more of those resources should be directed back to communities rather than simply accumulating as reserves. He stressed the importance of using borough resources to support communities facing current hardships.

Mayor Osterback explained that while the original Permanent Fund target was \$20 million, inflation and changing economic conditions increased the equivalent target value to approximately \$47 million. He emphasized that the fund's earnings are used to help balance the borough's budget and cautioned that reducing the fund could jeopardize its ability to generate sufficient returns in the future. He stressed the importance of maintaining the fund's value to continue supporting borough operations and preserving long-term financial stability.

Aleutians East Borough
Special Assembly Meeting Minutes

Chris asked when was the last time, when was the last year that we were able to have communities write in and tell us proposals and give them a certain percentage of the interest that we're taking? When was the last time we did that? Chris argued that conditions have changed significantly in recent years and that the borough should reconsider how it supports communities facing economic challenges. While acknowledging concerns about protecting the Permanent Fund, he expressed skepticism about maintaining reserves at the expense of addressing pressing community needs. He pointed to uncertainty surrounding local seafood processing plants and broader economic instability, emphasizing that communities face serious risks and need support before those challenges become crises.

Glen commented that the permanent fund was set up, and you have to have a vote of the people to use it.

Mayor Osterback emphasized the importance of discussing the borough's financial position, noting that all leaders share a responsibility to keep the borough stable while also looking for ways to use available funds to support local communities.

Administrator Bailey continued to point out a few on the expenditure side. Administrator Bailey proposed adding \$40,000 to the Natural Resources budget for fishery-related litigation and \$50,000 for public relations contract services. Both expenses were previously paid from the project contingency fund, but are now being included in the regular budget to provide dedicated funding going forward. Administrator Bailey said the budget includes the Platinum Premium 250 health insurance costs for all departments with personnel or Assembly members. The budget also reflects anticipated expenses for the coming fiscal year, including increases to utility costs across all departments based on expected rate increases.

Paul asked when do we transfer the money out of the permanent fund. Finance Director Brandell said that as soon as possible, we will move it to an account that earns interest.

Overall, anticipated total revenues are approximately \$4.643 million, with total expenditures of about \$5.129 million, resulting in an expected operating deficit. To balance the budget, transfers will be required from the Permanent Fund and savings.

Warren asked how much is in the Savings account. Finance Director Brandell said about \$518,000. Warren further commented that they recently experienced a budget reduction of approximately \$100,000 affecting projects in King Cove. Some council members have raised concerns, including impacts to the recreation department. While this is not an easy consideration, it reflects current financial constraints. As an example, continued reductions could potentially affect operations such as the recreation department facility, including the possibility that the building may need to be closed. He just wanted to make sure you were aware of the situation and the broader financial pressures we are facing.

Chris made a motion to amend the budget to keep the current medical plan in place without changing over to the Premier Platinum Plan. Brenda seconded.

Aleutians East Borough
Special Assembly Meeting Minutes

Chris supported keeping the Borough's current health insurance plan, arguing that rising costs and economic uncertainty make it the wrong time to switch. While acknowledging potential savings, they expressed concern about moving to a plan with uncertain benefits and emphasized the importance of maintaining reliable medical coverage for employees and Assembly members. They also noted that changing plans would commit the Borough for two years, limiting flexibility if the new plan proved unsatisfactory. These concerns were the basis for their proposed budget amendment to retain the current insurance plan.

Amendment:

ROLL CALL

Yeas: Chris, Warren

Advisory: Samantha, Tom

MOTION FAILS

Nays: Jim, Paul, Brenda, Glen

Main Motion

ROLL CALL

Yeas: Glen, Brenda, Paul, Warren, Jim, Chris Advisory: Samantha, Tom

MOTION CARRIED

Nays: None.

Ordinances

Resolutions

- **Resolution 26-56**, Resolution 26-56, authorizing the Mayor to appropriate the FY27 Permanent Fund Earnings to cover a portion of the FY27 budget deficit

MOTION Brenda made a motion to approve Resolution 26-56.

SECOND Jim seconded the motion.

DISCUSSION

Administrator Bailey reviewed the resolution.

Paul asked if we are ready to finalize FY2026 without amending the budget. Administrator Bailey said we are not doing a budget amendment.

ROLL CALL

Yeas: Warren, Jim, Chris, Glen, Brenda, Paul Advisory: Tom, Samantha

MOTION CARRIED

Nays: None.

- **Resolution 26-57**, Authorizing the Appropriation of \$100,000 in the Deferred Maintenance Line Item (21-502-8025) for the Sand Point School Project

MOTION Glen made a motion to approve Resolution 26-57.

SECOND Chris seconded the motion.

DISCUSSION

Administrator Bailey reviewed the resolution.

Glen commented that a lot of plastic was scattered all the way up to Green Hill when the wind was blowing off. Mayor Osterback said this was taken care of.

Paul asked about the status of the change orders in this project. Administrator Bailey said we have done numerous change orders, and she can provide the list at a later date. Paul continued to ask about

Aleutians East Borough
Special Assembly Meeting Minutes

the substantial completion. Administrator Bailey responded that it did not occur on May 18, the original substantial completion date. It was rescheduled for June 29th, or whenever they can all get out to Sand Point.

Jim asked if the exterior paint is part of this project. Administrator Bailey said no, it is not.

Chris asked what the total amount we paid out to this project to date was and how much was paid back. Administrator Bailey said \$9.898 million. A large portion of that is through the DEED grant, and the State funding is a 65%-35% match. So from the State, we will get about \$4.427 million. Chris continued to ask how many years we are into this project. Administrator Bailey said probably a year and a half. Chris asked who decided to move the substantial completion date back. Administrator Bailey said it was DOWL's decision. They couldn't do the mechanical commissioning, which is critical for closing out the DEED grant. Chris asked when we signed the contract; wasn't there a timeframe? Administrator Bailey said yes, technically, but we have a lot of change orders, and we are not paying any extra for them staying in Sand Point. DOWL and the architect review all the change orders, and they go over everything with a fine-tooth comb. Chris commented that he would like to see this project completed so the kids can return to a good school.

ROLL CALL Yeas: Glen, Paul, Brenda, Warren, Jim, Chris Advisory: Samantha, Tom
MOTION CARRIED Nays: None.

- **Resolution 26-58**, Authorizing the Mayor to Negotiate and Execute a Contract with UIC Construction, LLC to Provide Construction Services for the Sand Point School Major Maintenance Project in an amount not to exceed \$8,950,000.

MOTION Chris made a motion to approve Resolution 26-58.
SECOND Brenda seconded the motion.

DISCUSSION
Administrator Bailey reviewed the resolution.

ROLL CALL Yeas: Paul, Brenda, Glen, Chris, Warren, Jim Advisory: Tom, Samantha
MOTION CARRIED Nays: None.

- **Resolution 26-59**, Supporting the Nomination of Forrest Bowers to the North Pacific Fishery Management Council

MOTION Brenda made a motion to approve Resolution 26-59.
SECOND Glen seconded the motion.

DISCUSSION
Natural Resources Director reviewed the resolution.

Paul asked if the department currently employs Mr. Bowers. Natural Resources Director said yes.

ROLL CALL Yeas: Jim, Chris, Paul, Brenda, Glen, Warren Advisory: Samantha, Tom
MOTION CARRIED Nays: None.

May 28, 2026

Aleutians East Borough
Special Assembly Meeting Minutes

Old Business

New Business

Reports and Updates

Assembly/ Mayor's Comments

Mayor Osterback thanked the Seiners Association, the Tribes, the Driftmen Association, the Assembly and Advisory, and everyone for working together after the last Board of Fish meeting.

Public Comments

Next Meeting Date

NO June Meeting

July 8, 2026 Special Meeting, Wednesday

Adjournment

Meeting adjourned at 3:09 PM


Alvin D. Osterback, Mayor

ATTEST


Beverly Rosete, Clerk

May 28, 2026