

NWAB Mtg Packet

Budget Retreat

Meeting date Jan 31, 2024 thru Feb 2, 2024

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Wednesday – January 31st

- ♦ 9:00AM – 10:15AM Introduction and Goal Setting (JK)
- ♦ 10:45AM – 11:30AM Fiscal Update (JK)
- ♦ 11:30AM – 1:00PM PILT History and Update (JK & MM)
- ♦ 1:00PM – 2:30PM Investment Overview & Update (APCM)
- ♦ 2:45PM – 3:15PM Legislative/State Fiscal Outlook (WC)
- ♦ 3:30PM – 4:30PM School District Budget Overview (TW & MW)

Thursday – February 1st

- ♦ 9:00AM – 9:15AM Introduction Recap (JK)
- ♦ 9:15AM – 11:15AM Fiscal Planning Exercise (JK)
- ♦ 11:30AM – 1:00PM Lunch on your own
- ♦ 1:00PM – 3:00PM Sulianich Overview and Update (AS & MM)
- ♦ 3:15PM – 4:15PM Budget Recap & Planning Discussion (JK & AS)

Friday – February 2nd

- ♦ 9:00AM – 10:30AM Independent Power Producers/Bulk Fuel (IM)

- ♦ 10:45AM – 12:00PM Budget and Planning Recap

2024 PILT Revenue Update

Preparing for the Next Phase

A Presentation to

Northwest Arctic Borough Leadership Retreat

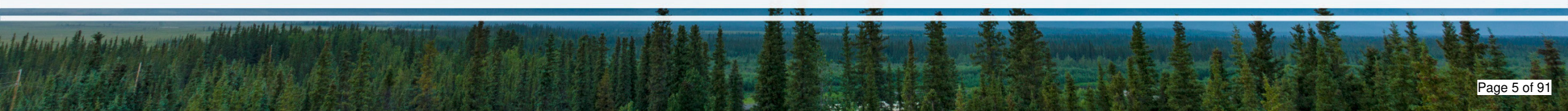
January 31-February 2, 2024

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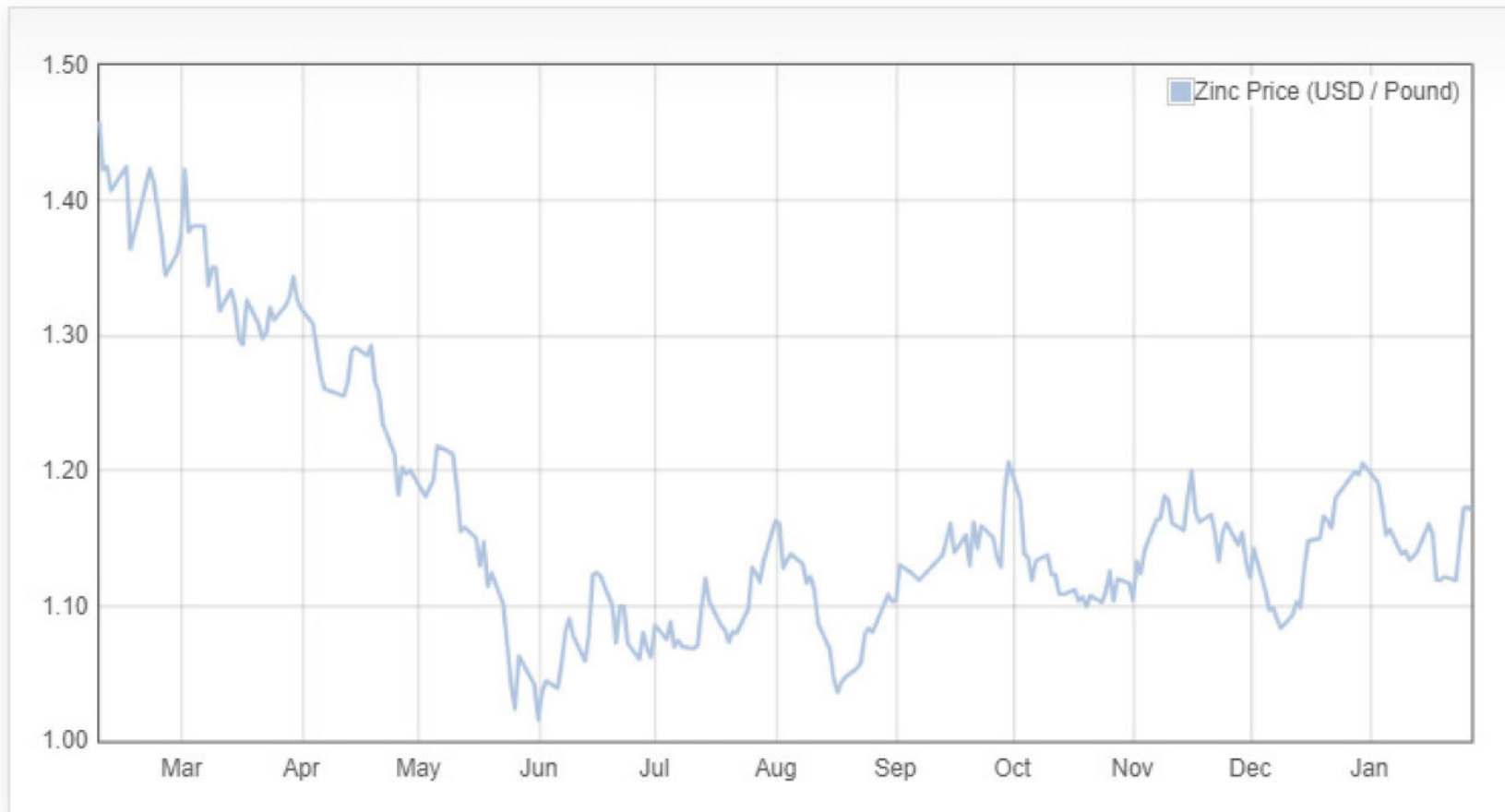


Current Conditions



Zinc Prices in the Last Year

Zinc Prices for the Last Year



Link directly to this result here: <http://www.dailymetalprice.com/metalpricecharts.php?c=zn&u=lb&d=240>

Zinc Prices Historically

Zinc Prices



Link directly to this result here: <http://www.dailymetalprice.com/metalpricecharts.php?c=zn&u=lb&d=0>

Teck Q3 2023 Results

ZINC BUSINESS UNIT

(CAD\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Zinc price (realized – US\$/pound)	\$ 1.10	\$ 1.44	\$ 1.18	\$ 1.56
Production (000's tonnes)				
Refined zinc	67	64	197	203
Zinc in concentrate ¹	125	158	385	433
Sales (000's tonnes)				
Refined zinc	68	64	190	200
Zinc in concentrate ¹	269	235	418	436
Gross profit	\$ 96	\$ 311	\$ 329	\$ 714
Gross profit before depreciation and amortization ²	\$ 240	\$ 416	\$ 557	\$ 915
Property, plant and equipment expenditures	\$ 71	\$ 82	\$ 162	\$ 149

Notes:

1. Represents production and sales from Red Dog. Excludes co-product zinc production from our 22.5% proportionate interest in Antamina.
2. This is a non-GAAP financial measure or ratio. See "Use of Non-GAAP Financial Measures and Ratios" for further information.

Performance

Gross profit from our zinc business unit was \$96 million in the third quarter compared with \$311 million a year ago. Gross profit decreased compared with a year ago (see table below) primarily due to lower zinc prices, partially offset by higher zinc premiums on our contracted refined zinc sales.

At our Red Dog Operations, zinc production of 124,600 tonnes in the third quarter decreased by 21% from a year ago, while lead production increased by 13%. The decrease in zinc production was driven by reduced mill throughput as a result of equipment failures. At our Trail Operations, refined zinc production was 5% higher than a year ago and refined lead production in the third quarter was the same as last year. Refined lead production continues to be impacted by the KIVCET boiler, which is reaching the end of its life. Planning continues to complete the KIVCET boiler replacement in 2024.

RDM and the Zinc Business Unit experienced a challenging summer.

- Realized prices were 24 percent lower than the year prior. Zinc production declined 21 percent.
- YTD gross profit was down by more than 50%.

Copper

	2022 Actual	Previous 2023 Guidance	Current 2023 Guidance ¹	Previous 2024-2026 Guidance	Current 2024-2026 Guidance ¹
Copper^{2,3,4}					
Highland Valley	119.1	110-118	100-108	120-165	120-165
Antamina	102.3	90-97	90-97	90-100	90-100
Carmen de Andacollo	39.5	40-50	40-50	50-60	50-60
Quebrada Blanca ¹	9.6	90-110	90-110	285-315	285-315
Total	270.5	330-375	320-365	545-640	545-640

Other Base Metals

	2022 Actual	Previous 2023 Guidance	Current 2023 Guidance ¹	Previous 2024-2026 Guidance	Current 2024-2026 Guidance ¹
Molybdenum^{2,3} (Mlbs)					
Highland Valley	1.0	0.8-1.2	0.8-1.2	2.0-6.0	2.0-6.0
Antamina	1.5	2.2-2.6	2.2-2.6	2.0-4.0	2.0-4.0
Quebrada Blanca	-	1.5-3.0	-	10.0-14.0	10.0-14.0
Total	2.5	4.5-6.8	3.0-3.8	14.0-24.0	14.0-24.0
Lead²					
Red Dog	79.5	95-110	95-110	85-95	85-95

Zinc

	2022 Actual	Previous 2023 Guidance	Current 2023 Guidance ¹	Previous 2024-2026 Guidance	Current 2024-2026 Guidance ¹
Zinc in concentrate^{2,3,5}					
Red Dog	553.1	550-580	545-575	500-550	500-550
Antamina	97.4	95-105	100-110	55-95	55-95
Total	650.5	645-685	645-685	555-645	555-645
Refined zinc					
Trail Operations	248.9	270-290	270-290	280-310	280-310

Steelmaking Coal

	2022 Actual	Previous 2023 Guidance	Current 2023 Guidance ¹	Previous 2024-2026 Guidance	Current 2024-2026 Guidance ¹
Steelmaking coal (Mt)	21.5	24.0-26.0	23.0-23.5	24.0-26.0	24.0-26.0

Kt, except as noted. Quebrada Blanca annual production guidance includes cathode operations. QB2's current 2023 annual guidance for copper in concentrate production is 80-100kt.



Fiscal Update (PILT)

March 2017 PILT Value Estimates

Year	Est. PILT Asset Payments (\$M)	Est. VIF Payment (\$M) Average (Low Est)	Total Payments (\$M) Based on Average	Ranged Estimated (\$M)
2016	14.3	11 (11)	24.3	24.3
2017	17.0	8 (8)	25.0	25.0
2018	19.5	8 (8)	27.5	27.5
2019	19.5	8 (6)	27.5	25.5-27.5
2020	19.5	8 (5)	27.5	24.5-27.5
2021	19.5	8 (6)	27.5	25.5-27.5
2022	19.0	8 (5)	27.0	24.0-27.0
2023	18.0	8 (5)	26.0	23.0-26.0
2024	16.0	8 (4)	24.0	18.0-24.0
2025	15.0	8 (4)	23.0	19.0-23.0
Nominal Total			259.3	235.8-259.3

PILT Estimates vs Actual Payments

Year	Est. PILT Asset Payments (\$M)	Est. VIF Payment (\$M) Average (Low Est)	Actual PILT Asset Payments (\$M)	Actual VIF Payment (\$M)
2016	14.3	11 (11)	<i>14.3</i>	<i>11</i>
2017	17.0	8 (8)	<i>14.7</i>	<i>8</i>
2018	19.5	8 (8)	<i>18.6</i>	<i>8</i>
2019	19.5	8 (6)	<i>22.2</i>	<i>8</i>
2020	19.5	8 (5)	<i>28.0</i>	<i>8</i>
2021	19.5	8 (6)	<i>28.6</i>	<i>8</i>
2022	19.0	8 (5)	<i>26.8</i>	<i>8</i>
2023	18.0	8 (5)	<i>26.8</i>	<i>8</i>
2024	16.0	8 (4)		
2025	15.0	8 (4)		

PILT Dependent

Your single biggest revenue source is the PILT with Teck Alaska. This year and next we expect it to produce \$25 million-\$27 million in revenue each year.

The PILT produces roughly 80 percent of your revenue. In short, \$4 in every \$5 in revenue comes from the PILT.

01-00 Revenues

Account #	Description	PROPOSED FY24	PROPOSED FY23 Amendment	\$ Variance Favorable (Unfavorable)	% Variance Favorable (Unfavorable)
4000	PILT REVENUE	25,000,000	26,825,440	(1,825,440)	-7%
4010	FEDERAL PILT REVENUE	1,100,062	1,100,062	-	0%
4020	BOROUGH FACILITY	4,263,906	4,263,906	-	0%
4050	TOBACCO EXCISE TAX REVENUE	540,000	540,000	-	0%
4075	MARIJUANA EXCISE TAX REVENUE	60,000	60,000	-	0%
4099	MISCELLANEOUS REVENUE	75,000	365,000	(290,000)	-79%
4220	SOA COMMUNITY ASSISTANCE PRO	335,415	335,415	-	0%
4400	INDIRECT COST RECOVERY	80,000	80,000	-	0%
	INVESTMENT INCOME -				
4550	AVAILABLE FOR OPERATIONS	300,000	300,000	-	0%
4600	LAND PERMIT REVENUE	14,000	14,000	-	0%
TOTAL GENERAL REVENUES		\$ 31,768,383	\$ 33,883,823	\$ (2,115,440)	-6%

Key Terms of the 2016-2026 PILT Agreement

- Last payment in 2025
- PILT Payment
 - 4% of Land, Buildings, and Equipment (LBE) per audited statements
 - Originally 3.75% of LBE in 2016
 - No minimum/floor
- VIF/MOC Payment
 - 1.25%-3.25% of Net Earnings graduated in \$200m increments
 - \$11 million in the first year
 - \$4 million (min) to \$8 million (max) in each year thereafter

Things to Keep in Mind

- PILT can be extended by *mutual agreement*. The forecast presumes a mutual agreement.
- A PILT is not necessary to generate revenue. Your severance tax or a property tax may generate more revenue than the current PILT structure in a ~2031 shutdown scenario.
- Teck and NANA are highly incentivized to keep the mine open.
 - The current assessment presumes they do not.
 - Even if they manage to keep the mine open, we expect revenues to be **much lower** (but perhaps not as low as we forecast here).
 - There is no scenario in which we think revenues rise or stay stable.

Understanding Land, Buildings, and Equipment

Property, Plant and Equipment

Land, buildings, plant and equipment

Land is recorded at cost and buildings, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and the directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Depreciation of mobile equipment, buildings used for production and plant and processing equipment at our mining operations is calculated on a units-of-production basis. Depreciation of buildings not used for production and of plant and equipment at our smelting operations is calculated on a straight-line basis over the assets' estimated useful lives. Where components of an asset have different useful lives, depreciation is calculated on each component separately. Depreciation commences when an asset is ready for its intended use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The expected useful lives of assets depreciated on a straight-line basis are as follows:

- Buildings and equipment (not used for production) 1—43 years
- Plant and equipment (smelting operations) 3—30 years

The LBE value is the sum of all of Teck's investment in land, building, and equipment since the start of the mine.

Teck pays you 4 percent of the LBE value each year *minus accumulated depreciation*.

Understanding Land, Buildings, and Equipment

Property, Plant and Equipment

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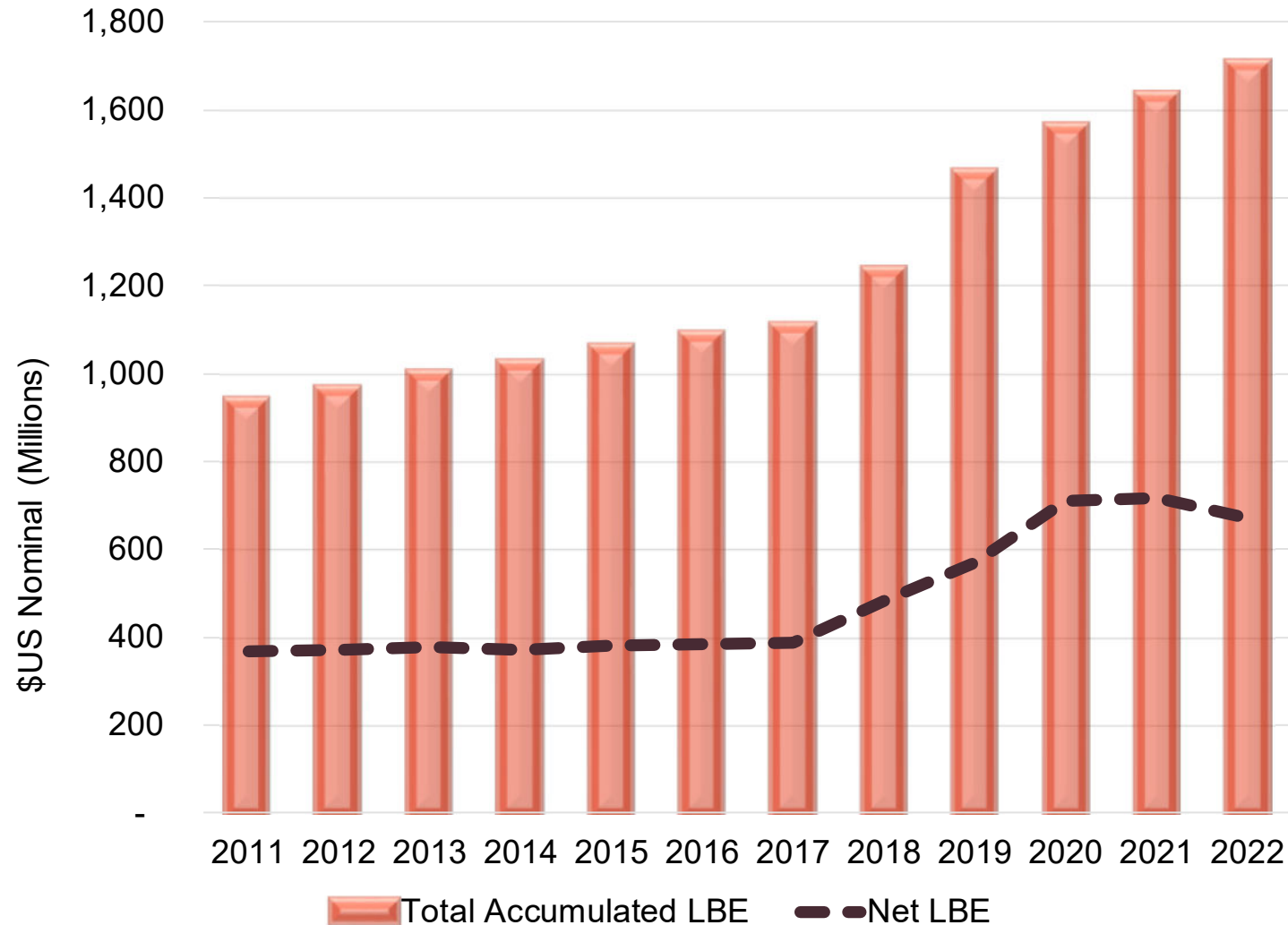
- Buildings and equipment (not used for production) 1—43 years
- Plant and equipment (smelting operations) 3—30 years

Net LBE (total value-accumulated depreciation) is an accounting value.

It is **not** the value of the property for the purposes of a property tax.

Net LBE could fall to zero and you could still generate property tax revenue.

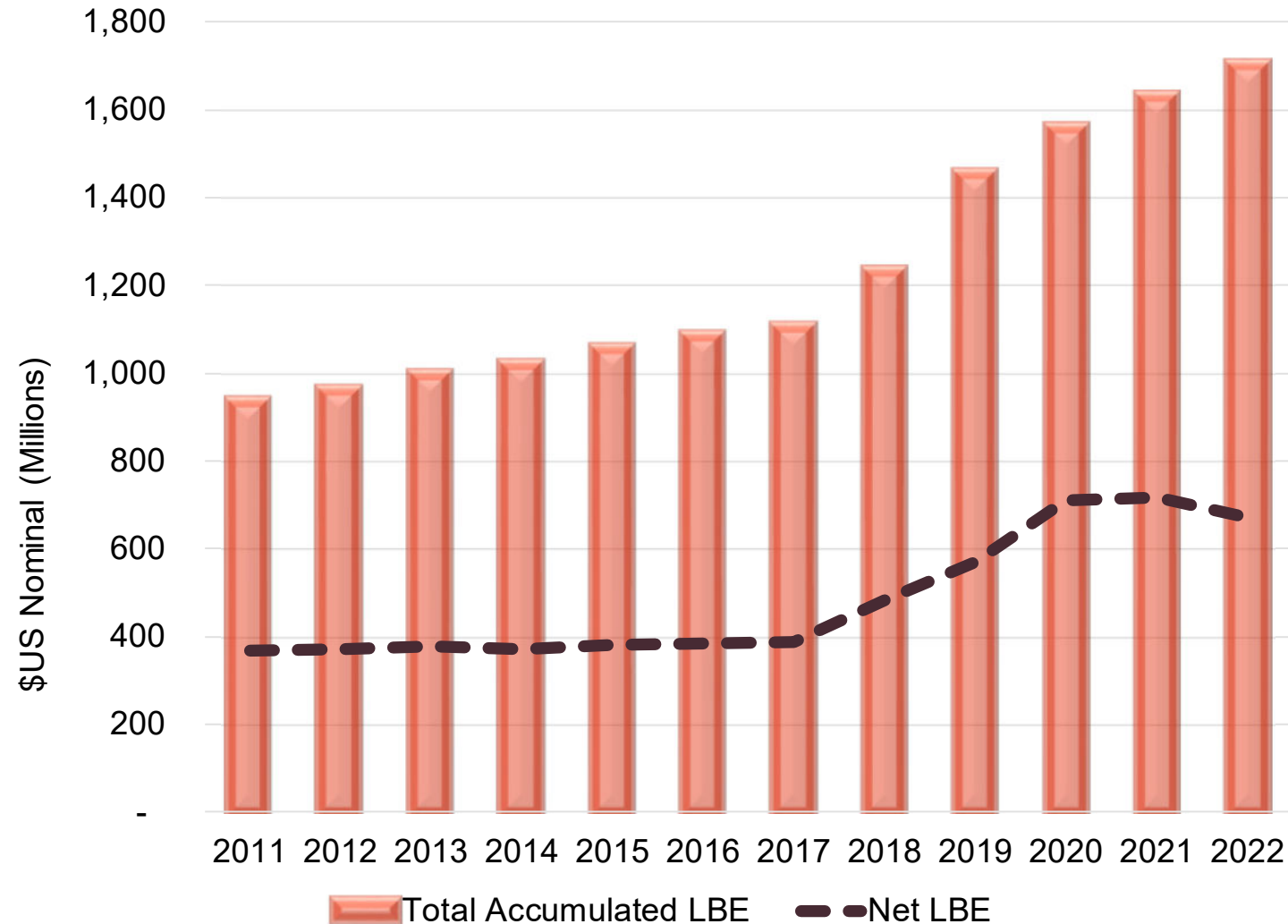
Historical Total and Net LBE



Total LBE and Net LBE climbed when Teck invested in the VIP2 project.

Annual investment increased to over \$100 million annually from <\$30 million annually.

Historical Total and Net LBE



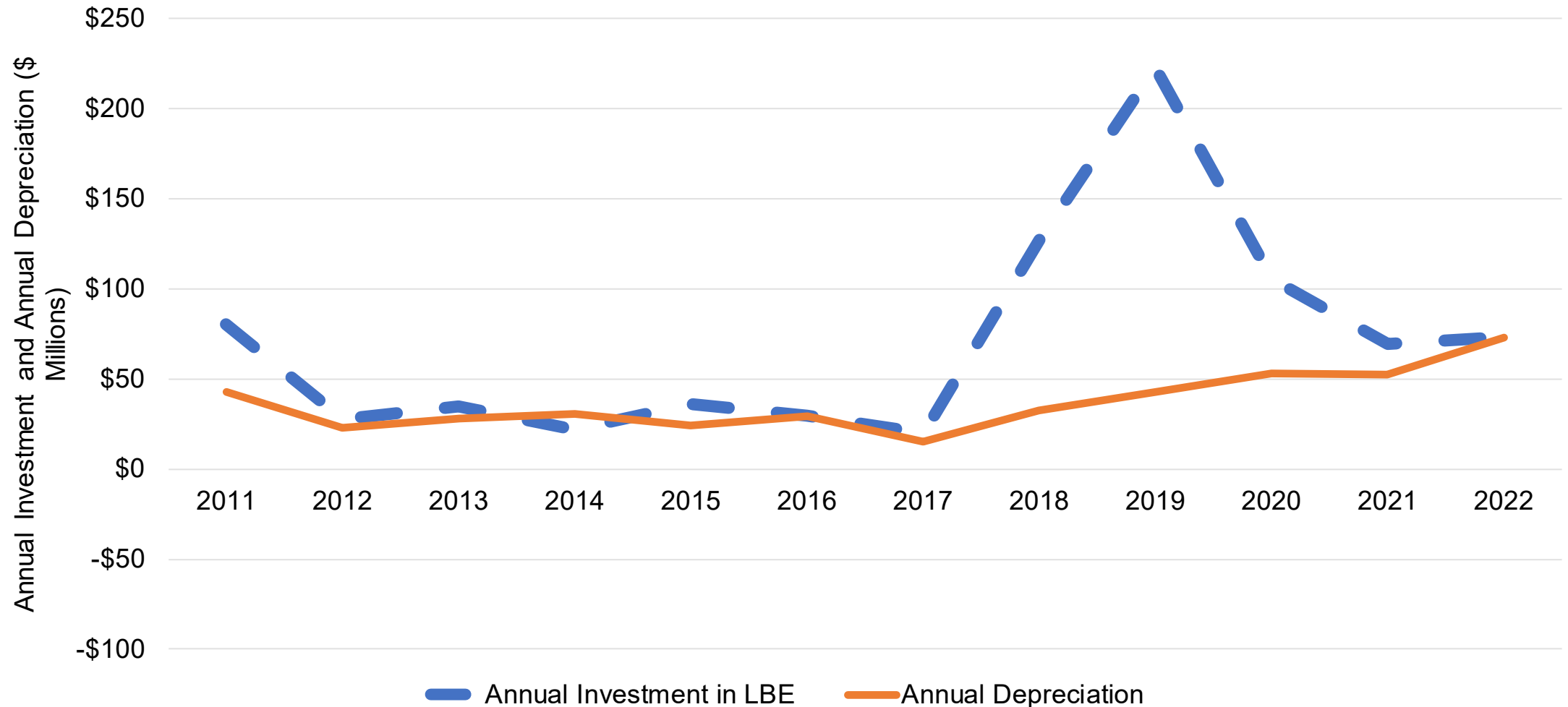
Net LBE is now falling.

Right now, investment is still high, but not as high as it was in 2019 and 2020.

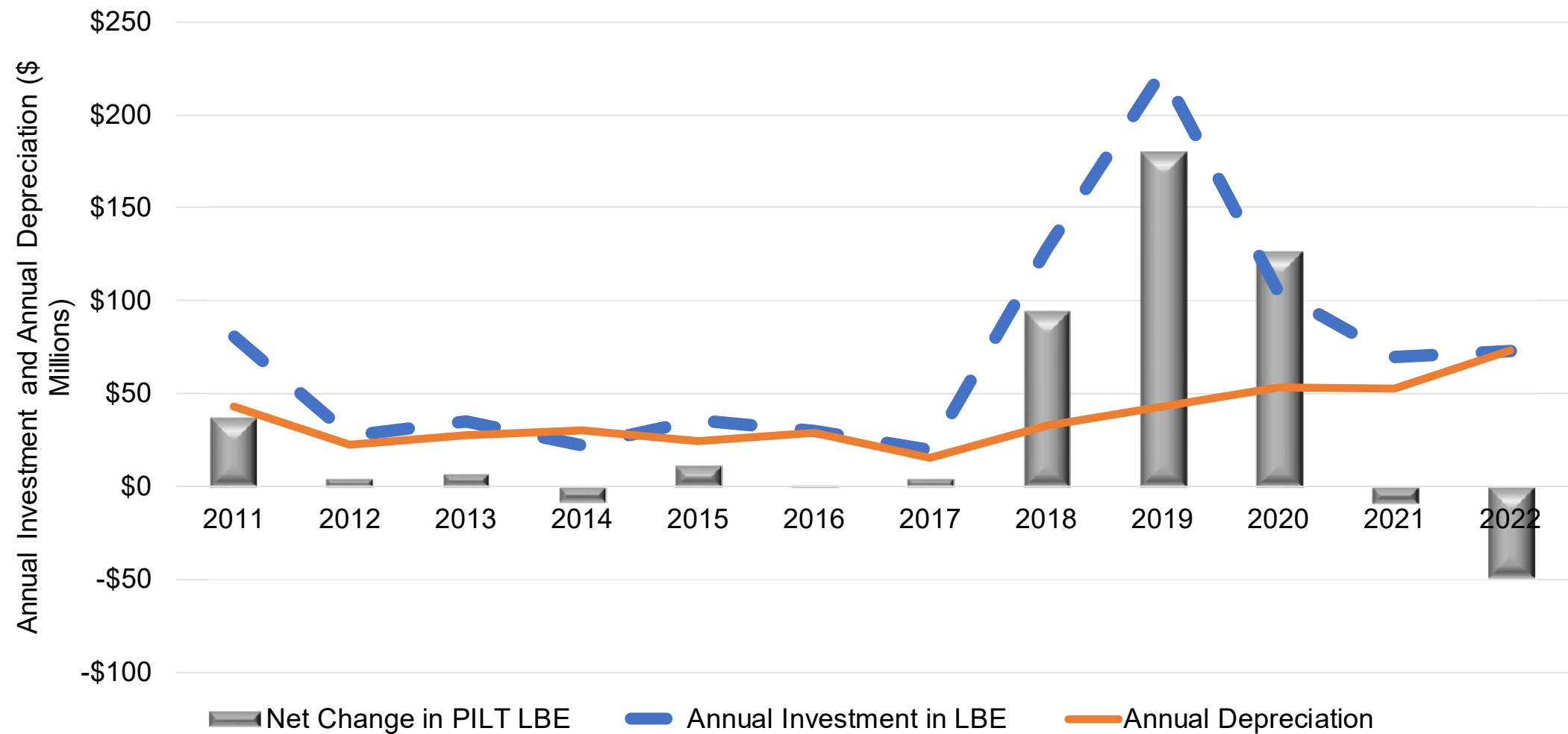
Depreciation is starting to be bigger than investment.

This gap will grow under the mine plan.

Annual Investment and Annual Depreciation



Net Change in PILT LBE

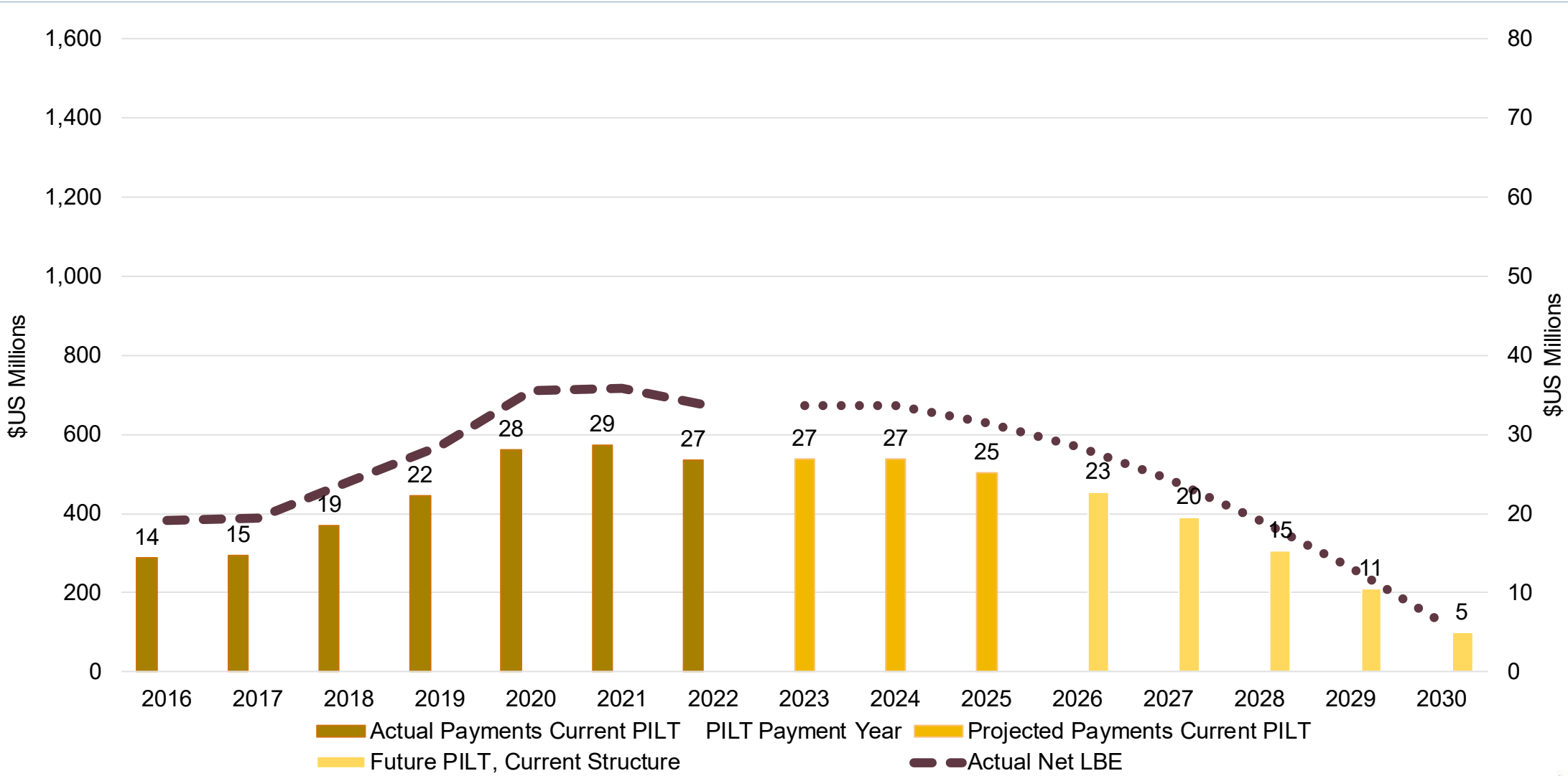


LBE & PILT Revenues, Historical and Projected

If the current PILT is extended, we believe that the most likely scenario is for PILT revenue to fall substantially. There is no minimum payment in the current PILT.

Category	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Actual Net LBE	383	387	482	571	711	717	671								
Est. Net LBE								672	674	629	569	488	382	263	123
Actual PILT	14	15	19	22	28	29	27								
Forecast PILT								27	27	25					
<i>Potential PILT</i>											23	20	15	11	5

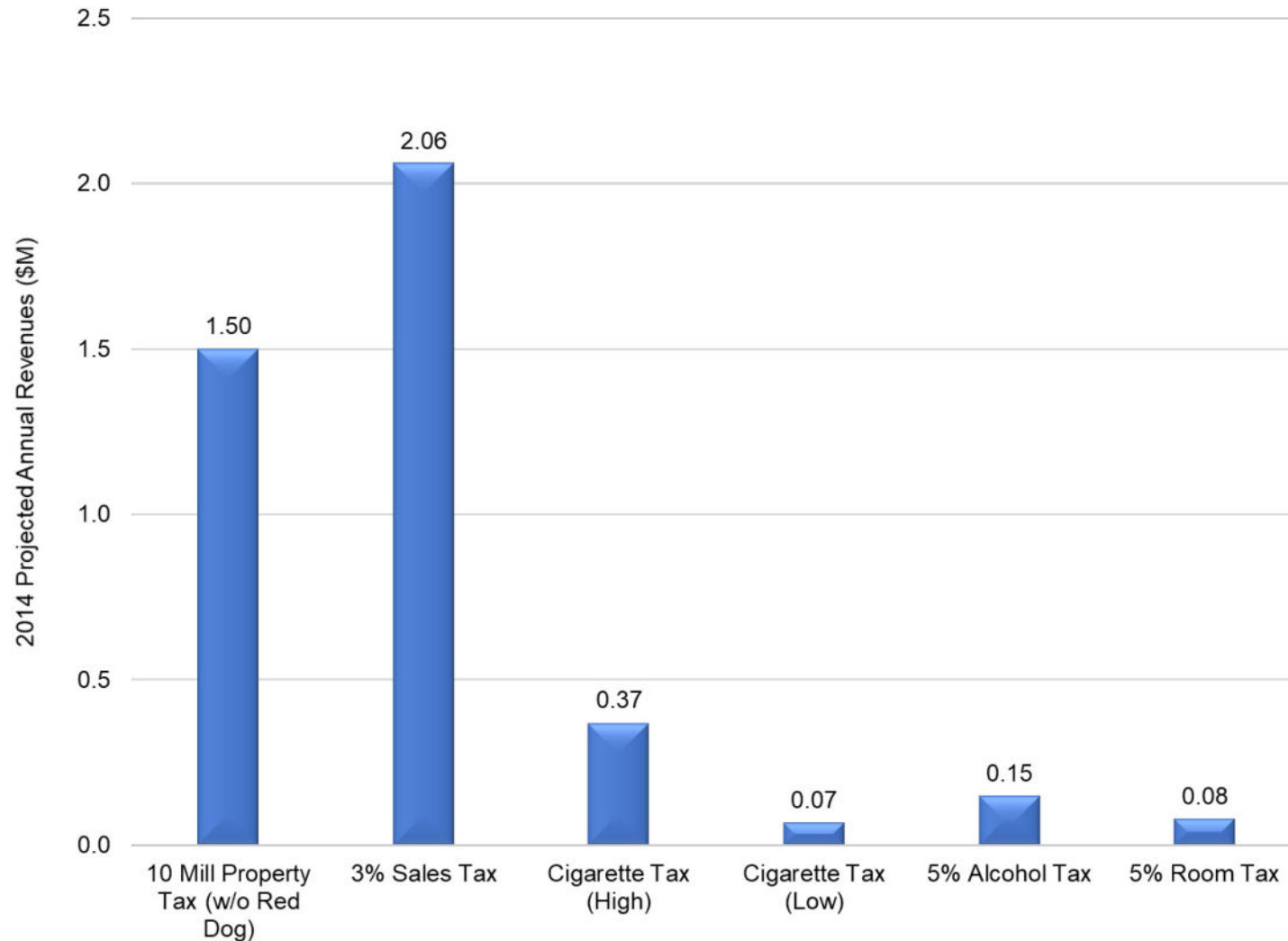
Historical Total and Net LBE



Other Things to Keep in Mind

- **Ambler**- The Ambler Mining District is rich in resources, but we are years, possibly decades away from seeing a functioning mine in Ambler and none look to potentially be as large as RDM (right now).
- **RDM Mining on State Lands**- Exploration and development on state lands if proceeding *slowly*. 2035-2038 might be a reasonable time frame for development.
- **Lower quality deposit on NANA Lands**- We have heard that Teck and NANA are negotiating about mining a lower quality deposit. This deposit could be a (**reduced revenue**) bridge to mining on state lands.

Reminder: Other Potential Tax Revenues



Your non-severance tax revenue options are somewhat limited, but not negligible.

It's very possible you could generate \$5+ million in taxes from a property tax and a sales tax.

Takeaways

- Revenue will fall under an extended PILT agreement AND the current mine plan.
 - *Teck is highly incentivized to find a solution. They are long-run bullish on their Zinc unit.*
- A PILT is not necessary to generate revenue. Your severance tax or a property tax may generate more revenue than the current PILT structure in a ~2031 shutdown scenario.
- The current budget is very, very likely unsustainable.
- How do you want to **prepare** and **adapt**?



Fiscal Update (VIF)

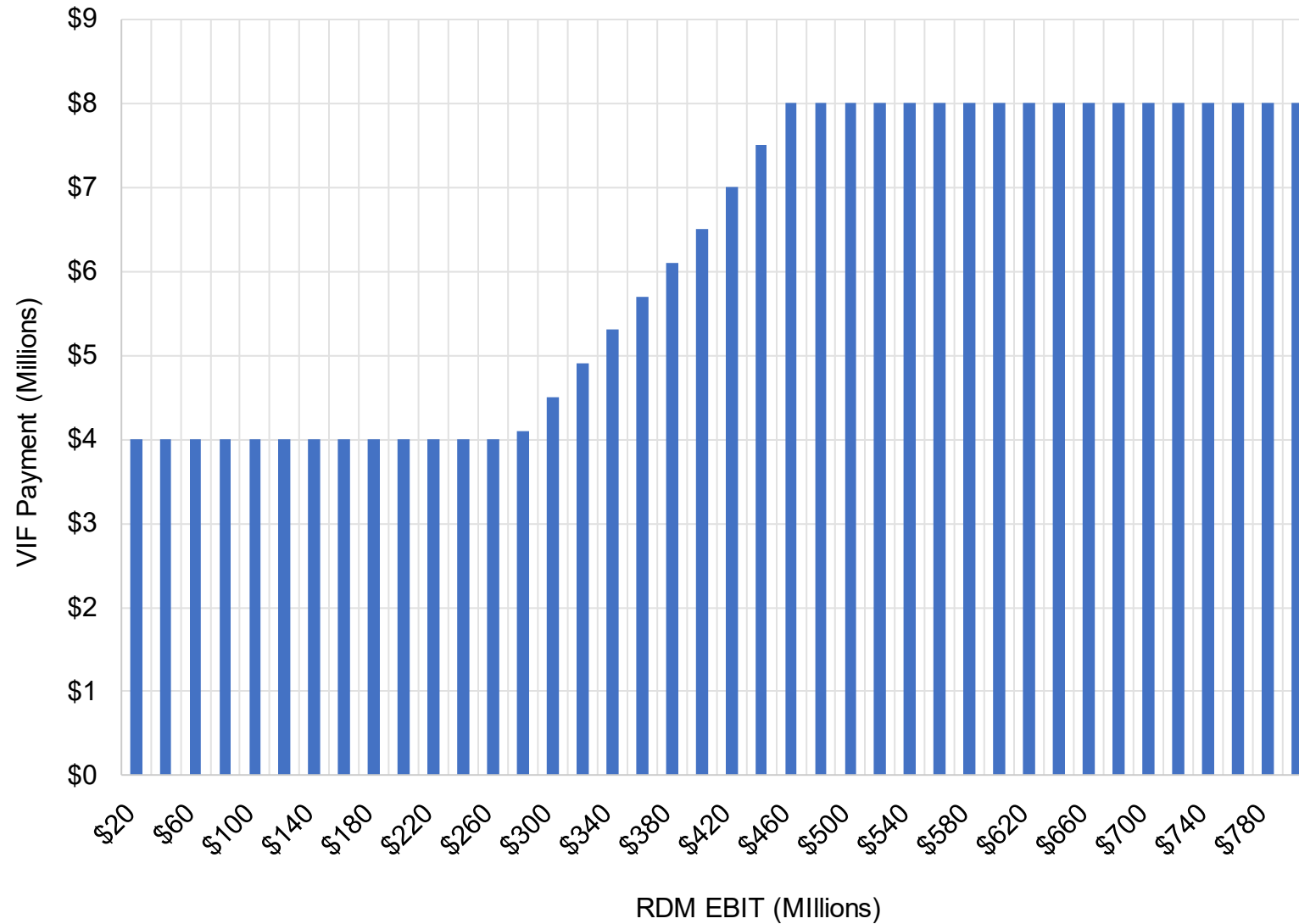
VIF Structure

RDM EBIT (in USD) *	Applicable Percentage
0-200 million	1.25%
200 million- 400 million	2.00%
400 million – 600 million	2.50%
600 million – 800 million	3.00%
800 million and above	3.25%

The functions exactly much like the U.S. federal income tax in that it has a progressive structure. The more RDM makes the higher the percentage applied to calculate the tax.

- Your “magic number” for hitting the cap of \$8 million is **Earnings before Interest and Taxes** of \$460,000,000.
- The “magic number” for triggering the floor is EBIT of \$275,000,000.

VIF Payments Across RDM Earnings



PILT Estimates vs Actual Payments

Year	Est. PILT Asset Payments (\$M)	Est. VIF Payment (\$M) Average (Low Est)	Actual PILT Asset Payments (\$M)	Actual VIF Payment (\$M)
2016	14.3	11 (11)	<i>14.3</i>	<i>11</i>
2017	17.0	8 (8)	<i>14.7</i>	<i>8</i>
2018	19.5	8 (8)	<i>18.6</i>	<i>8</i>
2019	19.5	8 (6)	<i>22.2</i>	<i>8</i>
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2021	19.5	8 (6)	<i>28.6</i>	<i>8</i>
2022	19.0	8 (5)	<i>26.8</i>	<i>8</i>
2023	18.0	8 (5)	<i>26.8</i>	<i>8</i>
2024	16.0	8 (4)		4
2025	15.0	8 (4)		

Why will the VIF only be \$4M in 2025?

"The factors that drove the reduced Earnings Before Interest and Taxes (\$247,957,000) are pretty straight forward.

- Market realized zinc price was \$1.08 verses our estimate of \$1.45.*
- Production was down 20% for the year. Production was down due to several factors including challenging weather conditions shutting the road down and subsequently the mill for several days when the mine concentrate storage building filled up. Also, breakdown events in the mill (mills, conveyors, pumps, thickeners, etc.) contributed a significant amount of mill down time or reduced production.*
- At the same time our operating expenses stayed the same even though we produced less. i.e., our cost per ton of concentrate increased. Inflation drove costs increases as well including consumable items, some of which increased as much as 400%, shipping costs, labor costs, air freight, etc."*

Takeaways

- 2024 will be the first year that the VIF payment will be less than the maximum.
- Right now, it looks like a “death by a thousand cuts” scenario caused by lower prices, equipment failures, and higher costs.
- We are very interested in the explanation and guidance Teck may provide in the Q4 2023 reporting and their annual report as the earnings collapse was not fully visible in our July 2023 research and modeling.
- 2025 will be the last VIF payment under the current agreement. If production issues are resolved in 2024 (and Zn prices hold or increase) then the VIF payment should be above minimum.

Discussions!



Thank You for the
opportunity to collaborate
with the NWAB.

Email:
jonathan@halcyoncg.com

NORTHWEST ARCTIC BOROUGH

STRATEGIC REVIEW

for the period ending December 31, 2023

Agenda

- 1. Strategic Review*
- 2. Appendix*



Account Summary as of December 31, 2023

Northwest Arctic Borough

		Contingency Reserve	GF Sustainability Fund
Account Inception		August 2013	August 2017
Total Contributions		\$ 8,639,115	\$ 43,743,730
Withdrawals <i>Does not include custodial or management fees</i>		\$ 3,148,311	\$ 0
Current Market Value <i>December 31, 2023</i>		\$9,588,612	\$51,646,613
Annualized Account Return* <i>Inception – December 31, 2023</i>		+ 4.89%	+ 4.89%
Strategic Asset Allocation	Risk Assets	34%	45%
	Risk Control	53%	36%
	Alternatives	13%	19%

*Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year.

Historical Market Value as of December 31, 2023

Northwest Arctic Borough

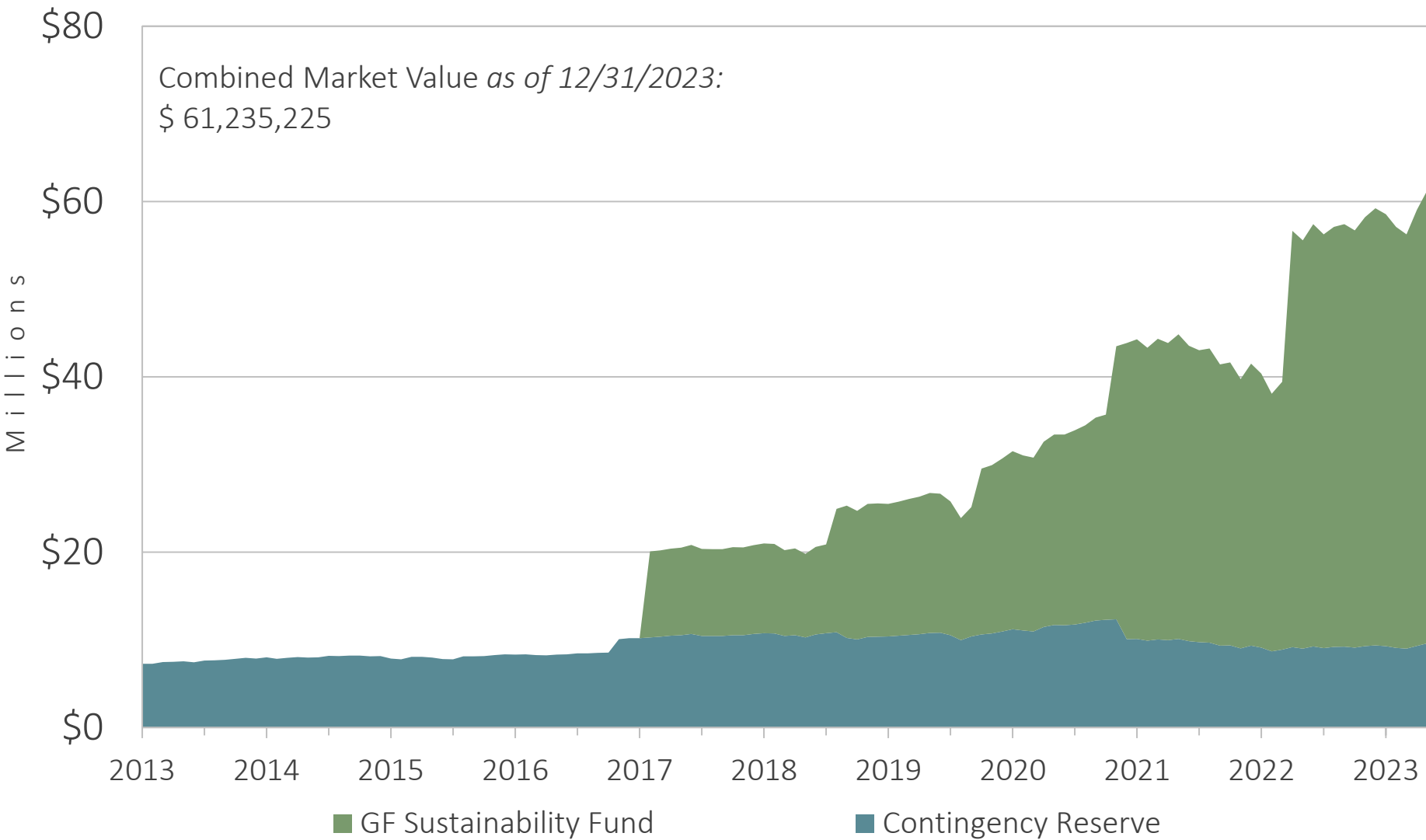


Chart shows month-end portfolio market values from August 2013 to December 2023.

Historical Performance and Growth

Northwest Arctic Borough Contingency Reserve and GF Sustainability Fund

The **primary** goal of the General Fund is to maximize long-term investment growth.

The **secondary** goal of the General Fund is to maintain the safety of the Fund's principal.



Post-FY'30 Target Return

$$2.5\%^* + 4.0\% = 6.5\%$$

Inflation

Distribution

In pursuit of these goals, the below accomplishments have been made:

\$52.4M

total contributions.

Current combined market
value of

\$61,235,225

\$3.15M

total withdrawals.

Both accounts have earned
a return **greater** than
the rate of inflation.

39 - 83 bps

of annualized outperformance vs a
traditional stock/bond allocation *.

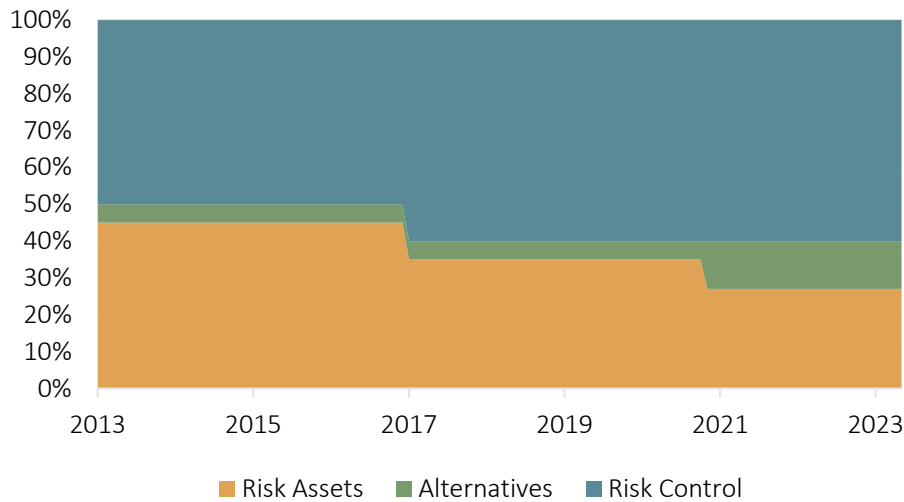
Over **\$12M** of
earnings generated.

*Performance is gross of management fees, net of internal fund fees, and annualized. Source: Bloomberg. The Traditional Allocation represents a portfolio comprised of the ACWI World Index and Bloomberg Global Aggregate Index blended at weights that match the exposures of each account's strategic asset allocation, changed and linked when changes to the strategic asset allocation have been made. All metrics are calculated since inception. Inflation is based upon APCM's 10-year forward-looking expectations.

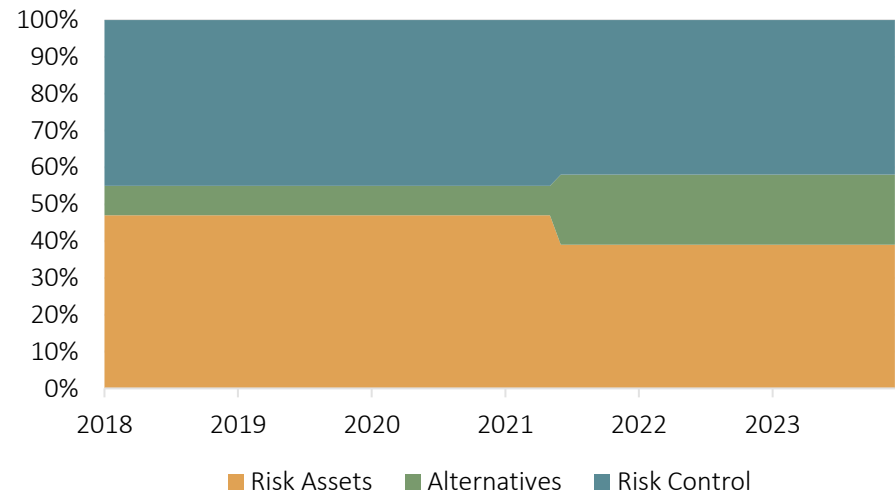
Strategic Allocation History

Northwest Arctic Borough

Contingency Reserve



GF Sustainability Fund



The Contingency Reserve has had multiple Strategic Asset Allocation Changes since inception. The decision was made to reduce risk from a 50% equity equivalent portfolio to a 40% Equity equivalent in 2017, and again to a 30% equity equivalent in 2021.

The GF Sustainability Fund has also reduced risk. The initial Asset Allocation was a 55% equity equivalent risk level and was reduced in 2021 to a 50% equity equivalent risk level.

The most recent change in 2021 incorporated additional asset classes including Alternative Beta. These additional asset classes provided APCM with new tools to address the upcoming market environment and the long-term return goals with much less additional expected risk than a portfolio utilizing only the asset classes allowed at the time.

Strategic Review

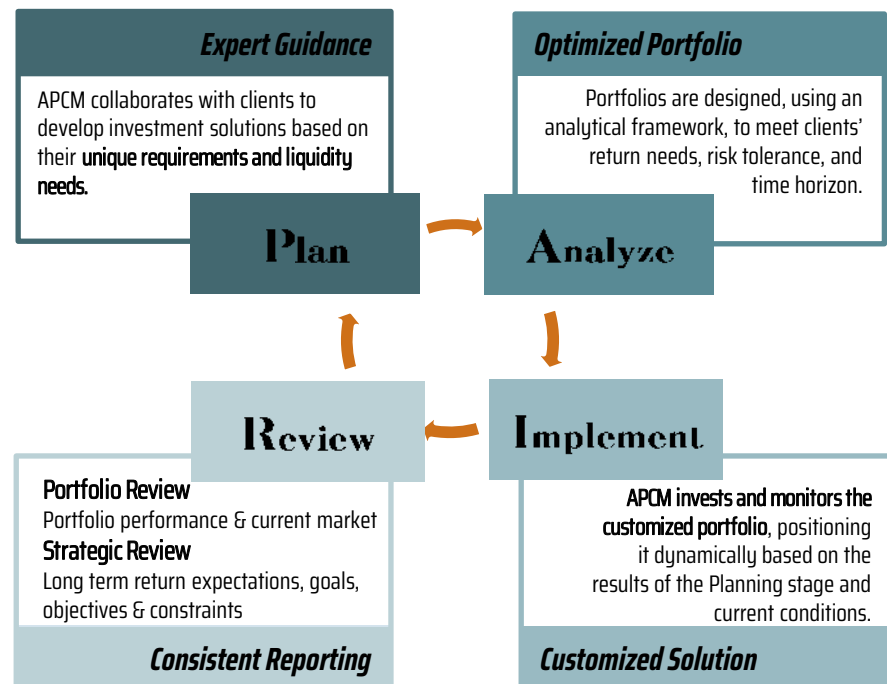
Strategic Review

Appendix

Prudent Investment Management Process

Northwest Arctic Borough GF Sustainability Fund

- APCM'S prudent investment process is an integrated set of steps undertaken consistently to **create and maintain an optimal portfolio**.
- APCM designed this process to **promote and protect the client's interests** and continuously confirm that **each client's customized strategy achieves the highest return possible given a specified level of risk**.
- This process is perpetual and formal reviews conducted each year maintain a customized investment strategy.
 - Prudently evaluates new investment opportunities.
 - Confirms the ability of the strategic allocation(s) to meet the stated long-term investment objectives.



Key Takeaways

Northwest Arctic Borough GF Sustainability Fund



The General Fund Sustainability Fund's current strategic asset allocation has current goals of the fund is to growth of market value. In 2030, the current allocation **is expected to meet the Fund's future return goal** of inflation + 4.0% (per NABC 6.28.050(B)) over the analysis horizon. There are no recommendations at this time.



Higher interest rates after last year's Fed rate hikes have increased the forward-looking long-term return expectation (to 6.6% from 5.9%) more than usual during APCM's annual analysis and review of the next ten years.

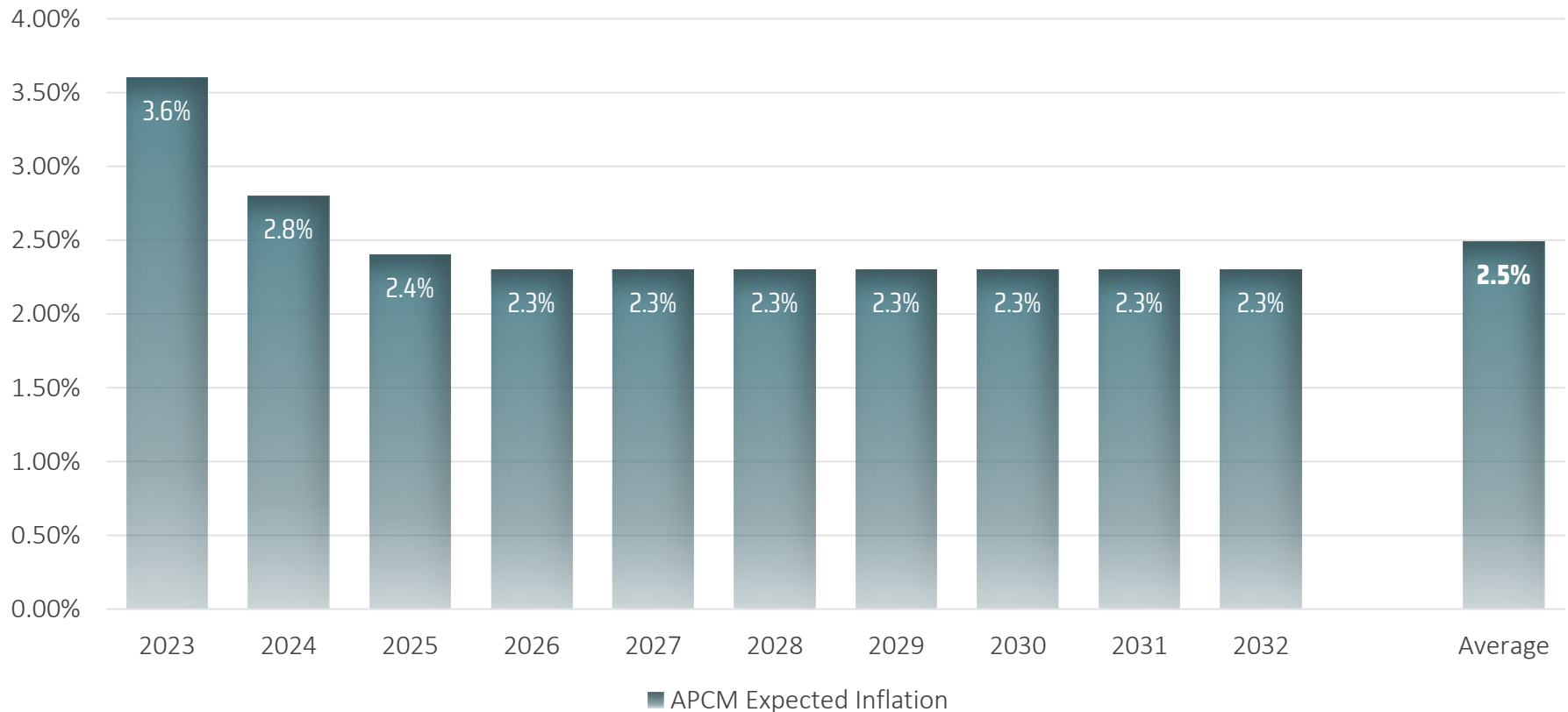


APCM's inflation expectations over the next ten years also increased to 2.5% from 2.25% last year. More persistent price and wage increases have pushed out expectations for a return to normal.

Building Forward Inflation Expectations

Northwest Arctic Borough GF Sustainability Fund

















- ▶ APCM's average expected inflation rate over the next 10 years is 2.5% annually.
- ▶ This expectation incorporates higher inflation expectations in the near term, and is developed using third party research, Federal Reserve Projection Materials, and APCM's analysis.



Source: March 2023 Federal Reserve Projection Materials

2023 Forward-Looking Return Expectations

Northwest Arctic Borough GF Sustainability Fund

	Asset Class	2023	Change	Rationale
Risk Assets	U.S. Large Cap Equity	9.26%	-0.3% 	Added expectations for a shallow recession in the near-term.
	U.S. Mid Cap Equity	10.66%	-0.2% 	Added expectations for a shallow recession in the near-term.
	U.S. Small Cap Equity	10.72%	-0.3% 	Added expectations for a shallow recession in the near-term.
	International Developed Equity	9.98%	 1.9%	U.S. Dollar expected to depreciate from strong performance in 2022.
	Emerging Markets Equity	10.84%	 0.3%	Friend-shoring, China slowdown, and FX expectations combine for slight increase.
	U.S. High Yield Corporate Bonds	7.98%	 1.5%	The Fed's policy changes in 2022 have significantly increased yields.
Alternatives	U.S. REITs	9.63%	-0.2% 	Higher rates expected to impact REITs until policy is normalized.
	Global Infrastructure	8.77%	 1.5%	Higher inflation than the post-GFC period should boost global infrastructure.
	Commodities	3.52%	-1.2% 	High current prices reduce the probability commodities will outpace global inflation.
	Alternative Beta	6.62%	 0.8%	These strategies target an absolute return above cash, which increased expectations.
	Private Equity	12.26%	-0.3% 	Added expectations for a shallow recession in the near-term.
Risk Control	U.S. Aggregate Bonds	4.22%	 1.5%	Starting rates high with expectations for future rate cuts improve return.
	U.S. 1-5 Year Government / Credit	3.75%	 1.2%	Starting rates high with expectations for future rate cuts improve return.
	U.S. 0-5 Year TIPS	3.90%	 1.8%	Higher start rates and inflation improve expectations for TIPS.
	International Bonds	3.27%	 1.5%	Higher starting rates increased expectations, while hedging costs rise.
	Cash	3.00%	 1.9%	The Fed's 2022 policy changes in 2022 have impacted short-term rates most.

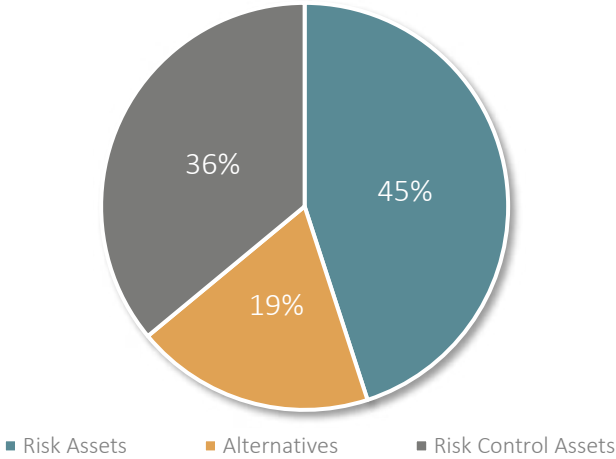
Portfolio Return and Risk Characteristics

Northwest Arctic Borough GF Sustainability Fund

Expected to Meet Post-FY'30 Target Return

- ▶ Per NABC 6.28.010, the purpose of the sustainability fund is to utilize revenue for long-term investment that will eventually yield investment revenue to help augment borough operations in the absence of sufficient tax or payment in lieu of taxes revenue.
- ▶ Per NABC 6.28.050(B), after fiscal year 2030, on an annual basis, the assembly may approve, by a three-fourths vote of assembly members, the use of up to **four percent of the five-year average of the sustainability fund's calendar-year-end market value.**

Current



Characteristics	Current	
	Expected	Range*
Annual Return (Gross)	7.0%	-10.7% to 24.3%
Long-Term Return (Gross)	6.6%	6.3% to 6.9%
Net Earnings Long-Term Return Less 2.5% Expected Inflation	4.0%	3.7% to 4.2%
Avg. Loss in Extreme Conditions (Gross) Within a 1-Year Horizon	-20.8%	

* Range denotes the 95% confidence interval. Risk and return data from Windham Portfolio Advisor.

Wealth Simulations 10-Year Horizon

Northwest Arctic Borough GF Sustainability Fund

Modeling Assumptions

\$51.65M

Starting
Market
Value

\$53.7M

Cumulative
Deposits
(30% of RDM PILT
Revenue 6.28.030(A))

\$5.4M

Average Total
Transfers from
Contingency Reserve

4.0%

of 5-Year Average
Market Value
Withdrawal Rate

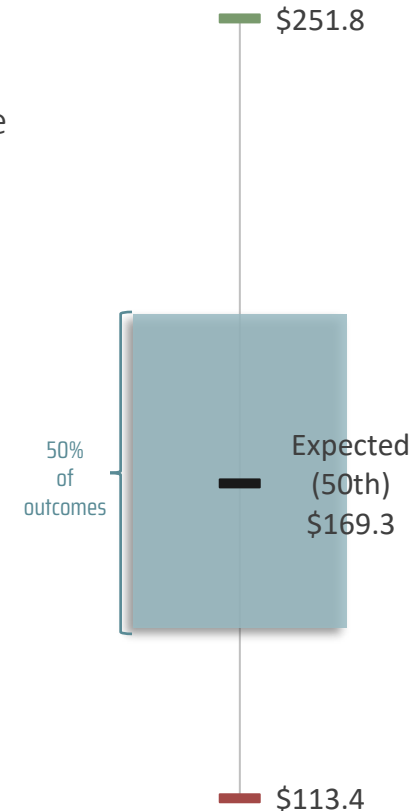


The expected ending market value (right) is \$169.3 M on December 31, 2033.

50% of the scenarios ended the modeling horizon between \$143.6M and \$199.3M.



Withdrawals were calculated based on 4.0% of the average of the last five calendar-year-end market values of the Sustainability Fund, as stipulated in NABC 6.28.050(B).

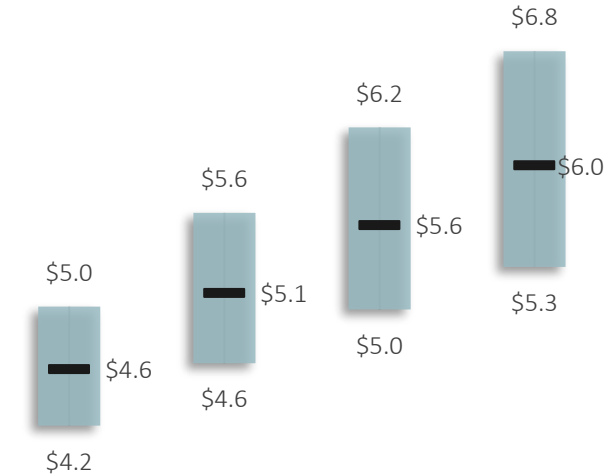


Range of Expected Withdrawals

Northwest Arctic Borough GF Sustainability Fund

NABC 6.28.050(B) states that withdrawals may not start until after fiscal year 2030.

Withdrawals presented in millions.



— Expected (50th)

FY'24 FY'25 FY'26 FY'27 FY'28 FY'29 FY'30 FY'31 FY'32 FY'33 FY'34

Distribution Year

Withdrawals (\$ millions)	FY'24	FY'25	FY'26	FY'27	FY'28	FY'29	FY'30	FY'31	FY'32	FY'33	FY'34
4% Distribution Rate	—	—	—	—	—	—	—	4.57	5.09	5.56	5.97

Risk and return data from Windham Portfolio Advisor. Withdrawals presented in the table are at the 50% CL.

Key Projections in Modeling Results

Northwest Arctic Borough GF Sustainability Fund

Levers that can Change Expected Outcomes



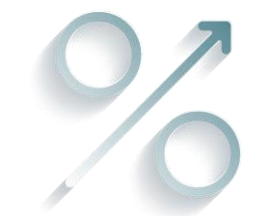
Expected Future **Budget**



Expected Future **Revenues**



Expected **Deposits**



Expected Portfolio
Risk & Return



Change
Amount
Needed

Change
Expected
Withdrawal
Amounts

- **APCM can provide additional modeling** should the Borough request that **further scenarios** – with changes to current expectations for the levers above – **be considered**.
- If changes to the first three levers are to be considered, APCM would **need NAB to provide these expectations** to do additional modeling, if requested.
- Changes to the expected risk and return of the portfolio are based upon **APCM's forward-looking risk and return assumptions** for each asset class.
 - APCM can provide modeling for strategic asset allocations with higher or lower **risk & return** expectations.

Appendix

Strategic Review

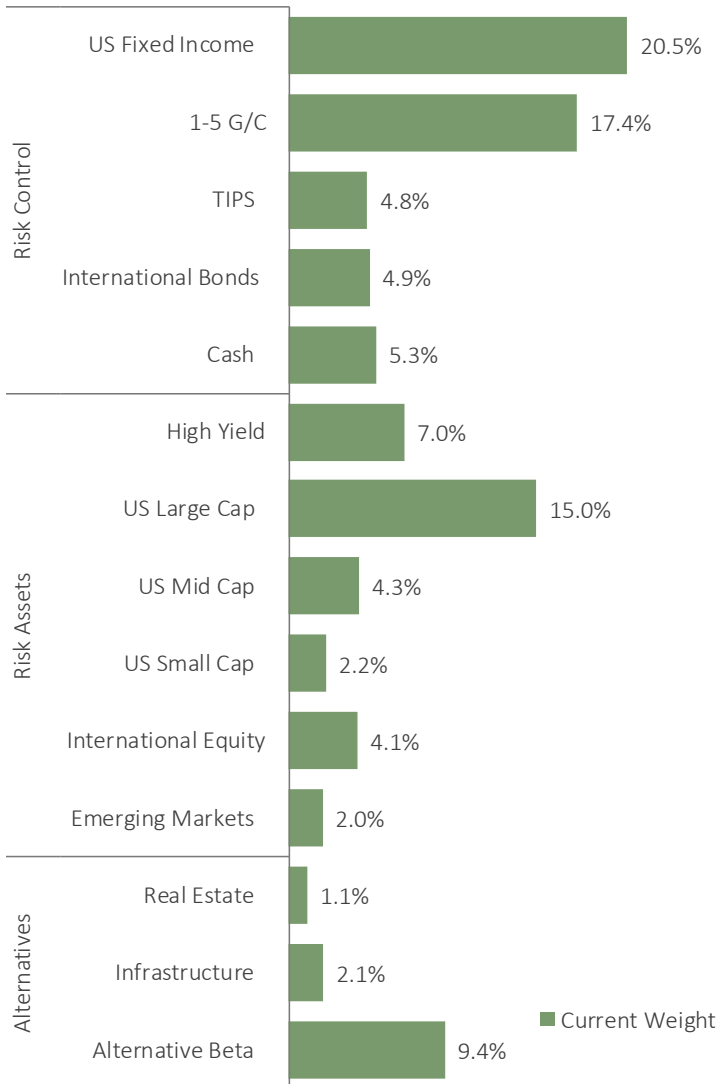
Appendix

Portfolio Review

Northwest Arctic Borough Contingency Reserve

Asset Allocation as of December 31, 2023

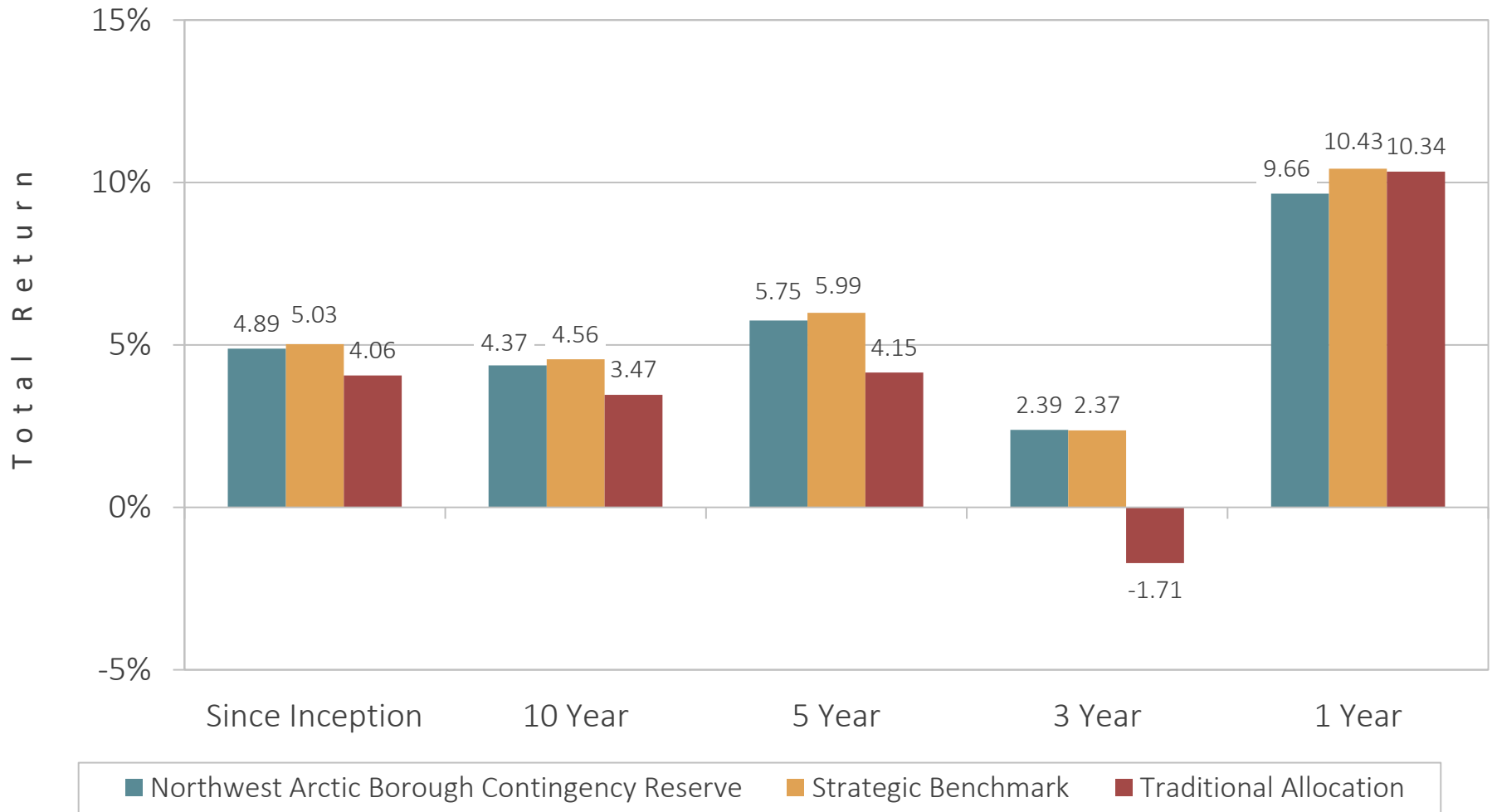
Northwest Arctic Borough Contingency Reserve



Asset Class	Strategic Weight	Overweight / Underweight	Range
Risk Control			
	53%	-0.2%	
US Fixed Income	20%	0.5%	10 - 30%
1-5 G/C	18%	-0.6%	10 - 32%
TIPS	5%	-0.2%	0 - 10%
International Bonds	5%	-0.1%	0 - 10%
Cash	5%	0.3%	0 - 10%
Risk Assets			
	34%	0.6%	
High Yield	7%	0.0%	0 - 12%
US Large Cap	15%	0.0%	5 - 25%
US Mid Cap	4%	0.3%	0 - 8%
US Small Cap	2%	0.2%	0 - 4%
International Equity	4%	0.1%	0 - 8%
Emerging Markets	2%	0.0%	0 - 4%
Alternatives			
	13%	-0.4%	
Real Estate	1%	0.1%	0 - 4%
Infrastructure	2%	0.1%	0 - 4%
Alternative Beta	10%	-0.6%	0 - 15%

Account Performance as of December 31, 2023

Northwest Arctic Borough Contingency Reserve



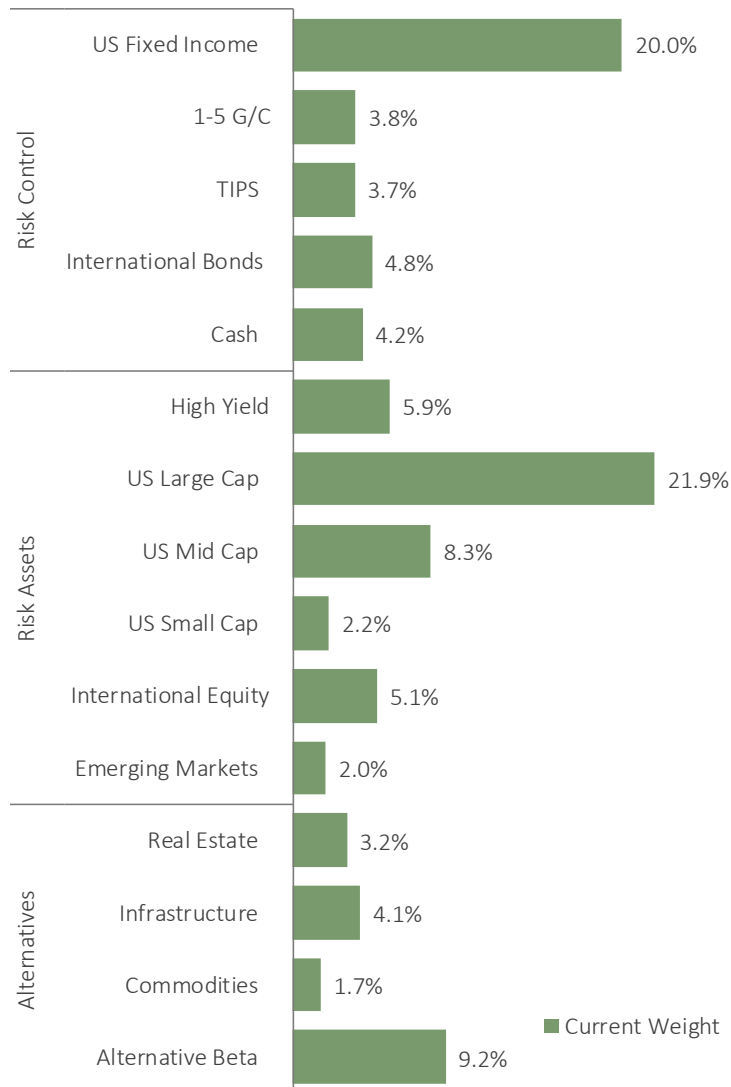
Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year. Portfolio inception performance begins on August 31, 2013. Strategic benchmark is a blended return of the account's target allocation.

Portfolio Review

Northwest Arctic Borough GF Sustainability Fund

Asset Allocation as of December 31, 2023

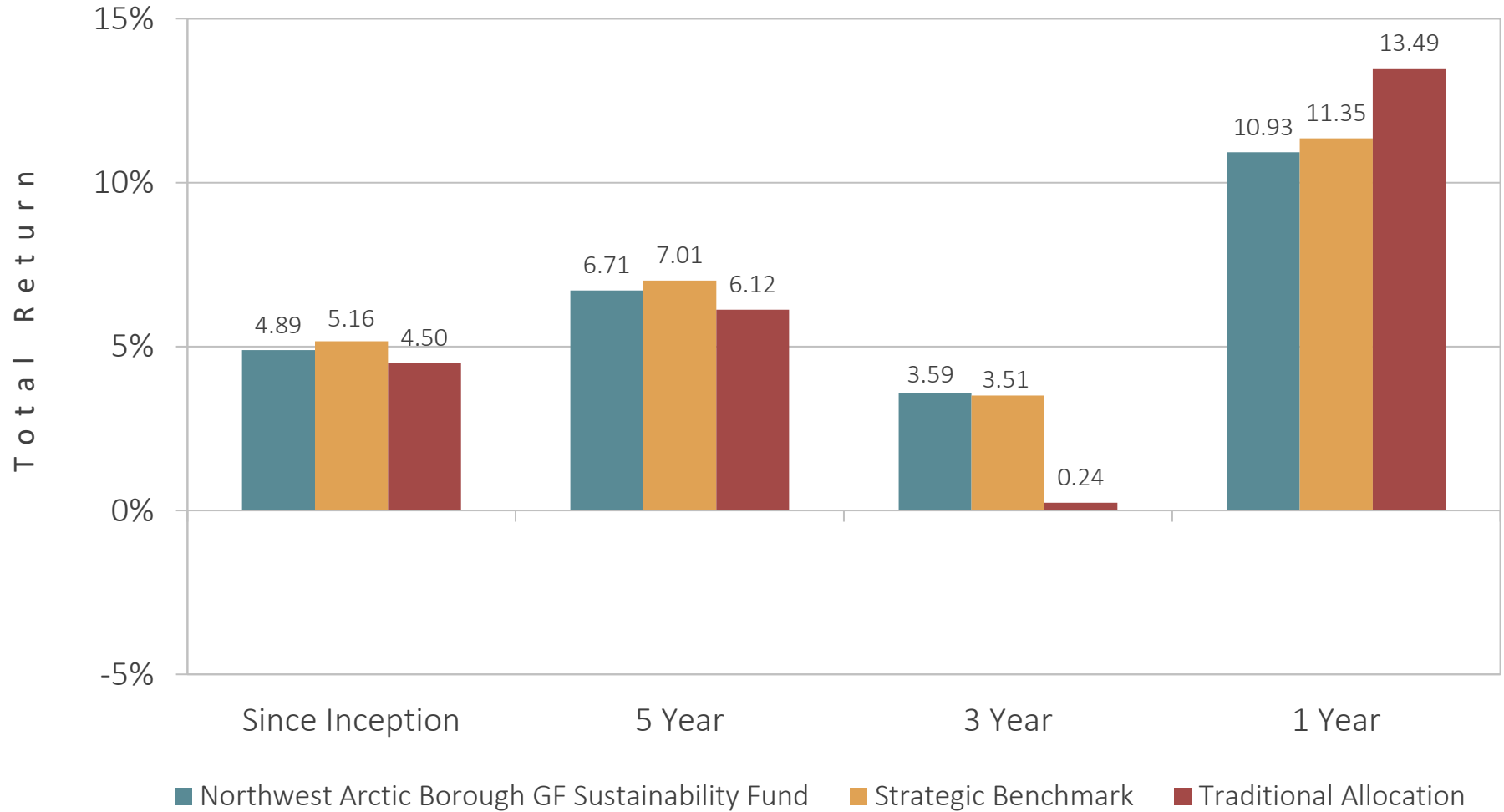
Northwest Arctic Borough GF Sustainability Fund



Asset Class	Strategic Weight	Overweight / Underweight	Range
Risk Control			
	36%	0.4%	
US Fixed Income	20%	0.0%	10 - 30%
1-5 G/C	4%	-0.2%	0 - 8%
TIPS	4%	-0.3%	0 - 8%
International Bonds	5%	-0.2%	0 - 10%
Cash	3%	1.2%	0 - 10%
Risk Assets			
	45%	0.3%	
High Yield	6%	-0.1%	0 - 12%
US Large Cap	22%	-0.1%	12 - 32%
US Mid Cap	8%	0.3%	0 - 16%
US Small Cap	2%	0.2%	0 - 4%
International Equity	5%	0.1%	0 - 10%
Emerging Markets	2%	0.0%	0 - 4%
Alternatives			
	19%	-0.8%	
Real Estate	3%	0.2%	0 - 6%
Infrastructure	4%	0.1%	0 - 8%
Commodities	2%	-0.3%	0 - 4%
Alternative Beta	10%	-0.8%	0 - 15%

Account Performance as of December 31, 2023

Northwest Arctic Borough GF Sustainability Fund



Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year. Portfolio inception performance begins on August 31, 2017. Strategic benchmark is a blended return of the account's target allocation.

Market Review

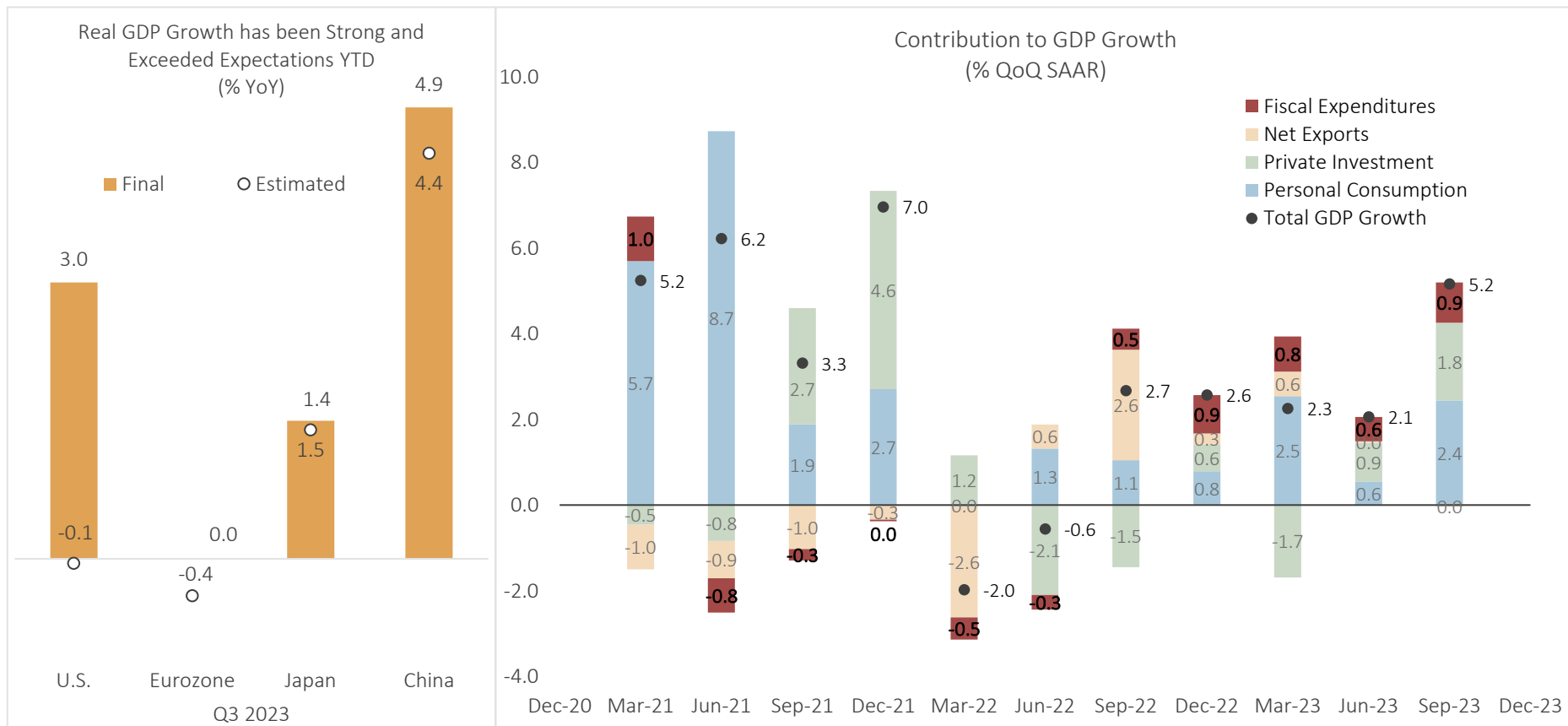
APCM 2024 Views

For APCM's full 2024 outlook, please see the short presentation linked above.

Robust Economic Resilience in 2023

2023 Recap

The global economy displayed remarkable resilience in 2023, and inflation generally slowed, easing recessionary fears. In the U.S., Fiscal support contributed significantly to robust economic performance, and interest rates remain near the highest level seen in decades as inflation is still modestly above central bank targets.

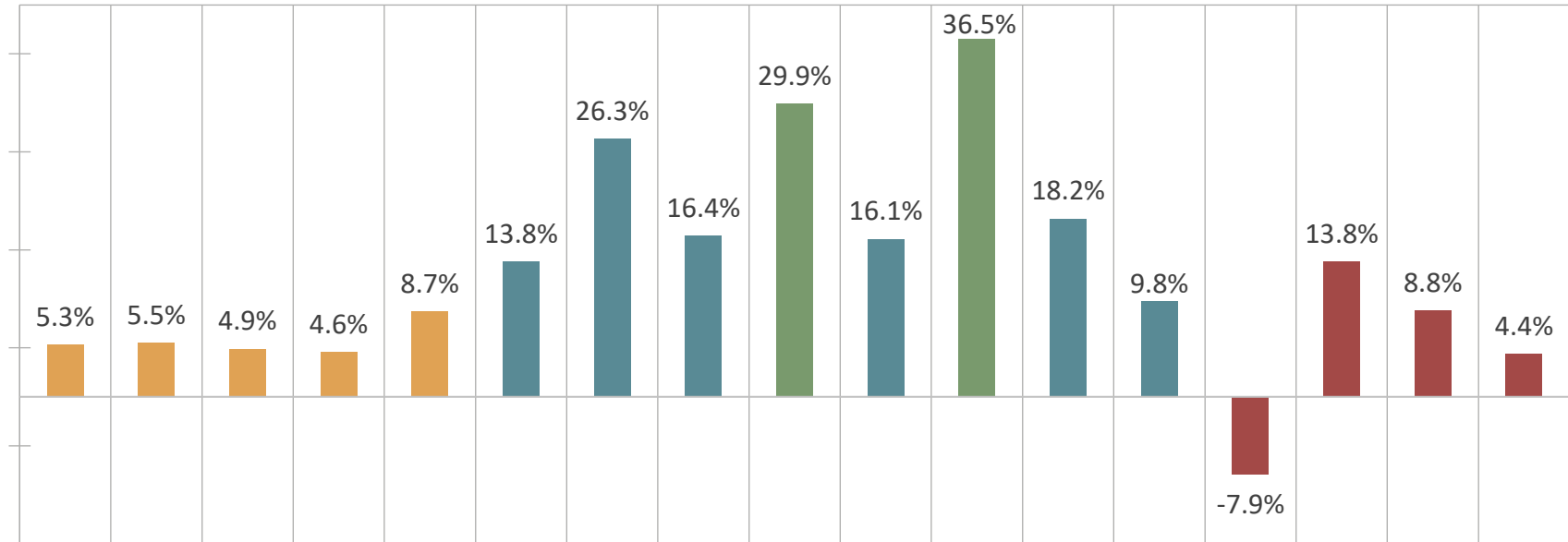


2023 Asset Class Returns

2023 Recap

The combination of **resilient growth and declining inflation** has translated into healthy returns across most asset classes. Fixed income now presents attractive forward-looking returns, offering the potential to **cushion portfolios in the event of a downturn**. Bonds also appear relatively appealing compared to stocks, although stocks, even at these levels, are not excessively priced.

Total Return



	RISK CONTROL						RISK ASSETS								ALTERNATIVES			
	FIXED INCOME						EQUITIES								ALTERNATIVES			
	Cash	U.S. Fixed Income	1-5 Gov. Credit	TIPS	Intl. Fixed Income	HY Fixed Income	U.S. Large Cap	U.S. Mid Cap	Mid Cap Quality	U.S. Small Cap	Small Cap Quality	Dev. Ex-U.S.	Emerging Markets	Comm.	Real Estate	Infra.	Alt. Beta	
Dec. 2023	0.5	3.8	1.6	1.1	3.2	3.9	4.5	8.7	7.6	12.8	11.7	5.3	3.9	-2.7	9.9	4.6	0.4	
CY' 2023	5.3	5.5	4.9	4.6	8.7	13.8	26.3	16.4	29.9	16.1	36.5	18.2	9.8	-7.9	13.8	8.8	4.4	
CY' 2022	1.5	-13.0	-5.5	-2.7	-12.7	-11.9	-18.1	-13.1	-12.2	-16.1	-14.1	-14.5	-20.1	16.1	-24.4	-10.1	-5.6	
5 Year	1.9	1.1	1.5	3.4	1.0	5.0	15.7	12.6	18.0	11.0	18.3	8.2	3.7	7.2	7.2	6.7	2.6	

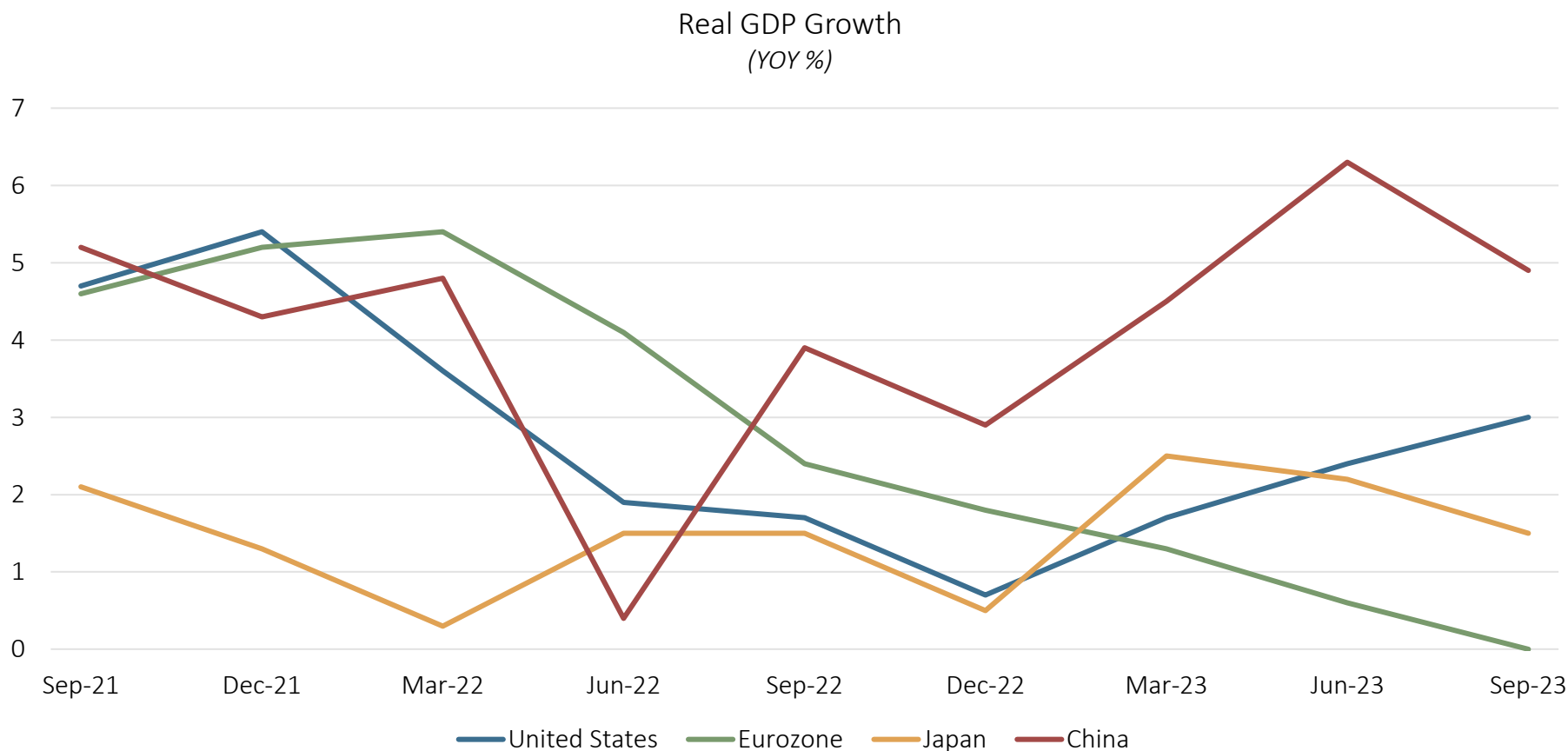
Data: Bloomberg. Asset class performance is represented by the stated index return. Returns annualized for periods greater than one year.

Peak Growth and Inflation

2024 Outlook

We believe both **growth and inflation have peaked**. The robust economic resilience witnessed in 2023 is poised to wane, yielding to weakness in the face of diminishing fiscal support and the delayed impacts of tighter monetary policies, which are gaining global traction.

	Peak Inflation	Now
U.S.	9.1%	3.1%
Eurozone	10.6%	2.4%
Japan	4.3%	3.3%
China	2.8%	-0.5%

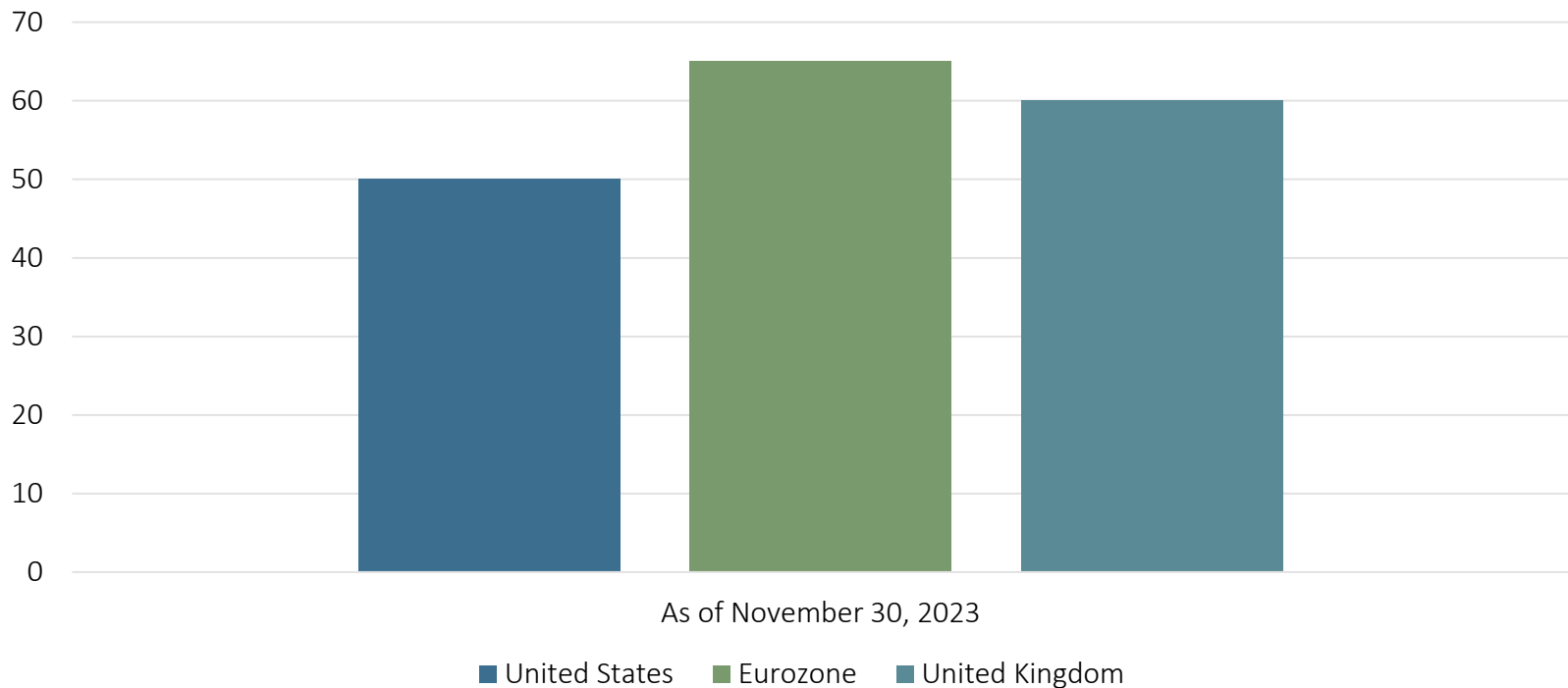


Probability of Recession

2024 Outlook

This deceleration, however, is not uniform across countries. **The United States seems better positioned for a favorable economic outcome** compared to Europe and the UK, where recessions are likely. Consequently, we anticipate a divergence in economic and market performance, prompting **earlier rate cuts in Europe**. In China, while there is an acknowledgment of the need to support growth, domestic demand is expected to remain subdued in 2024 due to insufficient stimulus in the wake of the lingering property downturn and other challenges.

Consensus Recession Probability in Next Twelve Months



Impacts of Fiscal and Monetary Policies

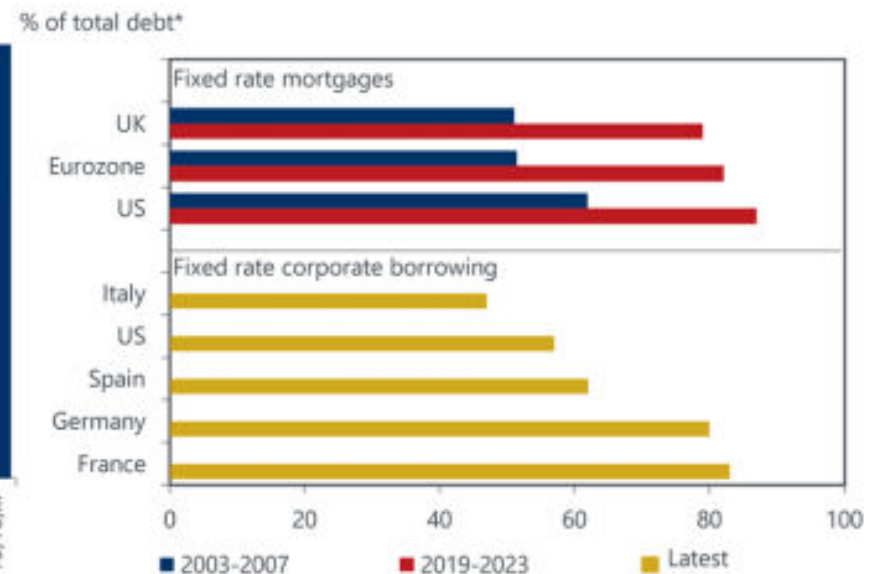
2024 Outlook

Timing the business cycle is difficult. Growth could persist for some time as fiscal and monetary policies impact the economy with long and variable lags. Noteworthy is the extension of debt maturities by households and businesses, **cushioning the economy against the gradual pass-through of rising interest rates**. Post-pandemic supply-chain normalization and potential AI-driven productivity enhancements could further bolster economic prospects, but their immediate impact remains uncertain. Other factors that can support further growth include **healthy household and corporate balance sheets** and the use of proactive financial stability policies, as demonstrated by the U.S. Federal Deposit Insurance Corporation's swift extension of bank guarantees under exceptional circumstances in 2023, effectively averting a recession.

US: listed corporate debt profile
Proportion of listed company debt by maturity



High shares of fixed rate debt



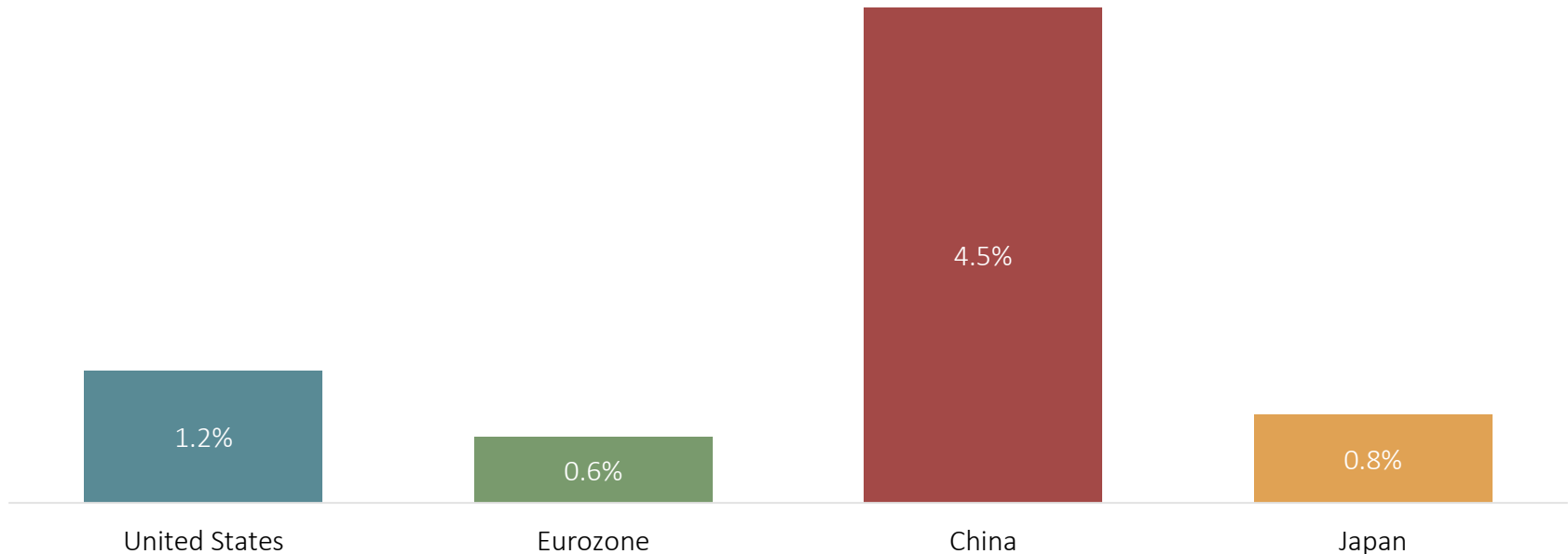
Global Economic Growth

2024 Outlook

While global economic growth is anticipated to be **slower yet positive in 2024**, historical precedents caution against underestimating challenges. Achieving a soft landing amid elevated inflation is a rarity in central banking history. Previous tightening cycles with policy rate hikes of 400 basis points or more **have often culminated in recession**. Additionally, tight financial conditions heighten the risk of market accidents, particularly in vulnerable sectors such as commercial real estate.

Finally, amid global uncertainties, though geopolitical strategists do not anticipate the escalation of the Middle East war into a widespread regional conflict, risks remain which underscores the importance of **maintaining vigilance in the year ahead**.

2024 Projected Real GDP Growth



Building in Reinforcements for 2024

Positioning

APCM's 2024 strategy is designed to accommodate an array of macroeconomic and market scenarios

Bond yields are attractive, and in the event of a recession, declining yields are expected to provide attractive returns, surpassing the returns of alternative beta. **APCM maintains an overweight to bonds funded by alternative beta to leverage this situation.** While equities seem relatively expensive compared to bonds, we see potential **opportunities within high-quality names.** Nonetheless, equities may continue to be supported if the economy proves more resilient than currently anticipated or if monetary policy starts to normalize. **As a result, we maintain a neutral stance on equities, emphasizing the importance of sustaining exposure to risk assets to balance potential upside gains with downside risks.** Additionally, we highlight the significance of exposure to oil, which serves as a hedge against geopolitical risks in the Middle East.

Neutral
Risk
Assets

Overweight
Risk
Control

Underweight
Alternatives



Legislative Consultants **LLC**

Wendy Chamberlain

Legislative Update

Northwest Arctic Borough

January 30, 2024

Revenue projections moving forward -10 years

Oil

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Unrestricted General Fund Revenue												
1 Investment Revenue ¹	3,458.3	3,616.6	3,745.0	3,847.8	3,979.8	3,964.8	4,024.8	4,090.8	4,192.8	4,299.8	4,410.8	4,527.8
2 Petroleum Revenue	3,119.4	2,414.4	2,078.2	1,935.7	1,950.1	2,003.4	1,944.1	1,867.6	1,854.6	1,986.5	2,100.9	2,166.9
3 Non-Petroleum Revenue	466.3	454.5	485.2	518.8	547.9	568.1	577.3	592.8	605.1	613.1	621.2	626.8
4 Total Unrestricted General Fund Revenue	7,044.0	6,485.5	6,308.4	6,302.3	6,477.8	6,536.3	6,546.2	6,551.2	6,652.5	6,899.5	7,132.9	7,321.5
5 Percent from Petroleum	44%	37%	33%	31%	30%	31%	30%	29%	28%	29%	29%	30%
6 Permanent Fund transfer	3,360.6	3,526.0	3,657.2	3,760.0	3,892.0	3,877.0	3,937.0	4,003.0	4,105.0	4,212.0	4,323.0	4,440.0

7 **Total Unrestricted Revenue (not**

Deficit and savings

- Governor's FY 2025 budget \$982 million deficit

What is in the savings bank

- CBR \$2.35
- ERA \$7.22

UGF Short Fiscal Summary - FY24/FY25 Budget					
(\$ Millions) (Unrestricted General Funds)		FY24 Budget	FY25 Governor	Change, FY24 to FY25	
1	Revenue	6,526.4	6,308.4	(218.0)	-3.3%
2	UGF Revenue (DOR Fall 2023 Forecast)	2,959.5	2,651.2	(308.3)	-10.4%
3	POMV Draw	3,526.0	3,657.2	131.2	3.7%
4	Misc/Adjust	40.9	-	(40.9)	
5	Appropriations	6,127.2	7,285.4	1,158.3	18.9%
6	Operating Budget	4,880.5	4,676.6	(203.9)	-4.2%
7	Agency Operations	4,411.1	4,311.6	(99.5)	-2.3%
8	Statewide Items	346.8	365.0	18.2	5.3%
9	Energy Relief Payment*	110.6	-	(110.6)	-100.0%
10	Supplemental Appropriations	12.0	-	(12.0)	
11	Capital Budget	365.2	305.2	(60.0)	-16.4%
12	Current Year Appropriations	360.2	305.2	(55.0)	-15.3%
13	Supplemental Appropriations	5.0	-	(5.0)	
14	Permanent Fund	881.5	2,303.7	1,422.2	161.3%
15	Permanent Fund Dividends	881.5	2,303.7	1,422.2	161.3%
16	Pre-Transfer Surplus/(Deficit)	399.2	(977.0)		
17	Constitutional Budget Reserve*	110.6	-		
18	American Rescue Plan Act (ARPA)	(10.6)	-		
19	Other Fund Transfers	23.8	5.3		
20	Post-Transfer Surplus/(Deficit)	275.4	(982.3)		
				Reserve Balance	
				FY24	
				SBR	19.8
				CBR	3,205.8
				ERA	7,470.5

*Revenues exceeding DOR's Spring 2023 forecast are split between between the CBR and a deposit into the dividend fund. The dividend fund appropriation is capped at \$318.3 million and would be distributed as an energy relief payment in FY25.

The PFD

Governor's
FY 2025
proposed
full
dividend

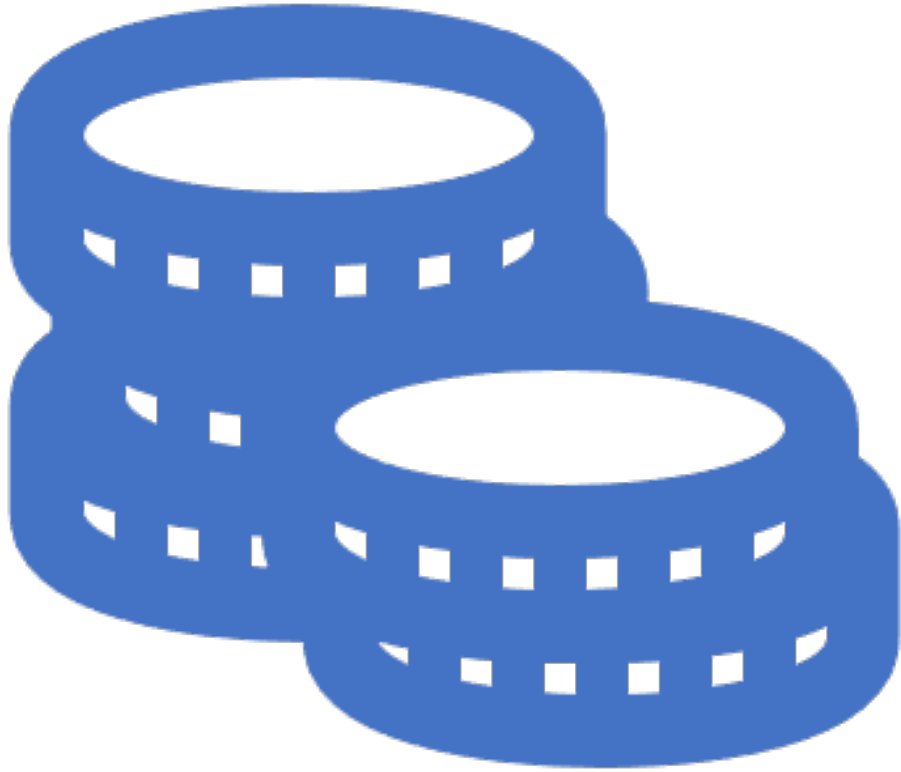
\$3,400 per Alaskan
Cost \$2.4 billion



Current
year
dividend

\$1300 per Alaskan
Cost \$881 million
Difference \$1.4 billion

Energy Dividend



- A \$175 “energy relief” payment is expected to be added to Alaskans’ Permanent Fund dividends this year as a result of a budget agreement reached last session.
- The final agreement contained a provision for a payment up to \$500 per eligible resident depending on oil prices, the provision for an extra “energy dividend” if the average oil price was higher than the official forecast of \$73 a barrel. The amount of the dividend, if any, will be on a sliding scale, with up to half of the maximum amount going toward the payments and the remainder being deposited in the Constitutional Budget Reserve.



Community Assistance funding

Community assistance backfill not funded- \$30 million

How is the funding calculated?

Community Assistance calculation

(b) Each fiscal year, the legislature may appropriate to the community assistance fund money received by the state during the previous calendar year under AS 43.20.030(c). The amount may not exceed the greater of \$30,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals \$90,000,000.

The program has a minimum payment distribution which applies to all NAB communities except Kotz. For FY 2025 all communities should be fully funded under community assistance program.

School Bond Debt reimbursement

Fiscal Year	Sum of DEED REIMB	Sum of NAB LIABILITY	Sum of Total Debt Service
2024	\$ 1,579,112.50	\$ 1,649,512.50	\$ 3,228,625.00
2025	\$ 397,800.00	\$ 1,141,075.00	\$ 1,538,875.00
2026	\$ 401,287.50	\$ 1,131,712.50	\$ 1,533,000.00
2027	\$ -	\$ 1,071,625.00	\$ 1,071,625.00
2028	\$ -	\$ 1,069,875.00	\$ 1,069,875.00
2029	\$ -	\$ 1,076,500.00	\$ 1,076,500.00
2030	\$ -	\$ 1,071,375.00	\$ 1,071,375.00
2031	\$ -	\$ 869,750.00	\$ 869,750.00
2032	\$ -	\$ 871,750.00	\$ 871,750.00
2033	\$ -	\$ 872,250.00	\$ 872,250.00
2034	\$ -	\$ 871,250.00	\$ 871,250.00
2035	\$ -	\$ 873,750.00	\$ 873,750.00
2036	\$ -	\$ 869,500.00	\$ 869,500.00
2037	\$ -	\$ 873,750.00	\$ 873,750.00
2038	\$ -	\$ 871,000.00	\$ 871,000.00
2039	\$ -	\$ 871,500.00	\$ 871,500.00
Grand Total	\$ 2,378,200.00	\$16,056,175.00	\$ 18,434,375.00

Front burner issues this session

- Education funding
- Energy
- Homelessness/housing
- Oil taxes
- PFD



Opportunities

- MARAD grant funding for Cape Blossom port/barge landing
Route now M3 MARAD designation
- Cape Blossom Phase 2 required local match funding through BIA bridge program
- Repayment of the balance remaining under NAB resolution 19-37
\$1.649,089
- State Capital budget funding for Public Facilities Equipment Storage
- Federal funding for Public Safety Facilities Equipment Storage
- Energy – renewable grant funding
- Housing corporate tax credit opportunities



Northwest Arctic Borough

163 Lagoon Street or P.O. Box 1110 Kotzebue, AK 99752

(907) 442-2500 Fax (907) 442-2930

www.nwabor.org

April 8, 2022

Sulianich Board of Directors
205 3rd Avenue
Kotzebue, AK 99752

Dear Sulianich Board Member,

The Northwest Arctic Borough has overseen the nonprofit Sulianich Art Center since its formation in 2007. The Borough has worked with the Sulianich Board to help the nonprofit work towards independence. To date, the Borough has heavily subsidized the operations and utility costs and staffed the Art Center with Borough employees. Most recently, Fritz Westlake and his team have developed an online sales platform that has boosted sales and the customer base.

Please see below table for sales revenue recorded every March over the past few years. AFN and Christmastime sales have proven to be critical times for Sulianich. As with many brick-and-mortar businesses throughout the world, Sulianich suffered during the pandemic. Although restrictions have eased in the past month, the COVID restrictions were in place much of the past fiscal year. Thankfully, the online sales were implemented and have surpassed pre-COVID sales!

Month Ended	YTD Sales Revenue	Notes
March 2019	\$140,328	Pre-COVID: AFN & Christmas sales took place
March 2020	\$151,355	Pre-COVID: AFN & Christmas sales took place
March 2021	\$84,243	COVID: No AFN & Christmas sales, which are critical sales events for Sulianich
March 2022	\$182,893	COVID: Modified AFN & continued travel restrictions, but the online presence has boosted sales!

This is a great step towards independence for Sulianich.

As Sulianich continues to gain independence, the Borough must address a continuing administrative matter. As you know, Sulianich has its own bank account where proceeds are retained. However, upon establishment of this account (prior to my time at NAB), no Sulianich check stock was ordered. As a result, Sulianich was using General Fund cash to pay for art purchases and not reimbursing the Borough.



Northwest Arctic Borough

163 Lagoon Street or P.O. Box 1110 Kotzebue, AK 99752

(907) 442-2500 Fax (907) 442-2930

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The full background can be recapped as follows:

- Sulianich had been using General Fund cash to pay for art purchases instead of its own account.
- The art purchases were correctly expensed to the Sulianich fund.
- However, the actual cash for art purchases was taken from the Borough's General Fund without a mechanism or practice to reimburse the General Fund for use of that cash.
- The end result is:
 - The balance sheet and income statement reported in the audited financials are correct.
 - The book balance of Sulianich's cash account is at \$1,401,870.15 as of 4/8/22.
 - But the Cash with Central Treasury has a credit balance of \$1,223,104.65, which represents the amount of General Fund revenue that has been used to purchase art but not reimbursed. The credit balance means it owes the Borough's Central Treasury.
 - The net of these (\$1,401,870.15 minus \$1,223,104.65) is \$178,765.50.
 - Sulianich owes the General Fund \$1,223,104.65 to true-up its book balance cash to \$178,765.50.

NAB uses a Central Treasury function--as do most large organizations--each fund is tracked at each transaction level and thus it's easy to identify cash that belongs to Sulianich or the General Fund (Central Treasury) at any given time. Please see the trial balance report as of April 8, 2022, to review these balances.

This may be an overwhelming thing to understand. I've tried to explain it as simply as I can and will be available for questions at the Sulianich Board meeting. If you have questions in advance of this meeting, please email or call me.

Thank you,

Angie Ipiilik Sturm
Northwest Arctic Borough
907-412-2103
asturm@nwabor.org

Account Number	Title	Debit Amount	Credit Amount
SULIANICH ART'S CENTER			
40-00-1100-00	WF CHECKING SULIANICH	1,401,870.15	
40-00-1300-00	INVENTORY	64,207.00	
40-00-1400-00	CASH WITH CENTRAL TREASURY		1,223,104.65-
40-00-2000-00	ACCOUNTS PAYABLE	2,317.93	
40-00-3400-00	FUND BALANCE, UNRESERVED		264,719.47-
40-00-4100-00	REVENUE		182,893.11-
40-00-6000-00	SALARIES	56,266.27	
40-00-6110-00	FICA	2,245.28	
40-00-6111-00	SOA ESC	532.61	
40-00-6115-00	MEDICAL	13,500.48	
40-00-6120-00	WORKER'S COMP	178.02	
40-00-6125-00	PERS	7,292.79	
40-00-6300-00	SUPPLIES	2,436.93	
40-00-6330-00	UTILITIES	15,066.27	
40-00-7800-00	ART PURCHASES	104,803.50	
Total SULIANICH ART'S CENTER:		1,670,717.23	1,670,717.23-

Grand Totals:

1,670,717.23

1,670,717.23-

Report Criteria:

Actual amounts

Includes accounts with activity

[Report].Fund = "40"

NORTHWEST ARCTIC BOROUGH
REVENUES WITH COMPARISON TO BUDGET
FOR THE 10 MONTHS ENDING APRIL 30, 2022

SULIANICH ART'S CENTER

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEARNED	PCNT
	<u>REVENUE</u>					
40-00-4100-00	REVENUE	.00	182,893.11	175,000.00	(7,893.11)	104.5
	TOTAL REVENUE	.00	182,893.11	175,000.00	(7,893.11)	104.5
	TOTAL FUND REVENUE	.00	182,893.11	175,000.00	(7,893.11)	104.5

NORTHWEST ARCTIC BOROUGH
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 10 MONTHS ENDING APRIL 30, 2022

SULIANICH ART'S CENTER

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
<u>DEPARTMENT 00</u>					
40-00-6000-00 SALARIES	.00	56,266.27	79,557.00	23,290.73	70.7
40-00-6110-00 FICA	.00	2,245.28	1,154.00	(1,091.28)	194.6
40-00-6111-00 SOA ESC	.00	532.61	1,513.00	980.39	35.2
40-00-6115-00 MEDICAL	.00	13,500.48	37,692.00	24,191.52	35.8
40-00-6120-00 WORKER'S COMP	.00	178.02	.00	(178.02)	.0
40-00-6125-00 PERS	.00	7,292.79	17,502.00	10,209.21	41.7
40-00-6300-00 SUPPLIES	.00	2,436.93	3,500.00	1,063.07	69.6
40-00-6330-00 UTILITIES	.00	15,066.27	21,000.00	5,933.73	71.7
40-00-7800-00 ART PURCHASES	1,890.00	104,803.50	115,000.00	10,196.50	91.1
TOTAL DEPARTMENT 00	1,890.00	202,322.15	276,918.00	74,595.85	73.1
TOTAL FUND EXPENDITURES	1,890.00	202,322.15	276,918.00	74,595.85	73.1
NET REVENUE OVER EXPENDITURES	(1,890.00)	(19,429.04)	(101,918.00)	(82,488.96)	(19.1)

Brief history of Sulianich:

In 2000, Sulianich was created by the Roswell Schaeffer Sr. administration. It started out as the Borough's "Art Purchasing Program" located within the Borough building. The program startup funding came from Maniilaq (\$25,000), NWAB (\$75,000), and NANA (\$25,000). When this funding was depleted, the Northwest Arctic Borough covered all operating costs.

In 2005, the University of Alaska Chuckchi helped to secure funding from the Rasmuson Foundation to develop a new facility.

In 2007, Sulianich Association was incorporated as a non profit corporation. A board of directors was appointed by Mayor Siikauraq Whiting. Construction was completed and Sulianich moved to the current building, added a free artist workshop, and started hosting classes. NANA has continued to provide this building to Sulianich rent free.

In 2016, Angie Sturm was welcomed to the Borough team. She quickly realized that art purchases were being dispensed from the Borough's general fund without repayment from the Sulianich checking account. She promptly created a procedure to fix this issue.

Today, 16 years' worth of art purchases have not been repaid to the NWAB. The debt is over \$1.2M.

From Angie:

"Sulianich had been using General Fund cash to pay for art purchases instead of its own account.

- The art purchases were correctly expensed to the Sulianich fund.
- However, the actual cash for art purchases was taken from the Borough's General Fund without a mechanism or practice to reimburse the General Fund for use of that cash.
- The end result is:
 - o The balance sheet and income statement reported in the audited financials are correct.
 - o The book balance of Sulianich's cash account is at \$1,401,870.15 as of 4/8/22.
 - o But the Cash with Central Treasury has a credit balance of \$1,223,104.65, which represents the amount of General Fund revenue that has been used to purchase art but not reimbursed. The credit balance means it owes the Borough's Central Treasury.

Sulianich Financial Sustainability Plan

- o The net of these (\$1,401,870.15 minus \$1,223,104.65) is \$178,765.50.
- o Sulianich owes the General Fund \$1,223,104.65 to true-up its book balance cash to \$178,765.50.”

Summary of Finances – last 7 years

Year	Proceeds from Art Sales	Art Purchases Paid by Sulianich	Sulianich Account Growth	Expenditures Covered by NWAB	Total Expenditures	Yearend Deficit
FY15	\$216,955.00	-\$170,984.00	\$45,971.00	-\$193,345.00	-\$318,358.00	-\$101,403.00
FY16	\$209,944.00	-\$166,133.00	\$43,811.00	-\$150,249.00	-\$272,571.00	-\$62,627.00
FY17	\$199,725.00	-\$186,084.00	\$13,641.00	-\$154,139.00	-\$326,582.00	-\$126,857.00
FY18	\$180,536.00	-\$160,486.70	\$20,049.30	-\$169,060.58	-\$309,497.98	-\$128,961.98
FY19	\$202,239.00	-\$175,761.53	\$26,477.47	-\$150,470.86	-\$299,754.92	-\$97,515.92
FY20	\$151,940.00	-\$131,936.26	\$20,003.74	-\$176,705.19	-\$288,637.71	-\$136,697.71
FY21	\$124,970.00	-\$96,691.29	\$28,278.71	-\$163,683.06	-\$232,095.64	-\$107,125.64

This table represents the annual profits versus expenses for Sulianich for the last 7 years. Since 2016, Sulianich has only paid for art purchases. The Borough paid for an employee’s salary and benefits, supplies, and utilities. Without the annual donations from the Borough, Sulianich would have closed long ago.

Starting in FY23, the employee’s salary and benefits have been moved to the Community and Economic Development department. The Borough will only be paying for Sulianich’s supplies and utilities. Sulianich will continue paying for art purchases.

This means annual expenditures covered by the Borough would be about \$24,500.

Bridging the gap

The goal for Sulianich is to become financially independent from the Borough. Rather than Sulianich paying back all the \$1,223,104.65, we propose the Borough invest some or all this money; creating an endowment, where annual interest would be used to pay for Sulianich’s operating expenses.

If we were to invest the total amount, annual interest of 1% would equal \$12,231. 2% gains would equal \$24,462.

Sulianich Financial Sustainability Plan

If we were to invest \$500,000, annual interest of 1% would equal \$5,000. 2% gains would equal \$10,000.

Please note that interest return rates vary depending on the market.

If these proceeds exceed or meet the amount of money needed for annual operations, Sulianich would no longer need donations from the Assembly.

In Summary

Sulianich owes NAB 16 years' worth of art purchases totaling \$1.2m.

Sulianich has an annual deficit of \$100k and cannot operate without NAB donations.

We have reduced costs. We would like to invest the \$1.2m debt and use annual interest to pay for Sulianich operations. If this plan is approved, it would result in Sulianich's financial sustainability.

NORTHWEST ARCTIC BOROUGH SULIANICH BOARD OF DIRECTORS



STRENGTHENING AND IMPROVING LIVING AND ECONOMIC CONDITIONS FOR ALL RESIDENTS

**APRIL 4, 2023 NORTHWEST ARCTIC BOROUGH
ASSEMBLY ROOM KOTZEBUE, ALASKA**



Northwest Arctic Borough

163 Lagoon Street
P.O. Box 1110 Kotzebue, Alaska 99752
(907) 442-2500 Fax (907) 442-2930
www.nwabor.org

Northwest Arctic Borough Sulianich Board of Directors

Regular Meeting Agenda
Tuesday April 4, 2023 – 12:00 P.M.
NWAB Assembly Room – Kotzebue, AK
and Telephonic
(800) 315-6338 access code 22738#

AGENDA

- A. CALL TO ORDER**
- B. ROLL CALL/MEMBER EXCUSAL**
 - 1. Introduction of Staff and Guests
- C. APPROVAL OF AGENDA**
- D. APPROVAL OF PREVIOUS MEETING MINUTES**
 - 1. October 12, 2022 Regular Meeting
- E. STAFF REPORTS**
 - 1. Ariana Erlich
- F. RESOLUTIONS**

Resolution 23-01 a resolution addressing outstanding Sulianich financial liabilities, formalizing the partnership with the Northwest Arctic Borough, and promoting future Sulianich independence, and for related purposes.
- G. TIME AND PLACE OF NEXT MEETING**
- H. OTHER BUSINESS**
- I. BOARD MEMBER COMMENTS**
- J. ADJOURNMENT**



Northwest Arctic Borough

P.O. Box 1110 Kotzebue, Alaska 99752 (907) 442-2500 Fax (907) 442-2930
www.nwabor.org

DATE: March 31, 2023

TO: Sulianich Board of Directors

FROM: Ariana Erlich, Community & Economic Development Administrator

SUBJECT: SULIANICH OPERATIONS REPORT

This report is submitted to the Sulianich Board of Directors on matters that support daily operations, meetings conducted or attended, planned meetings/classes to inform you of the purpose and provide operational information.

DAILY OPERATIONS REPORT BY CATEGORY:

WORKSHOP

We have three regular workshop users. All three artists produce quality art for sale to Sulianich. We have had no issues with these artists. The workshop remains available to interested artists during regular business hours. We continue to require a signed liability waiver to all workshop users.

INVENTORY

Sulianich currently has 2237 pieces of art in stock, ranging from stickers to fur hats to carvings. Inventory value is \$169,621. Popular artists are Ken Tikik, Carl Henry, Jon Ipalook, Molly Brown, April Snyder, and Marlene Smith. Highest selling items are carved earrings, sealskin slippers, and ulus.

CLASSES

Atikluk sewing class November 16th through 18th

Atikluk sewing class January 4th through 6th

Mitten sewing class February 1st through 3rd

Atikluk sewing class at Maniilaq Long Term Care, March 15th through 17th 2pm to 4pm

MEETINGS

Fritz and I participated in several meetings with the NAB legal team and Angie, the Borough Treasurer, to discuss the outstanding 1.2M\$ debt. After some research, we have concluded that from an audit standpoint, the only solution is for Sulianich to pay back the money. The Borough Assembly can then create an endowment that would benefit Sulianich.

EMPTY DIRECTOR SEATS

We still have no letters of interest for the artist seat. The advertisement is still being circulated.

I reached out to the school district. The selection from the school district Inupiaq program has since moved on from that position. There is no new selection from the school district.

We have been unable to fill three director seats for over a year. I recommend reducing the number of seats to 5 to ensure a quorum is met in future meetings.

FY23	Number of Sales	Net Sales	Sales with cost recorded	Sales without cost recorded	Cost of goods sold	Profit Margin	Gross Profit	Online Sales	In Store Sales	Online %	POS %
July	149	\$23,097.41	\$21,502.51	\$1,594.90	\$14,285.18	31%	\$7,217.33	\$1,076.76	\$22,077.41	5%	96%
August	139	\$20,327.51	\$18,462.51	\$1,865.00	\$12,417.13	30%	\$6,045.38	\$1,358.86	\$19,002.51	7%	93%
September	152	\$26,320.45	\$25,208.55	\$1,111.90	\$17,142.64	31%	\$8,065.91	\$5,647.73	\$20,760.45	21%	79%
October	157	\$37,227.53	\$36,467.53	\$760.00	\$23,621.74	35%	\$12,845.79	\$506.75	\$36,737.53	1%	99%
November	109	\$22,038.58	\$21,853.58	\$185.00	\$14,687.97	33%	\$7,165.61	\$4,364.04	\$17,820.58	20%	81%
December	240	\$55,220.84	\$53,132.84	\$2,088.00	\$36,491.26	30%	\$16,641.58	\$3,239.24	\$52,101.89	6%	94%
January	46	\$9,217.99	\$8,617.99	\$600.00	\$5,906.38	29%	\$2,711.61	\$0.00	\$9,217.99	0%	100%
February	77	\$14,457.74	\$14,327.75	\$130.00	\$10,205.59	29%	\$4,122.16	\$3,471.56	\$11,077.75	24%	77%
March	47	\$14,772.76	\$14,432.81	\$339.95	\$10,187.88	29%	\$4,244.93	\$3,300.86	\$11,547.76	22%	78%
Sum	1116	\$222,680.81	\$214,006.07	\$8,674.75	\$144,945.77		\$69,060.30	\$22,965.80	\$200,343.87		
Average	124	\$24,742.31	\$23,778.45	\$963.86	\$16,105.09	31%	\$7,673.37	\$2,551.76	\$22,260.43	12%	89%

NORTHWEST ARCTIC BOROUGH
REVENUES WITH COMPARISON TO BUDGET
FOR THE 9 MONTHS ENDING MARCH 31, 2023

SULIANICH ART'S CENTER

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEARNED	PCNT
	<u>REVENUE</u>					
40-00-4100-00	REVENUE	.00	203,847.33	110,000.00	(93,847.33)	185.3
40-00-4903-00	TRANSFER FROM GENERAL FUND	.00	.00	24,500.00	24,500.00	.0
	TOTAL REVENUE	.00	203,847.33	134,500.00	(69,347.33)	151.6
	TOTAL FUND REVENUE	.00	203,847.33	134,500.00	(69,347.33)	151.6

Commercial Checking Acct Public Funds

Account number: 4121744643 ■ March 1, 2023 - March 31, 2023 ■ Page 1 of 2

WELLS
FARGO

NORTHWEST ARCTIC BOROUGH
SULIANICH ARTS CENTER
PO BOX 1110
KOTZEBUE AK 99752-1110

Questions?

Call your Customer Service Officer or Client Services
1-800-AT WELLS (1-800-289-3557)
5:00 AM TO 6:00 PM Pacific Time Monday - Friday

Online: [wellsfargo.com](https://www.wellsfargo.com)

Write: Wells Fargo Bank, N.A. (182)
PO Box 63020
San Francisco, CA 94163

Account summary

Commercial Checking Acct Public Funds

Account number	Beginning balance	Total credits	Total debits	Ending balance
4121744643	\$1,431,336.55	\$12,694.60	-\$16,072.01	\$1,427,959.14

Credits

Deposits

Effective date	Posted date	Amount	Transaction detail
	03/14	185.00	Deposit
	03/28	255.00	Deposit
		\$440.00	Total deposits

Electronic deposits/bank credits

Effective date	Posted date	Amount	Transaction detail
	03/07	288.08	Shopify Transfer St-Y8V9N5C7M4T7 Sulianich Association
	03/10	1,179.75	Shopify Transfer St-R8M1L8S4Z1H9 Sulianich Association
	03/14	965.23	Shopify Transfer St-U2I4N7x8Q3F4 Sulianich Association
	03/20	491.57	Shopify Transfer St-D4T6V1N8W0J6 Sulianich Association
	03/21	3,299.40	Shopify Transfer St-T8K4A1Z3Y5C7 Sulianich Association
	03/23	160.87	Shopify Transfer St-K3K6W9J0Z8H4 Sulianich Association
	03/24	3,407.52	Shopify Transfer St-O4U5K7W4G7G6 Sulianich Association
	03/27	170.62	Shopify Transfer St-S3R0P2A7M8I2 Sulianich Association
	03/28	175.50	Shopify Transfer St-T4C5E0Y0C4N2 Sulianich Association
	03/29	1,128.26	Shopify Transfer St-D2U8O3W3H4I2 Sulianich Association
	03/30	397.00	Shopify Transfer St-Y2U5M7A1Q2H3 Sulianich Association
	03/31	590.80	Shopify Transfer St-T5M5K9K1P7U3 Sulianich Association
		\$12,254.60	Total electronic deposits/bank credits
		\$12,694.60	Total credits

Debits**Checks paid**

<i>Number</i>	<i>Amount</i>	<i>Date</i>	<i>Number</i>	<i>Amount</i>	<i>Date</i>	<i>Number</i>	<i>Amount</i>	<i>Date</i>
3855	125.00	03/31	3942*	265.00	03/10	3953	250.00	03/21
3895*	140.00	03/28	3943	895.00	03/10	3954	180.44	03/23
3917*	175.00	03/28	3944	660.00	03/14	3955	30.00	03/28
3924*	30.00	03/02	3945	550.00	03/20	3956	160.00	03/23
3926*	120.00	03/13	3946	284.80	03/14	3957	250.00	03/22
3927	4,590.00	03/14	3947	156.94	03/16	3958	355.00	03/23
3931*	1,159.00	03/09	3948	450.00	03/16	3959	310.00	03/23
3936*	120.00	03/28	3950*	1,440.83	03/20	3960	615.00	03/23
3937	120.00	03/28	3951	280.00	03/23	3961	565.00	03/23
3938	380.00	03/15	3952	850.00	03/16	3962	565.00	03/30
			\$16,072.01 Total checks paid					

* Gap in check sequence.

\$16,072.01 Total debits**Daily ledger balance summary**

<i>Date</i>	<i>Balance</i>	<i>Date</i>	<i>Balance</i>	<i>Date</i>	<i>Balance</i>
02/28	1,431,336.55	03/15	1,425,570.81	03/24	1,426,516.96
03/02	1,431,306.55	03/16	1,424,113.87	03/27	1,426,687.58
03/07	1,431,594.63	03/20	1,422,614.61	03/28	1,426,533.08
03/09	1,430,435.63	03/21	1,425,664.01	03/29	1,427,661.34
03/10	1,430,455.38	03/22	1,425,414.01	03/30	1,427,493.34
03/13	1,430,335.38	03/23	1,423,109.44	03/31	1,427,959.14
03/14	1,425,950.81				
Average daily ledger balance		\$1,427,866.45			

**SULIADICH ASSOCIATION
BOARD OF DIRECTORS
RESOLUTION NO. 2023-01**

**A RESOLUTION ADDRESSING OUTSTANDING
SULIADICH FINANCIAL LIABILITIES, FORMALIZING THE
PARTNERSHIP WITH THE NORTHWEST ARCTIC BOROUGH,
AND PROMOTING FUTURE SULIADICH INDEPENDENCE, AND
FOR RELATED PURPOSES.**

WHEREAS: the Sulianich Board of Directors (“Board”) is the governing body for Sulianich Association, an Alaska nonprofit corporation (“Sulianich”); and

WHEREAS: the Northwest Arctic Borough (“Borough”) is the sole sponsor of Sulianich, which provides direct and in-kind financial and operational support; and

WHEREAS: the Board wishes to formalize its relationship with the Borough through execution of a Memorandum of Agreement (“MOA”) to outline the financial and operational assistance from the Borough to Sulianich; and

WHEREAS: the Board recognizes that the Borough has provided unreimbursed cash for art purchases in the amount of a \$1,223,104.65 liability; and

WHEREAS: based on extensive discussion with the Borough Administration and agreement with the following proposal, the Board wishes to repay the \$1,223,104.65 liability to the Borough with the agreement and understanding that the funds will be used to create an endowment fund benefiting Sulianich that will support independent operation; and

WHEREAS: in order to promote future Sulianich financial independence, the MOA will include the parameters through which the endowment will be created and jointly managed by the Borough and Sulianich.

NOW THEREFORE BE IT IS RESOLVED: based on the above, the Sulianich Board of Directors will pay the outstanding liability to the Borough to be used to create an endowment fund benefiting Sulianich and to promote independent operations; and

BE IT FURTHER RESOLVED: the Board agrees to formalize its partnership with the Borough through the execution of an MOA to outline the financial and operational responsibilities and support from the Borough, including the parameters through which the endowment will be created and jointly managed.

PASSED AND ADOPTED THIS _____ DAY OF _____, 2023.

SULIADICH ASSOCIATION

Linda Joule, President

Signed and Attested to:

Denny McConnell, Secretary