To: State of Alaska Local Boundary Commission

Date: October 31, 2025

From: Eaglexit

Re: Financial Analysis of Chugach Regional Borough Detachment from the MOA

Introduction – Eaglexit submits the following analysis demonstrating the financial feasibility (and approach thereof) of the Chugach Regional Borough's proposed detachment from the MOA to the State of Alaska Local Boundary Commission.

Eaglexit notes the analysis is subject to change as additional information is received. Further, due to the MOA's challenges issuing timely financial reports, by necessity, most financial figures incorporated in the analysis are as of December 31, 2023. Population figures are pulled from the most recent 2020 Census.

The analysis is provided in the following order:

- Acronyms and Definitions
- Introduction
- Preliminary Draft Figures
- Detailed Fund by Fund Information
- Police and Fire
- ASD
- Q and A
- Financial Information Update
- Summary
- Exhibit A – Summary of all Funds
- Exhibit B – Illustration of Allocation of GO Bond Debt and Capital Assets

Eaglexit looks forward to questions and comments from the State of Alaska Local Boundary Commission.

Acronyms and Definitions

ACFR (Annual Comprehensive Financial Report) – a set of government financial statements comprising a government entity's financial report that complies with GASB accounting requirements.

ACDA (Anchorage Community Development Authority) – an MOA Component Unit.

ACPA (Alaska Center for the Performing Arts, Inc.) – an MOA Component Unit.

Alcohol Beverages Fund (Alcohol Beverages Retail Sales Tax Fund) – a Special Revenue Fund that accounts for alcoholic beverage sales tax proceeds.

Anchorage Bowl – the tax districts (such as tax district 3) comprising the areas of the MOA other than Eagle River / Chugiak, the Hillside, and Girdwood / Turnagain Arm.

Anchorage Roads & Drainage Service Area (ARDSA) – One of the Five Major Funds.

Approach A – an allocation methodology where a Fund's Assets, Liabilities and Fund Balance are allocated entirely to one entity or entirely to another entity. Example: Building Service Area Fund.

Approach B – an allocation methodology where Eaglexit anticipates waiving its interest in a particular Fund. Example: Cemetery Perpetual Maintenance Fund.

Approach C – an allocation methodology that anticipates allocating a Fund's Assets, Liabilities and Fund Balance and/or Debt and Capital Assets based upon relative populations (aka, a population-based approach). Example: MOA Trust Fund.

Approach D – an allocation methodology that does not anticipate proposing dividing the Assets, Liabilities, and Fund Balance of a Fund. Instead, any future economic benefits, such as MUSA or MESA, would be subject to population-based sharing.

Approach E – a population-based approach for all pension and OPEB obligations, including COP Bond obligations, that allocates any residual Fund Balance for pension and OPEB Funds once all pension and OPEB obligations are fully extinguished.

Approach F – an allocation methodology like Approach C except the population-based approach would be adjusted, either upward or downward because the Service Area does not cover an intact area within or outside of the Chugach Regional Borough ("hybrid" approach).

Approach G – an annual population-based allocation of Hydro income before annual transfers (to the MOA Trust Fund) and after acquisition and construction of capital assets plus a population-based split of any other future economic benefits.

Areawide Fund – a Fund that is financially supported by all MOA taxpayers, as opposed to Service Area Funds which are financially supported only by property taxes generated from properties located within the tax district. See also: *Service Area*.

ASD (Anchorage School District) - an MOA Component Unit.

Asset(s) – An entity's current right to an economic benefit. Assets include but are not limited to cash, investments, Capital Assets, etc.

Assigned (Fund Balance) – governmental resources set aside for a specific future purpose, but without the formal constraints of a committed Fund Balance or externally imposed restrictions.

ASU (Anchorage Wastewater Utility) - the Enterprise Fund that accounts for the activities of the MOA-owned wastewater Utility. See also: *AWWU*.

AWU (Anchorage Water Utility) – the Enterprise Fund that accounts for the activities of the MOA-owned water Utility. See also: *AWWU*.

AWWU – Anchorage Water and Wastewater Utility. See also: *ASU and AWU*.

Blended Component Unit – a legal entity so closely related to a primary government that it is reported as part of the primary government. Example: CIVICVentures. See also: *Discretely Presented Component Unit*.

Bond Rating Reserve - An unrestricted general fund Fund Balance reserve committed by municipal policy equal to 10% of current year expenditures. See also: *Working Capital Reserve*. This figure can be found on page 113 of the 2023 ACFR, however, the 2023 Bond Rating Reserve is not associated with corresponding net unassigned Fund Balance.

Building Service Area Fund – The Fund that accounts for the activities of the MOA's building safety service area, the area where building permits, plan reviews, and inspections are mandatory for construction.

Capital Asset(s) – real or personal property with value that meets or exceeds a capitalization threshold and has an estimated life of over one year. Capital Assets are also sometimes referred to as Fixed Assets.

Capital Project Fund – a governmental Fund that tracks financial resources used to construct or acquire Capital Assets. Example: Public Transportation.

CBERRRSA – the Chugiak, Birchwood, Eagle River Road Service Area. See also: *LSA*.

Cemetery Perpetual Maintenance Fund – an MOA Nonmajor Permanent Fund established to manage long-term cemetery care costs for the Anchorage Memorial Park Cemetery.

Certificate of Participation Bond (COP Bond) - a security type where investors finance a government project by buying a share of future lease payments from that project. Unlike traditional GO Bonds, COPs are not directly backed by the government's taxing authority but by the revenue generated from the underlying (lease) agreement. See also: *Page 76 Note D in 2023 ACFR*.

Chugach Regional Borough – the future borough that, if formed, would be comprised of the area that is currently MOA Assembly District 2.

CIVIC Center (Dena'ina Civic and Convention Center) – one of two convention centers owned and managed by CIVICVentures. See also: *CIVICVentures*.

CIVICVentures – an MOA Blended Component Unit and nonprofit corporation that owns and operates the CIVIC Center and the Egan Center.

Component Unit - a legally separate organization for which the primary government is legally accountable or an organization for which the significance of its relationship with the primary government is such that exclusion would cause the primary government's reporting to be misleading. Component Units are either Blended Component Units or Discretely Presented Component Units. Example: ACPA.

CRBSD (Chugach Regional Borough School District) – the new school district that would be formed upon creation of the Chugach Regional Borough.

Debt Service Fund – a Fund that accounts for financial resources committed, restricted, or assigned to principal and interest expenditures on governmental entities. Example: PAC Surcharge Revenue Bond.

Deferred Inflow – a government's acquisition of Assets applicable to a future reporting period. Example: Grant funds received in advance. See also: *Deferred Outflow*.

Deferred Outflow – a government's consumption of Assets applicable to a future reporting period. Example: prepaids. See also: *Deferred Inflow.*

Detailed Statements and Schedules - reports issued separate from ACFRs that provide supplemental information on certain MOA Funds.

Discretely Presented Component Unit – a Component Unit with financial reporting shown as a separate column in the government-wide financial statements. Example: ACPA. See also: *Blended Component Unit*.

Disposal Fund – the Major Fund that accounts for the MOA-owned landfill and transfer station. See also: *SWS*.

Effective Tax Rate – the actual tax rate after considering the effects of exemptions such as senior citizen, veteran, and residential exemptions. Illustratively, the cumulative impact of all such exemptions might cause a senior citizen property owner with an extremely low assessed value to owe zero property taxes (Effective Tax Rate of zero) whereas the impact of all exemptions for a property owner with a high assessment might be negligible.

Egan Center (William A. Egan Civic and Convention Center) – one of two convention centers owned and managed by CIVICVentures. See also: *CIVICVentures*.

Endowment Fund – a pool of Assets donated for charitable purposes. The donor may establish restrictions and therefore, Endowment Funds often restrict the spending of principal, etc.

Enterprise Fund – a Proprietary Fund that accounts for operations providing public services like a business. Example: Port. See also: *Utility*.

Equipment Maintenance Fund – the Internal Service Fund that owns and accounts for fleet Assets on behalf of other funds that utilize those Assets.

Fund – a self-balancing set of accounts recording cash and other financial resources, liabilities, and residual equities, and changes therein. Funds are segregated to track specific activities and achieve particular objectives.

Fund Balance – the difference between Assets less: Liabilities. Fund Balance represents net financial resources available. See also: *Net Position*.

Fiduciary Fund – a Fund that accounts for Assets held as agent or trustee. Example: Police and Fire Retirement Trust Fund.

Five Major Funds – the MOA's general government Funds that are not Nonmajor Funds. The Five Major Funds are: Areawide General, Anchorage Fire Service Area, Anchorage Roads & Drainage Service Area, Anchorage Metropolitan Police Service Area, and Anchorage Parks & Recreation Service Area. See also: 1) *Working Capital Reserve*, 2) definition of *Major Fund*.

Fixed Assets – See *Capital Assets*.

Fund Balance – Assets plus Deferred Outflows of Resources less: Liabilities plus Deferred Inflows of Resources. GASB Fund Balances exclude Capital Assets, among other items. See also: Net Position.

Fund Deficit – a negative Fund Balance that occurs when Liabilities plus Deferred Inflows of Resources exceed Assets plus Deferred Outflows of Resources. See also: *Fund Balance* and *Net Position*.

GASB (Governmental Accounting Standards Board) – the entity that establishes accounting and financial reporting standards for government entities such as the MOA.

General Fund – the MOA's primary operating Fund which is also one of the Five Major Funds.

GO Bond Debt (General Obligation Bond) – a type of municipal bond repaid by taxes levied upon residents rather than based on income generated by a funded project. See also: 1) *Revenue Bond,* 2) *Certificate of Participation Bond*.

Governmental Fund – a Fund used to record tax-supported activities.

Hillside – the tax districts comprising the Anchorage Hillside area. Other major groupings are Chugiak-Eagle River, the Anchorage Bowl, and Girdwood / Turnagain Arm.

HLB (Heritage Land Bank) – municipal-owned real estate accounted for in Heritage Land Bank Fund, a Capital Project Fund that accounts for authorized capital improvement projects and Heritage Land Bank Fund, a Nonmajor Special Revenue Fund.

Hybrid Service Area Fund – A Service Area (Fund) that does not fall entirely within or outside of the boundaries of the (future) Chugach Regional Borough. A Hybrid Service Area Fund requires an independent population-based calculation to fairly allocate the Fund's Assets, Liabilities, and Fund Balance.

Hydro (Anchorage Hydropower Fund) – the Nonmajor Enterprise Fund that accounts for the remaining Assets, including installment sale revenues, from the 2020 sale of ML&P. See also: *ML&P*.

Incurred But Not Reported (IBNR) – the estimated amount of claims that have occurred but have not yet been reported or recorded.

Internal Service Fund – a Fund used to allocate the cost of a government's shared activities. Example: *Information Technology Fund*.

Liability(ies) – a probable or certain future sacrifice of economic benefits owed to another entity that results from a past transaction or event. Liabilities include but are not limited to accounts payable, accrued payroll, bonds payable, etc.

LSA (Limited Service Area) – a defined tax district that supports functions – often road functions - within that tax district and is funded by real property taxes generated from properties located within that district. Example: *Upper Grover Roads*.

Major Fund – the General Fund and any Fund where at least one of the following exceeds 10% of corresponding totals and at least 5% of aggregate totals: 1) total Assets plus Deferred Outflows, 2) Liabilities plus Deferred Inflows, 3) revenues, and 4) expenditures. See also: 1) *Five Major Funds*, 2) *Nonmajor Fund*.

MESA (Municipal Enterprise Service Assessment) – a payment from a Component Unit or non-utility Enterprise Fund to general government. See also: *MUSA*.

Mill Rate – a tax rate paid on real estate, ignoring the impact of various deductions a taxpayer is entitled to. Mill Rates are measured in mills equivalent to 10^{th} of a percent.

ML&P (Municipal Light and Power) – the electric Utility sold to a third party in 2020. See also: *Hydro*. See also: *ML&P Sales Proceeds*.

ML&P Sales Proceeds - a Nonmajor Fund holding the remaining proceeds from the ML&P sale.

MOA - Municipality of Anchorage.

MOA Trust Fund – the Major Governmental Fund that accounts for the Endowment Fund authorized by municipal voters.

Municipal Airport - the MOA-owned airport previously referred to as the Merrill Field Airport. See also: *Municipal Airport Fund*.

MUSA (Municipal Utility Service Assessment) – a payment from a Utility to general government. See also: *MESA*.

Net Position – Assets plus Deferred Outflows of Resources less: Liabilities plus Deferred Inflows of Resources. Net Position includes Capital Assets, among other items. See also: *Fund Balance*.

Net Sale Proceeds – seller consideration remaining after all debts (including current Liabilities) are paid when an Asset (such as an Enterprise Fund) is sold to a third party.

Nonmajor Fund – a Fund that does not meet the threshold of a Major Fund. see also: *Major Fund*.

OPEB Benefits – benefits provided to qualified employees aside from pension benefits. An example of an OPEB Benefit is often retiree health insurance. See also: 1) *OPEB Fund*, 2) *Pension Fund*.

OPEB Fund – a Fund established to provide OPEB Benefits to qualified employees. See also: *OPEB Benefits*.

Opioid Settlement Fund – the Nonmajor Fund that accounts for proceeds received from entities affected by the opioid epidemic.

Pension Fund – a Fund that accounts for an employee benefit pension plan. See also: *OPEB Fund*.

Permanent Fund – a Fund that accounts for legally restricted resources where only earnings, not principal, can be used to benefit the government or its citizens. Example: MOA Trust Fund.

PERS (Public Employee Retirement System) – the primary MOA employee retirement plan. See also: *TRS*.

Port (Don Young Port of Alaska) – the MOA-owned port previously named the Port of Alaska.

PPA(s) (Power Purchase Agreements) – Consummated agreements with two third-party utilities that govern Hydro management, the MOA's Hydro obligations, terms of Hydro power purchases, a payment stream to the MOA, and options for the two third-party utilities to increase ownership shares. See also: *Hydro*.

Proprietary Fund(s) – An Enterprise Fund or Internal Service Fund used to account for business-like activities in government. Example: Refuse.

Refuse (Refuse Utility Fund) – the Nonmajor Enterprise Fund that accounts for the MOA-owned refuse collection services. See also: *SWS*.

RCA (Regulatory Commission of Alaska) – the entity that regulates public utilities and other enterprises in Alaska.

Revenue Bond(s) – a debt instrument guaranteed solely by the revenue generated by the specified debt issuer rather than a tax. Example: CIVICVentures Revenue Bond. See also: *GO Bond*.

RRSA - Rural Road Service Area. See also: *LSA* and *Service Area(s)*.

Service Area(s) - a defined tax district supporting district functions that is funded by property taxes generated from properties located within that district. See also: LSA and CBERRRSA. Example: Building Safety Service Area. See also: *Service Area Fund*.

Service Area Fund – an accounting Fund established to support the financial transactions of a Service Area. See also: *Service Area(s)*.

SOA – State of Alaska.

Special Revenue Fund(s) – a Fund that accounts for a special project with specified revenue sources. Example: *Convention Center Operating Reserve*.

Statement of Net Position - a financial statement that lists a government entity's Assets, Deferred Outflows, Liabilities, and Deferred Inflows on a specific date to calculate its net position (the difference between Assets less Liabilities).

SWS (Solid Waste Services) – a group of MOA Utility Funds including Refuse (collection) and Disposal.

TRS (Teachers Retirement System) – the primary employee retirement plan for qualified (ASD) employees. See also: *PERS*.

Utility(ies) – an Enterprise Fund that provides utility services to the public. Example: AWU.

Working Capital Reserve – Unrestricted Fund Balance maintained by municipal resolution for the Five Major Funds equal to between 2% and 3% of current year expenditures. The Working Capital Reserve calculation shortfall is shown on page 117 of the 2023 ACFR. See also: *Bond Rating Reserve*.

Introduction

The MOA is large and complex, with a variety of fund types, debt instruments, and external factors that impact Asset and Liability allocations in the event of a dissolution. Earlier MOA correspondence and consultant reports have indicated that fair allocations could be performed by calculating and applying a population-based split. Eaglexit does not disagree with this approach and proposes its use when appropriate. However, more than one methodology should be considered to achieve a fair and defendable allocation of Assets, Deferred Inflows and Outflows of Resources, Liabilities, and Fund Balance (or Net Position):

- Service Area Fund Splits (**Approaches A, C, and F**) – the MOA contains many Service Area Funds that are supported (funded) by property taxes generated from properties located within those Service Areas. Whenever possible, Service Area Assets, Deferred Inflows and Outflows of Resources, Liabilities, and Fund Balance should either transfer to the Chugach Regional Borough or remain, fully intact, within the MOA. Illustratively, Chugach Regional Borough taxpayers have no financial interest (claim) in the Building Safety Service Area Fund since they do not financially contribute to that Fund just as Girdwood taxpayers have no financial interest in the Eagle River Chugiak Parks and Recreation Service Area Fund for the same reason.

  Note below at **Approach F** that a few Service Areas required estimated hybrid calculations, as only some (future) Chugach Regional Borough taxpayers pay taxes into a particular Fund or conversely, as some taxpayers do not participate into a particular Fund that Chugach Regional Borough taxpayers participate in at higher relative population levels.

  One Service Area Fund, the Areawide Service Area Fund, should be allocated pro-rata using **Approach C** methodology.

  Justification for methodology – Eaglexit does not propose a pro-rata population-based allocation of Service Areas (except the Areawide Service Area Fund), because contributions into most Service Area Funds are not made equally by all MOA property taxpayers.

- Population Splits – Areawide Funds are supported by taxpayers living in or conducting business in all MOA tax districts. Effective Tax Rates for Chugiak-Eagle River region approximate Hillside and Anchorage Bowl Effective Tax Rates (the weighted average Girdwood / Turnagain Arm Effective Tax Rate is lower). Similarly, weighted average residential property taxes for Chugiak-Eagle River region approximate Anchorage Bowl and Girdwood / Turnagain Arm weighted average residential property taxes (the weighted average Hillside average property tax payment is higher). Thus, due to the absence of anomalies, many Areawide Funds could equitably be allocated by applying population ratios (Chugiak-Eagle River is anticipated to comprise 17% of total MOA population at the time Asset division will occur).

  Justification for methodology – This approach is warranted whenever contributions into a particular Fund are made by all MOA taxpayers.

- Split of Future Economic Benefits (**Approach D**) – An allocation of Port, AWU, ASU, SWS, ADCA, ACPA, and Municipal Airport Assets, Deferred Inflows and Outflows of Resources, and Liabilities would be extraordinarily challenging and might not receive required approvals from groups such as the RCA and/or issuers of Revenue Bonds.

  Further, use of pro-rata population percentages for purposes of calculating an Asset split may not be sound since not all MOA citizens contribute into those Funds (example: property owners on well and septic who are not AWWU customers).

  Eaglexit proposes a division of economic benefits generated by the Utilities, Enterprise Funds and Component Units ACDA and ACPA as well as CIVIC Center, various CIVICVentures Funds, and Egan. The MOA and Chugach Regional Borough would combine the MUSA and MESA that each collects, in addition to other economic benefits such as transfer payments, settlements, and Net Sale Proceeds. A pro-rata percentage of the pooled proceeds would then be paid to the Chugach Regional Borough and the MOA on a quarterly basis.

  Justification for methodology – Eaglexit believes attempting to divide MOA-owned Utilities and Enterprise Funds such as the Port would be extraordinarily disruptive and not in the best interests of utility ratepayers, since duplicate administrative functions could be costly. Additionally, the tough question of whether geographic location would drive Asset allocations is avoided; note that Hydro Assets, AWU Eklutna Lake Assets, and the SWS landfill are located within the region of the future Chugach Regional Borough.

- Hydro (**Approach G**) – unlike AWU, ASU, the Port, and similar entities, the MOA's interest in Hydro represents (net) payment streams – some contractually obligated - from the other Hydro owners including ML&P's purchaser. Therefore, allocating only future economic benefits would result in the Chugach Regional Borough receiving less value than it is entitled to. Eaglexit proposes:

  - a population-based split of Net Position – unrestricted portion only (see page 174 of the 2023 ACFR); and
  - an annual population-based split of income before annual transfers to the MOA Trust Fund but after acquisition and construction of capital assets (see pages 175 and 176 of the 2023 ACFR); and
  - a population-based split of any other future economic benefits. As an example, if another Hydro owner purchases the MOA's Hydro interests, the Chugach Regional Borough would at that time have a population-based claim of its share of all Hydro Assets, Liabilities, and Net Position.

  For illustrative purposes, 2023's annual Hydro Fund population-based split would have been:

Income before transfer to MOA Trust Fund	4,799,784
Subtract: Acquisition and construction of capital assets	(312,738)
Subtotal	4,487,046
	16.2%
2023 Chugach Regional Borough allocation	728,719

Justification for methodology – MOA's continued ownership in the Hydro Fund exists only because ML&P's purchaser could not finance the entire transaction at the time of the purchase / sale. Had ML&P's purchaser not needed to bifurcate its purchase transaction, more consideration would have been deposited into the MOA Trust Fund (of which Fund the Chugach Regional Borough has a pro-rata, population-based claim on).

- GO Bond Debt and Capital Assets (**Approach C**) – Eaglexit acknowledges the areawide obligation of GO Bond Debt and the harm that defaulting on GO Bond Debt would have upon the MOA or even the entire State of Alaska. As discussed with MOA management, Eaglexit proposes a refinancing of all MOA and ASD GO Bond Debt at the time of Chugach Regional Borough formation at the future Borough's expense and a simultaneous allocation of MOA and ASD-owned Capital Assets and new GO Bond Debt.

  Justification for methodology – It is imperative the MOA does not default on its debt obligations to third parties, such as purchasers / holders of MOA and ASD GO Bond Debt. By refinancing all such GO Bond Debt at the time of Chugach Regional Borough formation, bond rating reductions and defaults are avoided. This methodology approach has previously been discussed with MOA executives.

  An additional comment on this topic concerns future Chugach Regional Borough GO Bond Debt interest rates. As the existing MOA GO Bond Debt refinances into new debt (MOA GO Bond Debt and Chugach Regional Borough GO Bond Debt) the Chugach Regional Borough Debt may initially bear higher interest rates due to its lack of credit history. However, after several consecutive years of Chugach Regional Borough demonstrating: 1) timely ACFR issuance, 2) compliance with approved Fund Balance policies, 3) annual increases in Fund Balance, and 4) healthy Statements of Net Position, the Chugach Regional Borough's credit rating will improve and it should be able to refinance its GO Bond Debt to achieve interest rate reductions. The Chugach Regional Borough anticipates ultimately achieving a higher credit rating than the MOA and notes the MOA has been downgraded twice since November 2022 for reasons including recurring CFO turnover, failure to timely issue ACFRs, and failure to adhere to its Fund Balance policies.

- PERS – Eaglexit is cognizant of the unfunded status of the SOA PERS and TRS programs. Per MOA correspondence dated November 4, 2022, the following MOA PERS employees worked in Chugiak-Eagle River:
  - 39 Parks & Rec employees – 14 year-round and 25 seasonal
  - Eight library employees
  - Four street maintenance employees

  The Chugach Regional Borough will negotiate with the MOA to determine any required compensation for termination obligations to the SOA that are triggered similar to the ongoing

PERS obligations triggered when ML&P was sold. Eaglexit anticipates that no termination obligations will be triggered, because the MOA will retain all of the above PERS employees who currently work in the Chugiak-Eagle River area to help partially alleviate its severe labor vacancy challenges.

Preliminary Draft Figures

Using 2023 ACFR and Detailed Statement figures as the primary source, many calculations have been performed and are presented in this document and in a summarized fashion in Exhibit A. Note the analysis excludes the GO Bond Debt refinancing transaction and associated allocations of Capital Assets discussed elsewhere in this memo but which will be discussed in the Detailed Fund by Fund Information Section. As mentioned above, figures are estimates and are subject to change as the MOA provides more current financial information and relative populations of each community grow and shrink.

Note the purpose of this chart is to assist readers research the proposed methodology for a particular MOA Fund or to assist readers research which MOA Funds are proposed for a particular methodology. For instance, a reader interested in the Hydro Fund could review **Approach G** and examine Page 173 of the 2023 ACFR. Or a reader interested in what Funds were proposed for a hybrid allocation could examine various Funds to see which Funds were marked **Approach F**.

	2023 ACFR Location (A)	Allocation Methodologies				
		Service Areas	Allocable Item	GO Debt / Capital Assets	Allocate Future Benefits	Pensions / OPEB
General Funds and/or Government Activities	5, 11	Approach A, C, and F	Approach B (Angel Fund, etc.)	Approach C		
Roads and Drainage Capital Project	11		Approach C			
Permanent Funds	11, 157		Approach B, C			
Special Revenue Funds	155 and 156		Approach C, D			Approach E
Debt Service Funds	156				Approach D	
Component Units						
ASD	6			Approach C		
ACPA	6				Approach D	
ACDA	6					
Internal Service Funds	179, 180		Approach A and C			
Proprietary Funds						
Major	15				Approach D	
Non-Major						
Refuse	173					
Airport	173					
Hydro	173		Approach G			
Fiduciary Funds	25					Approach E

(A) Funds are often located on multiple pages within the ACFR

It is important to note that as shown below in Exhibit A, the estimated initial net transfers to the Chugach Regional Borough exceed the estimated cost of GO Bond refinancing. In other words, even after paying GO Bond refinancing costs, the future borough should still have cash on hand at the time of its formation.

Detailed Fund by Fund Information

1) Service Areas:

Approach A: While most Service Areas operate outside of the Chugach Regional Borough boundaries, many operate within them and have been funded by Chugiak-Eagle River taxpayers; those Funds should be allocated to the Chugach Regional Borough. Examples:

- Chugiak Fire Service Area Fund, with a 12/31/2023 Fund Balance of $2,526,449
- Eagle River Chugiak Parks and Recreation Fund with a 12/31/2023 Fund Balance of $3,666,605

Conversely, most Service Areas are not based in the Chugiak-Eagle River area. Accordingly, residents of the future Chugach Regional Borough have no claim on those Funds. Examples:

- Anchorage Parks and Recreation Fund
- Building Safety Service Area Fund

Thus, when examining Service Area funds on the next page, a Fund marked “Approach A (MOA)” indicates a Fund that should be allocated to the MOA whereas a Fund marked “Approach A (CRB) should be allocated to the Chugach Regional Borough.

Approach C: As shown on Page 1 of the Detailed Statements, one Service Area Fund, the Areawide Service Area Fund, operates Areawide and therefore its components should be allocated pro-rata.

Approach F: Some Service Areas are Hybrid Service Areas that operate within and outside of the Chugach Regional Borough boundaries. Population calculations will be performed for each Hybrid Service Area Fund to achieve a fair allocation of the Fund’s Assets, Liabilities, and Fund Balance. The allocation percentages can be higher or lower than the borough’s relative population. Examples:

- Anchorage Fire Service Area Fund
- Anchorage Metropolitan Police Service Area Fund

The Fire Service Area is viewed as a Hybrid Service Area. A 10% population share estimates the reduced ratio of future Chugach Regional Borough taxpayers that are either within the Chugiak Fire Service Area or lack property tax-funded fire protection services (a more detailed % will be calculated in the future after approvals for the new borough formation are obtained).

Interestingly, the Anchorage Metropolitan Police Service Area is also viewed as a Hybrid Service Area. However in this case, rather than future Chugach Regional Borough taxpayers receiving a lowered allocation (less than their pro-rata population), the Anchorage Metropolitan Police Service Area results in a slightly higher allocation when census figures for the Service Areas that do not participate in the Anchorage Metropolitan Police Service Area are incorporated.

Allocations will be updated when more current information becomes available from the MOA. As shown below, a higher ratio of the 2023 Service Area Fund Balance should be assigned to the Chugach Regional Borough than population figures would indicate. While inconsistent with a pro-rata population approach, the result makes sense due to Eagle River Chugiak Parks and Recreation Fund's relatively large $3,666,605 Fund Balance - *all* of which should be assigned to the Chugach Regional Borough - and the impact of the large Building Safety Service Area Fund Deficit of ($14,556,805) - *none* of which should be assigned to the Chugach Regional Borough:

	Areawide Service Area	Former City Service Area	Chugiak Fire Service Area	Glen Alps Service Area	Girdwood Valley Service Area	Former Borough Roads and Drainage SA	(Anchorage) Fire Service Area	(Anchorage) Roads and Drainage Service Area (ARDSA)	Birch Tree / Elmore	Section 6 Campbell Airstrip
	Approach C (Population)	Approach A (MOA)	Approach A (CRB)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach F (Hybrid)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)
	16.2%	0%	100%	0%	0%	0%	10.0%	0%	0%	0%
$ Retained by MOA	1,693,099	(163)	-	442,542	773,929	125,689	1,515,968	10,102,386	583,250	334,931
$ to CRB	328,283	-	2,526,449	-	-	-	168,441	-	-	-
	2,021,382	(163)	2,526,449	442,542	773,929	125,689	1,684,409	10,102,386	583,250	334,931

	Valli Vue	Sky Ranch	Upper Grover	Raven Woods	Mt. Park Estates	Mt. Park / Robin Hill	Eagle River / Chugiak CBERRSA	Eaglewood Contributing Roads	Gateway Contributing Roads	Lakehill
	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (CRB)	Approach A (CRB)	Approach A (CRB)	Approach A (MOA)
	0%	0%	0%	0%	0%	0%	100%	100%	100%	0%
$ Retained by MOA	139,065	218,334	54,017	147,427	59,202	246,074	-	-	-	365,300
$ to CRB	-	-	-	-	-	-	917,036	139,952	2,862	-
	139,065	218,334	54,017	147,427	59,202	246,074	917,036	139,952	2,862	365,300

	Totem	Paradise Valley	SRW Homeowners	Talus	Upper O'Malley	Bear Valley	Rabbit Creek	Villages Scenic Parkway	Sequoia	Rockhill
	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)	Approach A (MOA)
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$ Retained by MOA	153,419	61,061	250,934	472,101	561,845	121,611	221,222	40,655	209,583	634,961
$ to CRB	-	-	-	-	-	-	-	-	-	-
	153,419	61,061	250,934	472,101	561,845	121,611	221,222	40,655	209,583	634,961

	South Goldenview	Homestead	Eagle River Street Lights	Anchorage Metropolitan Police Service Area	Turnagain Arm Police Service Area	Anchorage Bowl Parks & Rec Service Area	Eagle River Chugiak Parks & Rec SA	Building Safety SA	Subtotal - Service Areas
	Approach A (MOA)	Approach A (MOA)	Approach A (CRB)	Approach F (Hybrid)	Approach A (MOA)	Approach A (MOA)	Approach A (CRB)	Approach A (MOA)	Approach A, C, and F
	0%	0%	100%	16.4%	0%	0%	100%	0%	
$ Retained by MOA	678,115	137,894	-	20,758,588	20,698	5,873,471	-	(14,556,805)	32,440,404
$ to CRB	-	-	246,029	4,066,704	-	-	3,666,605	-	12,062,360
	678,115	137,894	246,029	24,825,292	20,698	5,873,471	3,666,605	(14,556,805)	44,502,764

	Subtotal - Service Areas
MOA Retains	32,440,404
Chugiak / ER Borough Retains	12,062,360
	44,502,764

2) Other General Fund components – to reconcile to the General Fund (see Page 5 of the 2023 Detailed Statements), other components must be added:

	Subtotal - Service Areas	Public Finance and Investment	Police and Fire Retiree	Areawide EMS	ML&P Sale Proceeds	Operating Projects Committed	Areawide APD IT	Subtotal - General Fund
	Approach A, C, and F	Approach C (Population)	Approach C (Population)	Approach C (Population)	Approach C (Population)	Approach C (Population)	Approach C (Population)	Approach A, C and F
		16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	
$ Retained by MOA	32,440,404	1,117,068	(10,547)	1	15,970,779	3,614,281	2,760,359	55,892,344
$ to CRB	12,062,360	216,593	(2,045)	0	3,096,647	700,789	535,219	16,609,564
	44,502,764	1,333,661	(12,592)	1	19,067,426	4,315,070	3,295,578	72,501,908

3) Permanent Funds (**Approach B and C**) – the MOA has two Permanent Funds – the MOA Trust Fund and the Cemetery Perpetual Maintenance Fund with a 12/31/2023 Fund Balance of $410,100,520 and $689,939, respectively. Eaglexit believes a 16.2% allocation of the MOA Trust Fund conservatively approximates the population split at the time of dissolution. This split approach would result in an allocation to the Chugach Regional Borough of $66,602,419 using 12/31/2023 numbers (**Approach C**).

   Eaglexit proposes the Cemetery Perpetual Maintenance Fund be retained by the MOA, for practical reasons consistent with the nature of a non-movable Permanent Fund (**Approach B**). The Cemetery Perpetual Maintenance Fund is included below, along with Capital Projects Non Major; see item 5), below.

	MOA Trust Fund
ACFR page	11, 45 to 46, and 118 to 119
	Approach C (Population)
	16.2%
$ Retained by MOA	343,498,101
$ to CRB	66,602,419
	410,100,520

4) Roads and Drainage Capital Project – Page 11 of the 2023 ACFR shows a ($5,416,278) Fund Balance Deficit for the Road and Drainage Capital Project Fund. 16.2% percent of this deficit balance is ($879,631) and Eaglexit believes that a similar population-based allocation conservatively allocates the Fund Deficit at the time of dissolution (**Approach C**):

	Roads and Drainage Capital Project
ACFR page	11
	Approach C (Population)
	16.2%
$ Retained by MOA	(4,536,647)
$ Retained by MOA / future economic benefit sharing	
$ to CRB	(879,631)
	(5,416,278)

5) Special Revenue Funds – the MOA has many Special Revenue Funds. Most are Areawide in nature, such as the Alcoholic Beverages Retail Sales Tax and should be allocated using a pro-rata population approach (**Approach C**). However, the (CIVIC) Convention Center Operating Reserve will not be eligible for distribution until the terms of the underlying debt instrument have been met (**Approach D**). Further, Eaglexit believes that attempting to impose a population-based claim on the Angel Fund would be unsuccessful and is prepared to waive its interest in the Angel Fund (**Approach B**). Eaglexit proposes that when the Convention Center Operating Reserve becomes available for distribution in

accordance with the underlying loan agreement, the Chugach Regional Borough be eligible for its proportionate share at that time:

	Heritage Land Bank	Fines and Forfeitures	State Grants Fund	Federal Grants Fund	Misc. Op Grants	Other Restricted Resources	Convention Center Operating Reserve Fund	Property Assessed Clean Energy	P and F Retiree Medical Liability Fund	49th State Angel Fund	E911 Surcharge	Nuisance Property Abatement	Alcoholic Beverages Fund	Opioid	Subtotal - Special Revenue NonMajor
Detailed Statements page	89	91	93	95	99	100	101	114	103	105	107	109	111	113	
ACFR page	155	155	155	155	156	156	155	156	155	155	155	156	156	155	156
	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach D (Future Benefits) (future split)	Approach C (Population) 16.2%	Approach E (Pension) 0%	Approach B (Waive) 0%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	
$ Retained by MOA	7,026,130	778,920	62,717,415	258,736	565,278	(285,731)	-	15,351	-	9,348,927	3,999,913	328,014	5,579,510	936,403	91,268,865
Share COP obligation and any residiual pension / OPEB obligation pro-rata; split any residual Fund Balance when all obligations extinguished	-								34,235,680						34,235,680
Split $$ pro rata when covenants permit or debt is repaid	-						40,330,292								40,330,292
$ to CRB	1,362,329	151,028	12,160,566	50,167	109,604	(55,402)	-	2,977	-	-	775,561	63,600	1,081,837	181,564	15,883,832
	8,388,459	929,948	74,877,981	308,903	674,882	(341,133)	40,330,292	18,328	34,235,680	9,348,927	4,775,474	391,614	6,661,347	1,117,967	181,718,669

4) Debt Service Funds (**Approach D, H**) – The MOA has three Nonmajor Debt Service Funds which are shown below. None are currently eligible for distributions; however, future allocations are possible for the CIVICVentures Revenue Bond and the ACPA Surcharge Revenue Bond when the terms of the underlying debt agreements have been met:

	ACPA Surcharge Revenue Bond	CIVIC Ventures Revenue Bond	Police and Fire Certificate of Participation Bond	Subtotal - Debt Service NonMajor
ACFR page	156	156	156	156
	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	Approach E (Pension) 0%	
$ Retained by MOA	-	-	-	-
Share COP obligation and any residiual pension / OPEB obligation pro-rata; split any residual Fund Balance when all obligations extinguished			30,267	30,267
Split $$ pro rata when covenants permit or debt is repaid	742,587	13,867,566		14,610,153
$ to CRB	-	-	-	-
	742,587	13,867,566	30,267	14,640,420

5) Capital Projects Nonmajor – Page 157 of the ACFR shows the various Nonmajor Government Funds comprised of Capital Projects Nonmajor and the Cemetery Perpetual Maintenance Fund (which is discussed below in Permanent Funds). **Approach C** is proposed for all Nonmajor Capital Projects:

	Areawide	Public Safety	Public Transportation	Misc.	Parks and Recreation (incl Eagle River projects)	Historic Preservation	HLB	Subtotal Nonmajor Capital Projects	Cemetery Perpetual Maintenance
ACFR page	157	157	157	157	157	157	157	157	157
	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach B (Waive) 0%
$ Retained by MOA	26,645,569	9,874,261	2,881,800	286,176	14,004,898	67,013	1,832,071	55,591,788	689,939
$ to CRB	5,166,431	1,914,566	558,765	55,488	2,715,474	12,993	355,229	10,778,946	-
	31,812,000	11,788,827	3,440,565	341,664	16,720,372	80,006	2,187,300	66,370,734	689,939

Together, the Nonmajor Special Revenue, Debt Service, Capital Projects and Permanent Funds sum to:

	Subtotal - Special Revenue NonMajor	Subtotal - Debt Service NonMajor	Subtotal - Nonmajor Capital Projects	Cemetery Perpetual Maintenance	Subtotal - all Non Major Gov't
ACFR page	156	156	157	157	157
$ Retained by MOA	91,268,865	-	55,591,788	689,939	147,550,592
Share COP obligation and any residiual pension / OPEB obligation pro-rata; split any residual Fund Balance when all obligations extinguished	34,235,680	30,267	-	-	34,265,947
Split $$ pro rata when covenants permit or debt is repaid	40,330,292	14,610,153	-	-	54,940,445
$ to CRB	15,883,832	-	10,778,946	-	26,662,778
	181,718,669	14,640,420	66,370,734	689,939	263,419,762

6) Proprietary Funds excluding Internal Service Funds and excluding Hydro (**Approach D**) – These funds AWU, ASW, Refuse, Collections, the Port, the Municipal Airport, and SWS. As previously mentioned in the Introduction Section, dividing these funds and their underlying operations would be extraordinarily challenging and might not benefit ratepayers. Instead, Eaglexit proposes that future benefits such as MUSA and MESA, transfers to Owner (i.e., dividends), and any net sales proceeds in the event a Fund is sold be allocated pro-rata based upon population.

   Hydro (**Approach G**) – unlike the other MOA Proprietary Funds, Hydro Assets (and the Hydro Fund itself) represent a cash flow stream that relates to the ML&P sale and the buyer's inability to pay cash for the entire transaction at the time the purchase / sale occurred. In addition, during most months of the year, Hydro receives payment for power sales from another co-owner. Further, both Hydro co-owners have the right to increase their respective ownership interests according to the terms of each owner's PPA with the MOA.

   Eaglexit anticipates:

   - a pro-rata, population-based share of Hydro Net Position (unrestricted portion only); current estimated allocation would be $1,159,656 using 12/31/2023 ACFR figures.
   - an annual pro-rata, population-based share of income before transfers (to the MOA Trust Fund) less a pro-rata population-based share of acquisition and construction of capital assets, plus a population-based split of any other future economic benefits.

   Together, Proprietary Funds excluding Internal Service Funds are shown below:

	AWU	ASU	Refuse	Disposal	Don Young Port	Municipal Airport	Hydro	Subtotal - Proprietary Excl. Internal Service Funds
Detailed Statements page	115 to 116	125 to 126	135	145 to 146	155 to 156	167	175	
ACFR page	15	15	173	15	15	173	173	
	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	Approach G (Hydro) (Hydro)	
$ Retained by MOA	-	-	-	-	-	-	5,980,861	5,980,861
$ Retained by MOA / future economic benefit sharing	232,670,568	158,900,289	15,653,381	79,852,017	357,682,270	90,752,738	10,062,249	945,573,512
$ to CRB	-	-	-	-	-	-	1,159,656	1,159,656
	232,670,568	158,900,289	15,653,381	79,852,017	357,682,270	90,752,738	17,202,766	952,714,029

7) Internal Service Funds (**Approach C**) – MOA Internal Service Funds are shown below. Eaglexit proposes a pro-rata, population-based distribution for all Internal Service Funds except for the Information Technology Fund (**Approach B**). All Information Technology Fund Assets will, by necessity, be retained only within the remaining MOA and therefore, that Fund's Assets, Liabilities, Deferred Inflows of Resources and Fund Balance should be retained intact by the MOA.

	Equipment Maintenance	IT	Unemployment Compensation	General Liability and Workers' Comp	Med / Dental Self Ins	Subtotal - Internal Service Funds
Detailed Statements page	181	187		193	197	
ACFR page	180	180	179	179	179	180
	Approach C (Population) 16.2%	Approach B (Waive) 0%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	Approach C (Population) 16.2%	
$ Retained by MOA	22,321,038	(10,167,242)	3,473,254	(12,567,420)	29,517,492	32,577,122
$ to CRB	4,327,928	-	673,445	(2,436,755)	5,723,282	8,287,900
	26,648,966	(10,167,242)	4,146,699	(15,004,175)	35,240,774	40,865,022

8) Pensions and OPEB (**Approach E**) As shown on page 185 of the 2023 ACFR, the four Funds that comprise the MOA Fiduciary Funds have positive Fund Balances (see previous note regarding Certificate of Participation Bonds).

The MOA's four Fiduciary Funds are: Police/Fire Retirement System Plan I, Police/Fire Retirement System Plan II, Police/Fire Retirement System Plan III, and the Police/Fire Medical Group. At Exhibit A, these Funds are collectively referred to as: "Pension and OPEB"; they are not immediately allocated under the assumption that the Chugach Regional Borough will be required to retain responsibility for any ultimate pension and OPEB obligations of retired MOA first responders. Further, Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Thus, due to: 1) the nature of Fiduciary Funds and 2) the nature of the ongoing liabilities, the Chugach Regional Borough will request that any economic benefits remaining after the purpose of each Fiduciary Fund has been completely fulfilled be split, pro-rata at that time similar to **Approach D** allocations:

	Pension and OPEB
ACFR page	25 and 185
	Approach E (Pension) 0%
Share COP obligation and any residiual pension / OPEB obligation pro-rata; split any residual Fund Balance when all obligations extinguished	362,483,050
	362,483,050

9) Component Units ADCA and ACPA (**Approach D**). Dividing the Assets and Liabilities of these Funds and their underlying operations would be extraordinarily challenging and might not benefit the community. Instead, Eaglexit proposes that any future benefits such as transfers to Owner (i.e., dividends), be allocated pro-rata based upon population.

	ACDA	Alaska Center for the Performing Arts (ACPA)	Subtotal - ACDA and ACPA
ACFR page	6	6	
	Approach D (Future Benefits) (future split)	Approach D (Future Benefits) (future split)	
$ Retained by MOA	-	-	-
$ Retained by MOA / future economic benefit sharing	25,642,792	3,193,247	28,836,039
$ to CRB	-	-	0
	25,642,792	3,193,247	28,836,039

10) ASD GO Bond Debt and Assets – See below for a summary of ASD Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, Net Position, and GO Bond Debt. Note that ASD's Net Position exceeds its GO Bonds, even more so when Capital Asset depreciation is reversed, as would be appropriate.

Other ASD debt includes debt instruments used to purchase school buses, net pension liability, etc.

		ASD (source: 2023 ACFR, pages 6 and 8)
Current Assets		500,864,091
Non-Current Assets and Deferred Outflows of Resources		1,597,165,323
Total Assets and Deferred Outflows of Resources		2,098,029,414
Current Liabilities	(A)	35,332,947
Non-Current Assets and Deferred Inflows of Resources	(A)	1,096,951,253
Net Position		965,745,214
		2,098,029,414

(A) These Liabilities include $462,256,663 in ASD General Obligation Bonds; see 2023 ACFR, page 72 Note 10 subfootnote B.

Using the above ASD financial information, an **Approach C** based allocation of Assets, Liabilities and Net Position would result in the Chugach Regional Borough receiving a share of Assets and Liabilities as follows:

ASD

ACFR page 6

Approach C (Population) 16.2%

$ Retained by MOA	808,903,260
$ to CRB	156,841,954
	965,745,214

A large component of the above allocation is GO Bond Debt. A June 22, 2022, MOA memo to Eaglexit opined that refinancing all GO bonds (to issue new bonds in each successor government's name) would require a $92 million upfront payment from the Chugach Regional Borough. However, Eaglexit believes this $92 million estimate was calculated by assuming **all** outstanding GO Bonds would be refinanced, even those close to maturity. Instead, Eaglexit intends to evaluate all outstanding GO Bonds with low principal balances to determine if any or all of them can be prepaid in full at the time GO bonds are to be refinanced to avoid imposing a refinancing charge on a relatively small remaining GO Bond balance.

If GO Bond prepayments are possible, to avoid costly transaction costs on relatively tiny GO bonds, Eaglexit will evaluate the feasibility of using its share of MOA Trust Fund proceeds to pay off those GO Bonds, thereby reducing the number of refinancing transactions and hence the overall cost from the MOA's $92 million estimate. This cost reduction would be in addition to the interest and principal savings to be enjoyed on a go-forward basis because of lower overall GO debt (these savings will be enjoyed by all MOA taxpayers, not only taxpayers residing in the future Chugach Regional Borough).

Even with a conservative assumption that only 20% of anticipated refinancing costs can be avoided, the strategy of reducing the outstanding principal will reduce overall Chugach Regional Borough debt below what it otherwise would have been, and yield taxpayer savings for many years to come:

		MOA (Source 2023 ACFR, page 72)		ASD (Source 2023 ACFR, page 80)		Total
GO Bonds including unamortized premium		462,256,663		473,322,445		935,579,108
Allocate $92m transaction cost		45,455,924		46,544,076		92,000,000
Add: 16.2% of new GO debt		75,072,843		76,869,982		151,942,825
Subtotal if all debt was refinanced		120,528,767		123,414,058		**243,942,825**
Allocate *reduced* transaction costs due to fewer transactions		36,364,739		37,235,261		73,600,000
Prepay about 20% of GO debt using MOA Trust Fund proceeds		33,045,000		17,780,000		50,825,000
Add: 16.2% of new GO debt, net of prepaid credit	(A)	47,394,519	(A)	61,977,545	(A)	109,372,064
New debt + Prepayment costs + transaction costs		116,804,259		116,992,805		**233,797,064**
Total GO Bonds including unamortized premium		462,256,663		473,322,445		935,579,108
Less: Bonds prepayed rather than refinanced		33,045,000		17,780,000		50,825,000
Bonds refinanced		495,301,663		491,102,445		986,404,108
Initial allocation of all bonds refinanced		80,439,519		79,757,545		160,197,064
Apply credit for early retirements		(33,045,000)		(17,780,000)		(50,825,000)
New GO bond debt for future borough	(A)	47,394,519	(A)	61,977,545	(A)	109,372,064

Note that Exhibit B calculates GO Bond Debt refinancing more conservatively by assuming that no GO Bonds can be repaid (and therefore, refinancing costs avoided).

An ASD transaction would involve the following steps:

- Eaglexit obtains an ASD Fixed Asset listing that provides sufficient information to determine which Capital Assets (such as buildings and land) are located within and outside of the Chugach Regional Borough boundaries.
- From that Fixed Asset listing, Eaglexit selects its pro-rata share of Capital Assets including land. If the Chugach Regional Borough desires additional Capital Assets than its pro-rata population warrants, it would "purchase" them by foregoing any portion of current ASD Assets it was otherwise entitled to. Conversely, if comparatively few Capital Assets were located within the Chugach Regional Borough boundaries, ASD could provide additional cash to balance the figures. If ASD were unable to provide cash, the Chugach Regional Borough could take title to sufficient capital assets located outside of its boundaries and lease these assets back to ASD.
- All ASD GO Bond debt would be refinanced as discussed above. The Chugach Regional Borough would then hold new GO bonds issued under its name and ASD would hold new GO bonds issued under its name.

11) MOA Capital Assets and GO Bond Debt - Please see below for a summary of MOA Government Activities Assets, Deferred Inflows and Outflows of Resources, Liabilities, Net Position and GO Bond Debt. Note that MOA's Net Position exceeds its GO Bonds, even more so when Capital Asset depreciation is reversed, as would be appropriate. See also Exhibit A which shows Capital Assets and GO Bonds not reported in the General Fund and Exhibit B which shows MOA and ASD Capital Assets and GO Bond Debt.

Other MOA debt – excluding Proprietary Fund debt which is not proposed for allocation - includes net pension liability and debt instruments called direct financing agreements used to purchase certain Assets.

	MOA Governmental Activities	2023 ACFR page
Current Assets	939,753,017	5
Noncurrent Assets and Deferred Outflows of Resources	3,678,188,122	5
	4,617,941,139	
Liabilities and Deferred Inflows of Resources (A)	1,430,709,078	6
Net Position		
Capital Assets	2,867,757,143	6
Other	319,474,918	6
	3,187,232,061	6
	4,617,941,139	6

(A) Includes $462,256,663 in GO Bonds including unamortized premium

Note above that MOA Government Activities Net Position exceeds GO Bond Debt, however, the vast bulk of Net Position is comprised of Capital Assets, a substantial portion of which are not being depreciated (unlike the ASD which depreciates most of its Capital Assets).

As mentioned above, Eaglexit believes it will be possible to refinance all GO Bonds without incurring the entire $92 million estimate received from the MOA Administration. If conservatively, 16.2% of MOA's Capital Assets are eligible for distribution and efforts were taken to minimize new GO Bond Debt and transactional refinancing costs, a Governmental Activities transaction could result in almost $500 million in Capital Assets transfers - including land transfers - with approximately $110 million in new debt. Other debt would be assigned, such as direct financing arrangements, however, this Governmental Activities debt is very modest compared to GO Bond Debt.

POLICE AND FIRE

Note that allocation of capital assets is discussed above.

Police: Eaglexit acknowledges that more than one police Service Area exists within the MOA (example: Turnagain Arm Police Service Area) and that not all portions of the MOA participate in the Anchorage Metropolitan Police Service Area. Thus, at the time of the Chugach Regional Borough's formation, a minor adjustment to the conservatively estimated pro-rata population figure will be calculated to ensure equitable distribution.

The Anchorage Metropolitan Police Service Area Fund is a large Fund, with $34,221,122 in total Assets and only $7,141,339 in Liabilities and Deferred Inflows of Resources, resulting in a 12/31/2023 Fund Balance of $24,825,292. Further, Anchorage police personnel utilize "fleet" assets maintained and owned by the Equipment Maintenance Fund (allocation of this Fund's assets is discussed previously).

Eaglexit proposes that the appropriate percentage (conservatively anticipated to be 16.4%) of the Fund Balance of the Anchorage Metropolitan Police Service Area Fund be allocated to the Chugach Regional Borough.

Fire: Similarly, more than one fire Service Area exists within the MOA. Notably, the Chugiak Fire Service Area Fund is a Service Area Fund that has served and been funded by *some* of the residents within the boundaries of the future Chugach Regional Borough. As discussed above, all the Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance of that Fund should be transferred to the Chugach Regional Borough at the time of its formation; the Chugiak Fire Service Area's Fund Balance at 12/31/2023 was $2,563,396.

As expected, the Fire Service Area Fund is larger than the Chugiak Fire Service Area Fund (total Assets of $8,127,243 vs. $2,563,396, respectively), yet the Fire Service Area Fund had only $1,684,409 in Fund Balance at the end of 2023 in comparison to the Chugiak Fire Service Area Fund which had Fund Balance of $2,526,449. Some, but not all residents of the Chugach Regional Borough have a claim on some of the Fire Service Area Fund's Assets, Liabilities, Deferred Inflows of Resources and Fund Balance (i.e., those residents who have historically paid fire taxes into the Fire Service Area Fund rather into the Chugiak Fire Service Area Fund). A calculation would be required at the time of formation to determine the precise percentage of Fire Service Area Fund Assets would transfer to the Chugach Regional Borough at formation; if a 10% adjusted pro-rata population measure was utilized, then approximately $168,441in Fund Balance would transfer.

It is important to note that unlike the Anchorage Metropolitan Police Service Area Fund, employees supporting the Fire Service Area Fund operations do not typically utilize the "fleet" vehicles provided by the Equipment Maintenance Fund. Instead, the Fire Service Area Fund owns more of its own capital assets rather than "leasing" them from the Equipment Maintenance Fund. Some fire Capital Assets are funded through GO Bond Debt that would be subject to allocation at the time of GO Bond Debt refinancing, but not all. The Anchorage Metropolitan Police Service Area Fund recently obtained approval to purchase light duty vehicles using a non-GO Bond Debt instrument. Those Assets would be subject to allocation at the time of borough formation using the reduced pro-rata calculation, but the Chugach Regional Borough would also be "debited" for its share of the remaining non-GO Bond Debt associated with those Assets.

ASD

Unlike the MOA, ASD taxpayer funding sources are more straightforward; all MOA property taxpayers are subject to the same (school) Mill Rates. Therefore, dividing ASD Assets does not require evaluating individual ASD funds for their funding source and allocating Assets based upon taxpayer Service Areas.

<u>Capital Assets and Associated GO Bond Debt</u>

Irrespective of the simple property tax funding sources, ASD is a capital-intensive entity, with Capital Assets representing over half of total Assets. Eaglexit understands that MOA GO bonds (including ASD GO bonds) will need to be refinanced at the time of secession, with replacement bonds held in either ASD's name or CRBSD's name. There appear to be at least four main options to achieve this allocation of GO bonds and related ASD Assets:

- Option 1 – Pro-rata division (**Approach C**). Under this option, ASD GO Bond Debt and Assets would be allocated based upon relative population counts. This approach honors the concept that each MOA voter authorized GO bonds to support schools that benefited the entire community and agreed to subject themselves to resulting taxes. However, this approach is challenged because taxpayers are not taxed equally nor are Capital Assets equally distributed over the affected geographic areas.
- Option 2 – Assessment approach. Under this option, ASD GO Bond Debt and Assets would be allocated based upon the relative ratio of taxable assessed values in each area. This approach honors the concept that MOA voters collectively authorized the bonds – which would be repaid based upon taxable assessed values - to support schools that benefited the entire community. However, this approach is challenged due to the levels of commercial and non-exempt assessed values that skew the results but are not associated with an approving voter, nor are ASD Capital Assets distributed in a similar geographic pattern as taxable assessed values.
- Option 3 – Expenditure and service location. This option divides ASD GO Bond Debt and Assets based upon historical expenditures by location. Eaglexit believes that determining historical expenditures by location would be prohibitively complex and subjective, and instead supports Option 1, 2, or 4.
- Option 4 – This option divides ASD GO Bond Debt and Assets based upon relative splits of Capital Assets, net of accumulated depreciation, according to geographic location of the associated property. This approach recognizes that some ASD schools are much newer than others and those schools have more outstanding ASD GO Bond Debt or have recently had substantial capital investment supported by ASD GO Bond Debt issuances.

Irrespective of the option chosen, ASD has substantial Net Position above its investments in Capital Assets as shown below (source is 2023 ACFR, page 8):

Net position	
Net invested in capital assets	816,917,444
Restricted	36,157,241
Unrestricted	112,670,529
Total net position	$ 965,745,214

This is important because it demonstrates that all options will result in future Chugach Regional Borough school-related Assets exceeding allocated CRBSD GO Bond Debt.

<u>ASD Pension Obligations</u>

Similar to the MOA, ASD has pension-related liabilities; ASD also has IBNR obligations. Unlike the MOA, ASD has fewer OPEB-type obligations due to its lack of first responder employees (police, fire, etc.). A pro-rata, population-based approach such as **Approach C** results in the

Chugach Regional Borough absorbing its share of ASD pension-related liabilities and IBNR and only being allocated its share of the Net Position after all such liabilities are taken into account.

Impacts To Service Levels and Taxes

Eaglexit is aware of a 2007 report discussing the likelihood that Chugach Regional Borough creation would require CRBSD to cut services and to increase property taxes, post-secession. Eaglexit disputes the conclusions reached in the 2007 report and believes that substantial taxpayer savings will be achieved once the Chugach Regional Borough manages its own schools.

Even if total school expenditures remain unchanged, a property taxpayer's Mill Rates are comprised of many components, not just schools. The Chugach Regional Borough can achieve substantial Mill Rate savings in non-school services. Most notably:

- Chugiak and Eagle River taxpayers currently pay a higher Parks & Recreation Mill Rate than Anchorage Bowl and Hillside taxpayers. If the Chugach Regional Borough merely adopted the Anchorage Parks & Recreation Mill Rates, post-secession, equal to the much lower rates currently paid by Anchorage Bowl taxpayers, substantial tax savings will be achieved.
- Chugiak and Eagle River taxpayers currently pay substantial contributions in support of MOA Police functions. However, much of this taxpayer funding effectively subsidizes Anchorage Bowl police activities in focused areas within the Anchorage Bowl. If the Chugach Regional Borough implemented Police *service levels* equal to its current service levels received, Police Mill Rates should decrease; with substantial tax savings achieved.
- Federal financial support provided on behalf of students who are military dependents will primarily be allocated to CRBSD post formation and will help alleviate any need for school tax increases or service reductions.

Q and A

Q: What happens if a particular Fund's components cannot be precisely divided according to population? For instance, what if the Equipment Maintenance Fund ("fleet") cannot precisely divvy up its equipment?

A: Any such out of balance figures, whether positive or negative, will be summed into a single figure for all Funds, with cash balancing the calculation.

Q: Will Capital Assets such as land be appraised?

A: Capital Assets owned by the Enterprise Funds and Component Units ACDA and ACPA are not subject to allocation. Other Capital Assets will not be appraised unless the MOA elects to appraise select Capital Assets. Instead, carrying values will be used; these figures are audited and correlate with a Fund's Net Position or Fund Balance. Also, carrying values for depreciating assets correlate with the associated GO Bond Debt (which is subject to allocation at the time of refinancing) as the GO Bond Debt amortizes downward.

Q: What will happen to ownership of Assets such as roads? Those that are not owned by Enterprise Funds or Component Units ACDA and ACPA or are otherwise restricted (for instance, by existing outstanding debt) are subject to allocation. An inventory of all Assets subject to allocation will be obtained by Fund that shows carrying values and locations. Assets located within the Chugach Regional Borough will generally be assigned to the Borough and assets located outside of the Borough will not. However, it is possible that ownership of some assets located within the Chugach Regional Borough may be maintained by the MOA for administrative or legal reasons, (or vice versa), or that ownership of a few properties may need to transfer to achieve financial parity. If ownership of a few properties is needed to achieve financial parity, this can be accomplished alongside lease agreements and/or ground lease agreements.

Q: How will administrative functions such as payroll be initially handled upon formation of the Chugach Regional Borough?

A: Ideally, a third-party provider will be engaged to provide those functions. If that is not possible, the MOA and the Chugach Regional Borough could enter into a service agreement to provide those functions. Note that this concept is consistent with the MOA's longstanding interest in providing administrative support to other entities and is consistent with its prior formation of the Cooperative Services Authority and its internal policies and procedures.

Q: What will happen to leased properties located in the Chugach Regional Borough (aka, the library located in Eagle River)?

A: The Chugach Regional Borough will attempt to enter into a lease assignment. If that is not possible, the Chugach Regional Borough will enter into a sublease agreement until the end of the existing lease term.

Q: Is the Chugach Regional Borough trying to escape its share of IBNR obligations?

A: No. IBNR obligations are recorded in Funds such as General Liability and Workers' Comp and Medical / Dental Self Ins. See page 179 of the 2023 ACFR where these Liabilities are described as "Claims payable and incurred but not reported". The pro-rata, population-based **Approach C** requires the Chugach Regional Borough to assume its fair share of these obligations.

Q: Why is the General Fund total Fund Balance shown above in #2 so small, at only $72,501,908?

A: The General Fund excludes the MOA Trust Fund, the Roads and Drainage Capital Project Fund, and the Nonmajor Governmental Funds; these are summed on page 11 of the 2023 ACFR; Fund Balance increases from $72,501,908 to $740,605,912.

Next, items like Capital Assets must be added and other adjustments made (see page 12 of the 2023 ACFR) to arrive at the MOA's total Net Position of $3,187,232,061 for Governmental Activities. This figure excludes the Enterprise Funds, ASD, ACDA, and ACPA. See Exhibit A which provides an illustration of the steps to get from $72,501,908 to the MOA Net Position for Governmental Activities figure.

Q: What if the MOA disagrees with a proposed approach to a Fund?

A: The MOA has many Funds, and the ACFR does not describe each Fund's purpose. As additional information is obtained from MOA staff, Eaglexit will work cooperatively with the MOA to reevaluate approaches to each Fund and the Assets and Liabilities within each Fund.

Q: The Certificate of Participation Bonds shown in 4) look small?

A: The Certificate of Participation Bonds shown in 4) are Nonmajor Certificate of Participation Bonds; according to Footnote 10 of the 2023 ACFR (see page 70) there are $41,135,000 in Certificate of Participation Bonds outstanding at the end of 2023 which are included in the Liabilities shown in page 7 of the 2023 ACFR (column: Governmental Activities).

Q: You have assigned Approach C, a population-based pro-rata approach, to the State Grants Fund. But isn't the Fund Balance of that Fund almost entirely Assigned?

A: Eaglexit anticipates that some of those grants have been awarded for activities within the boundaries of the Chugach Regional Borough. For instance, see a sample of 2023 State Grants Fund expenditures on page 94 of the 2023 ACFR.

Financial Information Update

Eaglexit requested more current Fund information from the MOA (requested date of June 30, 2024) but the MOA would not provide 2024 information unless Eaglexit first paid the MOA for that information.

Population-based splits were prepared using available population figures from the 2020 Census, for the MOA and for Chugiak-Eagle River. If population figures shift from those used in the analysis to a higher relative percentage of total population residing in Chugiak-Eagle River, the portion of Fund Balance due to the Chugach Regional Borough could increase.

Summary

While the MOA is extremely complex, as long as multiple reasonable methodologies are used to allocate Assets and Liabilities, the formation of the Chugach Regional Borough is possible in an equitable manner that holds all (current) MOA citizens harmless and should result in lower GO Bond tax burdens and stable or reduced Mill Rates on a go-forward basis.

MOA citizens are held harmless because they do not incur costs to refinance GO Bond Debt. They benefit because, post separation, they retain a higher ratio of businesses which do not enjoy homeowner, veteran and senior citizen property tax exemptions. Therefore, future MOA should enjoy a slight shift in property taxes from residential to business.

Chugach Regional Borough citizens will benefit as their tax obligations are used to pay for services they select that benefit their community. As their bond rating is adjusted to recognize their financial stability, stability of borough staff, ability to issue timely ACFRs, and ability and willingness to adhere to Fund Balance policies, the cost of Chugach Regional Borough GO Bond debt will decrease.

EXHIBIT A - Summary of All Funds

	(2) General Fund	(3) MOA Trust Fund	4) Roads and Drainage Capital Project	5) Nonmajor Govt	Total Governmental Funds	6) Proprietary Excl. Internal Service Funds	7) Internal Service Funds	8) Pensions and OPEB	9) Component Units ACDA and ACPA	10) ASD	Subtotal
ACFR page	11	11, 45 to 46, and 118 to 119	11	11 and 156	11	18	18	25	8	8	
$ Retained by MOA	55,892,344	343,498,101	(4,536,647)	147,550,592	542,404,390	5,980,861	32,577,122	-	-	808,903,260	1,389,865,633
$ Retained by MOA / future economic benefit sharing	-	-	-	-	-	945,573,512	-	-	28,836,039	-	974,409,551
Share COP obligation and any residiual pension / OPEB obligation pro-rata; split any residual Fund Balance when all obligations extinguished	-	-	-	34,265,947	34,265,947	-	-	362,483,050	-	-	396,748,997
Split $$ pro rata when covenants permit or debt is repaid	-	-	-	54,940,445	54,940,445	-	-	-	-	-	54,940,445
$ to CRB	16,609,564	66,602,419	(879,631)	26,662,778	108,995,130	1,159,656	8,287,900	-	-	156,841,954	275,284,640
	72,501,908	410,100,520	(5,416,278)	263,419,762	740,605,912	952,714,029	40,865,022	362,483,050	28,836,039	965,745,214	3,091,249,266

Add (see page 12, ACFR):	Capital assets not reported in the General	3,459,091,101
	GO Bonds not reported in the General Fund	(1,224,965,309)
	Other items not reported in the General Fund	212,500,357
	Net Position of Government Activities	3,187,232,061

EXHIBIT B – Illustration of Capital Asset and GO Bond Debt Allocations

		Total	CRB portion	
Capital Assets - MOA	(A)	3,459,091,101	561,774,058	
Other - MOA	(A)	212,500,357	34,511,143	
GO Bond Debt - MOA	(A)	(1,224,965,309)	(198,940,621)	
Capital Assets - ASD	(B)	1,307,260,768	212,305,824	
GO Bond Debt - ASD	(C)	(428,510,000)	(69,592,212)	
			540,058,192	Before cost of refinancing
(A) See 2023 ACFR page 12			(92,000,000)	Less: cost of refinancing
(B) See 2023 ACFR page 5			448,058,192	After cost of refinancing
(C See 2023 ACFR page 80				

The above calculation is conservative because it assumes the entire estimated cost of refinancing will be incurred (that no GO Bonds near maturity can be prepaid rather than refinanced). It also utilizes carrying values for Capital Assets from the 2023 ACFR which are usually historical cost or historical cost net of accumulated depreciation. In actuality, many Capital Assets owned by the MOA are worth far more than their carrying values. Page 62 of the 2023 ACFR provides additional information about the components of Capital Assets which include, among other categories, land, buildings and improvements.