

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER __, 2019

NEW ISSUE

See “RATINGS” herein

Interest on the 2019 Bonds is not excludable from gross income for federal income tax purposes. See “TAX MATTERS” herein.



\$ _____ *

MATANUSKA-SUSITNA BOROUGH, ALASKA

\$ _____ Taxable General Obligation
School Refunding Bonds, 2019 Series A

\$ _____ Taxable General Obligation
Transportation System Refunding Bonds, 2019 Series B

Dated: Date of Delivery

Due: As shown on the inside cover

The Taxable General Obligation School Refunding Bonds, 2019 Series A and the Taxable General Obligation Transportation System Refunding Bonds, 2019 Series B, of the Matanuska-Susitna Borough, Alaska (the “Borough”) are referred to in this Official Statement as the “2019 Bonds.” The 2019 Bonds will be issued as fully registered bonds under a book-entry system, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the 2019 Bonds. Individual purchases of interests in the 2019 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Interest on the 2019A Bonds is payable March 1, 2020 and semiannually thereafter on September 1 and March 1 of each year. Interest on the 2019B Bonds is payable April 1, 2020 and semiannually thereafter on October 1 and April 1 of each year. U.S. Bank National Association, of Seattle, Washington, is the Paying Agent and Bond Registrar. **The 2019 Bonds are subject to redemption as described herein.**

The 2019 Bonds are general obligations of the Borough and the full faith and credit of the Borough are pledged for the payment of the principal of and interest on the 2019 Bonds. The Borough is obligated to levy ad valorem taxes upon all taxable property within the Borough, without limitation of rate or amount, to pay the principal of and interest on the 2019 Bonds as the same become due and payable.

See the Inside Cover for Maturity Schedules

The 2019 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving legal opinion of Foster Pepper PLLC, of Seattle, Washington, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by Katten Muchin Rosenman LLP, of Chicago, Illinois. FirstSouthwest, a Division of Hilltop Securities Inc., is serving as pricing advisor to the Borough. It is expected that the 2019 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about December __, 2019.

RBC Capital Markets

Dated: December __, 2019

* Preliminary, subject to change.

MATURITY SCHEDULES

\$ _____ * Taxable General Obligation School Refunding Bonds, 2019 Series A

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>Reoffering Price</u>	<u>CUSIP No.†</u>
	\$	%	%		

\$ _____ * Taxable General Obligation Transportation System Refunding Bonds, 2019 Series B

<u>Maturity (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>Reoffering Price</u>	<u>CUSIP No.†</u>
	\$	%	%		

* Preliminary, subject to change.

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MATANUSKA-SUSITNA BOROUGH

350 East Dahlia Avenue
Palmer, Alaska 99645
(907-861-7801)

MAYOR

Vern Halter

BOROUGH ASSEMBLY

Stephanie Nowers (Deputy Mayor)
Ted Leonard

Tim Hale
Dan Mayfield
Tam Boeve

George McKee
Jesse Sumner

APPOINTED OFFICIALS

Borough Manager
Director of Finance
Clerk
Assessor
Attorney
Assistant Manager
Director of Public Works
Director of Emergency Services
Director of Information Technology
Director of Community Development
Director of Planning
Director of Capital Projects

John Moosey
Cheyenne Heindel
Lonnie R. McKechnie
Brad Pickett
Nicholas Spiropoulos
George Hays
Terry Dolan
Ken Barkley
Eric Wyatt
Eric Phillips
Eileen Probasco
Jude Bilafer

BOND COUNSEL

Foster Pepper PLLC
Seattle, Washington

PAYING AGENT AND BOND REGISTRAR

U.S. Bank National Association
Seattle, Washington

No dealer, salesman or any other person has been authorized by the Borough or the Underwriter to give any information or to make any representation with respect to the 2019 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Borough and other sources which the Borough believes to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

Neither this Official Statement nor any statement which may have been made orally or in writing (other than the Bond Ordinance referred to herein) is to be construed as a contract with the owners of any of the 2019 Bonds.

References to website addresses herein are for information purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED, AND IF DISCONTINUED THEN RECOMMENCED, AT ANY TIME.

THE 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2019 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2019 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2019 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement is submitted by the Borough in connection with the sale of the 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the Taxable General Obligation School Refunding Bonds, 2019 Series A (the “*2019A Bonds*”) and the Taxable General Obligation Transportation System Refunding Bonds, 2019 Series B (the “*2019B Bonds*” and together with the 2019A Bonds, the “*2019 Bonds*”) by the Matanuska-Susitna Borough, Alaska (the “*Borough*”), to potential investors is made only by means of this entire Official Statement, including the Appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without this entire Official Statement, including the Appendices hereto.

The Borough

The Borough is a municipal corporation of the State of Alaska located in southcentral Alaska, approximately 40 miles northeast of the business district of Anchorage. The Borough encompasses approximately 25,265 square miles and had an official U.S. Census 2010 population of 88,995 and a 2019 estimated population of 105,743. As of January 1, 2019, the certified assessed valuation of taxable property in the Borough is \$10,324,910,454 (as compared to the assessed valuation of \$10,703,603,022, as of January 1, 2018).

The Borough operates under an Assembly-Manager form of government. Policy-making and legislative authority are vested in a governing assembly consisting of a mayor and seven assembly members. The Assembly is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Borough Manager, Attorney and Clerk. The Borough Manager is responsible for carrying out the policies and ordinances of the Borough, for overseeing the day-to-day operations of the Borough and for appointing the heads of the various departments.

The Borough is empowered to levy a property tax on both real and personal property located within its boundaries. State law mandates that the Borough provide certain services on an areawide basis. The Borough exercises the following areawide powers: general administration, education, property assessment and collection of taxes, planning and zoning, parks and recreation, ports, emergency medical services, transportation and historic preservation. The Borough is financially accountable for a legally separate school district (the “*School District*”).

Purpose of Issue

The 2019A Bonds are being issued on a taxable basis to refund (i) \$54,545,000* aggregate principal amount of the Borough’s General Obligation School Bonds, 2012 Series A (the “*2012A Bonds*”); and (ii) \$8,045,000* aggregate principal amount of the Borough’s General Obligation School Bonds, 2013 Series A (the “*2013A Bonds*” and together with the 2012A Bonds, the “*Prior School Bonds*”).

The 2019B Bonds are being issued on a taxable basis to refund \$6,880,000* aggregate principal amount of the Borough’s General Obligation Transportation System Bonds, 2012 Series D (the “*2012D Bonds*” or the “*Prior Transportation System Bonds*” and together with the Prior School Bonds, the “*Prior Bonds*”).

* Preliminary, subject to change.

Security

The 2019 Bonds are general obligations of the Borough and the full faith and credit of the Borough are pledged for the payment of the principal of and interest on the 2019 Bonds. The Borough is obligated to levy ad valorem taxes upon all taxable property within the Borough, without limitation of rate or amount, to pay the principal of and interest on the 2019 Bonds as the same become due and payable.

Under current State law, debt service on the 2019A Bonds is eligible for State reimbursement at a rate of reimbursement of 70%*. (See "STATE DEBT REIMBURSEMENT PROGRAMS – School Debt Reimbursement Program"). Each such reimbursement payment is subject to annual legislative appropriation. The State's appropriation for the school debt reimbursement program for the fiscal year ended June 30, 2019 is 100% of the authorized reimbursement. However, due to veto by the Governor, state reimbursement is expected to be 50% in fiscal year June 30, 2020. (See "STATE DEBT REIMBURSEMENT PROGRAMS – School Debt Reimbursement Program").

General Obligation Debt

After the issuance of the 2019 Bonds, the outstanding general obligation debt of the Borough will be \$[_____]*, which is [____]%* of the 2019 certified assessed valuation of taxable property in the Borough.

Remaining Bond Authorization

\$32,080,000 principal amount of general obligation bonds of the Borough remain authorized from three bond elections but unissued. (See "GENERAL OBLIGATION DEBT STATEMENT" – "Future Financing," herein.)

* Preliminary, subject to change.

OFFICIAL STATEMENT

\$ _____ *

MATANUSKA-SUSITNA BOROUGH, ALASKA

\$ _____ * Taxable General Obligation School Refunding Bonds, 2019 Series A

\$ _____ * Taxable General Obligation Transportation System Refunding Bonds, 2019 Series B

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, Summary Statement, and Appendices attached hereto, is furnished by the Matanuska-Susitna Borough, Alaska (the “*Borough*”) to provide information regarding the Borough and \$ _____ * aggregate principal amount of the Borough’s Taxable General Obligation School Refunding Bonds, 2019 Series A (the “*2019A Bonds*”) and \$ _____ * aggregate principal amount of the Borough’s Taxable General Obligation Transportation System Refunding Bonds, 2019 Series B (the “*2019B Bonds*,” and together with the 2019A Bonds, the “*2019 Bonds*”).

Authorization and Purpose

The 2019 Bonds are authorized under and pursuant to Alaska Statutes Chapter 29.47. The 2019 Bonds are issued pursuant to Ordinance Serial No. 19-121, adopted by the Borough Assembly on November 19, 2019 (the “*Bond Ordinance*”). The 2019A Bonds are being issued on a taxable basis to refund (i) \$54,545,000* aggregate principal amount of the Borough’s General Obligation School Bonds, 2012 Series A (the “*2012A Bonds*”); and (ii) \$8,045,000* aggregate principal amount of the Borough’s General Obligation School Bonds, 2013 Series A (the “*2013A Bonds*” and together with the 2012A Bonds, the “*Prior School Bonds*”). The 2019B Bonds are being issued on a taxable basis to refund \$6,880,000* aggregate principal amount of the Borough’s General Obligation Transportation System Bonds, 2012 Series D (the “*2012D Bonds*” or the “*Prior Transportation System Bonds*” and together with the Prior School Bonds, the “*Prior Bonds*”).

Security

The 2019 Bonds are general obligations of the Borough and the full faith and credit of the Borough are pledged for the payment of the principal of and the interest on the 2019 Bonds. The Borough is obligated to levy ad valorem taxes upon all taxable property within the Borough, without limitation of rate or amount, to pay the principal of and interest on the 2019 Bonds as the same become due and payable.

* Preliminary, subject to change.

Refunding Plan

The Prior Bonds consist of certain maturities of two outstanding series of general obligation school bonds of the Borough and one outstanding series of general obligation transportation system bonds of the Borough, which are more particularly described in the following table:

Prior Bonds to be Refunded

Series	Maturities	Principal Amount	Maturity or Redemption Date	Redemption Price
School Bonds, 2012 Series A	[2023 to 2032 inclusive]	[\$54,545,000]*	March 1, 2023	100%
School Bonds, 2013 Series A	[2024 to 2033 inclusive]	[8,045,000]*	March 1, 2024	100
Transportation System Bonds, 2012 Series D	[2023 to 2032 inclusive]	[6,880,000]*	April 1, 2023	100

The Borough will redeem the Prior Bonds on the applicable redemption dates. On the date of issuance of the 2019 Bonds, a portion of the proceeds of sale of the 2019 Bonds will be deposited in an irrevocable escrow fund established to refund the Prior Bonds. The escrow fund will be held by U.S. Bank National Association, of Seattle, Washington, as Refunding Trustee under a Refunding Trust Agreement by and between the Borough and the Refunding Trustee. The moneys held in the escrow fund will be invested in direct and general obligations of the United States of America (the “*Government Obligations*”) that will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts so that sufficient moneys will be available, together with an initial cash deposit, to make full and timely payment of the redemption price of the Prior Bonds on the applicable redemption dates, and the interest due on the Prior Bonds on each interest payment date to and including the applicable redemption dates. The sufficiency of the deposit made to the escrow fund will be verified by Causey Demgen & Moore P.C. See “Certain Verifications.”

Sources and Uses of Funds

The following tables show the estimated sources and uses of funds in connection with the issuance of each series of the 2019 Bonds.

2019 Series A Bonds

SOURCES OF FUNDS

Principal Amount of 2019A Bonds

Plus: Original Issue Premium

Total Sources of Funds

USES OF FUNDS

Refund Prior School Bonds (2)

Costs of Issuance (1).....

Total

2019 Series B Bonds

SOURCES OF FUNDS

Principal Amount of 2019B Bonds.....	
Plus: Original Issue Premium	_____
Total Sources of Funds	=====

USES OF FUNDS

Refund Prior Transportation System Bonds (3)	
Costs of Issuance (1).....	_____
Total	=====

- (1) Includes Underwriter's discount, legal, pricing advisory, accounting, printing and other expenses associated with the issuance of the 2019 Bonds.
- (2) 2012A Bonds and 2013A Bonds.
- (2) 2012D Bonds.

This Official Statement includes descriptions of the security for the 2019 Bonds and the Borough. All references herein to agreements and documents are qualified in their entirety by references to the definitive forms thereof, and all references to the 2019 Bonds are further qualified by references to the information with respect thereto contained in the Bond Ordinance. Any statements or information indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith, but no assurance can be given that the facts will materialize as so opined or estimated.

DESCRIPTION OF THE 2019 BONDS

General Description

The 2019A Bonds will be dated as of their date of delivery, will mature on the maturity dates and in the amounts shown on the inside cover page of this Official Statement and will bear interest payable on March 1, 2020 and semiannually thereafter on September 1 and March 1 in each year, at the rates per annum set forth on the inside cover page of this Official Statement. The 2019B Bonds will be dated as of their date of delivery, will mature on the maturity dates and in the amounts shown on the inside cover page of this Official Statement and will bear interest payable on April 1, 2020 and semiannually thereafter on October 1 and April 1 in each year, at the rates per annum set forth on the inside cover page of this Official Statement. U.S. Bank National Association, of Seattle, Washington, is the Paying Agent and Bond Registrar for the 2019 Bonds.

The 2019 Bonds will be issued only as fully registered bonds and when issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC, or its nominee, Cede & Co., is the registered owner of all the 2019 Bonds, all payments on the 2019 Bonds will be made directly to DTC. Individual purchases of interests in the 2019 Bonds will be made in book-entry form only in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in the 2019 Bonds purchased. For additional information concerning the DTC book-entry system, see APPENDIX C, "BOOK ENTRY SYSTEM."

Security

The 2019 Bonds are general obligations of the Borough and the full faith and credit of the Borough are pledged for the payment of the principal of and interest on the 2019 Bonds. The Borough is obligated to levy ad valorem taxes upon all taxable property within the Borough, without limitation of rate or amount, to pay the principal of and interest on the 2019 Bonds as the same become due and payable.

Optional Redemption

The 2019A Bonds maturing on or after March 1, 20__* are subject to redemption prior to maturity at the option of the Borough, in such principal amounts and from such maturities of such 2019A Bonds of the same maturity and interest rate as the Borough shall determine, and by lot with respect to 2019A Bonds of the same maturity and interest rate, on any date on or after _____ 1, 20__*, at a redemption price of par, plus accrued interest to the redemption date.

The 2019B Bonds maturing on or after April 1, 20__* are subject to redemption prior to maturity at the option of the Borough, in such principal amounts and from such maturities of such 2019B Bonds of the same maturity and interest rate as the Borough shall determine, and by lot with respect to 2019B Bonds of the same maturity and interest rate, on any date on or after _____ 1, 20__*, at a redemption price of par, plus accrued interest to the redemption date.

Notice of Redemption

For so long as all outstanding 2019 Bonds are in fully immobilized form, the Borough will provide notice to DTC of its intention to redeem 2019 Bonds in the manner specified in the Letter of Representations entered into by the Borough and DTC. DTC is required to give notice of redemption to the Direct Participants (see APPENDIX C, "BOOK ENTRY SYSTEM") of the 2019 Bonds, by mailing such notice not less than 20 days nor more than 45 days prior to the redemption date.

In the event that the 2019 Bonds are no longer registered in fully immobilized form, notice of any such redemption shall be given by the Paying Agent on behalf of the Borough by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 45 days prior to the date fixed for redemption to the registered owner of the 2019 Bond or Bonds to be redeemed at the address shown on the bond register maintained by the Paying Agent or at such other address as is furnished in writing by such registered owner to the Paying Agent.

Notwithstanding the foregoing provisions, in the case of an optional redemption, the notice may state that the Borough retains the right to rescind the redemption notice and the related optional redemption of 2019 Bonds by giving a notice of rescission to the affected registered owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the 2019 Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Defeasance

In the event money and/or non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America, in each case maturing at such times and bearing interest to be earned thereon in amounts sufficient to redeem and retire any or all of the 2019 Bonds in accordance with their terms, are set aside in a special

* Preliminary, subject to change.

trust account to effect such redemption or retirement and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made to pay or secure the payment of the principal of and interest on such 2019 Bonds and such 2019 Bonds shall be deemed not to be outstanding.

BOROUGH INDEBTEDNESS

The Borough has various types of outstanding indebtedness including unlimited tax general obligation debt, capital lease obligations, lease revenue bonds and loans payable to the State of Alaska (the “State”). For additional information concerning Borough indebtedness see the information under the headings “General Obligation Debt Statement,” “Capital Lease Obligations” and “Other Indebtedness” and in APPENDIX A – BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

Summary of Borough Indebtedness

Type	Principal Amount
Unlimited Tax General Obligation Bonds	\$[293,710,000] (1)*
Capital Leases	19,130,000 (2)
State Loans.....	7,092,321 (2)
USDA Loans.....	6,766,756 (2)
University of Alaska Note.....	246,255 (2)
Total Indebtedness	<u><u>\$[326,945,332] (3)*</u></u>

* Preliminary, subject to change.

(1) As of June 30, 2019. Includes the 2019 Bonds.

(2) As of June 30, 2019.

(3) Excludes \$104,390,000 in Lease Revenue Refunding Bonds, Series 2015 (Goose Creek Correctional Center Project); and \$56,855,000 in Lease Revenue Refunding Bonds, Series 2016 (Goose Creek Correctional Center Project), each related to the Goose Creek Correctional Facility payable solely from lease payments made by the State of Alaska Department of Administration. See “State Prison Lease Revenue Bonds.”

Debt Limitation

There are no constitutional or statutory debt limitations under State law. The Borough can issue general obligation bonds without limitation, upon approval of a bond authorization proposal by the qualified voters of the Borough. Voter approval is not required for the issuance of revenue debt and general obligation refunding bonds. On December 20, 1983, the Borough Assembly adopted Ordinance No. 83-85, which as a matter of current Borough policy limits the outstanding general obligation debt of the Borough to seven percent of the total assessed valuation of taxable property in the Borough.

GENERAL OBLIGATION DEBT STATEMENT

Direct and Overlapping Debt

The following table sets forth the direct and overlapping general obligation debt applicable to the Borough after the issuance of the 2019 Bonds and the refunding of the Prior Bonds. The table excludes obligations of the Borough that have previously been refunded, capital leases and lease revenue bonds. (See “Capital Lease Obligations” and “State Prison Lease Revenue Bonds”).

Direct Debt	Principal Amount Outstanding
2007 Series A Bonds	\$ 18,015,000
2007 Series B Bonds	630,000
2009 Series A Bonds	870,000
2011 Series A Bonds	3,040,000
2012 Series A Bonds	12,625,000*
2012 Series B Bonds	1,620,000
2012 Series C Bonds	3,125,000
2012 Series D Bonds	1,530,000*
2013 Series A Bonds	2,320,000*
2014 Series A Bonds	14,720,000
2014 Series B Bonds	24,715,000
2015 Series A Bonds	19,010,000
2015 Series B Bonds	48,080,000
2015 Series C Bonds	1,335,000
2016 Series A Bonds	31,690,000
2017 Series A Bonds	19,770,000
2019 Series A Bonds	[]*
2019 Series B Bonds	[]*
Total Direct Debt (1)	\$ []*
Overlapping Debt:	
City of Palmer	\$ 942,146
City of Wasilla	1,406,444
Total Overlapping Debt	\$ 2,348,590
Total Direct and Overlapping Debt	\$ []*
Bonded Debt Ratios	
January 1, 2019 Certified Taxable Assessed Value	\$10,703,603,022
2019 Estimated Borough Population	105,743
Ratio of:	
Direct Debt to 2019 Certified Taxable Assessed Value	[]%*
Direct and Overlapping Debt to 2019 Certified Taxable Assessed Value	[]%*
Per Capita:	
2019 Certified Taxable Assessed Value	\$101,223*
Direct Debt	\$[]*
Direct and Overlapping Debt	\$[]*
Debt Amortization:	
Within 5 years	[]%*
Within 10 years	[]%*

(1) Except for the 2007 Series B Bonds, the 2012 Series C Bonds, the 2012 Series D Bonds, the 2014 Series A Bonds, the 2015 Series C Bonds, the 2017A Bonds and the 2019B Bonds, all of the above issues are school bonds. See “State Debt Reimbursement Programs – School Debt Reimbursement Program.” The 2012 Series C Bonds are eligible for debt service reimbursement. See “State Debt Reimbursement Programs – Municipal Capital Project Debt Reimbursement Program.”

Source: Borough records.

* Preliminary, subject to change.

General Obligation Debt Service Schedule

Fiscal Year Ending 6/30	Outstanding Debt Service (1)	The 2019 Bonds			Total Debt Service
		Principal	Interest	Total	
2020	\$ []	\$	\$	\$	\$
2021	[]				
2022	[]				
2023	[]				
2024	[]				
2025	[]				
2026	[]				
2027	[]				
2028	[]				
2029	[]				
2030	[]				
2031	[]				
2032	[]				
2033	[]				
2034	[]				
2035	[]				
2036	[]				
2037	[]				
2038	[]				
2039	[]				
2040	[]				
TOTALS	\$[]	\$	\$	\$	\$

(1) As of _____, 2019.
Totals may not foot due to rounding.

Future Financing

Authorization by the qualified voters of the Borough is required before general obligation bonds (other than refunding bonds) may be issued.

On October 7, 2008, the voters of the Borough approved a bond proposition (the “2008 Transportation Bond Proposition”) authorizing the issuance of \$15,000,000 aggregate principal amount of general obligation bonds of the Borough for transportation projects. The bonds authorized by the 2008 Transportation Bond Proposition may be issued only if and when 70% matching funds are received from the State, which to date has not occurred.

On October 4, 2011, the voters of the Borough approved a bond proposition (the “2011 School Bond Proposition”) authorizing the issuance of \$214,495,000 aggregate principal amount of general obligation bonds of the Borough for school construction projects. The 2012 Series A Bonds, the 2013 Series A Bonds, the 2014 Series B Bonds and the 2015 Series B Bonds were issued pursuant to the 2011 School Bond Proposition. \$2,465,000 principal amount of general obligation bonds remain authorized and unissued under the 2011 School Bond Proposition.

On October 1, 2013, the voters of the Borough approved a bond proposition (the “2013 Transportation Bond Proposition”) authorizing the issuance of \$16,215,000 aggregate principal

amount of general obligation bonds of the Borough for transportation projects. The bonds authorized by the 2013 Transportation Bond Proposition may be issued only if and when 50% matching funds are received from the State. To date, the State has appropriated \$1,600,000 of matching funds. The 2015 Series C Bonds were issued pursuant to the 2013 Transportation Bond Proposition. \$14,615,000 principal amount of general obligation bonds remain authorized and unissued under the 2013 Transportation Bond Proposition.

On October 2, 2018 the voters of the Borough approved a bond proposition (the “*2018 Transportation Bond Proposition*”) authorizing the issuance of \$23,845,000 aggregate principal amount of general obligation bonds of the Borough for transportation projects. The bonds authorized by the 2018 Transportation Bond Proposition may be issued only if and when 50% matching funds are received from a source other than the Borough. To date, this has not occurred.

With regard to each of the 2008 Transportation Bond Proposition, the 2011 School Bond Proposition, the 2013 Transportation Bond Proposition and the 2018 Transportation Bond Proposition, there are no present plans to issue any bonds thereunder.

CAPITAL LEASE OBLIGATIONS

In October of 2013, the Borough caused the issuance of \$8,585,000 Public Safety Building Lease Certificates of Participation, 2013 (the “*2013 Certificates*”), for the purpose of financing the acquisition and construction of a public safety building. The \$[5,720,000] outstanding principal amount of the 2013 Certificates is payable in the years 2020 to 2028.

In December of 2016, the Borough caused the issuance of (i) \$5,700,000 Fire Station Lease Certificates of Participation, 2016A (the “*2016A Certificates*”) for the purpose of acquiring, constructing and equipping a fire station and fleet maintenance facility, (ii) \$5,000,000 Fire Station Lease Certificates of Participation, 2016B (the “*2016B Certificates*”) for the purpose of acquiring, constructing and equipping a fire station and emergency services training and warehouse facility and (iii) \$2,405,000 Animal Care Facility Lease Refunding Certificates of Participation, 2016C (the “*2016C Certificates*”) for the purpose of refunding a portion of the then outstanding 2008 Certificates. The \$[5,020,000] outstanding principal amount of the 2016A Certificates is payable in the years 2020 to 2031. The \$[4,415,000] outstanding principal amount of the 2016B Certificates is payable in the years 2020 to 2031. The \$[1,930,000] outstanding principal amount of the 2016C Certificates is payable in the years 2019 to 2023.

The payment obligations of the Borough with respect to Certificates of Participation are subject to annual appropriation of the required sums by the Borough Assembly. Neither the full faith and credit nor the general taxing power of the Borough is pledged to pay the principal or interest evidenced by Certificates of Participation.

STATE PRISON LEASE REVENUE BONDS

In January of 2009, the Borough issued \$244,285,000 principal amount of State of Alaska Lease Revenue Bonds, Series 2008 (Goose Creek Correctional Center Project) (the “*Series 2008 Lease Revenue Bonds*”) for the purpose of financing the Goose Creek Correctional Facility (the “*Facility*”) pursuant to a “triple net” Lease Purchase Agreement by and between the Borough, as lessor, and the State of Alaska Department of Administration (the “*DOA*”), as lessee. In April of 2015, the Borough issued \$105,720,000 principal amount of State of Alaska Lease Revenue Refunding Bonds, Series 2015 (Goose Creek Correctional Center Project) (the “*Series 2015 Lease Revenue Refunding Bonds*”) for the purpose

of advance refunding \$101,850,000 of the then-outstanding Series 2008 Lease Revenue Bonds. In July of 2016, the Borough issued \$57,985,000 principal amount of State of Alaska Lease Revenue Refunding Bonds, Series 2016 (Goose Creek Correctional Center Project) (the “*Series 2016 Lease Revenue Refunding Bonds*” and together with the Series 2008 Lease Revenue Bonds and the Series 2015 Lease Revenue Refunding Bonds, the “*Lease Revenue Bonds*”) for the purpose of advance refunding \$59,340,000 of the remaining outstanding Series 2008 Lease Revenue Bonds. The remaining outstanding principal maturities of Series 2008 Lease Revenue Bonds not previously refunded by the Series 2016 Lease Revenue Bonds of Series 2016 Lease Revenue Bonds matured in September 2019 and are no longer outstanding.

The lease payments to be made by the DOA are designed to provide for the punctual payment of the principal of and interest on the Lease Revenue Bonds. The \$104,390,000 outstanding principal amount of Series 2015 Lease Revenue Refunding Bonds are payable in the years 2026 to 2032. The \$56,855,000 outstanding principal amount of Series 2016 Lease Revenue Refunding Bonds are payable in the years 2020 to 2025. The Lease Revenue Bonds are limited obligations of the Borough payable solely from the lease payments to be made by the DOA. Neither the full faith and credit nor the taxing power of the Borough is pledged for the payment of the Lease Revenue Bonds

OTHER INDEBTEDNESS

In addition to the general obligation bonds, certificates of participation and lease revenue bonds described above, as of June 30, 2018, the Borough had outstanding \$7,015,609 in solid waste revenue and \$70,613 in Talkeetna Sewer and Water Service Area indebtedness under the State Clean Water Fund Loan Program, a \$6,766,756 USDA Rural Development Community Facility Direct Loan, and a \$246,255 note payable to the University of Alaska. See Note 10 in APPENDIX A, “BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

STATE DEBT REIMBURSEMENT PROGRAMS

School Debt Reimbursement Program

Alaska Statute 14.11.100 provides a system under which the State, subject to annual appropriation by the State Legislature, will reimburse debt service on bonds issued by municipalities to pay costs of school construction, additions to schools, and major rehabilitation projects and education-related facilities.

Funds to provide reimbursement under Alaska Statute 14.11.100 must be appropriated annually by the State Legislature. The price of oil and the quantity of oil produced in the State may have an impact on the willingness and/or the ability of the State to make appropriations to fund the payments authorized.

The percentage of debt service payments that the State will reimburse depends on whether the project has been approved or reviewed by the Commissioner of Education and Early Development (“*Commissioner*”). The requirement of approval or review, as the case may be, applies to the educational specifications, schematic designs, and final contract documents for the project. Where approval of a school construction project is required, State and school district officials must agree on design, projected enrollment and distribution of space in the school to the various required uses.

The school construction debt service reimbursement program provides generally that the State will reimburse:

- For debt authorized for projects approved by the Commissioner, 70% of debt service payments made during the current fiscal year; and
- For debt authorized for projects reviewed by the Commissioner, 60% of debt service payments made during the current fiscal year.

All costs of financing and acquiring, constructing, enlarging, repairing, remodeling, equipping, or furnishing public elementary and secondary schools are eligible for reimbursement, including the cost of all necessary studies, surveys, plans and specifications, architectural, engineering, or other services; site acquisition, preparation and development; an allocable portion of the administrative and operating expenses of the issuer; insurance; and the cost of financing the project, including bond interest, legal fees, fees and expenses of trustees, depositories, financial advisors, underwriters and paying agents. Costs for most single-purpose sports or recreational facilities and costs that are paid from State or federal funds are excluded.

For the Borough to obtain reimbursement it first must submit to the Department of Education and Early Development a request for an allocation of funds for reimbursement not later than October 15 of the fiscal year before the fiscal year for which the request is made. The State makes a reimbursement payment to the Borough upon receipt of a notice of payment by the Borough from the paying agent for the Borough's bonds. Only cash disbursements from locally-generated funds are eligible for reimbursement.

There is no guarantee that the State Legislature will make appropriations to fund at any level the payments authorized. In the event funds are not available to fully fund the State school debt reimbursement program, the funds that are available will be distributed pro rata among the eligible local governments. The following table shows total Statewide entitlements and actual State aid payments made to the Borough reported by the Alaska Department of Education and Early Development for the State fiscal years ended June 30, 2010 to 2019. Between 1993 and 2016 and between 2018 and 2019, the State fully funded all entitlements under the school debt reimbursement program.

The Alaska State Legislature approved a fiscal year 2020 budget on June 10, 2019 which included fully funding the school debt reimbursement program. On June 28, 2019, Governor Dunleavy exercised his line item veto authority to reduce the fiscal year end June 30, 2020 appropriations by approximately \$444 million, including a 50% reduction in the school debt reimbursement program. Accordingly, school debt reimbursement by the State in fiscal year June 30, 2020 has been reduced by 50%, and the Borough's share has expected to increase accordingly. In a similar way, schools debt reimbursement was reduced by 25% in fiscal year 2017 following full funding approval by the Alaska State Legislature and a line item veto by the then Governor resulting in a 25% reduction in that fiscal year. No veto was in place in the fiscal years ended June 30, 2018 and 2019. The Borough expects that its share of reimbursement in fiscal year 2020 will increase by approximately \$9.2 million. In anticipation of the reduction in debt service reimbursement, the Borough (i) reduced its approved budget by \$8 million; (ii) utilized unspent project funds to pay 2020 debt service; and (iii) increased the available mill rate by 0.055 mills. The Borough anticipates that it is possible that the school debt reimbursement for fiscal year ended June 30, 2021 or in future years may be reduced again, possibly to zero, though any such reduction cannot at this time be predicted with certainty; however, the Borough is making budgetary plans assuming zero reimbursement for school debt reimbursement starting in fiscal year ended June 30, 2021.

**ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
STATEWIDE DEBT SERVICE REIMBURSEMENT**

<u>Fiscal Year Ended June 30</u>	<u>Statewide Entitlement Payments</u>	<u>Borough Entitlement Payments</u>
2019	\$ _____	\$19,942,047
2018	115,956,587	22,610,591
2017	_____	17,764,283
2016	118,025,593	22,673,550
2015	118,026,000	20,053,341
2014	109,800,821	19,679,679
2013	113,539,996	18,932,007
2012	100,907,833	14,105,642
2011	99,594,456	12,280,710
2010	96,507,492	11,237,576

Source: Alaska Department of Education and Early Development

Borough School Debt Reimbursement Entitlement

After the issuance of the 2019 Bonds and the refunding of the Prior Bonds, the Borough will have 11 series of outstanding school bonds eligible for State reimbursement under the school debt reimbursement program. The following table shows the outstanding balance, final payment date, and reimbursement eligibility for each series.

OUTSTANDING BOROUGH SCHOOL BONDS

<u>Series</u>	<u>Outstanding Balance</u>	<u>Final Maturity</u>	<u>Debt Service Reimbursement Eligibility</u>
2007 Series A	\$ 29,870,000	4/1/25	64.0
2009 Series A	2,510,000	7/1/29	70.0
2011 Series A	7,255,000	4/1/31	70.0
2012 Series A	74,905,000	3/1/32	70.0
2012 Series B	2,800,000	3/1/24	63.3
2013 Series A	11,395,000	3/1/33	70.0
2014 Series B	26,680,000	11/1/34	70.0
2015 Series A	30,560,000	2/1/26	66.7
2015 Series B	51,905,000	11/1/34	70.0
2016 Series A	31,690,000	7/1/30	70.0
2019 Series A	_____*	3/1/[____]	70.0*

If the State appropriates funds for debt service reimbursement at less than the full entitlement, the Borough's local share will increase accordingly. The Borough received \$19,831,024 in reimbursement in fiscal year 2019 or 100 percent of annual debt service reimbursement entitlement in that fiscal year. Its local share was \$9,324,795. As discussed above under "School Debt Reimbursement Program," school debt reimbursement by the State in fiscal 2020 will to be reduced by 50%, and the Borough's share is expected to increase accordingly.

* Preliminary, subject to change.

Municipal Capital Project Debt Reimbursement Program

Alaska Statute 29.60.700 provides a system under which the State, subject to annual appropriation by the State Legislature, will reimburse debt service on bonds issued by municipalities to pay costs of specified capital projects. The statute provides for the State to reimburse 100% of the costs paid by an eligible municipality during the immediately preceding fiscal year for the principal of and interest on outstanding debt for a specified project. The statute includes an authorization to reimburse payments by the Borough to retire up to \$10,000,000 in debt incurred for the Port MacKenzie Project. The Borough's General Obligation Port Refunding Bonds, 2012 Series C (the "*2012C Bonds*") were issued to finance the Port MacKenzie Project. See "General and Economic Data – Port MacKenzie Development."

This debt reimbursement program is administered by the State Department of Transportation and Public Facilities, which has confirmed that the 2012C Bonds are eligible for debt reimbursement under the program.

Full appropriations for reimbursement of debt service on the 2012C Bonds were made in fiscal years 2013 through 2019, but were vetoed by the Governor for the entire amount in fiscal year 2020; accordingly, the Borrower is responsible for the full amount of \$710,563 in fiscal year 2020. .

Funds to provide State debt reimbursement under Alaska Statute 29.60.700 must be appropriated annually by the State Legislature. The price of oil and the quantity of oil produced in the State may have an impact on the willingness and/or the ability of the State to make appropriations to fund the payments authorized. There is no guarantee that the State Legislature will make appropriations to fund at any level the payments authorized.

STATE OPERATING AID FOR EDUCATION

The State is required under the State constitution to establish and maintain a system of public schools. Each public school district in the State is funded through three primary sources: State aid, a required local contribution and eligible federal impact aid. In addition to aid for school construction, the State also provides aid to local school districts for the payment of operating expenses under the public school foundation program. The purpose of the foundation program is to provide a uniform system of public school aid throughout the State.

State aid to boroughs and cities is subject to annual appropriations. The price of oil and the quantity of oil produced in the State may have an impact on the willingness and/or the ability of the State to continue these aid programs at the same levels.

ASSESSED VALUATION AND PROPERTY TAXATION

The assessed valuation of the taxable property within the Borough, except property described below, is determined as of January 1 each year by the Borough Assessor (the "*Assessor*"). The Assessor is required to complete the assessment roll of all taxable property as of January 1 of each year, from which he prepares the abstract of assessment. The abstract is reviewed by the State Property Tax Administration. If necessary, the Borough Board of Equalization orders the Assessor to adjust the assessments on appeal, which may be subject to further appeal in the State courts. Under provisions of State law, the Assessor assesses all taxable property in the Borough at its full and true value. Taxes are levied on July 1 and are payable in two installments in August and February.

Property used in exploration, production or pipeline transportation of gas or unrefined oil is assessed by the State Department of Revenue as authorized by the State Legislature in 1973. The State levies a 20 mill tax on such property. Local governments and service areas may levy and collect a property tax based on the State's assessed valuation of those properties within the local jurisdiction. Payments made to local jurisdictions are allowed as a credit toward payments due the State.

Property Tax and Tax Limitations

State law imposes no limitation on the rate or amount of taxes which may be levied for debt service on general obligation bonds, such as the 2019 Bonds. Ad valorem taxes levied by an Alaska municipality for purposes other than debt service on general obligation bonds are limited by State statute (Alaska Statute 29.45.090) to an amount equal to 3% of the assessed valuation of taxable property in the municipality. In fiscal year 2019, the Borough levied ad valorem taxes for purposes other than debt service on general obligation bonds in an amount equal to 1.25% of the assessed valuation of taxable property in the Borough.

All property on which an ad valorem tax is levied must be taxed at the same rate during the year. In addition, a municipality, or combination of municipalities occupying the same geographical area, in whole or in part, may not levy ad valorem taxes for purposes other than debt service on general obligation bonds (a) that will result in tax revenues from all sources exceeding \$1,500 a year for each person residing within the municipality or (b) upon value that, when combined with the value of property otherwise taxable by the municipality, exceeds the product of 375% of the average per capita assessed valuation of all taxable property in the State multiplied by the number of residents in a municipality, such as the Borough, that does not levy a tax on oil and gas property under Alaska Statute 43.56.010 in excess of 18 mills. In fiscal year 2019, the Borough, together with municipalities occupying the same geographical area as the Borough, levied ad valorem taxes for purposes other than debt service on general obligation bonds (a) that resulted in tax revenues from all sources in an amount equal to \$1,237 for each person residing within the Borough and (b) upon value that, when combined with the value of property otherwise taxable by the Borough, equaled the product of 163% of the average per capita assessed valuation of all taxable property in the State multiplied by the number of residents in the Borough.

In 2005, the Borough adopted an ordinance (the “2005 Ordinance”) limiting substantially all Borough taxes to the previous year's tax levy increased by the consumer price index for the preceding year and average population growth or loss over the last five years. Taxes required to fund additional services mandated by voter approved ballot issues (such as taxes used to pay debt service on the 2019 Bonds) are excluded from the limit. By ordinance, the Borough may levy taxes in excess of the limits of, or amend, the 2005 Ordinance.

Assessed Valuation and Tax Collections

The certified assessed valuation of the taxable property in the Borough for the fiscal year ending June 30, 2019 is \$10,703,603,022. This represents an increase of approximately 3.3% over the prior year's assessed valuation.

Historical Assessed Valuation and Tax Collection Record

Fiscal Year Ended June 30	Assessed Valuation (All Property)	% Increase in Assessed Valuation From Previous Year	Areawide Tax Rate (Mills) (1)	Net Tax Levy (2)	Tax Collections on Current Levy		Collections Subsequent Years (3)	Total Collections to Date (3)	
					Amount	%		Amount	%
2019	\$10,324,910,454	3.8%	10.331	\$137,119,008	\$133,194,431	97.1	(4)	\$133,194,431	97.1
2018	9,944,945,242	3.5	10.332	132,715,228	126,903,605	95.6	\$1,682,619	128,586,224	96.7
2017	9,613,575,846	3.7	9.984	126,423,474	122,648,889	97.0	1,940,330	124,589,219	98.5
2016	9,266,261,014	2.9	9.984	121,803,400	116,527,024	97.7	1,793,793	118,320,817	97.1
2015	9,004,077,191	3.5	9.662	114,328,576	108,285,996	96.9	2,672,639	110,958,635	97.1
2014	8,702,239,019	2.0	9.852	109,986,586	106,109,708	96.5	3,300,814	109,410,522	99.5
2013	8,533,064,317	1.8	9.691	106,069,979	102,321,617	96.5	3,360,490	105,682,107	99.6
2012	8,384,028,066	2.1	10.051	106,116,574	101,881,857	96.0	3,948,981	105,830,838	99.7
2011	8,209,692,603	1.7	9.956	102,459,539	98,954,998	96.6	3,339,545	102,294,543	99.8
2010	8,071,844,601	1.4	9.980	100,736,350	97,109,667	96.4	3,524,652	100,634,319	99.9
2009	7,957,521,667	3.9	10.326	100,433,204	96,318,045	95.9	4,046,801	100,364,846	99.9

(1) Areawide rate; does not include Service Areas or Non-Areawide rates.

(2) Tax Levy after adjustment for senior citizens and disabled veterans' levy reductions mandated under State law and Borough Code. Includes Non-Areawide and Service Areas levies.

(3) Includes collections on prior year's levies and penalty payments. Interest rate on delinquent taxes is currently 5.25% per annum.

(4) Not available.

Source: 2018 Comprehensive Annual Financial Report of the Borough and Borough records.

Ten Largest Taxpayers

Taxpayer	Nature of Business	As of January 1, 2019 Assessed Valuation (1)	Percentage of Borough's 2019 Assessed Valuation
Mat-Su Valley Medical Center	Medical Facilities	\$111,810,900	1.04%
Enstar Natural Gas	Private Utility	63,983,000	0.60
Fred Meyer Stores, Inc.	Retail Store	53,449,265	0.50
Alaska Hotel Properties	Hotels	40,647,200	0.38
Wal-Mart Stores, Inc.	Retail Store	29,636,400	0.28
Cook Inlet Region, Inc./CIRI Land Development Co.	Real Estate Rental, Leasing and Management	27,602,600	0.26
Global Finance/Gary Lundgren	Real Estate, Rental/Leasing	24,862,500	0.23
GCI/GCI Cable/Alaska Wireless	Telecommunications	23,037,200	0.22
Maple Springs	Assisted Living	19,119,200	0.18
DBC, LLC/Target	Property Development/Retail	18,273,900	0.17
Total		\$412,422,165	3.86%

(1) Reflects certified data of the Borough as of July 1, 2019. Includes real and personal property.

CERTAIN OTHER TAXES

There is no general Borough sales tax. The Borough levies an excise tax of 0.118 cents per cigarette and 55% of the wholesale price of other tobacco products. The excise tax revenue in fiscal year 2019 was \$8,491,239. The Borough levies a 5.00% tax on rentals for hotel and motel accommodations. The bed tax revenue in fiscal year 2019 was \$1,428,373. The Borough levies a 5% cannabis sales tax. The cannabis sales tax revenue in fiscal year 2019 was \$919,599. The Borough levies a sales tax in the Talkeetna Sewer and Water Service Area. The Talkeetna Sewer and ales tax revenue was \$_____ in fiscal year 2019. The City of Palmer levies a 3.00% sales tax, the City of Wasilla levies a 2.00% sales tax and the City of Houston levies a 3.00% sales tax. There is no State sales tax or personal income tax.

BOROUGH FINANCIAL MATTERS

General

The Borough's accounting records are maintained on a modified accrual basis in conformity with generally accepted accounting principles. Alaska law requires that an annual independent audit by a public accountant be made of the books of account and financial records and transactions of the Borough. The Borough has complied with this requirement, and the auditor's report for the fiscal year ended June 30, 2018 is included herein as APPENDIX A. The Government Finance Officers Association of the United States and Canada has awarded to the Borough its Certificate of Achievement for Excellence in Financial Reporting for the past 35 years.

The State Department of Education and Early Development promulgates the basis of accounting and reporting for schools, including the School District. These procedures must be adhered to for eligibility for State revenues under the public school foundation program. See "State Operating Aid for Education." The Education Operating Fund is utilized to account for all education related revenues and expenditures. The School District maintains detailed departmental accounting records for operating budget and reports to the State

Budgeting

Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. All departments and service areas submit budgets to the Borough Manager on or about January 31 of each year. The Borough Manager uses these requests for developing a proposed budget. The Borough Manager submits the proposed budget to the Assembly on the third Tuesday of April. The Assembly is required to hold public hearings on the proposed budget and to adopt the budget by May 31.

The School District is required by Borough Code to submit its annual budget including capital expenditures to the Borough Assembly for approval. All educational capital outlay expenditures are made directly by the School District with budgetary control and detailed accounting records maintained by the Borough Finance Department. The Borough Finance Department is responsible for the issuance of budgetary status and general ledger reporting. The School District does not have the authority to engage in direct treasury activity

Labor Relations

As of June 30, 2019, the Borough employed 358 people on a full-time basis in general government positions and approximately 1,938 full time equivalent employees in school operations. Borough officials consider employee relations to be satisfactory. General government employees of the

Borough are represented by the Matanuska-Susitna Borough Employees Association and have a three year contract with the Borough that extends through December 31, 2020. There have been no strikes by Borough employees in recent years. Most employees of the School District are represented by the Matanuska-Susitna Borough Education Association. The current contract with the School District expired through June 30, 2019 and negotiations are ongoing.

Retirement Plans

Permanent employees of the Borough participate in the Alaska Public Employees Retirement System (“PERS”) and the Supplemental Benefits System (“SBS”), and teachers of the School District participate in the Alaska Teachers Retirement System (“TRS”).

State legislation passed in 2005 affected retirement benefits for new employees under PERS and TRS. The legislation requires all new eligible employees hired on or after July 1, 2006 to be participants in newly created defined contribution retirement plans. For fiscal year [2020], employees are required to contribute [8]% of compensation and employers are required to contribute 5% of compensation for PERS covered employees and 7% for TRS-covered employees, plus additional amounts for certain medical insurance (1.32% of compensation for PERS-covered employees and 1.09% for TRS-covered employees) and occupational death and disability benefits (0.72% for peace officers and fire fighters and 0.267% for other PERS covered employees).

Employees hired prior to July 1, 2006 continue to accrue benefits under the existing defined benefit plans and, with respect to those plans, the employer will pay contribution rates set by the Alaska Retirement Management (“ARM”) Board. Pre-July 1, 2006, non-vested employees may elect to switch from the defined benefit to the appropriate defined contribution plan.

As part of the 2005 legislation, the then existing rate-setting and investment boards were eliminated and replaced with the ARM Board on October 1, 2005. The assets of PERS, TRS, and SBS are managed and invested by the ARM Board. The State of Alaska Department of Administration is the administrator of the plans.

In April 2008, the State converted the existing PERS from an agent-multiple employer plan to a cost-sharing plan. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. TRS has been operating as a cost-sharing plan for some time.

PERS requires a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor, and TRS requires a uniform employer contribution rate of 12.56% or less. The State is required to contribute in the event that the employer contribution rates adopted by the ARM Board, which include a component to amortize past service liability, exceeds those rates. Any such additional contributions are currently recognized by each employer as an on-behalf payment from the State.

In 2014, the State Legislature appropriated \$1 billion to reduce the unfunded actuarial accrued liability of PERS and \$2 billion to reduce the unfunded actuarial accrued liability of TRS. The State Legislature also directed the ARM Board to adopt employer contribution rates for liquidating the past service liability of PERS and TRS using a level percent of pay method over a closed term of 25 years ending in 2039, rather than the level dollar method that had been used by the ARM Board. This change in methodology resulted in significantly lower adopted employer contribution rates beginning in fiscal year 2016. All of the reduction in employer contributions for fiscal years 2016, 2017 and 2018 was reflected in lower on-behalf payments from the State.

PERS participants first hired before July 1, 2006, participate in a defined benefit plan. Under that plan, employees contribute 6.75% of their annual covered salaries to PERS (7.5% for peace officers and firefighters).

In September 2018, employer contribution rates were set for fiscal year 2020 based on assumptions and projections from the actuary designed to achieve full funding over a closed term of 25 years. The consolidated rate for fiscal year 2020 was set at 28.62% for all PERS employers, compared to 27.58% for fiscal year 2019. Since the consolidated rate exceeds the uniform employer contribution rate of 22%, the State is required to make a 6.62% on-behalf payment for fiscal year 2020, compared to 5.58% for fiscal year 2019.

As of June 30, 2017 (the latest adopted actuarial valuation data), the TRS defined-benefit pension fund showed assets (on an actuarial valuation basis) of \$5.312 billion against total liabilities of \$7.338 billion. Assets as a percent of pension fund obligations are 72.5%, representing system-wide underfunding of \$2.026 billion. If market values for assets were used, assets as a percentage of obligations would be 74.09%. The actuarial valuations for TRS include calculations for the health insurance of retirees which are a contractual obligation of the system.

The true costs of a defined benefit retirement plan cannot be determined until its future unfolds. The return on fund assets, member termination rates, future salary levels, medical costs, mortality experience, etc. cannot be precisely predicted. Estimates based on experience with similar groups, along with the judgment of the actuary and the plan sponsor, can provide a reasonable approximation of this true cost. However, as actual experience emerges under any retirement plan, it will be necessary to study the continued appropriateness of the techniques and assumptions employed and to adjust the contribution rate as necessary.

The SBS was designed to provide benefits in lieu of those under Social Security when the State withdrew from that system. Certain political subdivisions, including the Borough, also elected to participate in the SBS. The Borough currently contributes 6.13% of an employee's wages up to the current Social Security wage base.

Risk Management

The Borough and School District are exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and illness of and injuries to employees for which the Borough and School District carry commercial insurance. The Borough's insurance including the School District is on an occurrence basis except the fiduciary, crime, and corporate counsel liability, which are on a claims made basis. Major coverages, which are in effect until June 30, 2019 are as follows:

Property Coverage is limited to \$125,000,000 per occurrence and annual aggregate, as well as \$25,000,000 for earthquake and flood per occurrence and annual aggregate. Deductible is \$100,000 with a \$350,000 self-insurance retention ("SIR").

The Borough and the School District jointly participate in self-insurance for workers' compensation claims and for property and casualty coverage. For the fiscal year ending June 30, 2019, property and casualty claims where there is a self-insurance retention requirement are paid by the Borough or the School District respective to their losses. There is a \$350,000 SIR for casualty losses and workers' compensation is subject to \$500,000 SIR for all employees except fire responders. The retention is \$750,000 for fire responders unless it is a presumptive claim for fireman which is a \$1,000,000 SIR.

The Borough (excluding the School District) provides health insurance on a self-insured basis up to \$175,000 each occurrence of \$1,000,000 in aggregate for all medical claims during the fiscal year. Health insurance claims are paid by the Borough on a reimbursement basis. The Borough uses a third party administrator for this fund. Health insurance for the School District is paid on a premium basis.

Unemployment insurance is paid by the Borough and School District on a reimbursement basis to the State when individual claims are filed.

Cybersecurity

The Borough maintains insurance related to cybersecurity. The Borough was a victim on a cybersecurity incident in April 2018. As a result, the Borough replaced and improved various information technology assets, for an estimated total cost of approximately \$2 million, a portion of which has been recovered under relevant insurance policies. The Borough continues to maintain insurance related to cybersecurity. See Note 14 in APPENDIX A, "BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Seismic and Other Considerations

The Borough is in an area of seismic activity, including a 7.0 earthquake in November 2018. See Note 14 in APPENDIX A, "BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018." The Borough maintains insurance related to seismic activity. The Borough can give no assurance regarding the effect of any future earthquake, any impact resulting from ongoing climate change or any future natural disasters.

Cash Management and Investment Policy

The Borough's investment policy is to invest public funds in a manner which will provide the highest investment return consistent with the maximum preservation of capital while meeting the daily cash flow demands of the Borough. Investments of the Borough's short-term operating funds (not including bond proceeds) are authorized only in (i) obligations of, or guaranteed by, the United States; (ii) obligations of an agency or instrumentality of the United States; (iii) repurchase agreements and certificates of deposit collateralized with obligations described under (i) and (ii); (iv) money market mutual funds invested only in obligations described under (i) and (ii); (v) taxable general obligations of a state or municipality rated AA or higher by at least two nationally recognized rating agencies; and (vi) the Alaska Municipal League Investment Pool, whose investments are limited to those permitted under Alaska Statutes Chapter 37.23.

As of June 30, 2019, substantially all of the Borough's cash was invested. The amount of investment income for Governmental Fund Types in fiscal year 2019 was \$1,680,511. In addition, the amount of investment income for Agency Funds in fiscal year 2019 was \$0. Total interest investment in fiscal year 2019 was \$1,680,511.

Revenues and Expenditures

State contributions and property taxes are the major revenue sources for the Borough; general government and school operations accounted for approximately 77% of total expenditures in fiscal year 2019. The State makes payments to Alaska local governments that operate schools under various programs (for operating, debt service and capital improvement purposes). (See "State Operating Aid For Education" and "State Debt Reimbursement Programs – School Debt Reimbursement Program"). State funds accounted for approximately 75% of the Borough's educational operating revenues in fiscal year 2019.

Revenues for general governmental functions (which include the General, Special Revenue and Debt Service Funds) totaled \$407.7 million in fiscal year 2017 and \$418.8 million in fiscal year 2018. General property taxes, registration fees and special assessments produced \$138 million in fiscal year 2017 and \$144.2 million in fiscal year 2018.

Fiscal Years 2017 and 2018 Revenues

(Amounts in thousands)

Source	2017		2018	
	Amount (000)	Percent of Total	Amount (000)	Percent of Total
Taxes and Assessments.....	\$137,968	34%	\$144,208	35%
State and Federal Funds	249,141	61	256,307	61
Other	20,565	5	15,301	4
TOTAL	\$407,674	100%	\$415,816	100%

Source: Comprehensive Annual Financial Report of the Borough, June 30, 2018.

Expenditures totaled \$416.4 million in fiscal year 2017 and \$401.9 million in fiscal year 2018 as shown on the following table.

Fiscal Years 2017 and 2018 Expenditures

(Amounts in thousands)

Source	2017		2018	
	Amount (000)	Percent of Total	Amount (000)	Percent of Total
General Government.....	\$ 28,413	7%	\$ 27,301	7%
Education Operating	296,688	71	279,791	70
Education Debt Service	33,481	8	33,692	8
Other	57,796	14	61,117	15
TOTAL	\$416,378	100%	\$401,901	100%

Source: Comprehensive Annual Financial Report of the Borough, June 30, 2018.

General Government Operating Revenues
(Amounts in thousands)

Fiscal Year (June 30)	Property Taxes	% of Total	State Funds	% of Total	Federal Funds	% of Total	Other	% of Total	Total
2018	\$144,208	35%	\$230,304	55%	\$26,003	6%	\$15,301	4%	\$415,816
2017	137,968	34	225,173	55	23,968	6	20,565	5	407,674
2016	132,535	33	228,628	56	25,221	6	21,815	5	408,199
2015	125,664	20	466,220	73	26,360	4	18,035	3	636,279
2014	122,419	31	234,116	59	22,165	6	18,507	4	397,207
2013	115,956	31	226,921	60	24,234	6	10,942	3	378,053
2012	109,872	31	207,700	60	23,989	6	9,107	3	350,668
2011	113,297	33	187,499	54	35,875	10	10,332	3	347,003
2010	111,422	35	172,653	54	22,821	7	12,028	4	318,924
2009	105,632	35	168,257	55	18,334	6	13,415	4	305,638

Source: Comprehensive Annual Financial Report of the Borough, June 30, 2018.

General Government Expenditures
(Amounts in thousands)

Fiscal Year (June 30)	General Government (1)	% of Total	Education		% of Total	Other (3)	% of Total	Total
			Operating (2)	Debt Service				
2018	\$27,301	7%	\$279,791	\$33,692	78%	\$61,117	15%	\$401,901
2017	28,413	7	296,688	33,481	79	57,796	14	416,378
2016	27,297	7	288,563	34,141	80	54,009	13	404,010
2015	33,364	5	506,552	30,413	86	55,220	9	625,549
2014	25,755	7	285,626	29,182	81	47,328	11	387,891
2013	21,778	6	274,557	28,101	82	45,693	12	370,129
2012	24,031	7	257,683	21,875	81	41,331	12	344,920
2011	23,273	7	244,834	18,750	82	36,586	11	323,443
2010	25,193	8	223,466	17,397	80	35,253	12	301,309
2009	22,742	8	216,112	16,895	80	35,853	12	291,602

Source: Compiled from the Comprehensive Annual Financial Report of the Borough, June 30, 2018.

- (1) Includes General Government, Road Service Areas and Land Management Expenditures, net of Recovery of Expenses from Other Funds.
- (2) Education Operating and Education Special Revenue expenditures.
- (3) Includes Public Safety, Fire Service Area Debt Service, Parks and Indoor Recreation, Matanuska-Susitna College, Libraries, Cultural Resources and Solid Waste Disposal.

Combined Statement of Revenues, Expenditures and Transfers for All Governmental Funds
(Fiscal Years Ended June 30)
(Amounts in thousands)

	2018	2017	2016	2015	2014	2013
Combined Beginning Fund Balance, July 1 ..	\$227,807	\$214,597	\$281,215	\$289,908	\$287,387	\$282,777
Revenues:						
Taxes and Assessments	\$144,208	\$137,968	\$132,535	\$125,664	\$122,419	\$115,956
Intergovernmental	266,822	266,788	309,033	569,302	340,090	295,213
Charges for Services.....	9,830	11,950	11,691	9,055	8,340	6,869
Interest Income & Other.....	6,737	9,833	10,661	10,170	10,284	4,344
Total Revenues.....	\$427,597	\$426,539	\$463,920	\$714,191	\$481,133	\$422,382
Expenditures:						
General Government	\$27,301	\$28,413	\$27,296	\$33,364	\$25,755	\$ 21,778
Public Safety	25,394	26,012	22,908	22,542	18,499	20,124
Public Services	308,677	323,971	313,920	533,334	307,778	294,276
Debt Service	40,529	37,982	38,807	34,853	31,650	29,664
Capital Outlays & Other.....	30,365	33,657	131,694	163,266	156,591	80,600
Total Expenditures	\$432,266	\$450,035	\$534,625	\$787,359	\$540,273	\$446,442
Excess of Revenues over Expenditures	\$(4,669)	\$(23,496)	\$(70,705)	\$(73,168)	\$(59,140)	\$(24,060)
Other Financing Sources (Uses)						
Bond Proceeds.....	—	36,591	6,597	65,803	61,459	28,620
Net Transfers & Other	(636)	115	(2,510)	(1,328)	202	50
Excess of Revenues over Expenditures and Other Financing Sources.....	\$(5,305)	\$13,210	\$(66,618)	\$(8,693)	\$2,521	\$4,610
Combined Ending Fund Balance.....	\$222,502	\$227,807	\$214,597	\$281,215	\$289,908	\$287,387
Ending General Fund Balance.....	\$55,210	\$51,209	\$58,521	\$59,301	\$59,768	\$58,579
Ending General Fund Cash Balance.....	\$49,842	\$41,818	\$53,544	\$39,792	\$45,369	\$43,191

Source: Comprehensive Annual Financial Reports of the Borough.

School District Debt Service Account
Year Ended June 30,

	2018	2017	2016	2015	2014	2013
Beginning Account Balance ...	\$2,358,727	\$173,025	\$310,890	\$314,959	\$758,042	\$1,004,897
Revenues						
State Reimbursement (1)	\$22,610,591	\$17,764,283	\$22,673,550	\$20,053,341	\$19,679,679	\$18,932,007
General Fund Transfers	10,802,551	17,430,653	10,786,939	9,764,690	8,843,745	8,717,993
Other Revenues.....	71	38	0	8,337	1,268	0
TOTAL	\$33,413,213	\$35,194,974	\$33,460,489	\$29,826,368	\$28,524,692	\$27,650,000
Expenditures						
Bond Redemption	\$21,505,000	\$20,665,000	\$19,785,000	\$17,655,000	\$17,515,000	\$16,675,000
Bond Interest.....	11,811,944	12,341,441	13,813,354	12,157,406	11,452,775	11,221,855
Bond Issuance Costs	14,102	2,831	0	18,031	0	0
Bond Fees			0	0	0	0
TOTAL	\$33,331,046	\$33,009,272	\$33,598,354	\$29,830,437	\$28,967,775	\$27,896,855
Ending Account Balance	\$2,440,894	\$2,358,727	\$173,025	\$310,890	\$314,959	\$758,042

Source: Comprehensive Annual Financial Reports of the Borough. The School Debt Service Account is maintained in the Debt Service Fund.

(1) See "State Debt Reimbursement Programs – School Debt Reimbursement Program".

Resource Sales and Conveyances

Under Alaska Statute 29.65.010, boroughs in Alaska were given the right to select ten percent of “vacant, unappropriated and unreserved” State lands within their boundaries. The State has the right to select certain quantities of land owned by the United States government. Under the State of Alaska Municipal Entitlement Act, the Borough has been granted a land entitlement of 355,210 acres. The Borough has received patent to over 271,009 acres of this entitlement and has management authority for an additional 79,981 acres which must be surveyed before being patented. The Borough has finalized its land selections under the Municipal Land Act and resolved all differences with the State on what land should be conveyed to the Borough.

As part of the Borough’s Municipal Entitlement land from the State, the Borough has received a patent for key tidelands at Port MacKenzie. As well, the Borough is in the process of surveying 4,786 acres at Hatcher Pass. Once the survey is complete there is a Borough Assembly approved land exchange between the Borough and the State of Alaska Department of Natural Resources for an additional 260 acres in the Hatcher Pass Development Area. It is expected that obtaining patent to this parcel will aid in the facilitation of financing by private developers and the Borough obtaining federal and State grants for the ski area resort and residential development planned for this area. See “General and Economic Data – Economic Development.”

Land sales (residential, recreational, commercial and agricultural and natural resource (timber and gravel)) in fiscal year 2019 included four transactions primarily through over-the-counter sales and sealed bids. Properties are offered for cash or terms, requiring 20 percent down payment and amortized over five or ten years. Overall revenue generated from these resource sales in fiscal year 2019 was in excess of \$609,250. Proceeds from land sales, leases, timber, gravel and associated fees are deposited in the Land Management Fund.

Land Management Fund money may be spent as appropriated by the Borough Assembly for the following purposes only: capital improvements (including, but not limited to, school debt service, trails, roads, streets, buildings, port infrastructure, harbors, air fields, park acquisition and development, utilities and land acquisition), and for administration of the Borough land selection and management program.

BOROUGH GOVERNMENT

The Borough was incorporated as a second class borough on January 1, 1964. The Borough is governed by a seven-member Borough Assembly, elected from single-member districts, and a Mayor, elected at large. The Borough Assembly appoints the Borough Manager, who serves as chief administrator, and an Attorney and Clerk. There is an appointed Planning Commission, Platting Board, Transportation Advisory Board, and several other advisory committees.

Powers

There are three categories of Borough powers: areawide powers (exercised throughout the Borough), non-areawide powers (not exercised within cities), and powers exercised through a service area (a district in which a tax is levied to finance special services provided within the district). The Borough’s areawide powers include: assessment and collection of taxes; education; planning and zoning; parks and recreation; ports, harbors and wharves; ambulance service; transportation; air pollution control; day care facilities; historic preservation; and transient accommodations taxation.

The Borough exercises the following areawide powers: general administration, education, property assessment and collection of taxes, planning and zoning, parks and recreation, ports, emergency

medical services, transportation and historic preservation. The Borough also exercises the following non-areawide powers: solid waste, libraries, septage disposal, animal care and regulation and economic development. Additionally, following voter approval, the Borough is responsible for 30 active service areas for water, sewer, flood, water erosion, fire and/or roads. Service area boards of supervisors are appointed by the Borough Assembly to oversee the affairs of each service area.

School District

The School District is a dependent unit of the Borough, governed by an elected school board. The Borough issues bonds and levies taxes on behalf of the School District. The school system consists of seven high schools; five middle schools; two combined junior/senior high schools; four primary/secondary schools (K-12) and 20 elementary schools and six charter schools and is the second largest school district in the State, after Anchorage.

School District Enrollment

Fiscal Year Ending June 30	Average Daily Attendance (K-12)	Average Daily Enrollment	Professional Teaching Staff	Number of Schools
2019	17,855	18,932	1,259	47
2018	18,276	18,968	1,243	47
2017	18,153	18,809	1,243	47
2016	18,719	18,465	1,279	47
2015	17,664	17,757	1,159	45
2014	16,940	17,477	1,159	45
2013	16,961	17,247	1,133	45
2012	16,766	17,338	1,117	44
2011	16,351	16,965	1,247	44
2010	16,053	16,663	1,211	44

Source: School District records.

Borough Administration

The administration of the Borough government is directed by the Borough Manager. The Director of Finance is responsible for financial matters. Biographical information with respect to the Borough Manager and the Director of Finance is set forth below:

John Moosey was appointed the Borough Manager in May 2011. He began his career in local government management within the Borough of Clarion, Pennsylvania in 1985. Including Clarion, Mr. Moosey has served 33 years as Chief Executive/Administrative Officer in the communities of Middlefield, Ohio, Defiance, Ohio, Brewster, Ohio, North Branch, Minnesota and Chisago County, Minnesota. Mr. Moosey holds a Master's Degree of Public Administration from Kent State University. He also holds a membership in the International City County Management Association.

Cheyenne Heindel was appointed as the Finance Director of the Borough in January 2017, after being appointed as Interim Finance Director in July 2016. From November 2004 until July 2016, Ms. Heindel was the Borough Budget & Revenue Division Manager and from August 1994 until October 2004, Ms. Heindel served as the Borough Assistant Comptroller. Ms. Heindel worked as a certified public accountant in the State of Alaska from 1986 through 1994 with Mikunda Cottrell and Associates CPAs and Zitmann & Hanrahan, CPAs. Ms. Heindel has a bachelor's degree in business administration from Boise State University.

School District Administration

Dr. Monica Goyette became the Superintendent of Schools for the School District in April 2017. An Alaska educator since 1998, she holds a Bachelor of Arts degree in Social Sciences, a Masters of Education in Guidance and Counseling, a Masters of Education in Educational Leadership, and a Doctorate of Education in Educational Leadership/Curriculum & Instruction. Prior to becoming the Superintendent, Dr. Goyette worked as a counselor, teacher, school principal, executive director, and assistant superintendent of instruction. Dr. Goyette's teaching and educational leadership experiences have shaped her agenda, which has an unwavering focus on student achievement and success. As Superintendent, Dr. Goyette strives to make learning meaningful and lasting for students, use capital assets resourcefully and wisely, and meet the needs of students, parents, and employees.

Luke Fulp was appointed Assistant Superintendent of Business and Operations/Chief Business Official in March 2012. Supporting academic institutions since 2003, he holds a Bachelor of Business Administration and a Master of Business Administration. Prior to his time with the Matanuska-Susitna Borough School District, Mr. Fulp spent five years as the Director of Finance for the Kodiak Island Borough School District and two years as the Accounts Payable and Purchasing Supervisor in the Department of Intercollegiate Athletics at the University of California, Berkeley. He is a certified administrator in school finance and operations with the Association of School Business Officials International. In 2012, Mr. Fulp served as the President for the Alaska Association of School Business Officials ("ALASBO"). He remains a member of ALASBO as well as the Government Finance Officers Association.

GENERAL AND ECONOMIC DATA

Description of Borough

The Borough lies in the heart of southcentral Alaska, encompassing more than 25,000 square miles of rolling low land, mountains, lakes, rivers and streams. The Borough includes portions of the Alaska Range to the northwest; portions of the Chugach Mountains to the southeast; and essentially the entire Talkeetna and Clearwater Ranges in its interior. The Municipality of Anchorage, Upper Cook Inlet, and Knik Arm delineate the Borough's southern boundary.

There are three incorporated cities within the Borough: Palmer, Wasilla, and Houston. Additionally, there are several unincorporated communities and 21 Borough recognized community councils. In October 2015, the voters of one unincorporated community, Big Lake, rejected an incorporation proposition.

The majority of the Borough's population resides in the "core area," surrounding the cities of Palmer and Wasilla and within the cities themselves. The remaining population is spread out among the various unincorporated communities, as well as some remote sites. Two major highways, the Glenn Highway and George Parks Highway, traverse the Borough. Virtually all out-of-state highway traffic travels through the Borough via one of these two highways. The Alaska Railroad's mainline also traverses the Borough connecting southcentral Alaska and Anchorage with interior Alaska.

Population

The estimated population for 2018 for the Borough is 105,743, with an estimated population of 2,100 in the City of Houston, 6,223 in the City of Palmer and 8,801 in the City of Wasilla. The Borough has been Alaska's fastest growing region for the last two decades and is the second most populous

municipality in the State, after Anchorage. The 2018 estimated population represents an increase of 18.8% over the 2010 U.S. Census population of 88,995.

The population of the Borough, along with its two largest cities, Palmer and Wasilla, are shown below:

	Population				
	<u>2018</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
Borough.....	105,743	88,995	59,322	39,683	17,816
Wasilla	8,801	7,831	5,469	4,028	1,559
Palmer	6,223	5,937	4,533	2,866	2,141

Sources: 2018 estimates of Alaska Department of Commerce, Community and Economic Development; 1980, 1990, 2000 and 2010 U.S. Census.

	Population Distribution			
Age Groups	2018 Population	% Total	2005 Population	% Total
Under 25	37,664	35.6%	29,312	39.2%
25-34	14,340	13.6	7,940	10.6
35-44	14,130	13.4	11,961	16.0
45-54	12,851	12.2	13,402	17.9
55-65	14,113	13.3	7,166	9.6
Over 65	12,645	12.0	5,090	6.8
TOTAL	<u>105,743</u>	<u>100.0%</u>	<u>74,871</u>	<u>100.0%</u>

Source: Alaska Department of Labor and Workforce Development.

Originally settled by gold miners in the late 1800's, Palmer is now characterized as the agricultural center of Alaska, due to the Matanuska Valley colony. The federal government took over the local railroad's efforts to attract settlers to Palmer in 1935. A total of approximately 160 families were involved; at the peak there were more than 70 dairy farmers in the Palmer area.

The Matanuska Valley region has been the State's primary agricultural producer since the mid-1930's. Grains and grasses and commercial vegetables are the major crops; total cropland includes approximately 14,000 acres. In recent years, some land previously devoted to agriculture has been converted to residential use.

Residential and recreational land, the subject of development and subdivision since 1970, is one of the most important Borough resources. The southern portion of the Borough provides residential support to Anchorage. The State estimates that 32% of the working population within the Borough commutes on a regular basis to Anchorage and that 12% commutes to areas outside of southcentral Alaska.

Government, transportation, construction, retail trade and other services provide the bulk of employment within the Borough; agriculture also plays an important role in the economy. Tourism and the development of natural resources, primarily coal and forest products, could expand the economic base in the future.

Employment

There has been significant growth in employment in the Borough. From 2000 to 2012, wage and salary employment in the Borough grew more than 50%, more than four times as fast as Anchorage and Statewide. Most of the growth in the Borough was a result of population growth.

The Borough's employment level and major employment categories are detailed in the tables below. The difference in total employment and employment in the Borough reflects the large portion of the labor force that works in the Anchorage area (approximately 32%) or outside of southcentral Alaska (12%). The relatively high unemployment rate in the Borough reflects the fact that a large number of Borough residents are engaged in part time oil related employment on the North Slope or are seasonal workers in the fishing industry.

While unemployment has traditionally been higher in the Borough and income lower when compared to Statewide figures, the long term trends indicate decreasing differentials in unemployment and income between the Borough and the State. The work force has a strong commuter pattern and a strong seasonal pattern and this is reflected in the higher than average unemployment figure.

Borough Labor Force and Unemployment Rate

	2018	2017	2016	2015	2014	2013	2012	2011
Labor Force	47,654	48,232	47,408	46,199	44,887	43,925	43,757	43,368
Unemployment Rate	7.6%	8.2%	8.2%	7.7%	8.1%	8.4%	8.7%	9.2%

Borough Employment by Industry 2013 — 2018

	2018	2017	2016	2015	2014	2013
Goods – Producing	2,704	2,575	2,547	2,359	2,914	2,165
Natural Resources & Mining	190	169	164	108	246	159
Construction	2,218	2,077	2,096	1,873	2,152	1,799
Manufacturing	296	329	286	378	516	207
Service – Providing	15,936	15,566	15,563	14,736	15,792	14,437
Trade, Transportation & Utilities	4,803	4,820	4,937	4,938	5,006	4,611
Wholesale Trade	N/A	N/A	N/A	N/A	125	122
Retail Trade	3,648	3,682	3,828	3,932	3,901	3,614
Transportation, Warehousing	801	783	748	642	735	671
Utilities	N/A	N/A	N/A	N/A	218	N/A
Information	528	511	493	436	471	510
Financial Activities	853	824	780	770	794	744
Professional & Business Services	1,299	1,207	1,227	1,150	1,429	1,243
Educational & Health Services	4,596	4,471	4,401	4,190	4,048	4,014
Leisure & Hospitality Services	2,950	2,855	2,852	2,459	3,185	2,520
Other Services	905	865	857	768	749	749
Unclassified establishments	2	12	15	25	110	45
Government — Total	5,008	5,074	5,174	5,561	4,004	4,800
Federal	220	218	233	217	203	197
State	1,425	1,434	1,518	1,538	1,549	1,423
Local	3,363	3,422	3,423	3,806	2,252	3,180
Total	<u>23,648</u>	<u>23,215</u>	<u>23,284</u>	<u>22,656</u>	<u>22,710</u>	<u>21,402</u>

Source: Alaska Department of Labor.

Wages and income have traditionally been lower in the Borough than the average in the State. In 2018, the average monthly wage and salary job in the Borough earned \$[3,561] vs. \$[4,516] Statewide. Most of this difference is explained by the employment mix. More jobs in the Borough fall into lower paying industry categories such as retail and services, while fewer are available in the higher-paying industries such as oil.

Military Bases

Joint Base Elmendorf-Richardson, located in Anchorage, is an important part of the economy of the Anchorage area, including the Borough. According to an Installation Fact Sheet published by JBER in January 2016, there was a total of 10,204 active duty personnel assigned to JBER with 5,515 airmen and 4,589 soldiers. In addition, JBER is also home base for 3,328 reserves and guard personnel as well as 3,562 civilians. The annual estimated payroll for military personnel is \$909.2 million.

New Construction

The number of units and the value of non-residential construction and residential construction in the Borough in calendar years 2009 to 2019 are set forth in the following table.

Value of New Construction

2009 — 2018

Year	Nonresidential construction		Residential construction	
	Number of Units	Value	Number of Units	Value
2019	142	\$ 99,825,710	475	\$ 97,417,700
2018	235	79,831,600	629	124,037,900
2017	250	89,565,700	533	112,393,300
2016	252	104,608,300	542	120,329,500
2015	57	78,770,200	737	146,167,600
2014	53	75,379,500	720	141,228,800
2013	29	19,128,900	537	118,562,500
2012	26	11,836,308	659	93,623,700
2011	31	34,434,786	622	82,499,521
2010	25	20,802,400	328	55,930,941

Source: Borough Assessment Department.

Port MacKenzie Development

A portion of the Borough's southern boundary borders Cook Inlet. Port MacKenzie is located on the Knik Arm of Cook Inlet, about two nautical miles, but over 80 road miles, from Anchorage, where over 50% of Alaska's population resides. Based upon the Port MacKenzie Master Plan and the Port MacKenzie Development Project Prefeasibility Study, the Borough began construction of a port facility in 1999. Port MacKenzie has a 500 foot long barge dock (20 feet Mean Lower Low Water ("MLLW")) and 8,940 acres (14 square miles) of undeveloped land that are wholly owned by the Borough and will be developed as an operational port and industrial area. The barge dock accommodates barges and small cargo and passenger vessels. Port MacKenzie also includes a 1,200 foot deep-draft dock (60 feet at mean low tide) to accommodate Panamax and Cape size vessels. The Borough also has title to 1,240 acres of the adjacent tidelands which will help ensure compatible off-shore development in the Port MacKenzie area. A Special Use District Ordinance for Port MacKenzie to control land uses, facilitate leasing, property site and develop infrastructure, and locate industries has been adopted by the Borough

Assembly. The Borough continues to maintain Port MacKenzie as a viable option for future placement of a liquefied natural gas shipping facility.

A 32-mile rail link connecting Port MacKenzie to the main line of the Alaska Railroad is under construction. The link will shorten the distance between the Interior and tidewater, enhancing opportunities for the development of new industries with low transportation costs. Segment Five was completed in August 2016, and completion of the entire rail spur is projected for September 2018. Since 2009, the Borough has received \$184 million from the State for this rail spur project.

In August 2014, the Federal Transit Administration requested that the Borough repay the Federal Transit Administration an amount just over \$12 million for non-use of the ferry terminal facilities as well as a \$70 million ferry that was funded by the United States Navy Office of Naval Research and transferred to but later sold by the Borough. The Borough intends to negotiate a reduction in the amount owed to the Federal Transit Administration and pursue a multi-year payment plan for the remaining balance.

A discussion of the negotiations between the Borough and the Federal Transit Administration is included in the Borough's audited financial statements for the year ended June 30, 2018. See Note 10 in APPENDIX A, "BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Economic Development

During 2010, the Borough completed an Economic Development Strategic Plan designed to provide a blue print for positioning the Borough for sustainable economic growth and prosperity. The plan placed heavy emphasis on business community involvement and included over 140 business representatives and approximately 40 public entity representatives in the planning process. In 2012, an Economic Development Advisory Council was formed as well as workgroups for each of the 24 strategies in the Economic Development Strategic Plan. The top strategies include Port Development and Marketing, Transportation Infrastructure, and Business Attraction, Retention, and Expansion.

Since 2014, economic expansion among small- and medium-sized businesses in the Borough has been rapid. Approximately 1,600 new business licenses were issued. This trend is expected to continue as businesses from Fairbanks, Anchorage and outside of Alaska look for locations that offer a business friendly climate and strong potential for growth.

The Alaska Department of Transportation and Public Facilities has funded over \$500 million in transportation improvements within the Borough in the last 10 years to respond to the Borough's rapid growth in population and resultant increase in vehicle traffic. Currently there are \$200 million in on-going construction projects and another \$800 million in planned upgrade projects currently scheduled in the next six to ten years. These transportation improvements and enhancements have reduced the travel time to Anchorage. The Parks Highway now has four lanes through the core population area of the Borough and accommodates over 30,000 vehicles a day. The Parks Highway serves as the gateway to Alaska and is the State's most important commercial corridor, connecting the year-round Port of Anchorage to the Borough, Fairbanks and the oil fields of Prudhoe Bay on the Arctic Ocean. The first phase of a Glenn Highway upgrade project, two lanes to four lanes, from Palmer to the Glenn Highway / Parks Highway interchange, was near completion in [2019].

The Borough is also currently engaged in additional collector and arterial road extensions, paving and upgrade projects throughout the Borough totaling \$35.6 million. A number of bridge replacement projects have occurred from 2009 through 2016 totaling approximately \$11 million. The most recent was the \$2.6 million Kroto Creek Bridge project in 2016. The Borough is also carrying out \$116 million in construction projects related to schools throughout the Borough. The final projects, Redington High,

Dena'ina Elementary and an addition to the Career Tech School were completed by the start of the 2016-2017 school year. Since 2004, the Borough has issued \$341,275,000 of bonds for school construction projects, which include nine new schools.

Thirty percent of Denali National Park, which includes Mount McKinley, lies within the Borough. The Borough is one of two major gateways to the Park, which is the principal tourist destination within Alaska. Over 450,000 recreational visitors visit Denali National Park each year. The National Park Service, the State, and the Borough continue to work together to develop the South Denali Visitor Center in the Borough, which is expected to draw an estimated 250,000 to 300,000 annual visitors.

Each year the Mat-Su Borough Assembly sets aside a portion of the bed tax revenues to address tourism infrastructure needs. This has included refurbishing trailheads and construction of road waysides with restroom facilities and other miscellaneous projects to support tourism needs. Beyond this investment, Borough voters approved a \$22 million recreation bond in 2016 to finance a wide range of recreation infrastructure projects including swimming pool and ice rink upgrades, new and improved trail systems, and park improvements.

The Borough recently expanded its effort to support development of the downhill and Nordic ski and recreation facilities. The Government Peak Recreation Area is located in Hatcher Pass in the Talkeetna Mountains, approximately 55 miles north of Anchorage and 18 miles north of the City of Palmer. Recent investments in the area have included a second major expansion of the Nordic ski trail system, construction of new mountain bike/hiking trails, and an ADA accessible trail. In addition, the Borough partnered with a local nonprofit organization to develop an alpine (downhill) ski hill in the Hatcher Pass. The ski lift and other infrastructure for phase one of this project should be completed early in 2020 when it will be opening for business.

The Borough has worked with the Great Land Trust to acquire two large parcels of land to expand the parks and trails system at Settlers Bay (in the fast-growing Knik/Fairview area) as well as the West Butte recreation area. The Borough has also partnered with the State of Alaska and the Alaska Industrial Development and Export Authority (“AIDEA”) to extend access across the Little Susitna River with road and bridge infrastructure into the Fish Creek Management Area to open up hundreds of thousands of acres of public land for resource development, land sales and commercial/residential development. This project is expected to bring the Borough and the State to the doorstep of the Susitna River, across which lies over six million acres of land.

The Borough is planning for a regional septage treatment facility to accommodate the thousands of septic tank users in the borough who must currently ship the waste to Anchorage for treatment. The Borough is exploring private finance options for the septage facility, including a public-private partnership. There are several technologies under consideration for septage treatment ranging from small septage treatment to waste-to-energy for combined septage and municipal solid waste. A request for Proposals is currently in development and is scheduled for distribution in [Winter 2019].

The Borough is also currently engaged in additional collector and arterial road extensions, paving and upgrade projects throughout the Borough totaling approximately \$27 million. A number of bridge replacement projects have occurred from 2009 through 2019 totaling approximately \$13 million. The \$0.9 million Bodenbug Creek Bridge project was completed in 2018, and work on the \$0.9 million Big Lake Iron Dog Trail Bridge was ongoing in 2019-20.

CONTINUING DISCLOSURE

For purposes of complying with paragraph (b)(5)(i) of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15c2-12) (“*Rule 15c2-12*”), the Borough will execute a Continuing Disclosure Certificate (the “*Disclosure Certificate*”) constituting a written undertaking for the benefit of the holders of the 2019 Bonds to provide continuing disclosure. The form of the Disclosure Certificate is attached hereto as APPENDIX D.

The Borough will undertake to provide or cause to be provided to the Municipal Securities Rulemaking Board (the “MSRB”), in electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, (i) annual financial statements prepared (except as noted in the financial statements) in accordance with generally accepted accounting principles applicable to Alaska municipalities, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the Borough they will be provided, and (ii) the comprehensive annual financial report of the Borough. Such information will be provided to the MSRB not later than the last day of the seventh month after the end of each fiscal year of the Borough (currently, not later than January 31 for a fiscal year ending June 30), as such fiscal year may be changed as required or permitted by State law, commencing with the Borough’s fiscal year ended June 30, 2019.

The Borough will also undertake to provide or cause to be provided to the MSRB timely notice of the occurrence of certain events with respect to the 2019 Bonds as set forth in the Disclosure Certificate attached hereto as APPENDIX D.

No failure by the Borough to comply with its undertaking shall constitute a default in respect of the 2019 Bonds. The sole remedy of any holder of a 2019 Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Borough to comply with its undertaking. The Borough’s undertaking is subject to amendment and termination as set forth in the Disclosure Certificate attached hereto as APPENDIX D.

With respect to filing of annual financial information, the Borough filed its comprehensive annual financial report 15 days late for the fiscal year 2018, two days late for fiscal year 2015 and 33 days late for fiscal year 2014. The Borough has subsequently linked its required annual financial information to all outstanding bonds and certificates of participation for which the Borough was an issuer or obligated person.

The annual financial information filings for certain of the Borough’s outstanding bonds were required to contain an update of the Borough’s financial information and operating data contained in the applicable final Official Statements. A table of bonded debt ratios was not included in the Borough’s annual financial information filings for fiscal years 2012 to 2015, although the information necessary to calculate most of the ratios was included in the Borough’s comprehensive annual financial report, which has been filed each year. The Borough included a table of bonded debt ratios in the Borough’s comprehensive annual financial report for fiscal year 2016, and the Borough has been including such a table on a going-forward basis. [A list of reimbursement eligibility for outstanding school bonds was not included in the annual financial information filings for fiscal years 2015 to 2018, though balance information was filed each year. The Borough intends to include reimbursement eligibility levels for school bonds in its reports on a going-forward basis.]

With respect to filing of listed events, the Borough did not file certain notices of rating changes attributable to general recalibrations of ratings by certain rating agencies for certain of its outstanding bonds and certificates of participation. The Borough has adopted procedures to assure future compliance

with its continuing disclosure undertakings. Other than as may be described in this section, in the previous five years, the Borough has complied in all material respects with each continuing disclosure undertaking that it has previously entered into pursuant to Rule 15c2-12.

LITIGATION AND REGULATORY PROCEEDINGS

In the ordinary course of business, from time to time the Borough has been and is named as a defendant in lawsuits relating to personnel, commercial and environmental matters, and inverse condemnation proceedings. In addition, the Borough is a plaintiff in various condemnation proceedings to acquire lands for public infrastructure. Although the ultimate effect, if any, of these matters is not presently determinable, the Borough has determined in consultation with counsel that, collectively, such matters will not have a material adverse impact on the finances or operations of the Borough.

The Borough secured several federal appropriations from the Department of Transportation's Federal Transit Administration totaling \$22.0 million for the design and construction of ferry terminal facilities at Port MacKenzie and Anchorage. A \$3.6 million ferry terminal building at Port MacKenzie was completed in November 2006. The project to establish ferry service was never realized in part because the Municipality of Anchorage never approved any plan for the construction of the Anchorage terminal facility that would be required for any ferry service from Anchorage. A \$70 million icebreaking ferry funded by the United States Navy Office of Naval Research was completed in 2010. Title to the ferry was transferred to the Borough, but because the overall project was deemed non-viable, the ferry was sold to the Philippine Red Cross in June 2016. In August 2014, the Federal Transit Administration requested that the Borough repay the Federal Transit Administration an amount just over \$12 million for non-use of the ferry and the ferry terminal facilities. In February 2017, the FTA revised the payment demand to \$9.3 million. The Borough continues to negotiate further reductions in the amount owed to the Federal Transit Administration and pursue a multi-year payment plan for the remaining balance.

[Behrens v. MSB: A former employee of the Borough has sued the Borough, the Borough Manager, and the EMS Director for wrongful termination and retirement benefits. She is claiming financial losses for all wages for every year until she retires, damages for emotional distress, and retroactive introduction into the Public Employees Retirement System and payment for all of her years employed at the Borough as a non-benefit on-call employee. Ms. Behrens is represented by a firm where her husband is employed as an attorney. The Borough has denied the claims, discovery is complete and motion practice is ongoing. Trial is set for March 2020. The Borough maintains its position that the claim is not valid. It is difficult to predict how the case will proceed, but as always, the Borough remains open to settlement discussions should a reasonable opportunity present itself.]

Upon the delivery of the 2019 Bonds, the Borough will furnish a certificate to the effect that, among other things, other than as disclosed in this section of this Official Statement, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the 2019 Bonds, or in any way contesting the validity or enforceability of the 2019 Bonds or the Bond Ordinance.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the Borough of the 2019 Bonds are subject to the legal opinion of Foster Pepper PLLC, of Seattle, Washington, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Katten Muchin Rosenman LLP, of Chicago, Illinois. The proposed form of the opinion of Bond Counsel is included herein as APPENDIX B. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the 2019 Bonds, and Bond Counsel assumes no obligation

to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. Bond Counsel will be compensated only upon the issuance and sale of the 2019 Bonds. From time to time, Bond Counsel serves as counsel to the Underwriter on transactions unrelated to the 2019 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not guarantee a particular result, or become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

PRICING ADVISOR

The Borough has retained FirstSouthwest, a Division of Hilltop Securities Inc. (the “*Pricing Advisor*”), as pricing advisor with respect to the issuance of the 2019 Bonds. The Pricing Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

UNDERWRITING

RBC Capital Markets, LLC (the “*Underwriter*”) has agreed to purchase the 2019 Bonds subject to certain conditions, and has agreed to pay for the 2019A Bonds, a price of \$_____ (reflecting an underwriting discount of \$_____ and a [net] original issue premium of \$_____) and for the 2019B Bonds, a price of \$_____ (reflecting an underwriting discount of \$_____ and a net original issue premium of \$_____). The Underwriter will be obligated to purchase all the 2019 Bonds, if any 2019 Bonds are purchased.

The prices and other terms respecting the offering and sale of the 2019 Bonds may be changed from time to time by the Underwriter after the 2019 Bonds are released for sale, and the 2019 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the 2019 Bonds into investment accounts. In connection with the offering of the 2019 Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Borough. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Borough.

FINANCIAL STATEMENTS

The financial statements of the Borough as of and for the year ended June 30, 2018, included in this Official Statement as APPENDIX A have been audited by BDO USA, LLP, independent certified public accountants (“BDO”), as stated in their report thereon.

RATINGS

Fitch Ratings has assigned the 2019 Bonds a rating of “___”. S&P Global Ratings has assigned the 2019 Bonds a rating of “___.” The Borough is not obligated to keep such ratings outstanding over the term of the 2019 Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2019 Bonds.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The Borough has furnished to the rating agencies certain information and materials relating to the 2019 Bonds and the Borough, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2019 Bonds.

TAX MATTERS

This advice was written to support the promotion or marketing of the 2019 Bonds. This advice is not intended or written to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Prospective purchasers of the 2019 Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion generally describes certain aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners (“Owners”) of 2019 Bonds who have purchased 2019 Bonds in the initial offering and who hold the 2019 Bonds as capital assets within the meaning of Section 1221 of the Code. For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (1) a citizen or resident of the United States, (2) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (4) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations.

This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect). This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances, such as an Owner who may purchase 2019 Bonds in the secondary market, or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, non-U.S. persons, taxpayers

who may be subject to the personal holding company provisions of the Code, or dealers in securities. Accordingly, before deciding whether to purchase any 2019 Bonds, prospective purchasers should consult their own tax advisors regarding the United States federal income tax consequences, as well as tax consequences under the laws of any state, local or foreign taxing jurisdiction or under any applicable tax treaty, of purchasing, holding, owing and disposing of the 2019 Bonds.

In General. Interest on the 2019 Bonds is not excludable from the gross income of the Owners for federal income tax purposes, and Owners of the 2019 Bonds will not be allowed any federal tax credits as a result of ownership of or receipt of interest payments on the 2019 Bonds.

Payments of Interest. Interest paid on the 2019 Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest payment; Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Defeasance of Bonds. If the District defeased any 2019 Bonds, such 2019 Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the owner of a 2019 Bond would recognize a gain or loss on the 2019 Bond at the time of defeasance.

Backup Withholding. An Owner may, under certain circumstances, be subject to “backup withholding” (currently the rate of this withholding tax is 24%, but may change in the future) with respect to interest or original issue discount on the 2019 Bonds. This withholding generally applies if the Owner of a 2019 Bond (1) fails to furnish the Bond Registrar or other payor with its taxpayer identification number; (2) furnishes the Bond Registrar or other payor an incorrect taxpayer identification number; (3) fails to report properly interest, dividends or other “reportable payments” as defined in the Code; or (4) under certain circumstances, fails to provide the Bond Registrar or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the Owner is not subject to backup withholding. Any amount withheld may be creditable against the Owner’s U.S. federal income tax liability and be refundable to the extent it exceeds the Owner’s U.S. federal income tax liability. The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the 2019 Bonds will be reported to the Owners and to the Internal Revenue Service.

ERISA CONSIDERATIONS

The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans should consult their own tax advisors with respect to the consequences of any investment in the 2019 Bonds.

MISCELLANEOUS

The summaries or descriptions of provisions in the Bond Ordinance and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions and reference is hereby made to the

complete documents relating to such matters for further information, copies of which will be furnished by the Borough on request.

Any statements made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

The Borough has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Borough's Director of Finance on behalf of the Matanuska-Susitna Borough, Alaska.

MATANUSKA-SUSITNA BOROUGH

/s/

Director of Finance

APPENDIX A

Basic Financial Statements For the Fiscal Year Ended June 30, 2018 (with Independent Auditors' Report Thereon)

APPENDIX B

Proposed Form of Opinion of Bond Counsel

APPENDIX C

Book Entry System

BOOK ENTRY SYSTEM

The following information has been provided by The Depository Trust Company, New York, New York (“DTC”). The Borough makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a 2019 Bond (a “*Beneficial Owner*”) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the 2019 Bonds, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*” and together with Direct Participants, “*Participants*”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2019 Bond (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Bonds with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2019 Bond documents. For example, Beneficial Owners of the 2019 Bonds may wish to ascertain that the nominee holding the 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2019 Bonds of like maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Operational Arrangements and the Issuer/Paying Agent General Operating Procedures ("*MMI Procedures*"). Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal (and redemption proceeds) and interest payments on the 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal (and redemption proceeds) and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Bonds at any time by giving reasonable notice to the Borough or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2019 Bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, 2019 Bond certificates will be printed and delivered to DTC.

APPENDIX D

Form of Continuing Disclosure Certificate