SIX-YEAR FISCAL PROGRAM

2016 – 2021

Municipality of Anchorage

Ethan Berkowitz

Mayor

October 2, 2015

MUNICIPALITY OF ANCHORAGE

Six-Year Fiscal Program

2016 – 2021

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Preface

In accordance with the Municipal Charter 13.02, the Mayor is required to submit to the Assembly a "six-year program for public services, fiscal policies, and capital improvements of the municipality. The program shall include estimates of the effect of capital improvement projects on maintenance, operation, and personnel costs."

Like all responsible governments, the Municipality of Anchorage must provide its citizens with an acceptable level of critical public services. The purpose of the Six-Year Fiscal Program is to provide a financial plan for review and consideration in response to services required by the public.

The Six-Year Fiscal Program encourages a balanced approach towards responding to ever changing fiscal conditions. Achieving balance starts with a mindful approach and engaged activities to keep the cost of local government in focus. In addition to cost containment, other fiscal strategies include economic development, expenditure reductions, and revenue enhancements. Key strategic policy decisions will need to be made over the next six years in order to determine exactly what the appropriate balance point should be.

Detailed demographic and financial information about Anchorage are available at the Anchorage Economic and Community Development website at www.aedcweb.com; Municipal libraries, and the Municipal website at www.muni.org; relevant documents include:

- Comprehensive Annual Financial Reports
- General Government Operating Budgets
- General Government Capital Budgets/Programs

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Six-Year Fiscal Program

2016 – 2021

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1. 6-Year Outlook

A sustainable fiscal policy that promotes a safe, secure, and strong Anchorage is a mission of the Administration. As we address the present budget, we must also prepare for Anchorage's future.

The state's fiscal situation has led to a reduced state role, which has consequences for the Municipality. As we manage this transition, our focus is on building self-sufficiency and resilience. That means finding efficiencies and making strategic investments. It also means demonstrating the fiscal discipline that accompanies a results-based budget, which addresses performance and success of services, directing resources to accountable programs that result in the highest level of public service.

2. Economic Trends and Indicators

Introduction

Following five years of robust growth, including 7,500 new private sector jobs resulting in an all-time record high of 155,720 average annual total jobs in 2013, employment in Anchorage settled back in 2014, shedding about 690 jobs. Most of the decline in 2014 was in the government sector, but even private employment stepped back very slightly, recording about 40 fewer jobs in 2014 than in 2013. The last time private sector employment in Anchorage lost ground was in 2009, when the local economy shed about 1,275 jobs. Then much of the world's economy was in recession and oil prices had taken a big dip.

Anchorage population growth has slowed after several years of increases. Anchorage added 11,550 residents between 2009 and 2013, then slipped very slightly in 2014, losing about 200 people (less than one-tenth of one percent). While hardly noticeable, it is notable that Anchorage has not seen a decline in population since the 2006-2007 period.

Looking ahead, the resiliency of the Anchorage economy will once again be tested by volatility in oil prices and oil revenue-related spending. So far there has been no decline in oil industry employment in Anchorage, and oil and gas employment serving the North Slope and Cook Inlet has increased by 100 jobs through the first half of the year. Nevertheless, the Fiscal Year (FY) 2016 State capital budget is half a billion dollars below FY 2015 and statewide agency operations spending will dip 4 percent. Force reductions at Joint Base Elmendorf-Richardson (JBER) is the latest unwelcome news among events shaping local economic trends over the next few years.

The business community expects Anchorage to feel some pain; AEDC's Business Confidence Index survey measured expectations for the economy at the lowest level in five years, though business leaders remain optimistic about the outlook for their individual businesses in the coming year.

On the positive side, key indicators attest to persisting strength in the local economy. Preliminary monthly estimates available from the Alaska Department of Labor and Workforce Development show a return to employment growth in 2015. June 2015 employment in Anchorage was 1,000 jobs above the same period in 2014. Further, the June 2015 unemployment rate in Anchorage stood at 5.5 percent, the lowest level for the month in eight years. Other indicators described in this forecast also suggest underlying economic strength.

The AEDC 3-Year Economic Outlook examines economic trends based on historical data, interviews with representatives of businesses and organizations in various sectors and current events. It discusses trends in terms of eight key indicators: population, employment, personal income, air passenger and freight volumes, building permits, Port of Anchorage tonnage, visitor industry activity and oil prices.

Population

Anchorage's population remains above the 300,000 threshold, first crossed in 2013, though the 2014 estimate of 300,549 residents is slightly less than the 2013 figure of 300,780.

Population change is the summation of births, deaths, in-migration and out-migration. Compared to previous years, birth and death rates are stable, while negative net migration (in-migration plus out-migration) has increased. According to Alaska Department of Labor and Workforce Development, out-migration had been averaging about 600 residents annually since 2010 before jumping to a 3,435 reduction during the July 2013 to July 2014 period.

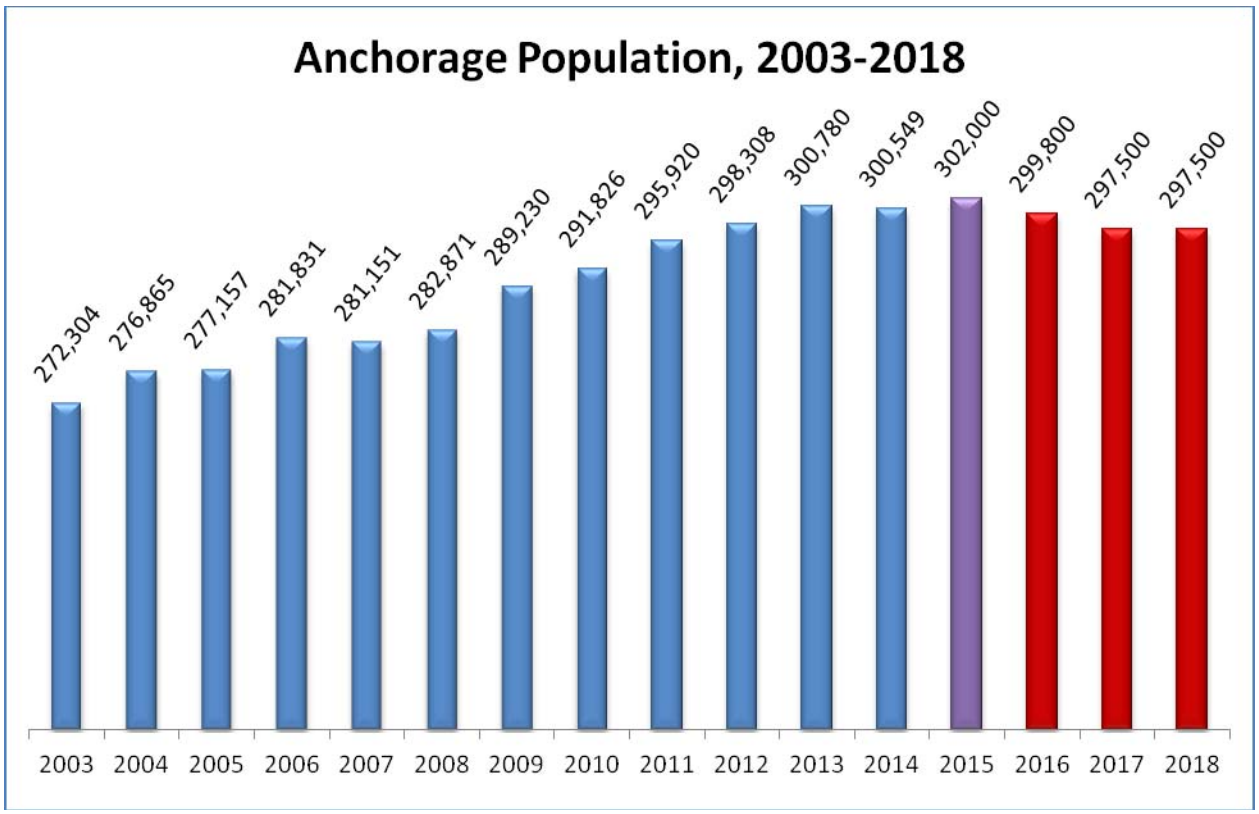
A strengthening national economy is likely driving some of the increase in out-migration. Just as high unemployment in the Lower 48 pushed job-seekers to Alaska during the most recent national recession, an improving employment picture elsewhere in the country may now be drawing workers from Alaska.

Another factor impacting out-migration in Anchorage is an aging population. While many seniors choose to retire in Alaska, a segment of this growing population prefer to relocate to warmer climates or be closer to family.

Looking ahead, force reductions at JBER will have population effects. As of 2013, Anchorage was home to 31,362 active military and dependents. Among that population, 6,200 may be affected by force reductions (20 percent of the local military population). It is important to note, however, that Anchorage is not expected to lose all those residents. Some may choose to remain in Anchorage as their tour of service ends.

One other factor to consider is the potential for increased migration from rural to urban Alaska. To the extent that State of Alaska spending cuts impact rural areas, residents of outlying communities may be drawn to the employment opportunities available in Anchorage.

Overall, AEDC expects Anchorage's population to increase slightly (about 0.5 percent) in 2015, consistent with local employment growth already seen this year (see next section of this forecast). JBER force reductions are expected to be the key factor in population declines in 2016 and 2017 (approximately 0.75 percent each year), with population stabilizing in 2018.



Source: State of Alaska, Department of Labor and Workforce Development, 2002 to 2014; McDowell Group forecast 2015 to 2018.

Employment

Total employment in Anchorage averaged 155,034 positions in 2014, approximately 686 jobs below the 2013 level. The decline ended a sustained five-year employment growth trend. The government sector accounted for 95 percent of the job losses. For all practical purposes, private sector employment held steady in 2014 (slipping by just 37 jobs).

Government positions at the federal and local level fell by 284 and 400 jobs, respectively, while the State of Alaska added 36 jobs. Private sector employment growth occurred in the retail (+686 jobs), healthcare (+375), oil and gas support (+314) and information (+169) sector. Job losses occurred in the professional and business services (-567), social services (-414), transportation and warehousing (-322), financial (-67), wholesale trade (-87) and manufacturing (-129) sectors.

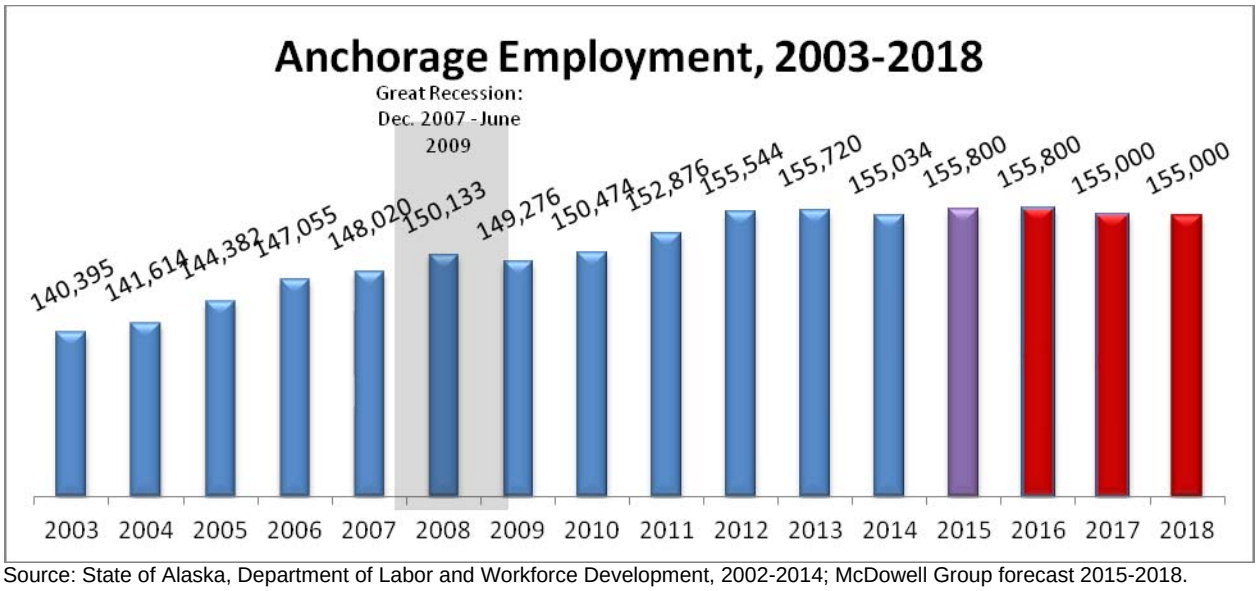
Preliminary monthly estimates for 2015 indicates a return to employment growth for the Anchorage economy, with approximately 1,000 jobs more jobs in June 2015 than the same period in 2014. The retail, healthcare, and oil and gas sectors show growth, while the professional and business services, government and financial sectors are showing some weakness in the first half of 2015. Healthcare is poised for continued growth as a result of Medicaid expansion in Alaska.

Force reductions at JBER represent a challenge in the short-term and perhaps an opportunity in the medium-term. Taking place over two years beginning October 2015, Anchorage should not necessarily anticipate the full loss of 2,700 troops and civilian positions from its population, as some troops and their families may elect to stay in Anchorage. With proactive recruitment of

these displaced troops, the impacts of the troop reduction can be further mitigated by connecting ex-military personnel with employers seeking skilled workers.

Reduced oil prices have already impacted spending at the state level. For example, State of Alaska spending on capital projects for Alaska for the fiscal year 2016 is $118.4 million, down from a high of more than $2 billion in FY2013. This will negatively affect the construction and professional services sectors as spending on large capital projects is reduced. Similarly, employment at the State of Alaska is expected to fall as operating budgets are reduced.

In sum, strength in the health care, tourism and air transportation sectors will soften declines associated with military reductions, capital (construction) spending and state employment. Following the growth already recorded in the first half of this year, AEDC expects 2015 employment to end above 2014, gaining about 0.5 percent. Next year, in 2016, employment is expected to hold steady at about the 2015 level, but then decline by about the same amount in 2017. AEDC forecasts 2018 employment to match 2017.



Source: State of Alaska, Department of Labor and Workforce Development, 2002-2014; McDowell Group forecast 2015-2018.

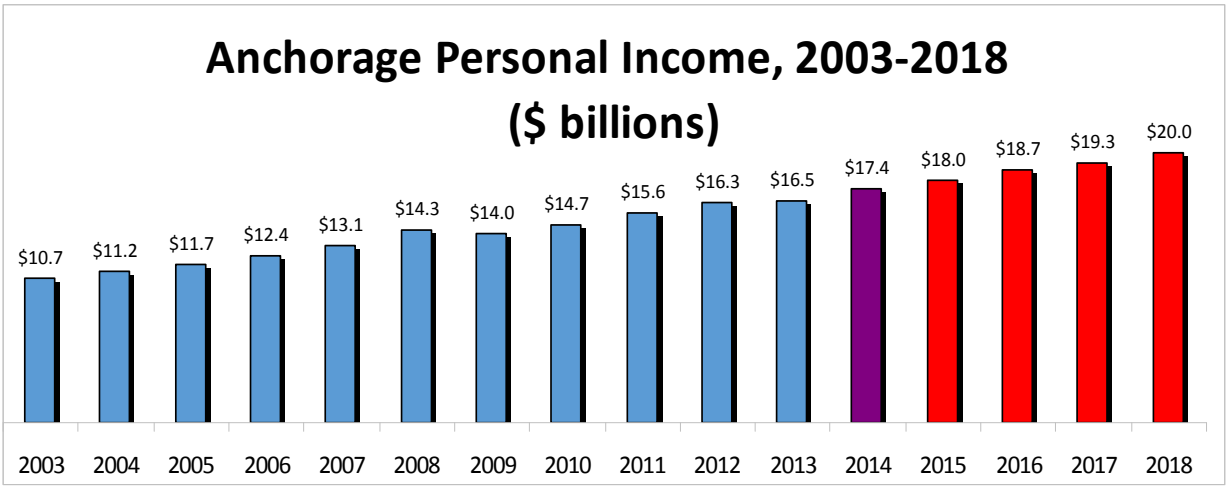
Personal Income

Personal income of Anchorage residents (the sum of all wages, investment income and government transfers) increased 1.4 percent between 2012 and 2013, reaching $16.5 billion. Wages earned from employment, which account for more than two thirds of total personal income, increased 2.1 percent to $11.3 billion. Investment income (dividends, rental income and interest) increased 1.8 percent to $3.1 billion. Finally, transfer payments from federal, state and local government fell 2.6 percent to $2.1 billion.

Over the last decade, average wages in Alaska have grown at a faster rate (3.6 percent) than wages at the national level (2.7 percent). While national wage growth fell to almost zero as a result of the recession, growth rates in Alaska remained relatively strong. Anchorage wage growth has followed the statewide trend, but at a slightly lower rate, averaging 2.9 percent over the ten-year period. Still, the average annual wage in Anchorage ($55,300) remains approximately 5 percent higher than statewide wages ($52,800).

Transfer payments (including the Permanent Fund Dividend, or PFD) vary year-to-year. This year's PFD, expected to be near $2,000, will account for $540 million in Anchorage resident personal income, about $40 million more than last year. Assuming 90 percent of Anchorage residents get a PFD, this payment is worth about one-quarter of all transfer payments.

While 2014 data are not yet available for Anchorage, statewide growth of 6 percent indicates personal income in Anchorage likely surpassed $17 billion last year. AEDC expects growth in 2014 to be consistent with the statewide level, before slowing to approximately 3.5 percent in the following three years, closer to the long-term average growth rate of 4.4 percent observed from 2002 to 2013.



Source: Bureau of Labor Statistics (2002-2013); McDowell Group forecast (2014-2018)

Anchorage International Airport Passenger and Freight Volume

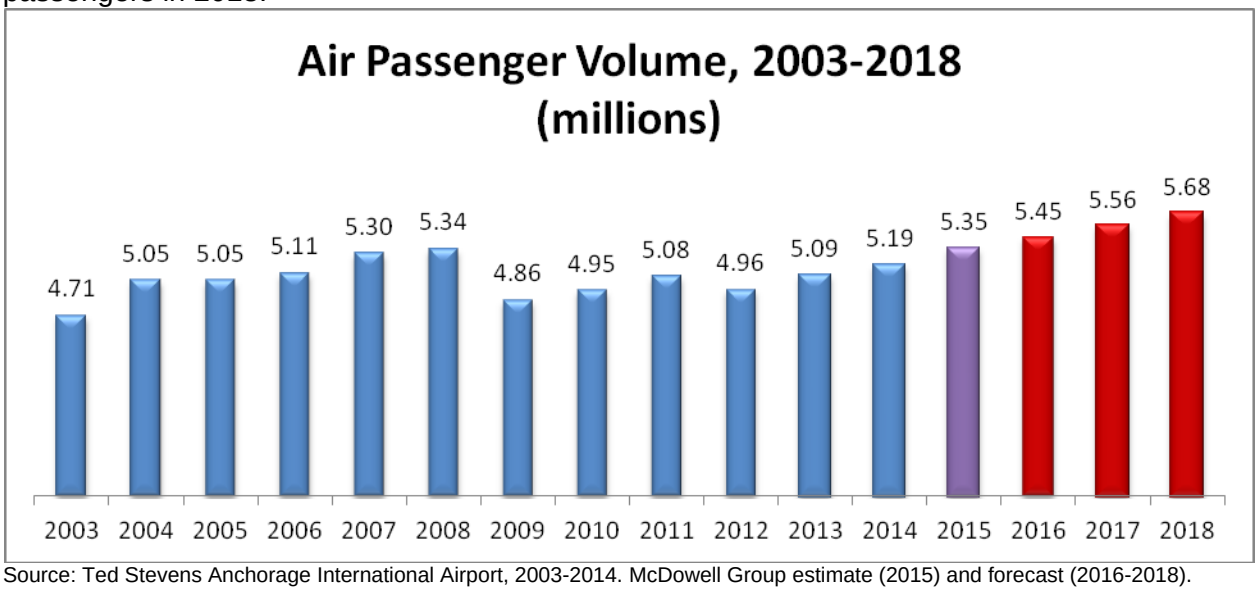
Two thousand fourteen was a year of continued recovery for the Ted Stevens Anchorage International Airport (ANC). Cargo volume increased for the first time in three years, and the number of passengers increased for the second consecutive year. Passenger volume reflects tourism travel, local and state business activity and residential travel. Air cargo, which is dominated by cargo that transits through Anchorage en route to other destinations, responds directly to global economic conditions. Both air passenger and air freight indicators are important measures of economic activity in Anchorage.

Passenger Volumes

Total ANC passenger volumes (enplaned, deplaned and in-transit) reached 5.2 million passengers in 2014, 1.9 percent above 2013, and marking the second consecutive year of growth. Like many aspects of Alaska's economy, passenger traffic at ANC is seasonal, with the summer months of June through August seeing much higher traffic levels compared to other months. While annual passenger traffic was higher in 2014, summer travel in 2014 was down by 1.6 percent from 2013 levels (1.88 million passengers in 2014 to 1.85 million passengers in 2013).

Encouragingly, the growth trend that began in 2013 appears to be building momentum. Passenger travel during the first five months of 2015 was up 6.0 percent over the same period in 2014. The 2015 summer season is expected to remain strong, bolstered by a solid cruise volume increase (many passengers cruise one-way and arrive or depart from Anchorage by air). However, growth may be muted by two factors: a decline in state government employee travel, and the dampening effect of the strong U.S. dollar on international travel.

AEDC expects 2015 passenger traffic to be about 3 percent above 2014 levels. With the expected strength of future tourist seasons, ANC passenger volume is expected to continue growing though at a slightly lower rate (2 percent) from 2016 to 2018, reaching 5.68 million passengers in 2018.



Source: Ted Stevens Anchorage International Airport, 2003-2014. McDowell Group estimate (2015) and forecast (2016-2018).

Air Freight Volumes

ANC remains the second busiest cargo airport in the U.S. (after Memphis) in terms of weight landed. In 2014, Anchorage moved up to fifth place internationally, slightly behind Inchon International Airport and ahead of Dubai International Airport. In 2014, 2.75 million short tons of cargo moved through the airport. While this represents an increase of 3.0 percent from 2013, it remains 3.0 percent below the post-recession peak of 2.83 million short tons in 2010. The number of cargo landings in 2014 was relatively stable, down only 0.2 percent 2013 to 2014 (from 35,545 to 35,471 landings).

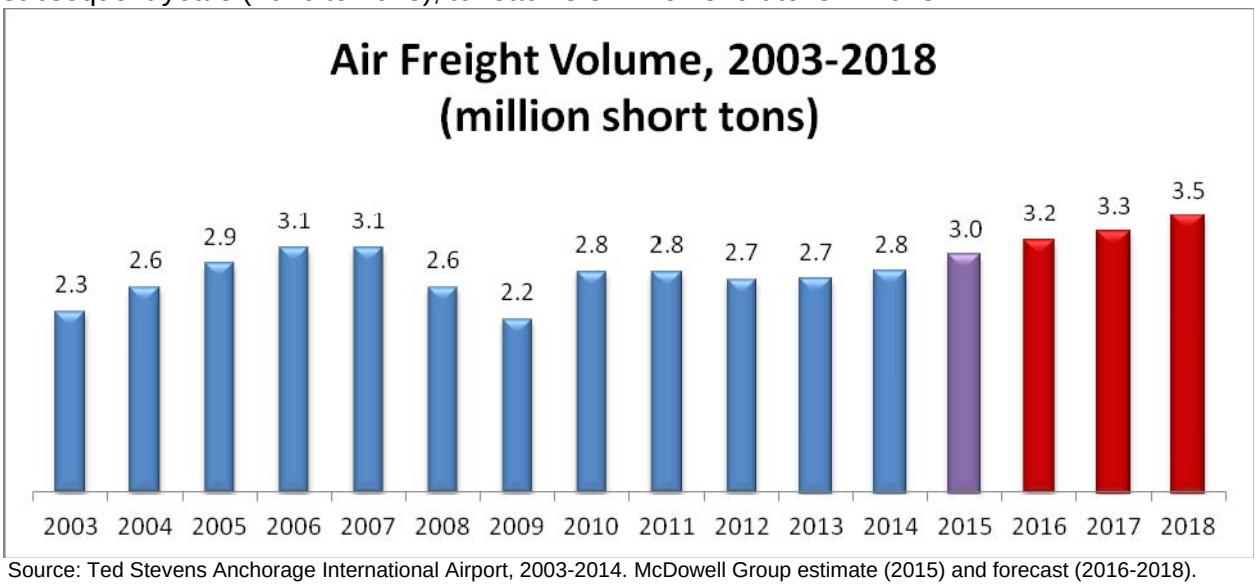
Since the end of the 2008-09 recession, the weight of cargo carried per flight has increased steadily, from an average of 133,000 pounds per landing in 2010 to 160,220 pounds in the first five months of 2015. As larger and more efficient planes enter the market, the freight-weight per landing is expected to continue increasing.

Air freight statistics for ANC include deplaned, enplaned and transit cargo. Transit cargo accounts for almost three-quarters of all air freight. During the first five months of 2015, transit cargo moving through ANC was 23 percent above the first five months of 2014, while deplaned/enplaned cargo are holding steady.

Overall, the total cargo volume was up 16 percent for the first five months of 2015. Based on the first five months, 2015 cargo volume is expected to grow significantly from 2014 levels.

The World Bank is forecasting global Gross Domestic Product (GDP) growth of 2.8 percent in 2015, 3.3 percent in 2016, and 3.2 percent in 2017. This growth will occur predominantly in low-income countries (collectively expected to be up 6.2 percent in 2015) and developing economies (expected 4.4 percent increase in 2015). Global growth leads to more international trade and potentially more air freight activity through ANC. In addition, general improvement in domestic economic conditions will likewise encourage growth in air freight. AEDC anticipates

that ANC air freight volume will increase by 10 percent in 2015, and 5 percent in each of the subsequent years (2016 to 2018), to reach 3.5 million short tons in 2018.



Source: Ted Stevens Anchorage International Airport, 2003-2014. McDowell Group estimate (2015) and forecast (2016-2018).

Port of Anchorage Freight Volume

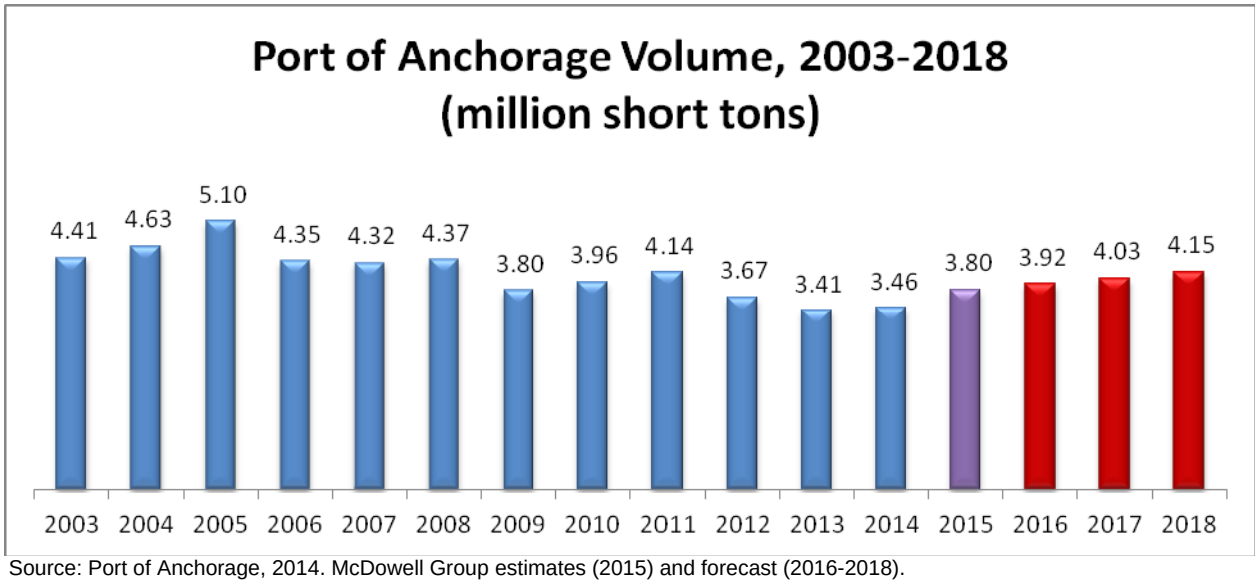
Freight volume at the Port of Anchorage totaled 3.45 million tons in 2014, a slight increase (1.4 percent) over the 3.40 million tons moved in 2013. Shipments by containers and flats (groceries, construction materials and vehicles) increased approximately 4 percent to 1.81 million tons in 2014. Over the same period, incoming petroleum shipments by barge and tanker fell 4.8 percent to 1.49 million tons.

In the first half of 2015, activity at the port has increased more than 13 percent over the same period in 2014 for all categories, with petroleum jumping 30 percent. Port officials expect 2015 to finish with a substantial increase in volume compared to recent years.

The drivers of the increase in port traffic seen in 2015 include changes in Alaska petroleum refinery capacity and port disruptions on the West Coast, according to Port officials. The closure of Flint Hills Resources' North Pole refinery, as well as maintenance activities at Tesoro's Kenai refinery, have resulted in lower in-state refined products capacity, leading to an increase in shipments of petroleum products through the Port. Concurrently, a labor dispute in West Coast ports caused congestion which resulted in increased air shipments as companies tried to avoid supply-chain disruptions. This increase in air traffic resulted in higher demand for jet fuel at the Ted Stevens Anchorage International Airport, contributing to increased petroleum shipments at the Port.

Recent private sector investment at the Port will increase its capacity to handle both refined products and cement. Delta Western is constructing a 360,000 barrel facility for transshipment of several refined petroleum product lines, including methanol for use on the North Slope, and Crowley plans to increase jet fuel storage capacity in support of military operations in the Pacific Theater. These additions will increase the Port's refined petroleum storage capacity to more than 3.2 million barrels. Alaska Basic Industries is tripling storage capacity of cement with the addition of a 40,000 ton facility.

According to Port and industry contacts, container volume is driven by population trends and general economic activity in Anchorage and the Railbelt. With these two indicators likely to be flat, at least in the near term, AEDC expects container volume to follow suit. However, continued growth is expected in the petroleum and cement category. In summation, AEDC expects total volume at the Port of Anchorage to grow at rate of approximately 10 percent in 2015, setting a new "norm" for tonnage, before slowing to a growth rate of 3 percent in 2016 through 2018.



Source: Port of Anchorage, 2014. McDowell Group estimates (2015) and forecast (2016-2018).

Building Permit Values

The value of building permits issued by the Municipality of Anchorage provides a partial measure of construction activity in Anchorage. Building permits are categorized into residential, commercial, and government facility construction; the data does not include military construction and road construction projects. Building permit values are a measure of the anticipated cost of the construction project. Actual construction spending may be higher or lower than anticipated.

A combination of residential, commercial, and government building permit values totaled $681 million in 2014; a healthy increase of 7.9 percent over total values in 2013; marking the fourth consecutive annual increase in total building permit values since 2010.

Residential building permit values (not including townhouses, condominiums, and apartment buildings, which are counted as commercial) increased 15 percent in 2014 ($194 million) compared to 2013 ($169 million). Commercial building permit values were up 2.8 percent between 2013 ($376 million) and 2014 ($386 million). Government construction permit values showed an increase of 16 percent from 2013's $87 million, rising to $101 million in 2014.

However, examination of permit values for the first five months of 2015 suggests a down-shift from the gains made in 2014. Approximately $233 million in construction was permitted during the first five months of 2015, down 23 percent from $302 million during the same period in 2014. In all three categories, building permit values decreased from 2014 levels; however, they still remain above 2010-2011 levels. For the first five months, residential building permit values fell 16 percent (from $79 million in 2014 to $66 million in 2015), commercial permit values fell 33 percent (from $159 million to $107 million) and government permits decreased 4.3 percent (from $63 million to $60 million). It is important to note that government permit figures provide only a

partial measure of government construction spending, as transportation and military projects are not included.

Almost 120,200 residential units, including commercial (multi-family), mobile home, single-family and duplexes, currently make up the Municipality of Anchorage residential inventory. During the 1990s, 10,615 new residential units were built. In the 2000s, the number of new units totaled 13,719. Since 2010, 2,924 new units have been added to the inventory. The remaining 92,924 residential units (or 77 percent of all current inventory) in Anchorage were built prior to 1990.

According to Alaska Housing Finance Corporation (AHFC) data, Anchorage's 2015 year-to-date rental housing vacancy rate is 3.9 percent, higher than the 3.2 percent recorded in 2014. Of the ten areas surveyed by AHFC, only four Alaska communities had lower vacancy rates than Anchorage. Median Anchorage monthly rental rates remained relatively stable (up only 0.9 percent in 2015), reaching $1,189 – the fourth highest rate of the surveyed ten areas in Alaska.

A few of the larger commercial and government building permit application values recorded during the first five months of 2015 include housing projects, such as the Riviera Terrace Housing Project ($20 million), 66th Ave. mobile home improvements ($9 million) and Cook Inlet Housing's Alaska Village ($7 million) and Creekside developments ($5 million); Loussac Library improvements ($8 million); UAA's Eugene Short Hall Improvements ($6 million); Sullivan Arena improvements ($3 million); and various Anchorage School District projects, such as Mountain View School ($10 million), Rabbit Creek School ($9 million), Bayshore School ($4 million), Susitna Elementary School ($3 million), Eagle River Elementary School ($3 million), Service High School ($2 million) and Chugiak High School ($1 million).

The economic impacts of the State of Alaska capital budget are typically delayed due to time lags between project budgeting and actual construction. However, the capital budget for Anchorage has been dropping precipitously each year since FY 2013. In FY 2013, the capital budget (all funds) was $637 million, tumbling 55 percent to $286 million in FY 2014, falling another 19 percent to $231 million in FY 2015, and continuing the downward trend (-48 percent) to $120 million in FY 2016.

AEDC expects the five-month, year-to-date trend in 2015 will continue throughout the year with a total decline of about 15 percent in combined building permit valuations from the 2014 level. Total building permit values are then expected to dip slightly (another 5 percent) in 2016, and then hold steady in 2017 and 2018, as oil prices start to recover.

Source: Municipality of Anchorage, 2003-2014. McDowell Group estimate (2015) and forecast (2016-2018).

Visitor Industry

Statewide Picture

Summer

The summer 2014 visitor season saw a 2 percent decrease in overall visitors to Alaska (from 1.69 million in 2013 to 1.66 million in 2014), the first decrease in four years, according to the Alaska Visitor Statistics Program (AVSP).[1] Nearly all of the decline was attributable to a 3 percent decrease in cruise passenger traffic; air traffic increased by 1 percent.

Fall/Winter

The 2013-14 fall/winter visitor season (October through April) was up by 4 percent compared to the previous fall/winter. (Statewide data is not yet available for the most recent fall/winter season.) Although only 14 percent of Alaska's out-of-state visitors arrive during the fall/winter season, 73 percent of these visitors travel to Anchorage (compared to 56 percent in summer).

Anchorage Picture

Summer

Anchorage had mixed visitor-industry indicators for the summer of 2014. Outbound domestic enplanements (airplane passengers exiting Alaska from Anchorage on domestic flights) declined by 2 percent, from 853,300 to 837,500. Because the summer of 2013 saw a significant increase of 9 percent from the previous summer (due to increased capacity and "fare wars"), a small decline in 2014 is not surprising.

International enplanements at the Anchorage airport were down by 1 percent between summer 2013 and summer 2014, from 19,900 to 19,800. While passenger enplanements for Korean Air went down by 62 percent, Japan Air enplanements went up by 34 percent, and IcelandAir enplanements increased by 19 percent. (These figures do not reflect Anchorage's overall international visitor market. Most of Alaska's international visitors travel to Alaska by domestic, rather than international air.)

In contrast to passenger enplanement data, visitor-related tax revenues were higher across the board for Anchorage in summer 2014: bed tax revenues increased by 8 percent, vehicle tax revenues by 11 percent and RV tax revenues by 8 percent.

Fall/Winter

Anchorage-specific indicators for fall/winter of 2014-15 include a 6 percent increase in outbound domestic enplanements. There were no international enplanements at ANC in fall/winter 2014-15. The previous fall/winter, there had been only 197 passengers, all on Condor Air, in October.

Other indicators for the most recent fall/winter season were also positive: Anchorage bed taxes were up by 8 percent between 2013-14 and 2014-15, and vehicle taxes were up by 3 percent. In addition, Visit Anchorage reports that 2014-15 convention attendance was up by 11 percent over 2013-14.

Outlook

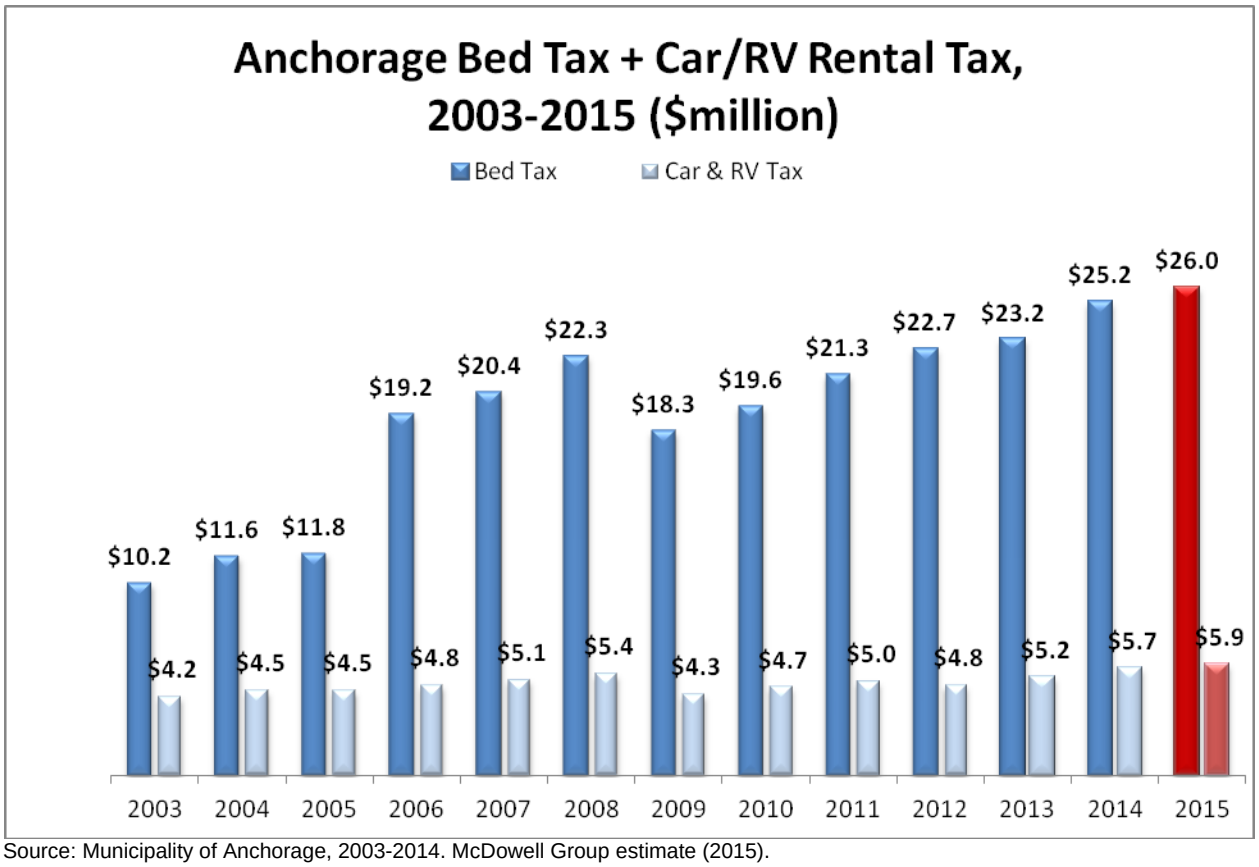
Statewide visitation is very likely to bounce back in 2015, as statewide cruise volume is projected to grow by 5 percent, according to Cruise Lines International Association Alaska. Anchorage is likely to benefit from this growth as it captures around one-third of cruise passengers. Anchorage will also benefit from nine port calls from the MS Statendam, a Holland America ship with a capacity of 1,250 passengers, up from four calls in 2014. Looking ahead to 2016, cruise passenger volume is expected to increase slightly as a result of larger capacity ships replacing smaller ships.

Visit Anchorage reports a very positive start to the 2015 summer season, according to its members, in terms of bookings of both rooms and tours. Hoteliers are also reporting record-high hotel room prices during peak travel periods. In terms of the fall/winter season, Visit Anchorage reports that convention attendance is projected to grow by 7 percent in 2015-16, including prominent conferences such as the International Economic Development Council's October 2015 conference (over 1,000 economic development professionals expected to attend). State of Alaska budget reductions will likely constrict State government travel in the near term. Although State employees do not pay bed tax, pending reductions will likely be felt by accommodations, car rental and dining establishments.

The U.S. Travel Association's most recent assessment of the industry indicates that travel continues to outperform other sectors of the national economy, and that consumer optimism is improving.[2] The Consumer Sentiment Index grew from 81.9 in May 2014 to 90.7 in May 2015.[3] Lodging metrics are at "all-time highs." However, growth projections for domestic travel are fairly modest at 1.6 percent for 2015 and 1.8 percent for 2016. Meanwhile, though the strong U.S. dollar may have a dampening effect, overseas travel to the U.S. is projected to increase at a faster rate: by 5.7 percent in 2015 and 5.3 percent in 2016.

While AEDC does not forecast visitor industry volume, given current visitor activity, new room inventory and room rates, AEDC does predict a 3.0 percent increase for both bed tax revenues and car/RV rental tax revenues in 2015.

[1] Unless otherwise noted, all figures in this section are from the Alaska Visitor Statistics Program VI, conducted by McDowell Group, Inc. for the Alaska Department of Commerce, Community, and Economic Development, Division of Economic Development.
[2] "U.S. Travel Outlook" April 2015, U.S. Travel Association, www.ustravel.org
[3] www.statista.com



Source: Municipality of Anchorage, 2003-2014. McDowell Group estimate (2015).

Oil Prices

The precipitous drop in oil prices in 2014 and early 2015 is the most influential factor affecting Anchorage and the Alaska economy. International oil prices had fluctuated around $100 to $120 for nearly four years before falling to less than $50 in January 2015, a level not seen since 2008.

The main factors affecting oil prices have been an unprecedented increase in domestic supply, and willingness on the part of OPEC (Organization for Petroleum Exporting Countries) to maintain production levels in a lower price environment. Since 2005, U.S. oil production has increased more than 140 percent, from a daily average of 4.0 million barrels in September 2008 to 9.7 million barrels in April 2015.[4] OPEC's production is currently at a four-year high of approximately 32 million barrels per day, with additional supply potentially coming online in Libya, Iraq, and Iran.[5]

Global production of crude oil averaged more than 88 million barrels per day in 2014, of which 0.6 percent came from Alaska. The Middle East (including Saudi Arabia) produced 32 percent of total global production, Europe and Eurasia (including Russia) produced 19 percent, and the U.S. produced 13 percent (excluding Alaska's 0.6 percent). For the first time in nearly 25 years, the U.S. surpassed Saudi Arabia as the largest producer of oil in the world, on an individual-country basis. Russia is the third-largest oil producer.

While international oil production increased in 2014, Alaska's production fell 3 percent to an average of 497,000 barrels per day. This reduction is consistent with a long-term decline that has averaged 5 percent (56,000 barrels) annually since production peaked at approximately 2

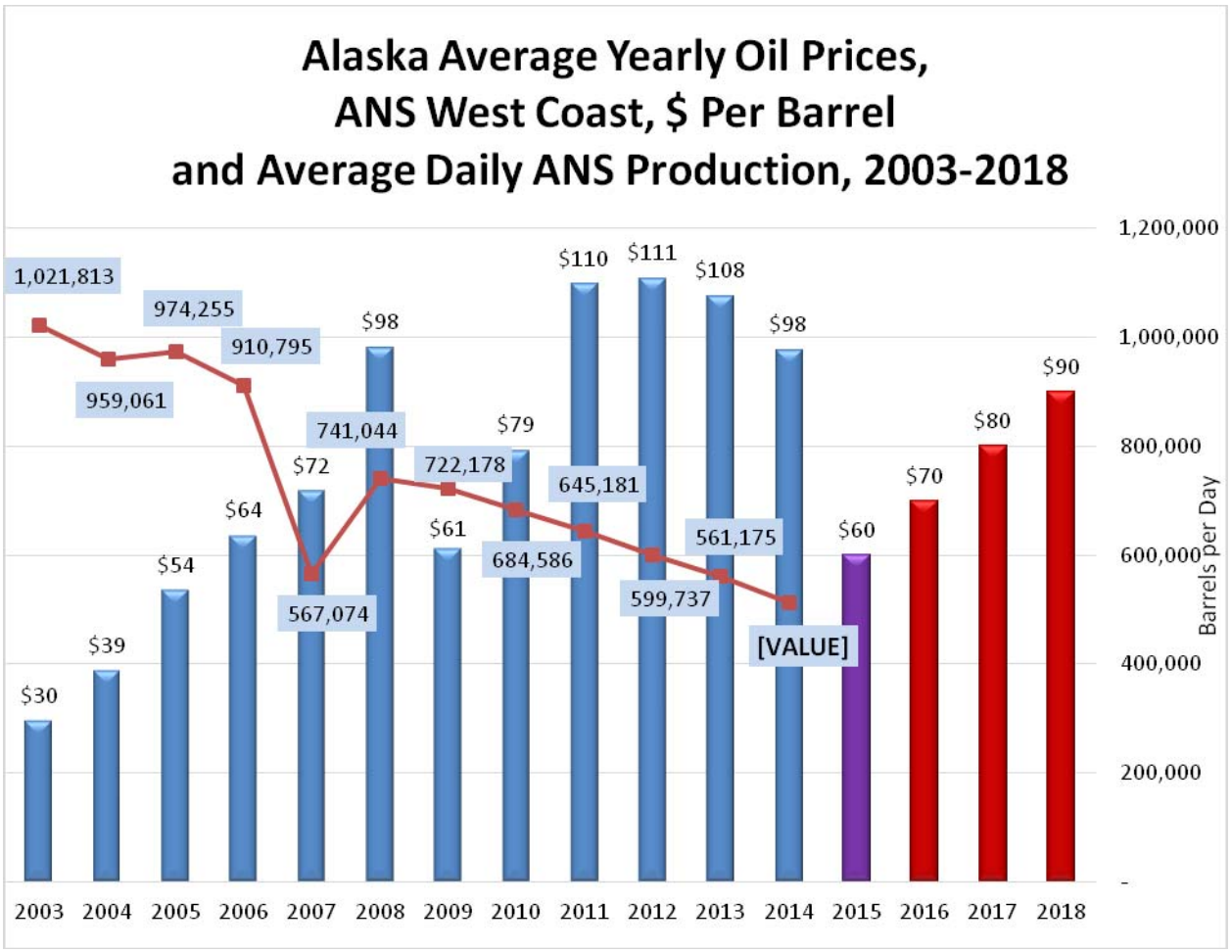
million barrels per day in 1988. Through the first half of 2015, Trans Alaska Pipeline System throughput is to be higher than 2014, which could extend the recent slow-down in the rate of decline. Furthermore, recent projections by the Alaska Department of Revenue have production increasing in 2016 and 2017.[6]

Historically, the Alaska North Slope (ANS) price per barrel has closely followed other market prices such as West Texas Intermediate (WTI). This relationship softened in late 2011 when ANS traded at an approximate $30 premium over WTI. Over the last 12 to 18 months, the price differential has reduced, with ANS now valued at approximately $4 more than WTI.

Both the Energy Information Administration (EIA) and the Alaska Department of Revenue are forecasting the price of oil to increase to the mid-$60 range for the remainder of 2015 and 2016. EIA forecasts WTI to average $55.51 through 2015 and $62.04 in 2016. Alaska Department of Revenue expects ANS to average $67.49 in 2015 before falling slightly to $66.03 in 2016. Longer-term forecasts by the Alaska Department of Revenue predict an average of $86.66 in 2017 and $89.06 in 2018.

Generally consistent with other forecasts, and recognizing the highly unpredictable nature of oil prices, AEDC expects ANS to average about $60 in 2015, $70 in 2016, $80 in 2017, and $90 by 2018.

[4] Energy Information Administration, 2015.
[5] Bloomberg, 2015
[6] Alaska Department of Revenue, Tax Division, 2015.



Source: Alaska Department of Revenue, 2003-2014, McDowell Group Forecast (2015-2018).

Challenges Ahead

There is little doubt the strength and resiliency of the Anchorage economy will be tested over the next two to three years. The critical connection between oil prices, oil revenue and Alaska's economy is plainly evident. In Anchorage, oil and gas industry spending in the private sector accounts for more than 30,000 direct, indirect and induced jobs; and thousands more jobs are created in the local economy as a result of State spending of oil-related taxes and royalties. While the good news is that North Slope production has stabilized at around 500,000 barrels per day, few analysts expect prices to return to the $100 level any time soon.

Force reductions at JBER will present another challenge for the Anchorage economy. However, Anchorage can be proactive in mitigating that impact, by working to retain the effected military population that may be transitioning to civilian life. Connecting these people with the jobs available in Anchorage is an opportunity for our community.

Though there is certainly reason for concern, perhaps it's useful to remind ourselves that Anchorage's $30 billion economy - as measured in terms of total output - is today more diversified than ever. Major contributors to that output, in addition to the oil and gas industry, include the military, freight and cargo transshipment, the visitor industry, health care and a professional and business services sector that serves not only Alaska but an increasingly global market.

The surprisingly strong employment picture so far in 2015 is good news, with 1,000 more jobs in June 2015 than in June 2014. Further, we have previously noted the persistent low unemployment rate in Anchorage as a marker of underlying opportunity for growth. Many employers continue to report they would hire more workers, if people with the right skill sets were available, and the high cost and tight inventory of housing wasn't acting as a barrier to recruitment.

Also on the bright side, a strengthening national economy bodes well for Alaska, in some respects. Growing domestic demand for consumer goods means more ANC air freight activity. In addition, a number of Alaskan-owned and Anchorage-based corporations have national and international business interests that will benefit from a more robust U.S. economy. Alaska's visitor industry is also poised for growth this year and next.

Nevertheless, the trajectory of the Anchorage economy over the next three years is uncertain, with potential to move along several divergent tracks. If oil prices remain low (or even decline further) and state spending is further reduced as a result, and if little or no progress is made on gas line development, Anchorage might expect a couple years of economic contraction, until a "new normal" is realized as one possible scenario.

Observers with a much more optimistic outlook would see a different scenario with the gas line project soon moving to the $1 billion front-end engineering and design (FEED) phase, the outfall of JBER force reductions are muted, other federal spending takes an uptick and oil prices rise, pushing more money through the Alaska economy than would otherwise be the case.

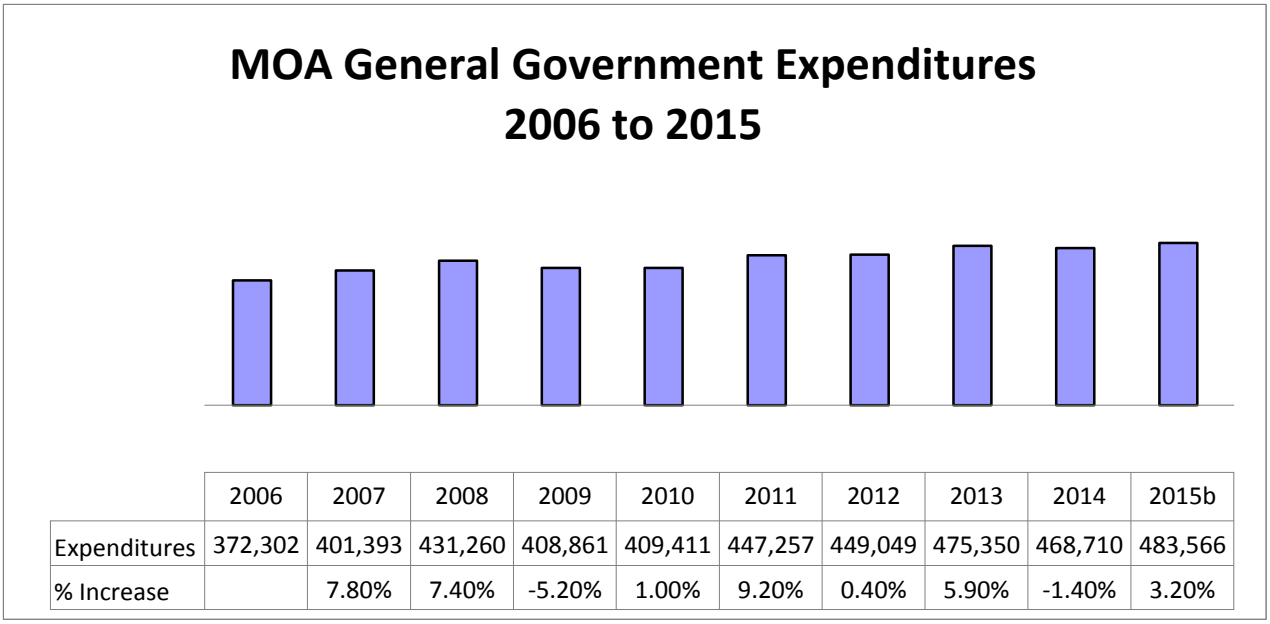
Between these two scenarios is AEDC's expectation for the next two to three years; some decline in those sectors most closely tied to State government spending, but resiliency and underlying strength in other sectors prevents significant downturn in the economy overall. AEDC sees businesses doing some belt tightening but otherwise keeping the long-term in mind and riding out whatever rough water lies ahead.

Anchorage has experienced similar situations when the economy was less diverse and we were less prepared; oil prices dropped 60 percent in 1986, then recovered over the next two years. Same story in 1993, when prices dropped 40 percent, with a two-year rebound. The 70 percent price drop in 2008 was mostly recovered within two years. Today, Anchorage is facing some challenges, but if history is any guide, the Anchorage economy will survive intact and emerge stronger than ever. From a statewide perspective, Alaska's challenge is to effectively leverage $90 billion in financial assets to avoid state spending-related economic shock.

3. Historical Financial Trends

Expenditures

The graph below depicts the actual expenditure trends from 2006 to 2013 for Anchorage's general government.

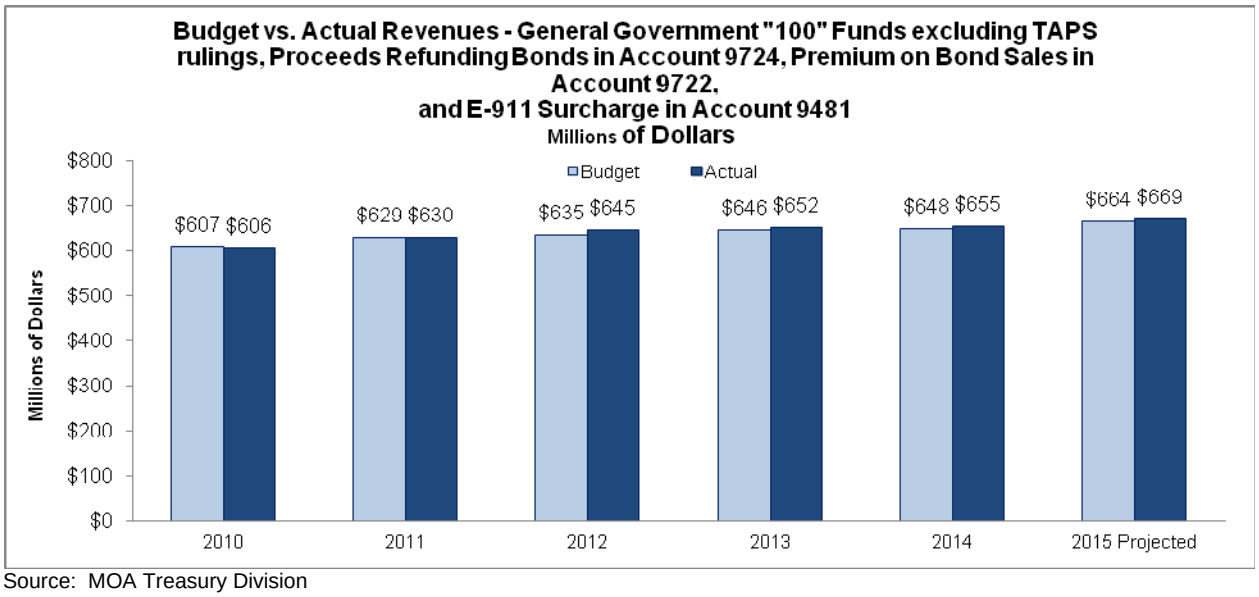


	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015b
Expenditures	372,302	401,393	431,260	408,861	409,411	447,257	449,049	475,350	468,710	483,566
% Increase		7.80%	7.40%	-5.20%	1.00%	9.20%	0.40%	5.90%	-1.40%	3.20%

Source: MOA Controller (2006-2014 Actuals), MOA Office of Management and Budget (2015 Budget)

Revenues

Revenues have modestly increased over the past six years. The Municipal Treasury Division regularly monitors and forecasts revenues so that the Administration can maintain a balanced budget. As illustrated in the graph below, General Government revenues have met or slightly exceeded budget estimated during the last four years. This trend is evidence of the Municipal Treasurer's commitment to conservatively estimate, track and benchmark important revenue sources.



Source: MOA Treasury Division

Long-term Trends in Major Categories of General Government Revenues

A review of long-term revenue trends and the drivers will assist policy makers and citizens when considering potential changes in the revenue structure of Anchorage. In reviewing long-term trends of

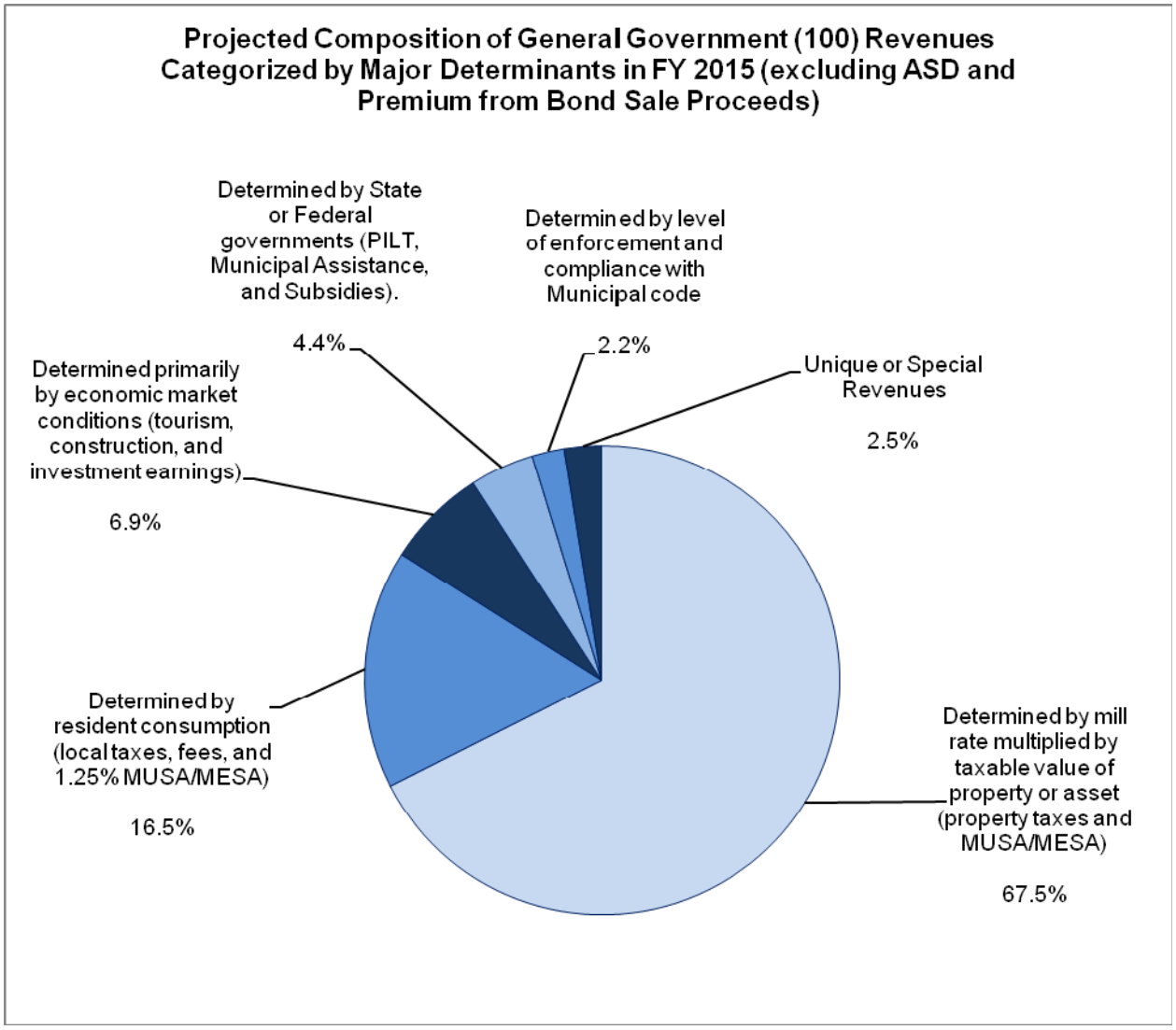
general government (series 100 funds) revenues over the past seventeen years, from 1998 through 2015, the following narrative and graphs shown below identify six major determinant categories that affect changes in revenues over time, as follows:

1. **Determined by Mill Rate and Taxable Value**: Property Taxes and Municipal Enterprise Service Assessment (MUSA) and Municipal Utility Service Assessment (MESA) payments are determined by the mill rate multiplied by taxable value of real and personal property or utilities enterprise net plant value. The taxable value of property is determined by the Municipal Assessor, and net plant value is derived based on the net book value of utility enterprise balance sheets. The mil rate is set by the Assembly each year.
2. **Determined by Resident Consumption:** Revenue from taxes on tobacco, motor vehicles, aircraft and Municipal service fees are determined by city residents' choices about their use of these products and services. Also included in this category are the Utility Revenue Distribution and 1.25 percent MUSA revenue. These payments are specific percentages of gross revenues of the utilities, which are derived from local residents' choices about consuming utility services.
3. **Determined by Economic Market Conditions:** Tourism taxes, construction permit revenues, and investment earnings are determined primarily by economic conditions in the tourism, construction, and investment markets.
4. **Determined by State or Federal Government:** Municipal Assistance, Federal Build America Bond monies, and Payments in Lieu of Taxes (PILT) are determined by decisions and actions of the State of Federal governments.
5. **Determined by Level of Compliance and Enforcement of Municipal Code (Code):** Revenues from collections of delinquent taxes, as well all types of fines, penalties and interest paid on delinquent taxes, are determined by the level of Code compliance and enforcement and collection efforts.
6. **Unique or Special Revenues:** Contributions from the MOA Trust Fund, lease revenue, land and property sales, private PILT payments, claims and judgments, miscellaneous revenues, and other special types of revenue are specified in contracts, by court rulings, or special provisions in the Code.

Summary of All Categories of Revenues

The largest share of general government revenues is determined each year by multiplying the mill rate by taxable value of property or assets. Consumption revenues contribute to the next largest share (17 percent). About 7 percent of revenues are determined by economic market conditions. Another 4 percent is determined by the actions of State or Federal governments. About 2 percent of revenues are driven by compliance and enforcement of Municipal Code. The remaining 3 percent is determined by a variety of unique or special factors.

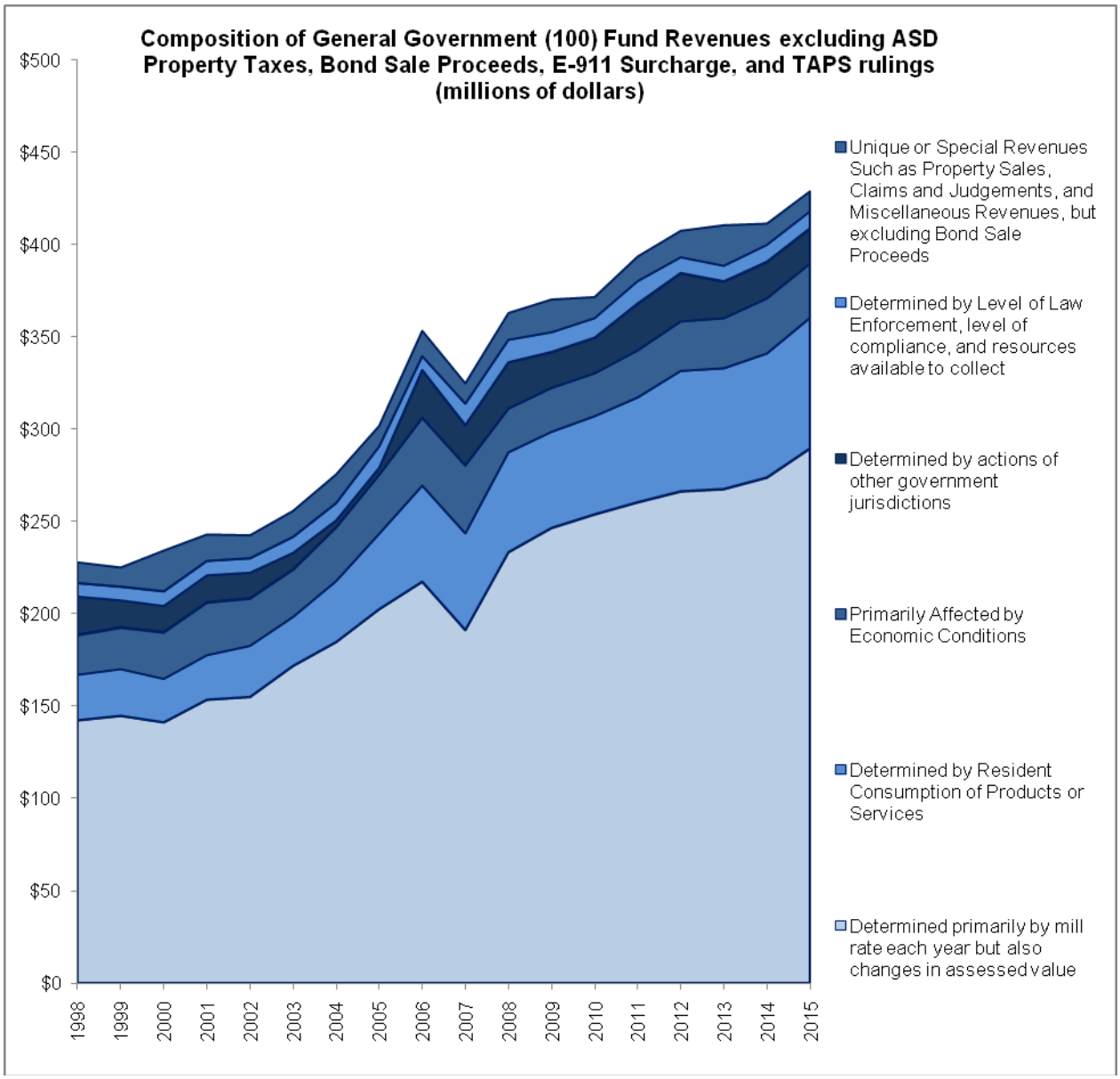
The summary pie chart below from the MOA Treasury Division shows the composition of general government revenues. It excludes the property tax revenues transferred to the Anchorage School District (ASD) and proceeds from bond sales.



Source: MOA Treasury Division

The summary chart below from the MOA Treasury Division shows the changing composition of revenues for each of the major categories over the last seventeen years. Revenues determined by the mill rate and taxable value of property or value of utility assets have contributed between 60 percent to 65 percent of general government revenues each year over the last seventeen years (these percentages exclude ASD property taxes, revenues from Trans-Alaska Pipeline System (TAPS) rulings), and E-911 Surcharge revenues. Revenues determined by resident consumption have contributed a growing share of revenues mostly because of increases in the tax rate on tobacco and vehicles. Revenues driven by economic conditions in tourism, investment, and construction markets have contributed a relatively stable share since about 2006. The usual increase in revenues in 2006 followed by a decrease in 2007 was because

some State of Alaska Municipal Assistance revenues were received and posted in 2006 but were applied as a tax credit in 2007.



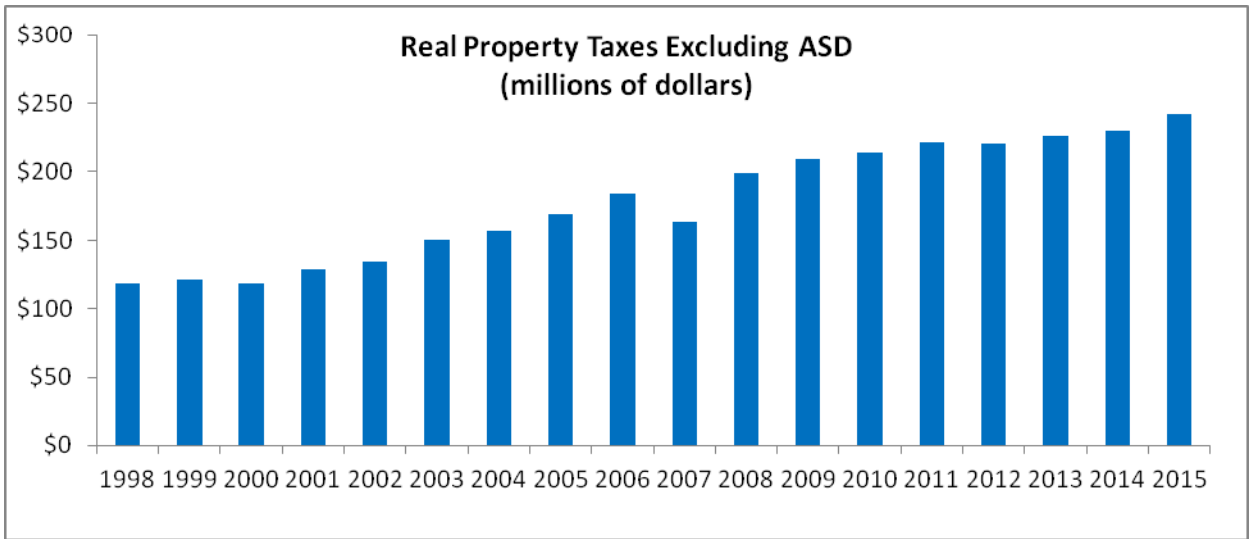
Source: MOA Treasury Division

Key Revenue Determinant Categories

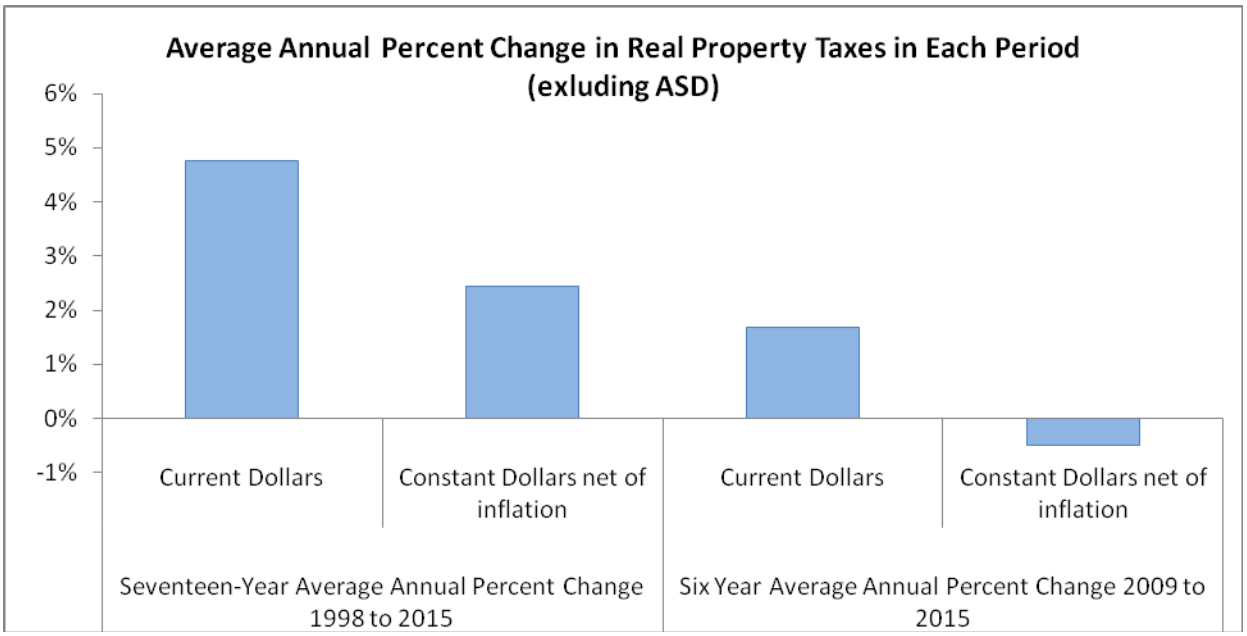
Revenues Determined Primarily by the Mill Rate and Taxable Value

Real property tax revenues are the largest component of this category. The amount of these revenues collected each year is determined by policy decisions by the Administration and the Assembly when they set the mill rates each year. Over the last six years, real property tax revenues have increased at a slower average annual rate than the long-term historical trend from 1998 to 2009. After removing the

effects of inflation, real property tax revenues have declined on average more about a half percent annually over the last six years.



Source: MOA Treasury Division

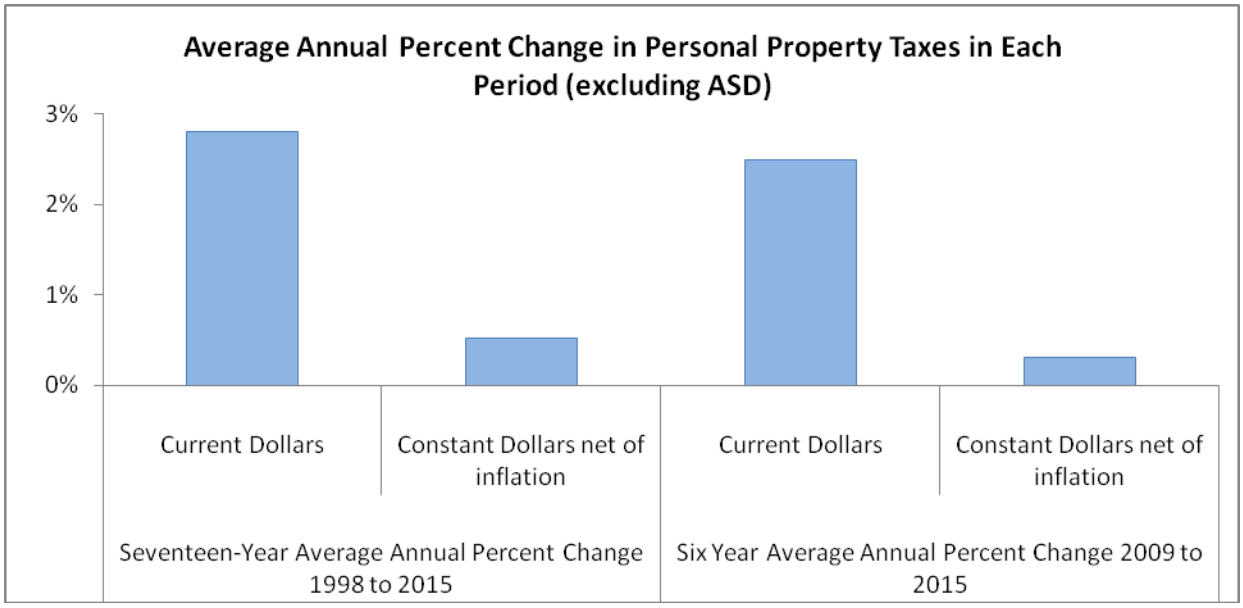


Source: MOA Treasury Division

Personal property tax revenues are variable year to year due to changes in the mill rate and changes in the assessed values of business personal property, state and oil and gas property, and mobile homes. Over the last six years, personal property tax revenues have grown at about the same rate as the long-term trend. The charts below exclude ASD property taxes, the one-time special revenues from the lower court rulings regarding the value of the Trans-Alaska Pipeline in 2010, 2012, and 2013, and the State

Assessor's change to the taxable value of State oil and gas properties in 2014. The court rulings required payments of personal property taxes on State oil and gas properties owned by Alyeska Pipeline.

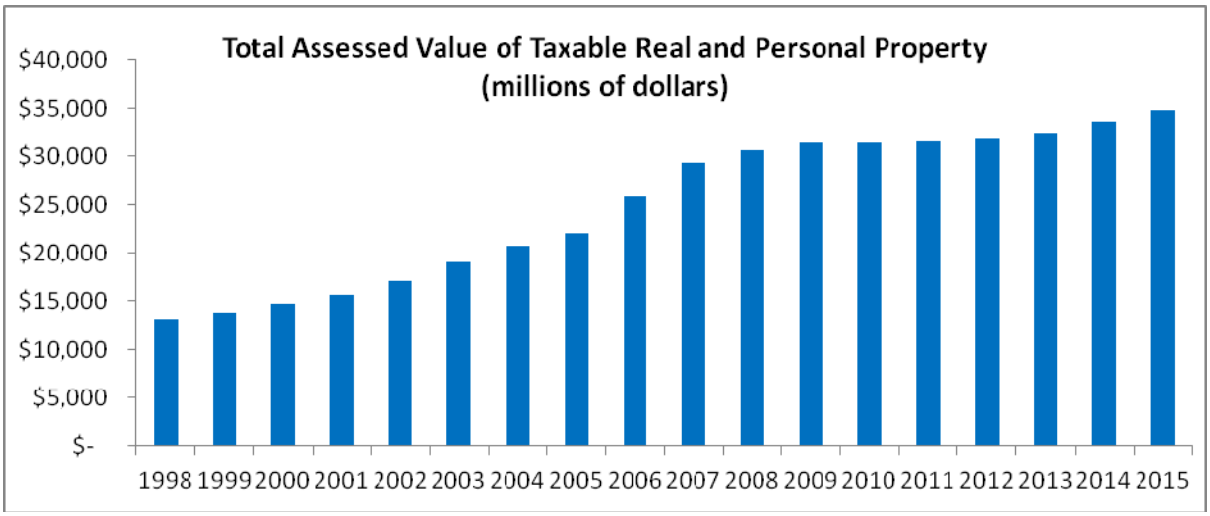
Source: MOA Treasury Division



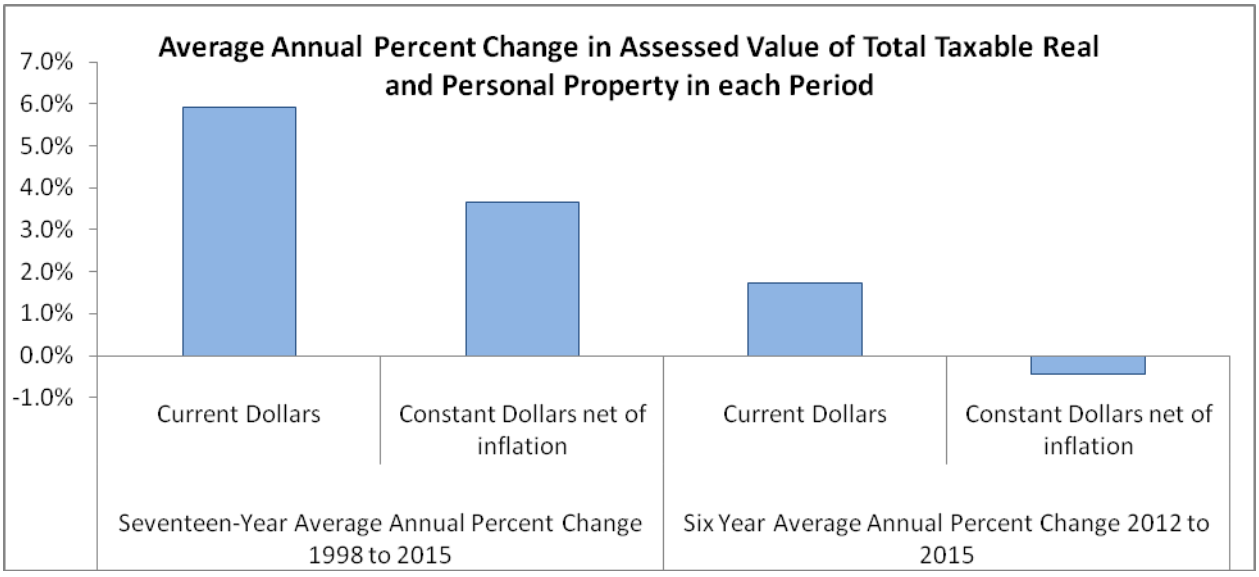
Source: MOA Treasury Division

Assessed Value: The calculation of real property tax revenues, personal property tax revenues, and MUSA/MESA payments are all dependent on the mill rate. One of the factors affecting the mill rate is the assessed value of taxable property. For a given level of property tax revenues, an increase in assessed taxable property value will result in a lower mill rate. For the same level of revenues, a decrease in

assessed taxable property value results in a higher mill rate. Because of its effect on the mill rate, it is important to track changes in the total taxable property value over time. From 2009 to 2013, the total assessed value of taxable real and personal property remained relatively stable compared to previous years. Taxable value increased in FY 2014, and Property Appraisal currently projects an increase in total taxable property value in FY 2015.



Source: MOA Treasury Division



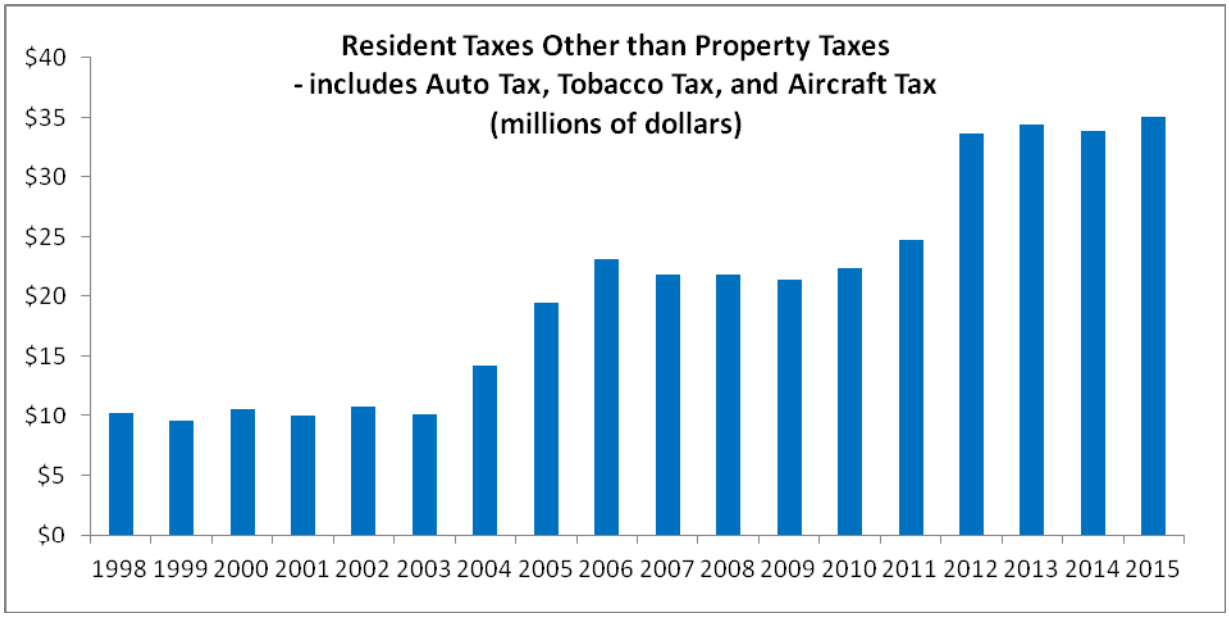
Source: MOA Treasury Division

Revenues Determined Primarily by Resident Consumption

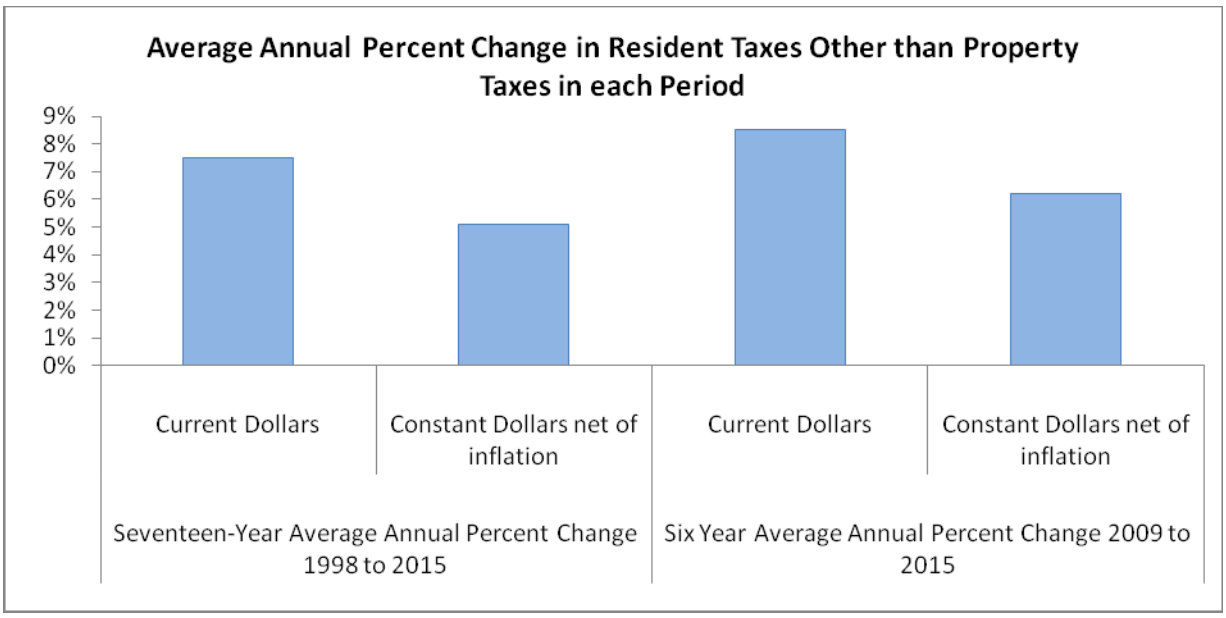
These revenues include fees paid by residents for municipal/utility services and facility rentals. It also includes residents' payments of tobacco taxes, vehicle registration taxes, and aircraft taxes. This

category of revenues contributes about 17 percent of the total general government (100 Fund) revenues, excluding ASD property taxes.

Resident taxes, including motor vehicle registration tax, tobacco tax, and aircraft tax are paid primarily by residents of the Municipality. These revenues are affected by changes in the tax rate and consumer choices. Auto tax revenues are also affected by the age distribution of vehicles and the percent of population over 65, because seniors are eligible to receive an exemption from the registration tax for one vehicle. Tobacco tax revenues are affected by the long-term decline in per capita use of tobacco, substitution to e-cigarettes, and the annual CPI adjustment to the cigarette tax rate. Increases in the motor vehicle registration tax rates in 2012 and the tobacco tax rate in late 2004 and 2011 led to substantial increases in these revenues beginning in those years.

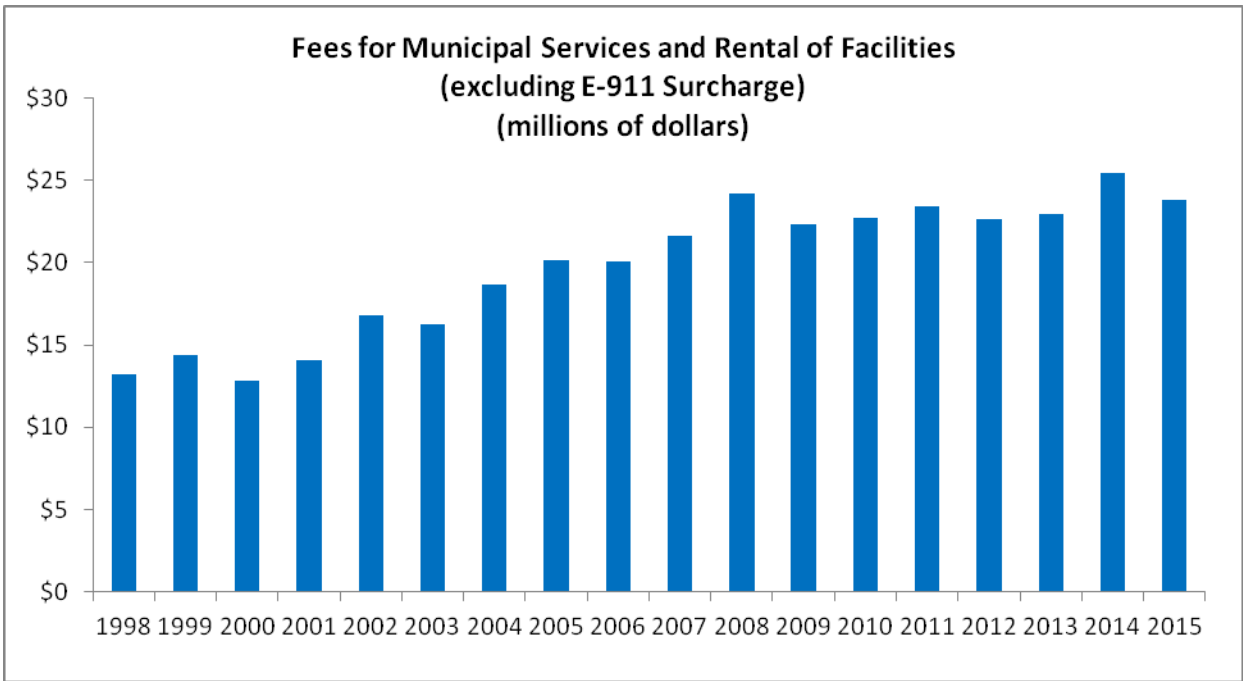


Source: MOA Treasury Division

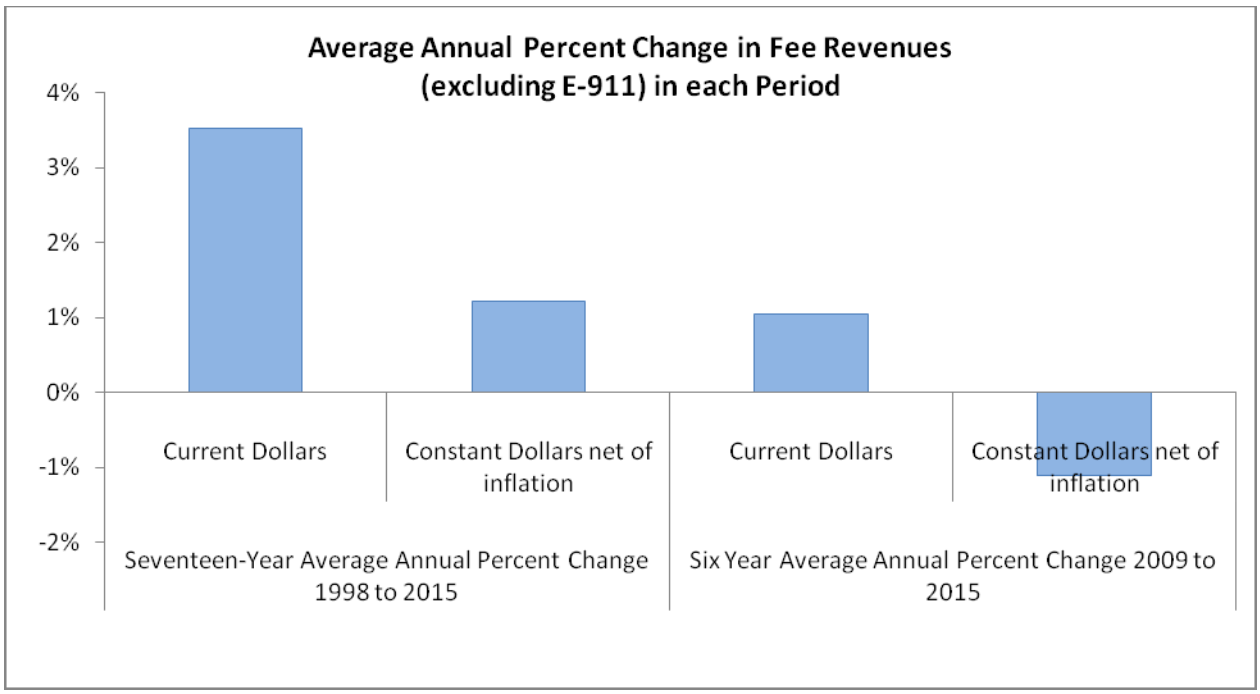


Source: MOA Treasury Division

Fees paid by residents for Municipal services and facility rental are affected by the amount and types of public services provided by the Municipality, the amount of fees charged for those services, the amount of Municipal resources and personnel allocated to provide the services, and the amount of these services and rentals that residents to use. Since 2009, fee revenues have increased at a slower annual rate than previous years.



Source: MOA Treasury Division

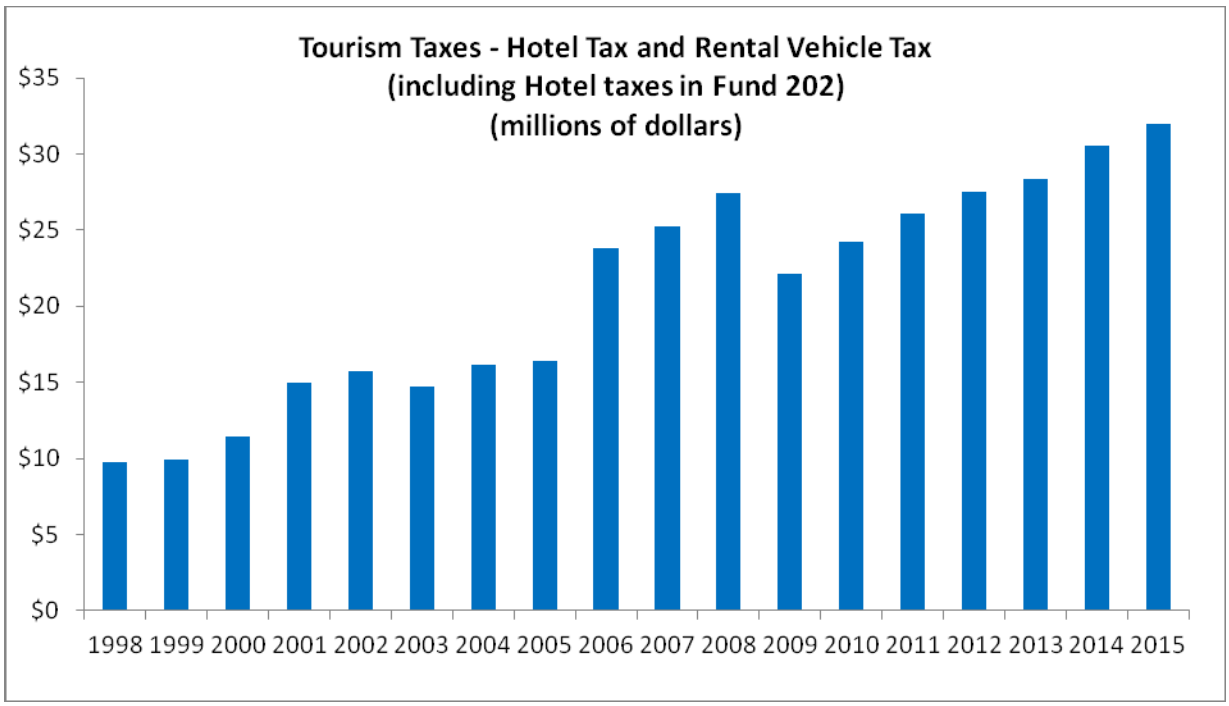


Source: MOA Treasury Division

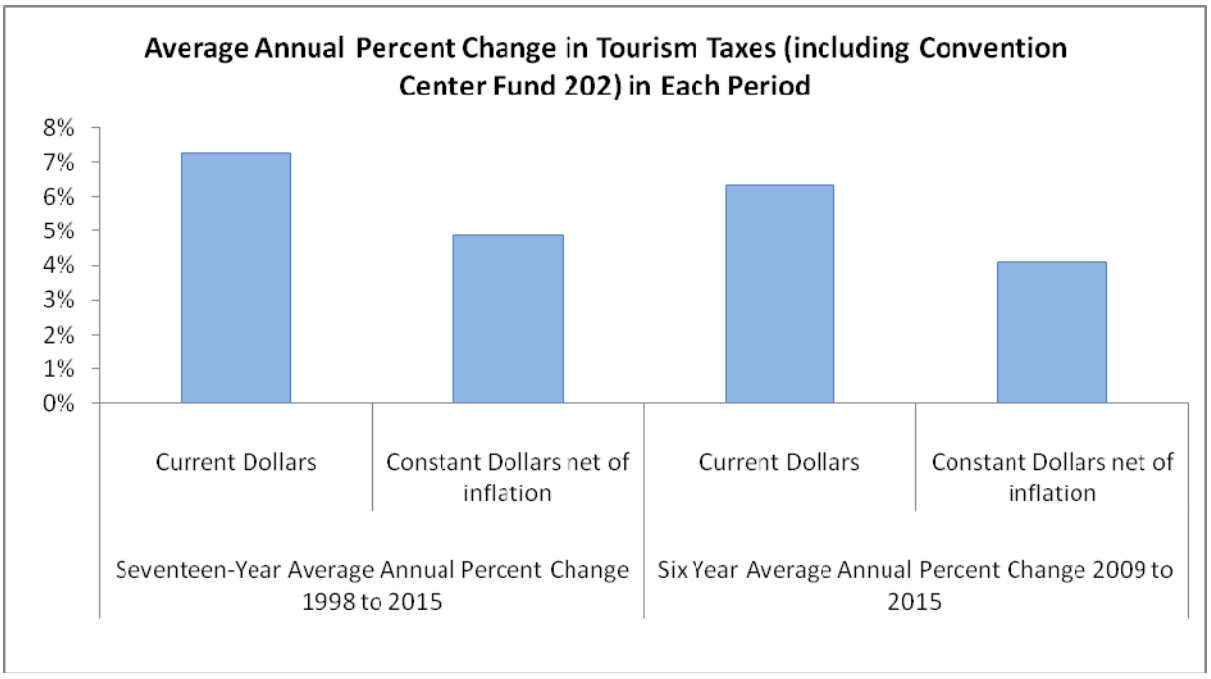
Revenues Determined Primarily by Economic Market Conditions

These revenues include all tourism taxes, construction-related permits, and investment earnings. They are primarily affected by changing economic conditions in the tourism market, construction industry, and investment industry, respectively. In the long-term, these revenues are affected by changes in tax rates or permit fees specified in code. These revenues contribute about 7 percent of total general government (series 100 Funds) revenues, excluding ASD property taxes.

Tourism-related revenues from hotel/motel tax and rental vehicle taxes are affected by the tax rate, the number of visitors coming to Anchorage, how long they stay, and the price they pay for a hotel room or rental vehicle. Tourism taxes increased substantially in 2006 due to a tax rate increases, then decreased in 2009 due to the national recession. Tourism taxes gradually recovered the last six years due to price increases for room rentals at Anchorage hotels and continued growth in the number of visitors coming to Anchorage.

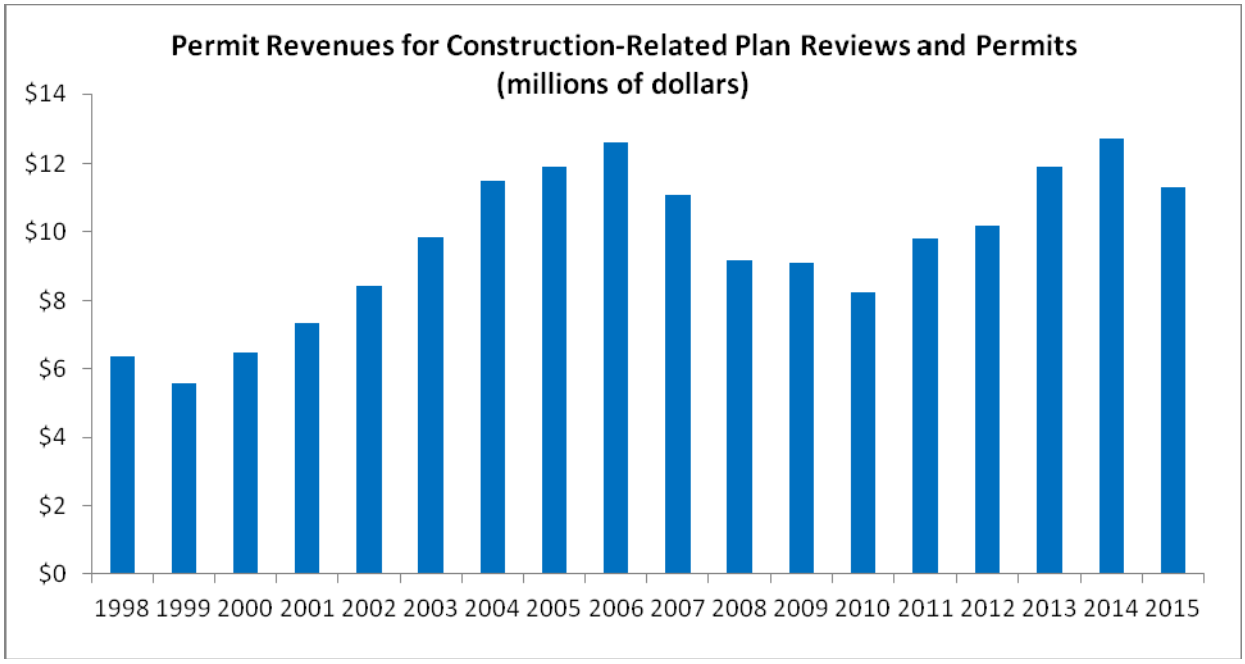


Source: MOA Treasury Division

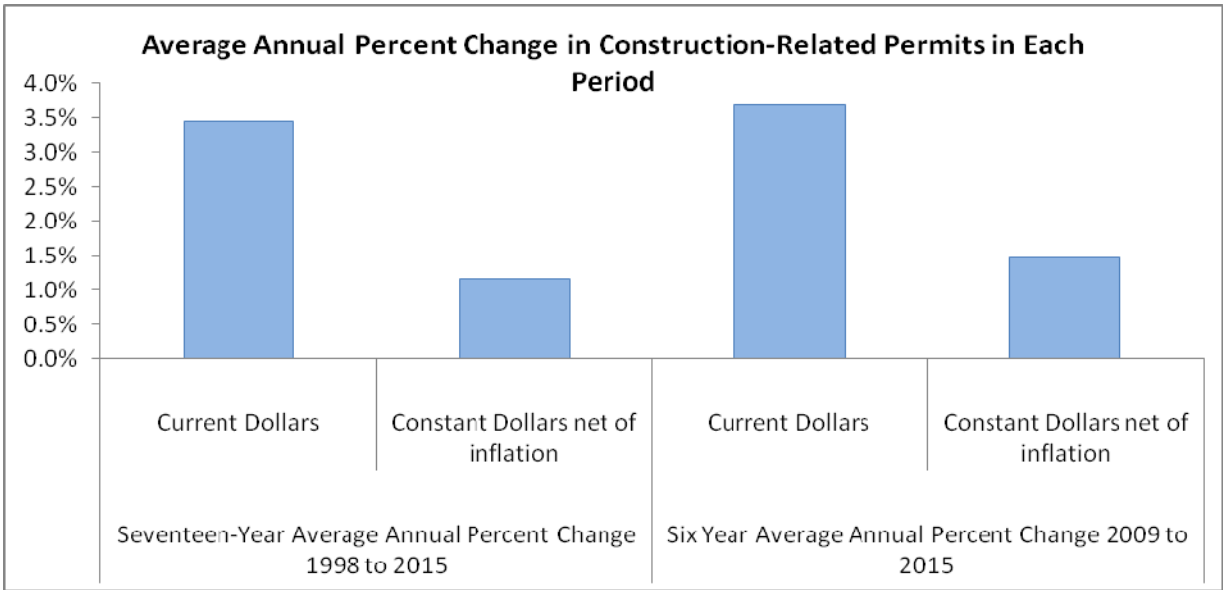


Source: MOA Treasury Division

Construction-related permit revenues are paid by builders for inspections, reviews, and permits to build construction projects. These revenues are affected by the value of permitted building activity, the type of construction (residential or commercial), the level of Municipal resources and personnel available to process permits, changes in Code requirements for various permits, and the amount of the fee paid for each type of permit. Revenues increased from 2010 through 2014, but are projected to decrease in 2015.

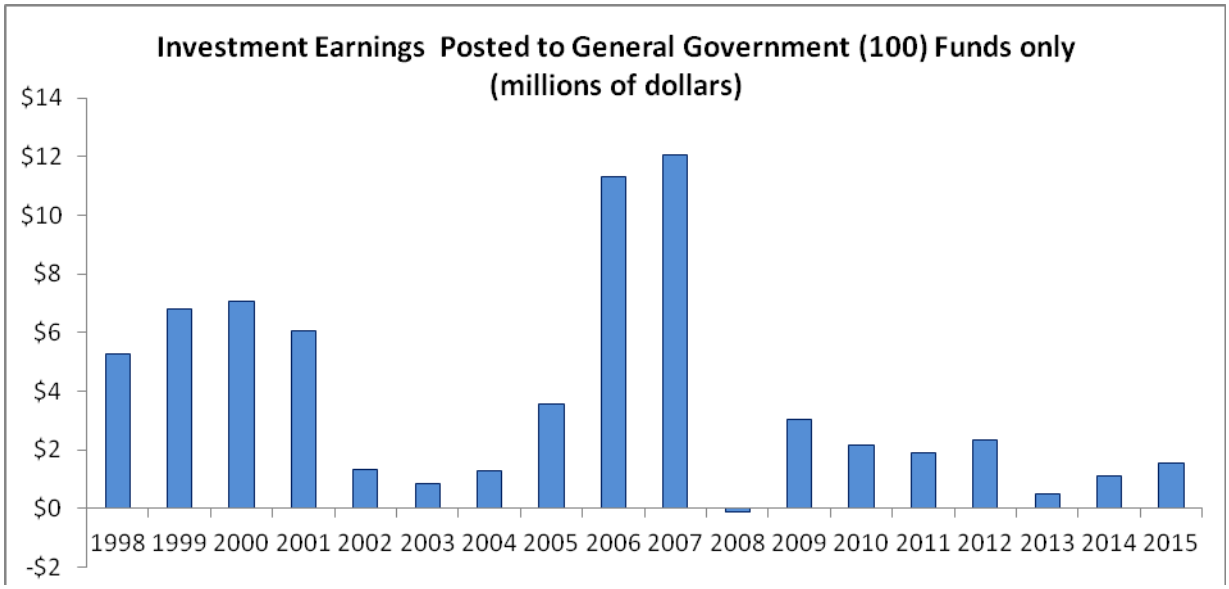


Source: MOA Treasury Division

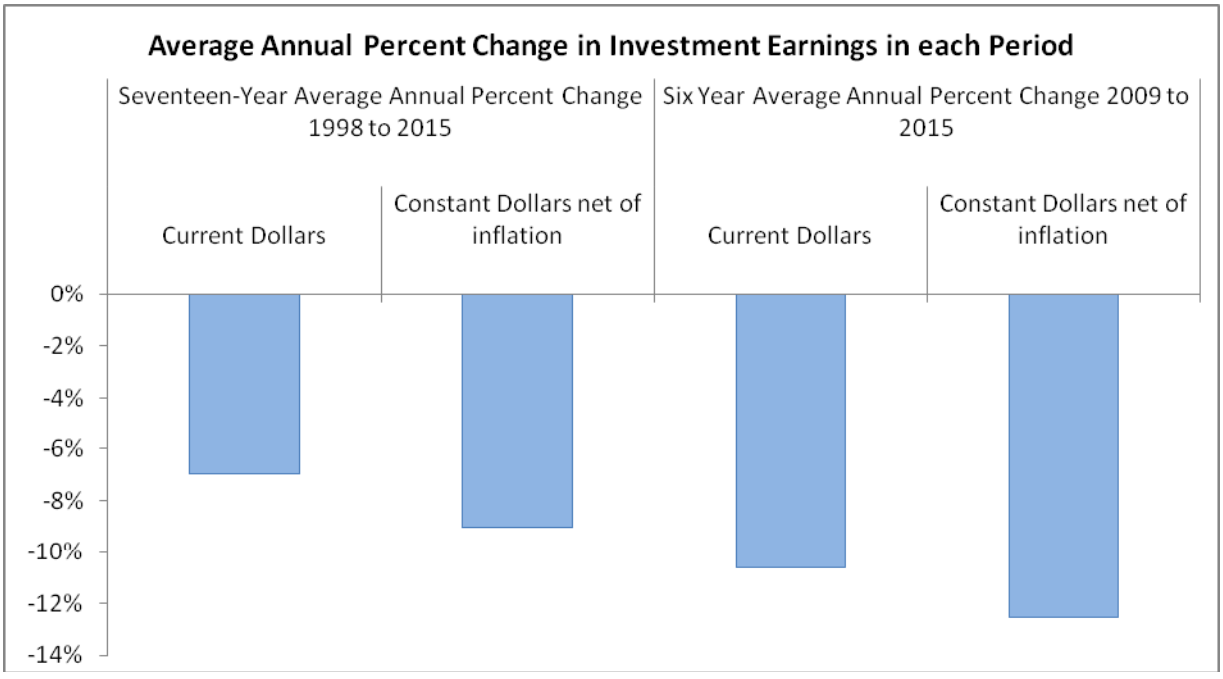


Source: MOA Treasury Division

Investment earnings from the Municipal Cash Pool, Tax Anticipation Notes (TANs), and Construction Pool Investments are affected by the level of Municipal holdings in each type of investment and the market rate of return on those investments. In the long-term, these revenues are also affected by Municipal Code and policies that guide how Municipal Funds are invested.



Source: MOA Treasury Division

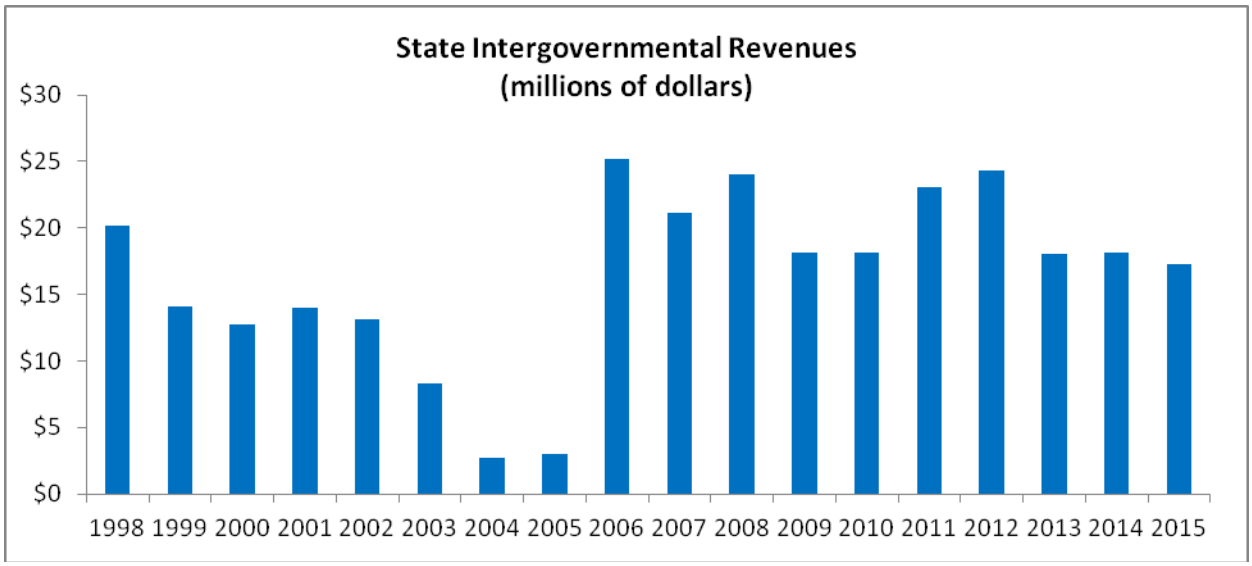


Source: MOA Treasury Division

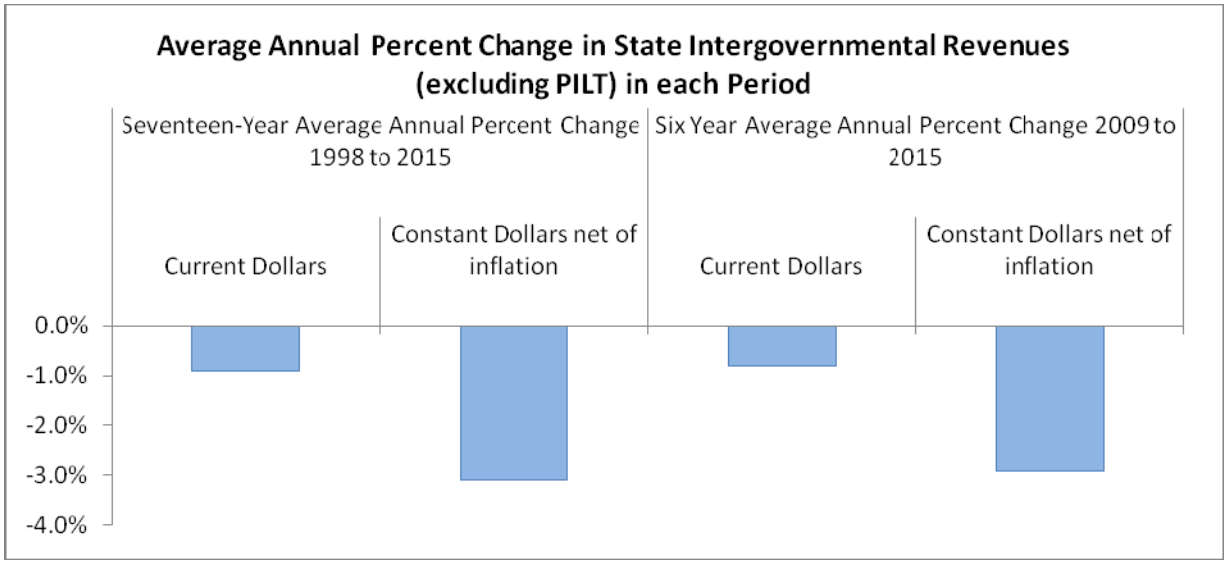
Revenues Determined by Actions of Other Governments

This category includes all State and Federal intergovernmental revenues and State and Federal PILT payments. These revenues contribute about 4 percent of total general government (100) fund revenues.

State Intergovernmental Revenues: Most of the revenues in this category are from the State of Alaska's Municipal Revenue Sharing. The Municipality also receives revenues from the Fisheries Tax, Liquor Licenses, Traffic Signal Reimbursement, and Alaska Housing Finance Corporate PILT payment from the State. These total State Intergovernmental revenues increased substantially in 2006 with higher Municipal Revenue Sharing. Since then, annual State revenues to the Municipality have varied between $15M and $25M.



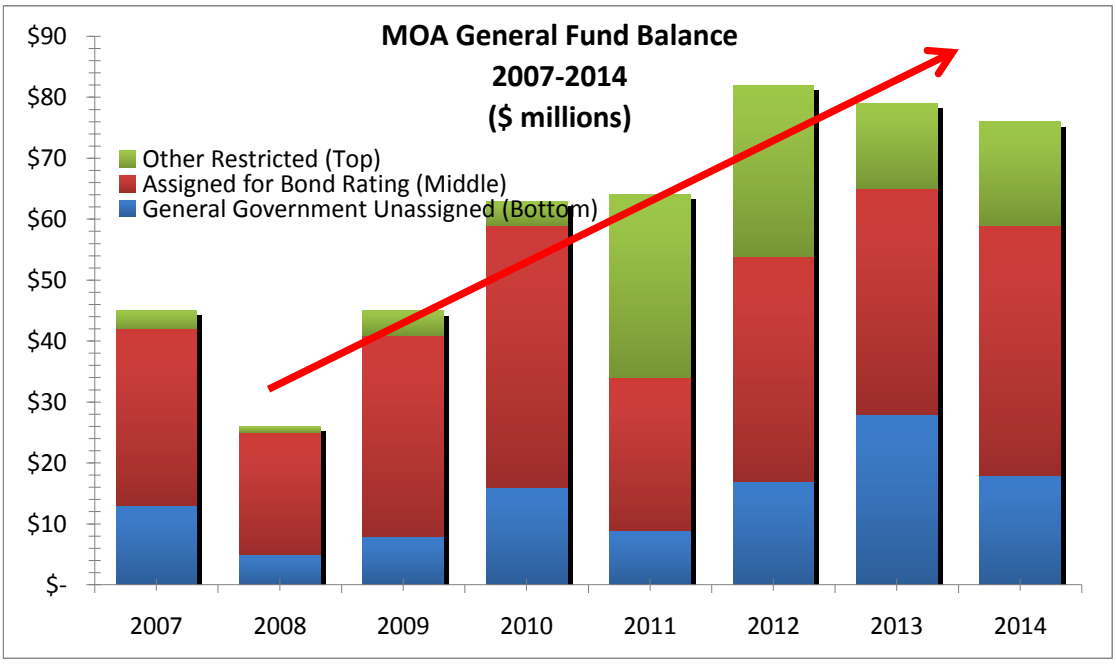
Source: MOA Treasury Division



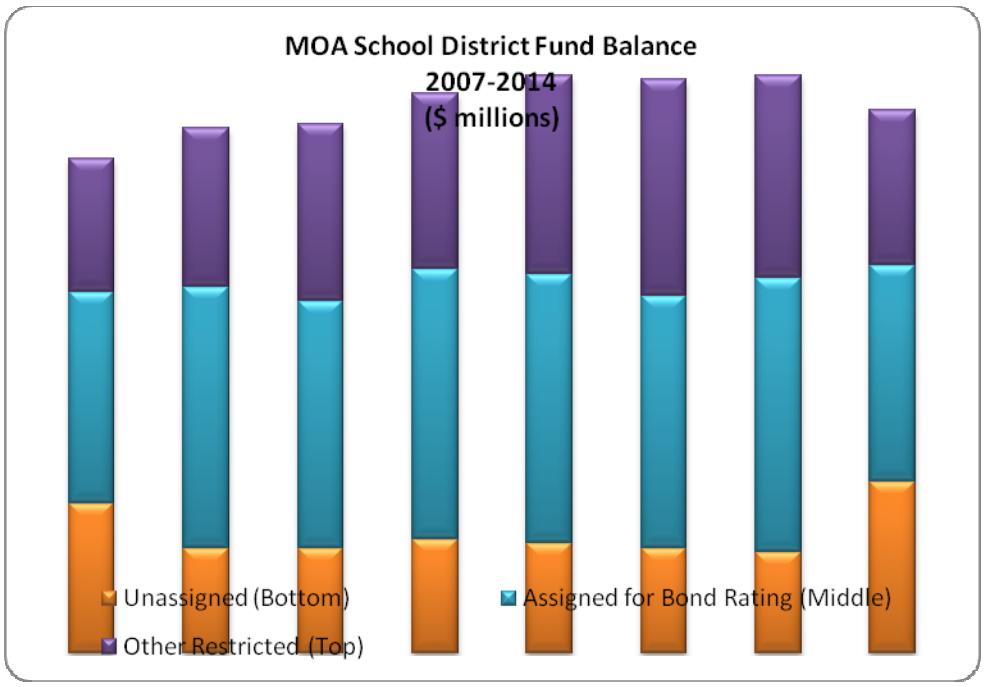
Source: MOA Treasury Division

Fund Balance

The Municipality has established a formal fund balance designation policy requiring a percentage of general fund current year expenditures to be designated for bond ratings. In 2011, this percentage increased from 8.25 percent to 10 percent. Additionally, a "Working Capital Reserve" is established at 2-3 percent. Calculation adjustments were approved by the Assembly that resulted in an additional $4 million in reserves. In 2014, the Municipality transferred $1.9 million of Fund Balance to a separate reserve account in Municipality's Trust Fund. Anchorage School District also maintains robust fund balances; with 10 percent of property tax revenues reserved for bonds. Together, Municipal and ASD Fund Balance policies support a strong financial position and high bond ratings. In the FitchRatings October 2014 rating update the rating agency emphasized the importance of fund balance as a key to the financial strength rating driver by noting that "the rating could come under downward pressure if unrestricted fund balance declined meaningfully, particularly if it fell below the Municipality's fund balance policy".



Source: MOA Public Finance and Investments Division



Source: MOA Public Finance and Investments Division

MOA Bond Rating

The Municipality currently enjoys the benefits of being a highly rated governmental entity by two rating agencies. The Municipality is rated AAA by Standard & Poor's (S&P) and AA+ by Fitch Ratings, both with a Stable Outlook. These ratings result in a lower cost of borrowing in the capital marketplace.

Rating agencies have long held that a credit rating is a composite of quantitative factors (e.g. financial ratios) and qualitative characteristics, such as strength of management. Local government ratings are based primarily on the following four credit factors:

- Economic Strength,
- Financial Strength,
- Management and Governance, and
- Debt Profile

In determining a rating, the rating agencies compare the Municipality to other issuers with similar characteristics. The importance of these so-called "peer comparisons" in the credit rating process has risen as the rating agencies face increased scrutiny over the appropriateness and accuracy of their ratings.

Standard & Poor's

Standard & Poor's (S&P) increased the Municipality's general obligation rating to AAA, highest rating possible by S&P in October 2013. In August 2012, the Municipality's Mayor CFO, along with representatives of the Municipality's financial advisor, First Southwest Company, met in San Francisco with S&P rating analysts. Based upon that comprehensive review of the Municipality's finances, management and the state of Anchorage's economy including Anchorage's relationship to the entire State of Alaska, S&P raised the general obligation rating of the Municipality from AA to AA+.

In S&P's most recent review dated October 14, 2014, the rating analysts noted the continued improvement in the fund balance policy and further diversification of the Municipality as the economic center of the State of Alaska. Specifically the report cited:

- Very strong economy,
- Strong management conditions,
- Very strong budgetary flexibility,
- Adequate budgetary performance,
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures,
- Very strong debt and contingent liabilities position and
- Strong institutional framework

Fitch Ratings

Fitch Ratings' most recent report on October 10, 2014 affirmed the Municipality's AA+ Rating and Stable Outlook, citing various inherent credit strengths that figured prominently in the rating review process. The six rating drivers identified by Fitch included:

- Strong financial performance – the municipality's financial profile has improved after significant efforts to slow expenditure growth and restore structural balance. Reserves have returned to a healthy level.
- Strong economic base – the Anchorage economy serves as a hub for government, trade, business, education and tourism in the State of Alaska and solidly outperformed the nation during the recent economic downturn.
- Energy sector exposure – the economy is somewhat concentrated due to dependence on the cyclical oil and gas sectors and is likely to continue to see periods of volatility.
- Diverse, stable tax base – the tax base is large and diverse. Assessed value (AV) exhibited considerable stability during the national real-estate downturn.
- Manageable long-term liabilities – the municipality's debt profile is healthy with a moderate debt burden and rapid principal amortization. Pension and other post-employment benefit (OPEB)

liabilities are moderate, and the municipality benefits from significant State support for local pension obligations.

- Conservative, professional financial management – the Municipality benefits from strong financial oversight, good long-term planning and conservative budgeting..

Fund Balance Discussion

The Municipality's General Obligation rating is AA+ by Fitch Ratings. However, they have commented on our somewhat low reserve policy in their reviews. In 2011, our financial advisors from First Southwest Company advocated "a change in the Municipality's fund balance reserve policy such that its ratios would be more in line with those of its peers." As a result of these two circumstances, the Administration sought and received approval from the Municipal Assembly to increase the fund balance policy, also known as the 'Bond Reserve Designation,' from 8.25 percent of prior year revenues to 10 percent of current year revenues. The Assembly approved elimination of the Operating Emergency Reserve of 2.55 percent and replacing it with a Working Capital Reserve in a range of 2.00-3.00 percent of current year's revenues in the five major funds. In August 2014, the Municipality changed the Fund Balance calculation methodology from a "percent of current year revenues" to a "percent of current year expenditures." This methodology more closely matches the fund balance calculation methodology used by Fitch and S&P.

4. Capital Projects

Capital Projects requests from federal, state, and local sources will focus on roads, parks, municipal facilities upgrades, public transportation, and public safety.

With low oil prices reducing the amount of state funds available to improve local and state owned facilities and infrastructure, Anchorage must invest in its roads, parks and facilities.

In 2015, state capital funding in Anchorage was $0 dollars, down from $80 million in 2014 The Municipality of Anchorage can continue to expect decreasing availability of funding support from outside sources so other local funding sources will need to be considered, with the objective of maintaining positive bond ratings. Bond funds will be used as leverage for matching non-local dollars where reasonable. The Administration will continue to seek favorable debt refunding opportunities to decrease future debt service obligations.

The Mayor will invest in our community, existing infrastructure, and focus on improvements that promote development in our economy.

The following chart shows the estimates of the effect of the 2016 Proposed General Government CIP projects on maintenance, operation, and personnel costs:

2016 - 2021 Capital Improvement Program
Operations & Maintenance Estimate

(In Thousands)

Department	2016	2017	2018	2019	2020	2021	Total
Maintenance & Operations	2	37	149	182	197	204	771
Parks & Recreation	235	-	-	-	-	-	235
Project Mgmt & Engineering	50	-	-	-	-	-	50
Total	**287**	**37**	**149**	**182**	**197**	**204**	**1,056**

5. Six-Year Projection Model

The Mayor's Six-Year Fiscal Projection Model is as follows:

SIX-YEAR FISCAL PROGRAM
PROJECTIONS OF REVENUES & EXPENDITURES ($ 000's)
2016 to 2021

	Revised Budget	Proposed Budget	Projections									
Funding Sources	2015	2016	2017		2018		2019		2020		2021	
Federal Revenues	764	844	882	5%	848	-4%	811	-4%	772	-5%	729	-5%
State Revenues	17,045	12,293	7,755	-37%	3,218	-59%	3,282	2%	3,348	2%	3,415	2%
Local Revenues	155,278	149,346	152,071	2%	154,503	2%	157,009	2%	159,592	2%	162,252	2%
Property Taxes	211,066	222,276	226,722	2%	233,523	3%	240,529	3%	247,745	3%	255,177	3%
Property Taxes - Debt Service	56,155	56,455	59,346	5%	61,815	4%	59,135	-4%	61,328	4%	54,990	-10%
New Revenues			13,657	100%	17,115	25%	17,478	2%	17,922	3%	18,377	3%
Fund Balance Applied	8,291	4,081	2,000	-51%	2,040	2%	2,081	2%	2,122	2%	2,165	2%
IGCs Outside General Gvt.	34,967	36,200	37,075	2%	39,152	6%	40,044	2%	40,851	2%	41,701	2%
Total Funding Sources	483,566	481,495	499,507		512,214		520,369		533,680		538,806	
Change from prior year	3.3%	-0.4%	3.7%		2.5%		1.6%		2.6%		1.0%	
Funding Uses												
Salaries and Benefits	271,248	272,311	279,721	2.7%	288,679	3.2%	296,646	2.8%	305,021	2.8%	313,708	2.8%
Debt Service	56,155	56,455	59,346	5.1%	61,815	4.2%	59,135	-4.3%	61,328	3.7%	54,990	-10.3%
Depr/Amort	1,046	980	1,558	59.0%	6,535	319.5%	7,069	8.2%	7,232	2.3%	7,500	3.7%
Other	155,117	151,749	154,784	2.0%	157,880	2.0%	161,037	2.0%	164,258	2.0%	167,543	2.0%
Marijuana Enforcement Costs			500	100.0%	510	2.0%	520	2.0%	531	2.0%	541	2.0%
Total Funding Uses	483,566	481,495	495,909		515,418		524,407		538,370		544,282	
Change from prior year	3.2%	-0.4%	3.0%		3.9%		1.7%		2.7%		1.1%	
Revenues Over/(Under) Expenditures	-	0	3,599		(3,205)		(4,038)		(4,690)		(5,477)	

Funding Sources Assumptions Include:

- Federal Revenues – down due to projected declining Build America Bonds Subsidy.
- State Revenues – Revenue Sharing reduced to $0 in 2018 and thereafter.
- Local Revenues – majority of revenues increasing by 2% per year.
- Property Taxes – increase 2% in 2017 and increasing 3% in 2018 and thereafter.
- New Revenues – addition of $3M Marijuana tax, inclusion of $5M ML&P dividend, and increase o f $5M in ML&P MUSA in 2017, and addition of $3M AWU dividend in 2018, all increasing 2% per year thereafter.

Funding Uses Assumptions Include:

- Salaries and Benefits – contractual increases, then annual increases are at last contractual % except IAFF goes from 5% in 2018 to 3% increases thereafter and APDEA goes from 2.5% in 2018 to 2% in 2019 and thereafter; medical increasing at rates projected at CMS.gov.
- Debt Service – current principal pay down each year.
- Depr/Amort – proposed IT asset schedule.