

Appendix F

Debt Service

Debt service is the cost of repayment of debt, including principal, interest and agent fees.

The debt service included in the General Government Operating Budget typically represents debt incurred in the following ways:

- General Obligation (GO) Bonds (voter approval required to incur debt)
- Revenue Bonds (assembly approval required to incur debt)
- Short Term Borrowing Programs (STBP) (assembly approval required to incur debt)
- Lease/Purchase Agreements (assembly approval required to incur debt)
- Tax Anticipation Notes (TANs) (assembly approval required to incur debt)

GO Bonds

A GO Bond is a municipal bond backed by the full faith, credit and taxing power of the Municipality. GO bonds appear as a proposition on a general election ballot for covering the cost of capital expenditures. They require authorization by the assembly and approval by a majority of Anchorage voters as well as a majority of voters in that service area. The debt is repaid by property tax payers in that service area.

The Municipality generally issues 20 year bonds but makes sure that there is sufficient principal being paid off to cover the shorter useful life assets in the bond package.

The amount of GO bond debt that the Municipality can incur is limited only by GO bond amounts approved by voters. GO bond debt service is included in the Tax Cap Calculation for the 5 Major Funds - the mill rate for these funds is increased to accommodate the GO bond debt service. The debt service for service areas that set their own mill rate must fall within the maximum mill rate for the service area in which the debt is incurred, unless an increase for debt service payment is approved by voters on the bond proposition.

The Municipality's GO Bond Ratings are:

Standard & Poor's	AAA stable
Fitch Ratings	AA+ stable

Revenue Bonds

A Revenue Bond is a bond supported solely by the revenues generated from a specific project or enterprise. These are not supported by the full taxing power of the Municipality. An example would be the Alaska Center for the Performing Arts where ticket surcharges pay for that facilities' debt service on the bonds issued to finance replacement of the roof in 2004.

Short Term Borrowing Programs (STBP)

Short Term Borrowing Programs are similar to a bank loan or credit line, used to offer interim financing flexible terms until they are paid off, generally with Revenue Bonds.

Lease/Purchase Agreements

Agreement between the Municipality and Key Government Finance, Inc. or Sun Trust that provides market rate loans to the Municipality for the purchase and eventual ownership of specific assets. The Agreements are entered into on an as-needed basis and the loans are typically repaid over the life of the asset. The debt service related to Lease/Purchase Agreements is not limited, but must fall within the maximum mill rate for the service area in which the Lease/Purchase Agreement is made.

Appendix F

Debt Service

TANs

Tax Anticipation Notes (TANs) are short term notes issued by the Municipality for the purpose of raising funds to pay ongoing operating expenses. They are issued in anticipation of receiving property taxes and other revenues scheduled to be collected during the year. TANs are retired prior to the current year end. The debt service related to TANs is not limited but must fall within the maximum mill rate for the service area for which the TANs are made.

2016 Proposed Debt Service Budgeting Requirements

Fund	Description	Principal	Interest	Total P&I	Agent Fees	Total
Voter-Approved GO Bonds Inside Tax Limit Calculation (5 Major Funds)						
101000	Emergency Ops Ctr	587,622	311,100	898,722	700	899,422
101000	Senior Center	53,205	15,542	68,747	50	68,797
101000	Cemetery	200,027	70,096	270,123	300	270,423
101000	Emergency Medical Service	497,358	349,230	846,588	650	847,238
101000	Public Facility Repair -Areawide	306,939	278,469	585,408	100	585,508
101000	Transit	336,052	190,707	526,759	400	527,159
131000	Anchorage Fire	2,228,667	1,174,878	3,403,545	3,200	3,406,745
141000	Anchorage Roads and Drainage	29,741,852	15,739,400	45,481,252	33,000	45,514,252
151000	Anchorage Police	124,413	69,598	194,011	310	194,321
161000	Anchorage Parks/Rec	1,706,300	779,904	2,486,204	2,300	2,488,504
GO Bonds Inside Tax Cap Total		35,782,435	18,978,924	54,761,359	41,010	54,802,369
Voter-Approved GO Bonds Outside Tax Limit Calculation						
106000	Girdwood Fire	6,570	922	7,492	20	7,512
162000	Eagle River Parks/Rec	181,000	79,057	260,057	290	260,347
GO Bonds Outside Tax Cap Total		187,570	79,979	267,549	310	267,859
GO Bonds Total		35,970,005	19,058,903	55,028,908	41,320	55,070,228
Revenue Bond - Alaska Center for the Performing Arts (ACPA)						
301000	PAC Revenue Bond	120,000	173,700	293,700	-	293,700
ACPA Revenue Bond Total		120,000	173,700	293,700	-	293,700
Lease/Purchase Agreements						
607000	IT Capital Infrastructure	-	80,000	80,000	-	80,000
Lease/Purchase Agreements Total		-	80,000	80,000	-	80,000
Tax Anticipation Notes (TANS)						
101000	Public Finance and Investment	-	263,012	263,012	1	263,013
131000	Public Finance and Investment	-	50,150	50,150	1	50,151
141000	Public Finance and Investment	-	32,690	32,690	1	32,691
151000	Public Finance and Investment	-	61,294	61,294	1	61,295
161000	Public Finance and Investment	-	7,058	7,058	1	7,059
TANS Total		-	414,204	414,204	5	414,209
Other						
607000	ERP	-	581,708	581,708	15,000	596,708
Other Total		-	581,708	581,708	15,000	596,708
Grand Total Funded Debt Service		36,090,005	20,308,515	56,398,520	56,325	56,454,845

Municipality of Anchorage

Summary of Bonds Authorized but Unissued at September 30, 2015

Voter Approved Year	Proposition Number	Project Description	Remaining Authorized But Unissued 9/30/2015
General Purpose - General Obligation			
2011	4	Anchorage Roads & Drainage Service Area	9,635,000
2012	2	Anchorage Roads & Drainage Service Area	18,875,000
2013	3	Anchorage Roads & Drainage Service Area	13,718,000
2014	5	Anchorage Roads & Drainage Service Area	18,750,000
2015	5	Anchorage Roads & Drainage Service Area	17,030,000
2014	6	Anchorage Fire	1,950,000
2015	6	Anchorage Fire	1,800,000
2012	3	Anchorage Parks & Recreation Service Area	500,000
2013	4	Anchorage Parks & Recreation Service Area	2,340,000
2014	4	Anchorage Parks & Recreation Service Area	2,500,000
2015	4	Anchorage Parks & Recreation Service Area	2,750,000
2014	7	Anchorage Police	650,000
2014	2	Public Safety-(Ambulances) Areawide	520,000
2015	2	Public Safety-(Ambulances) Areawide	520,000
2014	2	Public Safety-(General) Areawide	700,000
2015	2	Public Safety-(General) Areawide	5,990,000
2013	2	Public Safety/Trans.-Areawide EMS	1,300,000
2013	2	Public Safety/Trans.-Areawide Trans.	525,000
2014	2	Public Transportation-Areawide	573,000
2015	2	Public Transportation-Areawide	250,000
2012	4	Public Transportation -Areawide	548,000
Total General Purpose - General Obligation			101,424,000

Municipality of Anchorage
General Obligation, General Purpose Bonds
 Combined Annual Net Debt Service Requirements
 as of September 30, 2015

Fiscal Year	Principal Outstanding *	Principal Payment	Interest Payment	Gross Debt Service	US Treasury Reimbursed Interest **	Total Net Debt Service
2015	437,600,000	35,650,000	19,375,634	55,025,634	(778,651)	54,246,983
2016	401,950,000	35,970,000	19,064,580	55,034,580	(778,651)	54,255,929
2017	365,980,000	37,735,000	17,284,945	55,019,945	(761,567)	54,258,377
2018	328,245,000	39,545,000	15,423,547	54,968,547	(725,251)	54,243,295
2019	288,700,000	36,115,000	13,545,718	49,660,718	(685,569)	48,975,149
2020	252,585,000	37,325,000	11,930,439	49,255,439	(643,574)	48,611,865
2021	215,260,000	29,110,000	10,409,447	39,519,447	(598,582)	38,920,865
2022	186,150,000	25,970,000	9,083,864	35,053,864	(550,176)	34,503,688
2023	160,180,000	27,165,000	7,832,890	34,997,890	(498,917)	34,498,973
2024	133,015,000	25,755,000	6,515,820	32,270,820	(444,625)	31,826,195
2025	107,260,000	22,895,000	5,258,520	28,153,520	(387,133)	27,766,387
2026	84,365,000	16,770,000	4,118,495	20,888,495	(326,491)	20,562,004
2027	67,595,000	17,540,000	3,281,394	20,821,394	(262,529)	20,558,866
2028	50,055,000	13,850,000	2,393,239	16,243,239	(192,888)	16,050,351
2029	36,205,000	9,495,000	1,679,406	11,174,406	(117,801)	11,056,605
2030	26,710,000	9,915,000	1,182,545	11,097,545	(39,767)	11,057,778
2031	16,795,000	6,360,000	780,559	7,140,559	-	7,140,559
2032	10,435,000	4,565,000	521,750	5,086,750	-	5,086,750
2033	5,870,000	2,865,000	293,500	3,158,500	-	3,158,500
2034	3,005,000	3,005,000	150,250	3,155,250	-	3,155,250
Totals		437,600,000	150,126,540	587,726,540	(7,792,173)	579,934,367

Notes:

* At the beginning of the calendar year. (Debt Service does not change during the year unless new debt is issued.) As of June 2015, the State of Alaska pays approximately 56% of the debt service on Anchorage General Obligation Bonds. These payments are subject to annual appropriation by the State Legislature.

In 2015 the State Legislature put a freeze on future reimbursement activities on any new school bond issues.

** Federal reimbursement for Build America Bonds was cut by 8.7%, 7.3%, 7.2%, and 6.8% for FY 2012, 2013, 2014, and 2015, respectively.

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