SIX-YEAR FISCAL PROGRAM

2019 – 2024

Municipality of Anchorage

Ethan Berkowitz

Mayor

October 2, 2018

MUNICIPALITY OF ANCHORAGE
Six-Year Fiscal Program
2019 – 2024

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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

2019 – 2024

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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

The content of the Economic Trends and Indicators is graciously provided by the Anchorage Economic Development Corporation (AEDC). The Municipality of Anchorage (MOA) appreciates their contributions to the formulations of this section and the service they provide to the citizens and businesses of the MOA.

Introduction

A growing body of evidence indicates the recession is likely near its bottom and the local economy is poised for recovery. This year's 3-Year Outlook is consistent with AEDC's message last year, with 2018 marking the point at which we'll start seeing measurable signs of economic turn-around. While the latest available data indicates Anchorage losing jobs in the first half of 2018, the expected trend is that job losses will continue to moderate, reaching a point by early 2019 where Anchorage's economy is no longer in recession.

Each year AEDC offers its perspective on trends in the Anchorage economy. Relying on analysis of a variety of data sources and interviews with key industry representatives, the Outlook considers trends in population, employment, personal income, air passenger and cargo volumes, Port of Alaska volume, building permit values, single-family home prices, new housing units, bed tax, car/RV tax revenue, and oil prices.

As readers consider the specific measures of economic activity described in this Outlook, it is useful to reflect on some of the external and internal forces that affect trends in Anchorage. For example, oil price recovery is easing state revenue shortfalls and spurring interest in oil industry investment. According to the Institute of Social and Economic Research's (ISER) 2018 Construction Spending Forecast, oil industry spending in Alaska will climb 15 percent in 2018. Anchorage residents will enjoy an uptick in disposable income over the next several years. The anticipated 2018 Permanent Fund Dividend of $1,600 will pump more money into the economy toward the end of the year, and federal tax reform will free up personal income and spending in 2019 and beyond.

We have made some progress toward state fiscal sustainability. Senate Bill (SB) 26 (the Permanent Fund Protection Act), signed into law by the Governor on June 13, provides for annual percent-of-market-value draws on Permanent Fund earnings. That alone does not close the budget gap, but SB26 was important enough to secure a ratings hike in Standard and Poor's Global Rating, upgrading the State of Alaska's general obligation debt outlook from negative to stable.

By all accounts 2018 will be a good year for the Anchorage visitor industry. The cruise industry in Alaska is enjoying solid growth and cross-gulf traffic is taking a big jump (+20 percent) in 2018. In 2019, Alaska will host 1.3 million cruise visitors; combined with other tourists, total visitation will likely top 2.2 million.

These positive developments are tempered by lingering effects of recession. Some sectors in the Anchorage economy continue to shed jobs, for example restaurant/drinking establishments, where employment is down about 5 percent over the past 12 months. Anchorage suffered a net loss of over 5,000 generally high-wage jobs and $400 million in annual wages between 2015 and 2017, mainly in the oil industry, professional services, construction, and state government. The multiplier effect of that loss in employment and income will take time to fully unfold.

Nevertheless, consumer confidence is returning in Anchorage, as revealed in the 2nd quarter AEDC Anchorage Consumer Optimism Index, which measured 57.2, up nearly 4 points from the previous 1st quarter index. Any measure over 50 reflects a generally positive outlook. As described in this 3-Year Outlook, AEDC has a similar sense of improving optimism, though grounded in the reality of challenges still ahead.

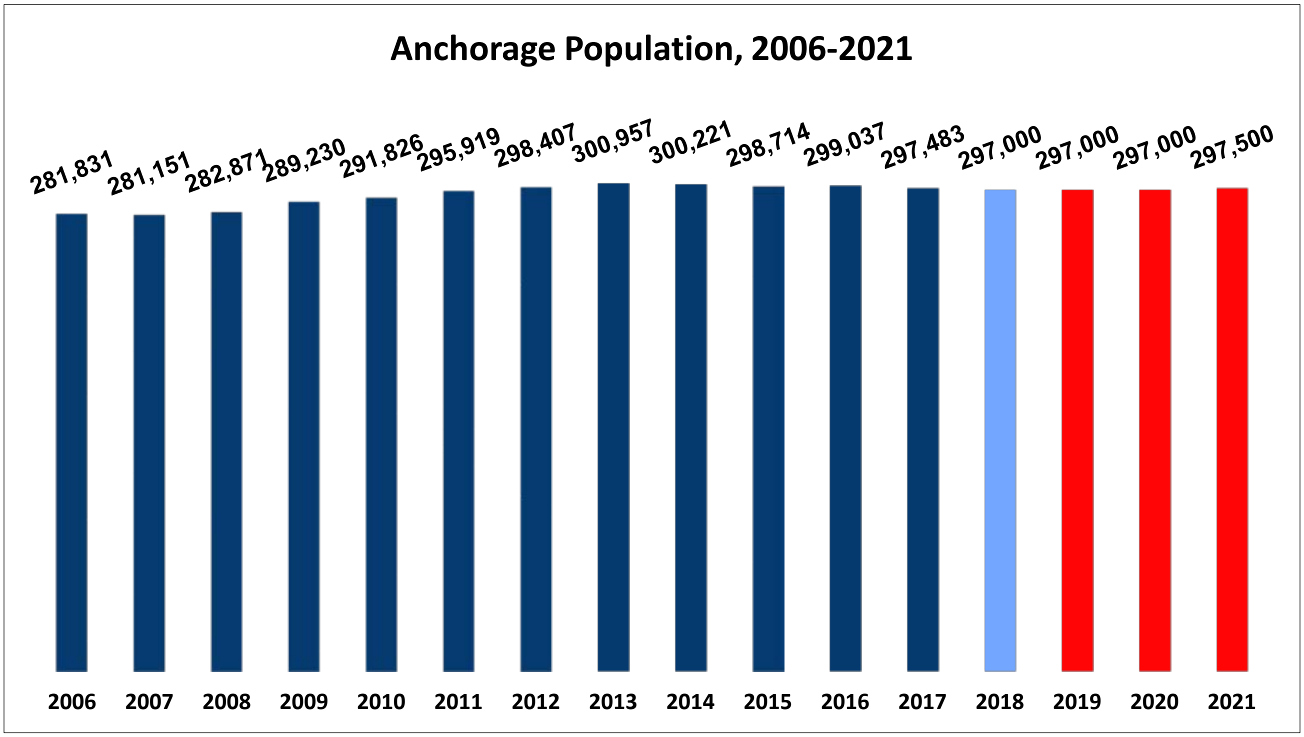
Population

Anchorage’s population in 2017 was down 1,500 people from 2016, a 0.5 percent dip. Since peaking in 2013, Anchorage has seen a net loss of about 3,500 residents (a decline of about 1.2 percent).

With employment continuing to trend down in 2018, AEDC anticipates further decline this year of about 500 residents (-0.2 percent). As the local employment picture stabilizes, AEDC expects Anchorage’s population to hold steady in 2019 and 2020 before showing a modest increase (+500 residents) in 2021.

The latest data indicate Anchorage experienced negative net migration (people entering minus people leaving) for the 7th straight year in 2017. This trend is likely to persist in 2018, but at a lower rate than previously anticipated. A recovering economy should support a return to a balance between in-migration and out-migration, which is in line with the long-term trend.

- Between 2016 and 2017, there were 4,273 births and 1,768 deaths in Anchorage, resulting in a “natural” population increase of 2,505 people. However, 28,244 residents left while 26,736 people arrived in the Municipality, resulting in negative net migration of -1,508.
- A natural increase in population (births minus deaths) will be the primary component of near-term population growth. An average of roughly 2.5 births for every death in Anchorage over the next three years is expected.
- Mat-Su continues to be Anchorage’s top intrastate migration partner. In 2017, more than 3,100 Anchorage residents moved to the Mat-Su Borough; at least 1,800 Mat-Su residents moved to Anchorage.
- Though Anchorage accounts for 40 percent of the State’s population, it is involved in 70 percent of intrastate migration – total resident moves – according to the Alaska Department of Labor and Workforce Development.
- The growing elderly population is reflected in Anchorage’s rising median age, which should reach 36 years by 2025. However, the current median age of just under 35 years is lower than 93 percent of all U.S. counties.
- Between 2012 and 2017, the 65+ year-old cohort grew by 6,649 people (+27 percent). At the same time, the population between ages 25-64 years fell by 2,337 (-1.4 percent) and the 25 year and younger population decreased by 5,163 (-4.8 percent).



Source: Alaska Department of Labor and Workforce Development (2005-2016), McDowell Group estimates (2017-2020).

Employment

Consistent with AEDC's January jobs forecast, Anchorage employment is expected to average about 150,000 positions in 2018, a decline of 0.7 percent (-1,000 jobs) from 2017. Although this will be the third consecutive year of declining employment, it will also be the smallest annual reduction of the period. In every quarter of 2017, losses narrowed from the year prior. AEDC expects this trend to continue into 2018.

Moving into 2019 and beyond, AEDC sees reason for optimism, tempered by yet to be defined market forces such as the price of oil and international trade relations in Asia and Europe. Supported by improving consumer and investor confidence, renewed resource development, visitor industry growth, and an improving state budget situation, no further employment loss is expected for 2019 and annual growth of about 0.5 percent (+800 jobs) is anticipated through 2021.

- Employment in Anchorage totaled a monthly average of 150,900 jobs in 2017, a 1.5 percent (-2,200 jobs) decline from 2016. Preliminary data through June 2018 indicate employment is down approximately 1.2 percent from the same period in 2017. However, the final numbers for early 2018 are expected to show somewhat less decline.

- Anchorage's oil and gas sector lost 300 jobs in 2017, declining to an average of 2,600 positions. Oil industry employment in Anchorage in 2017 was about 1,300 jobs below the 2015 peak. However, preliminary 2018 data indicate local employment has largely stabilized. The recent increase in oil prices bodes well for additional industry investment and a return to some measure of stability in statewide oil industry employment.
- Construction employment in Anchorage averaged 7,150 jobs in 2017, about 300 fewer than 2016, down 3.6 percent. Losses narrowed toward year-end, with the August-September period seeing growth. Anchorage construction firms conduct work throughout

Alaska; strong defense spending and other civil construction projects will support a return to growth in this sector. Preliminary data through June show no change in Anchorage construction employment compared to the same period in 2017.

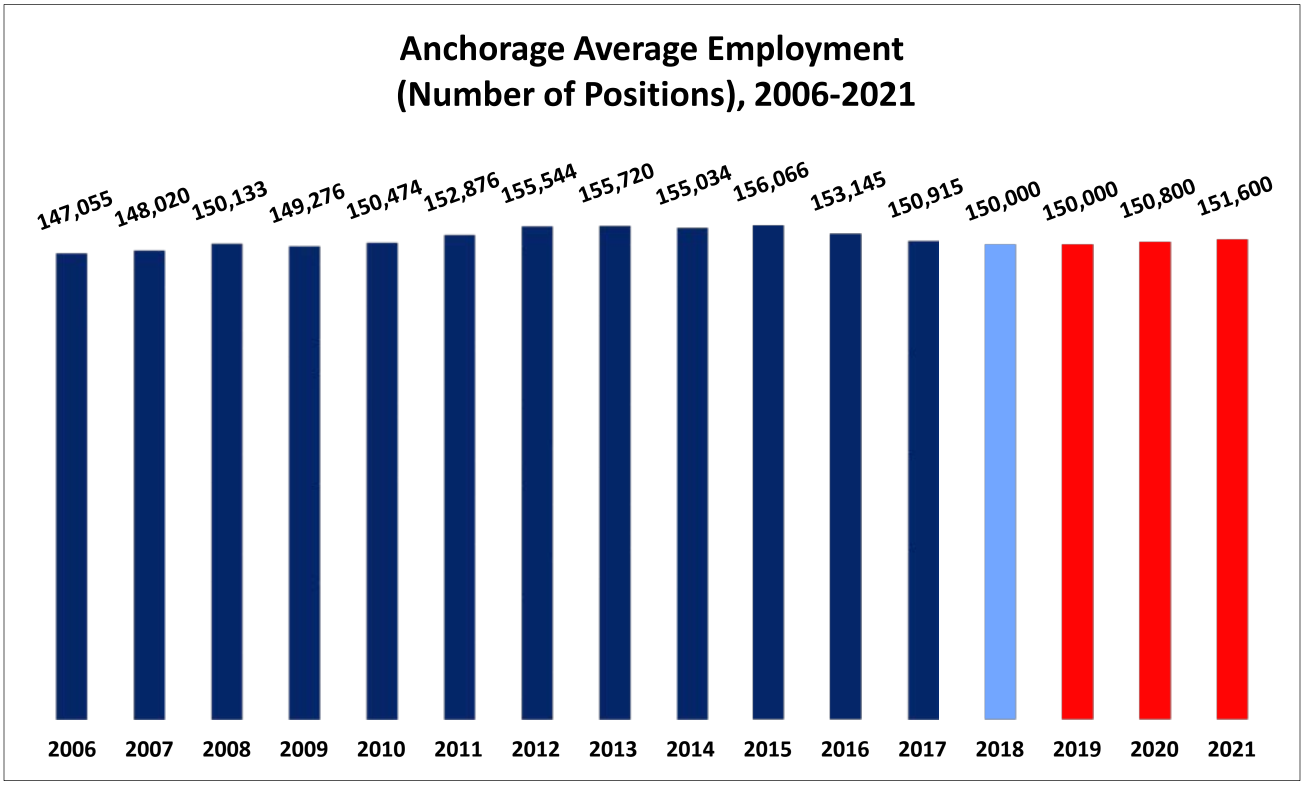
- Anchorage healthcare employment expanded 3.8 percent (+750 jobs) in 2017 to an average of 20,700 positions, extending a decade-plus run of year-over-year growth. Most of the growth in this sector is in out-patient health care, where employment has grown 20 percent since 2013 and now accounts for just over 11,000 jobs. Preliminary data shows Anchorage health care employment continues to expand in 2018.

- Professional and business services employment in Anchorage declined 3.6 percent (-650 jobs) in 2017, averaging 17,500 jobs. Following a peak in 2013 at nearly 20,200 positions, this sector — which includes engineers, lawyers, architects, and a variety of other professionals — has struggled over the course of Alaska's recession. However, year-to-date data through June 2018 show losses moderating.

- The Anchorage retail sector has been hit hard in 2018 with the closure of two Sam's Club stores, Sears, and Toys 'R' Us. This sector averaged 17,500 positions in 2017, a 1.8 percent (-300 jobs) decline from 2016. While data through June 2018 show the decline has accelerated, losses in this sector are anticipated to moderate in the near-term, supported by the opening of a Guitar World, opening of a larger REI store, a new Carrs grocery store, and expansion of retail marijuana stores, among others.

- Government employment in Anchorage fell about 1.5 percent (-400 jobs) in 2017 to an average of 27,900 positions. Federal employment was down 1.2 percent (-100 jobs), state government slid 2.5 percent (-250 jobs), and local government (including the Anchorage School District) fell 0.7 percent (-50 jobs). Early 2018 data indicates the trend of losses in this sector are continuing.

- Anchorage leisure and hospitality employment averaged 17,200 jobs in 2017, a 1.0 percent (-150 jobs) decline from 2016. About 20 percent of employment in this sector is in accommodations; the remainder are in food service establishments. Preliminary data through June show employment trending lower, mainly in the food services sector.



Source: Alaska Department of Labor and Workforce Development (2006-2017); McDowell Group Estimates (2018-2021).

Personal Income

Between 2016 and 2017, total personal income in Alaska grew by about 0.4 percent. Wage-related earnings fell while investment income and government transfers increased. Although Anchorage-specific data is not yet available, the city likely experienced similar trends to Alaska.

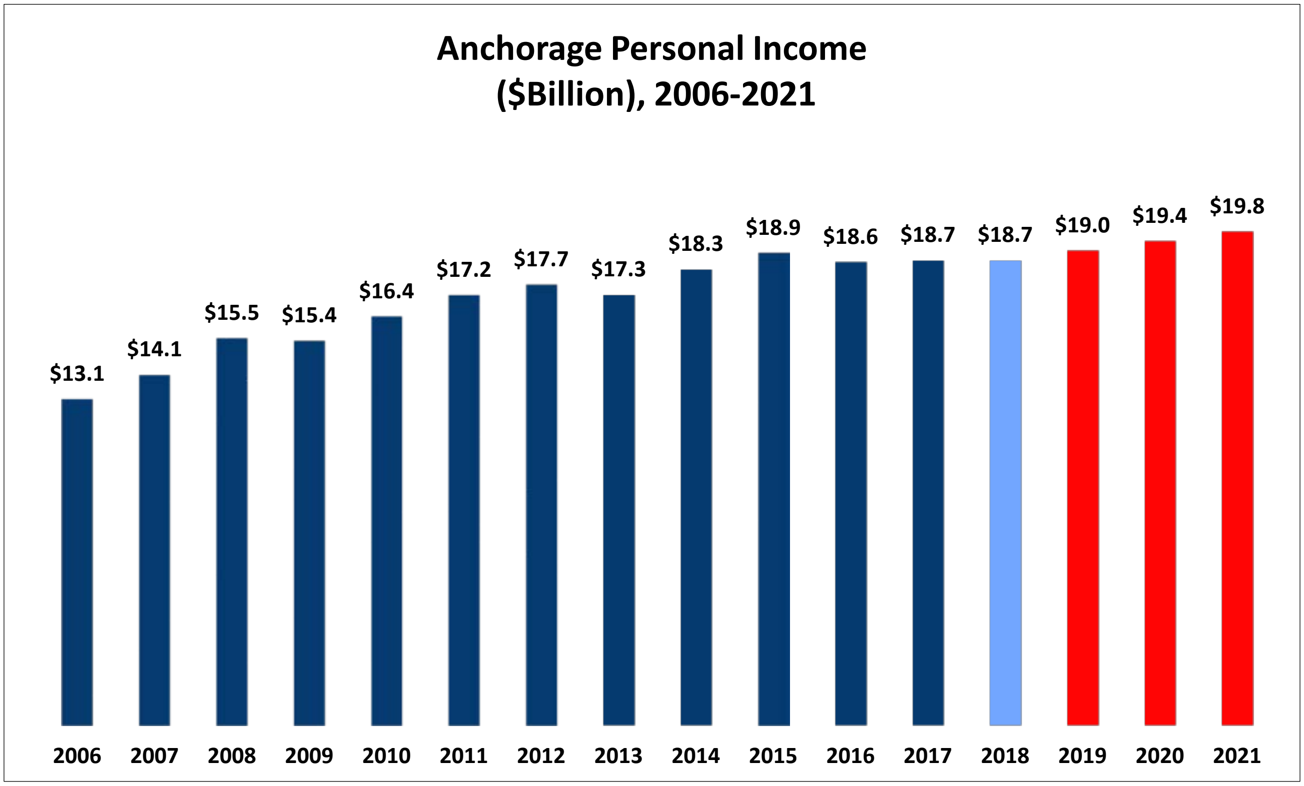
AEDC anticipates personal income in Anchorage in 2018 to hold at about the 2017 level, with reductions in wage earnings offset by an increase in investment income and government transfers. Moving forward, a slightly larger PFD, changes to the federal tax code, and generally improving economic conditions will support a return to growth. Annual average growth of 2.0 percent is anticipated from 2019 through 2021.

- In 2016 (the most recent data), Anchorage residents had $18.6 billion in personal income, a 1.9 percent decrease from 2015. Salaries and benefits (including proprietor income), the largest component, fell 2.5 percent to $12.5 billion. Investment income (including dividends, interest, and rents) of $3.4 billion was unchanged, and government transfers (including Social Security, veterans' and unemployment benefits, among others) fell 1.5 percent to $2.7 billion.

- Between 2006 and 2016, total wages and salaries increased at an annual average of 3.0 percent. Investment income and government transfers averaged annual growth of 4.5 and 7.1 percent, respectively.

- Anchorage residents will receive about $375 million from the 2018 PFD, valued at $1,600 per dividend, a 45 percent increase over the 2017 value.

- Changes to the federal income tax code will lead to greater retention of personal income in the short-term. The Joint Committee on Taxation's analysis implies $90 million of tax savings for Anchorage residents in 2018, and roughly $200 million annually from 2019 to 2021.



Source: Bureau of Economic Analysis (2006-2017); McDowell Group Estimates (2018-2021).

Anchorage International Airport Passenger and Freight Volume

The Ted Stevens Anchorage International Airport (ANC) serves as essential infrastructure for virtually every sector of the local economy and is an economic engine (accounting for approximately 16,000 local jobs). ANC serves about as many passengers as all other Alaska airports combined. Measured by cargo volume, ANC is the 5th busiest airport in the world, and second in the nation (behind Memphis). Located less than 10 hours from most of the industrialized world, the facility is strategically located to serve the global air fleet. ANC's Lake Hood Seaplane Base is the world's largest and busiest floatplane facility.

Text box:

In 2017, ANC handled 88,272 landings, or an average of 10 per hour.

In a typical year, more than 600 million gallons of jet fuel is uplifted at ANC. Out of all 50 states, Alaska ranks 9th in total jet fuel consumption at 774 million gallons in 2017.

Air Passengers

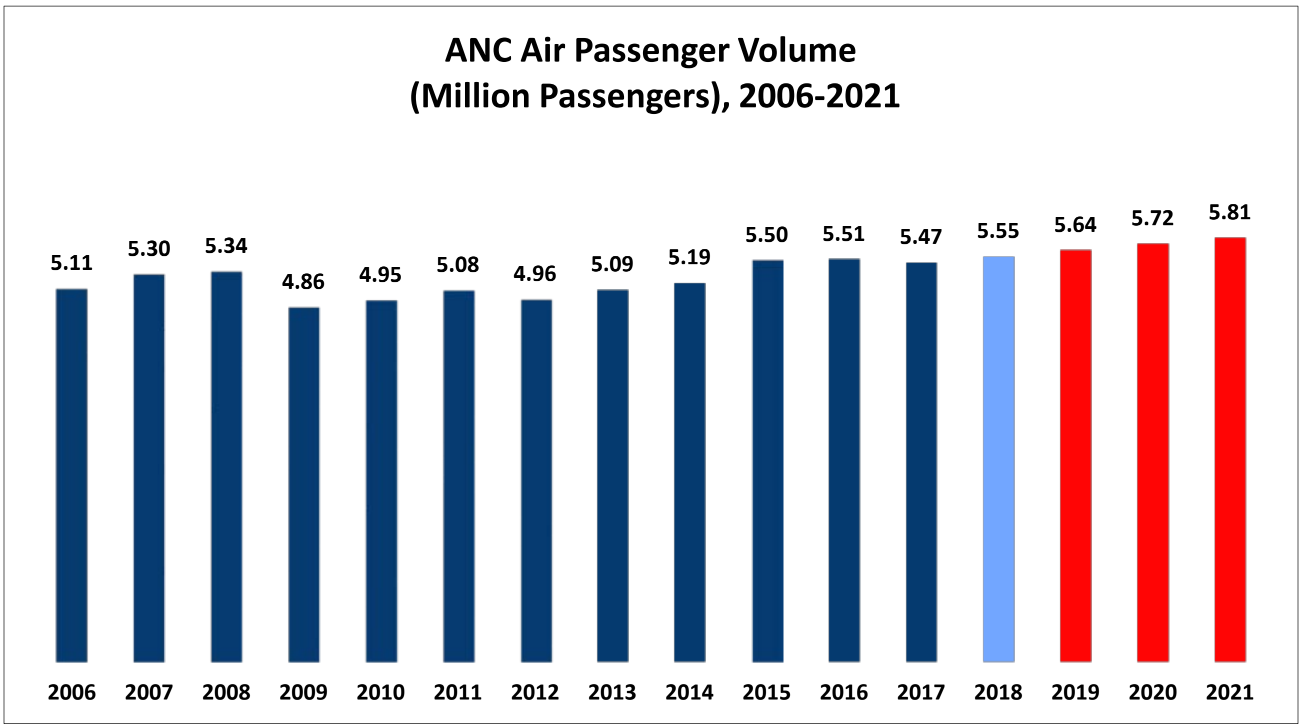
Supported in part by increasing cruise passenger traffic, 5.55 million passengers are expected through ANC in 2018, a 1.5 percent increase from 2017. A robust visitor industry and some expected strengthening in the Alaska economy has prompted AEDC to increase the 3-year outlook from 1.0 percent annual growth to 1.5 percent through 2021.

- In 2017, 5.47 million passengers traveled through ANC, a slight (-0.7 percent) decline from 2016. About 2.7 million passengers enplaned and a similar amount deplaned. A small amount (~23,000) of passengers transited through ANC, neither deplaning or enplaning in Anchorage.

- Through April 2018, total passenger volume is up 0.5 percent from the same period in 2017.

- About 70 percent of summer ANC passenger arrivals and departures are travelers from out-of-state, so trends in the visitor industry are an important driver of airport traffic.

- Cruise passengers account for about 5 percent of ANC passenger traffic, on an annual basis. These are passengers who fly one-way and cruise the other, as they arrive and depart from Alaska. Statewide, cruise passenger volume is expected to climb to almost 1.2 million in 2018 and to 1.3 million in 2019 (including round-trip and one-way cruisers).



- Source: State of Alaska Department of Transportation & Public Facilities (2006-2017); McDowell Group Estimates (2018-2021).

Air Freight Volumes

Cargo volume at ANC is anticipated to total about 3.19 million tons in 2018, a 6.0 percent increase from 2017. This level of activity would eclipse volumes observed prior to the 2008/2009 Recession.

The escalating "trade war" with China adds a dose of uncertainty to the outlook, but due to strong global economic growth and continued expansion in e-commerce, AEDC expects ANC cargo volume to grow 2.0 percent in 2019, slowing to 1.0 percent growth annually in 2020 and 2021.

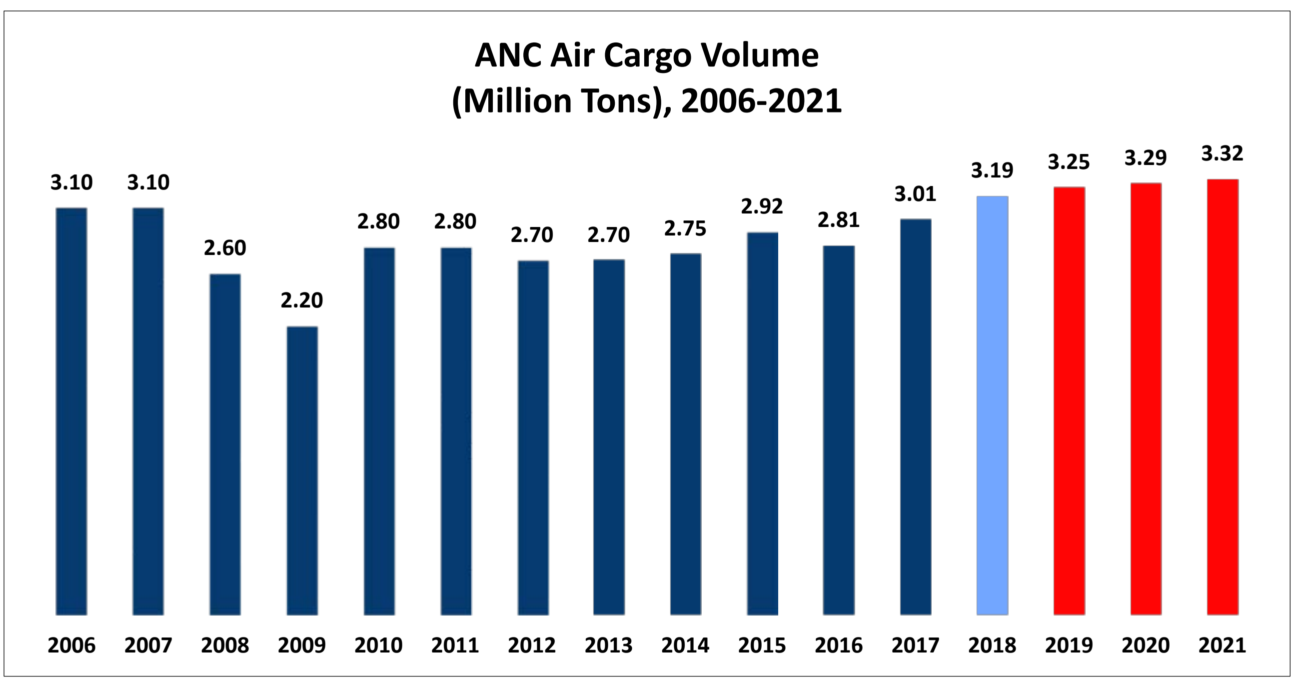
- ANC handled a total of 3.01 million tons in 2017, a 7.1 percent increase from 2016. Transited air cargo was the largest component, totaling 1.90 million tons, or 63 percent of all cargo. Enplaned cargo totaled 0.57 million tons and deplaned cargo totaled 0.54 million tons.

- Through May 2018, cargo volume totaled 1.04 million tons, a 6.8 percent increase from the same period in 2017. Enplaned and deplaned cargo is up while the transited component is down.

- The two largest carriers of transiting cargo in 2017 included Cathay Pacific Airways (325,000 tons) and China Airlines (250,000 tons).

- United Parcel Service (UPS) and Federal Express (FedEx) account for the majority of enplaned and deplaned airfreight at ANC. UPS landed about 350,000 tons at ANC in 2017, while FedEx landed about 180,000 tons (including some transiting volume). These carriers shipped out slightly lower tonnages of airfreight.

- Global air cargo volume is anticipated to grow at an annual rate of 4.3 percent through 2035, according to the Boeing Air Cargo Forecast.



Source: State of Alaska Department of Transportation & Public Facilities (2006-2017); McDowell Group Estimates (2018-2021).

Port of Alaska Freight Volume

AEDC anticipates cargo volume at the Port of Alaska (POA) to remain steady in 2018 then return to a slow growth track of about 1.0 percent annually through 2021.

- A total of 3.5 million tons moved through the port in 2017, a volume nearly identical to 2016. Petroleum was the largest component, totaling 1.8 million tons or 51 percent of all volume. Vans, flats, and containers accounted for 1.6 million tons or 45 percent. Dry bulk (primarily cement) and other cargo accounted for the remainder.

- Through April, volume is up slightly from the same period in 2017.

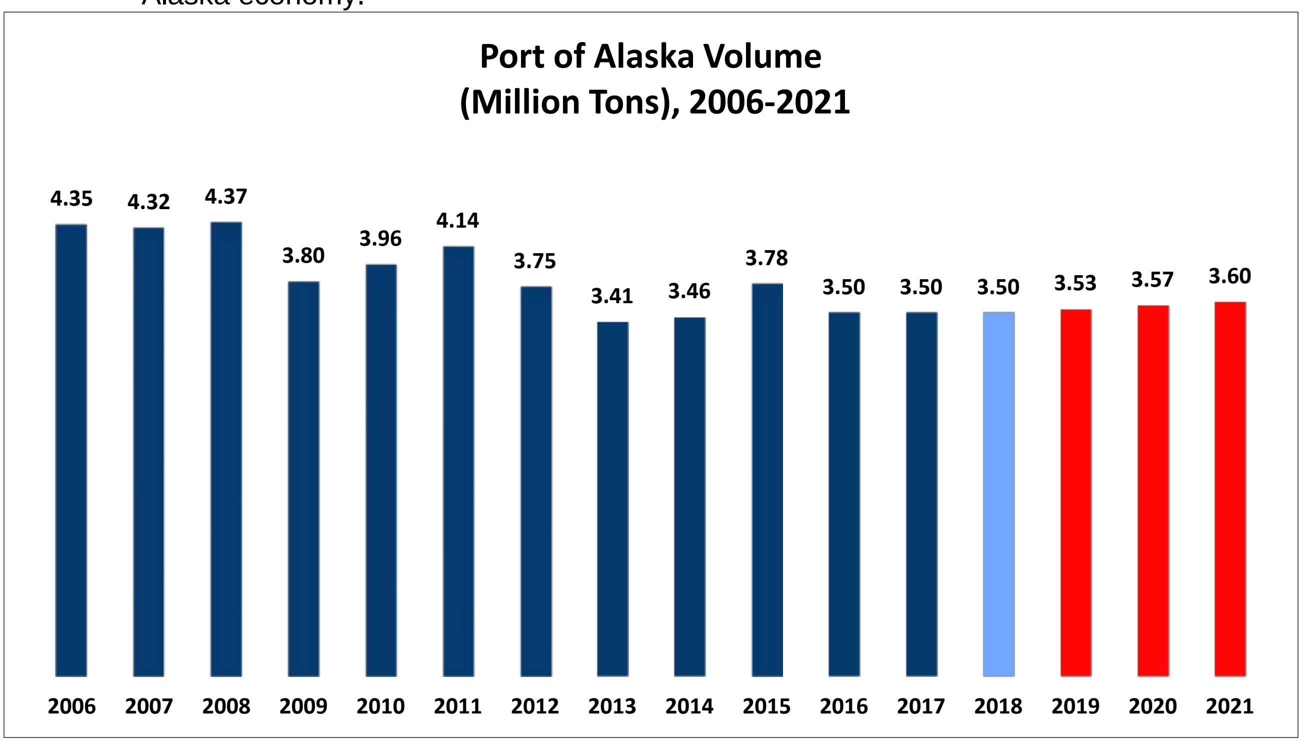
- Challenging economic conditions contributed to declining vans, flats, and container volume in 2015 and 2016 following a six-year high of 1.8 million tons in 2014. Year-to-date 2018 data shows this category is down slightly.

- In 2018, 10 cruise ships, four dry-bulk (cement) freighters, and between 24-26 petroleum tankers will call on POA, a level similar with 2017.

- Rancho Mesa Partners, LLC., has plans to develop a new 300,000-barrel petroleum storage facility located at POA.

- The primary drivers of port volume are demand for petroleum products destined for ANC and military purposes and household spending on consumer goods.

- Most of the existing infrastructure at the POA has been in place since the 1960s and is past its useful life. The first phase of modernization efforts are underway and will continue through 2020, ensuring that the port can continue to play its vital role in the Alaska economy.



- Source: Municipality of Anchorage, Port of Alaska (2006-2017); McDowell Group Estimates (2018-2021).

Building Permit Values

AEDC expects building permits in Anchorage, for residential, commercial and government construction combined, to total about $380 million in 2018, a 10 percent decline from 2017. However, AEDC believes that as the community climbs out of recession in 2018, investor confidence will return, investment will resume, and construction will swing back to a growth trajectory.

Though year-to-year variability can be expected, an annual average growth rate of 5.0 percent is anticipated through 2021. It is important to note that building permit values are a proxy for anticipated construction and associated economic activity; not all permitted activity is completed.

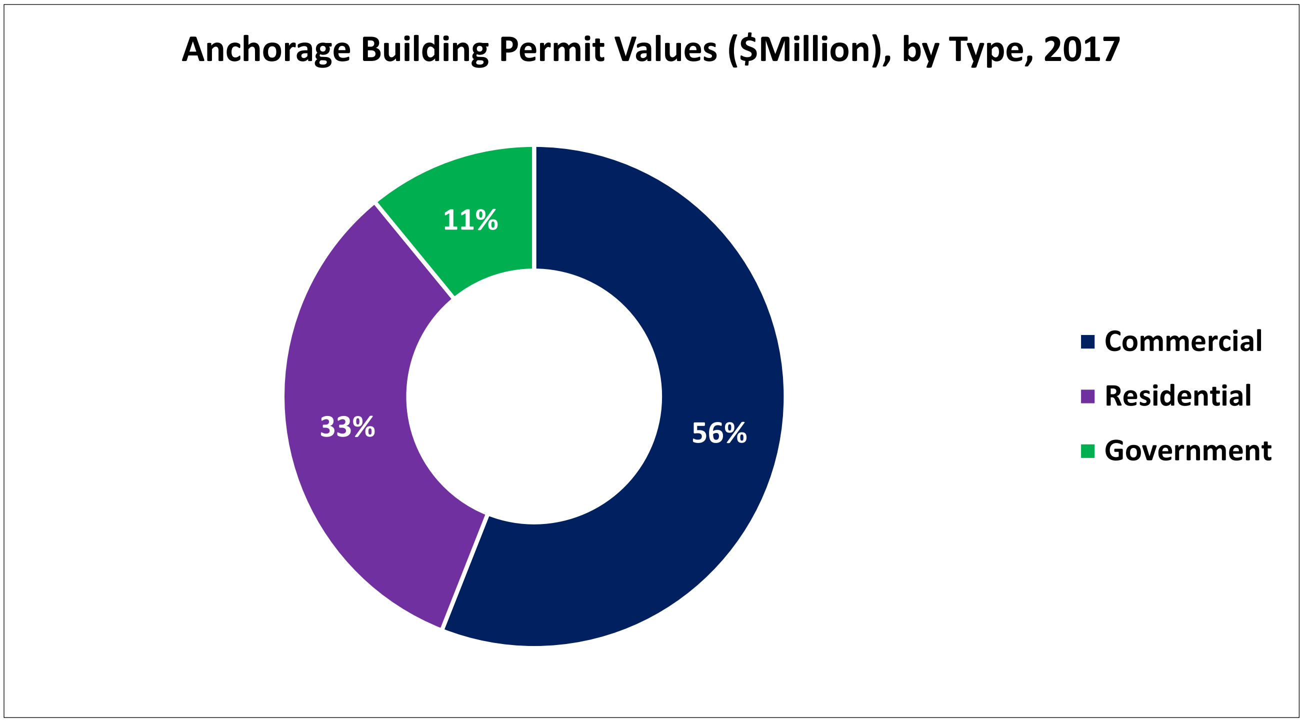
- Building permits in Anchorage totaled $421.8 million in 2017, a 9.6 percent decline from 2016. Residential permit values increased 5.7 percent from 2016 with a total value of $139.6 million in 2017. Commercial permit values totaled $236.2 million, a 14.4 percent decline from the prior year, and the government permit value of $46.1 million fell 21.9 percent from 2016 to 2017.

- Although Anchorage officials anticipate permitting several large projects in the second half of 2018, permit values are about 20 percent behind last year at this time. Residential permit values are steady compared to 2017; commercial and government permit values are lower.

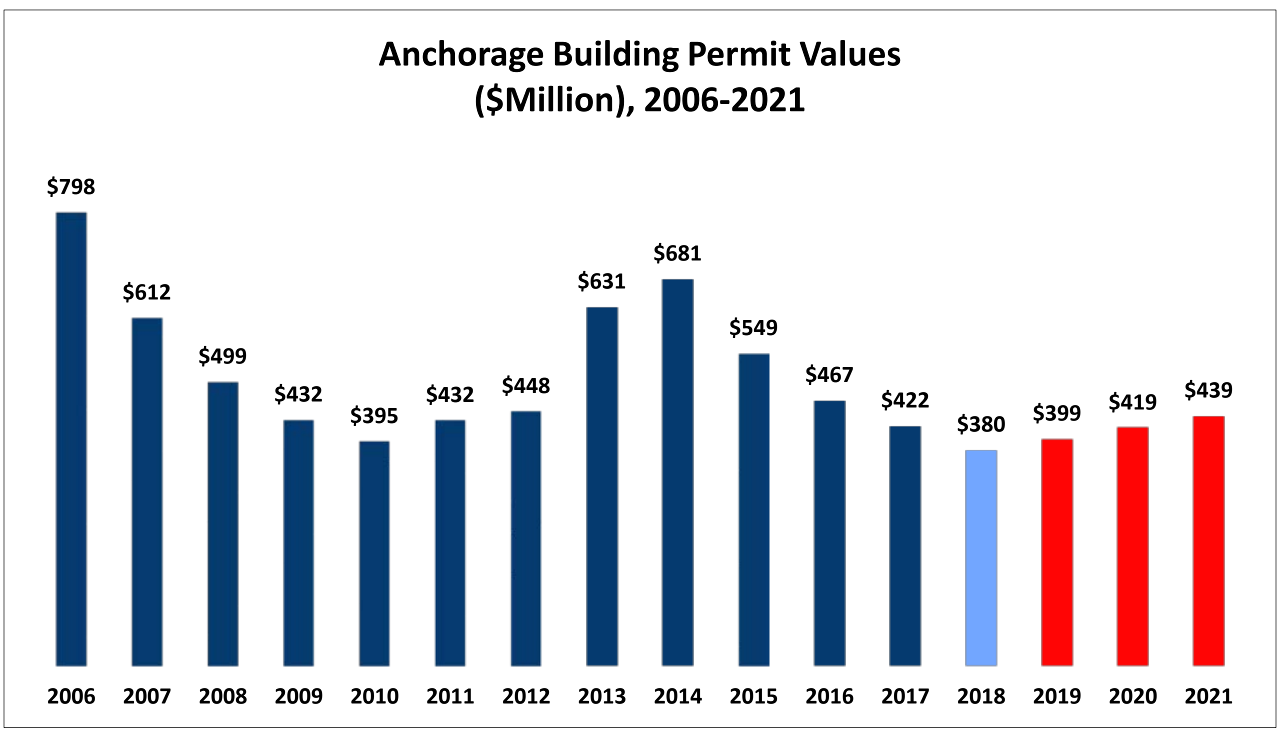
- Mixed-use projects such as the “Downtown Edge” development and relocation/redevelopment of the Municipality of Anchorage’s Health Department indicate an increasing number of investors and developers have long-term confidence in the Anchorage economy.

- A sample of existing projects currently underway in Anchorage include:

    - Midtown Mall renovations for Guitar World, Carrs, and Recreational Equipment, Inc. ($13.4 million)
    - Alaska Railroad petroleum and cement terminal ($6.6 million)
    - Span Alaska dock construction ($6.0 million)
    - Providence Children’s Hospital (Alaska Cares) building ($5.9 million)
    - Knik Arm power plant improvements ($3.7 million)
    - Royal Suites north building ($3.0 million)
    - Merrill field improvements ($2.8 million)
    - King Tech High School roof ($2.2 million)
    - University of Alaska, Anchorage library improvements ($1.9 million)



Source: Municipality of Anchorage; compiled by McDowell Group.

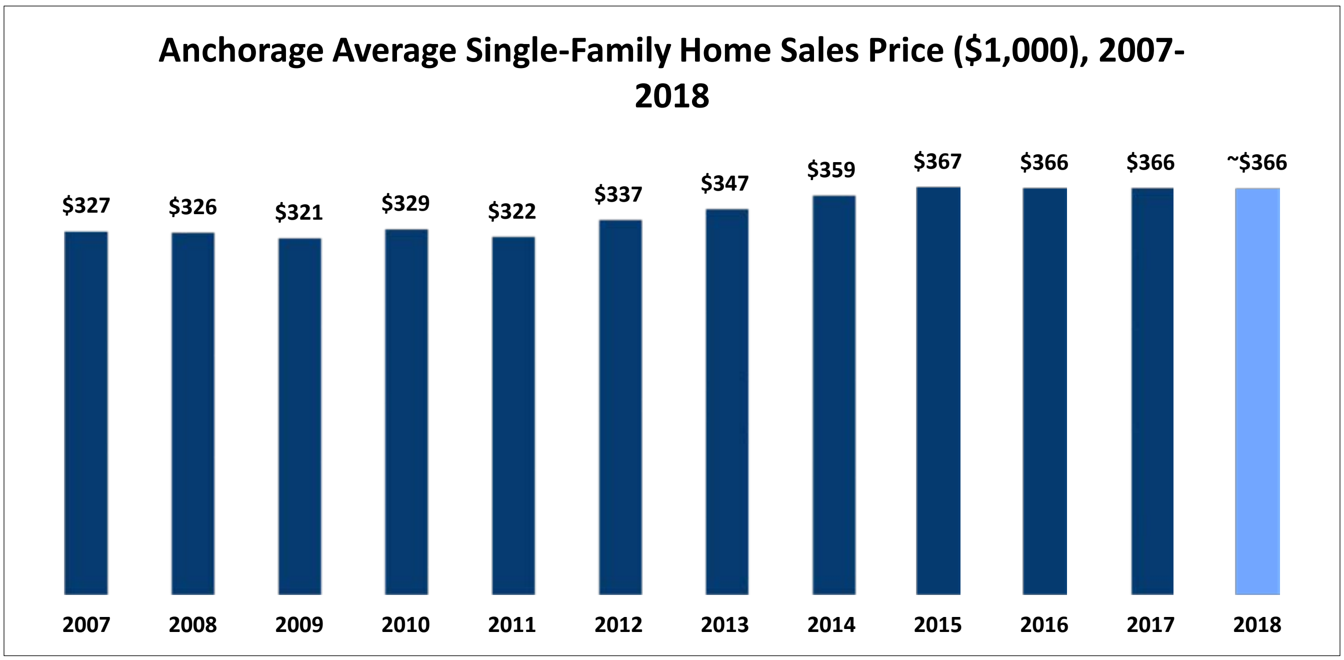


Source: Municipality of Anchorage (2006-2017); McDowell Group Estimates (2018-2021).

Average Single-Family Home Sales

Preliminary 2018 data indicates single-family homes values remain stable. Through the first half of the year, sales have averaged about $367,000, slightly higher from 2017. AEDC anticipates that the stability seen in single-family home sales prices over the past few years will persist through 2018.

- The average single-family home price in Anchorage has been virtually the same since 2015 at about $366,000.
- Sales volume for residential homes in Anchorage is stable. In 2017, about 2,800 single-family homes were sold in the Anchorage market; the 5-year average is 2,900 homes. Sales volume through the first half of 2018 is comparable to prior years.
- Few Anchorage mortgages are in foreclosure. In 2017, 249 homes were foreclosed; the 10-year annual average is 354 homes.
- Although mortgage rates have increased slightly — averaging 4.28 percent in the first quarter of 2018 — rates are still slightly below the ten-year average (4.33 percent).

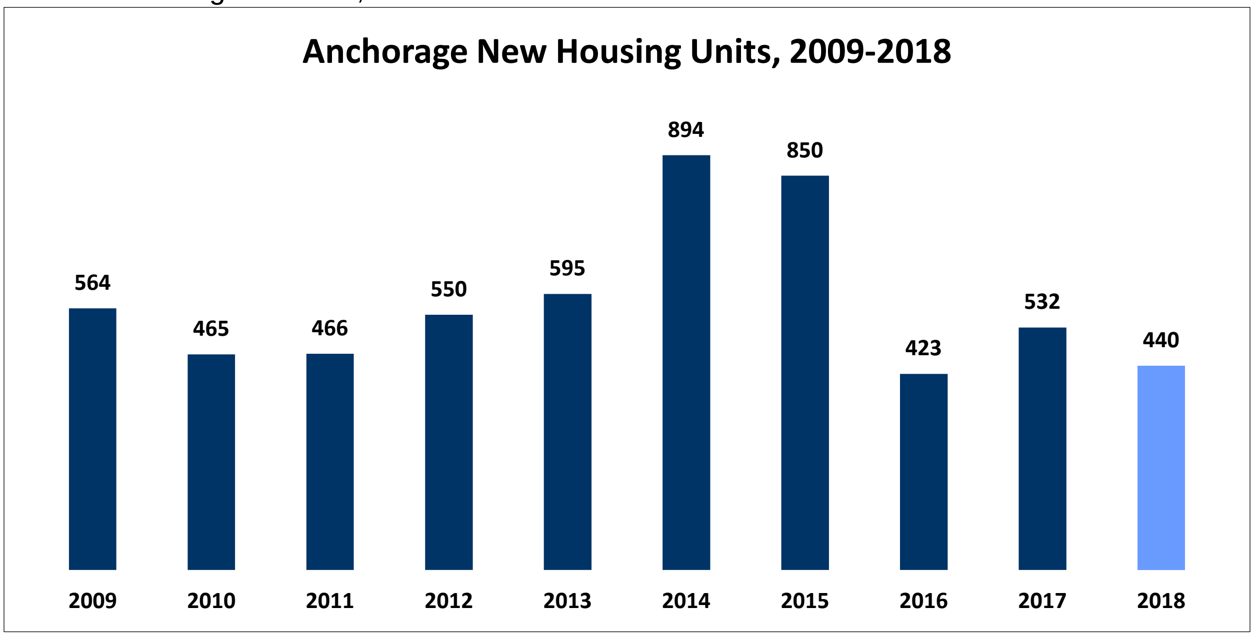


Note: This representation is based in whole or in part on data supplied by, and to the Subscribers of Alaska Multiple Listing Service, Inc. (AK MLS). Information contained herein is deemed reliable but not guaranteed. Data maintained by AK MLS is for its own use and may not reflect all real estate activity in the market.
Source: Alaska Multiple Listing Service, Inc. (2007-2017); McDowell Group Estimates, (2018).

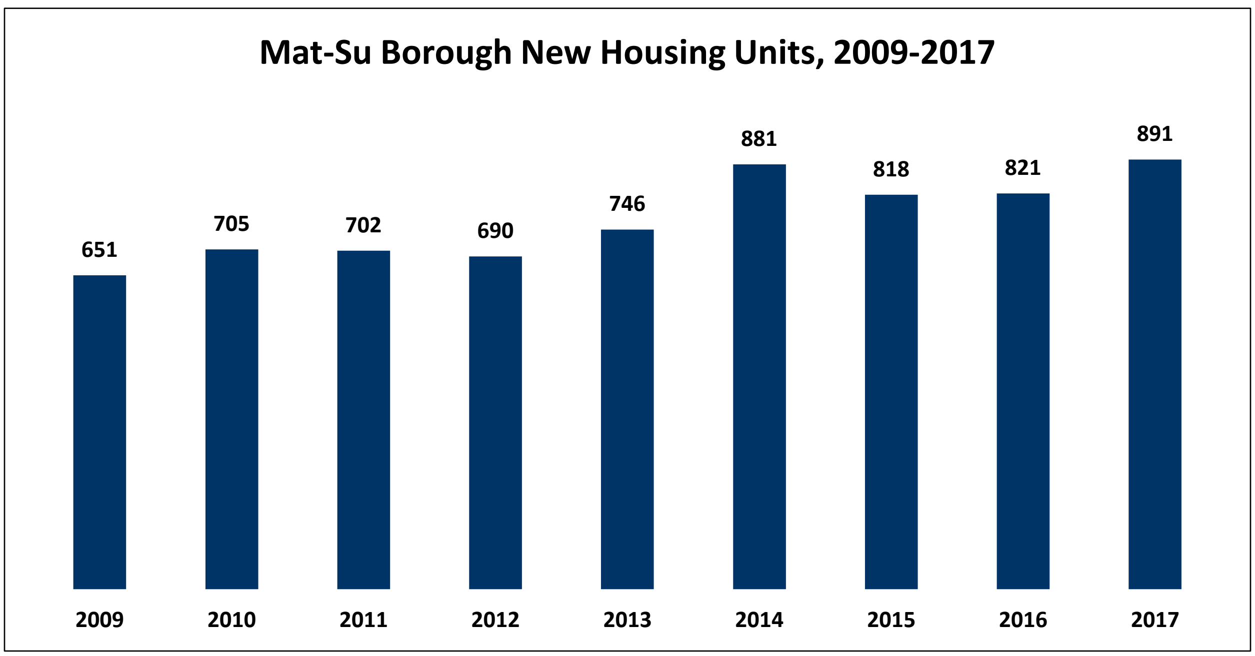
New Housing Units

Relying on early 2018 figures, AEDC anticipates some slow-down in housing development this year, with the addition of between 400 and 475 housing units compared to 532 units in 2017.

- In 2017, multi-family housing was the largest component of growth, totaling 264 units. Single family and mobile homes totaled 196 and 72 units, respectively. The five-year average is about 660 new housing units added annually.
- About 890 housing units were added to the Mat-Su Borough in 2017, a region with about one-third of Anchorage's population.
- Between 2009 and 2017, the Mat-Su Borough added 6,905 units to its housing stock; Anchorage added 5,339 units.



Source: Alaska Department of Labor and Workforce Development (2009-2017); McDowell Group Estimate (2018)



Source: Alaska Department of Labor and Workforce Development (2009-2017).

Visitor Industry

Anchorage's visitor industry is in a period of growth, reflecting the sustained statewide growth in visitor volume over the last several years. While 2017 indicators were a bit mixed for Anchorage specifically, 2018 is likely to show stronger growth, largely due to cruise traffic projections. AEDC expects bed tax revenue to rise modestly in 2018; car and RV tax revenue is anticipated to decline slightly.

- In 2017, Anchorage bed tax revenue expanded 3.8 percent from 2016, totaling $25.9 million. Car and RV rental tax increased 3.2 percent over the same period, totaling $6.3 million.

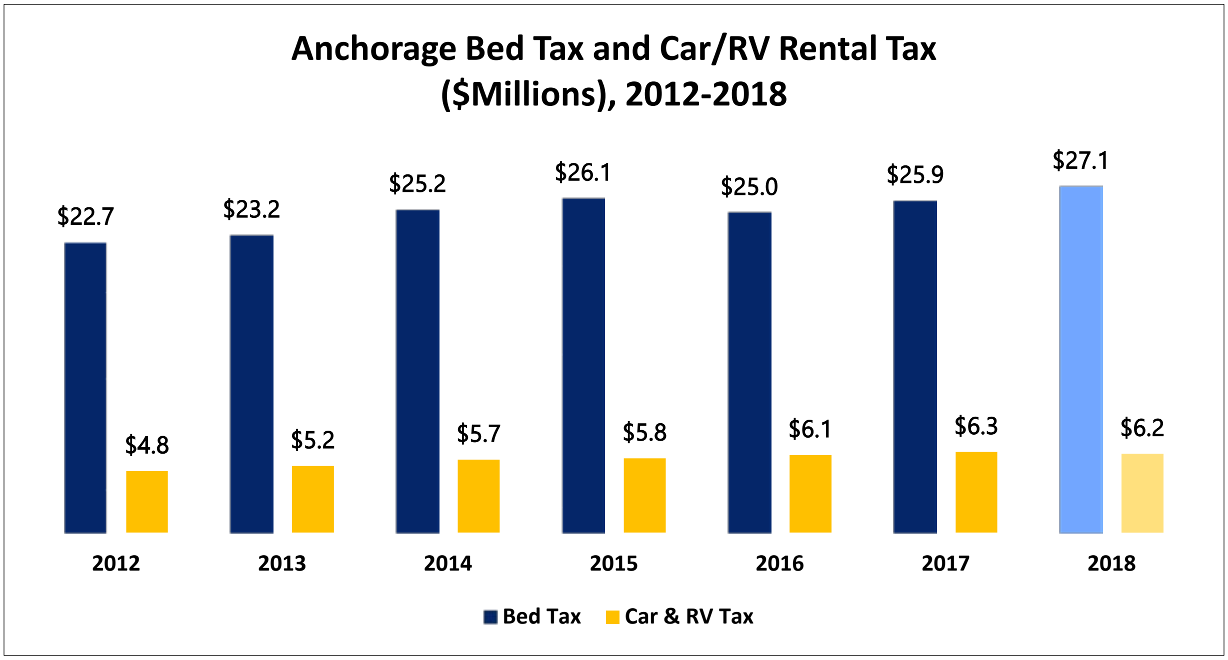
- Domestic enplanements at ANC during summer 2017 were flat, while international enplanements were down by 0.5 percent. (These figures reflect both resident and non-resident travel).

- While statewide cruise traffic was up by 6.2 percent in 2017, cross-gulf traffic (passengers embarking or disembarking at Whittier or Seward) was down by 0.9 percent. (Virtually all cross-gulf passengers transit Anchorage either before or after their cruise.)

- Preliminary statewide estimates for summer 2017 visitor volume show an increase of roughly 3 to 4 percent over 2016, largely attributable to the cruise market.
- While it is difficult to predict the independent market, Anchorage is almost certain to see growth in visitors in summer 2018, due to a projected increase of roughly 20 percent in cross-gulf cruise traffic. Next year (2019) is expected to see another 5 percent growth.

- Other 2018 indicators are somewhat mixed: bed tax revenues are up 4.3 percent in the first quarter of 2018, while vehicle/RV tax revenues are down by 2.3 percent. Visit Anchorage reports that the 2018 meeting/conference market is not likely to show much growth.

- The statewide tourism marketing program is maintaining funding levels from fiscal year 2018 to 2019, at $3.2 million each year. While this is slightly up from fiscal year 2017 (+$1.5 million), it is still far short of previous years, and much lower than comparable states' budget levels. The low level of funding may have an impact on Anchorage visitation over the long-term, particularly independent markets.



Source: Municipality of Anchorage (2012-2017); McDowell Group Estimates (2018).

Oil Prices

In May, oil prices rose to $76 per barrel, the highest level since 2014. Buttressed by strong global economic activity, demand exceeded supply, pushing up prices and encouraging new oil exploration and production projects.

Consistent with public forecasts and other market indicators, AEDC anticipates Alaska North Slope (ANS) prices to average $71 per barrel in 2018. As recent price volatility has demonstrated, market uncertainty will continue in 2019 and beyond, prices may taper slightly as markets continue to evolve globally and seek balance in the face of a rapidly changing energy sector.

- The 2017 ANS price averaged $54 per barrel, a 26 percent increase from 2016. This is the largest annual increase since 2011. Through the first half of 2018, ANS averaged $70, a 35 percent increase from the same period in 2017.

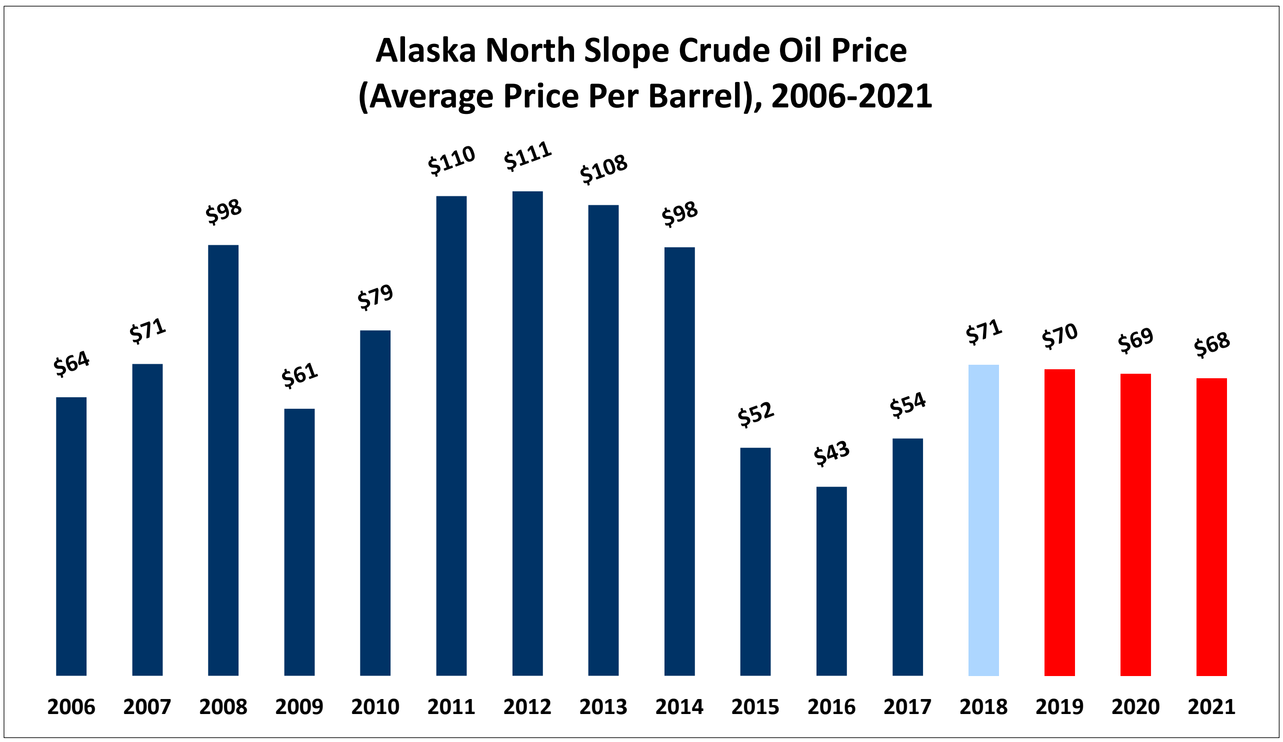
- Near-term oil price forecasts are mixed. The U.S. Energy Information Administration's July Short-Term Energy Outlook predicts a $3 per barrel decline from 2018 to 2019. Futures markets also indicate prices could weaken slightly. The Alaska Department of Revenue's ANS price per barrel forecast – presented in mid-March – for 2018 and 2019 is $62 and $63.50, respectively.

- The Organization of Petroleum Exporting Countries (OPEC) and its allies recently agreed to add one million barrels per day of oil production to the global market. It is not certain this goal will be realized due to production difficulties in Venezuela and Libya.

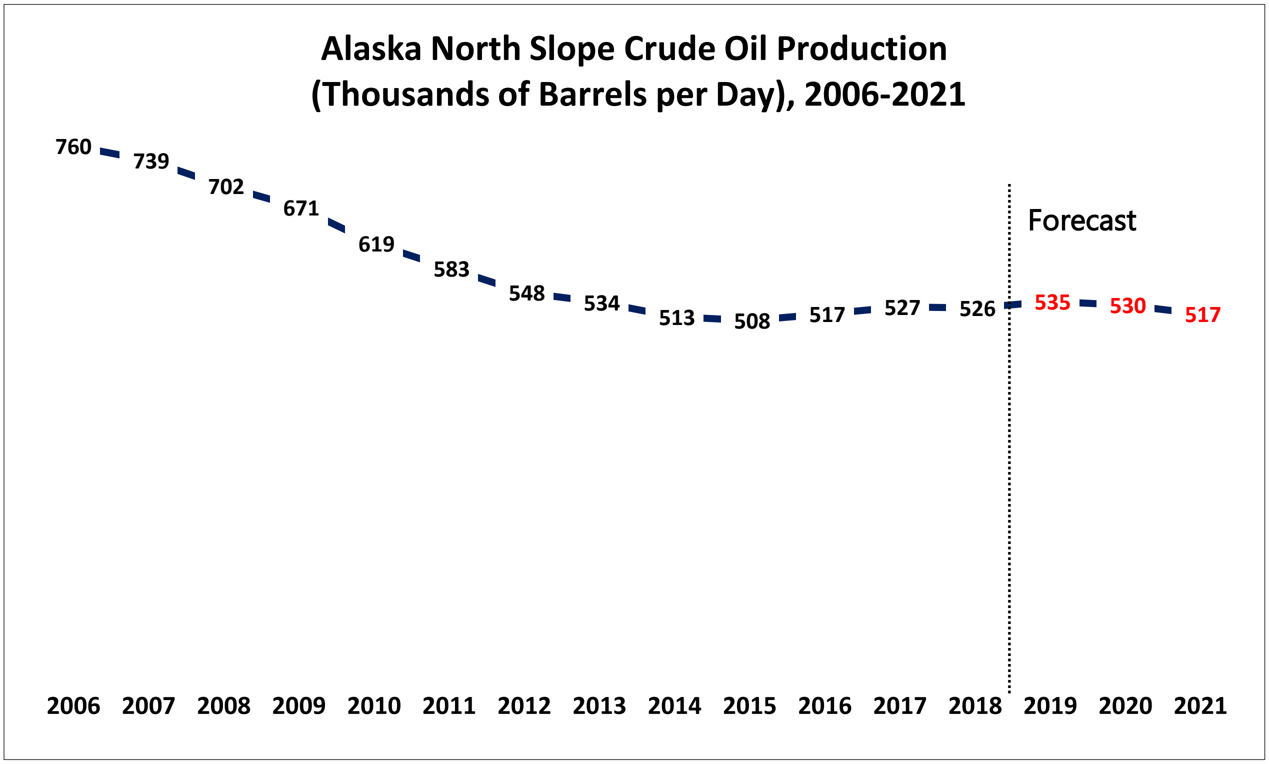
- North Slope production increased for the second year in a row in 2017 – the first consecutive increase since 1988. Through June 2018, production was roughly 3.0

percent below the same period in 2017. A third consecutive year of increased production appears unlikely.

- New discoveries and capital investment by oil companies on the North Slope signal a shift towards optimism for the Alaska energy sector.
  - Oil Search, a Papua New Guinean oil and gas development company, acquired significant interest in the Pikka Unit with the intention of further developing the Nanushuk and Fairway reservoirs. Oil Search has the option to double its ownership in 2019.
  - BP and ConocoPhillips recently completed a cash-neutral asset swap, resulting in ConocoPhillips' acquisition of BP's 39.2 percent interest in the Greater Kuparuk Area.
  - With the addition of six wells in the winter of 2018, ConocoPhilips described its drill season as "promising." These wells may support expanded production in the future.
  - Hilcorp anticipates production from their Moose Pad site in late 2018.



Source: Alaska Department of Revenue (2006-2017); Alaska Department of Revenue, Energy Information Administration, International Energy Agency, Chicago Board Options Exchange, and New York Mercantile Exchange Crude Oil Futures (2018-2021).



Source: Alaska Department of Revenue (2006-2017); Alaska Department of Revenue, Alaska Department of Natural Resources (2018-2021).

Looking Ahead

The last few years have been a challenging period for the Anchorage economy. A 10-year period of significant, largely uninterrupted oil revenue-supported growth pushed employment and total wages to all-time highs in 2015. Since then, employment has retreated to 2010 levels. However, population, total real personal income, and a range of other measures of economic activity remain reasonably close to 2015 levels, reflecting some underlying strength and structural resilience in the economy.

As noted previously, uncertainty remains about the timing and pace of Anchorage's recovery from recession. However, as we look ahead over the next three years, there are plenty of reasons for a positive outlook.

- Military construction will funnel additional federal dollars into Alaska. Construction of F-35 bed-down facilities at Eielson Air Force base, additional radar systems development at Clear Air Force Station, work at the Fort Greely missile field, and other construction projects at Joint Base Elmendorf-Richardson could together account for nearly $300 million in spending in Alaska over the next few years.

- Increasing personal disposable income should spur retail and service sector spending. Federal tax reform will, over the next three years, allow Anchorage residents to keep half a billion dollars of their income – income that otherwise would have been paid as taxes.

- The visitor industry will continue to be a bright spot in the Alaska economy. Growth in cruise passenger traffic in 2018 and 2019 will pump another $100 million into the Alaska economy, and push total summer visitor spending to well over $2 billion.

- Alaska's oil industry has shed about 5,000 jobs over the past four years, one-third of its direct workforce, with a corresponding negative impact on support industry employment. The much leaner industry is now poised for a return to growth. ConocoPhillip's Greater Moose's Tooth-1 project is expected to come on line in late 2018 and produce 30,000 barrels per day at full production. Farther down the road, the Willow prospect has the potential to produce up the 100,000 barrels per day, one-fifth of the total volume of oil flowing through the Trans Alaska Pipeline System today.

- Gas line construction remains a tantalizing prospect for Alaska's economy. Alaska Gasline Development Corporation officials suggest that construction could begin as early as 2020 with first gas moved in 2024-25. If these milestones are achieved, the project could create 12,000 construction jobs, 1,000 ongoing operations jobs, and $1.4 billion in new state revenue annually.

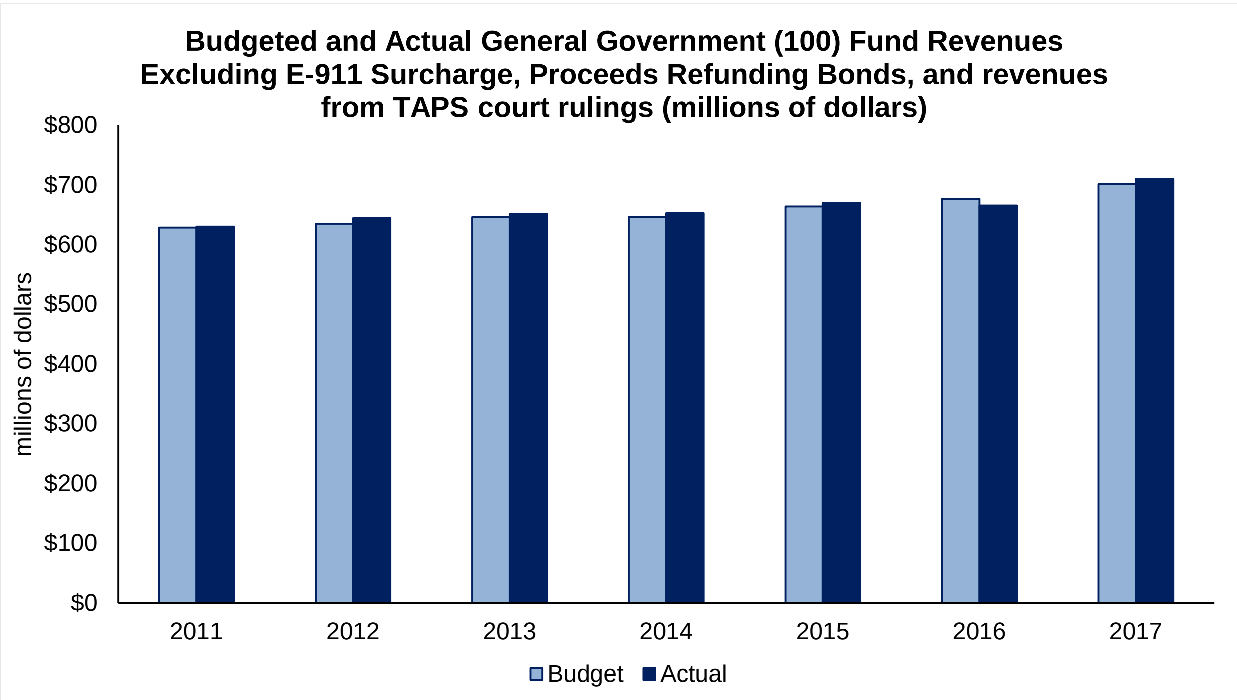
- Strength in residential real estate has been a blessing in an otherwise difficult economic environment. Real estate value is typically where the damage is most widespread in recessionary periods. Anchorage has been spared that fate. On the other hand, this persistent strength in residential real estate values also reminds us there is a supply challenge that may be acting as a constraint on growth.

While there are a few reasons for concern (trade tariffs and their effects on Alaska's seafood industry and on ANC airport business, for example), overall, there is good reason for improving optimism about the economy, for Anchorage and for Alaska. AEDC remains committed, through this 3-year forecast and its many other initiatives, to providing its members, other investors, and the community with a solid foundation of information about our city's economic well-being.

3. Historical Financial Trends

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 been close to budget 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. The narrative and graphs in this section review the long-term trends of general government revenues over the past nineteen years from 1998 through 2017. The review is based on the six major categories of revenues listed below. Each category is affected by a different set of policy decisions, economic conditions, legal requirements, staffing, consumer decisions, and other factors.

1. **Determined by Mill Rate and Taxable Value**: Property Taxes, 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 mill rate is set by the Assembly each year.

2. **Determined by Resident Consumption:** Revenue from taxes on tobacco, motor vehicles, marijuana, motor fuel, aircraft, and Municipal service fees are determined primarily 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 determined mostly by 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:** State Municipal Assistance Federal Build America Bond Subsidies, State fisheries taxes, State Liquor License fees, State Traffic Signal Reimbursements, State and Federal Payments in Lieu of Taxes (PILT) and other intergrovernmental revenues are determined by decisions and actions of the State or Federal governments.

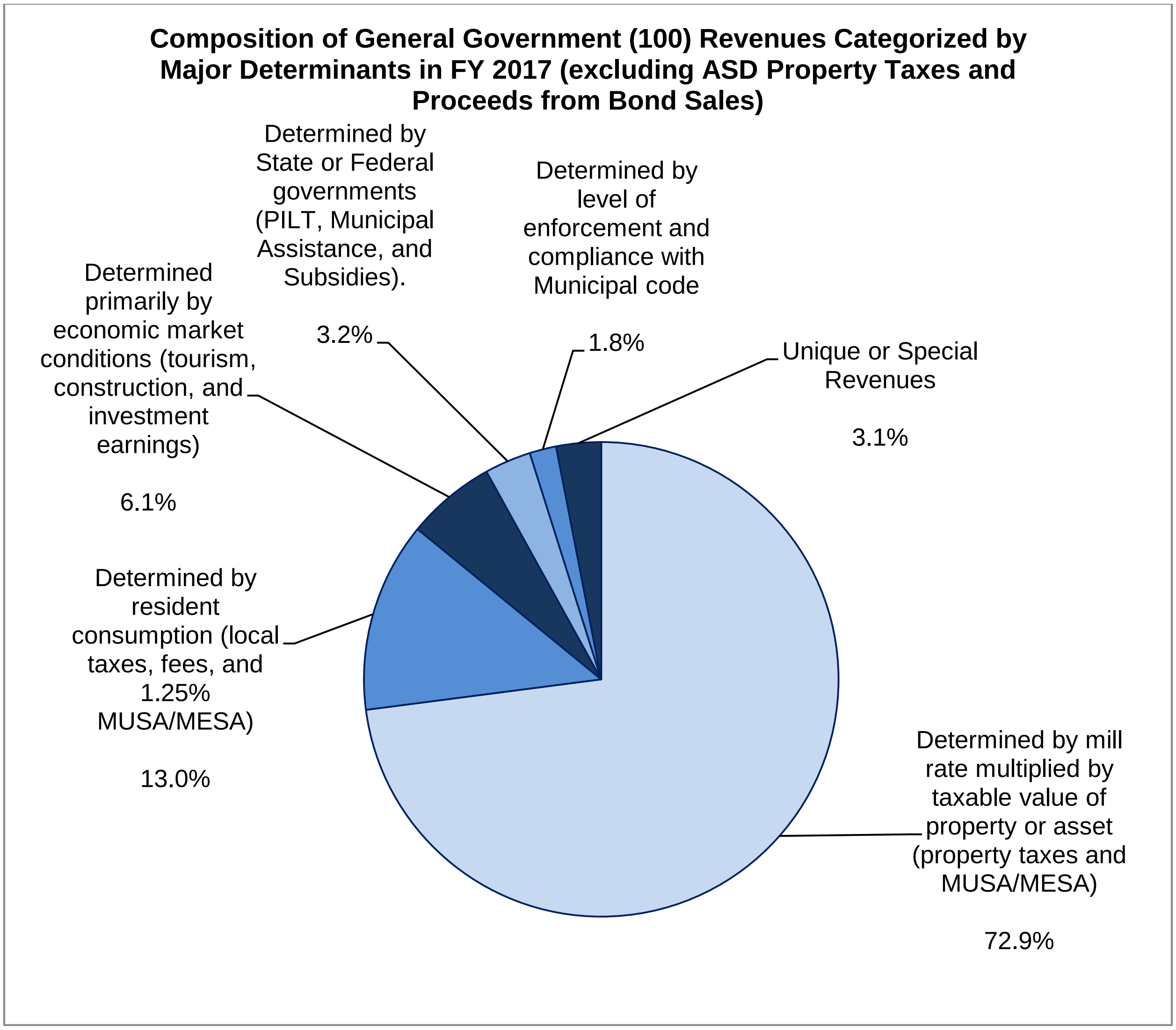
5. **Determined by Level of Compliance and Enforcement of Municipal Code (Code):** Revenues from collections of delinquent taxes, as well all types of fines, penalties and interest paid on delinquent taxes, are determined by the level of Code compliance and enforcement and collection efforts.

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

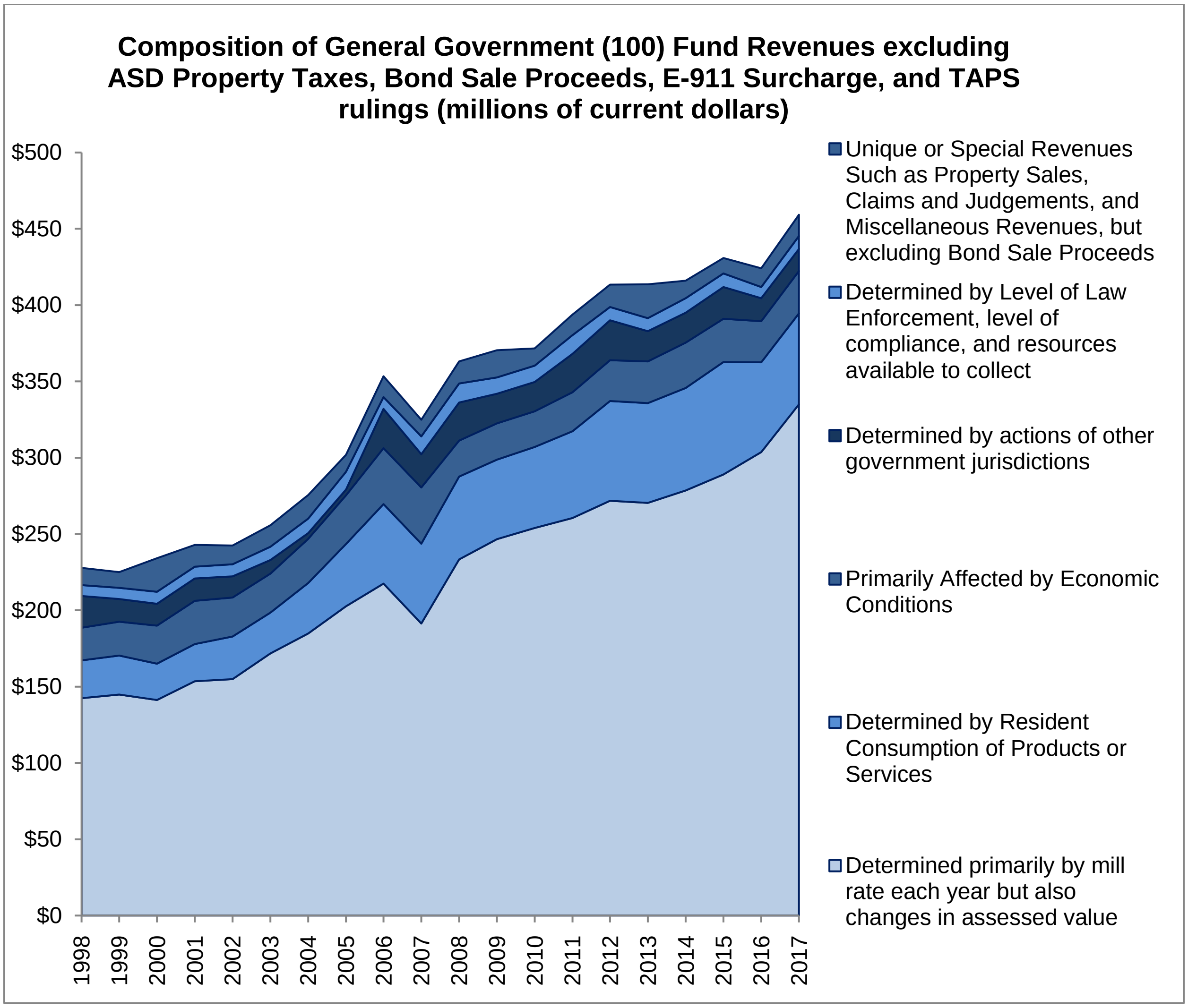
The largest share of general government revenues is from the first category and are determined each year by multiplying the mill rate by taxable value of property or assets. Revenues based on resident consumption contribute the next largest share (about 13 percent). About 6 percent of revenues are determined by economic market conditions. Another 3 percent 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 nineteen 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 nineteen 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 motor vehicles. The contribution of resident taxes will increase in 2018 due to the new local motor fuel tax. Revenues driven by economic conditions in tourism, investment, and construction markets have contributed a relatively stable share since about 2006. The unusual increase in total revenues in 2006 followed by a decrease in 2007 was because some State Municipal Assistance revenues were received and posted in 2006 but were applied as a tax credit in 2007. Total general government (100) fund revenues in 2016 were slightly lower than in 2015 primarily because the Utility Revenue Distribution and 1.25% MUSA payment for ML&P were lower due to a ruling by the Regulatory Commission of Alaska.

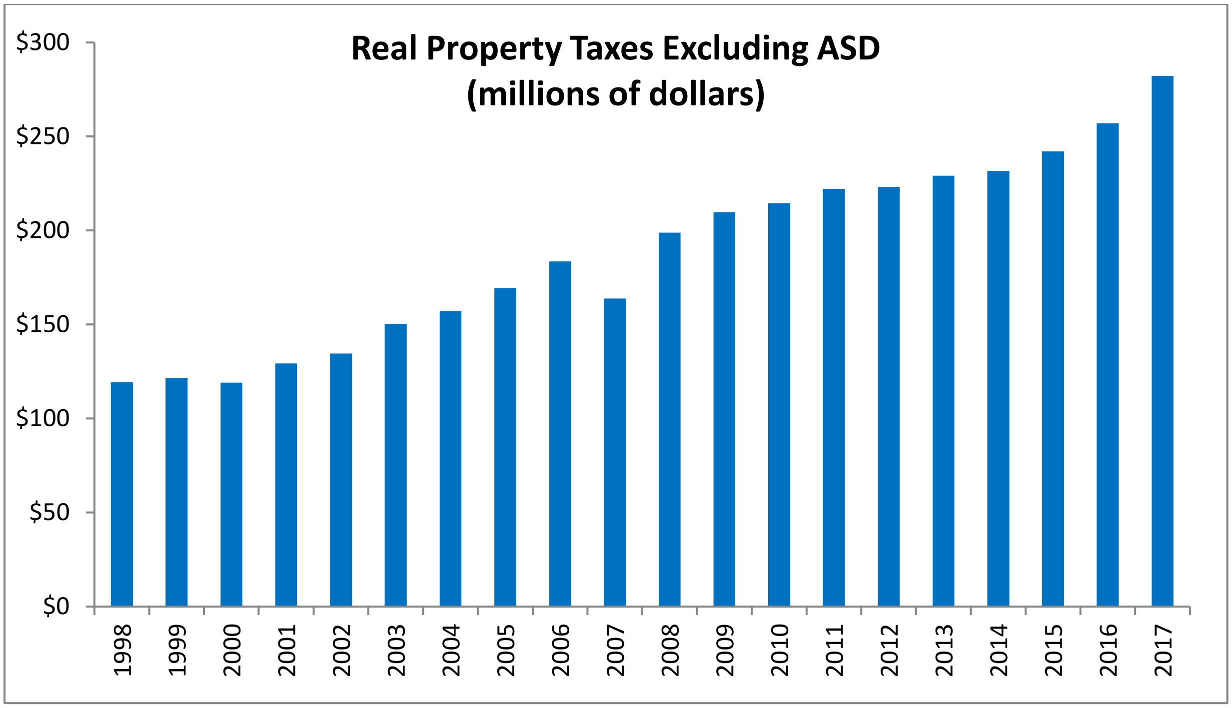


Source: MOA Treasury Division

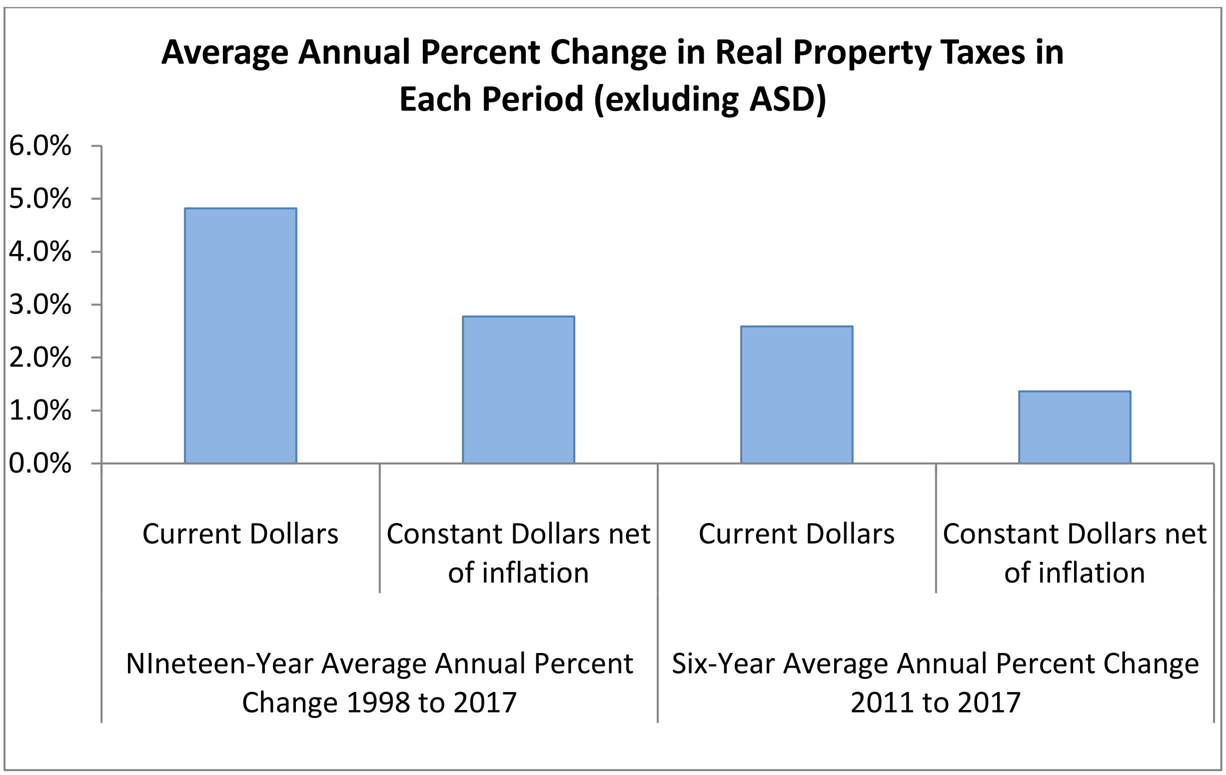
Key Revenue Determinant Categories

Revenues Determined Primarily by the Mill Rate and Taxable Value

Real property tax revenues are the largest component of this category. The amount of real property taxes 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 2017.

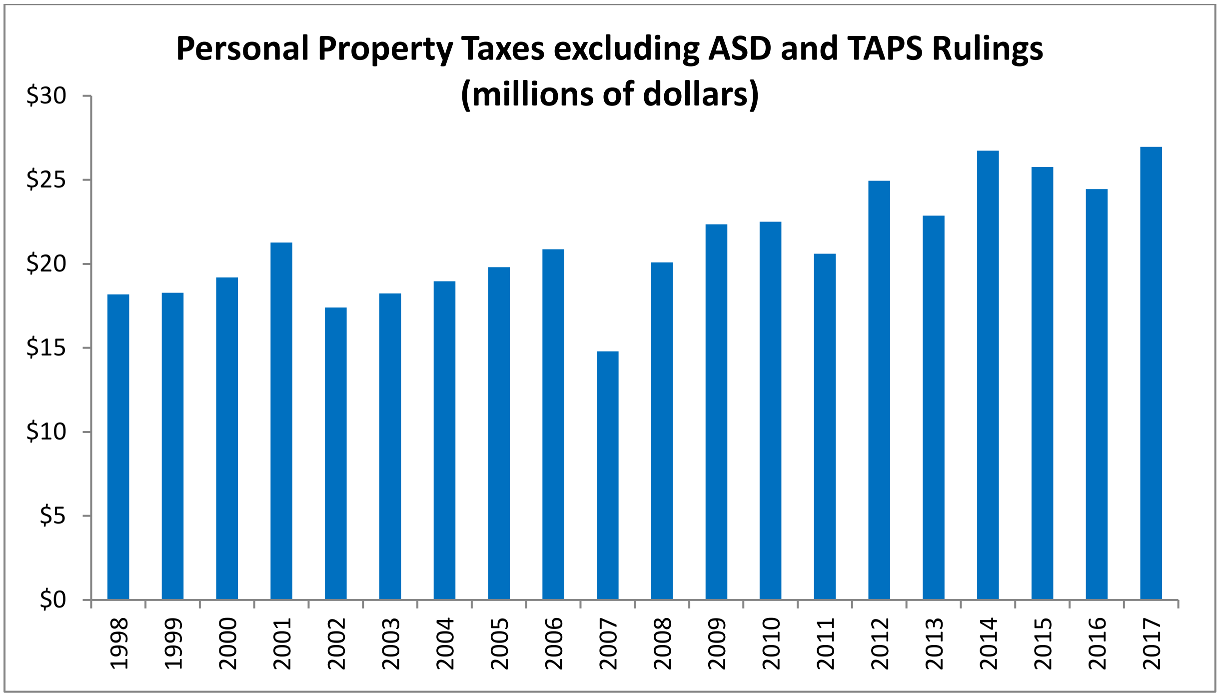


Source: MOA Treasury Division

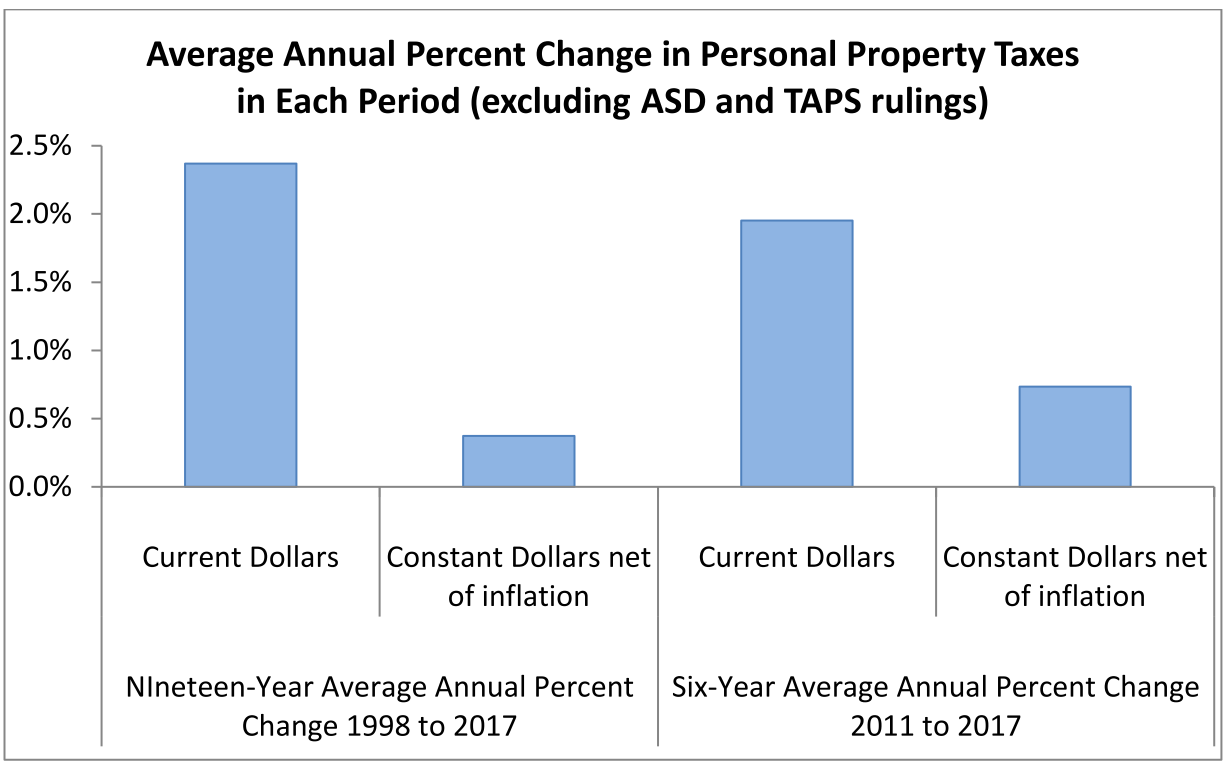


Source: MOA Treasury Division

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 a slightly higher average annual rate than the long-term trend after adjusting for inflation. 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.

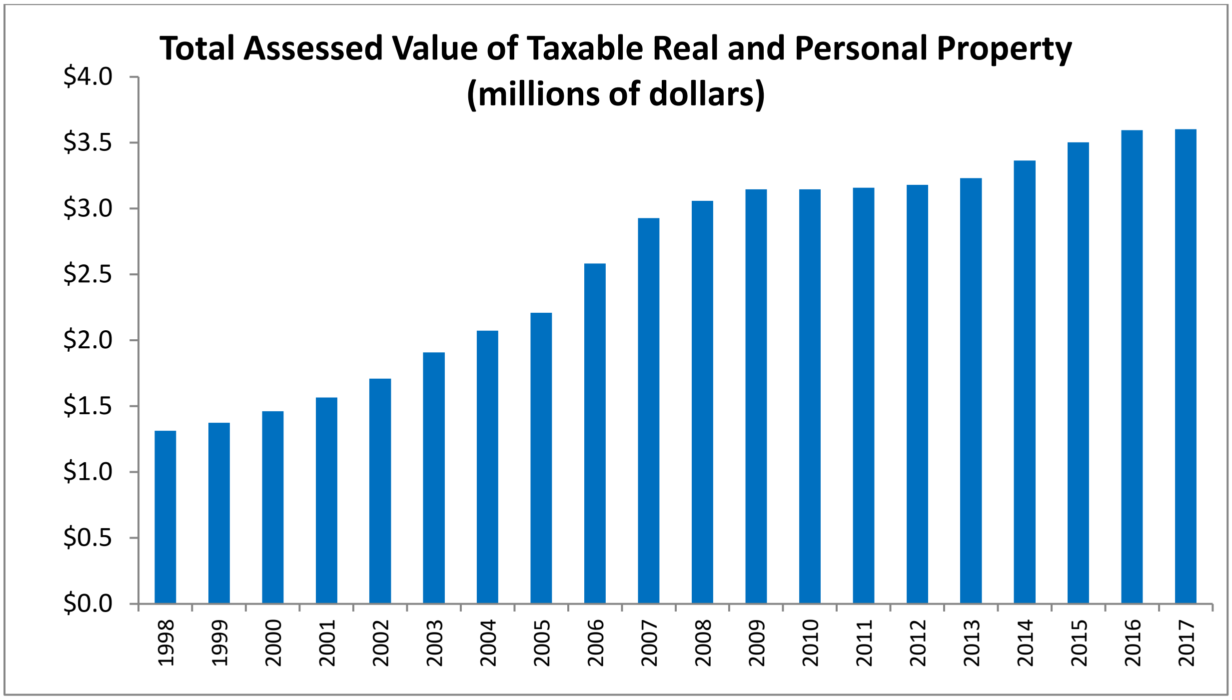


Source: MOA Treasury Division

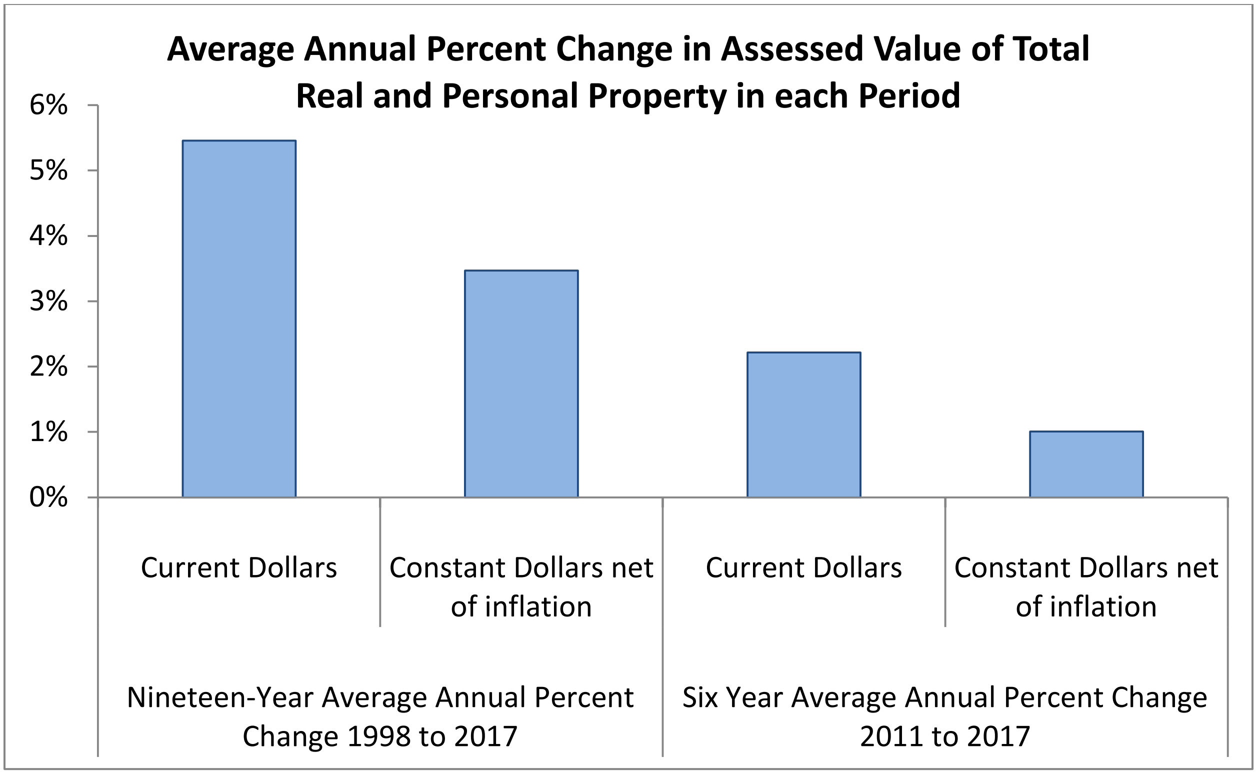


Source: MOA Treasury Division

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, FY 2015, and FY 2016 but then declined slightly in 2017.



Source: MOA Treasury Division

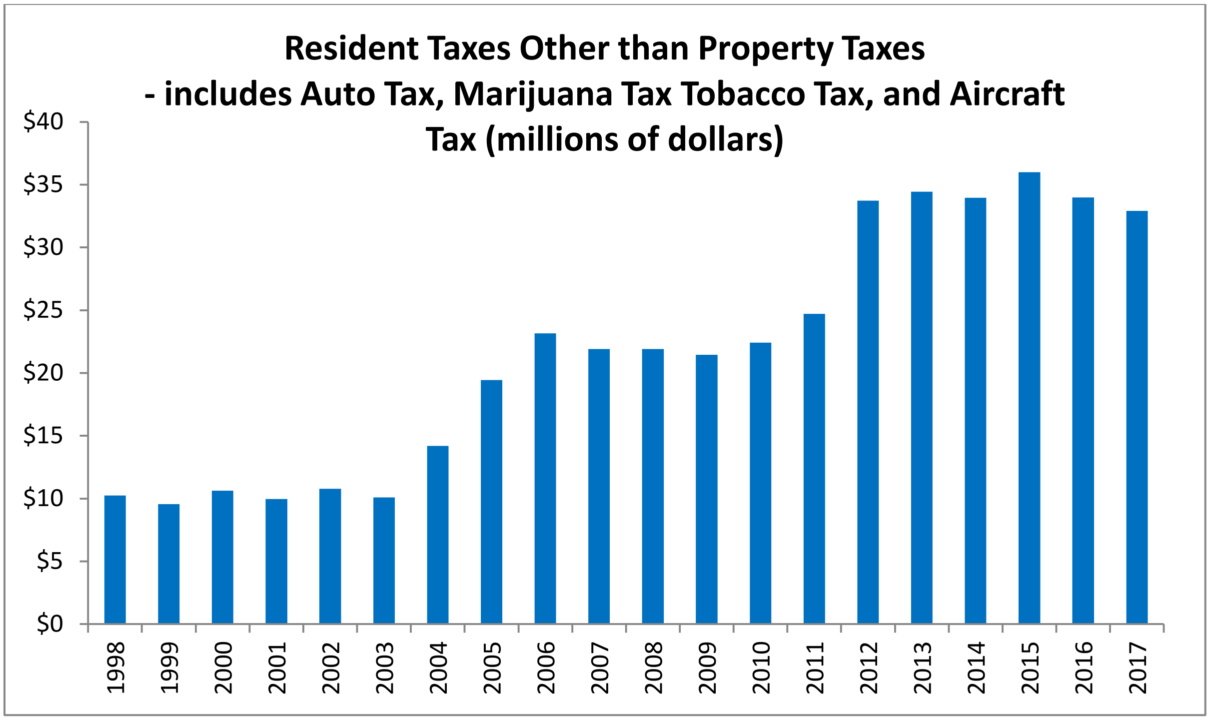


Source: MOA Treasury Division

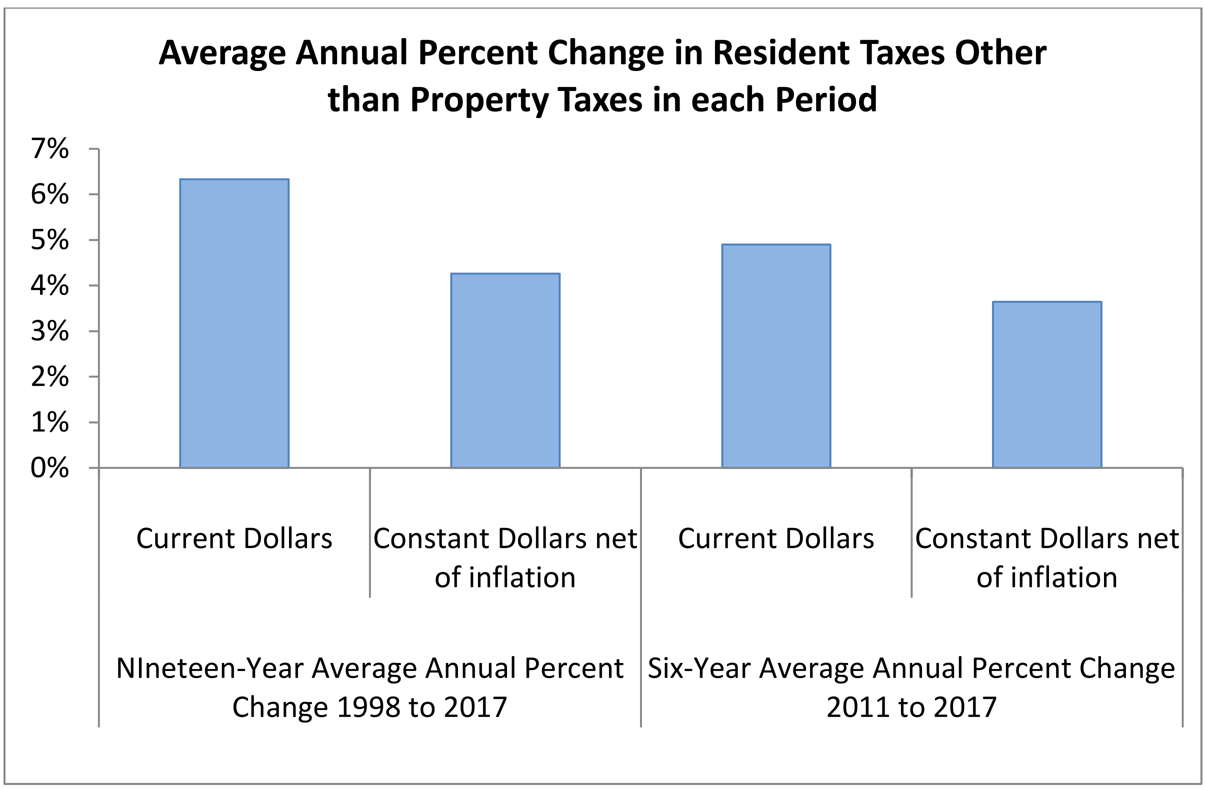
Revenues Determined Primarily by Resident Consumption

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 13 percent of the total general government (100 Fund) revenues, excluding ASD property taxes.

Resident taxes, including motor vehicle registration tax, tobacco tax, marijuana sales tax, motor fuel 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. There was an unusual $1.1M increase in tobacco taxes in 2015 because of a one-time restitution payment due to a court ruling against cigarette smugglers. There was an unusual one-time decrease in tobacco tax revenues in 2017 due to the unexpected closure of Sams Club in December 2017. 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. Marijuana sales tax revenues in FY 2017 were about $1.2M, but these revenues are projected to increase in FY 2018 as the legal retail marijuana market continues to expand. The first month of revenues from the new local motor fuel tax was March 2018.

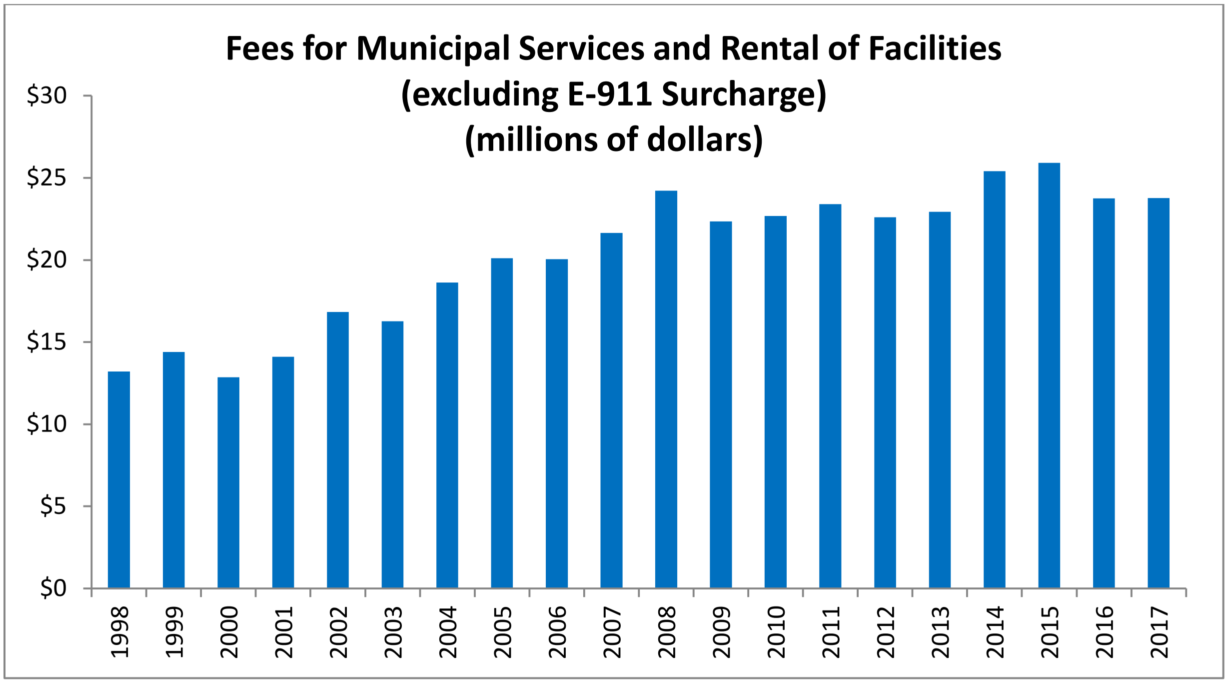


Source: MOA Treasury Division

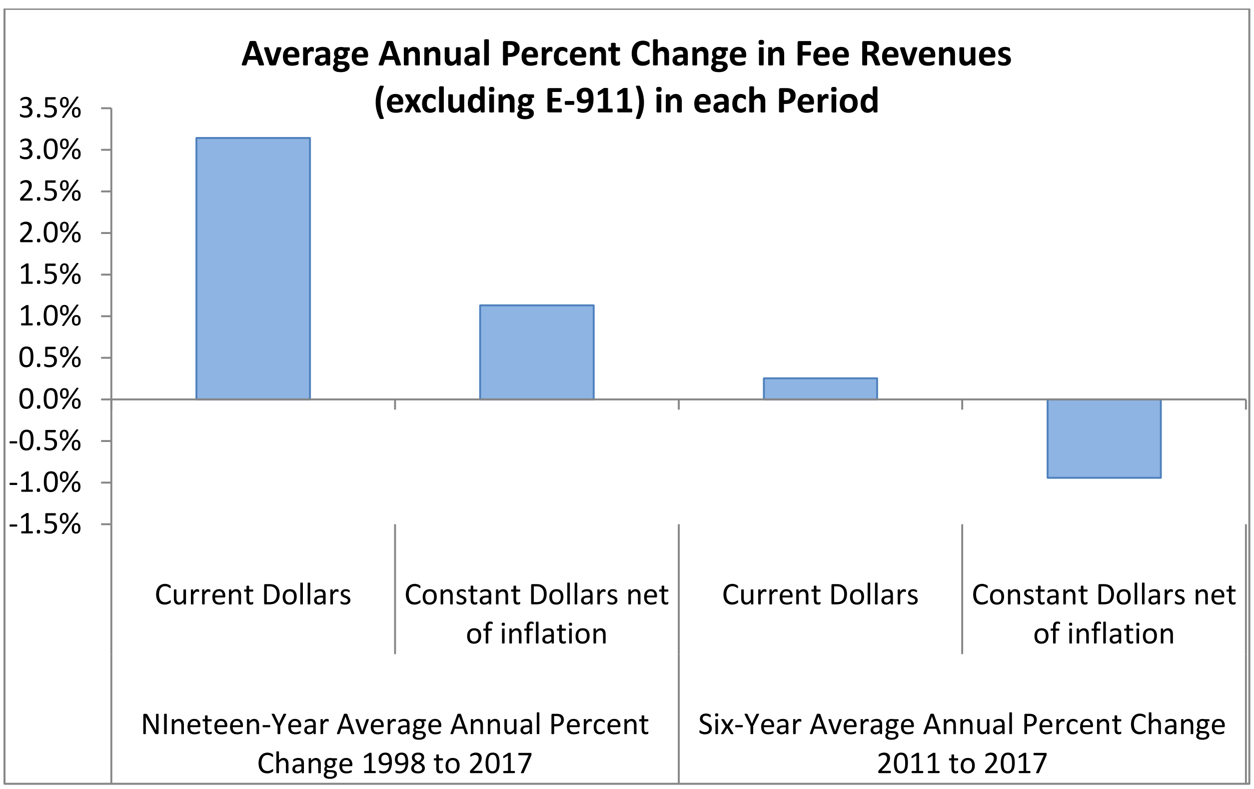


Source: MOA Treasury Division

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

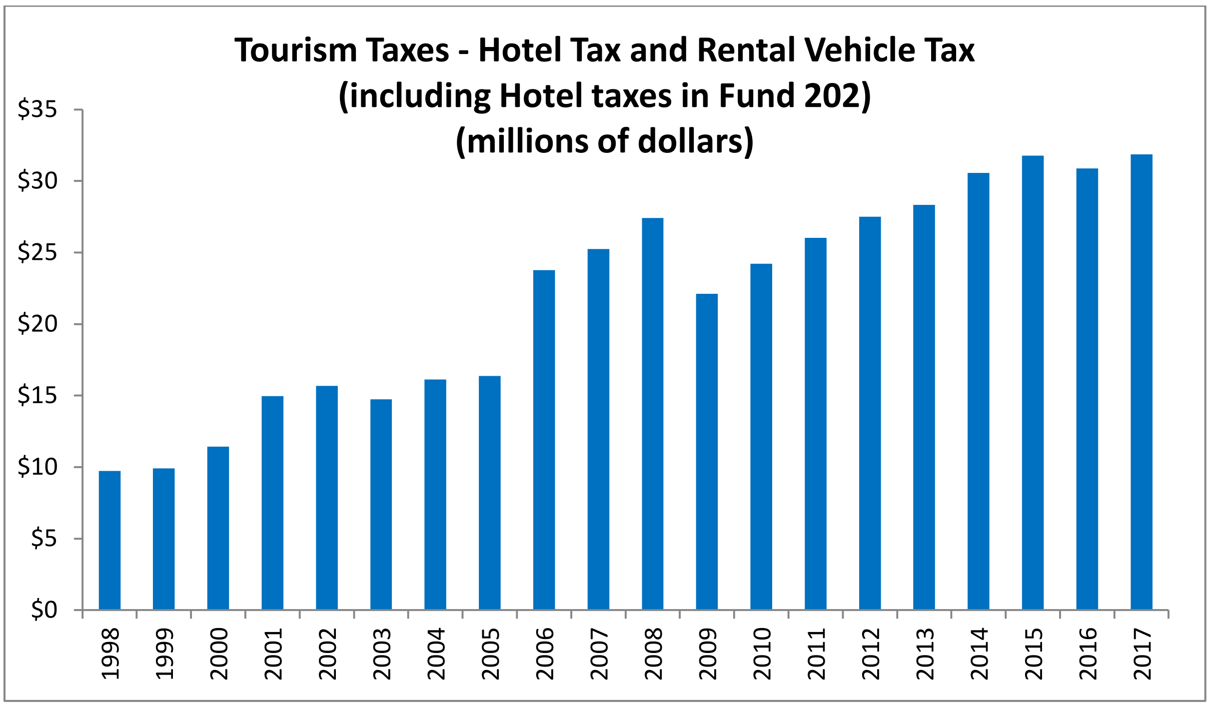


Source: MOA Treasury Division

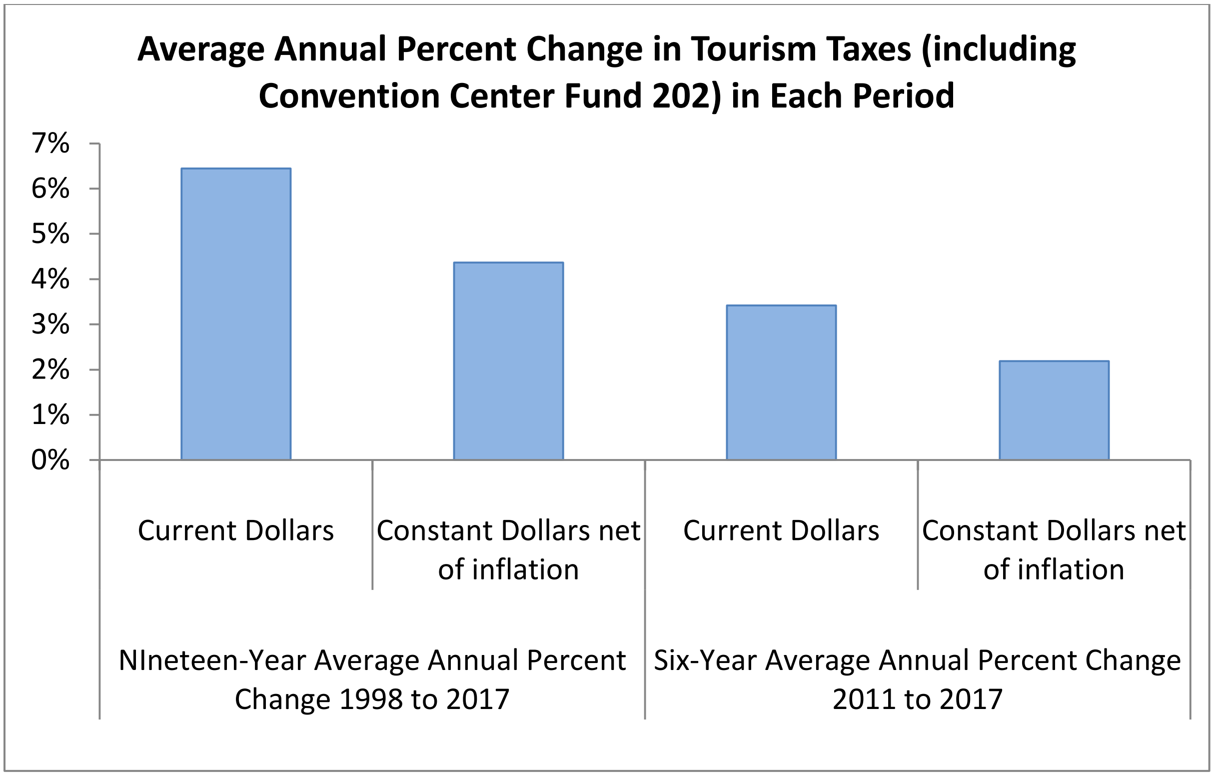
Revenues Determined Primarily by Economic Market Conditions

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 by permit fees specified in code. These revenues contribute about 6 percent of total general government (series 100 Funds) revenues, excluding ASD property taxes.

Tourism-related revenues from the hotel/motel tax and the rental vehicle tax 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 increase then decreased in 2009 due to the national recession. Tourism taxes have gradually recovered over the last eight years due to price increases for room rentals at Anchorage hotels and continued growth in the number of visitors coming to Anchorage.

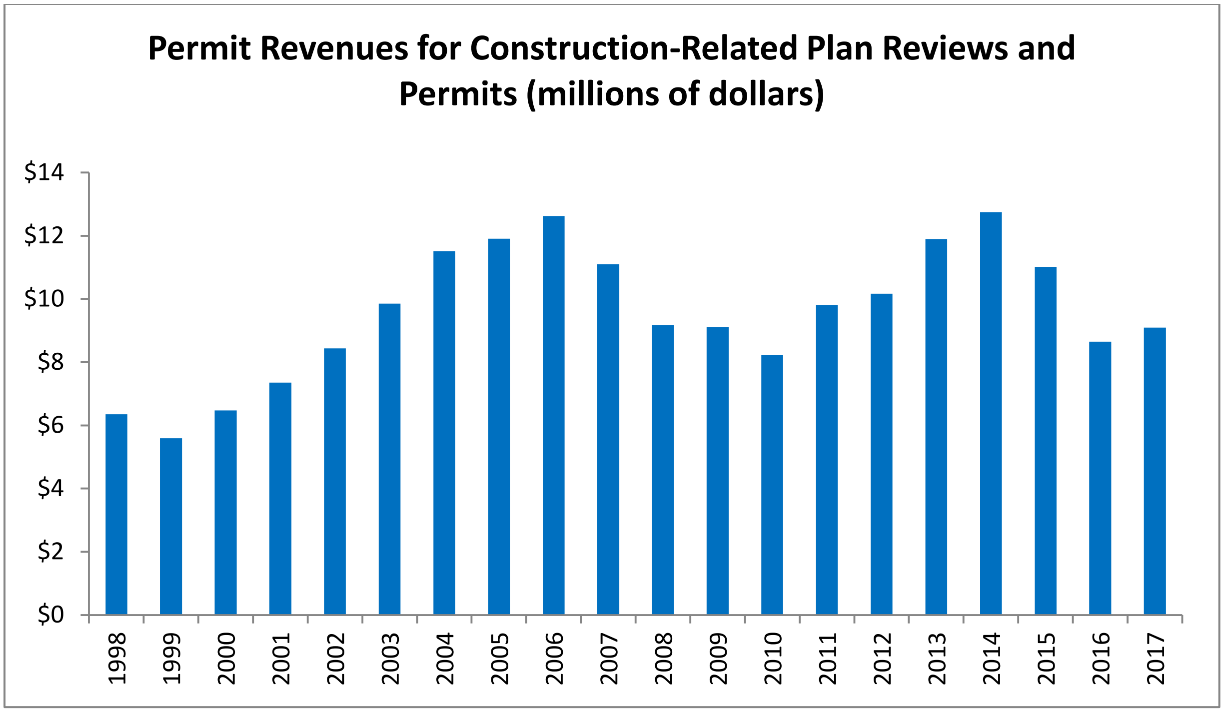


Source: MOA Treasury Division

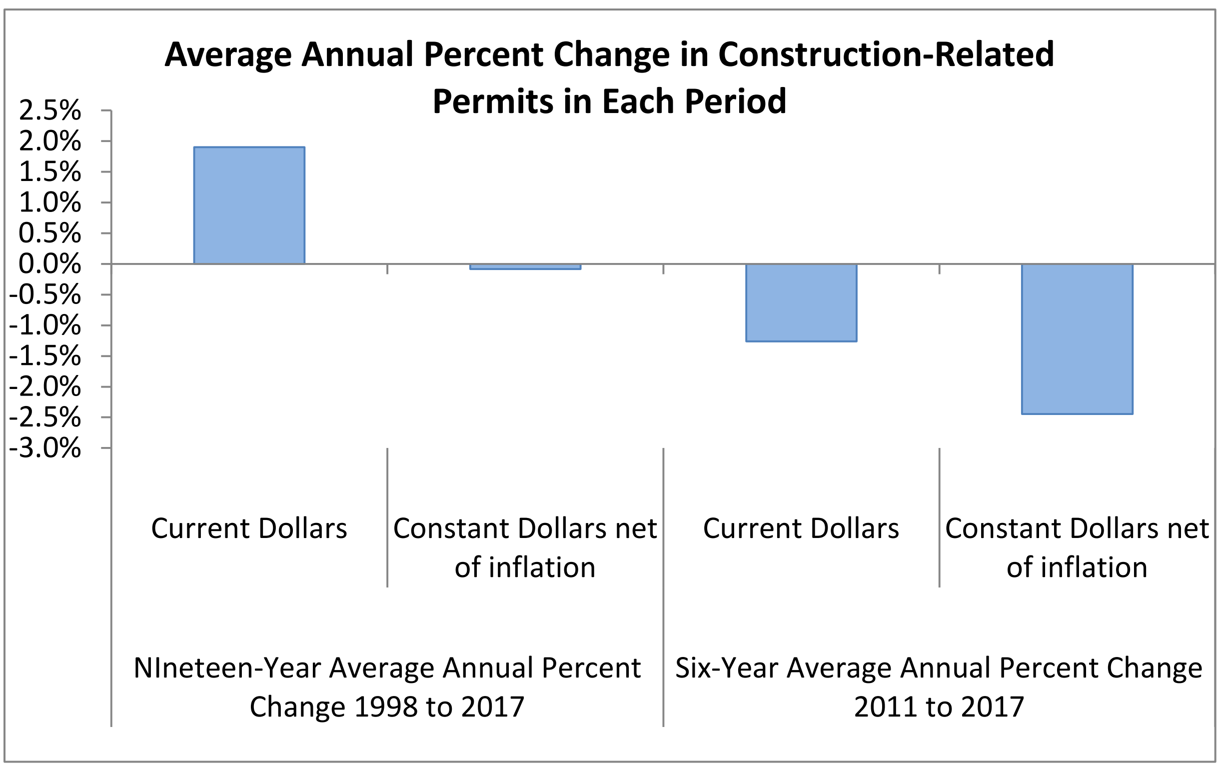


Source: MOA Treasury Division

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 / new or renovation), 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 declined in 2015 and 2016 but increased in 2017.

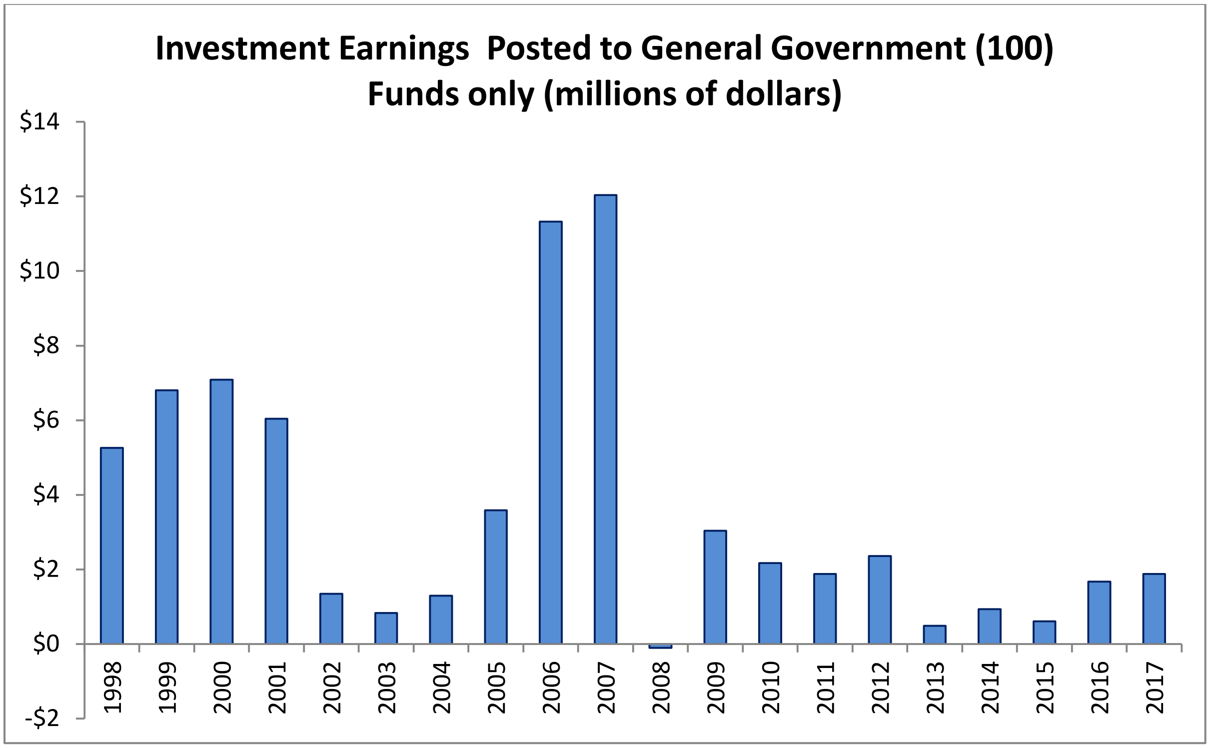


Source: MOA Treasury Division

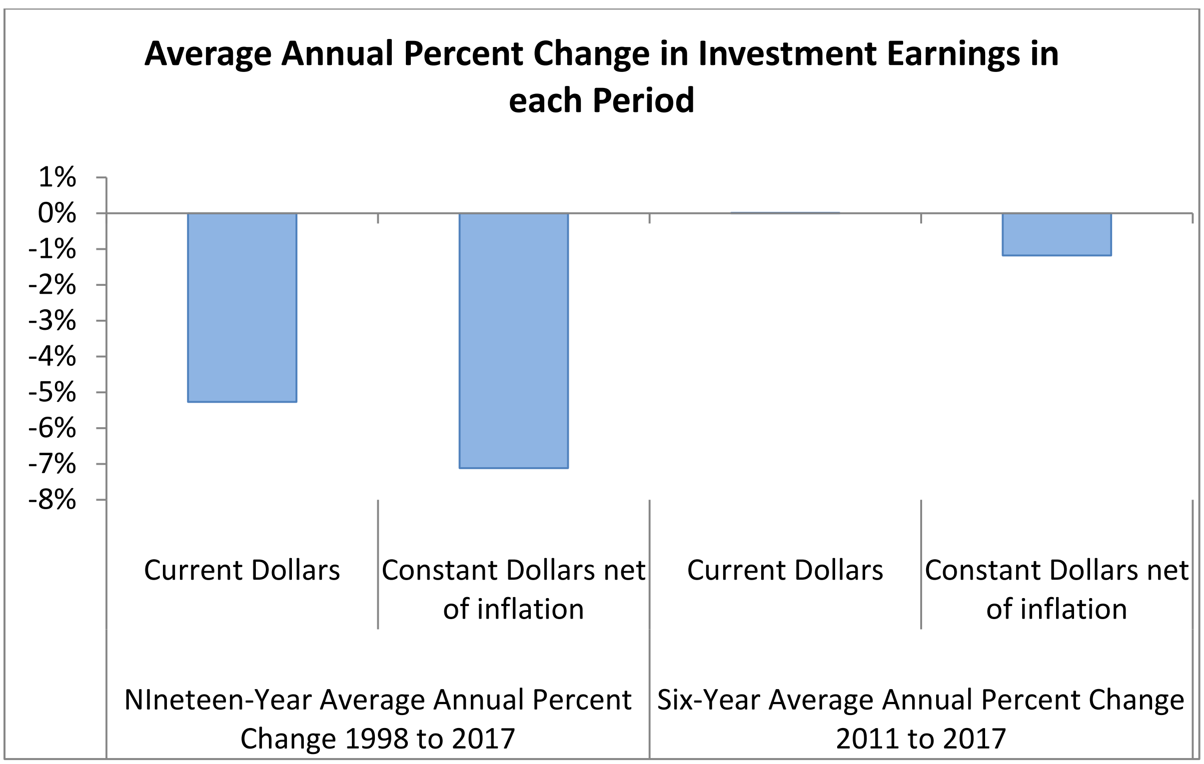


Source: MOA Treasury Division

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

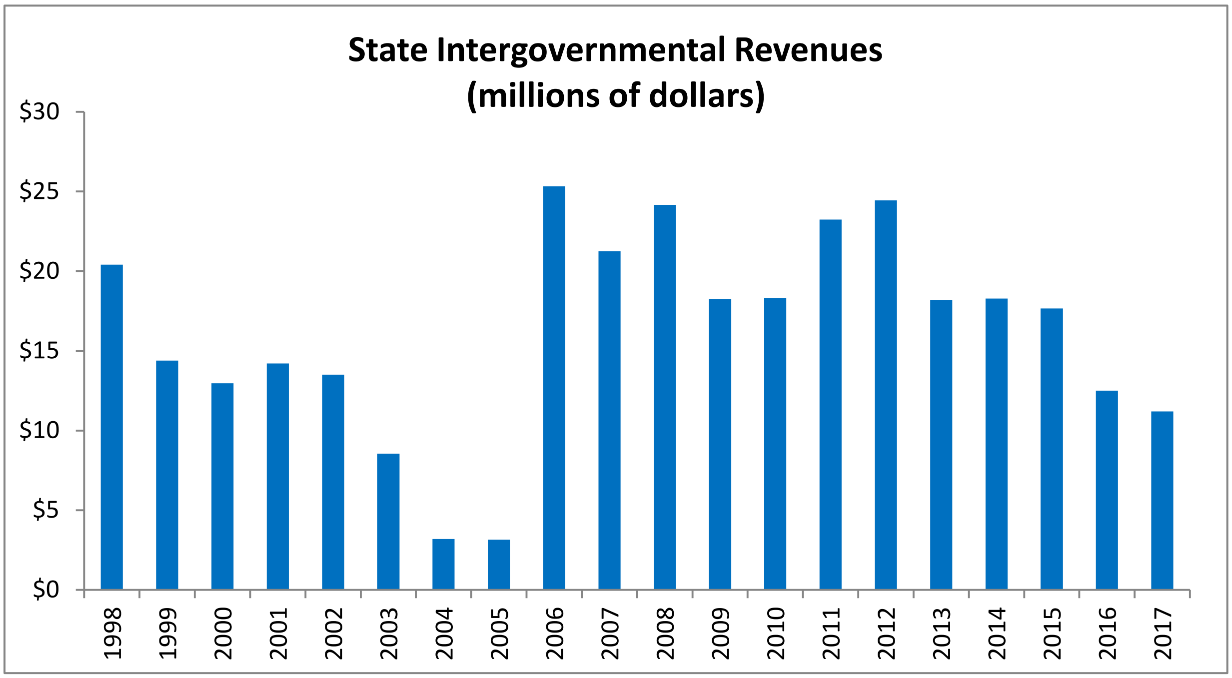


Source: MOA Treasury Division

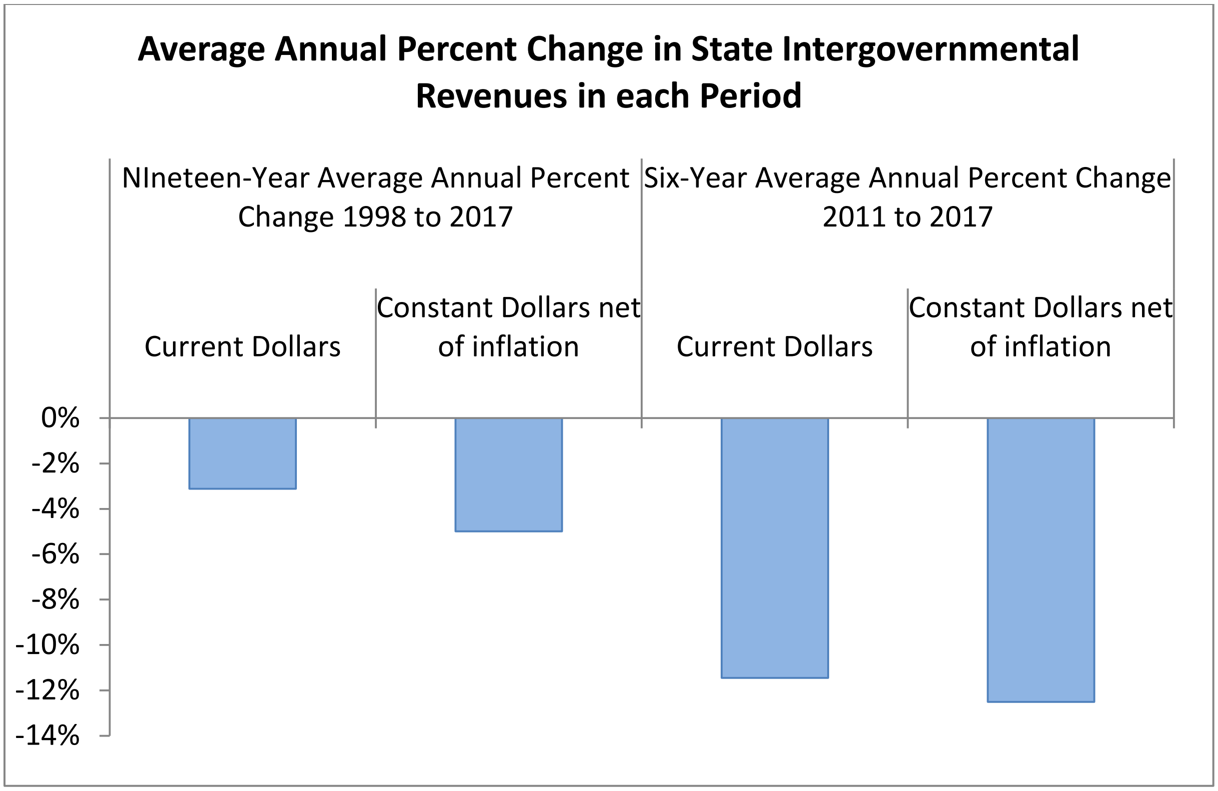
Revenues Determined by Actions of Other Governments

This category includes all State and Federal intergovernmental revenues and State and Federal PILT payments. These revenues contribute about 2 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 Revenue Sharing Program (through 2016) and Community Assistance Program (for 2017 to the present). The Municipality also receives revenues from the State for the Fisheries Tax, Liquor Licenses, Traffic Signal Reimbursement, and Alaska Housing Finance Corporate PILT payment. The total of these State Intergovernmental revenues increased substantially in 2006 with higher Municipal Revenue Sharing. Since then, the total annual State revenues received by the Municipality have declined most years.



Source: MOA Treasury Division



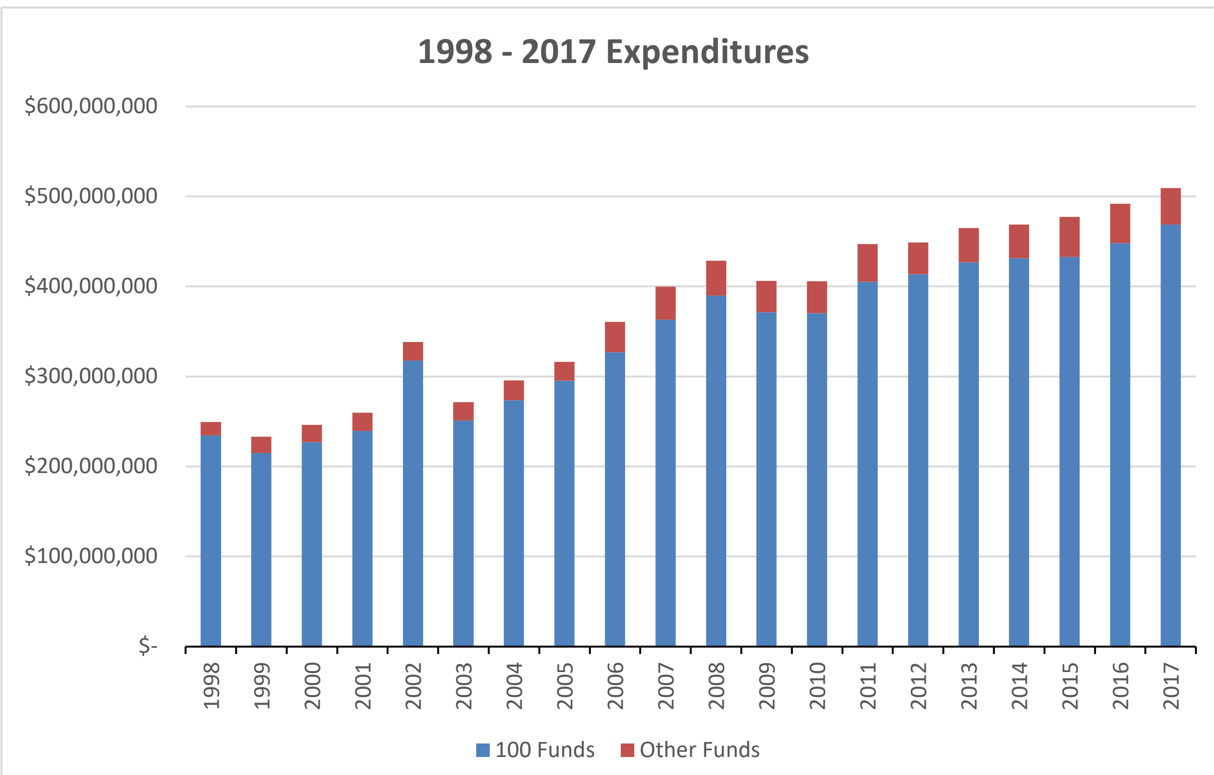
Source: MOA Treasury Division

Expenditures

The graph below depicts the actual expenditure trends from 1998 to 2017 (unaudited) for Anchorage's general government.

Recent increased investment in public safety, support to the SAP project, obligations and commitments, and labor contracts have caused increases to expenditures. As the State of Alaska reduces funding for necessary services and agencies in our community, the Municipality has stepped in to help address and mitigate the effects of an opioid epidemic, underfunded law enforcement agencies, and a debilitated public mental health care system.

As of October 2018, the 2017 CAFR is not finalized, therefore the 2017 actuals are unaudited. It is anticipated prior to 2019 General Government Operating budgets are adopted the CAFR will be complete and 2017 actuals will be updated in the 2019 Approved General Government Operating Budget book.

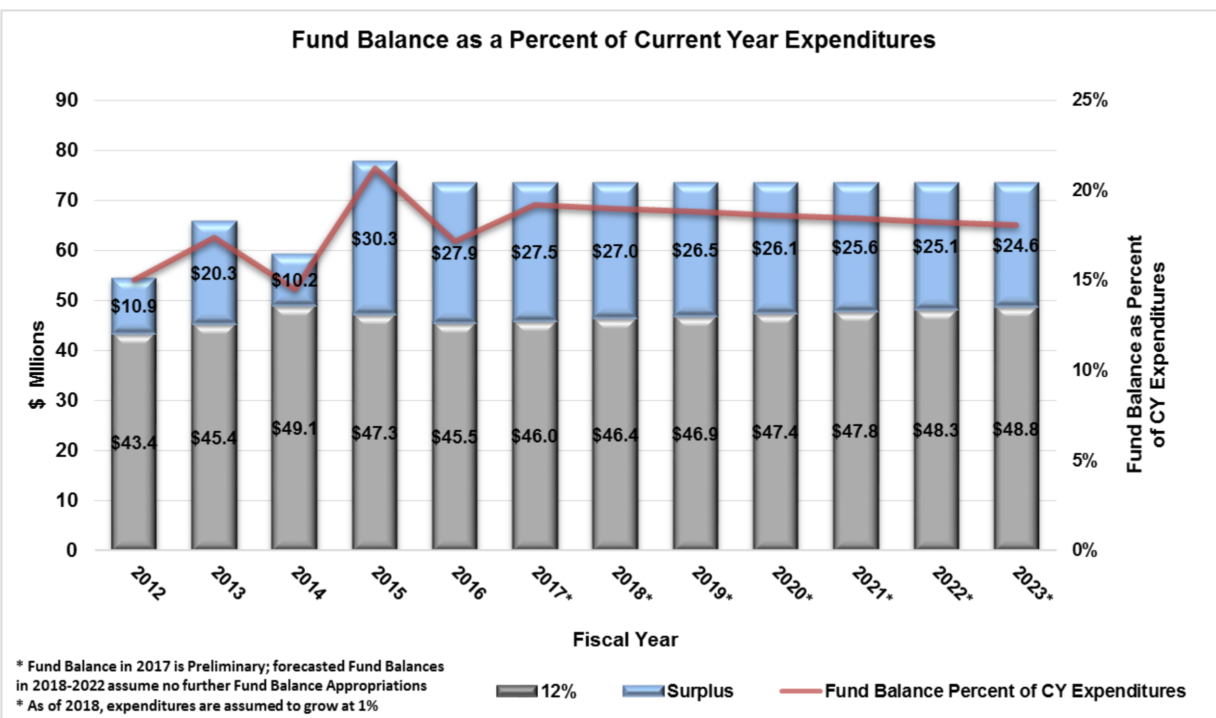


4. Fund Balance

The Municipality's current Fund Balance Policy is delineated in Assembly Resolution No. 2015-84 and is as follows.

- It is the policy of the Municipality to prepare and manage five major General Government fund budgets so as to maintain unrestricted general fund balance in an amount equal to 10% of current year expenditures as a Bond Rating Designation that will become committed fund balance.
- It is the policy of the Municipality to prepare and manage its Non-major Governmental Operating Funds (Limited Service Areas and Rural Service Areas) budgets so as to maintain an unrestricted fund balance of 8.25% of current year expenditures as a Bond Rating Designation that will become committed fund balance.
- It is the policy of the Municipality to prepare and manage budgets so as to maintain unrestricted fund balances in its five major funds in an amount between 2.0% and 3.0% of current year expenditures as a Working Capital Reserve that will become part of unassigned fund balance.
- Expenditures are defined as total expenditures reported in the CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund and shall be reduced by contributions to education, 'On-behalf' payments made on-behalf of the Municipality by the State of Alaska directly to the Public Employees Retirement System (PERS), expenditures in the Police and Fire Retirement Administration Fund 213 and expenditures in the Municipality's Trust Fund 731.

The chart below demonstrates the Municipality has been in excess of its Fund Balance Policy since 2012.



Municipality's General Obligation Bond Rating

The Municipality enjoys the benefits of being a very highly rated government entity by two national rating agencies. The Municipality is currently rated AA+ by Fitch Ratings (Fitch) with a Stable Outlook and AAA by Standard & Poor's (S&P) with a Stable Outlook. The rating agencies have a complex structured rating process for determining an issuers rating. Fitch uses Key Rating Drivers for their assessment methodology and S&P refers to their methodology as a Financial Management Assessment. These processes are comprised of numerous quantitative factors, including a variety of ratios, and qualitative factors that determine a credit score and subsequent rating. Generally speaking, no single factor or ratio determines an issuers rating.

Primary credit factors include:

- Economic strength of the local economy,
- Financial strength of the credit,
- Management and Governance and
- Debt profile.

In determining a rating the agencies compare the Municipality with other issuers with similar characteristics. The importance of these peer comparisons and additional disclosure of their rating process has been a critical aspect for the rating agencies in the wake of the Great Recession of 2008 as the rating agencies faced increased scrutiny over the appropriateness and accuracy of their ratings.

Fitch Ratings

Fitch currently rates the Municipality AA+ with a Stable Outlook. In their May 23, 2018 rating review of the Municipality they commented on the Municipality's:

- Exceptional resilience to typical stresses,
- Solid expenditure flexibility,
- Solid budget management in times of recovery and
- Robust reserves.

They also commented about their revenue framework assessment. "Fitch expects revenue growth in line with inflation over time, but the municipality may experience some near-term weakness to economic conditions. Anchorage's tax limitations generate revenue stability, but policymakers' independent legal ability to raise revenues is moderate relative to typical cyclical revenue declines."

Standard & Poor's (S&P)

S&P currently rates the Municipality AAA with a Stable Outlook. In their most recent rating summary dated May 25, 2018, S&P's analyst noted the following regarding Anchorage:

- Very strong economy,
- Very strong management,
- Strong financial policies and practices,
- Adequate budgetary performance,
- Very strong liquidity and,
- Strong institutional framework score.

In that May 2018 review S&P's analyst noted a 'weak debt and contingent liability profile'. "Total governmental fund debt service is approximately 11.1% of total governmental fund expenditures, and net direct debt is approximately 119.7% of total governmental fund revenue."

Fund Balance Policy Discussion and Update

The Mayor and senior staff have been discussing strengthening the current Fund Balance Policy. They anticipate making a policy change during sometime in the near future. Continued review and update of the Fund Balance Policy is critical with respect to the following concepts:

- Maintain Best Practice & Prudent Management Objectives,
- The Municipality's current policy is out of the criteria range for a AA+/AAA rated issuer,
- Rating Agencies periodically change their rating criteria and 15% continues to be the minimum level for a AAA rating,
- Rating Agencies are concerned that the State's fiscal challenges will affect the Municipality,
- The Municipality's rating may currently be higher than State of Alaska's rating, however continued downgrades of the State's rating will impact our rating,
- Higher Fund Balances will help mitigate that risk and
- Higher credit ratings means a lower cost of funds, and lower taxes for taxpayers.

In May 2018 the Mayor, CFO and Public Finance Manager visited the Fitch and S&P rating analysts in San Francisco. During the respective presentations on the health and credit of the Municipality the independence of the Municipality from the State of Alaska was emphasized. It was further noted that the State's budgetary problems have little impact on the Municipality since 97% of the Municipality's revenues are derived locally and that the local economy remains solid and strong as the price of oil remains low compared to three years ago. The Mayor commented that he anticipates that the Municipality will strengthen its Fund Balance Policy in the future.

5. 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 2017, 2016 and 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 2019 Proposed General Government CIP projects on maintenance, operation, and personnel costs:

2019 - 2024 Capital Improvement Program
Operations & Maintenance Estimate

(In Thousands)

Department	2019	2020	2021	2022	2023	2024	Total
Information Technology	829	1,562	1,899	2,048	2,206	2,172	10,716
Library	-	500	500	500	500	-	2,000
Maintenance & Operations	1	56	102	118	117	117	511
Parks & Recreation	166	192	190	186	152	92	978
Project Management & Engineering	189	189	223	223	223	50	1,097
Traffic	20	35	35	35	35	-	160
Total	**1,205**	**2,534**	**2,949**	**3,110**	**3,233**	**2,431**	**15,462**

6. 6-Year Projection Model

SIX-YEAR FISCAL PROGRAM
GENERAL GOVERNMENT OPERATING BUDGET
PROJECTIONS OF FUNDING SOURCES & USES ($ Thousands)
2019 to 2024

	Total Budget	Proposed Budget	Projections									
Funding Sources	2018	2019	2020		2021		2022		2023		2024	
Federal Revenues	1,445	967	760	-21%	716	-6%	669	-7%	619	-7%	566	-9%
State Revenues	10,863	9,179	9,338	2%	9,370	0%	9,403	0%	9,436	0%	9,469	0%
Local Revenues	179,375	177,495	178,497	1%	180,270	1%	181,704	1%	183,078	1%	184,318	1%
Property Taxes	244,647	244,327	249,560	2%	255,411	2%	263,072	3%	272,101	3%	281,518	3%
Property Taxes - GO Bond Debt	56,988	56,474	56,969	1%	58,335	2%	49,516	-15%	45,968	-7%	47,691	4%
New Revenues			152	100%	1,663	997%	2,727	64%	2,372	-13%	3,158	33%
Fund Balance Applied	1,571	1,646	2,000	21%	2,040	2%	2,081	2%	2,122	2%	2,165	2%
IGCs Outside General Gvt.	33,067	31,950	33,011	3%	33,753	2%	34,458	2%	35,179	2%	35,862	2%
Total Funding Sources	527,956	522,039	530,286		541,557		543,630		550,875		564,745	
Change from prior year	3.5%	-1.1%	1.6%		2.1%		0.4%		1.3%		2.5%	
Funding Uses												
Salaries and Benefits	286,621	287,471	293,887	2.2%	299,721	2.0%	306,626	2.3%	313,779	2.3%	321,191	2.4%
Debt Service	59,690	59,173	58,432	-1.3%	59,524	1.9%	50,410	-15.3%	46,568	-7.6%	48,024	3.1%
Depr/Amort	9,724	9,936	10,595	6.6%	10,922	3.1%	11,066	1.3%	11,220	1.4%	11,181	-0.3%
Other	171,922	165,460	169,685	2.6%	173,283	2.1%	176,960	2.1%	180,723	2.1%	184,464	2.1%
Total Funding Uses	527,956	522,039	532,598		543,450		545,062		552,290		564,860	
Change from prior year	3.2%	-1.1%	2.0%		2.0%		0.3%		1.3%		2.3%	
Revenues Over/(Under) Expenditu	0	0	(2,312)		(1,892)		(1,432)		(1,415)		(115)	

2018 Total Budget

Includes 2018 Revised Budget and supplemental appropriations through August 2018

Projections - Overall Assumptions 2019-2024

Population - slight decline in 2018, flat through 2020, slight increase in 2021 (per AEDC), then flat thereafter
CPI - 2% in 2019 and thereafter

Funding Sources

Federal Revs - down due to reduced BABS subsidy on Build America Bonds
State Revs - Revenue sharing stable at $6.1M (amount budgeted in 2019) in 2020 and beyond
Local Revs - Most increasing by 1% per year
Property Taxes - Tax to the Cap all years, uses projected CPI as growth
Property Taxes - Assumes O&M at same rate as 2019 Proposed
New Revenues - Utility/Enterprise MUSA/MESA and dividends per 2019 Proposed documents

Funding Uses

Salaries and Benefits - current contract changes then 1.5%
Salaries and Benefits - Medical at 6% increase per year but does not show impact of Vera Health Clinic
Salaries and Benefits - Does not include any impact for Cadillac Tax that may go into effect in 2020
Debt Service - This debt service does not include the potential refunding in the future
Other - Increasing by CPI
Does not show impact of Stormwater Utility
Does not show impact of ML&P sale