



## **Frequently asked questions about municipal general purpose bonds** (does not include Anchorage School District bonds)

### **Q1. Why are we being asked to approve \$59 million in general purpose bonds?**

We must continue to invest in the infrastructure of our city to keep our economy healthy and deliver the core services of transportation, public safety, and cultural and recreational facility improvements. Capital improvements contribute to the quality of life of all Anchorage residents.

### **Q2. What are general obligation bond proceeds used for?**

General obligation bonds are issued to fund costs associated with capital improvement projects. Under Alaska State Statutes, they may be used only for this purpose. This includes acquisition, design, construction, construction management and equipping the capital improvement. Costs necessary to issue the bonds are also paid from bond proceeds.

### **Q3. What is the current amount of municipal general obligation bonded indebtedness, and how much is tax-supported?**

Municipal general obligation general purpose debt outstanding totals \$437.5 million as of January 1, 2008. This includes: Tax Supported: \$436.1 million; Non-Tax Sources\*: \$1.44 million.

\* Issued for and paid by MOA Utility (AWWU)

### **Q4. What are the current annual debt service payments for the city's general obligation bonds?**

Anchorage is well within normal guidelines for debt service for a city our size. The annual debt payments are \$46 million for municipal tax supported debt and \$.5 million for municipal non-tax supported (Utilities): This represents 20 % of total taxes for general government and 11 % of the total operating budget. For a growing city like Anchorage, this is an acceptable ratio as determined by National rating agencies and the MOA's financial advisor.

### **Q5. How will the new bonds impact annual debt service payments and property taxes?**

If all the bonds on the 2008 city ballot are approved, the estimated increase for overall debt service would be \$4.7 million for MOA. This amount will depend on the actual interest rate and maturity schedule as determined at time of issue. The actual impact on taxes will vary depending on the location of the property and the applicable service area taxes. The estimated maximum increase for each \$100,000 of assessed value is \$18.51 for debt service and \$14.79 for O&M costs.



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### **Q6. How will the new bonds impact the municipal bond rating?**

There should be no impact. The current rating for MOA's general obligation debt is AA/Aa3 by Standard & Poor's and Moody's. The MOA's Financial Advisor, First Southwest Company, has recently completed a General Obligation Bond Debt Capacity Analysis for the MOA and has advised the MOA that "the proposed increase in bonded indebtedness is well within the debt capacity limits of the MOA."

From a credit analyst's perspective, the city's debt load is within reasonable limits considering the condition of the local economy, the MOA's financial performance and flexibility, the MOA's rate of debt repayment, and quality of management.

### **Q7. What dollar amount of general obligation bonds are being paid off in 2008?**

Municipal tax supported       \$ 26.1 million  
Municipal non-tax supported (Utilities)\$.45 million

### **Q8. Why do some of the bond propositions include an increase to the tax cap for operating and maintenance costs?**

Some bond propositions consist of or include capital improvement projects that will generate new operating and maintenance (O&M) costs. For these propositions, voter-approval will authorize not only the new debt service for the bonds, but also an increase in the tax limit in an amount equal to the new O&M costs.

### **Q9. When will taxes be impacted by approval of the proposed bonds?**

Typically, there is a 12-18 month lag between approval of bonds and the tax-effect. Taxes for debt service associated with the April 2008 bonds can be expected to appear on the 2009 tax bills.

### **Q10. How do our property tax levels compare to other cities?**

Anchorage tax levels are quite low compared to most cities. In a nationwide survey of the largest city in each state and the District of Columbia, dated August 2006, Anchorage ranks #26 in property tax rates and #51 of 51 in overall tax burden - only 3.8% for a family of three with a household income of \$75,000 - among top U.S. cities. This compares with a national average of 8.9%. This survey reflects that Anchorage is the only surveyed city with no sales or income tax.