MUNICIPALITY OF ANCHORAGE

2014 Frequently Asked Questions about Municipal Bonds

1. **Why are we being asked to approve $32.7 million in Municipal bonds?**

   The Municipality of Anchorage (MOA) cannot incur general obligation "general purpose" debt without voter approval. The "general purpose" bonds before voters this April, if approved, will provide funds to invest in the infrastructure of our city and meet some core responsibilities such as road improvements and public safety.

2. **What will the bond proceeds be used for?**

   The proceeds from sale of the bonds will be used to pay for capital improvements, such as roads, park improvements, public transportation improvements, safety improvements and ambulances. Under Alaska State Statute, bond proceeds can only be used for capital-type expenditures such as acquisition, design, construction, construction management and equipping the capital improvement. Costs to issue the bonds are also paid from bond proceeds.

3. **How much debt does the Municipality currently have and how much of it is tax-supported?**

   Outstanding Municipal "general purpose" (non-school) debt (such as what is on the April ballot) totals $441.7 million as of December 31, 2013.

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

   If all the general purpose bonds on the 2014 city ballot are approved, the overall estimated increase for debt service would be $2.6 million per year when fully operational. The actual amount will depend on the interest rate and the maturity schedule as determined at the time when the bonds are issued.

   The impact on individual property taxes will vary depending on the service areas in which the property is located. For the bonds on this April's ballot, the estimated maximum increase for each $100,000 of assessed value is $9.34 for debt service and $3.48 for increased operating and maintenance costs.

5. **Will issuing these new bonds impact the Municipality's bond rating?**

   There should be no impact. The current rating for the MOA's general obligation debt is AAA by Standard & Poor's and AA+ by Fitch. The MOA's Financial Advisor, First Southwest Company, has reviewed the Municipality's debt capacity and has advised that "the proposed increase in bonded indebtedness is well within the debt capacity limits of the MOA." To reach this conclusion First Southwest Company's staff considered the condition of our local economy, the Municipality's financial performance and flexibility, our rate of debt repayment, and quality of the Municipality's management.

6. **What is the dollar amount of existing general obligation, general purpose, bonds scheduled to be paid off in 2014?**

   The principal amount of general obligation, general purpose bonds scheduled to be paid off in 2014 is $33,395,000.

7. **Why do some of the bond propositions include an increase to the tax cap for operating and maintenance costs while others do not?**

   Some bonds will fund projects that will require increased operating and maintenance expenses. For such projects, voters also are asked to approve an increase in the tax limit in order to collect additional taxes to cover the increased operating costs. In other instances there is no increase in operation and maintenance costs.

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

   Typically, there is a 12 to 18 month lag between when voters approve a bond to when taxpayers see the increase reflected in their tax bill. Taxes to pay debt service associated with the April 2014 bonds can be expected to appear on the 2015 or 2016 tax bills, depending on when the bonds are issued.