



MUNICIPALITY OF ANCHORAGE

ASSEMBLY INFORMATION MEMORANDUM

AIM 64 - 2026

Municipal Clerk's Office

Accepted

Meeting Date: May 12, 2026

Date: **May 12, 2026**

1 **FROM: MAYOR**
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3 **SUBJECT: ANNUAL REPORT TO THE ASSEMBLY FROM THE**
4 **ANCHORAGE REGIONAL LANDFILL (ARL) CLOSURE AND**
5 **POST-CLOSURE INVESTMENT FUND BOARD.**
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8 This information memorandum and attached letter to the Assembly are submitted
9 to provide information to the Municipal Assembly regarding the activity of the ARL
10 Investment Fund Board (the "Board"). This is required under Anchorage Municipal
11 Code (AMC) 26.80.065.C.9. Please find attached the Board's annual letter.
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15 Prepared by: Ross Risvold, Public Finance & Investments Manager
16 Concurrence: Philippe D. Brice, CFO
17 Concurrence: William D. Falsey, Chief Administrative Officer
18 Concurrence: Rebecca A. Windt Pearson, Municipal Manager
19 Respectfully submitted: Suzanne LaFrance, Mayor

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Office of the Chief Fiscal Officer



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Philippe D. Brice, CFO

ARL Investment Fund

April 14, 2026

Mayor Suzanne LaFrance
Members of the Anchorage Municipal Assembly

Regarding: ARL Closure and Post-Closure Investment Fund Board Annual Report to the Mayor and Municipal Assembly for fiscal year 2025

Dear Mayor LaFrance and Members of the Assembly,

Background

In December 2016, the Municipal Assembly established the Anchorage Regional Landfill (“ARL”) Closure and Post-Closure Investment Fund (the “Fund”), and the ARL Investment Fund Board (the “Board”) to monitor and ensure timely deposit of monies of Solid Waste Services (“SWS”) into the Fund and manage all investment activities of the Fund. The Fund’s purpose is to accumulate assets sufficient to pay future ARL closure costs plus 30 years of post-closure monitoring and maintenance costs. This is the Board’s annual report to the Municipal Assembly for fiscal year 2025, as required by AMC section 26.80.065.

Investment Guidelines

The Investment Policy Statement (“IPS”) for the Fund is the formal document that defines how Fund assets are invested and managed. The Board develops, monitors and updates the IPS annually with assistance from the Fund’s independent Investment Consultant (Callan LLC). The IPS authorizes investments in publicly traded equity (stocks) and fixed income (bonds) investments. It was most recently updated by the Board in July 2024. Following a series of presentations and discussions with the Fund’s Investment Consultant regarding alternative investment strategies, the Board approved an amendment to the IPS that reduced the allocation to publicly traded fixed income investments from 50% to 40% and increased the allocation to publicly traded equity investments from 50% to 60%. The IPS was also amended to include a glidepath approach which begins with the 60% target allocation to equities and 40% target allocation to fixed income that is expected to roll down at five-year intervals reducing the equity risk of the portfolio in a systematic way over the life of the ARL. The Board and Fund Consultant agreed the amended IPS more closely aligned the Fund’s investment strategy with the projected investment horizon with the timing of Fund cash outflows.

The 2024 IPS amendment followed a 2023 amendment that changed the Fund’s fixed income investment strategy from a passive core investment strategy (i.e., index fund) to an active core-plus investment strategy. Over the long term, the active core-plus strategy is expected to increase fixed income investment returns by 50-100 basis points per year, after fees, when compared to the prior passive core strategy. At the same time, the risk/return characteristics of the fixed income investments are expected to improve (better expected returns on a risk adjusted basis). The Fund’s independent investment advisor confirms that following the 2023 and 2024 IPS amendments and based on the expected remaining useful life of the ARL as of the start of 2025, the Fund is being managed consistent with Best Practices and the Prudent Investor Rule.

At the time of the 2024 IPS amendment and continuing into the start of 2025, most of cash outflows to fund ARL Closure and Post-Closure Care Costs were projected to occur between 2064 when the ARL was projected to reach capacity and close, and the end of the 30-year post-closure care period in 2094. As part of the update of the SWS Long-Term Financial Planning Model during the second half of 2025, SWS management made material revisions to key operational assumptions resulting in an extension of the projected closing date of the ARL from 2064 to 2105, and the end of the post-closure care period from 2094 to 2135. The magnitude of these

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changes was such that during 2026, the Board plans to work with the Fund's Investment Consultant to revisit the appropriateness of the current asset allocation and slope of the glidepath as defined in the IPS.

Macroeconomic Environment

The fourth quarter closed a year defined by shifting policy signals and unexpectedly resilient markets. While fiscal negotiations, central bank actions, and uneven global growth shaped the macro backdrop, risk assets generally extended gains, closing out a volatile year on a constructive note. As the year ended, investors were left balancing strong performance against an increasingly complex policy environment.

The Federal Reserve extended its easing cycle during the quarter, reducing the Fed Funds rate by 25 basis points at each of its meetings in September, October, and December and bringing the target range to 3.50%-3.75%, as officials grew increasingly concerned about labor market softening. Policymakers framed the back-to-back cuts as insurance against a slowing economy rather than a response to inflation dynamics, citing decelerating job creation and a gradual rise in the unemployment rate. Economic activity remained resilient but uneven late in the year. The 3Q GDP report, released in December, showed strong growth of 4.3%, supported by robust consumer spending.

2025 Fund Performance

During 2025, the market value of the Fund increased by 16.92% compared to its performance benchmark which increased by 16.91%. The Fund's relative outperformance was primarily due to the actively managed core-plus bond strategy implemented in 2023. Small periodic differences between the Fund's actual asset allocation and the benchmark's target allocation sometimes occur, particularly during periods of heightened market volatility, but they were not a material driver of relative return during 2025. The Fund is rebalanced to the target asset allocation at the end of each calendar quarter, as specified by the IPS.

Market Value of the Fund

The Fund's market value was \$26.5 million as of December 31, 2025, compared to \$22.2 million as of December 31, 2024. During the period, investment gains increased the market value of the Fund by \$3.7 million, while the Fund received new contributions from Anchorage Regional Landfill customers of \$611,725. Based on investment earnings and new contributions, the total value of the ARL Investment Fund increased by approximately \$4.3 million, net of fees during fiscal year 2025.

ARL Closure and Post-Closure Care Liability (ARL Liability)

The ARL Liability, factored by the percentage of the landfill actually utilized, was \$49.7 million as of December 31, 2025. The total cost of Closure and Post Closure is \$123.7 million. The amount of the ARL Liability is adjusted annually for inflation as well as the expected remaining useful life of the landfill. In addition, it is periodically adjusted based on updates to the estimated ARL closure and post-closure costs. Although the liability amount significantly exceeds the value of Fund assets as of December 31, 2025, the rate of return on Fund investments is expected to exceed the inflationary growth of the closure and post-closure liability. Therefore, the value of Fund assets is expected to equal the amount of the ARL closure and post-closure liability when these costs eventually become payable.

Future Deposits to the Fund

As provided by AMC 26.80.065, all customers of the ARL are expected to pay their proportionate share of the ARL's future closure and post-closure costs. The amount collected from ARL users and deposited annually into the Fund is determined prospectively for five-year periods based on projections derived from the SWS long-term financial forecasting model. Annual deposit amounts were initially established for the five-year period beginning January 1, 2021. They are to be updated each five years thereafter. During the second half of 2025, the Board worked with SWS management and external consultants Raftelis and Callan to complete the five-year update process as required by AMC 26.80.065.

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The update process resulted in changes to three key inputs utilized by the SWS long-term financial forecasting model to determine the financial status of the Fund and the annual amount needing to be collected from ARL users and deposited by SWS into the Closure & Post-Closure Care Fund. The changes consisted of: an increase in the investment earnings rate from 5.5% to 6.5%; an increase in the inflation rate unique to landfill closure and post-closure care costs from 3.5% to 4.4%; and, an increase in the landfill compaction rate from 1,200 pounds to 1,700 pounds. The impact of the increase in the investment earnings rate and the increase in the inflation rate net to zero. They effectively offset each other. However, the impact of the increased compaction rate is profound. When combined with projected decreases in waste volumes, this change results in an extension of the projected ARL closing date from 2064 to 2105, and an extension of the end of the post-closure care period from 2094 to 2135, a 41-year increase in the projected life of the Fund. The longer life of the Fund results in a material reduction in the amount of future annual contributions required from ARL users, and a surplus in the current financial status of the Fund.

Following the 2025 update of the SWS long-term financial forecasting model and the resulting increase in the projected life of the Fund, the amount of contributions from ARL users required for the period 2026-2030 decreased by 68%, compared to the amount originally calculated five years earlier. The contribution amount required for the five-year period 2026-2030 now totals \$1,199,005, compared to \$3,751,936 originally calculated. The amount required to be collected from ARL users and deposited into the Fund by SWS during 2026 is now \$210,033, compared to \$653,870 originally calculated by the model.

Following 2025 update process and resulting increase in the projected remaining life of the ARL, the model calculates the Fund to have a surplus balance of \$8.6 million. The surplus is attributable to both temporary and permanent variances. Temporary variances result from short-term volatility in the long-term assumptions utilized by the model. They are expected to occur, net themselves out during the remaining life of the Fund, and should be retained by the Fund. Permanent variances result from changes in funding methodology, regulatory changes, changes in operational technology or methodologies that materially improve operational efficiencies. Permanent variances are not necessarily expected to occur, do not net themselves out over the remaining life of the Fund, are viewed as excess to the needs of the Fund, and are available for redirection for other purposes by the administration following Assembly approval. The Board has concluded that of the \$8.6 million surplus calculated by the model, \$3.4 million is attributable to temporary variances and should be retained by the Fund, and \$5.2 million is attributable to permanent variances is excess to the needs of the Fund and available for redirection for other purposes.

Respectfully Submitted,

Angela Astle

Chair, ARL Closure and Post-Closure Investment Fund Board of Directors