



MUNICIPALITY OF

ANCHORAGE

4. Unfinished Business

A. Overview & Updates on Muni Fund Positions

MUNICIPALITY OF ANCHORAGE, ALASKA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2024



MUNICIPALITY OF ANCHORAGE, ALASKA

Notes to the Basic Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY, AND RELATED PARTY TRANSACTIONS

B. Deficit Fund Balance and Deficit Net Position

2024 Year End: Four (or Five?) Funds of Interest

B. Deficit Fund Balance and Deficit Net Position

(+ 5. Building Safety Service Area?)

As of December 31, 2024, an overall deficit fund balance and net deficit position were reported for the following funds:

Non-major Governmental Funds:

3. Other Restricted Resources	\$ (549,801)
4. Federal Grants	(1,156,207)

Downtown Improvement District

Internal Service Funds:	
1. General Liability/Worker's Compensation	\$ (16,644,606)
2. Information Technology	(14,716,693)

Unfinished FEMA recovery

The Other Restricted Resources fund reported an overall deficit fund balance due to more than one year of cumulative expenditures being more than the special assessment revenues. This fund has presented a fund deficit consistently since 2006. The deficit was increased by \$208,668 during 2024.

The Federal Grants fund reported an overall deficit fund balance in 2024 as a result of expenditures exceeding revenues.

The General Liability/Worker's Compensation fund again reported an overall net deficit because premiums charged to departments have been insufficient to cover claims, insurance premiums, and administrative costs for many consecutive years.

The Information Technology Fund reported an overall net deficit because for many consecutive years, the charges allocated to other departments have been insufficient to offset the total cost of the information Technology Department, including the cost of the SAP system.



1. Workers' Compensation/General Liability

EXHIBIT FF-13

MUNICIPALITY OF ANCHORAGE, ALASKA
General Liability and Workers' Compensation Fund
 Comparative Statements of Net Deficit
 For the Years Ended December 31, 2024 and 2023

	2024	2023
NET DEFICIT		
Net Investment in Capital Assets	5,592	7,118
Unrestricted	<u>(16,650,198)</u>	<u>(15,011,293)</u>
<u>Total Net Deficit</u>	<u>(16,644,606)</u>	<u>(15,004,175)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT	<u>\$ 16,126,006</u>	<u>\$ 18,513,317</u>



1. Workers' Compensation/General Liability

Internal Audit Report 2025-02
Workers' Compensation Claims Review
Risk Management Department
April 01, 2025

First, the existence of a fund deficit is not new, but the magnitude of the deficit increased significantly after 2020:

Year	Fund Deficit
2022	\$13,787,485
2021	\$9,426,611
2020	\$6,569,191
2019	\$5,574,028
2018	\$3,185,954
2017	\$4,580,037
2016	\$5,113,340
2015	\$3,205,093
2014	\$(3,260,400)



1. Workers' Compensation/General Liability

	2024	2023
CURRENT ASSETS		
Cash and Investments in Central Treasury	\$ 8,918,687	\$ 11,366,626
Accounts Receivable, Net	14,567	14,566
Prepaid Items and Deposits	1,185,373	1,135,136
Total Current Assets	10,118,627	12,516,328
NONCURRENT ASSETS		
Advances to Other Funds	5,792,251	5,792,251
Capital Assets, at cost	7,626	7,626
Less: Accumulated Depreciation	(2,034)	(508)
Net capital Assets	5,592	7,118
Net OPEB Asset	170,285	159,571
Total Noncurrent Assets	5,968,128	5,958,940
Total Assets	16,086,755	18,475,268
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	27,094	27,155
Deferred Outflows Related to OPEB	12,157	10,894
Total Deferred Outflows of Resources	39,251	38,049
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	16,126,006	18,513,317
CURRENT LIABILITIES		
Accounts Payable and Retainages	1,964	2,224
Accrued Payroll Liabilities	22,702	18,509
Compensated Absences	38,426	35,848
Claims Payable	16,450,959	18,177,493
Claims Incurred but Not Reported	4,992,964	4,807,331
Total Current Liabilities	21,507,015	23,041,405
NON-CURRENT LIABILITIES		
Compensated Absences	-	212
Claims Incurred but Not Reported	10,862,777	10,127,695
Net Pension Liability	395,766	340,681
Total Noncurrent Liabilities	11,258,543	10,468,588
Total Liabilities	32,765,558	33,509,993
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	-	-
Deferred Inflows Related to OPEB	5,054	7,499
Total Deferred Inflows of Resources	5,054	7,499
NET DEFICIT		
Net Investment in Capital Assets	5,592	7,118
Unrestricted	(16,650,198)	(15,011,293)
Total Net Deficit	(16,644,606)	(15,004,175)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT	\$ 16,126,006	\$ 18,513,317

“IBNR”

Second, a significant component of the reported fund deficit is claims “Incurred But Not Yet Reported,” sometimes called “IBNR.” As defined by the Municipality’s actuarial contractor, IBNR is an estimated claims expense to account for: (a) events that that have occurred for which claims have not yet been reported, (b) future development on known open claims; (c) claims that have been reported but not yet recorded in the loss listing; and (d) claims that have been closed but that will be reopened. As consequence, IBNR can be thought of as a best-guess estimate of liabilities that, while not present or payable today, may appear in the future. In that respect, IBNR should be accounted for, and funded, but is not a presently owed liability. The following table depicts the growth of the fund’s IBNR, and its contribution to the fund’s overall balance.



1. Workers' Compensation/General Liability



ACTUARIAL ANALYSIS OF WORKERS' COMPENSATION, GENERAL LIABILITY, AND AUTOMOBILE LIABILITY UNPAID LOSSES AND ALAE AS OF DECEMBER 31, 2024

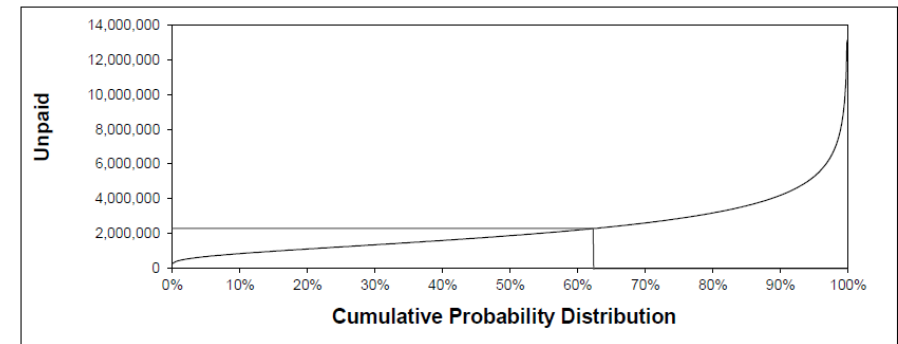
Municipality of Anchorage



Municipality of Anchorage
General Liability
Percentile Factor Calculation for Unpaid Losses & ALAE as of 12/31/2024 - Limited to Retention
Based on Data as of December 31, 2024

Section II
Exhibit C
Page 2

Losses & ALAE CV	4.910	Percentile	Selected Percentile Factor	Percentile Unpaid Losses & ALAE
Open & IBNR Claim Count	55	50.0%	0.800	1,822,322
Unpaid Losses & ALAE CV	0.700	60.0%	0.947	2,157,174
s	0.631	70.0%	1.135	2,585,419
s ²	0.399	80.0%	1.402	3,193,619
m	(0.199)	90.0%	1.882	4,287,012
Unpaid Losses & ALAE (Central Estimate)	2,277,902	95.0%	2.399	5,464,688



Note:
based on a lognormal distribution and including a variable for parameter risk

1. Workers' Compensation/General Liability

Internal Audit Report 2025-02
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Risk Management Department
April 01, 2025

Year	WC/GL IBNR	Fund deficit excluding IBNR
<u>2022</u>	\$12,251,971	<u>\$1,535,514</u>
2021	\$11,395,376	\$(1,968,765)
2020	\$10,509,727	\$(3,940,536)
2019	\$8,909,728	\$(3,335,700)
2018	\$7,173,088	\$(3,987,134)
2017	\$7,890,348	\$(3,310,311)
2016	\$9,928,112	\$(4,814,772)
2015	\$9,028,167	\$(5,823,074)
2014	\$8,111,053	\$(11,371,453)



1. Workers' Compensation/General Liability

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Municipal Clerk's Office
Approved
 Date: March 19, 2024

Submitted by: KEVIN POWELL / Anchorage Daily News
 Chair of the Assembly at the Request of the Mayor
 Prepared by: Office of Management & Budget
 For reading: February 27, 2024

ANCHORAGE, ALASKA AR No. 2024-77

1 **A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE (MOA) EXTENDING THE**
 2 **INTERFUND LOAN BETWEEN THE REAL ESTATE SERVICES DIVISION**
 3 **AREAWIDE GENERAL FUND (101) AS BORROWER AND WORKERS**
 4 **COMPENSATION FUND (602) AS LENDER AND ESTABLISHING NEW LOAN**
 5 **TERMS.**

THE ANCHORAGE ASSEMBLY RESOLVES:

6
 7
 8
 9 **Section 1.** That the existing loan (the Archives Loan) between the Real Estate
 10 Services Division Areawide General Fund of the MOA (Borrower) and the Workers
 11 Compensation Fund (602) of the MOA (Lender) shall be extended based upon the
 12 specific criteria listed in Section 2.
 13

14 **Section 2.** That: 1) the interest rate terms shall remain unchanged from AO 2017-140,
 15 2) Borrower shall pay monthly interest to Lender to maintain interest current at all times,
 16 3) the Archives Loan principal balance shall not exceed \$6,000,000, and 4) in the event
 17 the Archives Loan principal balance exceeds \$6,000,000, Borrower shall remit to Lender
 18 principal payment sufficient to comply with the \$6,000,000 principal balance cap, and 5)
 19 the Archives Loan shall mature December 31, 2024 (the Maturity Date).
 20



1. Workers' Compensation/General Liability

- Deficit does not affect payment of claims
- Annual true-up now occurring
- Clearing the deficit requires money that could otherwise be appropriated to services



2. Information Technology Fund

EXHIBIT FF-7

MUNICIPALITY OF ANCHORAGE, ALASKA
Information Technology Fund
 Comparative Statements of Net Position
 December 31, 2024 and 2023

	2024	2023
NET POSITION		
Net Invested in Capital Assets	22,344,991	24,624,888
Unrestricted (Deficit)	<u>(37,061,684)</u>	<u>(34,792,130)</u>
<u>Total Net Position</u>	<u>(14,716,693)</u>	<u>(10,167,242)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 34,964,996</u>	<u>\$ 44,179,318</u>

NONCURRENT ASSETS		
Net OPEB Asset	4,606,770	4,932,655
Capital Assets, at Cost	90,722,524	93,400,142
SBITAs right to Use Assets, less Amortization \$850130	4,314,663	3,576,462
<u>Less: Accumulated Depreciation and Amortization</u>	<u>(65,890,545)</u>	<u>(60,947,506)</u>
Net Capital Assets	29,146,642	36,029,098
Capital Acquisitions in Progress	1	-
Total Noncurrent Assets	<u>33,753,413</u>	<u>40,961,753</u>
Total Assets	<u>33,903,145</u>	<u>43,003,155</u>

The Information Technology Fund reported an overall net deficit because for many consecutive years, the charges allocated to other departments have been insufficient to offset the total cost of the information Technology Department, including the cost of the SAP system.



2. Information Technology Fund

- Net position deficit is not a “cash” deficit
- The underlying “cash” story is SAP—debt was paid faster than recovery from departments
- SAP collection is ~\$4m annually through 2033
- 64% from General Government (~\$2.9m); 36% from enterprises and utilities (~\$1m)
- Fund will recover on its own—earlier deposits reduce annual payments through 2033



3. Downtown Improvement District

EXHIBIT BB-16

MUNICIPALITY OF ANCHORAGE, ALASKA
Other Restricted Resources Funds
 Comparative Statements of Revenues, Expenditures,
 and Changes in Fund Deficit
 For the Years Ended December 31, 2024 and 2023

Downtown Improvement District

	2024	2023
REVENUES		
Special Assessments	\$ 907,508	\$ 938,767
Investment Loss - Short-term Investments	(28,629)	(39,837)
Total Revenues	<u>878,879</u>	<u>898,930</u>
EXPENDITURES		
General Government:		
Municipal Manager	1,087,547	1,045,173
Total Expenditures	<u>1,087,547</u>	<u>1,045,173</u>
Excess (Deficiency) of Revenues over Expenditures	(208,668)	(146,243)
Fund Deficit, January 1	(341,133)	(194,890)
Fund Deficit, December 31	<u>\$ (549,801)</u>	<u>\$ (341,133)</u>



3. Downtown Improvement District

MUNICIPALITY OF ANCHORAGE, ALASKA
Other Restricted Resources
 Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2024

Exhibit G-8

	Final Amended Budget	Actual	Variance With Budget
Revenues			
Special assessments	\$ 1,123,547	\$ 907,508	\$ (216,039)
Investment income (loss)	(36,000)	(28,629)	7,371
Total revenues	1,087,547	878,879	(208,668)
Expenditures			
Current:			
General government	1,087,547	1,087,547	-
Total expenditures	1,087,547	1,087,547	-
Net change in fund deficit	-	(208,668)	(208,668)
Fund deficit, beginning of year	(341,133)	(341,133)	-
Fund deficit, end of year	\$ (341,133)	\$ (549,801)	\$ (208,668)



3. Downtown Improvement District

Downtown Improvement District Fund balance



2024	(\$549,801)
2023	(\$341,133)
2022	(\$194,890)
2021	(\$36,393)
2020	(\$99,912)
2019	(\$21,350)
2018	(\$55,457)
2017	(\$41,498)
2016	(\$46,130)
2015	(\$45,918)
2014	(\$57,261)
2013	(\$114,307)

2012	(\$58,628)
2011	(\$52,158)
2010	(\$48,883)
2009	(\$45,792)
2008	(\$25,794)
2007	(\$933)
2006	(\$4,150)
2005	\$145,415
2004	\$66,661
2003	(\$14,465)
2002	\$1,439
2001	\$19,013



3. *Downtown Improvement District*

- Still under investigation
- “Fix” will be through improvement district revenues, not likely with general government taxes



4. Federal Grants

- Timing issue with FEMA disaster recovery



5. Building Safety Service Area (“BSSA”)

EXHIBIT AA-68

MUNICIPALITY OF ANCHORAGE, ALASKA
Building Safety Service Area
Comparative Balance Sheet
December 31, 2024 and 2023

	2024	2023
FUND BALANCE (DEFICIT)		
Committed	623,030	607,771
Unassigned (Deficit)	(13,442,514)	(15,164,576)
Total Fund Deficit	(12,819,484)	(14,556,805)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICIT	<u>\$ 30,738</u>	<u>\$ 47,856</u>



5. Building Safety Service Area (“BSSA”)

- Long-standing issue dating to 2010 decision to end service-area tax collection for BSSA, in favor of requiring the services to be 100% supported by fees
- Fees did not cover costs (by at least 2013)
- In recent years, have chipped away at deficit with small levy (which uses tax-cap capacity)
- Not individually flagged in ACFR because it is part of the overall “5 majors” fund balance
- If there is GG 5-majors “fund balance” clearing the deficit does not require “cash” (but can only be operationalized at next budget/tax levy)
- Because we have corrected accounting for recovered FEMA funds, BSSA deficit will be cleared next year





MUNICIPALITY OF

ANCHORAGE