

PROPOSAL TO PURCHASE THE 716 BLDG FROM ACDA

Economic Analysis of the Proposal

April 7, 2023

PROPOSAL TO PURCHASE THE 716 BLDG FROM ACDA

Economic Analysis of the Proposal

April 7, 2023

Executive Summary

The savings in today's dollars is \$4.3 million and the Municipality will own the 716 Bldg at the end of the lease in 25 years. Additionally, this proposed transaction eliminates a 15 year variable, annual expense that has no upper limit.

Details

The Municipality eliminates an expense of \$34.1 million over the next 15 years.

This expense is replaced with an expense of \$33.8 million over the next 25 years.

The 25 year nominal savings is \$274,000

Recommendation

***The purchase of the 716 Building from ACDA
is in the best interests of the taxpayers.***

ACDA's Fixed Payment to KeyBank

1	2	3
		Payment Amount
Year 1	Actual	1,228,473
Year 2	Actual	1,228,473
Year 3	Actual	1,228,473
Year 4	Actual	1,228,473
Year 5	Actual	1,228,473
Year 6	Actual	1,228,473
Year 7	Actual	1,228,473
Year 8	Actual	1,228,473
Year 9	Actual	1,228,473
Year 10	Actual	1,228,473
Year 11	Actual	1,228,473
Year 12	Actual	1,228,473
Year 13	Actual	1,228,473
Year 14	Actual	1,228,473
Year 15	Actual	1,228,473
Year 16	Actual	1,228,473
Year 17	Actual	1,228,473
Year 18	Actual	1,228,473
Year 19	Actual	1,228,473
Year 20	Actual	1,228,473

Municipality's Variable Payment to ACDA

1	2	3	4
		CPI-U Anchorage	Payment Amount
Year 1	Actual	NA	1,587,900
Year 2	Actual	2.60%	1,629,180
Year 3	Actual	1.30%	1,650,360
Year 4	Actual	3.40%	1,706,472
Year 5	Actual	8.40%	1,849,824
Year 6	Forecast	3.93%	1,922,522
Year 7	Forecast	3.93%	1,998,077
Year 8	Forecast	3.93%	2,076,602
Year 9	Forecast	3.93%	2,158,212
Year 10	Forecast	3.93%	2,243,030
Year 11	Forecast	1.00%	2,265,460
Year 12	Forecast	1.00%	2,288,115
Year 13	Forecast	1.00%	2,310,996
Year 14	Forecast	1.00%	2,334,106
Year 15	Forecast	1.00%	2,357,447
Year 16	Forecast	1.00%	2,381,021
Year 17	Forecast	1.00%	2,404,832
Year 18	Forecast	1.00%	2,428,880
Year 19	Forecast	1.00%	2,453,169
Year 20	Forecast	1.00%	2,477,700

NOTES

Forecasted CPI-U in years 6 - 10 is based upon the average of the four increases in years 2019 - 2022
Years 11 - 20 assumes inflation is 1% per year

Summary of Excess Amount Paid by the Municipality to ACDA

1	2	3	4	5
		APD (MOA) Annual Payment to ACDA	ACDA Lease Lease Back Annual Payment to KeyBank	Annual Excess Paid to ACDA by MOA
Year 1	Actual	1,587,900	1,228,473	359,427
Year 2	Actual	1,629,180	1,228,473	400,707
Year 3	Actual	1,650,360	1,228,473	421,887
Year 4	Actual	1,706,472	1,228,473	477,999
Year 5	Actual	1,849,824	1,228,473	621,351
Year 6	Forecast	1,922,522	1,228,473	694,049
Year 7	Forecast	1,998,077	1,228,473	769,604
Year 8	Forecast	2,076,602	1,228,473	848,129
Year 9	Forecast	2,158,212	1,228,473	929,739
Year 10	Forecast	2,243,030	1,228,473	1,014,557
Year 11	Forecast	2,265,460	1,228,473	1,036,987
Year 12	Forecast	2,288,115	1,228,473	1,059,642
Year 13	Forecast	2,310,996	1,228,473	1,082,523
Year 14	Forecast	2,334,106	1,228,473	1,105,633
Year 15	Forecast	2,357,447	1,228,473	1,128,974
Year 16	Forecast	2,381,021	1,228,473	1,152,548
Year 17	Forecast	2,404,832	1,228,473	1,176,359
Year 18	Forecast	2,428,880	1,228,473	1,200,407
Year 19	Forecast	2,453,169	1,228,473	1,224,696
Year 20	Forecast	2,477,700	1,228,473	1,249,227
	Total	42,523,904	24,569,460	
Years 1 - 10	First Ten Years		2019 - 2028	6,537,449
Years 11 - 20	Second Ten Years		2029 - 2038	11,416,995
Years 1 - 20	Twenty Years		2019 - 2038	17,954,444

SUMMARY OF PROPOSED TRANSACTION

1	2	3	4	5	6
		Payments Begin October 23	CPI-U	APD (MOA) Annual Payment to ACDA	ACDA Lease Lease Back Annual Payment to KeyBank
History	Actual	2018	NA	1,587,900	1,228,473
History	Actual	2019	2.60%	1,629,180	1,228,473
History	Actual	2020	1.30%	1,650,360	1,228,473
History	Actual	2021	3.40%	1,706,472	1,228,473
History	Actual	2022	8.40%	1,849,824	1,228,473

Proposal: Replace Column 5 with Column 6

				5	6
				MOA's Current Payment Forecast	MOA's Proposed Payment Forecast
Year 1 Forecast	2023	3.93%		1,922,522	1,353,058
Year 2 Forecast	2024	3.93%		1,998,077	1,353,058
Year 3 Forecast	2025	3.93%		2,076,602	1,353,058
Year 4 Forecast	2026	3.93%		2,158,212	1,353,058
Year 5 Forecast	2027	3.93%		2,243,030	1,353,058
Year 6 Forecast	2028	1.00%		2,265,460	1,353,058
Year 7 Forecast	2029	1.00%		2,288,115	1,353,058
Year 8 Forecast	2030	1.00%		2,310,996	1,353,058
Year 9 Forecast	2031	1.00%		2,334,106	1,353,058
Year 10 Forecast	2032	1.00%		2,357,447	1,353,058
Year 11 Forecast	2033	1.00%		2,381,021	1,353,058
Year 12 Forecast	2034	1.00%		2,404,832	1,353,058
Year 13 Forecast	2035	1.00%		2,428,880	1,353,058
Year 14 Forecast	2036	1.00%		2,453,169	1,353,058
Year 15 Forecast	2037	1.00%		2,477,700	1,353,058
Year 16 Forecast	2038	NA		0	1,353,058
Year 17 Forecast	2039	NA		0	1,353,058
Year 18 Forecast	2040	NA		0	1,353,058
Year 19 Forecast	2041	NA		0	1,353,058
Year 20 Forecast	2042	NA		0	1,353,058
Year 21 Forecast	2043	NA		0	1,353,058
Year 22 Forecast	2044	NA		0	1,353,058
Year 23 Forecast	2045	NA		0	1,353,058
Year 24 Forecast	2046	NA		0	1,353,058
Year 25 Forecast	2047	NA		0	1,353,058
				34,100,168	33,826,447

NOTES

Proposed Transaction Closes on October 23, 2023

Current Lease between the Municipality and ACDA ends August 1, 2038

SUMMARY OF PROPOSED TRANSACTION

1	2	3	4	5	6	7
		Payments Begin October 23	CPI-U	APD (MOA) Annual Payment to ACDA	ACDA Lease Lease Back Annual Payment to KeyBank	TAXPAYER / MOA SAVINGS
	Actual	2018	NA	1,587,900	1,228,473	NA
	Actual	2019	2.60%	1,629,180	1,228,473	NA
	Actual	2020	1.30%	1,650,360	1,228,473	NA
	Actual	2021	3.40%	1,706,472	1,228,473	NA
	Actual	2022	8.40%	1,849,824	1,228,473	NA
				MOA's Current Payment <u>Forecast</u>	MOA's Proposed Payment <u>Forecast</u>	0
	Year 1 Forecast	2023	3.93%	1,922,522	1,353,058	569,464
	Year 2 Forecast	2024	3.93%	1,998,077	1,353,058	645,019
	Year 3 Forecast	2025	3.93%	2,076,602	1,353,058	723,544
	Year 4 Forecast	2026	3.93%	2,158,212	1,353,058	805,154
	Year 5 Forecast	2027	3.93%	2,243,030	1,353,058	889,972
	Year 6 Forecast	2028	1.00%	2,265,460	1,353,058	912,402
	Year 7 Forecast	2029	1.00%	2,288,115	1,353,058	935,057
	Year 8 Forecast	2030	1.00%	2,310,996	1,353,058	957,938
	Year 9 Forecast	2031	1.00%	2,334,106	1,353,058	981,048
	Year 10 Forecast	2032	1.00%	2,357,447	1,353,058	1,004,389
	Year 11 Forecast	2033	1.00%	2,381,021	1,353,058	1,027,963
	Year 12 Forecast	2034	1.00%	2,404,832	1,353,058	1,051,774
	Year 13 Forecast	2035	1.00%	2,428,880	1,353,058	1,075,822
	Year 14 Forecast	2036	1.00%	2,453,169	1,353,058	1,100,111
	Year 15 Forecast	2037	1.00%	2,477,700	1,353,058	1,124,643
	Year 16 Forecast	2038	NA	0	1,353,058	-1,353,058
	Year 17 Forecast	2039	NA	0	1,353,058	-1,353,058
	Year 18 Forecast	2040	NA	0	1,353,058	-1,353,058
	Year 19 Forecast	2041	NA	0	1,353,058	-1,353,058
	Year 20 Forecast	2042	NA	0	1,353,058	-1,353,058
	Year 21 Forecast	2043	NA	0	1,353,058	-1,353,058
	Year 22 Forecast	2044	NA	0	1,353,058	-1,353,058
	Year 23 Forecast	2045	NA	0	1,353,058	-1,353,058
	Year 24 Forecast	2046	NA	0	1,353,058	-1,353,058
	Year 25 Forecast	2047	NA	0	1,353,058	-1,353,058
				First 15 Year Nominal Savings		13,804,300
				25 Year Nominal Savings		273,722

NOTES

Proposed Transaction Closes on October 23, 2023

Current Lease between the Municipality and ACDA ends August 1, 2038

Summary of Lease Payments by the Municipality to ACDA

1	2	3	4	5	6	7	8	9
		Payments Begin October 23	CPI-U	APD (MOA) Monthly Payment to ACDA	APD (MOA) Annual Payment to ACDA	ACDA Lease Lease Back Annual Payment to KeyBank	Annual Excess Paid to ACDA by MOA	Year Ending October 22
Year 1	Actual	2018	NA	132,325	1,587,900	1,228,473	359,427	2019
Year 2	Actual	2019	2.60%	135,765	1,629,180	1,228,473	400,707	2020
Year 3	Actual	2020	1.30%	137,530	1,650,360	1,228,473	421,887	2021
Year 4	Actual	2021	3.40%	142,206	1,706,472	1,228,473	477,999	2022
Year 5	Actual	2022	8.40%	154,152	1,849,824	1,228,473	621,351	2023
Year 6	Forecast	2023	3.93%	160,210	1,922,522	1,228,473	694,049	2024
Year 7	Forecast	2024	3.93%	166,506	1,998,077	1,228,473	769,604	2025
Year 8	Forecast	2025	3.93%	173,050	2,076,602	1,228,473	848,129	2026
Year 9	Forecast	2026	3.93%	179,851	2,158,212	1,228,473	929,739	2027
Year 10	Forecast	2027	3.93%	186,919	2,243,030	1,228,473	1,014,557	2028
Year 11	Forecast	2028	1.00%	188,788	2,265,460	1,228,473	1,036,987	2029
Year 12	Forecast	2029	1.00%	190,676	2,288,115	1,228,473	1,059,642	2030
Year 13	Forecast	2030	1.00%	192,583	2,310,996	1,228,473	1,082,523	2031
Year 14	Forecast	2031	1.00%	194,509	2,334,106	1,228,473	1,105,633	2032
Year 15	Forecast	2032	1.00%	196,454	2,357,447	1,228,473	1,128,974	2033
Year 16	Forecast	2033	1.00%	198,418	2,381,021	1,228,473	1,152,548	2034
Year 17	Forecast	2034	1.00%	200,403	2,404,832	1,228,473	1,176,359	2035
Year 18	Forecast	2035	1.00%	202,407	2,428,880	1,228,473	1,200,407	2036
Year 19	Forecast	2036	1.00%	204,431	2,453,169	1,228,473	1,224,696	2037
Year 20	Forecast	2037	1.00%	206,475	2,477,700	1,228,473	1,249,227	2038
Years 1 - 10					First Ten Years	2019 - 2028	6,537,449	
Years 11 - 20					Second Ten Years	2029 - 2038	11,416,995	
Years 1 - 20					Twenty Years	2019 - 2038	17,954,444	

NOTES

Forecasted CPI-U is based upon the four increases in years 2019 - 2022.

Years 11 - 20 assumes inflation is 1% per year.

