

Municipality of Anchorage

General Obligation

Rating Presentation to Rating Agencies

November 17, 2021



Agenda

Presentation Participants

- **Dave Bronson**, *Mayor of Anchorage*
- **Travis C. Frisk**, *Chief Fiscal Officer*
- **Ross Risvold**, *Public Finance and Investments Manager*
- **Jessie Wei**, *Municipal Debt Officer*
- **Steven Kantor**, *Masterson Advisors LLC, Municipal Advisor*
- **Kayla MacEwen**, *Masterson Advisors LLC, Municipal Advisor*

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Section 1

Administration Update

- **Newly elected Mayor – Mayor Dave Bronson**
 - Mayor Bronson was elected in May 2021
 - He was an active-duty Air Force Pilot from 1981-1990 and a US Air Force Reserves Plans Officer from 1992-1993.
 - Mayor Bronson was a commercial airline pilot from 1990-2020 while also maintaining a role as an Alaska ANG Maintenance Officer and Pilot from 1993-2005.
 - He earned a Bachelor of Science Degree in Agricultural Economics from the University of Wisconsin.
- **Newly appointed CFO – Travis C. Frisk**
 - Travis started his position on July 1, 2021
 - Travis has three decades of banking industry experience
 - He is a graduate of University of Alaska Anchorage with a BBA in Finance & Marketing with a minor in Economics
 - Travis is on the Board of Junior Achievement of Alaska where he has volunteered for twenty years
 - President of the Alaska Wolves Hockey Association where he has volunteered for eighteen years

Mayor Dave Bronson's Administrative Objectives

- Sustainable Government

- Creating a government that embraces personal responsibilities and strong private sector economic growth, as well as maintaining continued vigilance to ensure the health and safety of our residents.
- That means making sustainable cuts that do not affect core **services (police, fire, health, roads)**.

- Port of Alaska

- Replacing aging docks, broken pilings, and related infrastructure on the Port of Alaska.
- Improving resiliency to survive seismic events and Cook Inlet's harsh marine environment.
- This will prevent significant disruptions in the food supply chain.

- Stop significant price increases in all communities.

- Help Rural communities from significant impact.

- **To pay for this:** \$165 million bond from Municipality of Anchorage, \$250 million from the State of Alaska, \$750 million from the Federal Government

Section 2

Financial Performance Review

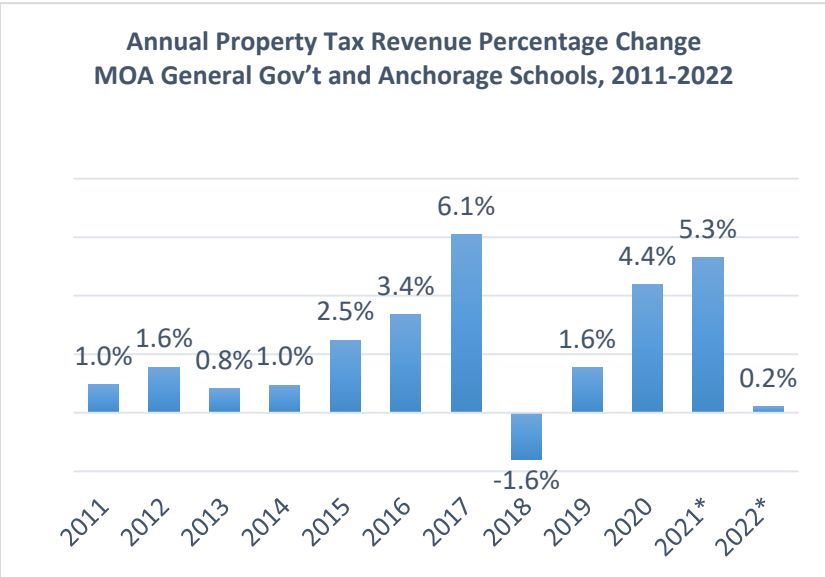
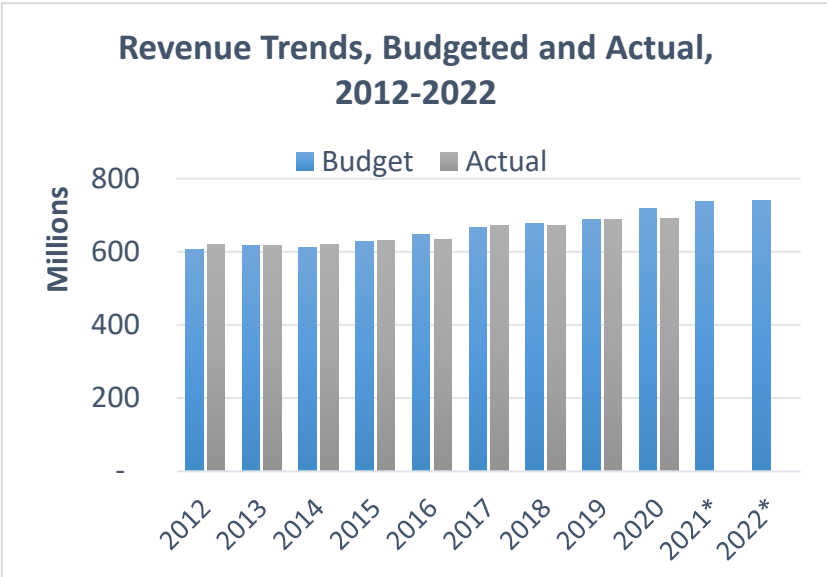
- Financial Position
 - Limited reliance on State and Federal revenue to fund local government

Revenue Sources						
	2017	2018	2019	2020	2021*	2022*
Local	98.38%	98.62%	98.91%	99.41%	99.36%	99.32%
State	1.50%	1.26%	1.00%	0.48%	0.61%	0.65%
Federal	0.12%	0.12%	0.09%	0.11%	0.03%	0.03%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Actual and Budgeted Revenue Distributions, Office of Management and Budget (OMB). This is the operating revenue distribution for the General Government and the Anchorage School District. Federal revenue excludes funding from CARES Act.*

- Recent Developments:
 - The sale of the Municipal Light and Power Utility to Chugach Electric Association Incorporated closed on October 30, 2020.
 - As a result of the sale of ML&P, the Municipality deposited \$229.6 million in the MOA Trust Fund, and retired \$513 million in debt.
- Key Financial Trends
- Additional Enhanced Non-GO Revenue Considerations
- Fund Balance
- State of Affairs in Alaska

Key Financial Trends



Source: Actuals from CAFR Required Supplementary Information;
*Preliminary and Budgeted from Treasury and Revised Budget Book

Source: Actual Tax Revenues from CAFR, MOA Controller;
*Budgeted Revenue from MOA Office of Management and Budget.

- Accurate revenue forecasts enable improved expenditure management.
- Demonstrated willingness to increase taxes, while keeping increases reasonable.
- 2020 pro-forma revenues varied slightly negative from budget by approximately 3.8%.

- In 2020 property taxes collected had a variance from budget by -0.18%.
- The 2021 proforma Real Property taxes are expected to meet budget, and Personal Property taxes are expected to have a negative variance of \$2 million (a variance of -3.9%)



The Administration is maintaining fees and rates at least equal to the cost of living.

- Anchorage Water (AWU) and Wastewater (ASU), collectively known as AWWU:
 - On December 29, 2020, AWWU filed with the Regulatory Commission of Alaska (RCA) proposed rate increases of 2% for AWU and 8% for ASU. The RCA approved these as interim and refundable rates and went into effect April 1, 2021.
 - We anticipate that we will file for another rate increase by November 15, 2021. If approved by the RCA these new rates are anticipated to go into effect January 1, 2022.
- Port of Alaska (POA):
 - The current tariff structure is a ten (10) year rate plan and included a 3.5% increase in 2020, 3.9% increase in 2021, and 3.01% increases in 2022-2029 on all services with the exception of Petroleum and Cement. The current tariff rates for Petroleum and Cement reflect an increase of 23.81% in 2020, 24.24% in 2021, and 12.95% increases in 2022-2026, an 8.65% increase in 2027 and 5.64% increase in 2028-2029. The rates for Petroleum and Cement, in combination with the rate increases on all other tariff services, will provide sufficient debt service coverage of outstanding and proposed debt.
 - Annual increases for the Preferential User Agreements (cargo/container carriers) were approximately 2% on all services in 2021 including dockage, wharfage and land leases. Rates for 2022 are scheduled to be a 3.05% annual increase on 2021 rates for years 2022 through 2025 with carriers working under a five-year agreements with rates to meet required debt service coverage.

Sources: Anchorage Water and Wastewater Utility, Port of Alaska

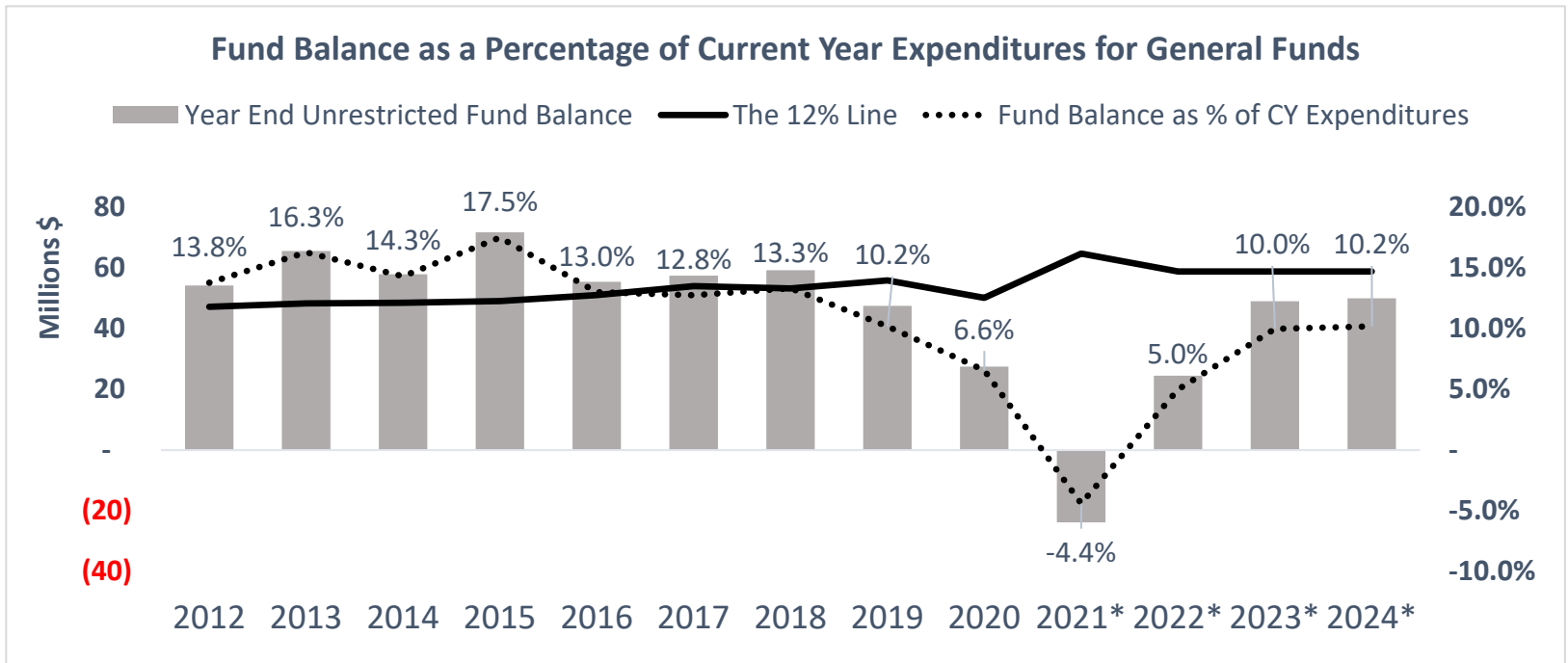
The Administration is maintaining fees and rates at least equal to the cost of living (continued)

- Anchorage Community Development Corporation (ACDA):
 - Parking revenue rates are under review for 2022. It is expected that if rates were to increase those increases would occur 3rd quarter of 2022. Additional revenue identified will be the following: Meter Hoods \$15,000-\$20,000/month; Garage Monthly Permits \$7,000-\$10,000/month; Street Meters \$13,000-\$20,000; Citation Ticket Fees \$15,000-\$25,000/month
 - EasyPark has converted their 3 parking garages lighting infrastructure to LED. This project should result in as much as a 25% energy reduction or overall savings of \$537,302 in a period of 10 years.
 - Lease revenue for 2022 will receive additional yearly revenue from a new tenant at \$17,262 as well as an increased revenue at the 716 W 4th Property at \$36,567. It is also expected that all leases for 2023 will see an increase of 2-5% bringing an additional yearly income of \$40,568-\$101,420.
- Merrill Field (MRI):
 - Using innovation through property development of the MOA Sim Center and an aerospace innovation center to increase airport revenue and forestall any lease rate increases for the next 2 years.
 - In process to prepare AM/AR for assembly approval of a change in transient aircraft parking from \$6 per day for any period greater than 6 hours to \$10 per day with NO free parking.
 - Increasing monthly electric bill from \$15 per month to new rate based on based on tie down spaces divided by total electric bill (to be calculated prior to submission).
- Solid Waste Services (SWS):
 - On January 1, 2021, Disposal rates at Central Transfer Station (CTS) increased 6.25% from \$74.38 to \$79.02 per ton, and Refuse Collection rates increased 5.0% from \$29.00 to \$30.45 per month for 64-Gallon Residential Roll Carts, and \$138 to \$145 per month for 3-Yard commercial dumpster.
 - Effective January 1, 2022, Disposal rates at Central Transfer Station (CTS) will increase 6.25% from \$79.02 to \$83.96 per ton, and Refuse Collection rates will increase 5.0% from \$30.45 to \$31.97 per month for 64-Gallon Residential Roll Carts, and \$145 to \$152 per month for 3-Yard commercial dumpster with weekly pick-up.

Sources: ACDA, Merrill Field, and Solid Waste Services

Fund Balance

- 2012 – 2024 Actual and Forecasted Fund Balances:
 - Current Bond Rating Designation: 10% for the Five Majors; 8.25% for the Non-Majors
 - Current Working Capital Reserve: 2% for the Five Majors; 2.5%-20% for the Non-Majors
 - Projected 2021 fund balance deficit due to delayed COVID and Earthquake FEMA reimbursements
 - The Unrestricted Fund Balance, as defined by AR 2015-84, is the 10% Bond Rating (Committed) plus Total Unassigned amounts reported in the MOA CAFR Note 15



*Forecasted amounts include sustainable cuts to expenditures. Historical actuals come from the MOA CAFR Annual Reports.



State of Affairs in Alaska

- Alaska's Downturn has had a limited impact on Anchorage:
 - Anchorage revenue is generally insulated from large volatility in oil prices:
 - The price of oil peaked at \$145 per barrel in July 2008.
 - The price of oil fell to a low of \$18.84 per barrel on April 20, 2020 but has steadily increased since.
 - The price of oil was \$80.56 per barrel as of November 16, 2021.

Crude Oil Prices - 30 Year Historical Chart
(October 1991 – November 2021)



Source: *Macrotrends.net*

- Anchorage School District
 - For ASD FY ending June 30, 2022, currently 36% (or \$12 million) of debt reimbursement has been approved. This represents \$20.4 million of shortfall for current fiscal year. However, the State legislature is currently in its fourth special session where a reverse sweep will be addressed to provide additional funding. If approved, ASD debt reimbursement could increase.
 - In the Fiscal Year (FY) ending June 30, 2021, all the eligible ASD debt reimbursement was approved by the State Legislature, but then 100% of it was subsequently vetoed by the Governor. This resulted in \$39.7 million of shortfalls that then had to be covered with local tax dollars. This added a tax levy of \$114.85 per \$100,000 of Areawide assessment value to Anchorage taxpayers.
 - Superintendent Deena Bishop announced retirement for June 2022.
- Governor Dunleavy's fiscal priorities for year ending June 30, 2022 are:
 - Protects education funding.
 - Funds the largest capital budget in seven years, creating jobs, infrastructure and economic opportunity
 - Preserves general fund dollars by asking local governments, school districts and other entities use the millions in federal relief funds they already have.
 - The total FY 22 operating budget is \$4.0 billion, a reduction of \$450 million, or a 10% reduction from the FY 21 budget.
- November 30, 2018 Earthquake Impact:
 - MOA General Government has spent approximately \$19.8 million as of November 4, 2021 with the anticipation of reimbursement from FEMA and FHA.
 - MOA started receiving FEMA reimbursements in January 2020, and from inception has received a total of \$6.5 million as of November 5, 2021.

School Debt Reimbursement

- Summary of recent events regarding school debt reimbursement.
 - The state’s foundation formula, based on student enrollment, was designed to support operational expenses, excluding capital improvements and major maintenance projects. The state developed assistance programs to support the 54 Local Education Authorities (LEAs, or districts) which consists of bond debt reimbursement to cities/boroughs with taxable authority, and a capital grants program for rural districts with no taxable authority. The bond debt reimbursement provided between 60% - 70% of reimbursement for bond sales on approved capital projects. This program worked well for over a decade until the legislature, in 2014, placed a moratorium on state bond debt assistance for any bonds approved by voters after January 1st, 2015. The moratorium reduced state assistance from January, 2015 through June 30th, 2020. In the spring of 2020 the legislature passed another moratorium which extended the absence of state support through June 30th, 2025. By statute, the school districts would continue to receive state bond debt assistance for all bonds passed prior to January 1st, 2015.
 - In 2019 the Governor vetoed 50% of state bond debt reimbursement for Fiscal Year 2020. This shifted a \$20.5 million responsibility from the state to the Municipality of Anchorage.
 - In 2020 the Governor vetoed 100% of state bond debt reimbursement for Fiscal Year 2021. This shifted a \$37.8 million responsibility from the state to the Municipality of Anchorage.
 - In 2021 the legislature reduced state bond debt reimbursement, for Fiscal Year 2022, by just over 60%. This shifted a \$20.4 million responsibility from the state to the Municipality of Anchorage.
 - During each of the three years that the state reduced bond debt reimbursement, for bonds approved prior to January 1st, 2015, the decisions to reduce bond debt reimbursement occurred after the District had finalized their budget for the following fiscal year. For this reason, the Municipality of Anchorage increased tax rates the following year, and the District used their investment pool cash flow to pay the shortfall during the fiscal year in which it occurred.
- What is ASD anticipating doing in the future regarding this sensitive and critical issue?
 - The price of oil is over \$20 per barrel higher than it was when the state’s revenue forecasts, and budget, were approved for this fiscal year. ASD plans to acknowledge that this will provide the state with additional revenue during fiscal year 2022. ASD senior staff will lobby the legislature to utilize a portion of this additional revenue to cover reduced state support.
 - ASD also plans to work with the Municipality’s Mayor and his staff in order to develop a cohesive front in which to convince legislators that shifting costs from the state to the Municipality directly impact property owners who are also continuing to recover from the Covid-19 pandemic.

Section 3

Economic Review

2021 & 2022 Revenue and Expenditure Considerations

Section 3

- The Administration is considering additional sources of revenue and means of expense mitigation:
 - Continued shared services with the Anchorage School District (ASD), the State of Alaska (SOA) and JBER to generate revenue and/or reduce costs.
 - Continued use of the Master Lease program to fund a new school bus acquisition program for 2021 and 2022.
 - The Vera Care Center program focusing on prevention, health coaching, and overall wellbeing for employees continues to have a positive impact on the MOA Health Plan. There is no increase to the MOA Health Plan in 2022.
 - Alcohol Beverages Retail Sales Tax total collected as of 9/30/2021 \$8.4 million.
- The 2021 Budget includes:
 - New and expanded revenues:
 - Projected:
 - The Room Tax budget is \$24.1 million for 2022, compared to the \$23.9 million projected year-end actuals for 2021. August 2021 Room Tax returns received from seventeen of the largest hotels in Anchorage indicate that August was stronger than July or Q2 2021, compared to prior year periods, and therefore, for 2021 year end, a positive variance from budget of \$2 million is projected.
 - Q3 2021 room tax collection was \$11.3 million which was a 169% from Q3 room tax collection in 2020.
 - The 2021 year end MOA Trust Fund Contribution is \$18.8 million and has already been made.

Source: Municipality of Anchorage, Office of the Mayor and Treasury 16

Economic Strength and Self-Sufficiency

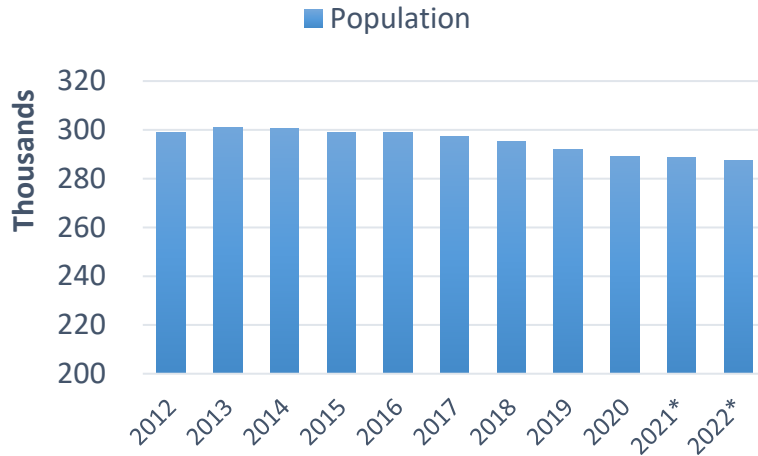
Section 3

- Management and Governance:
 - Strong political leadership and vision.
 - Experienced management team with history of solving issues as they arise.
- Local Economy and Tax Base:
 - Anchorage is a headquarter city for most Native Regional Corporations and Native Village Corporations.
 - MOA revenue base remains independent from SOA problems related to the price of oil.
 - Anchorage Unemployment, based on first time and ongoing claims, in 2021 was 4.8% in August, down from 10.0% in 2020.
- Significantly improving long-term economic outlook:
 - Oil and gas investment is challenged, with exploration and development work on the North Slope in limbo due to COVID-19 Impacts. Key decisions have been delayed by Oil Search and ConocoPhillips by as much as 2 to 3 years that could have led to several billion dollars in new development investments over the next five years. Statewide, this sector lost over 3,300 jobs since 2019 thru August 2021, with a loss of 800 jobs in Anchorage since the end of 2019 thru August 2021.
 - In 2020, Anchorage experienced 12,400 less jobs than in 2019, but is expected to create 4,000 new jobs in 2021 and a projected 8,000 additional jobs by 2024⁽¹⁾.
 - Health care (Anchorage's largest private employment sector) on average employed approximately 20,100 people in 2020, and is expected this sector will add 200 jobs in 2021.
 - Commercial construction contracted in 2020, but was offset by government and residential construction. This sector lost 600 jobs in 2020 and is expected to add 300 jobs in 2021.
 - Anchorage International Airport is ranked the 4th busiest hub for air cargo in the world. Air passenger volumes dropped by as much 60% in 2020, though international cargo has been up as much as 15% in volume during the same period. While the transportation sector lost 900 jobs in 2020, 600 jobs are anticipated to be added in 2021.
 - The assessed value of residential property was up substantially for the tax year 2021. The average assessed value of a single-family home increased 2.1% to \$368,560. The number of single-family sales in 2020 was 3,230, an 11.2% increase from the prior year.
 - Mortgage foreclosure rates in Anchorage remain low at an average of 35 for the first three quarters in 2020⁽²⁾.

Economic Indicators – Population & Employment

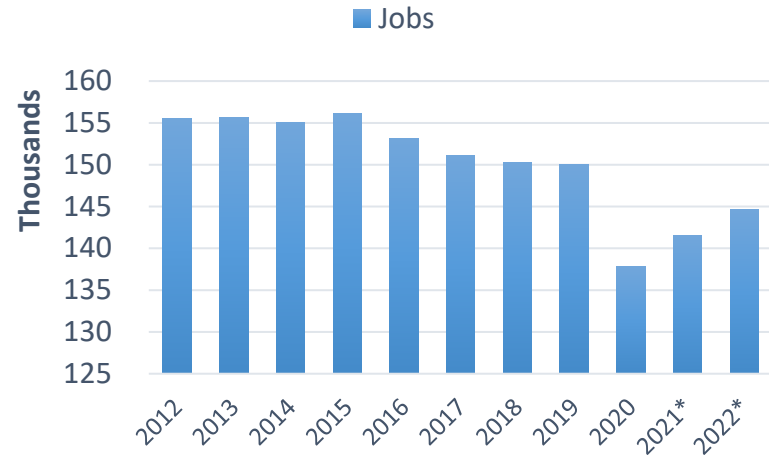
Section 3

Anchorage Population, 2012-2022



Sources: CAFR Table 18 for 2011-2020 Actuals; AEDC 3-Year Outlook Report for 2021 and 2022 Projected*

Anchorage Employment, 2012-2022



Source: AEDC 2021 Economic Forecast Actuals and Projected*

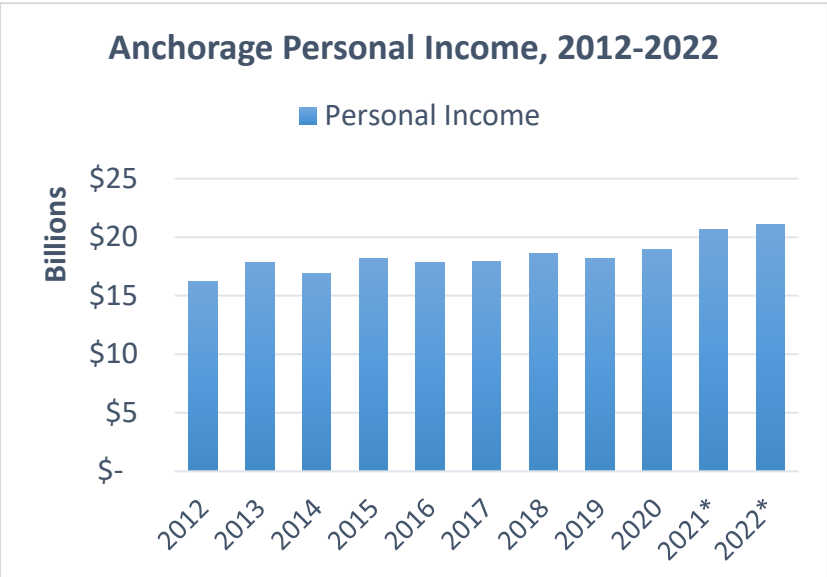
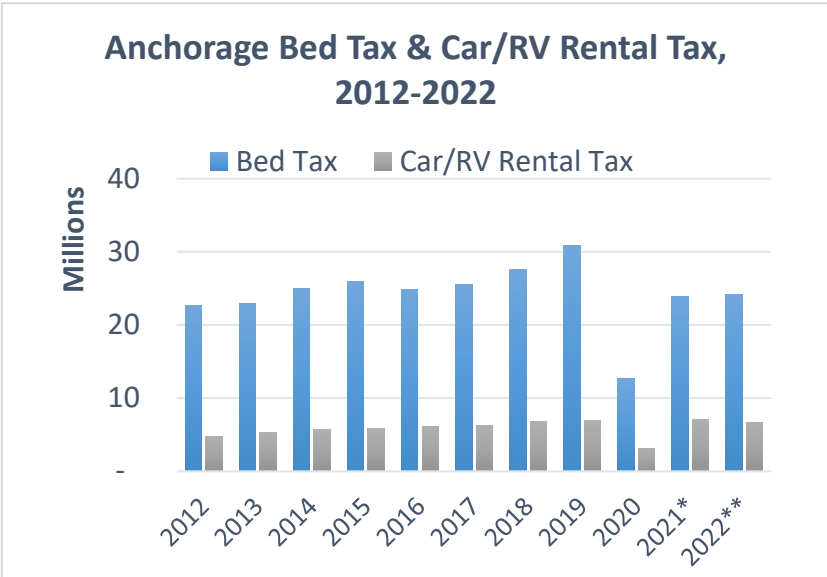
- Current Anchorage population levels in 2020 are down 12,300 people (4.1%) than the peak observed in 2013. Factors contributing to this include the 2016-2019 recession in Alaska, the pandemic, and new trends in the labor market nationally that are influencing net out migration to the lower 48 states.
- Anchorage population is expected to decline in 2021 by about 500 residents (0.2%) with further declines in the next 3 years.
- While Anchorage lost 12,400 jobs in 2020, trends show that growth in the health care, visitor industry, transportation, oil & gas, and professional services sectors, are anticipated to create 4,000 net new jobs in 2021.

Annual Unemployment Rate*

	2016	2017	2018	2019	2020	2021*
U.S.	4.9%	4.4%	3.9%	3.7%	8.1%	5.8%
Alaska	6.6	6.5	5.9	5.4	7.8	5.1
Anchorage	5.3	5.4	5.0	4.4	7.4	4.8

Source: Department of Labor and Workforce Development and the Bureau of Labor Statistics, Not Seasonally Adjusted, Annual Averages
2021* is as of August 2021.





Sources: CAFR for 2011-2020 Actuals; 2021* Preliminary from Treasury’s revenue projections; and 2022** from Approved Budget Book.

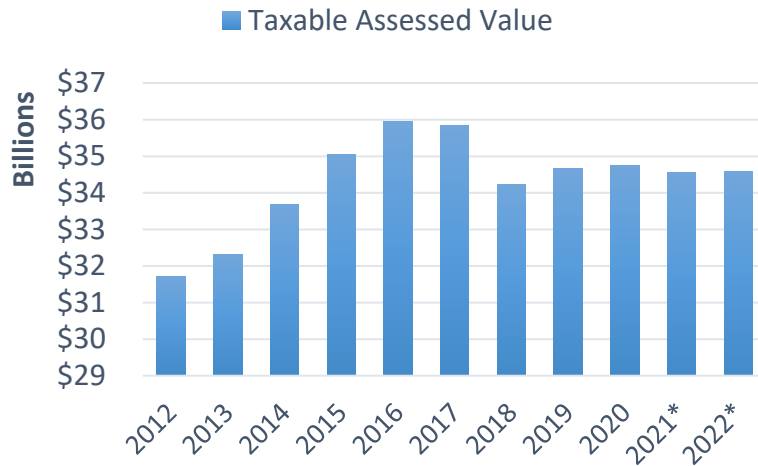
Sources: CAFR for 2011-2020 Actuals; AEDC 3-Year Outlook Report for 2021-2022 Projected*

- Anchorage saw a rebound in outside visitation in 2021, particularly in the summer months. Through the first 3 quarters of 2021, Anchorage hotel room demand is up 47% year over year, and hotel gross revenue increased 109% from 2020. Room tax collections through Q2 increased 89% compared to the same period in 2020. This performance is still shy of 2019 benchmarks.
- Room tax for 2022 is anticipated to continue its recovery toward pre-pandemic levels, dependent on global and national developments relating to COVID-19. (Source: Visit Anchorage)

- In 2021, actual personal income was \$20.7 billion which is a 9.2% increase from 2020 when personal income was \$18.9 billion.
- AEDC expects personal income to total approximately \$21.1 billion in 2022, a 1.93% increase from 2021.



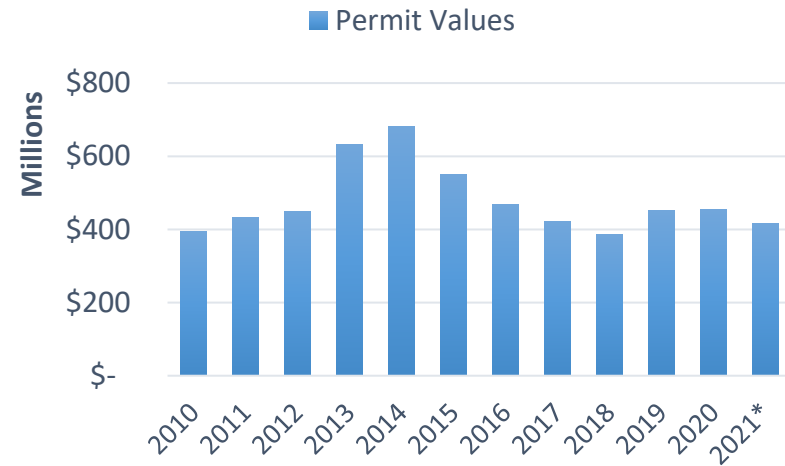
Historical Taxable Assessed Value



Sources: CAFR for 2011-2020 Actuals; Municipal Property Appraisal for 2021 Preliminary and 2022 Projected*

- The current projected 2021 Taxable Assessed Value is \$34.5 billion
- Net Debt Per Capita ⁽¹⁾⁽²⁾
 - 2018 - \$2,962
 - 2019 - \$2,900
 - 2020 - \$3,017
 - 2021 - \$2,988 (as of June 30)

Building Permit Values



Source: Permit Activity Reports, MOA Property Appraisal; 2021* Projected year end.

- The pandemic has continued to impact Anchorage construction activity through 2021 with high building material prices proving to be challenging for developers and contractors.
- For 2021 total building permit values are expected to be below 2020. Over the next several years, building permit values are expected to remain around \$415 million as inflation absorbs some impacts of lower levels of construction activity.
- The value of commercial and residential construction in Anchorage is expected to remain flat at current levels in 2022. Similar to the rest of the nation, supply chain disruptions and labor shortages are holding down construction activity despite low interest rates.

(1) Includes both Municipality of Anchorage General Purpose and School Debt, and does not include State's reimbursement for School Debt nor any Build America Bond subsidies

(2) Source: Municipality of Anchorage, Public Finance and Investments calculations from CAFR; 2021 is based on preliminary population estimates

Top 10 Largest Property Taxpayers

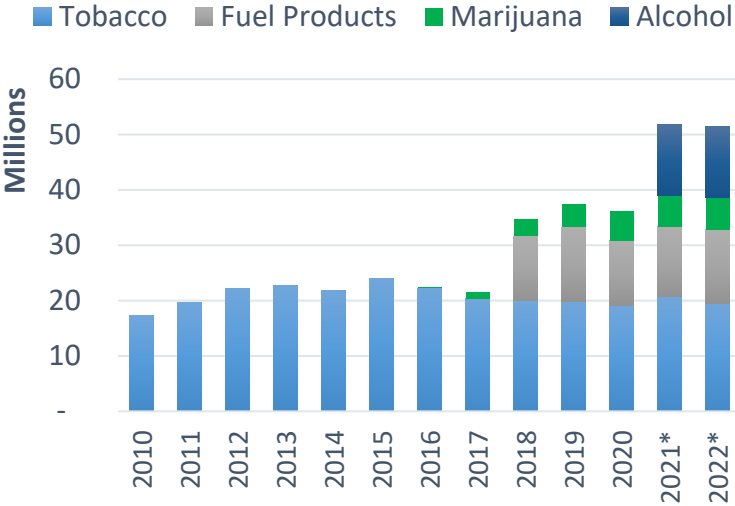
The Municipality has a diversified property tax base, with the top 10 largest taxpayers making up only 3.37% of the total assessed valuation.

Taxpayer	Type of Business	2020 Assessed Valuation*	Percentage of Total Assessed Valuation
GCI Communication Corp.	Communications	\$ 181,070,826	0.52%
Galen Hospital Alaska Inc.	Health Care	145,364,216	0.42
Calais Co. Inc.	Real Estate	139,272,100	0.40
Fred Meyer Stores Inc.	Retail	130,666,459	0.38
ACS of Anchorage Inc.	Communications	115,620,871	0.33
700 G Street LLC	Real Estate	96,913,800	0.28
Hickel Investment Co.	Real Estate	92,231,628	0.27
Sisters of Providence	Health Care	89,840,194	0.26
Alaska Airlines Inc	Transportation	88,936,160	0.26
North Anchorage Real Estate	Real Estate	87,051,100	0.25
Total		\$ 1,166,967,354	3.37%

* Source: 2020 Audited CAFR, Table 11

- Marijuana and Fuel Excise taxes are shown to have been a good diversifying source of revenue.
- The 5% Alcohol Beverages Retail Sales Tax above the tax cap went into effect on February 1, 2021 is projected to generate 12.8 million by year end, which represents a positive variance of \$1 million from budget for 2021.

Tobacco, Fuel Products, Marijuana, and Alcohol Taxes



Sources: CAFR for 2010-2020 Actuals; Treasury Division for 2021* Projected; 2022* Proposed Budget

Sources: ⁽¹⁾Visit Anchorage; ⁽²⁾ Municipality of Anchorage, Treasury Division **22**



Energy Efficiency Across Anchorage's Facilities

The most effective way to see energy savings and emissions reductions across the municipality's 10 million square feet of facilities is through energy efficiency improvements. Using the main M&O headquarters as a laboratory, Anchorage's M&O team has developed energy efficiency expertise and established best practices for the Municipality's operations.

Key Improvements:

- Increase R-value of roof from R-12 to R-50
- Convert lighting from old-style incandescent to LED and installed motion sensors
- Upgrade to 98% efficient condensing boiler to replace system that maintained 180 degree water year-round
- Replace three hot water tanks to one tankless, on-demand system
- Installation of rooftop solar panels started in July 2021

Warehouse #1 (Maintenance & Operations main building) Savings Highlights:

- Monthly electricity usage generally is 30 – 50% lower than 2014 levels
- April 2014 7,840 kWh usage is greater than April 2020 3,840 kWh usage
 - A savings of 4,000 kWh usage: 51% savings
- Electricity cost as of December 2020 for 4,000 kWh: \$664.80
- 2020 Savings relative to 2014 (~23,000 kWh), a \$3,822 savings at current rates

Section 4

COVID-19 Update

COVID-19 Expenditures

FEMA Summary for COVID (000)					
Total Interfund Loans Authorized	Total Expenditures	Total Reimbursement	Total Work in Process (Submitted)	Total FEMA Obligations	Potentially at Risk
\$103,664	\$85,014	\$27,424	\$18,778	\$31,816	\$53,198

- The Municipality has \$18.7 million of reimbursements submitted to the State of Alaska and FEMA.
- Year-to-date FEMA reimbursements for COVID-19 response is \$25.1 million.
- The anticipated At-Risk amount (possibly not eligible for reimbursement by FEMA) is \$53.2 million. (Total Expenditures – Total FEMA Obligation = Potentially At-Risk Dollars)
- The Municipality’s COVID-19 response and expenditures are major factors in the fund balance calculation.
 - We continue to aggressively seek reimbursement from FEMA for these expenditures.
 - Since taking office we have been able to cut the lead time in the reimbursement process from FEMA by implementing internal strategies to expedite the process.

Source: COVID Interfund Loans Summary as of September 30, 2021; Finance Department.

- Hotel / Motel Tax Revenues
 - Year-end annual revenue is expected to be \$23.9 million for 2021 which is a 89.1% increase from 2020 revenues, representing an anticipated rebound of the industry.
 - The 2022 hotel/motel tax revenues are projected to \$24.1 million, a 10.0% increase from 2021 budget.
 - Monthly hotel demand in September nearly matched 2019 levels, an encouraging sign in a month that usually marks a seasonal shift in visitation and rates as summer winds down. *(Source: Visit Anchorage)*

Actual and Projected Hotel / Motel Tax Revenues (\$M)					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total
2016	\$3.8	\$7.3	\$10.3	\$3.6	\$25.0
2017	\$3.7	\$7.7	\$10.8	\$3.9	\$26.0
2018	\$3.9	\$8.0	\$11.7	\$4.4	\$27.8
2019	\$4.6	\$9.6	\$12.7	\$4.3	\$31.2
2020	\$3.9	\$2.7	\$4.2	\$2.5	\$13.1
2021	\$3.8	\$8.4	\$11.3		

Actual and Projected Hotel / Motel Tax Revenues (\$M) and Percent Change in Total Tax Revenues From Previous Year		
	Total Tax Revenue	Percentage Change
2016	\$25.0	-4.4%
2017	\$26.0	3.1%
2018	\$27.8	7.9%
2019	\$31.2	11.6%
2020	\$13.1	-59.0%
2021*	\$23.9	89.1%
2022*	\$24.1	0.8%

*Projected amount

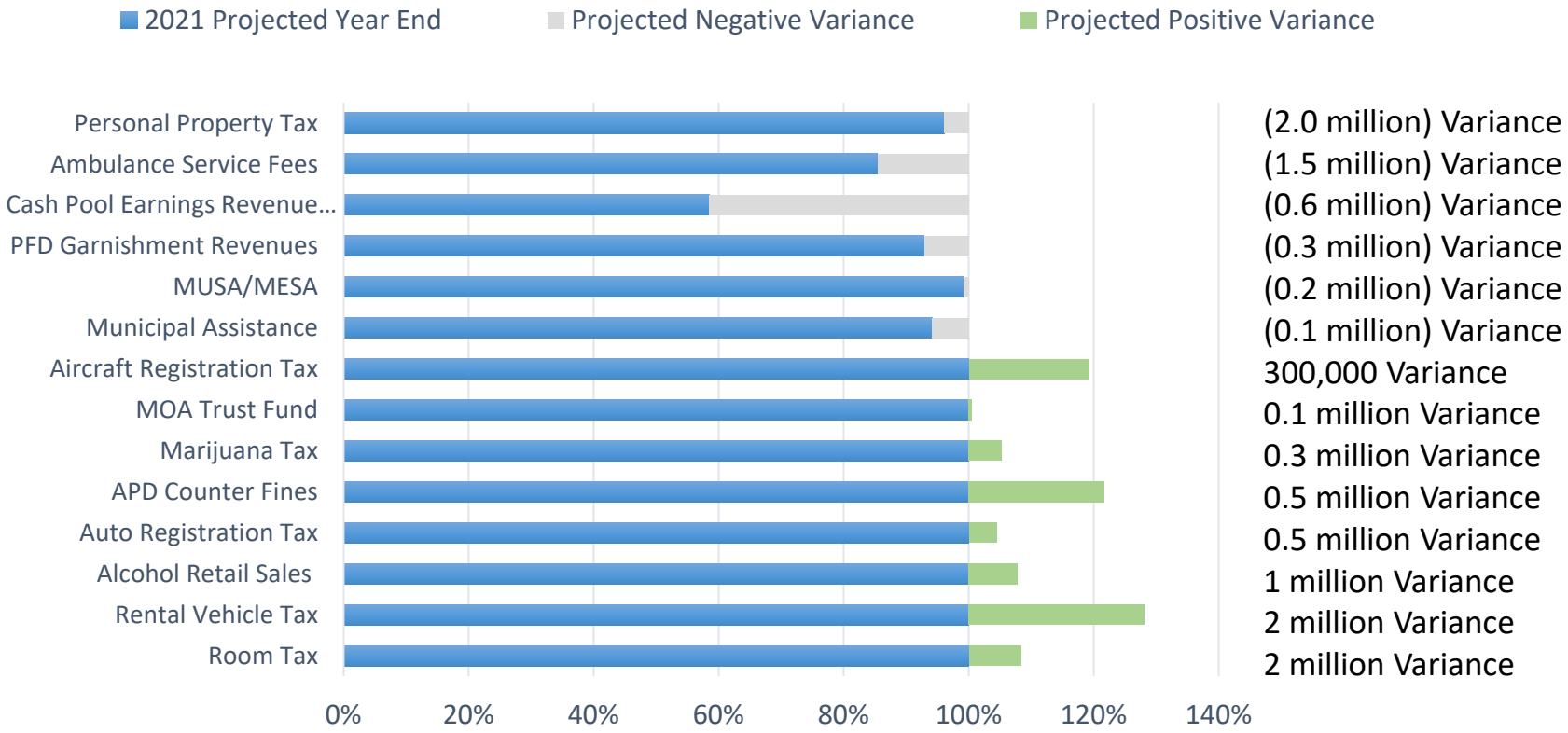
Source: Municipality of Anchorage, Treasury Division 26
 Source: Visit Anchorage



- The budgeted Rental Vehicle Tax revenues for 2021: \$5.1 million.
- There is a projected positive variance of \$2 million due to signs of recovery of the tourism industry from the pandemic.
- The Rental Vehicle Tax revenue for 2022 is budgeted to be \$6.6 million, which is an increase of \$1.5 million from the 2021 budget. This represents a continued cautious but optimistic anticipation of the rebound in tourism in conjunction with the rollout of the COVID-19 vaccines.

Source: Municipality of Anchorage, OMB and Treasury 27

Revenue Sources with Sizeable Variances for 2021

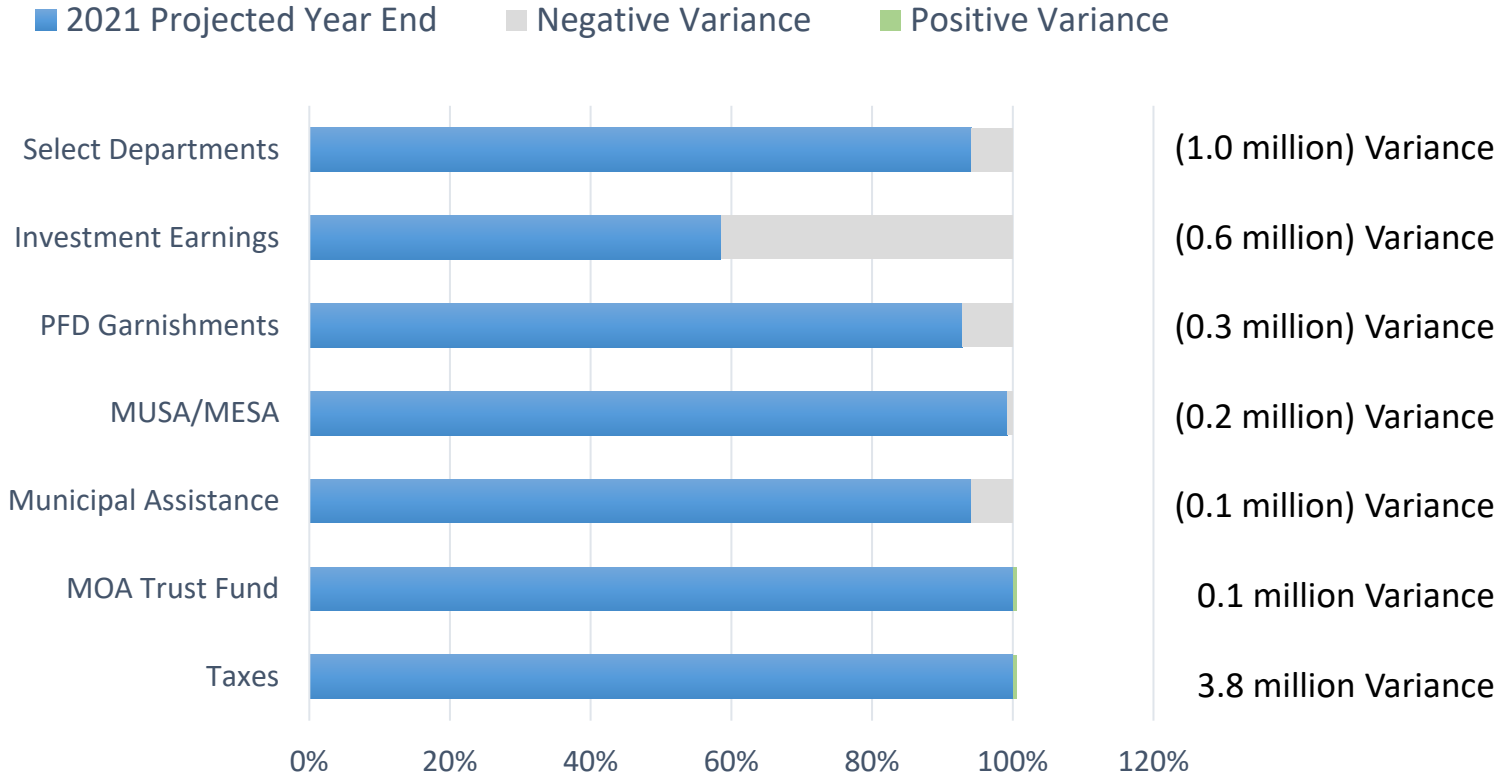


Source: Municipality of Anchorage, Treasury Division Revenue Projections Report dated December 16, 2020 28



Overall Revenue Outlook for 2021 Year End

Overall revenue outlook is strong with a positive overall budget variance of \$1.7M.



Source: Municipality of Anchorage, *Treasury Division Revenue Projections Report dated September 2021*
 Taxes* include all tax revenue sources such as Property, Room, Rental Vehicle, Tobacco, and other taxes and penalties;
 Selected Departments* revenues include Police, Fire, Health, Transit, and Parks & Recreation

Section 5

Public Finance Review and Upcoming GO Financing

Public Finance

- Public Finance & Investment Division continues to use Callan LLC as its independent investment advisor who confirms that the Municipality is using Best Practices for the Municipal Cash Pool (MCP) and the Anchorage Regional Landfill Closure and Post-Closure Investment Fund.
- Formalized Debt Management Policy
- Additional Financial Strengths:
 - Municipality of Anchorage Trust Fund;
 - Retirement Systems;
 - Status of Labor Negotiations;
 - Restricted Municipal Fund (RMF) for the 49th State Angel Fund, Grants, Port Litigation Funds, and other restricted funds; and
 - Anchorage Regional Landfill Closure and Post Closure (ARL) Investment Fund.
- Borrowing Programs & Plans
- Fund Balance Policy
- Cyber Security

The Municipality shall manage its debt according to Prudent Standards pursuant to AR No. 2016-190, as amended.

Prudent Standards means any of, but not limited to, the following guidelines and measures which are managed to compare favorably to rating agency criteria:

- Net Direct Debt as a percent of total Governmental Funds Revenue.
- Total Governmental Funds Debt Service as a percent of Governmental Funds Expenditures.
- Overall Net Debt as a percent of Assessed Value.
- Overall rapid annual debt principal amortization of the majority of the principal outstanding within ten (10) years:
 - 68.6% of General Purpose Debt / 66.9% of School Debt as of October 31, 2021
- Extraordinary circumstances, including natural disasters:
 - Municipality manages its debt in accordance with Rating Agency criteria, which may change from time to time, and the Municipality has the capacity to adapt accordingly.

Additional Financial Strengths

- Municipality of Anchorage Trust Fund endowment that produces dividends to fund general government:
 - Value as of June 30, 2021 is \$432.7 million (unaudited).
 - Cumulative dividends to MOA of \$167.9 million through June 30, 2021 (since inception).
 - 2017 through June 2021, the Trust transferred \$47.8 million to the General Fund.
 - The 2020 ordinance increased the annual percentage payout from the Trust from 4.25% to 5.00% effective January 1, 2020, and then 4.50% for years 2021 and later.
 - Received all of 2021 budgeted dividend of \$18.8 million as of December 31, 2021.
 - As of September 1, 2021, we have fully received the maximum allowable annual dividend of \$18.8 million per Anchorage Municipal Code.
 - \$229.6 million of ML&P sale proceeds were received by the Trust Fund on October 30, 2020.
- Retirement Systems:
 - Public Employee Retirement System (PERS) – MOA is statutorily required to pay 22% of wages into PERS; This percent is subject to change by the SOA; SOA funds the difference.
 - The last contribution by SOA was \$3.0 billion in 2014 to reduce net pension liability, thus reducing risk to MOA.
 - Under GASB 68, MOA reports its share of State’s PERS net pension liability and will record a portion of PERS contribution the State makes on behalf of MOA.
 - Under GASB 75, Accounting and Financial Reporting for post employment benefits other than pensions became effective in 2018.
- Status of Labor Relations:
 - MOA is in good standing with labor unions.
 - A new agreement with the International Association of Fire Fighters’ union is pending approval from the Assembly and will expire on June 30, 2025.
 - Anchorage Municipal Employees Association which is expiring on 12/31/2021 are currently under negotiation.

Source: Municipality of Anchorage, Public Finance

Borrowing Programs & Plans

Section 5

- Borrowing plans are modest and reflect a conservative approach.
 - There have been no new private placements or direct purchases of debt since our last rating consultation.
 - No overlapping debt (Financial obligations of one political jurisdiction do not also fall partly on a nearby jurisdiction).
 - General Obligation Bonds once per year:
 - On April 2021 general ballot, a total of \$48.8 million General Purpose Bonds was approved.
 - New money amounts to be determined each year.
 - We will be evaluating refunding opportunities as apart of this transaction.
 - Port of Alaska – In December 2020, we issued a total of \$65.1 million of Long Term Revenue Bonds, which was used to pay off \$40 million STBP and provided \$20 million of new project funds for Phase 1 of the Port of Alaska Modernization Program (PAMP).
 - Assembly approved the Port’s \$165 million bond ordinance on November 1, 2021.
 - Continued use of \$100 million master lease program - with \$27.1 million outstanding as of October 1, 2021, for IT capital improvements, Computer Aided Mass Appraisal (CAMA) system, continued ASD new school buses program, and energy efficiency programs such as LED lighting and solar power.
- Short-Term Borrowing Programs are closely managed and monitored:
- Direct Loan Programs:
 - Anchorage Water Utility
 - Anchorage Wastewater Utility
 - Port of Alaska
 - Solid Waste Services
 - Intermediate Term Borrowing Program (7 year amortization remaining) at June 30, 2021:
 - Anchorage Water Utility - \$7.0 million
 - Anchorage Wastewater Utility - \$14.0 million
 - Alaska Clean Water and Drinking Water Fund programs (EPA pass-through) – preliminary at June 30, 2021:
 - Drinking Water Loans (Water Utility) - \$102.9 million
 - Clean Water Loans (Wastewater Utility) - \$96.0 million
 - Clean Water Loans (Solid Waste Services) - \$9.5 million

Fund Balance Policy

- Fund Balance Policy Details (AR 2015-84):
 - Unrestricted General Fund balance in an amount equal to 10% of current year expenditures in its General Government fund budgets.
 - Unrestricted General Fund balance in an amount equal to 8.25% of current year expenditures in its non-major Government Operating Funds.
 - Unrestricted fund balances in its 5 major funds in an amount between 2.0% and 3.0% of current year expenditures as a Working Capital Reserve.
- The Municipality adopts, from time to time, emergency ordinances providing a temporary exception to its Fund Balance Policy as a means of providing the financial resources for labor, supplies and other expenditures required to address its response to emergencies and/or disasters:
 - On December 16, 2018 the Assembly passed EO 2018-1 to address needed repairs as a result of the November 30, 2018 Earthquake:

Fund Balance Policy (cont.)

Section 5

- On July 24, 2019, the Mayor issued a Proclamation of Emergency in response to an unprecedented housing, public health, and safety crisis triggered by possible state budget cuts. Resolution AR 2019-266 was not subsequently utilized as the Municipality received some State of Alaska funds by the end of 2019.

- On December 3, 2019, the Assembly passed resolution AR 2019-433 authorizing a temporary exemption to the Fund Balance Policy for the year ending December 31, 2019 to provide funding for needed repairs related to the November 30, 2018 Earthquake, and the delayed receipt of State and Federal assistance. Any and all costs of repairs not reimbursed by available assistance programs are to be recovered by the imposition of appropriate municipal taxes during future calculations.

- On March 12, 2020, the Mayor declared a civil emergency existed within Anchorage due to COVID-19, and on November 16, 2020 the adoption of AR 2020-398 extended the Declaration of Civil Emergency.
 - The Anchorage Assembly approved emergency ordinance appropriations totaling \$76 million for COVID-19 response expenses; and
 - Emergency procurements were awarded under AMC 7.20.090 and presented to the Assembly.

- The current ratified security policies are located here: <https://anchorageak.sharepoint.com/sites/pandp> under section 28. Security policies cover all departments under the MOA umbrella.
- The MOA Security Office also has draft policies in place that are currently being worked on with Legal. MOA Security policies are based on industry best practices from the National Institute of Standards and Technology and ISO 27001.
- As far as training, the MOA delivers mandatory Cyber Security Awareness training to all departments during the month of October which is National Cyber Security awareness month.
- The MOA does carry insurance related to cyber security with a \$5 million policy limit and a \$500,000 retention level

General Obligation Bonds Financing Schedule*

Sep-21						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Oct-21						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Nov-21						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Dec-21						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

≡≡≡ Pricing/Closing

||||| Holiday

Key Dates	
Assembly Meeting, Introduction of Issue	October 12 th
Assembly Meeting, Expected Approval of Issue	November 1 st
Receive Rating	November 22 nd
Pricing	December 2 nd
Closing	December 16 th

*Preliminary, subject to change

Section 6

Conclusion

Conclusion

- Strong Management and Governance
- Survived the November 30, 2018 7.1 magnitude Earthquake with no fatalities or significant injuries with expected reimbursement from State and Federal funds as projects are completed
- Ambitiously addressing the impacts of COVID-19 and ambitiously pursuing reimbursements from FEMA
- Solid Local Economy and Tax Base
- State of Affairs in Alaska and Oil Price Volatility have minimal impact
- Formalized Debt Management Policy
- Continued Characteristics of a AAA Rated Credit