



MUNICIPALITY OF ANCHORAGE

2021 Frequently Asked Questions about Municipal Bonds

1. Why are voters being asked to approve \$59,580,000 in Municipal bonds?

The Municipality of Anchorage (MOA) cannot incur general obligation “general purpose” debt without voter approval.

2. What will the bond proceeds be used for?

The proceeds from sale of the bonds will be used to pay for capital improvements, roads and parks, safety and transit improvements, and public safety equipment. Under State law, bond proceeds can only be used for capital 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?

As of January 1, 2021, outstanding principal balance of “general purpose” (non-school) debt previously approved by voters totals \$416,180,000.

4. What is the dollar amount of existing general obligation, general purpose bonds scheduled to be paid off in 2021?

The principal amount of general obligation, general purpose bonds scheduled to be paid off in 2021 is \$36,315,000.

5. What is the value in today’s dollars of the debt MOA is retiring (i.e. paying off) in 2021?

The \$36,315,000 that MOA is retiring in 2021 was used to bond and build projects from 2001 to 2020; due to inflation, this amount would be approximately \$37,200,000 in today’s dollars.

6. What is the impact of the principal being retired or paid off in 2021?

Absent any further debt issuance, the principal payment of \$36,315,000 in 2021 of general purpose debt would reduce the debt service in 2022 by \$1,743,065.

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

If all of the general purpose bonds are approved, the overall estimated increase for debt service would be \$4,384,000 per year when all of the authorized debt has been



MUNICIPALITY OF ANCHORAGE

2021 Frequently Asked Questions about Municipal Bonds

issued. 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 \$15.04 for debt service and \$3.77 for increased operating and maintenance costs.

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

There should be no impact to the Municipality's bond rating. 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, Hilltop Securities, 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 Hilltop Securities' 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.

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

Typically, there is a lag of 12 to 24 months from the time voters approve a bond to when taxpayers see the increase reflected in their tax bill. Taxes to pay debt service associated with the April 2021 bonds are expected to appear on the 2022 or 2023 tax bills, depending on when the bonds are issued.

10. 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 or new operating and maintenance expenses. For these projects, voters are also 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 are no increases in operation and maintenance costs.