

# Appendix F

## Debt Service

Debt service is the cost of repayment of debt, including principal, interest and agent fees.

The debt service included in the General Government Operating Budget typically represents debt incurred in the following ways:

- General Obligation (GO) Bonds (voter approval required to incur debt)
- Revenue Bonds (assembly approval required to incur debt)
- Short Term Borrowing Programs (STBP) (assembly approval required to incur debt)
- Lease/Purchase Agreements (assembly approval required to incur debt)
- Tax Anticipation Notes (TANs) (assembly approval required to incur debt)

### GO Bonds

A GO Bond is a municipal bond backed by the full faith, credit and taxing power of the Municipality. GO bonds appear as a proposition on a general election ballot for covering the cost of capital expenditures. They require authorization by the assembly and approval by a majority of Anchorage voters as well as a majority of voters in that service area. The debt is repaid by property tax payers in that service area.

The Municipality generally issues 20 year bonds but makes sure that there is sufficient principal being paid off to cover the shorter useful life assets in the bond package.

The amount of GO bond debt that the Municipality can incur is limited only by GO bond amounts approved by voters. GO bond debt service is included in the Tax Cap Calculation for the 5 Major Funds - the mill rate for these funds is increased to accommodate the GO bond debt service. The debt service for service areas that set their own mill rate must fall within the maximum mill rate for the service area in which the debt is incurred, unless an increase for debt service payment is approved by voters on the bond proposition.

The Municipality's GO Bond Ratings and Outlook are as follows:

|                   |     |                   |
|-------------------|-----|-------------------|
| Standard & Poor's | AAA | Outlook: Negative |
| Fitch Ratings     | AA+ | Outlook: Stable   |

### Revenue Bonds

A Revenue Bond is a bond supported solely by the revenues generated from a specific project or enterprise. These are not supported by the full taxing power of the Municipality. An example would be the Alaska Center for the Performing Arts where ticket surcharges pay for that facilities' debt service on the bonds issued to finance replacement of the roof in 2004.

### Short Term Borrowing Programs (STBP)

Short Term Borrowing Programs are similar to a bank loan or credit line, used to offer interim financing under flexible terms until they are paid off, generally with Revenue Bonds.

### Lease/Purchase Agreements

Agreement between the Municipality and Key Government Finance, Inc. or Sun Trust that provides market rate loans to the Municipality for the purchase and eventual ownership of specific assets. The Agreements are entered into on an as-needed basis and the loans are typically repaid over the life of the asset. The debt service related to Lease/Purchase Agreements is not limited, but must fall within the maximum mill rate for the service area in which the Lease/Purchase Agreement is made.

## **Appendix F**

### **Debt Service**

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#### **TANs**

Tax Anticipation Notes (TANs) are short term notes issued by the Municipality for the purpose of raising funds to pay ongoing operating expenses. They are issued in anticipation of receiving property taxes and other revenues scheduled to be collected during the year. TANs are retired prior to the current year end. The debt service related to TANs is not limited but must fall within the maximum mill rate for the service area for which the TANs are made.

## 2017 Proposed Debt Service Budgeting Requirements

| Fund  | DeptID | Department Description                    | Principal         | Interest          | Total P&I         | Agent Fees    | Total             |
|---|--------|---|-------------------|-------------------|-------------------|---------------|-------------------|
| <b>Voter-Approved GO Bonds Inside Tax Limit Calculation (5 Major Funds)</b> |        |   |                   |                   |                   |               |                   |
| 101000  | 124200 | Municipal Emergency Ops Ctr               | 737,599           | 312,600           | 1,050,199         | 700           | 1,050,899         |
| 101000  | 215000 | Health & I Senior Center                  | 38,705            | 11,214            | 49,919            | 50            | 49,969            |
| 101000  | 271000 | Health & I Cemetery                       | 192,078           | 49,558            | 241,636           | 100           | 241,736           |
| 101000  | 353000 | Fire Depa Emergency Medical Service       | 573,504           | 366,399           | 939,903           | 660           | 940,563           |
| 101000  | 121036 | Economic Public Facility Repair -Areawide | 326,570           | 279,984           | 606,554           | 220           | 606,774           |
| 101000  | 611000 | Public Tra Transit                        | 295,505           | 185,962           | 481,467           | 550           | 482,017           |
| 131000  | 352000 | Fire Depa Anchorage Fire                  | 2,689,628         | 1,160,581         | 3,850,209         | 3,500         | 3,853,709         |
| 141000  | 767100 | Public Wc Anchorage Roads and Drainage    | 28,836,947        | 15,729,309        | 44,566,256        | 34,000        | 44,600,256        |
| 151000  | 485000 | Police Dep Anchorage Police               | 137,547           | 61,392            | 198,939           | 475           | 199,414           |
| 161000  | 551000 | Parks & R Anchorage Parks/Rec             | 2,016,632         | 834,618           | 2,851,250         | 2,510         | 2,853,760         |
| <b>GO Bonds Inside Tax Cap Total</b>  |        |   | <b>35,844,715</b> | <b>18,991,617</b> | <b>54,836,332</b> | <b>42,765</b> | <b>54,879,097</b> |
| <b>Voter-Approved GO Bonds Outside Tax Limit Calculation</b>                |        |   |                   |                   |                   |               |                   |
| 106000  | 355000 | Fire Depa Girdwood Fire                   | 11,608            | 707               | 12,315            | 35            | 12,350            |
| 162000  | 555900 | Parks & R Eagle River Parks/Rec           | 303,677           | 53,402            | 357,079           | 400           | 357,479           |
| <b>GO Bonds Outside Tax Cap Total</b>                                       |        |   | <b>315,285</b>    | <b>54,109</b>     | <b>369,394</b>    | <b>435</b>    | <b>369,829</b>    |
| <b>GO Bonds Total</b>   |        |   | <b>36,160,000</b> | <b>19,045,726</b> | <b>55,205,726</b> | <b>43,200</b> | <b>55,248,926</b> |
| <b>Revenue Bond - Alaska Center for the Performing Arts (ACPA)</b>          |        |   |                   |                   |                   |               |                   |
| 301000  | 121035 | Municipal PAC Revenue Bond                | 125,000           | 172,200           | 297,200           | -             | 297,200           |
| <b>ACPA Revenue Bond Total</b>  |        |   | <b>125,000</b>    | <b>172,200</b>    | <b>297,200</b>    | <b>-</b>      | <b>297,200</b>    |
| <b>Lease/Purchase Agreements</b>  |        |   |                   |                   |                   |               |                   |
| 607000  | 144000 | IT IT Capital Infrastructure              | -                 | 80,000            | 80,000            | -             | 80,000            |
| <b>Lease/Purchase Agreements Total</b>                                      |        |   | <b>-</b>          | <b>80,000</b>     | <b>80,000</b>     | <b>-</b>      | <b>80,000</b>     |
| <b>Tax Anticipation Notes (TANS)</b>  |        |   |                   |                   |                   |               |                   |
| 101000  | 189000 | Non-Depa Public Finance and Investment    | -                 | 214,047           | 214,047           | 1             | 214,048           |
| 131000  | 352000 | Fire Depa Public Finance and Investment   | -                 | 38,021            | 38,021            | 1             | 38,022            |
| 141000  | 767100 | Public Wc Public Finance and Investment   | -                 | 20,862            | 20,862            | 1             | 20,863            |
| 151000  | 485000 | Police Dep Public Finance and Investment  | -                 | 53,013            | 53,013            | 1             | 53,014            |
| 161000  | 551000 | Parks & R Public Finance and Investment   | -                 | 3,704             | 3,704             | 1             | 3,705             |
| <b>TANS Total</b>   |        |   | <b>-</b>          | <b>329,647</b>    | <b>329,647</b>    | <b>5</b>      | <b>329,652</b>    |
| <b>Other</b>  |        |   |                   |                   |                   |               |                   |
| 607000  | 144000 | IT ERP                                    | -                 | 803,680           | 803,680           | 15,000        | 818,680           |
| <b>Other Total</b>  |        |   | <b>-</b>          | <b>803,680</b>    | <b>803,680</b>    | <b>15,000</b> | <b>818,680</b>    |
| <b>Grand Total Funded Debt Service</b>                                      |        |   | <b>36,285,000</b> | <b>20,431,253</b> | <b>56,716,253</b> | <b>58,205</b> | <b>56,774,458</b> |

# Municipality of Anchorage

## Summary of Bonds Authorized but Unissued at September 30, 2016

| <b>Voter<br/>Approved<br/>Year</b>                | <b>Proposition<br/>Number</b> | <b>Project Description</b>                | <b>Remaining<br/>Authorized<br/>But Unissued<br/>9/30/2016</b> |
|---|-------------------------------|---|--|
| <b>General Purpose - General Obligation</b>       |                               |   |  |
| 2011  | 4                             | Anchorage Roads & Drainage Service Area   | 2,405,000  |
| 2012  | 2                             | Anchorage Roads & Drainage Service Area   | 6,940,000  |
| 2013  | 3                             | Anchorage Roads & Drainage Service Area   | 5,458,000  |
| 2014  | 5                             | Anchorage Roads & Drainage Service Area   | 9,180,000  |
| 2015  | 5                             | Anchorage Roads & Drainage Service Area   | 12,280,000   |
| 2016  | 5                             | Anchorage Roads & Drainage Service Area   | 36,585,000   |
| 2016  | 6                             | Anchorage Fire                            | 1,050,000  |
| 2014  | 4                             | Anchorage Parks & Recreation Service Area | 650,000  |
| 2015  | 4                             | Anchorage Parks & Recreation Service Area | 2,145,000  |
| 2016  | 4                             | Anchorage Parks & Recreation Service Area | 3,360,000  |
| 2014  | 7                             | Anchorage Police                          | 650,000  |
| 2016  | 7                             | Anchorage Police                          | 3,800,000  |
| 2013  | 2                             | Public Safety/Trans.-Areawide EMS         | 1,175,000  |
| 2014  | 2                             | Public Safety-(General) Areawide          | 585,000  |
| 2015  | 2                             | Public Safety-(Ambulances) Areawide       | 520,000  |
| 2015  | 2                             | Public Safety-(General) Areawide          | 4,370,000  |
| 2016  | 3                             | Public Safety-Areawide                    | 3,065,000  |
| 2012  | 4                             | Public Transportation -Areawide           | 258,000  |
| 2013  | 2                             | Public Safety/Trans.-Areawide Trans.      | 510,000  |
| 2014  | 2                             | Public Transportation-Areawide            | 558,000  |
| 2015  | 2                             | Public Transportation-Areawide            | 240,000  |
| <b>Total General Purpose - General Obligation</b> |                               |   | <b>95,784,000</b>  |

**Municipality of Anchorage**  
**General Obligation, General Purpose Bonds**  
 Combined Annual Net Debt Service Requirements  
 as of September 30, 2016

| <b>Fiscal Year</b> | <b>Principal Outstanding *</b> | <b>Principal Payment</b> | <b>Interest Payment</b> | <b>Gross Debt Service</b> | <b>US Treasury Reimbursed Interest **</b> | <b>Total Net Debt Service</b> |
|--------------------|--------------------------------|--------------------------|-------------------------|---------------------------|---|-------------------------------|
| 2016               | 439,950,000                    | 36,335,000               | 18,892,019              | 55,227,019                | (778,651)                                 | 54,448,368                    |
| 2017               | 403,615,000                    | 36,160,000               | 19,045,726              | 55,205,726                | (761,567)                                 | 54,444,158                    |
| 2018               | 367,455,000                    | 37,790,000               | 17,381,628              | 55,171,628                | (725,251)                                 | 54,446,377                    |
| 2019               | 329,665,000                    | 37,450,000               | 15,637,074              | 53,087,074                | (685,569)                                 | 52,401,506                    |
| 2020               | 292,215,000                    | 38,780,000               | 13,899,095              | 52,679,095                | (643,574)                                 | 52,035,521                    |
| 2021               | 253,435,000                    | 30,900,000               | 12,045,428              | 42,945,428                | (598,582)                                 | 42,346,846                    |
| 2022               | 222,535,000                    | 27,790,000               | 10,691,095              | 38,481,095                | (550,176)                                 | 37,930,919                    |
| 2023               | 194,745,000                    | 29,030,000               | 9,390,421               | 38,420,421                | (498,917)                                 | 37,921,504                    |
| 2024               | 165,715,000                    | 27,690,000               | 8,001,352               | 35,691,352                | (444,625)                                 | 35,246,726                    |
| 2025               | 138,025,000                    | 24,885,000               | 6,691,501               | 31,576,501                | (387,133)                                 | 31,189,368                    |
| 2026               | 113,140,000                    | 18,835,000               | 5,474,726               | 24,309,726                | (326,491)                                 | 23,983,235                    |
| 2027               | 94,305,000                     | 19,710,000               | 4,534,375               | 24,244,375                | (262,529)                                 | 23,981,847                    |
| 2028               | 74,595,000                     | 16,125,000               | 3,543,189               | 19,668,189                | (192,888)                                 | 19,475,301                    |
| 2029               | 58,470,000                     | 12,235,000               | 2,721,356               | 14,956,356                | (117,801)                                 | 14,838,555                    |
| 2030               | 46,235,000                     | 12,790,000               | 2,087,495               | 14,877,495                | (39,767)                                  | 14,837,728                    |
| 2031               | 33,445,000                     | 9,380,000                | 1,541,759               | 10,921,759                | -   | 10,921,759                    |
| 2032               | 24,065,000                     | 7,735,000                | 1,131,950               | 8,866,950                 | -   | 8,866,950                     |
| 2033               | 16,330,000                     | 6,195,000                | 745,200                 | 6,940,200                 | -   | 6,940,200                     |
| 2034               | 10,135,000                     | 6,500,000                | 435,450                 | 6,935,450                 | -   | 6,935,450                     |
| 2035               | 3,635,000                      | 3,635,000                | 145,400                 | 3,780,400                 | -   | 3,780,400                     |
| <b>Totals</b>      |                                | <b>439,950,000</b>       | <b>154,036,240</b>      | <b>593,986,240</b>        | <b>(7,013,522)</b>                        | <b>586,972,718</b>            |

**Notes:**

\* At the beginning of the calendar year (Debt Service does not change during the year unless new debt is issued or existing debt is refinanced. As of June 2016, the State of Alaska pays approximately 42% of the debt service on Anchorage General Obligation School Bonds. These payments are subject to annual appropriation by the State Legislature. In 2015 the State Legislature put a freeze on future reimbursement activities on any new school bonding).

\*\* Federal reimbursement for Build America Bonds Subsidy (BABS) was cut by 8.7%, 7.3%, 7.2%, and 6.8% for FY 2013, 2014, 2015, and 2016 respectively.