SIX-YEAR FISCAL PROGRAM

2023 – 2028

Municipality of Anchorage

Dave Bronson

Mayor

September 30, 2022

MUNICIPALITY OF ANCHORAGE

Six-Year Fiscal Program

2023 – 2028

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Preface

In accordance with the Municipal Charter 13.02, the Mayor is required to submit to the Assembly a "six-year program for public services, fiscal policies, and capital improvements of the municipality. The program shall include estimates of the effect of capital improvement projects on maintenance, operation, and personnel costs."

Like all responsible governments, the Municipality of Anchorage must provide its citizens with an acceptable level of critical public services. The purpose of the Six-Year Fiscal Program is to provide a financial plan for review and consideration in response to services required by the public.

The Six-Year Fiscal Program encourages a balanced approach towards responding to ever changing fiscal conditions. Achieving balance starts with a mindful approach and engaged activities to keep the cost of local government in focus. In addition to cost containment, other fiscal strategies include economic development, expenditure reductions, and revenue enhancements. Key strategic policy decisions will need to be made over the next six years in order to determine exactly what the appropriate balance point should be.

Detailed demographic and financial information about Anchorage are provided by and available at the Anchorage Economic and Community Development website at www.aedcweb.com; Municipal libraries, and the Municipal website at www.muni.org; relevant documents include:

- Annual Comprehensive Financial Reports
- General Government Operating Budgets
- General Government Capital Budgets/Programs

Six-Year Fiscal Program

2023 – 2028

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1. 6-Year Outlook

A sustainable fiscal policy that promotes a safe, secure, and strong Anchorage is a mission of the Administration. As we address the present budget, we must also prepare for Anchorage's future.

The state's fiscal situation has led to a reduced state role, which has consequences for the Municipality. As we manage this transition, our focus is on building self-sufficiency and resilience. That means finding efficiencies and making strategic investments. It also means demonstrating the fiscal discipline that accompanies a results-based budget, which addresses performance and success of services, directing resources to accountable programs that result in the highest level of public service.

2. Economic Trends and Indicators

The content of the Economic Trends and Indicators is graciously provided by the Anchorage Economic Development Corporation (AEDC). The Municipality of Anchorage (MOA) appreciates their contributions to the formulations of this section and the service they provide to the citizens and businesses of the MOA.

Introduction

Mid-way through the year, 2022 has already revealed reasons for optimism for the Anchorage economy. Employment continues to build back to pre-pandemic levels, and AEDC is revising the 2022 employment projection upward to match the pace of recovery. Key industries like transportation and logistics and the visitor industry are seeing strong demand, and construction employment gains already reflect new federal infrastructure funding.

While there are positive signs in the economy, other forces that pre-date the pandemic remain stubbornly intractable: Anchorage saw a 5th consecutive year of population loss in 2021, including a loss of working age people as fewer move in and outmigration continues. The city's population loss has significantly impacted the number of residents available to work, and labor force availability has been the primary constraint on growth in Anchorage so far this year. Housing costs and other costs of living continue to rise sharply, perhaps limiting opportunities to entice new residents.

Accompanying these mixed signals is baggage our economy brought into the pandemic: a statewide recession spurred by oil price declines which shaved 6,000 jobs from Anchorage between 2015 and 2019. As we continue the return to a new normal, much remains uncertain for the Anchorage economy.

What is clear: Anchorage is experiencing a whirlwind of forces – some internal but others global – that will shape our economy in the near term. Labor force shortages will continue to impact the pace of recovery, and additional working-age outmigration would further weaken Anchorage's capacity to meet its own workforce needs. While many economic forces our outside our control, we can retain population and attract new residents by taking steps to enhance our quality of life. Targeted investments in housing, public safety, and redevelopment generally across Anchorage can help stem the tide of outmigration.

The goal of this three-year forecast is to provide some measure of clarity against a backdrop of considerable uncertainty for several key economic indicators. Despite a mixed bag of macroeconomic trends, AEDC is confident Anchorage has the assets to weather these challenges and, given the right investments, to capitalize on emerging opportunities.

About this forecast

Each year AEDC develops a three-year outlook for a set of key economic indicators, revising the forecast annually as events unfold and new data becomes available. The purpose the AEDC 3-Year Outlook is to identify key economic forces at work in Anchorage and provide a sense of trajectory for the economy, based on best available information. Our commitment is to offer an objective and informed perspective on the local economy, recognizing the uncertainty inherent in this and any other forecast.

Population

Anchorage's population declined by 1,550 (0.5%) between 2020 and 2021, marking a fifth consecutive year of decline. Net outmigration remains the key driver of population loss in Anchorage. Migration to and from Anchorage slowed between 2020 and 2021, likely related to uncertainty surrounding the COVID-19 pandemic. Historically, Anchorage's economy has run counter-cyclical to the Lower 48 economy. Whether this pattern holds as the country emerges from the pandemic, experiences 40-year high rates of inflation, and gears up for five years of significant infrastructure investments remains to be seen. The strength of Anchorage's economy relative to the rest of the nation will dictate the community's ability to retain and attract residents in the near-term.

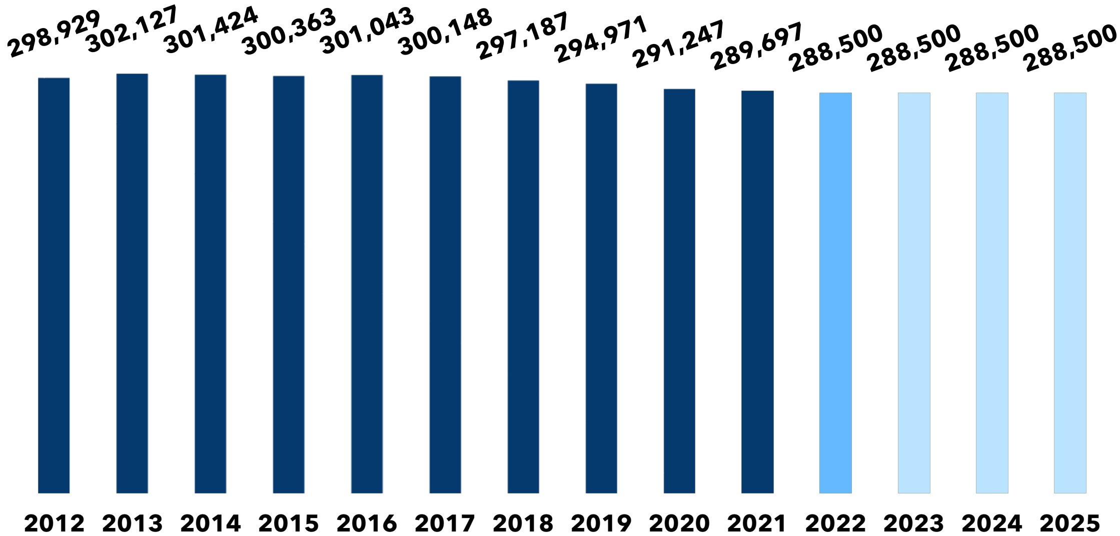
AEDC anticipates moderate population decline again in 2022. The Anchorage population is expected to stabilize at around 288,500 residents over this three-year forecast period based on recent declines in the rate of outmigration, and lower death rates as COVID-19 impacts subside.

Several factors continue to shape Anchorage's population:

- Between 2015 and 2020, an annual average of 25,100 people left Anchorage while 21,300 moved in: net outmigration averaged about 3,800 residents. In 2021, outmigration (21,700) and in-migration (19,800) slowed.
- Movement to and from the Lower 48 represents the highest share of Anchorage's migration. The top destinations for Alaskans moving outside are Washington (11% of outmigrants), Texas (10%), California (7%), Florida (5%), and Arizona (5%). As Alaska’s largest population center, this data likely represents the top destinations for those leaving Anchorage.
- Anchorage's working-age population fell by 15,000 since the beginning of the statewide recession in 2015.[1] Lower in-migration of working-age people has contributed most to this decline; annually, about 17,000 working-age people moved to Anchorage between 2010 and 2015, compared to 14,000 between 2015 and 2020. Loss of the working-age population constrains Anchorage's available labor force, and reductions in this population are also reflected in fewer births in Anchorage over the 2015-2021 period.
- The number of deaths in Anchorage rose to 2,084 in 2021, about 340 additional deaths compared to the pre-pandemic annual average of 1,750. The impacts of COVID-19 partially explain the higher number of deaths, along with an increase in the senior population.
- Between 2020 and 2021, 2,932 people moved from Anchorage to the Mat-Su Valley, while 1,517 moved from the Mat-Su to Anchorage, resulting in a net loss of 1,415 residents.

[1] Working-age population is defined as the population age 16-64.

Figure 1. Anchorage Population, 2012-2025



Source: Alaska Department of Labor and Workforce Development (2012-2021); McKinley Research Group estimates (2022-2025).

Labor Force

Labor force is a measure of the number of residents currently employed or unemployed but activity seeking work. A businesses' ability to fill positions is directly related to the strength of the labor force, and a declining labor force can constrain employment and economic growth.

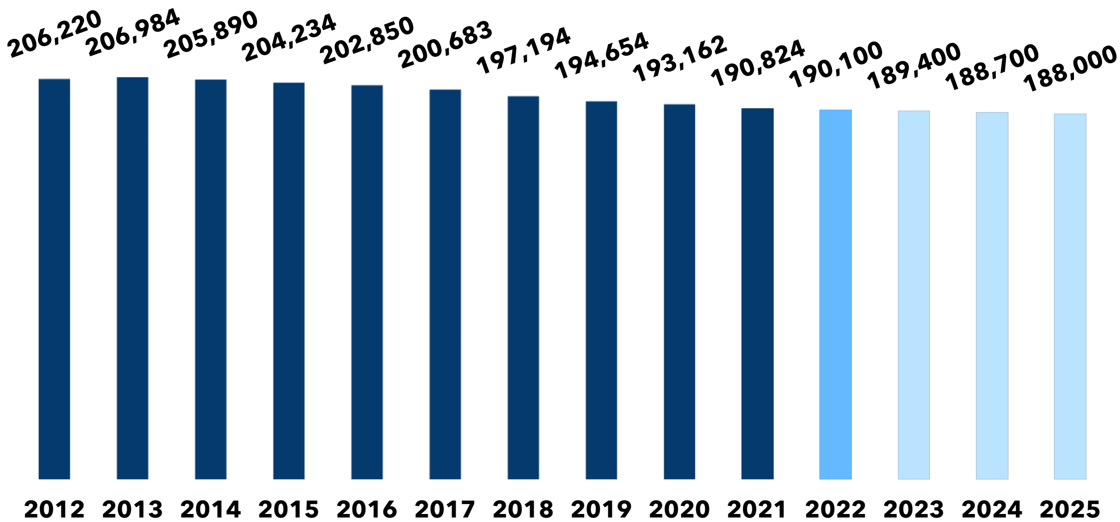
Prior to the COVID-19 pandemic, Anchorage saw five consecutive years of labor force decline coinciding with the statewide recession. Between 2014 and 2019, Anchorage's labor force declined by nearly 9,000 (down 6%). Historically, Alaska and Anchorage have generally experienced population decline during economic downturns as the unemployed leave, seeking economic opportunity in the Lower 48. The 2014-2019 labor force reduction saw a 7,600 person drop in employment and a 1,400 decline in unemployment, for a net labor force decline of 9,000.

Beginning in 2020, the pandemic brought a new decline of about 1,430 in the labor force. Unlike prior downturns, employment declined by about 6,300 while unemployment increased by 4,850. Anchorage's resident labor force rebounded to 150,276 in 2021, including 141,539 employed (94%) and 8,737 unemployed (6%). Yet pre-pandemic population dynamics will continue to impact Anchorage's labor force. Continued outmigration of the working-age population will likely reduce labor force availability.

In 2021, Anchorage's estimated labor force size represented about 79% of the municipality's working-age population, up from an average of 77% between 2015 and 2019. It is uncertain how workforce participation will evolve as the effects of the COVID-19 pandemic subside. Likewise, the rate at which residents 65 and above will remain in the labor force is unclear. If the 2021 participation rate holds over the next several years, continued decreases in Anchorage's working-age population will result in the continued contraction of the city's labor force between 2022 and 2025.
People employed in Anchorage but living elsewhere are not included in published measures of the city's labor force. However, non-residents, notably commuters from the

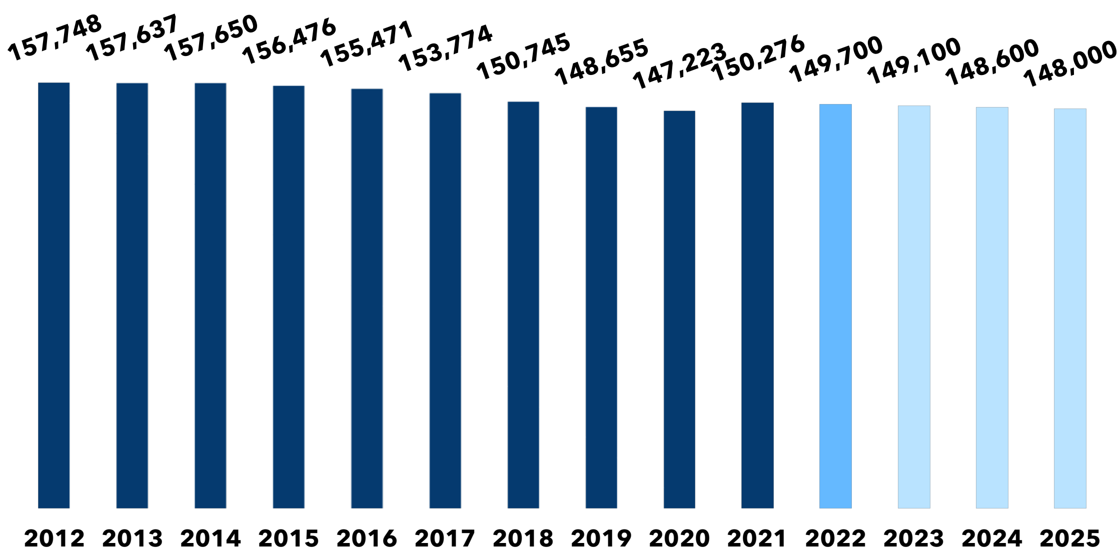
Mat-Su Valley, are an important source of labor for Anchorage employers. As of 2019, Anchorage residents (included in these labor force estimates) filled 77% of jobs in Anchorage, Alaskans living outside the city filled 11%, and non-Alaska residents filled the remaining 12% of jobs.

Figure 2. Anchorage Working Age Population, 2012-2025



Source: Alaska Department of Labor and Workforce Development (2012-2021); McKinley Research Group estimates (2022-2025).
Note: Working-age includes residents between ages 16 and 64.

Figure 3. Anchorage Labor Force Size, 2012-2025



Source: Alaska Department of Labor and Workforce Development (2012-2021); McKinley Research Group estimates (2022-2025).

Employment

Anchorage employment averaged 140,526 in 2021, a 2,750-job recovery compared to 2020, which had particularly sharp employment losses due to COVID-19. This employment level represents only partial recovery from the pandemic: 2021 employment remained about 9,550 jobs (6%) short of the 2019 average.

At the beginning of this year, AEDC anticipated that Anchorage employment in 2022 would continue to recover, averaging about 142,900 jobs. However, preliminary data through May indicate employment will likely outpace that expectation, and AEDC has revised its 2022 employment forecast to 143,900, 1,000 jobs more than we indicated in our January jobs forecast.

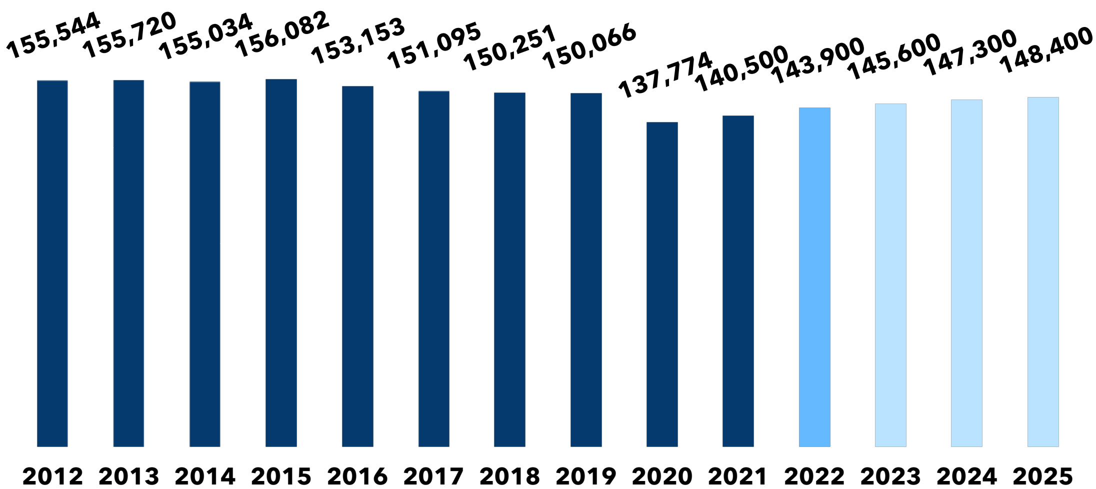
AEDC expects the Anchorage economy to add 1,700 jobs in 2023, another 1,700 jobs in 2024, and 1,100 jobs in 2025. The 2025 forecast of 148,400 jobs leaves total employment about 1,700 jobs below the 2019 pre-pandemic count.
Anchorage employment changes by sector include:

- Strongest growth is still expected in the transportation sector, which was the only industry in Anchorage to end 2021 with more jobs than in 2019. Preliminary Department of Labor data as of May 2022 suggest this sector is up 600 jobs compared to 2021.
- Anchorage's leisure and hospitality sector will continue to benefit from the return of visitors. Preliminary data through May 2022 indicate the sector has added back about 2,000 jobs compared to May 2021 but remained substantially lower (about 1,550 jobs) compared to pre-pandemic average through the same period.
- Construction sector employment is set to benefit from a significant influx of spending related to the federal Infrastructure Investment and Jobs Act. Preliminary data suggests the sector has added about 320 jobs in 2022 compared to 2021.
- The professional and business services sector will also benefit from engineering, architecture, and other services required to facilitate new federal infrastructure funding. Many businesses in this sector maintain a presence in Anchorage while serving clients statewide. As of May 2022, the sector is up 500 jobs compared to the same period in 2021.
- Retail employment average 15,313 in 2021, still about 1,200 jobs below 2019. Pre-pandemic, retail employment was impacted by the closure of several national chains in Anchorage, and 2019 employment was at a decade low. Through May 2022, retail employment was down by 100 jobs compared to 2021, with retailers' ability to hire impacted by labor force shortages.
- State, federal, and local governments account for 19% of all Anchorage employment. Government employment saw a sixth consecutive year of decline in 2021. Preliminary data suggests additional reductions due to the loss of short-term positions related to managing and mitigating the impacts of COVID-19.
- The oil & gas sector lost an additional 461 jobs in Anchorage in 2021, leaving the industry down by 2,100 jobs compared to its pre-Alaska recession peak in 2015. High oil prices are favorable for the industry, yet Anchorage employment has increased only modestly through May 2022 (about 100 jobs up).
- Health care employment in 2021 ended about 500 jobs below pre-pandemic levels. Recovery in this sector has been slow, particularly for outpatient services and nursing and residential care, most likely related to labor shortages.

Impacting this forecast are two factors that the Anchorage economy brought into the pandemic:

- As discussed in the previous section, Anchorage's labor force has contracted along with net outmigration of the working-age population. Continued labor shortages may weigh on employers' ability to fill vacant positions.
- Coming into 2020, Anchorage had experienced four consecutive years of employment losses related to the statewide economic recession spurred by low oil prices. Employment in 2019 was down about 6,000 jobs (4%) from a peak in 2015, and recovery to pre-pandemic levels will take Anchorage only part way to historical highs. Anchorage would need to add back 15,600 jobs to make up for losses between historic high employment in 2015 and our position at year end 2021.

Figure 4. Anchorage Average Annual Employment, 2012-2025



Source: Alaska Department of Labor and Workforce Development (2012-2021); McKinley Research Group Estimates (2022-2025).

Personal Income

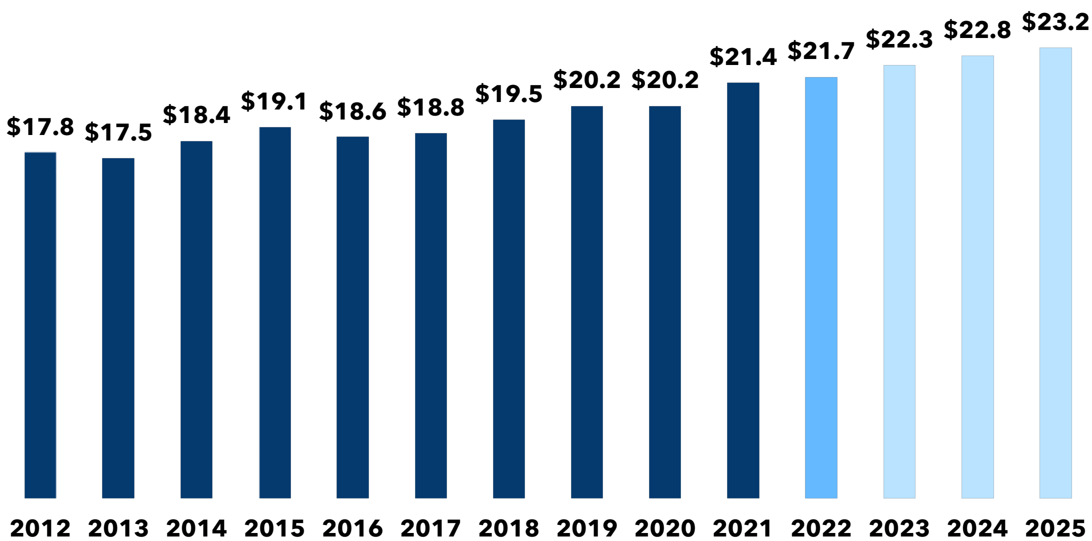
Personal income is one measure of how much money Anchorage residents receive from wages and salaries; investment income from dividends, interest, and rent; and government transfers like the Permanent Fund Dividend (PFD) and unemployment insurance. Total personal income provides an indication of changes in spending potential among Anchorage residents.
In 2020 (the most recent data available), Anchorage had $20.2 billion in total personal income, including:

- Salaries, wages, and proprietors' income (including benefits): $12.5 billion
- Investment income: $4.0 billion
- Government transfer payments (including the PFD): $3.7 billion

Statewide, personal income increased in 2020 and again in 2021, driven by significant COVID-related federal stimulus sent directly to individuals and, in 2021, a rebound in wages. Over $1.2 billion in economic impact stimulus payments and about $235 million in advanced childcare tax credits to Alaskans in 2021 contributed to a 40% increase in government transfers compared to pre-pandemic totals.

AEDC anticipates personal income in Anchorage will increase to $21.7 billion in 2022. Continued recovery in employment, inflationary pressure on wages, and a tight labor market will likely increase work-related income. Government transfers are expected to return to pre-pandemic levels, moderating increases in personal income from inflation. Slow growth in investment income will likely reflect the significant headwinds facing the national stock market thus far in 2022.

Figure 5. Anchorage Personal Income, 2012-2025 ($Billion)



Source: Bureau of Economic Analysis (2012-2020); McKinley Research Group Estimates (2021-2025).

Anchorage International Airport Passenger and Freight Volume

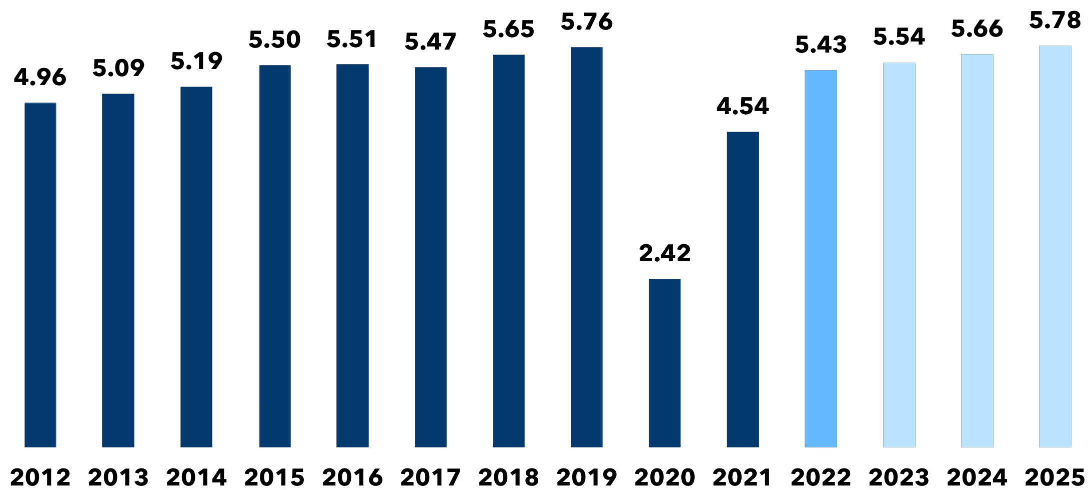
Ted Stevens Anchorage International Airport (ANC) is a significant source of economic activity in Anchorage. By 2021, ANC was the 4th busiest airport in the world by cargo volume and is by far the state's leader in facilitating air passenger travel. ANC's strategic location, 9.5 hours by air from most of 90% of the industrialized world, has spurred significant interest in air cargo and logistics investments and new passenger services. Long-term, AEDC expects ANC to remain a growth sector in the Anchorage economy. In the short-term, however, traffic volumes may be impacted by the ongoing pilot shortage.

Air Passengers

Passenger traffic through ANC totaled 4.5 million in 2021, 21% below the pre-pandemic 2019 level. The first half of 2022 brought further recovery to ANC and AEDC expects passenger volume to increase to pre-pandemic levels by the end of the year. The return of cross-gulf cruises, renewed resident travel demand, and new routes bringing more independent travelers are expected to further increase passenger activity through 2025.

- ANC serviced about 1.8 million passengers between January and May of 2022, a 46% increase from the same period in 2021 but 6% below 2019 levels.
- Northern Pacific Airways plans to launch new routes from East Asia through Anchorage and on to major cities in the Lower 48. The company expects to move about 1,000 passengers per day after completing its $6 million renovation of ANC's North Terminal in 2022.
- Direct international flights to ANC have resumed, including those offered by new carriers Eurowings Discovery (Frankfurt to ANC) and Flair Airlines (Vancouver to ANC).

Figure 6. ANC Air Passenger Volume (Million Passengers), 2012-2025



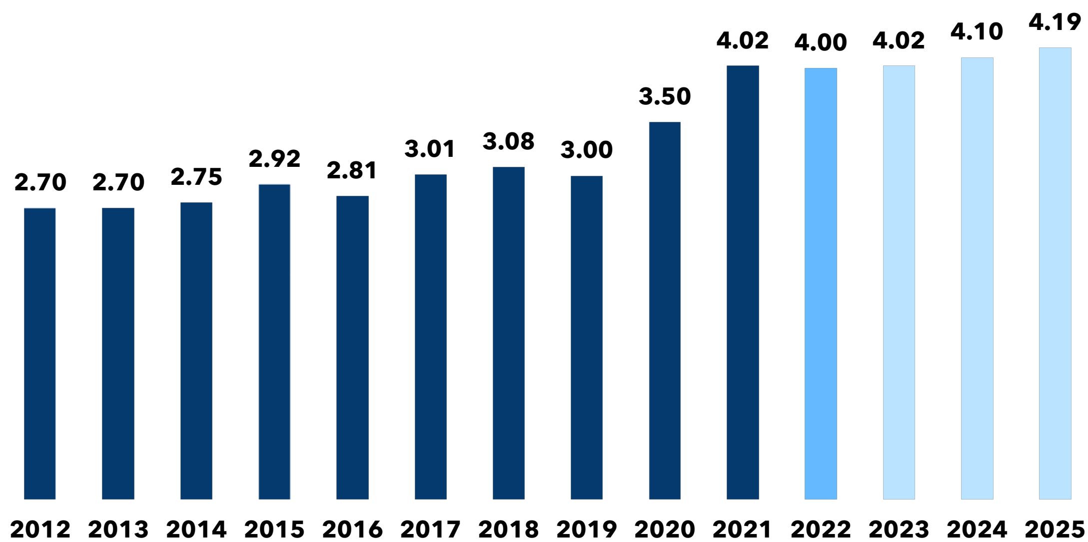
Source: State of Alaska Department of Transportation & Public Facilities (2012-2021); McKinley Research Group Estimates (2022-2025).

Air Cargo

Thanks to ANC's strategic location, the airport benefited from the impacts of the COVID-19 pandemic related global supply chain disruptions. Total cargo volume through ANC ended at a record 4.0 million tons in 2021, making ANC the nation's leading airport in terms of cargo volume for the year. Cargo volume lagged in the first six months of 2022 compared to the preceding year, primarily due to COVID-related mitigation measures in China and Hong Kong, which resulted in reduce manufacturing and lower air freight demand and capacity on Asia-North America routes. Volume is expected to increase along this route as airlines add back capacity in the second half of this year, and AEDC expects airport cargo volume in 2022 to match 2021 levels. Further increases are expected between 2023 and 2025 as carriers continue to add warehousing and logistics infrastructure and strong demand continues.

- Through May 2022, cargo volume was 1.6 million tons, a 4% decrease from the same period in 2021. This volume level remains 32% higher than the same pre-pandemic period in 2019.
- In March 2022, FedEx announced its intent to build a new, $200 million sorting facility at ANC. This project is one of several major warehousing and logistics expansion or development projects at ANC at various planning stages. Representing a combined $1 billion in investment, these projects are expected to create several hundred operations jobs and support increased cargo volume at ANC.
- Cargo tenants at ANC expect to add up to 25 additional cargo hardstands (parking spots) over the next several years amid continued strong demand for air cargo services and as current carriers are displaced from the North Terminal by passenger operations.
- The closure of Russian airspace following its invasion of Ukraine has forced carriers to divert cargo and passenger traffic. Though data is not yet available, Anchorage is likely seeing a modest increases in traffic resulting from these reroutes.

Figure 7. ANC Air Cargo Volume (Million Tons), 2012-2025



Source: State of Alaska Department of Transportation & Public Facilities (2012-2021); McKinley Research Group Estimates (2022-2025).

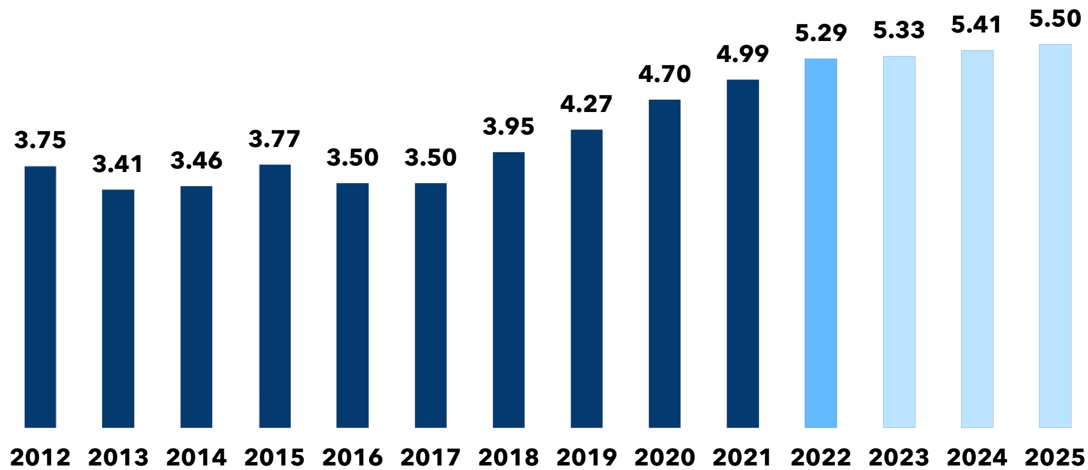
Port of Alaska

The Port of Alaska (POA) is a vital entry point for Alaska's inbound marine freight. Refined petroleum products, consumer goods, and cement and other construction materials handled at the port are distributed widely across the state. Activity at Anchorage International Airport (ANC) and population trends along Alaska's Railbelt have long been key drivers of volume at POA.

AEDC anticipates a 6% increase in cargo volume for 2022, with moderate increases expected through 2025. Strong passenger and freight operations at ANC are expected to drive further increases in petroleum volumes over this forecast period. Demand for construction materials may spur additional volume as federal infrastructure funding kicks off new projects across the state. To the extent Anchorage's population stabilizes, demand for consumer goods is likely to hold steady.

- POA volume in 2021 totaled nearly five million tons, a 6% increase from 2020. Petroleum product volume totaled 3.3 million tons; a 10% increase relative to 2020. Vans, flats, and containers accounted for 1.6 million tons, a 0.3% reduction from 2020. Dry bulk volume also declined by 14% compared to 2020.
- Through May 2022, cargo volume totaled nearly 2.0 million tons, a 6% increase from the same period in 2021. Volume increased in each key freight category: petroleum volume up 7%, containerized volume up 6%, and dry bulk goods up 14%.
- Construction efforts at the port will continue through this forecast period. POA will break ground on a new office building this summer and expects to begin north shore stabilization work in summer 2023.

Figure 8. Port of Alaska Volume (Million Tons), 2012-2025



Source: Municipality of Anchorage, Port of Alaska (2012-2021); McKinley Research Group Estimates (2022-2025).

Building Permit Values

In 2022, AEDC expects building permit values to total $488 million, a 21% increase over 2021. This increase reflects a higher level of permit activity as developers pursue projects put on hold in 2020 and 2021. High total permit values also reflect significant increases in construction material costs which persisted through the first half of the year. In the near term, continued high material prices will likely drive total building permit value up in Anchorage, while at the same time dampening commercial and residential construction activity. Construction efforts will face added costs from continued labor shortages and further increases in interest rates.

This forecast period coincides with the period of new federal spending authorized by the November 2021 Infrastructure Investment and Jobs Act (IIJA). Anchorage will likely benefit from increased federal road and highway funding, airport funding, and public transportation funding. While the Act will likely bring new projects to Anchorage, new federal dollars may not be reflected in the city's building permit values as these generally do not include road work or other civil construction.

Looking back to 2021, permit values totaled $407 million, a 13% decrease from 2020.

- Down $41 million from 2020, government-related permitting accounted for a large portion of the decline in total permit values.
- Residential permitting (including new construction and remodels) was also down, ending the year at $154 million compared with $165 million in 2020. Contributing to this decline was a 30% drop in the number of remodel permits in 2021.
- Commercial permit value continued to decline in 2021, ending the year at a total $206 million or 13% behind 2020.

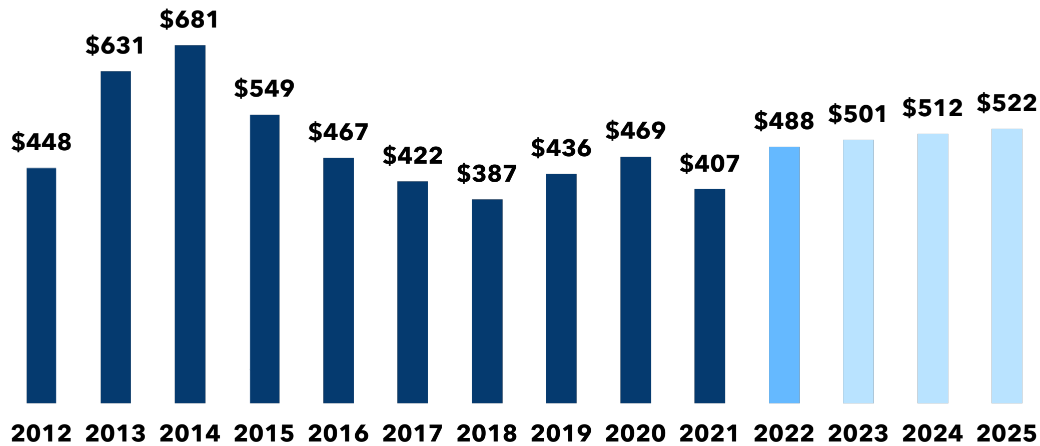
Through May 2022, total permit values were 22% above the same period in 2021:

- Through May of 2022, residential permit values rose by 28% compared to the same period in 2021. This same period saw a 7% reduction in the number of residential permits compared to the prior three-year average for the same period. High material prices and logistics challenges drove average permit values up by 30%, which contributed to overall higher permit values.
- Commercial permit values rose by 36% through May 2022 compared to the same period in 2021. Planned cargo and logistics projects at Anchorage International

Airport, downtown redevelopment, and potential pent-up demand from projects stalled amid the pandemic will drive commercial construction over the next several years.

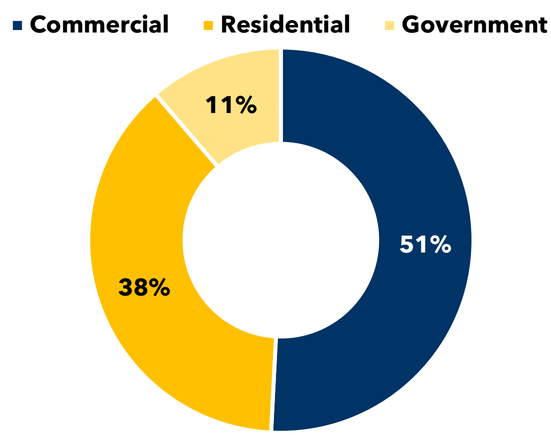
- Through May 2022, government-related permit values declined 42% compared to the same period in 2021 after several large municipal projects including the solid waste transfer station were permitted in 2020 and 2021.

Figure 9. Anchorage Building Permit Values ($Million), 2012 - 2025



Source: Municipality of Anchorage (2012-2021); McKinley Research Group Estimates (2022-2025).

Figure 10. Anchorage Building Permit Values by Type, 2021

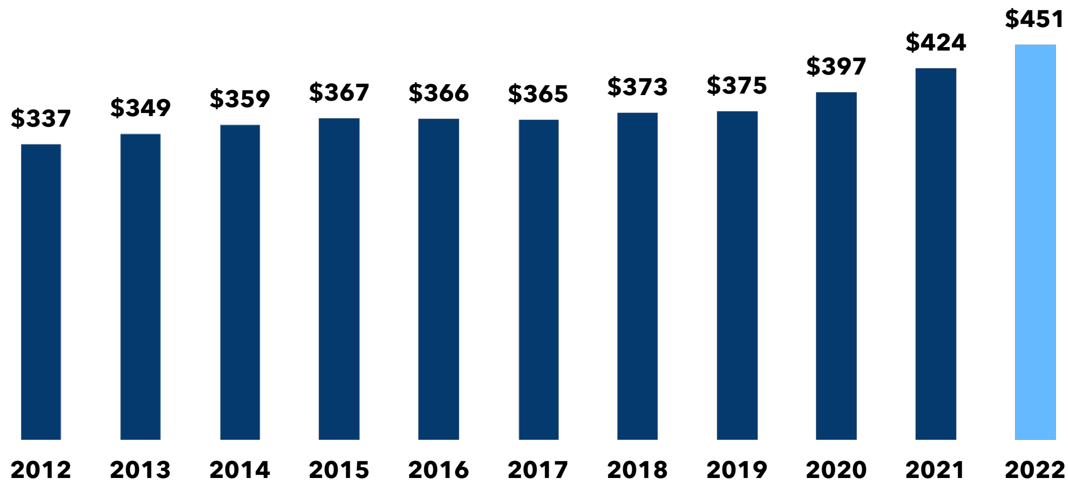


Source: Municipality of Anchorage.

New Housing Units

Based on Multiple Listing Service data, demand for housing in Anchorage remained strong over the last year. Anchorage single-family home sales prices average $424,252 in 2021, a 7% increase over 2020 and a record high for the city. High prices have persisted through 2022, with average prices of $455,975 through June. AEDC is projecting average sales price of $451,000 in 2022.

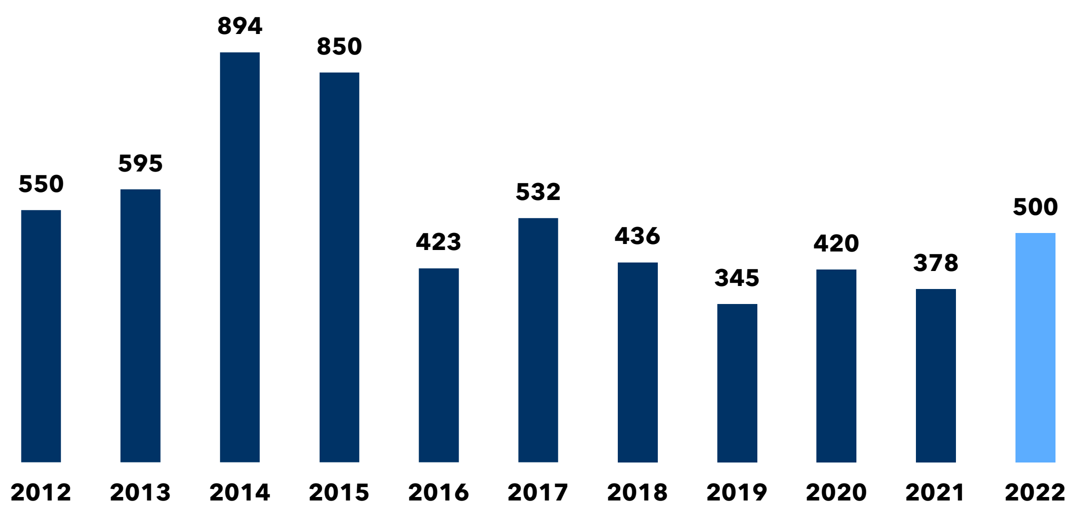
Figure 11. Anchorage Average Single-Family Home Sales Price ($000s), 2012 - 2022



Source: Alaska Multiple Listing Service, Inc. (2012-2021); McKinley Research Group estimates (2022).
Note: This representation is based in whole or in part on data supplied by, and to the Subscribers of Alaska Multiple Listing Service, Inc. (AK MLS). Information contained herein is deemed reliable but not guaranteed. Data maintained by AK MLS is for its own use and may not reflect all real estate activity in the market.

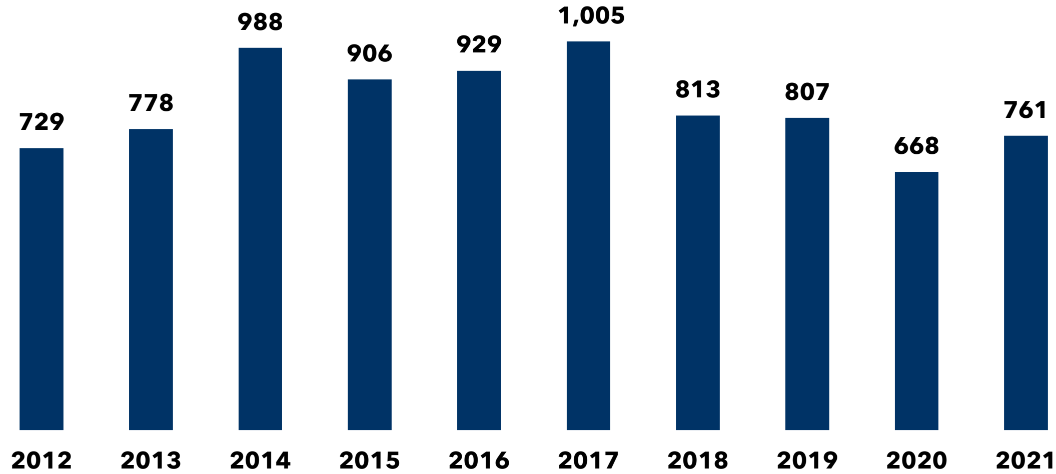
Despite high prices, the rate of new home construction remains low. Anchorage added 378 new housing units in 2021, 58% lower than decade highs of 894 before the Alaska recession and well below the rate of construction in the Mat-Su Valley. High material costs and higher interest rates will further impact home construction over the coming years, and AEDC expects Anchorage will add 500 new units in 2022.

Figure 12. Anchorage New Housing Units, 2012 - 2022



Source: Alaska Department of Labor and Workforce Development (2012-2021); McKinley Research Group estimate (2022).

Figure 13. Mat-Su New Housing Units, 2012 - 2021



Source: Alaska Department of Labor and Workforce Development (2012-2021).

Visitor Industry

The return of cross-gulf cruise ships and continued growth in independent travel have been a welcome sight for Anchorage's visitor-related businesses, which were disproportionately impacted by COVID-19. Early indicators for 2022 show signs of significant recovery from the devastation of the pandemic: air passenger traffic, hotel occupancy, and car rental tax revenue have all increased.

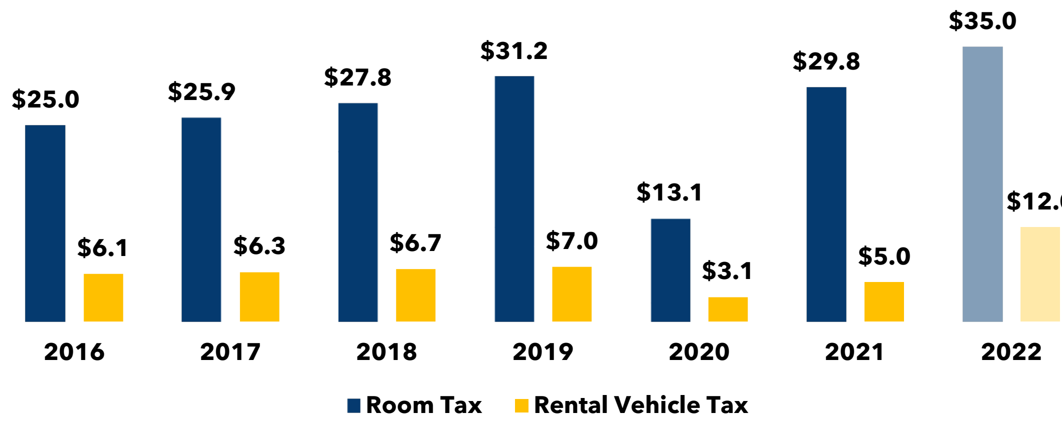
Although visitor industry recovery is underway, several risk factors may put a damper on industry growth. The industry has struggled this year with seasonal labor force shortages, and early indications suggest cruise ships are operating well below capacity due to COVID safety protocols and demand. The rising cost of airline tickets, rental cars, fuel, and goods and services in general may constrain the independent visitor market. To the extent the national economy remains strong, and the number and severity of COVID-19 cases decline, travel demand suggests the visitor industry could overcome these challenges to resume its role as Alaska's fastest growing sector.

The following are selected indicators related to Anchorage's visitor industry:

- Anchorage airport traffic totaled 1.8 million passengers through May 2022, still 6% below traffic in the same period in 2019.
- Southcentral cruise ship ports expect 270 port calls in the 2022 season, compared to 240 in 2019. While 2022 ship capacity is 460,000 passengers, Southcentral will likely see fewer cross-gulf cruisers as cruise lines continue to manage COVID-19 risk.
- Convention bookings have improved significantly in 2022, with 191 events booked compared to 121 in 2021. Visit Anchorage reported 2021 attendee spending at $24.3 million and estimates for 2022 total at $75 - $80 million.
- Visit Anchorage reports that hotel occupancy is up 13% in 2022 compared to 2021. Average daily rates (ADR) are up 27%, pushing Anchorage room tax collections up 36% through March 2022 compared to the same period in 2019.
- Anchorage rental vehicle tax collections increased to $1.4 million in the first quarter of 2022, up 129% over the same period in 2019. Much of this increase comes from high rental car rates in 2022; agencies continue to rebuild their fleets

amid high demand for rentals. This increase also accounts for new tax revenue from peer-to-peer rental platforms such as Turo.

Figure 14. Anchorage Room Tax and Rental Vehicle Tax ($Millions), 2012 - 2022



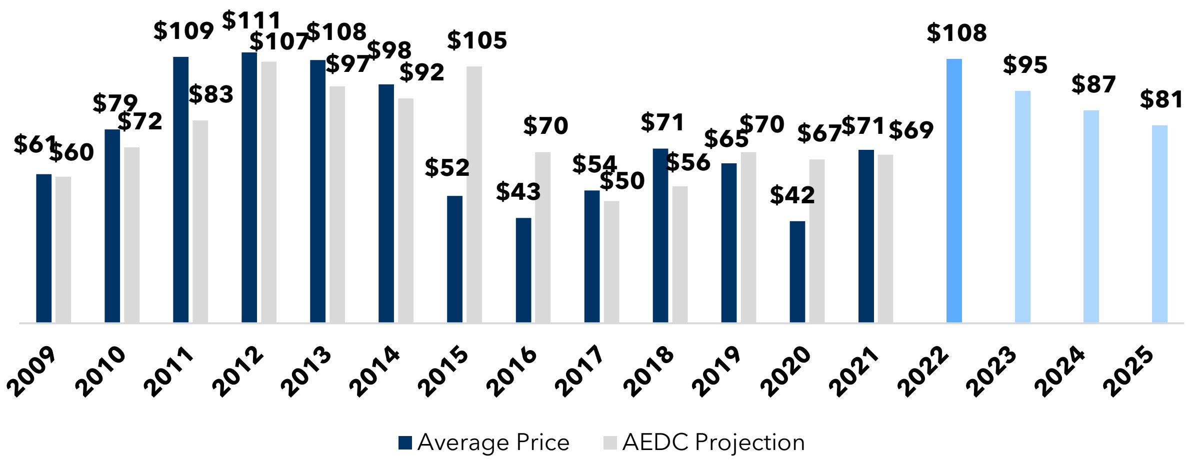
Source: Municipality of Anchorage (2016-2021); McKinley Research Group estimates (2022).

Oil & Gas Prices

After hovering around $71 per barrel in 2021, Alaska North Slope (ANS) prices are approaching record highs due to tight market conditions. Prices for all oil blends spiked in 2022 due to supply crunches following embargoes of Russian oil. While other producers are trying to quickly increase their production, global oil prices will largely depend on how sanctions impact Russia's oil production and the rate at which other producers can increase drilling to fill the gap. Recognizing the highly volatile nature of oil prices, AEDC expects ANS oil prices will average $108 per barrel in 2022, and gradually decrease to $81 per barrel by the end of the forecast period in 2025.

- In 2021, Russian oil accounted for 11% of global production. Russia's invasion of Ukraine has prompted sanctions cutting off this supply to many markets.
- OPEC has ramped up production to meet demand, but prices have remained high. Saudi Arabia and the United Arab Emirates are the only OPEC countries with spare capacity to increase production. Both countries have taken a stance ahead of upcoming OPEC meetings that further production increases are unnecessary.
- Average national gasoline prices topped $5 per gallon in June of 2022 but were dropping below $5 by July in some parts of Alaska. In response to this price spike, President Biden has called for a three-month suspension of the federal fuel tax, levied at 18 cents per gallon of gasoline and 24 cents per gallon of diesel.
- Longer-term changes in oil demand resulting from increased renewable energy production could eventually exert downward pressure on prices.

Figure 15. Alaska North Slope Crude Oil Price
(Average Actual and Projected Price per Barrel), 2009 – 2025



Source: Alaska Department of Revenue, US Energy Information Administration, Nimex Petroleum Group, and McKinley Research Group estimates.

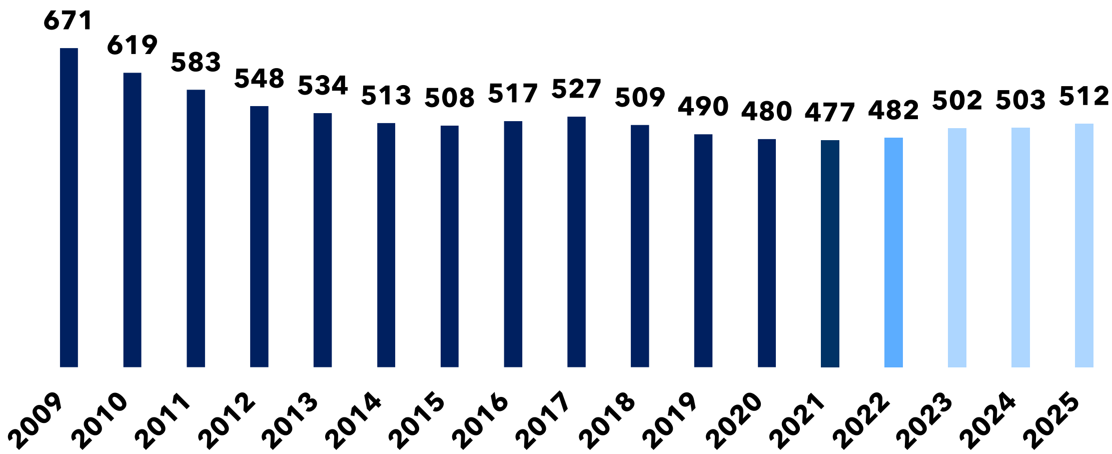
Production

ANS production averaged 494,513 barrels per day from January through May of 2022, 4,000 barrels higher than the same period in 2021. Drill rig counts are indicative of exploration drilling activity on the North Slope. In 2022, 6-8 rigs have been operating within the state, signifying a modest recovery of North Slope drilling after historic lows in 2020 and 2021.

The Alaska Department of Revenue (DOR) releases a biannual official production forecast, based on projects that are currently producing, under development, and under evaluation. DOR forecasts that production will average 481,800 barrels per day in 2022 and increase to 511,600 barrels per day by 2025. As an example, ConocoPhillips has recently begun production in Fiord West and Narwhal, which are expected to produce 20,000 and 5,000 barrels per day at peak production, respectively. Several significant projects are potentially on the horizon.

- Santos (formerly Oil Search) continues investment in Pikka, one of Alaska's largest new oil projects on the horizon. Peak production is forecasted at 120,000 barrels per day, nearly a quarter of current statewide production. The project is on pause amid a court dispute over access road permitting to Pikka that traverses ConocoPhillips' Kuparuk unit.
- Another significant project, ConocoPhillips' Willow project, has been put on hold by the federal government, pending additional review. If developed, Willow could produce up to 130,000 barrels daily at its peak.
- Regenerate Alaska (88 Energy), Hilcorp, and Chevron have exited their leases in the Arctic National Wildlife Refuge (ANWR). Though the state-owned Alaska Industrial Development and Export Authority (AIDEA) still holds leases in ANWR, the exits by private companies make it far less likely that drilling will occur.

Figure 16. Alaska North Slope Crude Oil Production and Forecast (Thousands of Barrels per Day), FY2009 – FY2025



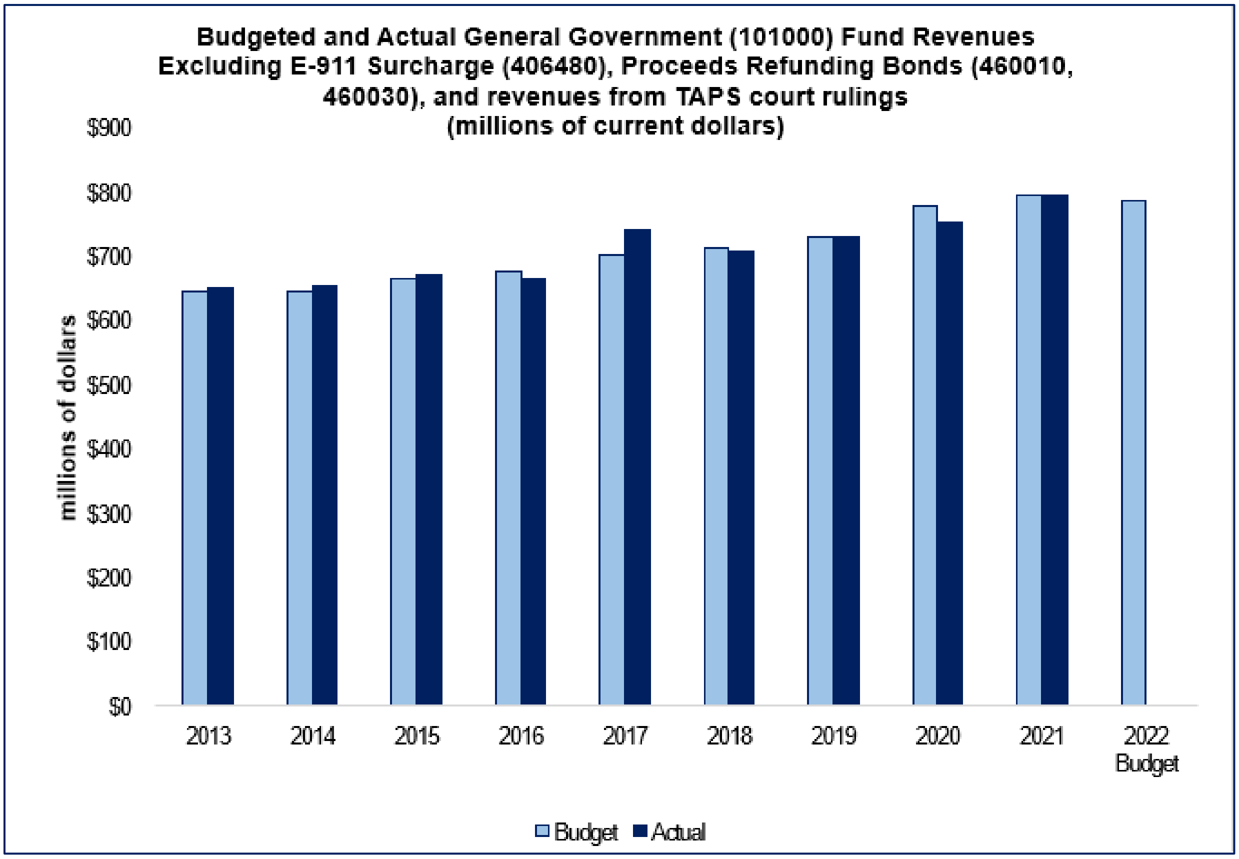
Source: Alaska Department of Revenue ANS Production Data (2009 – 2021) and Spring 2022 Revenue Forecast (2022 – 2025)

3. Historical Financial Trends

Revenues

The Municipal Treasury Division regularly monitors and forecasts revenues so that the Administration can maintain a balanced budget. As illustrated in the graph below, General Government revenues have historically been close to budget projections with variances occurring primarily during significant economic downturn years. The Municipal Treasury Division works to estimate, track, and benchmark important revenue sources.

Overall revenues have increased steadily from 2016 to 2022. Revenues for 2022 are up 4% compared to the same period in 2021 due to the continuing recovery of pandemic effected areas such as tourism and higher than normal CPI adjustments in 2022.



Source: MOA Treasury Division *Alcohol Tax Fund 206000 not included

Long-term Trends in Major Categories of General Government Revenues

A review of long-term revenue trends and the drivers of those trends assists policy makers and citizens when considering potential changes to the revenue structure of Anchorage. The narrative and graphs in this section review the long-term trends of general government revenues over the past twenty-two years from 2000 through 2022. The review covers six major categories of revenues listed below. Each category is affected by different policy decisions, economic conditions, legal requirements, staffing, consumer decisions, and other factors.

1. **Determined by Mill Rate and Taxable Value**: Property Taxes, Municipal Enterprise Service Assessment (MESA) payments, and Municipal Utility Service Assessment (MUSA) payments are determined by the mill rate multiplied by the taxable value of property or utility/enterprise net plant value. The taxable value of property is determined by the Municipal Assessor and net plant value is based on the net book value of utility/enterprise balance sheets. The Assembly sets the mill rate each year as part of the budget approval process.

2. **Determined by Resident Consumption:** Revenue from taxes on tobacco, motor vehicles, marijuana, motor fuel, and Municipal service fees are determined primarily by city residents' choices about their ownership and use of these products and services. Also included in this category are revenues from Utility Revenue Distribution. These payments are specific percentages of gross revenues of the utilities which are determined by local resident's choices about consuming utility services. Alcohol sales tax revenue is not included as it is a separate non-operating fund.
3. **Determined by Economic Market Conditions:** Tourism taxes, construction permit revenues, and investment earnings are determined by economic conditions in tourism, construction, and investment markets.

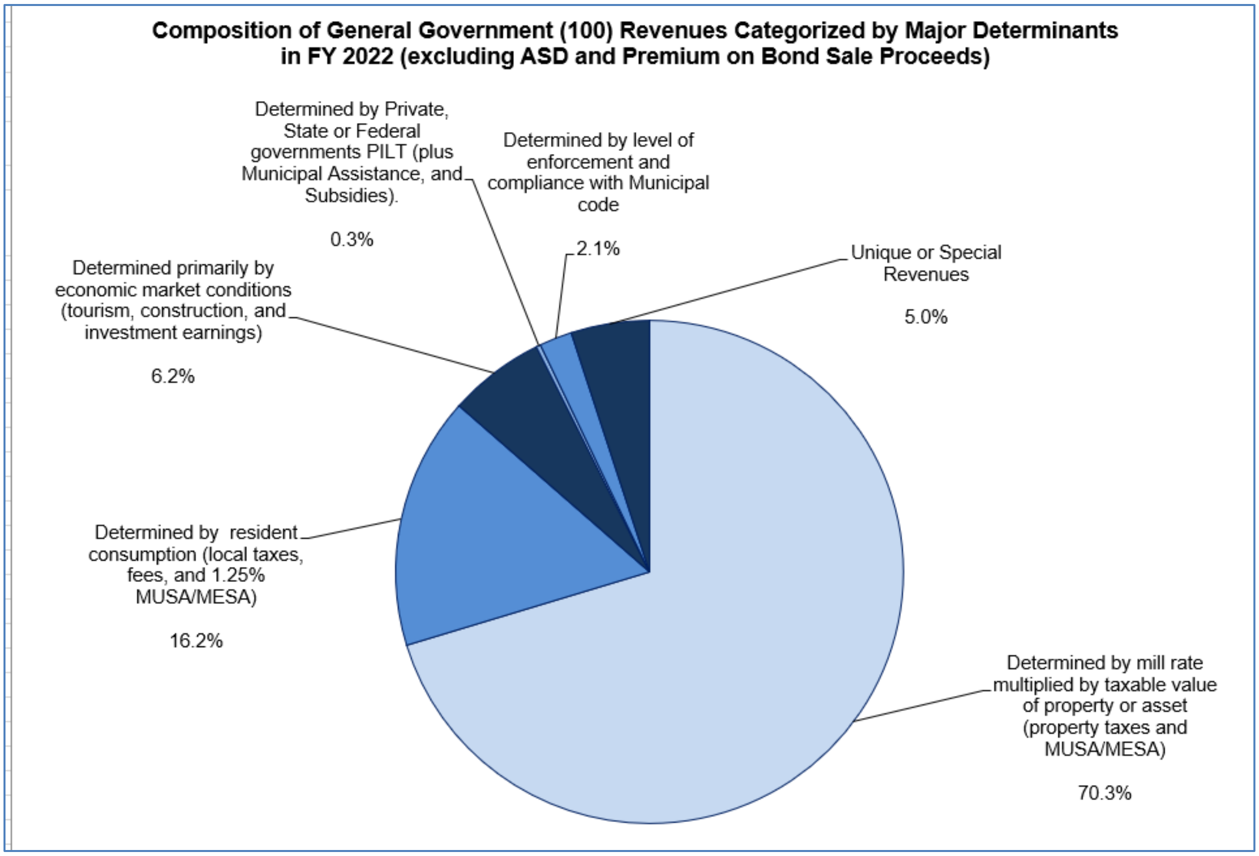
4. **Determined by State or Federal Government and Private PILT Payers:** State Municipal Assistance, State fisheries taxes, State liquor license fees, State Traffic Signal Reimbursements, Private, State and Federal Payments in Lieu of Taxes (PILT), and other intergovernmental revenues are determined by decisions and actions of the State or Federal government.

5. **Determined by Level of Compliance and Enforcement of Municipal Code (Code):** Revenues from collections of delinquent taxes, as well all types of fines, penalties and interest paid on delinquent taxes, are determined by the level of Code compliance, enforcement and collection efforts.

6. **Unique or Special Revenues:** Contributions from the MOA Trust Fund, lease revenue, land and property sales, private PILT payments, claims and judgments, miscellaneous revenues, and other special types of revenue are specified in contracts, by court rulings, or special provisions in the Code.

Summary of All Categories of Revenues

About 70 percent of general government revenues are determined each year by multiplying the mill rate by the taxable value of property or municipal assets. Revenues based on resident consumption contribute the next largest share (about 16 percent). Approximately 6 percent of revenues are determined by economic market conditions. Another nearly half percent is determined by the actions of State or Federal governments and about 2 percent of revenues are driven by compliance and enforcement of Municipal Code. The remaining 5 percent is determined by a variety of unique or special factors. The summary pie chart below from the MOA Treasury Division shows the composition of general government revenues. It excludes the property tax revenues transferred to the Anchorage School District (ASD), proceeds from bond sales, and alcohol tax revenues.

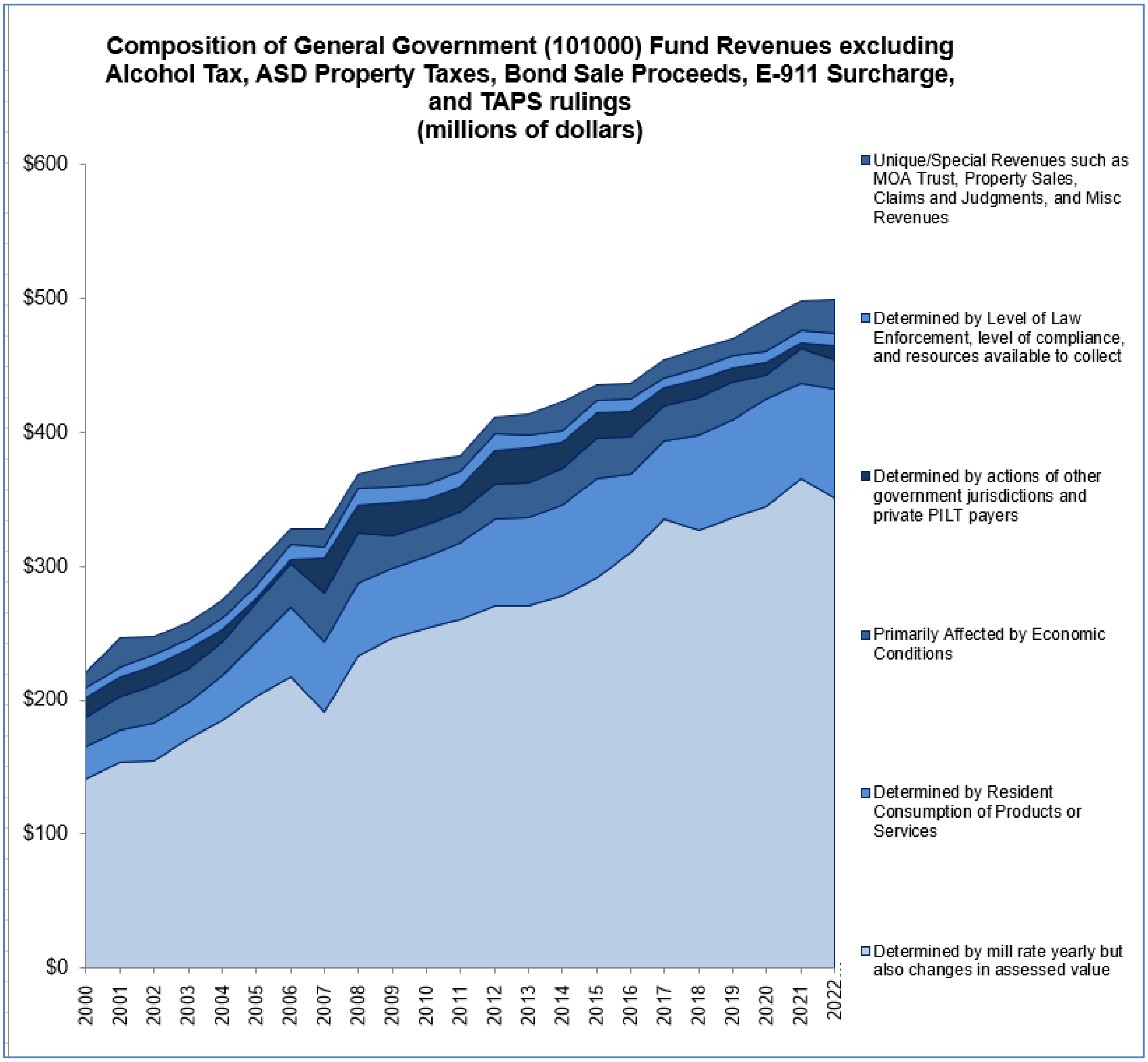


Source: MOA Treasury Division * Excludes Alcohol Tax Special Revenue Fund 206000

The summary chart below from the MOA Treasury Division shows the changing composition of revenues for each of the major categories over the last twenty-two years. Revenues determined by the mill rate and taxable value of property or utility assets have historically ranged from 60 percent to 70 percent of general government revenues during this extended time period.

Revenues determined by resident consumption have contributed a growing share of total revenues because of increases in the tax rate on tobacco, motor vehicles, marijuana retail sales tax, and the motor fuel excise tax. Not included is the new alcoholic beverage retail sales tax, which is accounted for outside the general government fund 101000.

Prior to the start of COVID-19 in 2020, revenues driven by economic conditions in tourism, investment, and construction markets contributed a relatively stable share of total revenues since 2006. There was an unusual increase in total revenues in 2006 followed by a decrease in 2007 because a portion of State Municipal Assistance revenues were received and posted in 2006, but were applied as a tax credit in 2007. Total general government (100) fund revenues in 2016 were slightly lower than 2015 because the Utility Revenue Distribution and 1.25% MUSA payment for ML&P were lower due to a ruling by the Regulatory Commission of Alaska. In 2020, the tourism market was impacted significantly by the COVID-19 pandemic causing revenue for room and motor vehicle rentals to decline.

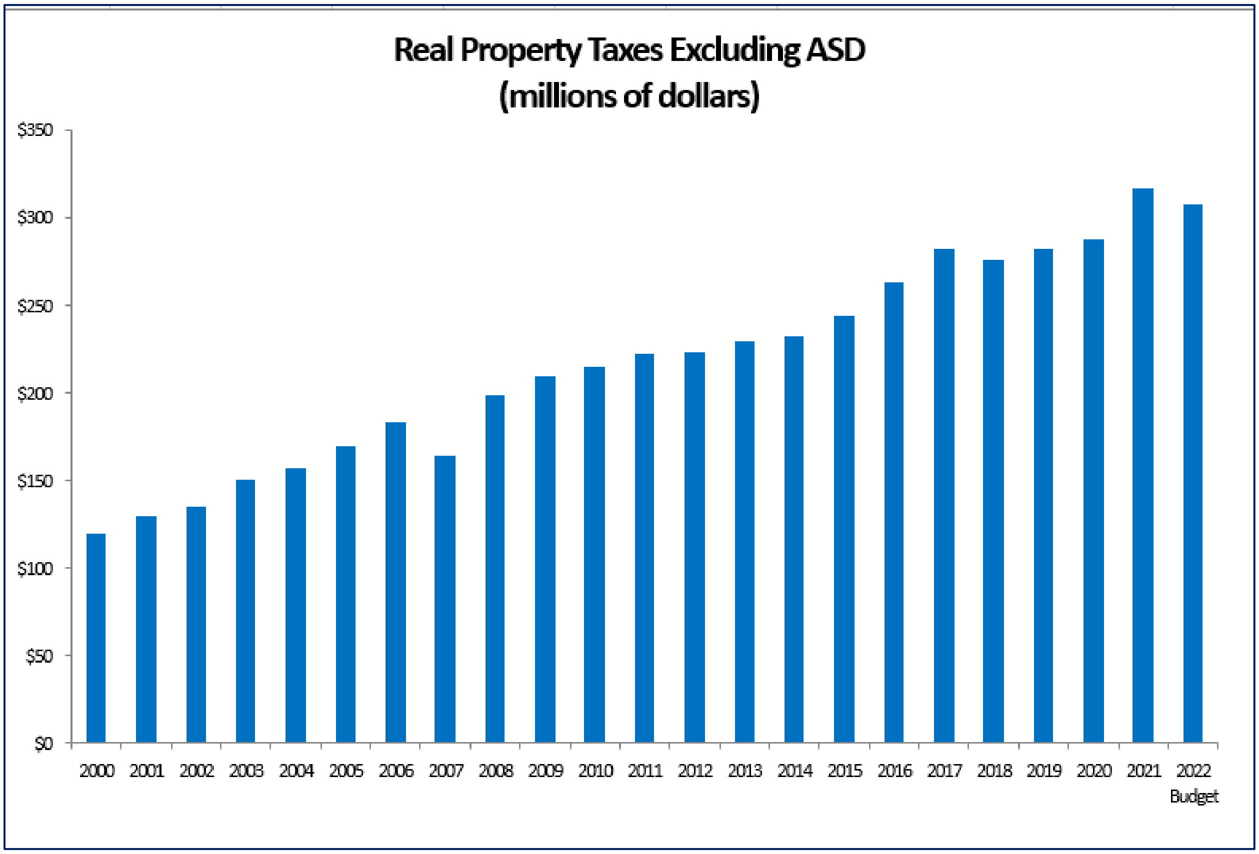


Source: MOA Treasury Division

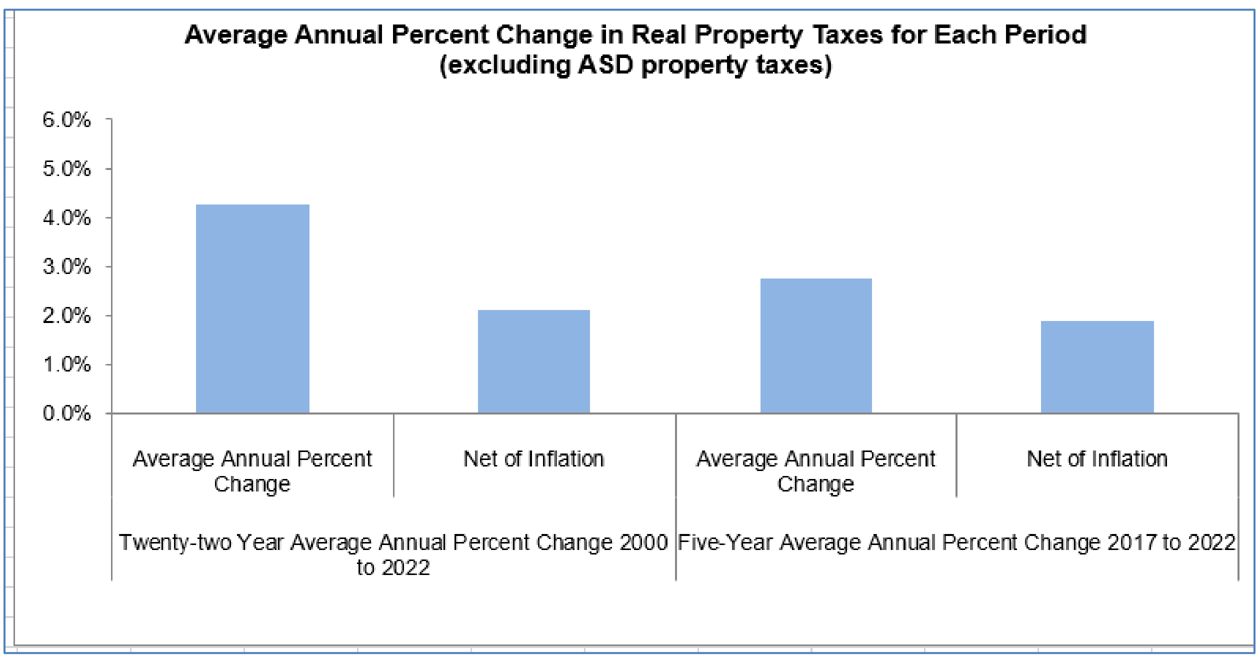
Key Revenue Determinant Categories

Revenues Determined Primarily by the Mill Rate and Taxable Value

Real property tax revenues are the largest component of this category. The amount of real property taxes collected each year is determined by policy decisions made by the Administration and the Assembly when the mill rate is set. In recent years, real property tax revenues have increased at a slower average annual rate than the long-term historical trend from 2000 to 2022.

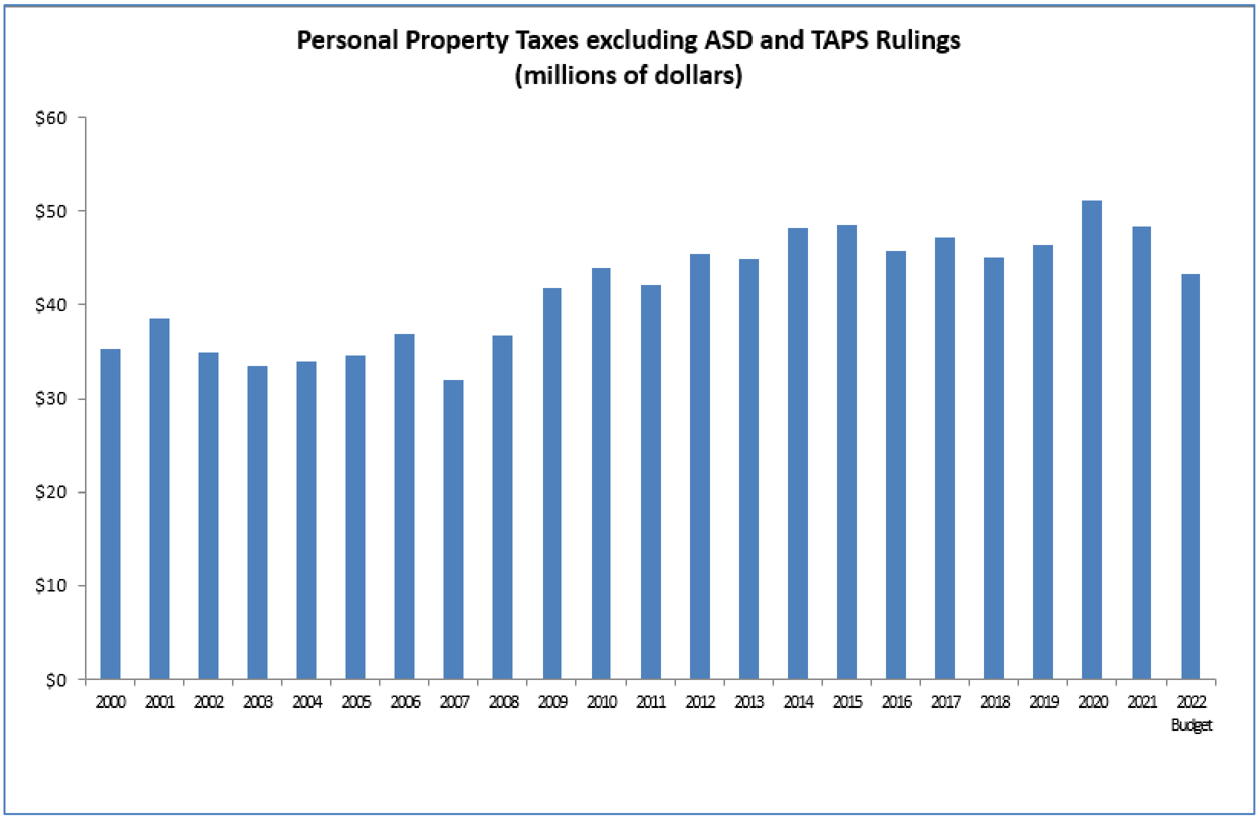


Source: MOA Treasury Division

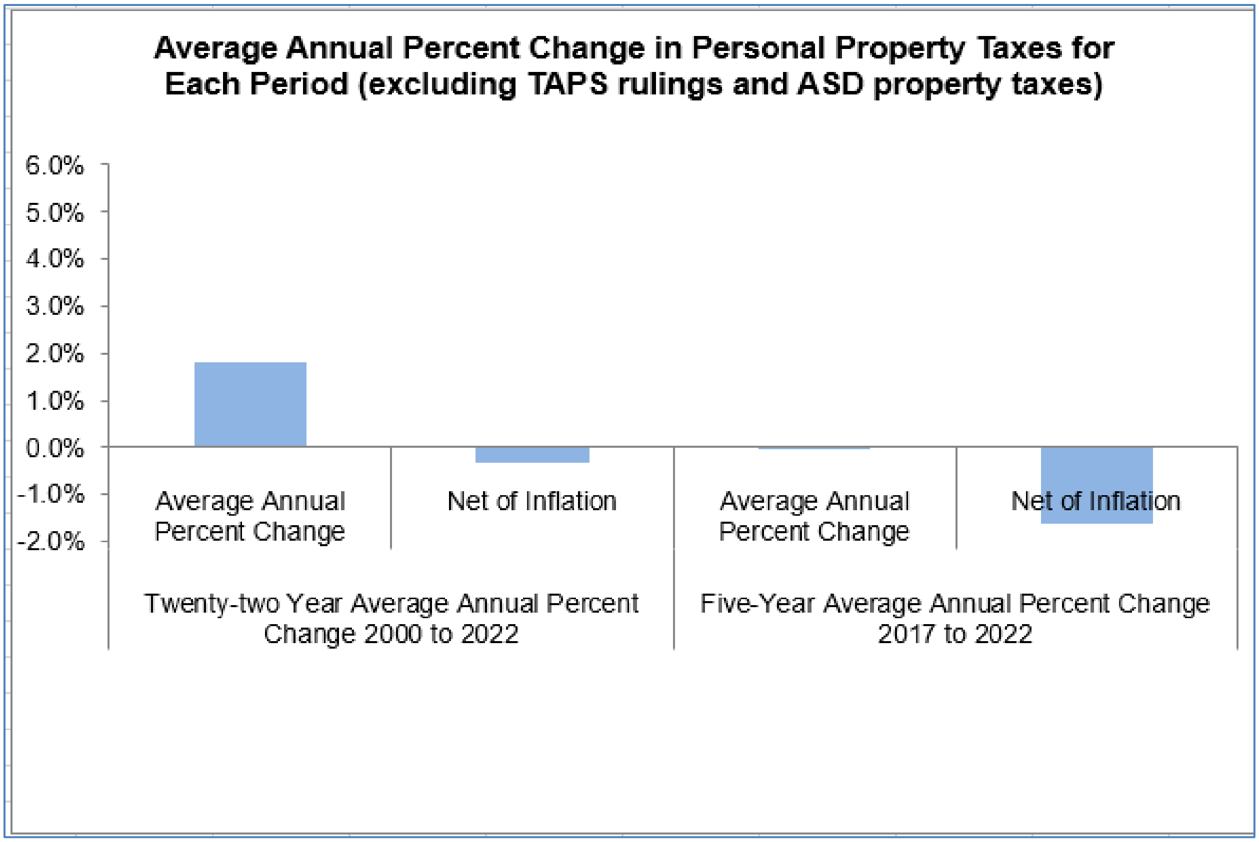


Source: MOA Treasury Division

Personal property tax revenues are variable year to year due to changes in the mill rate and changes in the assessed values of business personal property, state and oil and gas property, and mobile homes. Over the last six years, personal property tax revenues have increased modestly, leveling off more recently due to a decline in assessed values. The charts below exclude ASD property taxes and one-time special revenues from the lower court rulings regarding the value of the Trans-Alaska Pipeline in 2010, 2012, 2013, and the State Assessor's change to the taxable value of State oil and gas properties in 2014. The court rulings required payments of personal property taxes on State oil and gas properties owned by Alyeska Pipeline.

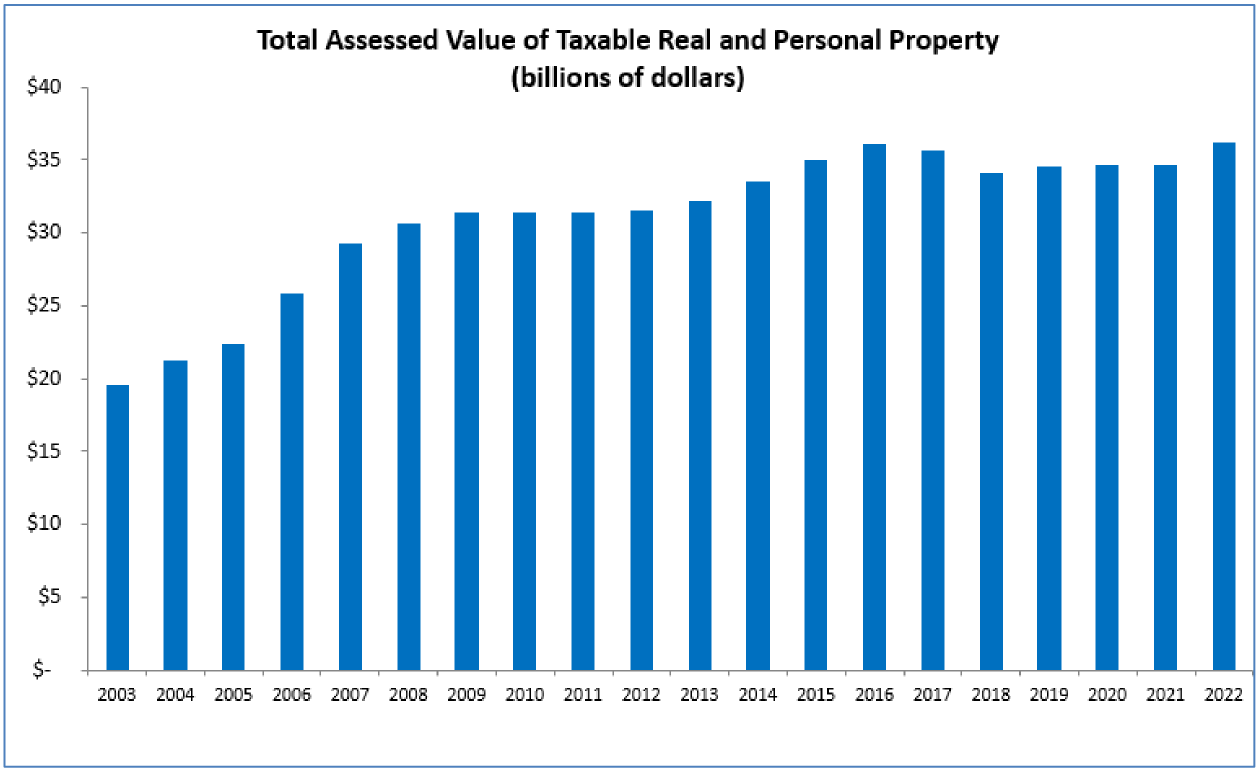


Source: MOA Treasury Division

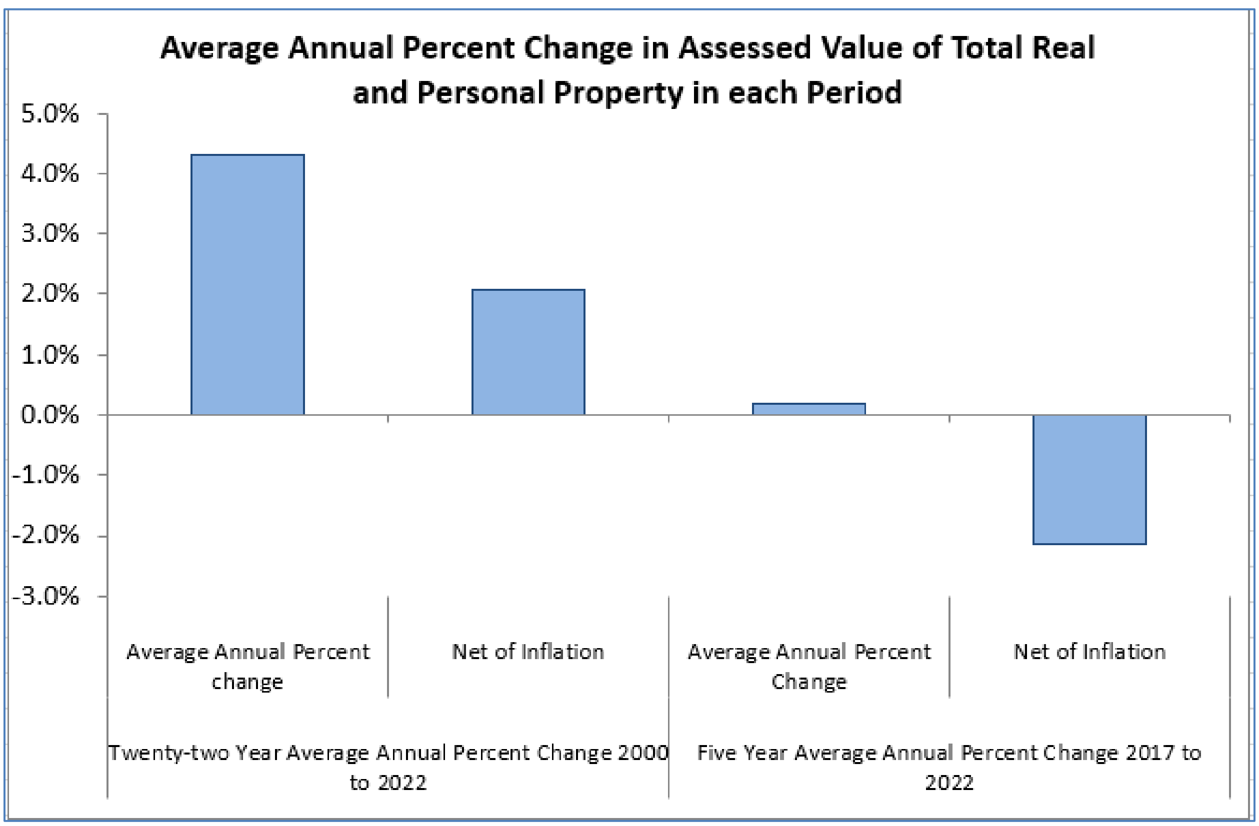


Source: MOA Treasury Division

Assessed Value: The calculation of real property tax revenues, personal property tax revenues, and MUSA/MESA payments are all dependent on the mill rate. One of the factors affecting the mill rate is the assessed value of taxable property. For a given level of property tax revenues, an increase in assessed taxable property value would result in a lower mill rate. For the same level of revenues, a decrease in assessed taxable property value would result in a higher mill rate. Because of its effect on the mill rate, it is important to track changes in the total taxable property value over time. From 2009 to 2013, the total assessed value of taxable real and personal property remained relatively stable compared to previous years. Taxable value increased in FY 2014, FY 2015, and FY 2016 but then declined in 2017 and 2018. Assessed values rose notably in 2022.



Source: MOA Treasury Division



Source: MOA Treasury Division

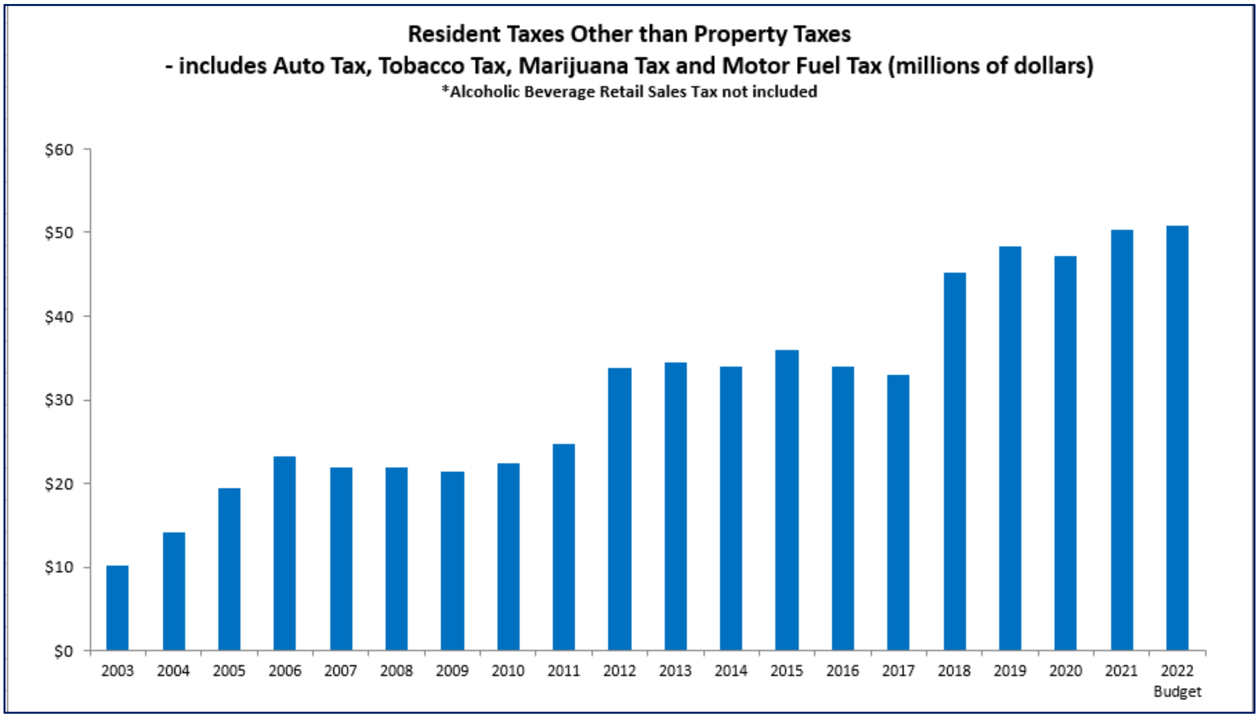
Revenues Determined Primarily by Resident Consumption

These revenues include fees paid by residents for municipal services and facility rentals. It also includes residents' payments of tobacco taxes, motor vehicle registration taxes, motor fuel taxes, marijuana sales taxes, and aircraft registration taxes. This category of revenues contributes about 15 percent of the total general government (101000 Fund) revenues, excluding ASD property taxes and alcoholic beverage retail sales taxes (Fund 206000).

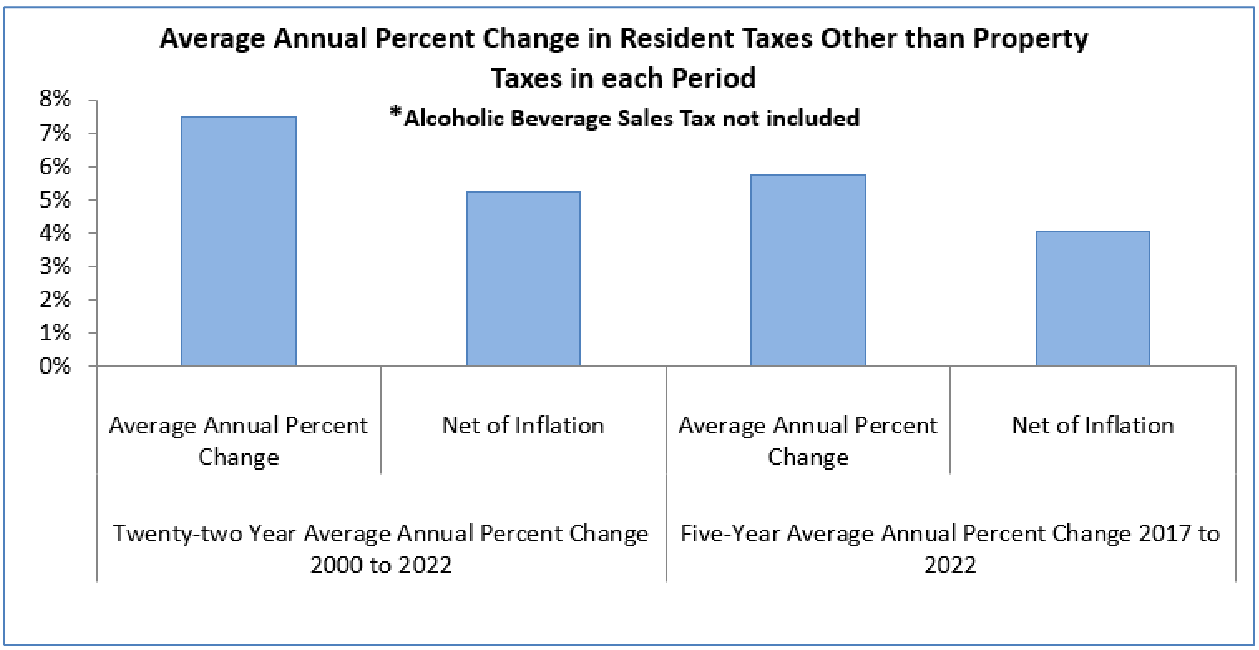
These revenues include fees paid by residents for municipal services and facility rentals. Also included are residents' payments of tobacco taxes, motor vehicle registration taxes, motor fuel taxes, and marijuana sales taxes. This category of revenues contributes approximately 16 percent of the total general government (101000 Fund) revenues, excluding ASD property taxes and alcoholic beverage retail sales taxes (Fund 206000).

Resident taxes, including motor vehicle registration tax, tobacco tax, marijuana sales tax, and motor fuel tax, are paid primarily by residents of the Municipality. These revenues are determined by consumer choices and to a lesser extent, changes in the tax rate. Motor vehicle registration tax revenues are affected by the age distribution of vehicles and the percent of population over 65 as seniors are eligible to receive an exemption from the registration tax for one vehicle. Tobacco tax revenues are affected by the long-term decline in per capita use of tobacco, the availability of alternative products, and the annual CPI adjustment to the cigarette tax rate.

There was an unusual $1.1M increase in tobacco taxes in 2015 because of a one-time restitution payment due to a court ruling against cigarette smugglers. The decrease in tobacco tax revenues in 2017 was due to the unexpected closure of Sam's Club in December. Tobacco tax revenues increased in 2021 because of the additional taxation of vape products. Overall revenues in this category increased substantially because of higher motor vehicle registration tax rates in 2012 and increases in the tobacco tax rate in late 2004 and 2011. Increases in resident tax revenues in 2018 and 2019 were the result of the expansion of the legal retail marijuana market and the implementation of an excise tax on motor fuel. The alcoholic beverage retail sales tax (fund 206000) is not included in these figures.

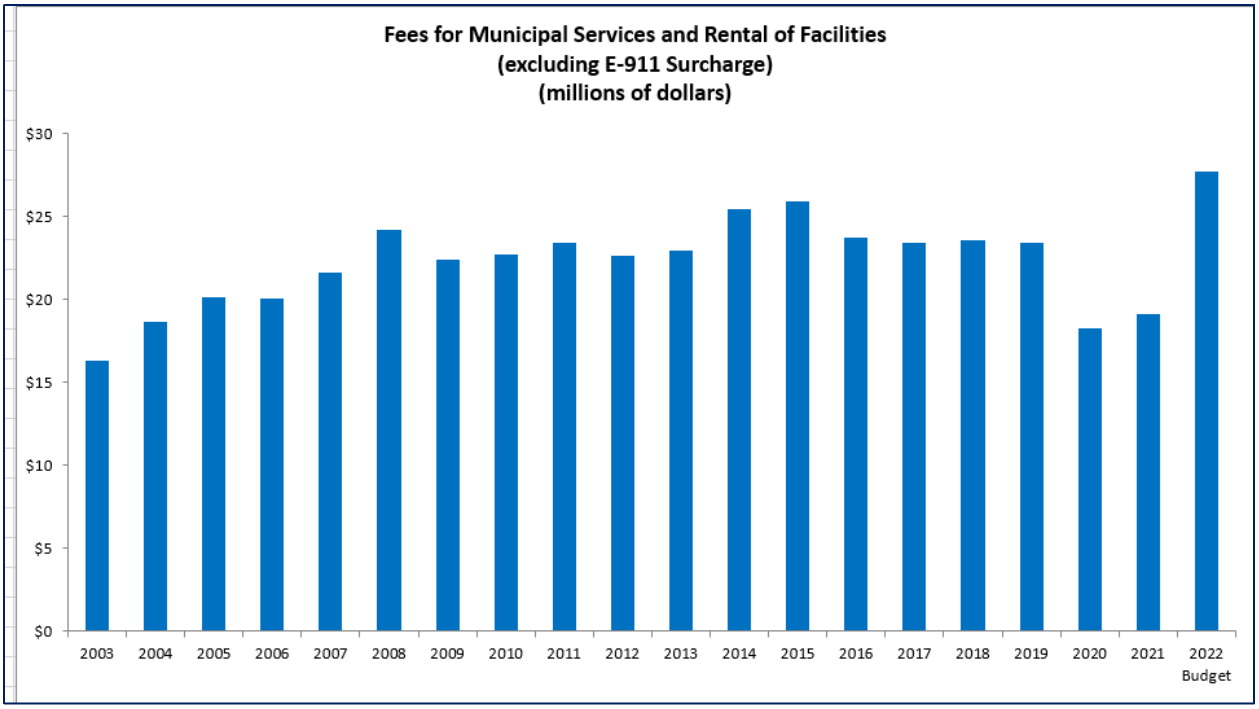


Source: MOA Treasury Division *2021 Reflects Budget Amounts

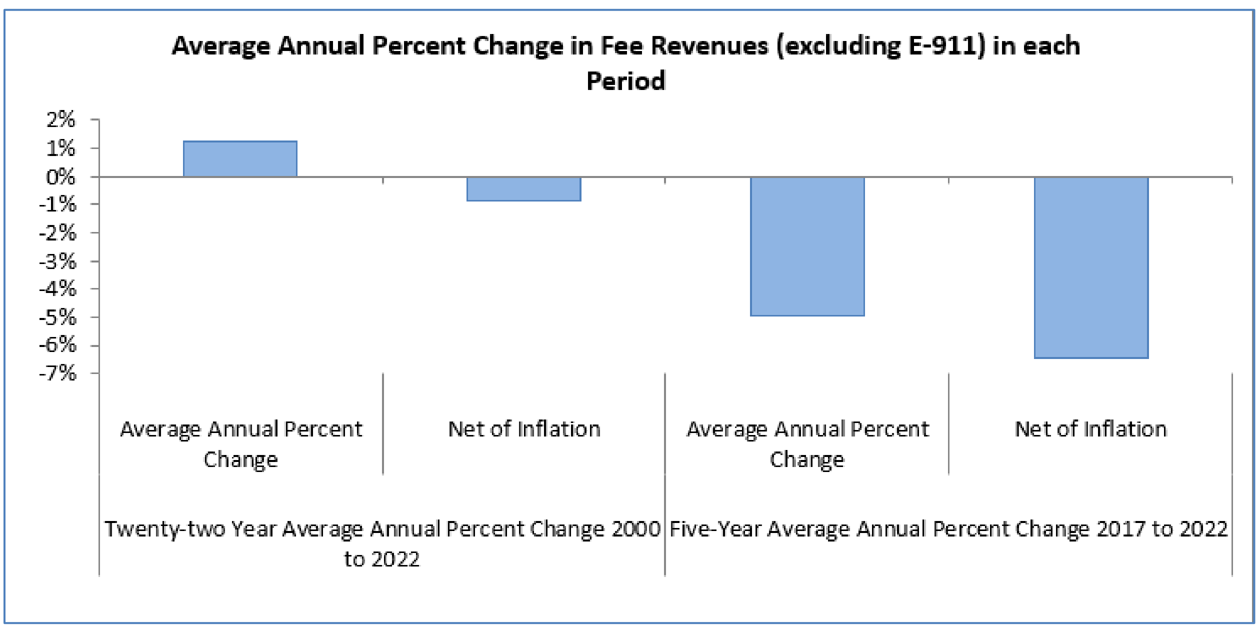


Source: MOA Treasury Division

Fees paid by residents for Municipal services and facility rentals are affected by the amount and types of public services provided by the Municipality, the amount of fees charged for those services, the number of Municipal resources and personnel allocated to provide the service, and extraordinary events such as the COVID-19 pandemic. The amount of these services and rentals that residents use determines the overall level of fees. Since 2009, fee revenues have been flat with the exception of a significant drop in 2020 and 2021 due to the COVID-19 pandemic which affected many facilities' ability to stay open.



Source: MOA Treasury Division *2021 Reflects Budget Amounts

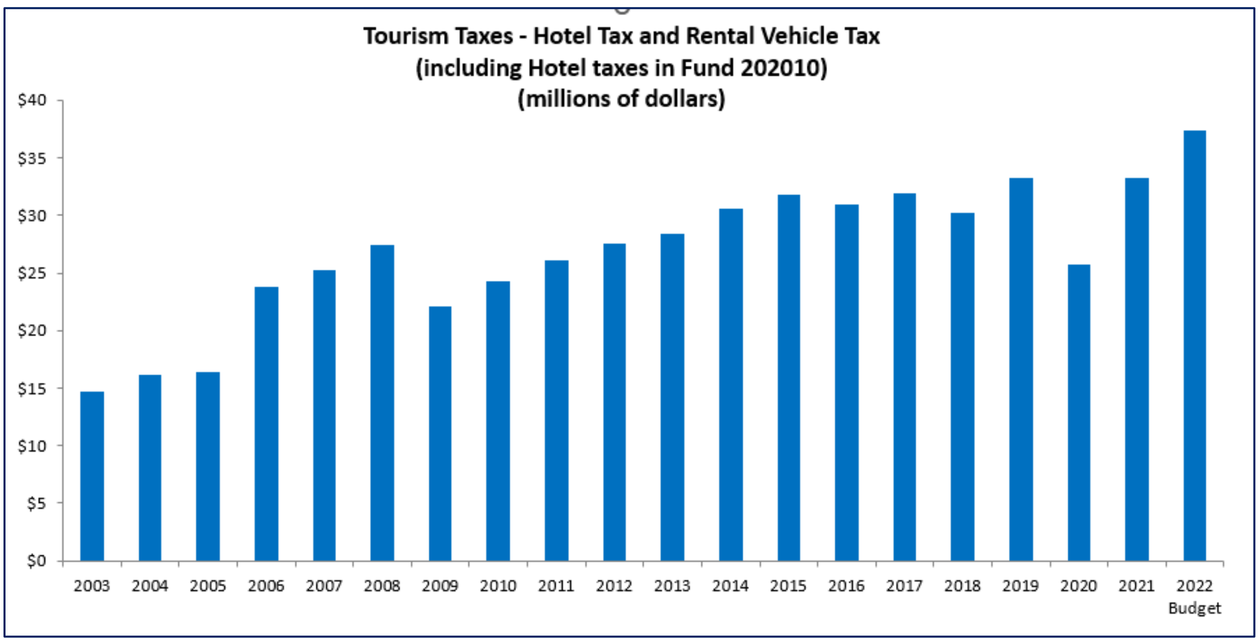


Source: MOA Treasury Division

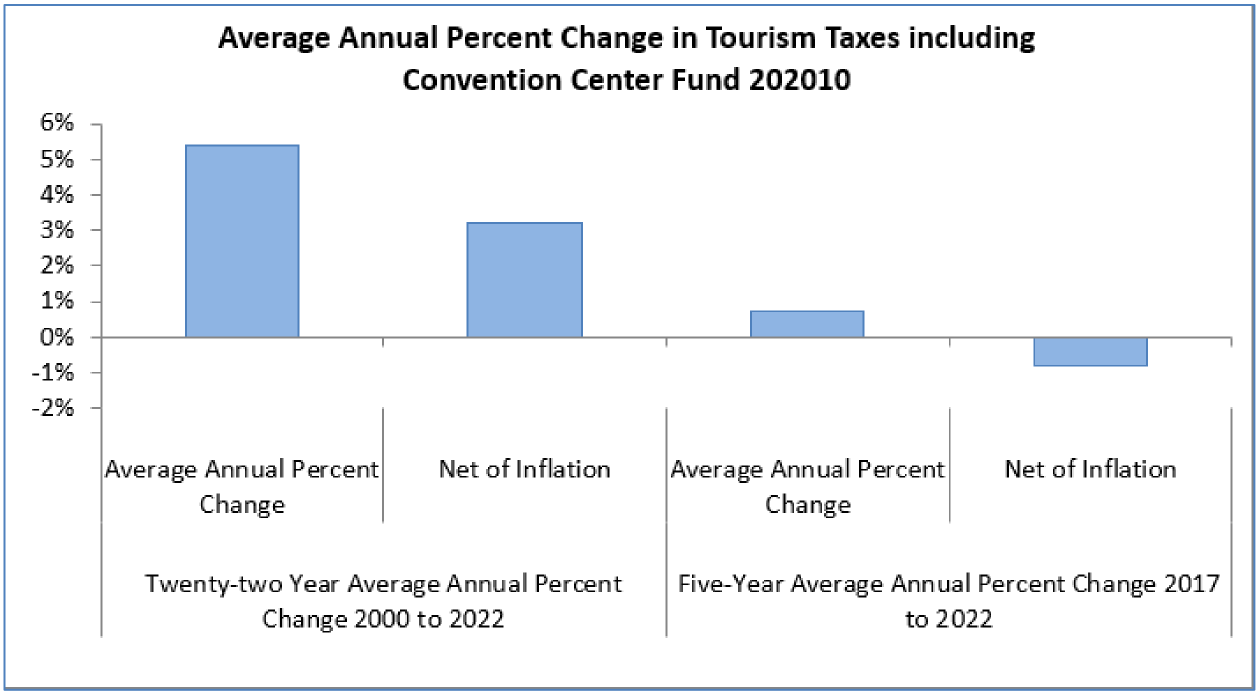
Revenues Determined Primarily by Economic Market Conditions

These revenues include all tourism taxes, construction-related permits, and investment earnings. They are affected by changing economic conditions in tourism, the construction industry, and the investment markets. Longer term, they are affected by changes in tax rates or by changes in permit fees specified in municipal code. These revenues contribute about 6 percent of total general government (series 101000 Funds) revenues, excluding ASD property taxes.

Tourism-related revenues from the room tax and the rental vehicle tax are affected by the tax rate, the number of visitors coming to Anchorage, how long they stay, and the price they pay for a hotel room or rental vehicle. Tourism taxes increased substantially in 2006 due to a tax rate increase then decreased in 2009 due to the national recession. Tourism taxes have gradually recovered over the subsequent ten years due to increases in the prices charged for hotel rooms and continued growth in the number of visitors to Anchorage. The significant decline in tourism taxes in 2020 was because of fewer visitors coming to Anchorage during the COVID-19 pandemic. Revenue in 2022 has shown notable increases over 2020 and 2021 due to the post pandemic recovery of the tourism industry and higher than normal seasonal increases in hotel room prices and rental vehicle rates.

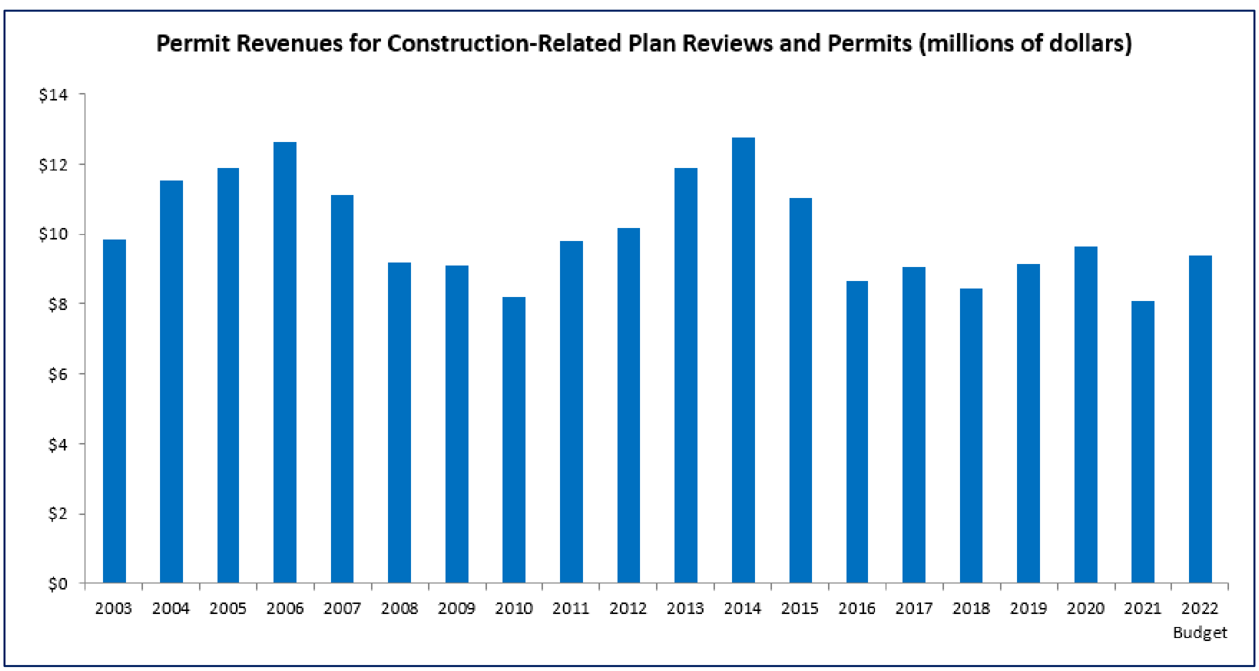


Source: MOA Treasury Division *2021 Reflects Budget Amounts

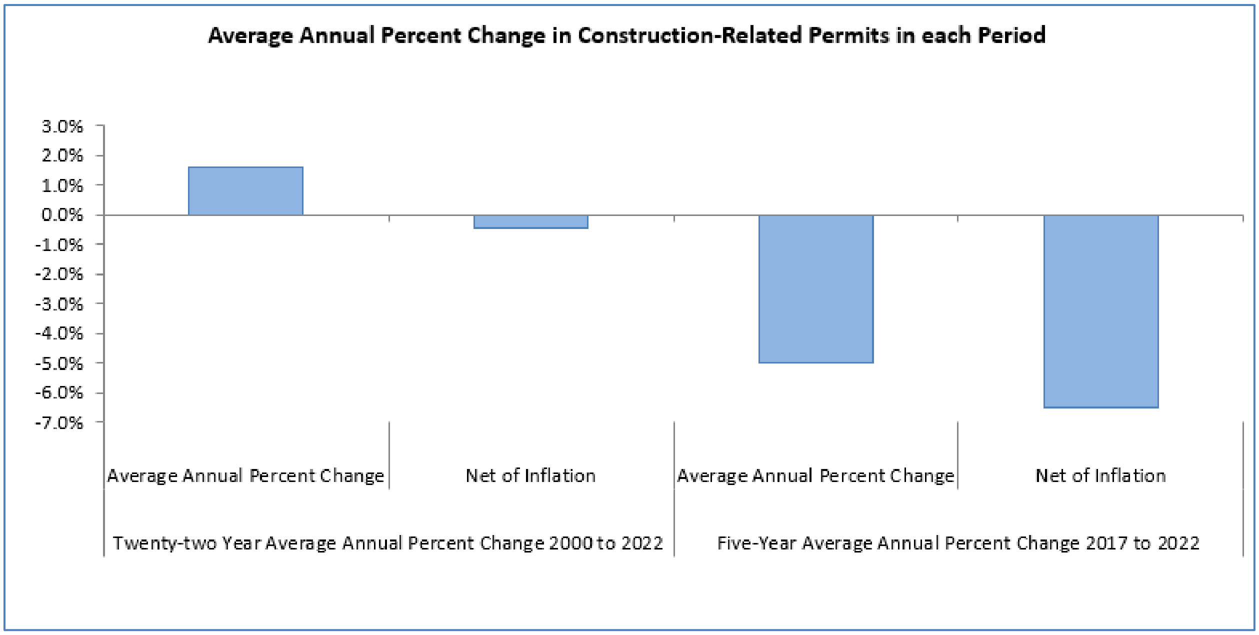


Source: MOA Treasury Division

Construction-related permit revenues are paid by builders for inspections, reviews, and permits to build construction projects. These revenues are affected by the value of permitted building activity, the type of construction (residential or commercial / new or renovation), the level of Municipal resources and personnel available to process permits, changes in Code requirements for various permits, and the amount of the fee paid for each type of permit. Building permit fee revenues declined in 2015 and 2016 but increased in 2017 and 2018. Revenues were slightly higher in 2020 but declined in 2021. Revenues are budgeted at a higher level in 2022.

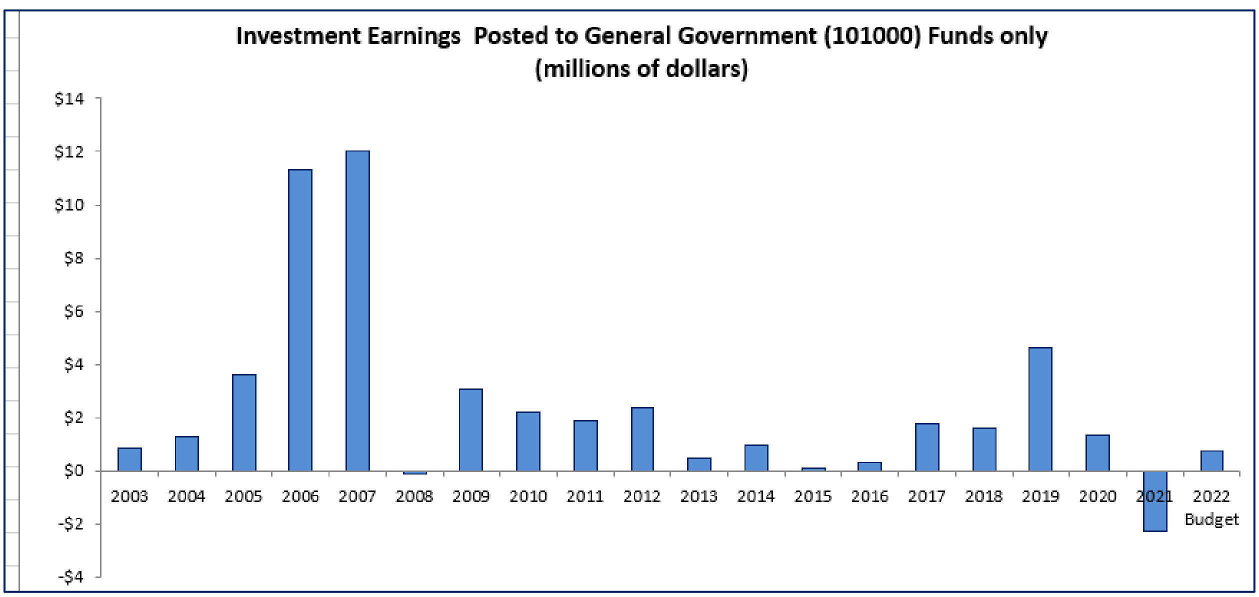


Source: MOA Treasury Division *2021 Reflects Budget Amounts

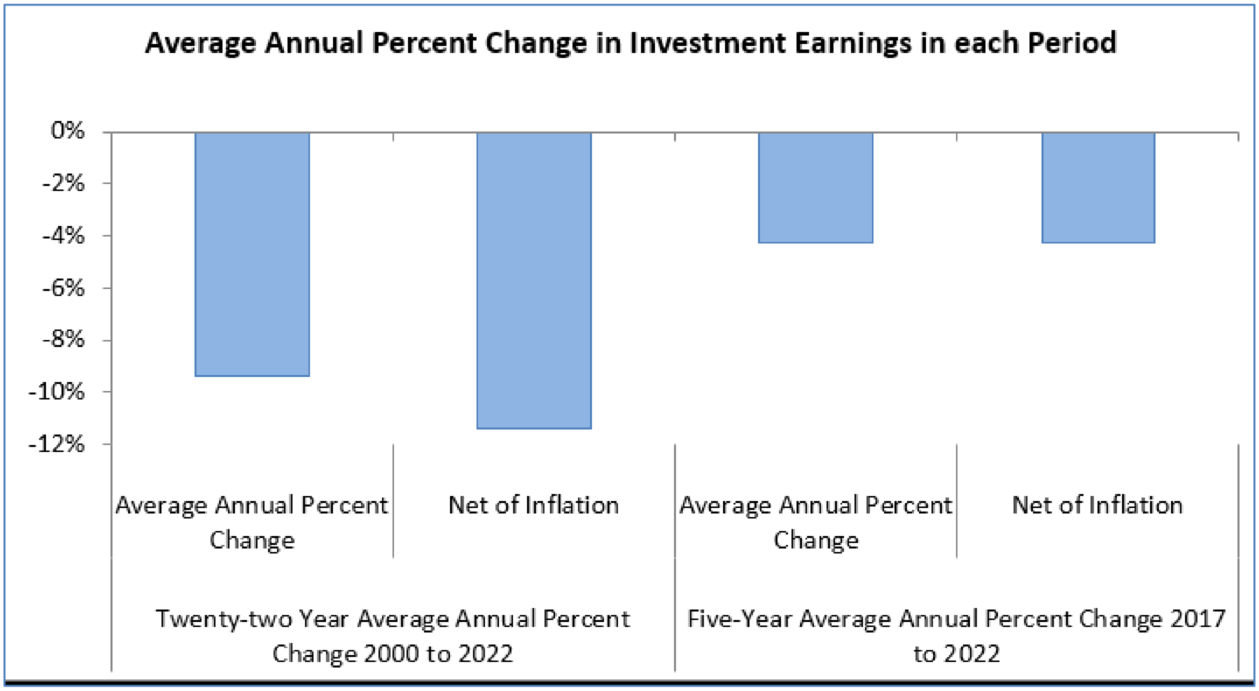


Source: MOA Treasury Division

Investment earnings from the Municipal Cash Pool, Tax Anticipation Notes (TANs), and Construction Pool Investments are affected by the level of Municipal holdings in each type of investment and the rate of return on those investments. Revenues are also affected by Municipal Code and policies that guide how Municipal Funds are invested. FY 2020 investment earnings posted to the general government (101000) funds were lower than 2019 due to market decreases. Rising interest rates in FY 2021 created unrealized losses in the pool, however recovery is expected in 2022 as market valuations adjust to higher interest rates.



Source: MOA Treasury Division *2022 Reflects Budget Amounts

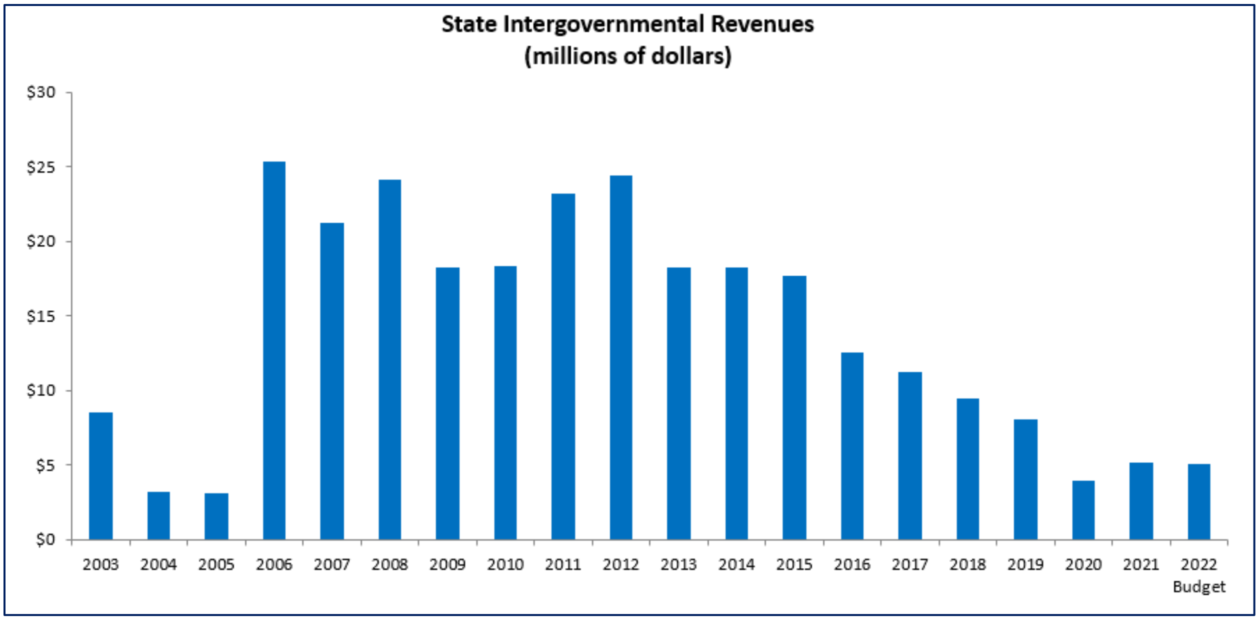


Source: MOA Treasury Division

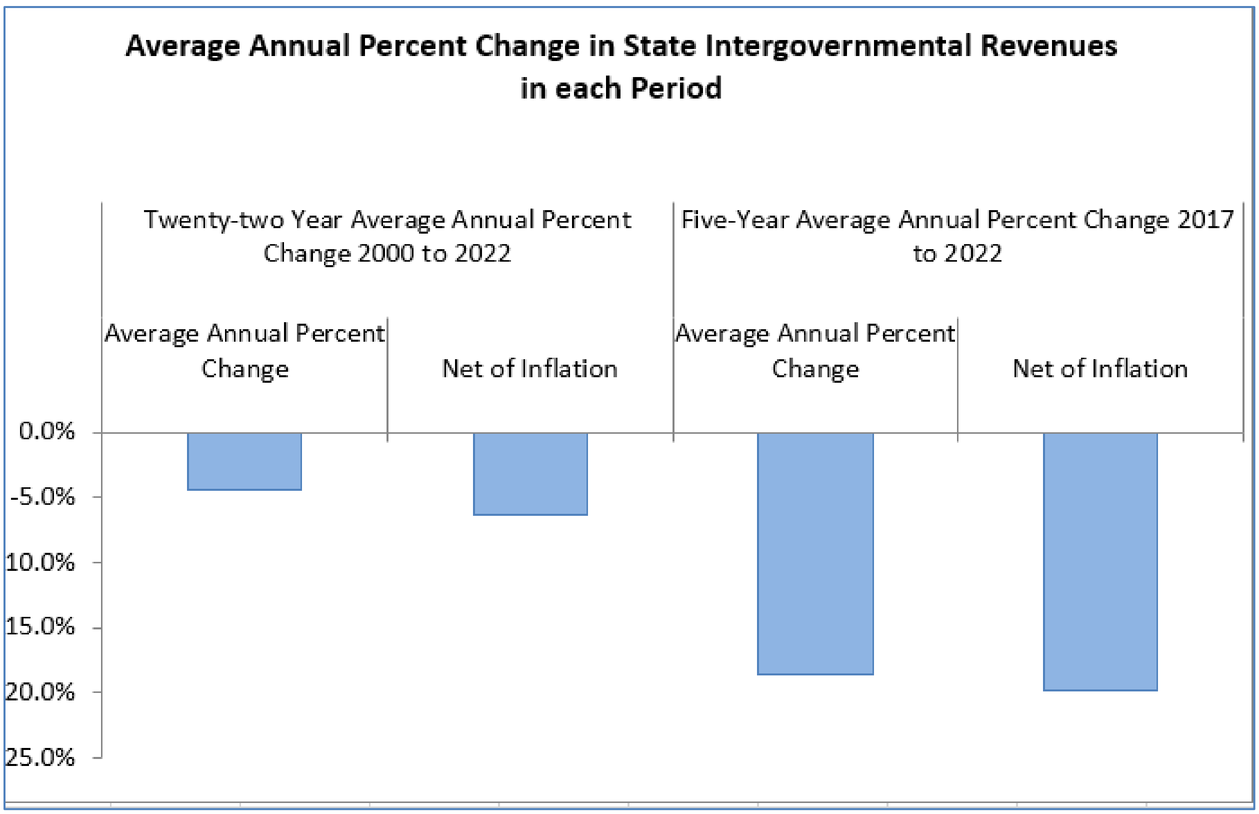
Revenues Determined by Actions of Other Governments

This category includes all State and Federal intergovernmental revenues and State and Federal Payments in Lieu of Taxes (PILT). These revenues contribute just under one half percent of total general government (101000) fund revenues.

State Intergovernmental Revenues: Most of the revenues in this category have come from the State of Alaska's Revenue Sharing Program (through 2016) and Community Assistance Program (2017 to the present). The Municipality also receives revenues from the State for the Fisheries Tax, Liquor Licenses, Traffic Signal Reimbursement, and Alaska Housing Finance Corporate PILT payments. Beginning in 2021, Chugach Electric began to pay private PILT to the Municipality per the municipal sales agreement terms with Municipal Light & Power.
Total State Intergovernmental revenues increased substantially in 2006 due to higher Municipal Revenue Sharing. Subsequent periods have experienced a decline in total State revenues received by the Municipality.

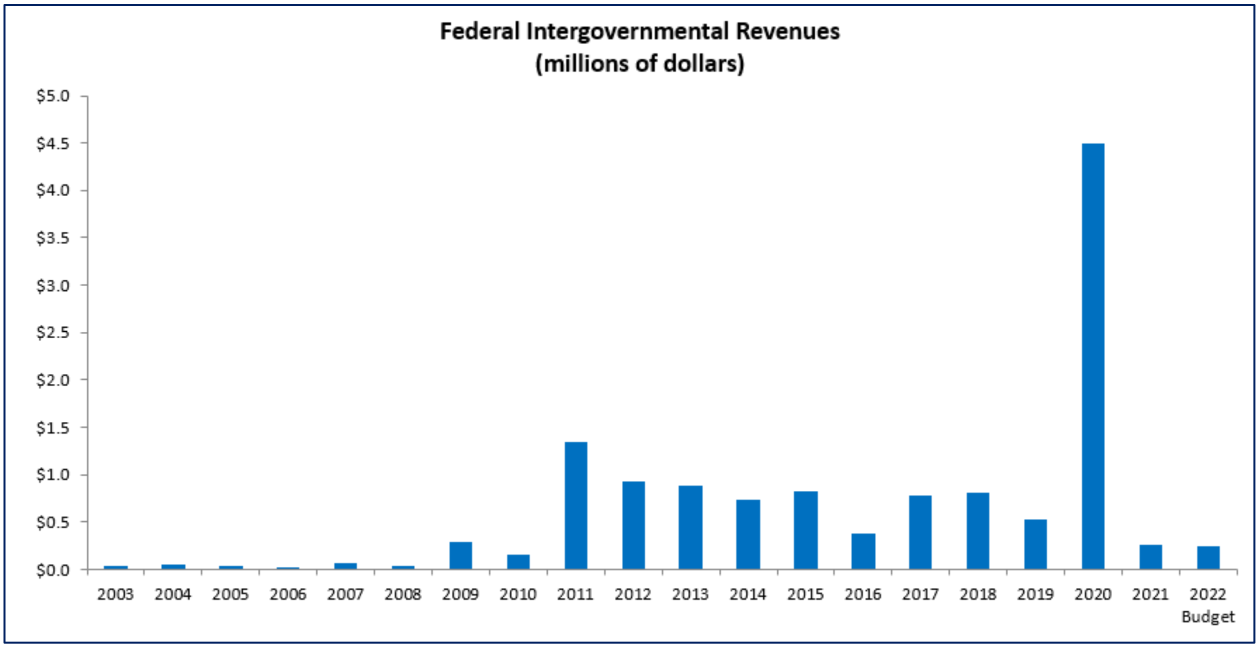


Source: MOA Treasury Division

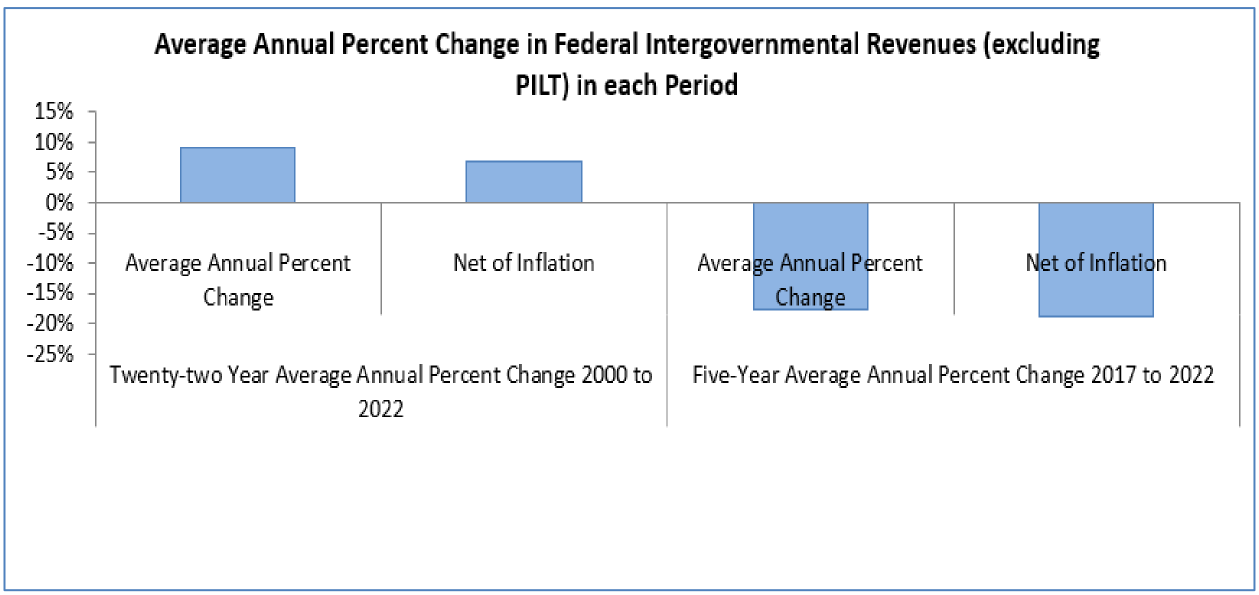


Source: MOA Treasury Division

Federal Intergovernmental Revenues: Most of the revenues in this category have come from Federal grants, fisheries tax, and national forest allocations. The Municipality also receives Federal PILT revenues. Total Federal Intergovernmental revenues were relatively modest until 2011. The large increase in 2020 was for emergency earthquake and COVID-19 relief. After 2020, the Federal revenues received by the Municipality have returned to historical levels.



Source: MOA Treasury Division



Source: MOA Treasury Division

Expenditures

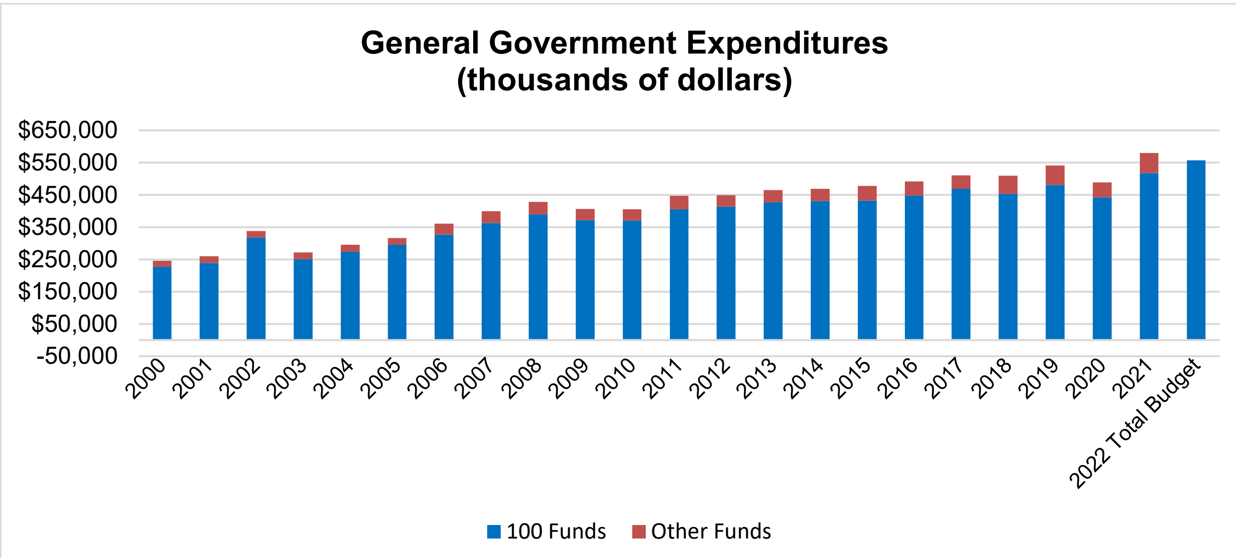
The graph below depicts the actual direct expenditure trends from 2000 to 2021 for Anchorage's general government. 2022 budget is projected, based on 2022 Revised Budget and supplemental budget changes through September 2022.
Recent increased investment in public safety, support to the SAP project, obligations and commitments, fuel and cost of goods, and labor contracts have caused increases to expenditures.

As the State of Alaska reduces funding for necessary services and agencies in our community, the Municipality has stepped in to help address and mitigate the effects of substance misuse, underfunded law enforcement agencies, and a debilitated public mental health care system.

In 2020, $91 million of Police and Fire first responder operating payroll costs were charged to the Coronavirus Aid, Relief, and Economic Security (CARES) Act grant and thus are not featured in General Government; partially offsetting that movement was an increase of $39 million of COVID-19 programs that were funded in General Government 100 Funds.

In 2021, the COVID-19 programs continued as supplemental budget changes of $30 million funded in General Government 100 Funds.

The 2022 total budget includes supplemental budget changes for inflation increases in contracts and special tax levy funds for police information technology.



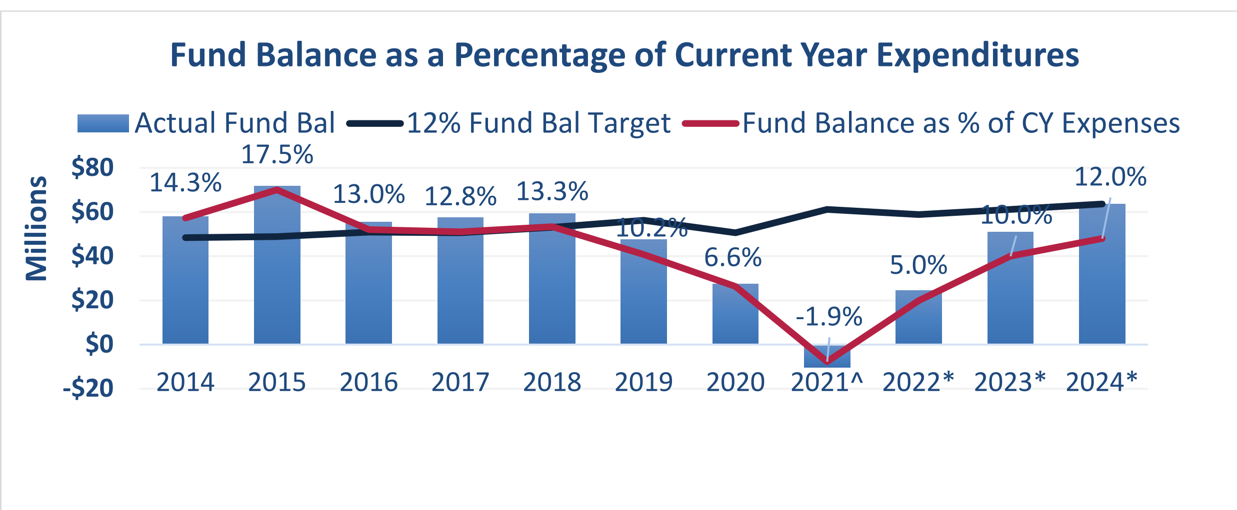
Source: MOA Office of Management & Budget

4. Fund Balance

The Municipality's current Fund Balance Policy is delineated in Assembly Resolution No. 2015-84 and is as follows.

- It is the policy of the Municipality to prepare and manage five major General Government fund budgets so as to maintain unrestricted general fund balance in an amount equal to 10% of current year expenditures as a Bond Rating Designation that will become committed fund balance.
- It is the policy of the Municipality to prepare and manage its Non-Major Governmental Operating Funds (Limited Service Areas and Rural Service Areas) budgets so as to maintain an unrestricted fund balance of 8.25% of current year expenditures as a Bond Rating Designation that will become committed fund balance.
- It is the policy of the Municipality to prepare and manage budgets so as to maintain unrestricted fund balances in its five major funds in an amount between 2.0% and 3.0% of current year expenditures as a Working Capital Reserve that will become part of unassigned fund balance.
- Expenditures are defined as total expenditures reported in the ACFR's Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund and shall be reduced by contributions to education, 'On-behalf' payments made on-behalf of the Municipality by the State of Alaska directly to the Public Employees Retirement System (PERS), expenditures in the Police and Fire Retirement Administration Fund 213 and expenditures in the Municipality's Trust Fund 731.

The chart below demonstrates that the Municipality was in excess of its Fund Balance Policy from 2014 through 2018. However, since 2019, the Municipality has not met its Fund Balance Policy requirements due to emergency ordinances that were enacted for the November 2018 Earthquake and the COVID-19 pandemic. The 2022 through 2024 estimates assume recovery of fund balance from FEMA reimbursements for qualified expenditures and the use of taxes to cover any expenditures that are ineligible for FEMA reimbursements, pursuant to certain emergency ordinances passed by the Assembly.



*Source: MOA ACFR Required Supplementary Information and Note 15 Fund Balance: ^2021 is Draft ACFR and *2022 through 2024 are forecasting reimbursement of qualified expenditures from FEMA and/or taxes applied to fund balance.*

Municipality's General Obligation Bond Rating

The Municipality enjoys the benefits of being a very highly rated government entity by two national rating agencies. The Municipality is currently rated AA+ by Fitch Ratings (Fitch) with a Stable Outlook and AA+ by Standard & Poor's (S&P) with a Stable Outlook. The rating agencies have a complex structured rating process for determining an issuers rating. Fitch uses Key Rating Drivers for their assessment methodology and S&P refers to their methodology as a Financial Management Assessment. These processes are comprised of numerous quantitative factors, including a variety of ratios, and qualitative factors that determine a credit score and subsequent rating. Generally speaking, no single factor or ratio determines an issuers rating.

Primary credit factors include:

- Economic strength of the local economy,
- Financial strength of the credit,
- Management and Governance and
- Debt profile.

In determining a rating, the agencies compare the Municipality with other issuers with similar characteristics. The importance of these peer comparisons and additional disclosure of their rating process has been a critical aspect for the rating agencies in the wake of the Great Recession of 2008 as the rating agencies faced increased scrutiny over the appropriateness and accuracy of their ratings.

Fitch Ratings

Fitch currently rates the Municipality AA+ with a Stable Outlook. In their August 3, 2020, rating review of the Municipality they commented on the Municipality's:

- Exceptional resilience to typical stresses,
- Solid expenditure flexibility, and
- Moderate long-term liability burden balanced against a somewhat constrained revenue raising flexibility.

They also commented about their revenue framework assessment. "Fitch expects revenue growth in line with inflation over time, but the municipality may experience some near-term weakness due to economic conditions. Anchorage's tax limitations generate revenue stability, but policymakers' independent legal ability to raise revenues is moderate relative to typical cyclical revenue declines."

On October 30, 2020, Fitch reaffirmed the rating for Municipality as AA+ with a Stable Outlook.

Standard & Poor's (S&P)

S&P currently rates the Municipality AA+ with a Stable Outlook. In their most recent rating summary dated July 31, 2020, S&P's analyst noted the following regarding Anchorage:

- Very strong economy,
- Strong management with good financial policies and practices,
- Strong budgetary flexibility,
- Very strong liquidity,
- Adequate debt and contingent liability position, and
- Strong institutional framework score.

Fund Balance Policy Discussion and Update

The Mayor and senior staff understand that a strong Fund Balance Policy is critical with respect to the following concepts:

- Maintain Best Practice & Prudent Management Objectives,
- The Municipality's current policy is out of the criteria range for a AA+/AAA rated issuer,
- Rating Agencies periodically change their rating criteria and 15% continues to be the minimum level for a AAA rating,
- Rating Agencies are concerned that the State's fiscal challenges will affect the Municipality,
- The Municipality's rating may currently be higher than the State of Alaska's rating, however continued downgrades of the State's rating will impact our rating,
- Higher Fund Balances will help mitigate that risk and

Higher credit ratings mean a lower cost of funds, and lower taxes for taxpayers.

5. Capital Projects

Capital Projects requests from federal, state, and local sources will focus on roads, parks, municipal facilities upgrades, public transportation, and public safety.

The Capital Improvement Program supports the maintenance and development of infrastructure that form the foundation for a strong economy and vibrant Anchorage. The proposed capital funding support that comes from local bonds as well as state and federal funds. In many cases, proposed bond funds leverage matching non-local dollars. Separate capital budgets exist for the Anchorage School District proposed improvements and the municipally-owned utilities.

As capital requests are reviewed, awareness of potential operating costs associated with projects is identified at an individual project detail level for the year(s) after the work is complete. For 2023 – 2028 Capital Improvement Program Operations & Maintenance, the identified costs are increases to the operating budget due to addition of facilities expansion (utilities, etc) and road improvements (street maintenance). Yearly costs by departments are projected as follows:

2023 - 2028 Capital Improvement Program Operations & Maintenance Estimate

(In Thousands)

Department	2023	2024	2025	2026	2027	2028	Total
Information Technology	13	567	760	714	653	1,551	4,258
Library	693	693	693	-	-	-	2,079
Maintenance & Operations	30	41	51	60	30	30	242
Parks & Recreation	188	188	201	208	-	-	785
Project Management &	363	62	62	112	62	47	708
Traffic Engineering	65	65	65	65	65	65	390
Total	**1,352**	**1,616**	**1,832**	**1,159**	**810**	**1,693**	**8,462**

Source: 2023 Proposed General Government Capital Improvement Program

6. 6-Year Projection Model

Six Year Fiscal Program
General Government Operating Budget
Projections of Funding Sources and Uses ($ thousands)
2023 to 2028

	Total Budget	Proposed Budget	Projections									
Financing Sources	**2022**	**2023**	**2024**		**2025**		**2026**		**2027**		**2028**	
Federal Revenues	244	256	256	0%	256	0%	256	0%	256	0%	256	0%
State Revenues	4,862	4,862	4,925	1%	4,988	1%	5,053	1%	5,120	1%	5,187	1%
Local Revenues	204,508	220,420	225,158	2%	231,263	3%	235,119	2%	239,241	2%	243,483	2%
Property Taxes	265,769	270,532	274,967	2%	278,893	1%	287,309	3%	296,816	3%	303,249	2%
Property Taxes - GO Bond Debt	54,848	56,996	61,829	8%	57,537	-7%	55,395	-4%	48,177	-13%	48,185	0%
New Revenues			-	0%	-	0%	-	0%	-	0%	-	0%
Fund Balance Applied	6,420	1,610	1,610	0%	1,634	1%	1,659	1%	1,684	1%	1,709	1%
IGCs Outside General Gvt.	28,107	28,969	29,451	2%	29,892	1%	30,339	1%	30,794	1%	31,255	1%
Total Financing Sources	**564,758**	**583,646**	**598,196**		**604,463**		**615,130**		**622,087**		**633,324**	
Change from prior year	**2.8%**	**3.3%**	**2.5%**		**1.0%**		**1.8%**		**1.1%**		**1.8%**	
Financing Uses												
Salaries and Benefits	315,635	324,207	331,846	2.4%	336,581	1.4%	343,577	2.1%	351,831	2.4%	355,876	1.1%
Debt Service	29,478	62,322	63,028	1.1%	58,615	-7.0%	56,440	-3.7%	48,986	-13.2%	48,706	-0.6%
Depr/Amort	10,288	10,288	10,479	1.9%	10,494	0.1%	10,494	0.0%	10,494	0.0%	10,744	2.4%
Other	211,993	186,829	192,842	3.2%	198,773	3.1%	204,619	2.9%	210,775	3.0%	217,997	3.4%
Total Financing Uses	**567,395**	**583,646**	**598,196**		**604,463**		**615,130**		**622,087**		**633,324**	
Change from prior year	**-2.2%**	**2.9%**	**2.5%**		**1.0%**		**1.8%**		**1.1%**		**1.8%**	
Revenues Over/(Under) Expenditu	**(2,637)**	**-**	**-**		**-**		**-**		**-**		**-**	

2022 Total Budget

- Includes 2022 Revised Budget and supplemental appropriations through August 2022

Projections - Overall Assumptions 2023-2028

- This projection is for General Government Operating only and does not include assumptions related to Anchorage School District (ASD) taxing needs nor does it include any assumptions for grants (i.e. COVID stimulus, etc.)
- 2023 Proposed is the base for 2024 through 2028 projections
- Population - per Anchorage Economic & Community Development (AEDC) 3-year Outlook - 2022: 288.5K; 2023: 288.5K; 2024: 288.5K and then flat thereafter
- CPI - 2.9% in 2022, 3% in 2023 and thereafter

Financing Sources

- Federal / State Revs - Assumes no stimulus grant impacts
- State Revs - Revenue sharing stable at $1.7 million (amount budgeted in 2022) in 2023 and thereafter
- Property Taxes - tax under the cap each year to match funding needs: 2024: $0.8M; 2025: $9.7M; 2026: $15.4M; 2027: $18.3M; 2028: $24.7M
- Property Taxes - Assumes no new Operations & Maintenance (O&M) in 2023 and thereafter
- Property Taxes - Assumes no exemption recovery in 2024 and thereafter
- Taxes - MESA/MUSA/Dividends from Enterprise/Utilities are from respective 8-Year summaries provided in 2023 Proposed documents
- Fund Balance - Assumes no fund balance use for 100 Funds and does not include any adjustment for funding emergency ordinances that are not reimbursed by FEMA
- Most other revenues increase 2% in 2024 and thereafter

Financing Uses

- Salaries and Benefits - Work hours: 2024: 2096; 2025: 2088; 2026: 2096; 2027: 2112; 2028: 2096
- Salaries and Benefits - Current contract changes then last approved rate change thereafter, except: Assembly: flat; EXE and Non-Rep 1% in 2024 and thereafter; Mayor: flat.
- Salaries and Benefits - Medical at 4% increase per year
- Salaries and Benefits - Assumes non-calculated (Vacancy Factor, Overtime, etc.) flat from 2023
- Debt Service - per schedule from Public Finance - assumes no new General Obligation Bond debt
- Other (includes leases, contracts, utilities, etc.) - Increasing by CPI

Source: MOA Office of Management & Budget