

# **Six-Year Fiscal Program**

## **2026 – 2031**



**Municipality of Anchorage**

**Suzanne LaFrance**  
**Mayor**

# **Municipality of Anchorage**

## **Six-Year Fiscal Program**

**2026 – 2031**

October 2, 2025

### **Mayor**

Suzanne LaFrance

### **Assembly**

Christopher Constant, Chair

Erin Baldwin Day

Anna Brawley

Jared Goecker

Zac Johnson

Keith McCormick

George Martinez

Scott Myers

Kameron Perez-Verdia

Felix Rivera

Yarrow Silvers

Daniel Volland

### **Administration**

Ona R. Brause.....Director, Office of Management & Budget

Philippe D. Brice.....Chief Fiscal Officer

William D. Falsey.....Chief Administrative Officer

Rebecca A. Windt Pearson.....Municipal Manager

## 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](http://www.aedcweb.com); Municipal libraries, and the Municipal website at [www.muni.org](http://www.muni.org); relevant documents include:

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

## **Six-Year Fiscal Program**

**2026 – 2031**

### **Table of Contents**

1. Six-Year Outlook.....	I - 1
2. Economic Trends and Indicators .....	I - 2
Introduction.....	I - 2
Demographics and Employment.....	I - 3
Purchasing Power .....	I - 7
Transportation Industry.....	I - 9
Construction Industry.....	I - 12
Visitor Industry.....	I - 15
Oil and Gas Industry.....	I - 18
3. Historical Financial Trends .....	I - 20
4. Fund Balance .....	I - 37
5. Capital Projects.....	I - 41
6. Six-Year Projection Model Based on 2026 Proposed Budget.....	I - 42

## 1. Six-Year Outlook

---

50 years ago, residents of the Greater Anchorage Area Borough (GAAB) and the City of Anchorage took a leap from their existing organized local government entities and voted to unify under the Municipality of Anchorage. This “munification” was approved as a path forward to create more opportunities for the unified communities and efficient use of existing resources and revenue.

As we celebrate this anniversary and reflect on our past and present challenges within the Municipality of Anchorage, the future landscape of our community is visible ahead of us. Difficult financial questions are ahead for the Municipality and our residents, and we must work together on a path forward.

Over the last decade, the state’s fiscal situation has led to reduced state revenues for Anchorage and almost \$1,000,000 (one billion) less funding available for operating costs and infrastructure maintenance (roads and buildings), than the decades prior. As we manage this transition, our focus is on building self-sufficiency and resilience while engaging community residents and businesses in the conversations about what that future looks like for our budget, our local government operations, our built infrastructure, and our community of residents and visitors.

Our team has focused on building a budget that establishes long-term strategies to address the community’s big challenges while delivering quality public services each day. Due to the fiscal restraints facing our Municipality, the proposed 2026 operating budget is a continuation budget, remaining largely flat from 2025. Still, it builds on recent successes and momentum by continuing key investments in several areas. It reflects tangible progress made over the last year, from establishing a stable year-round shelter system to staffing up the Municipal Prosecutor’s Office, cleaning over 30 dangerous camps, and strengthening our public safety and crisis response teams.

The Administration is committed to providing quality municipal services and working together to create a safer, more affordable, and thriving Anchorage for all. We welcome your feedback and questions, and we encourage you to engage in the budgeting process and our community conversations.

## 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

In recent years, Anchorage has seen a notable improvement by many measures of the economy. This includes increased cargo traffic at Ted Stevens International and the Port of Alaska, a higher dollar value of construction permits, robust visitor volume, increased employment, and even an increase in real personal income (adjusted for inflation). Several of these measures reflect the strength of the national economy, federal policies and spending, or other macroeconomic factors extending beyond Anchorage. Closer to home, new projects and developments on the North Slope are advancing, with the new Santos building in downtown Anchorage a visible symbol of increased oil and gas activity in Alaska.

Despite these positive economic signs, many households faced rising prices and affordability challenges in the economy of 2023 and 2024, leading to relatively weak consumer confidence in Anchorage and nationwide\*. While federal interest rate policy has been effective in slowing the rate of inflation, prices remain high. Specifically, housing prices have continued to climb, with the average single-family sales price reaching nearly \$514,000 in 2024, a 40% increase over 2019. The relatively slow pace of new housing construction is one contributing factor. New single-family, duplex, triplex, and fourplex construction remained anemic with an estimated 237 units permitted in 2024, well below the 500 units permitted annually between 2012 and 2015. Employers have cited these factors as key challenges in attracting new workers to Anchorage.

Several forces in Anchorage's economy will feature prominently in 2025. New energy from development work on the North Slope will increasingly be felt in Anchorage as the Pikka project moves toward production in late 2025/early 2026 and Willow project development continues toward oil production at decade's end. An influx of federal construction funding statewide has brought a wave of new work to Anchorage's architects, engineers, and construction companies. Through late 2024, Alaska entities have been awarded \$8.5 billion in funding through the federal Infrastructure Investments and Jobs Act; these awards will likely increase construction activity through about 2031. Additionally, the demand for goods and travel in the U.S. domestic market is expected to buoy the various measures of economic activity described in this report.

Yet potential changes in federal policy, such as the imposition of new tariffs, any renewed upticks in inflation, and a dearth of residential construction could all impact the strength of Anchorage's economy and resident perceptions of it.

*\*Anchorage Consumer Optimism Index Quarter 3 2024 prepared by Alaska Survey Research; University of Michigan Consumer Sentiment Index*

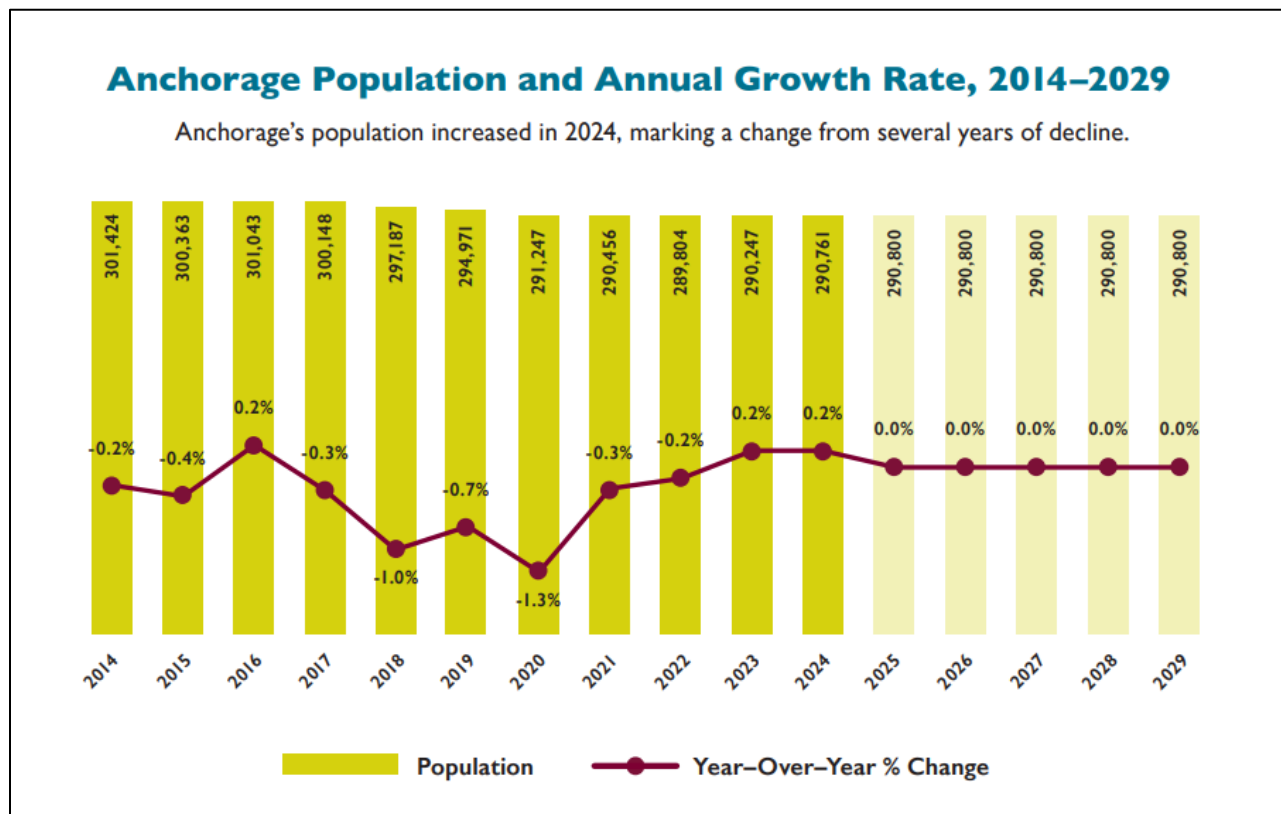
## Demographics and Employment

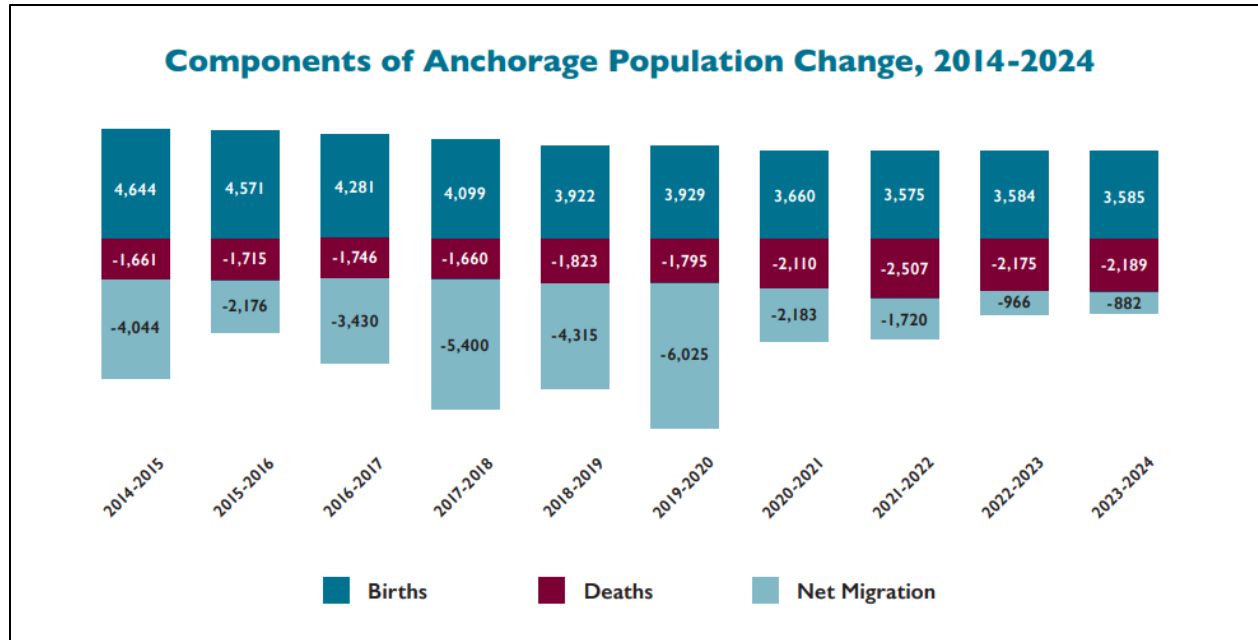
### Population

Anchorage's population is expected to remain stable over the next five years following a modest increase in 2024.

#### *Factors Contributing to the Forecast*

- The number of births in Anchorage continues to decline with a lower working age population. This trend is expected to continue, while annual deaths increase as the population continues to age.
- Net outmigration from Anchorage has slowed considerably compared to the pace of population loss during the Alaska statewide recession (2015-2018).
- Developments on Alaska's North Slope and significant construction investments have drawn workers to Anchorage, and Alaska. However, demographic shifts are likely to counter these population draws in the long term





Current Trends		
	2023-2024 Change	2023-2024 % Change
Total Population	+514	+0.2%
Net Migration	-882	-9%
Natural Increase	+1,396	-1%
Births	+3,585	0%
Deaths	-2,189	+1%

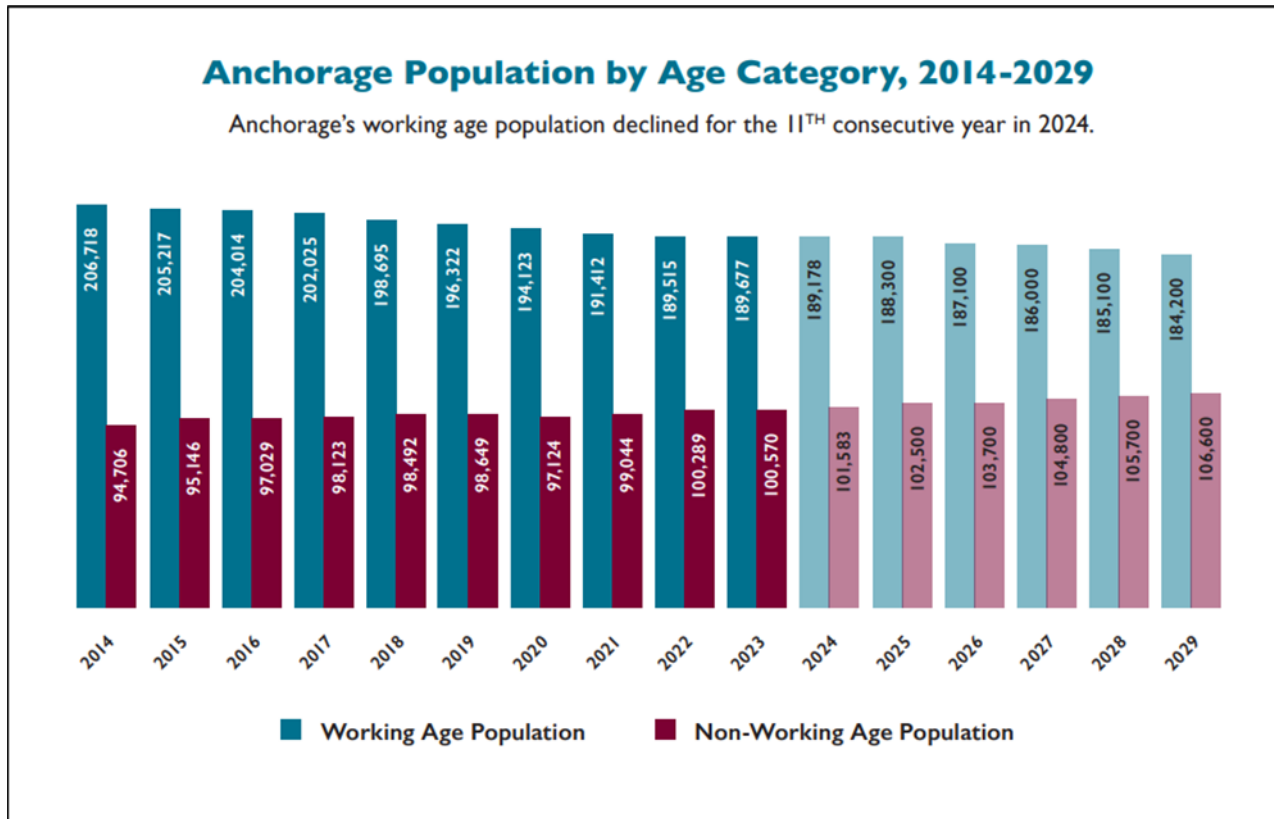
Source: Alaska Department of Labor and Workforce Development (2014-2024); McKinley Research Group estimates (2025-2029)

## Working Age Population

The proportion of Anchorage's population that is working age (between 16 and 64 years old) is expected to decline further as the population ages.

### Factors Contributing to the Forecast

- By 2029, all members of the baby boomer generation will have aged out of the working-age population. While many continue to be active in Anchorage's labor force this will nevertheless reflect a change in the number of residents within the traditional "working age".
- Typically a source of new working-age residents, in-migration to Anchorage has slowed over the last decade.
- New residents moving to Anchorage for jobs in the oil or construction industries are not expected to outpace the rate of baby boomers aging out of the working-age population.
- Working-age residents made up 69% of the Anchorage population in 2014 and have steadily declined to make up only 65% in 2024.



### Current Trends

	2023-2024 Change	2023-2024 % Change
Total Working-Age Population	-499	-0.3%
2015-2020		
Average Annual Working Age Net Migration	-2,908	
Average Annual Working Age In-Migration	+14,999	
Average Annual Working Age Out-Migration	-17,908	

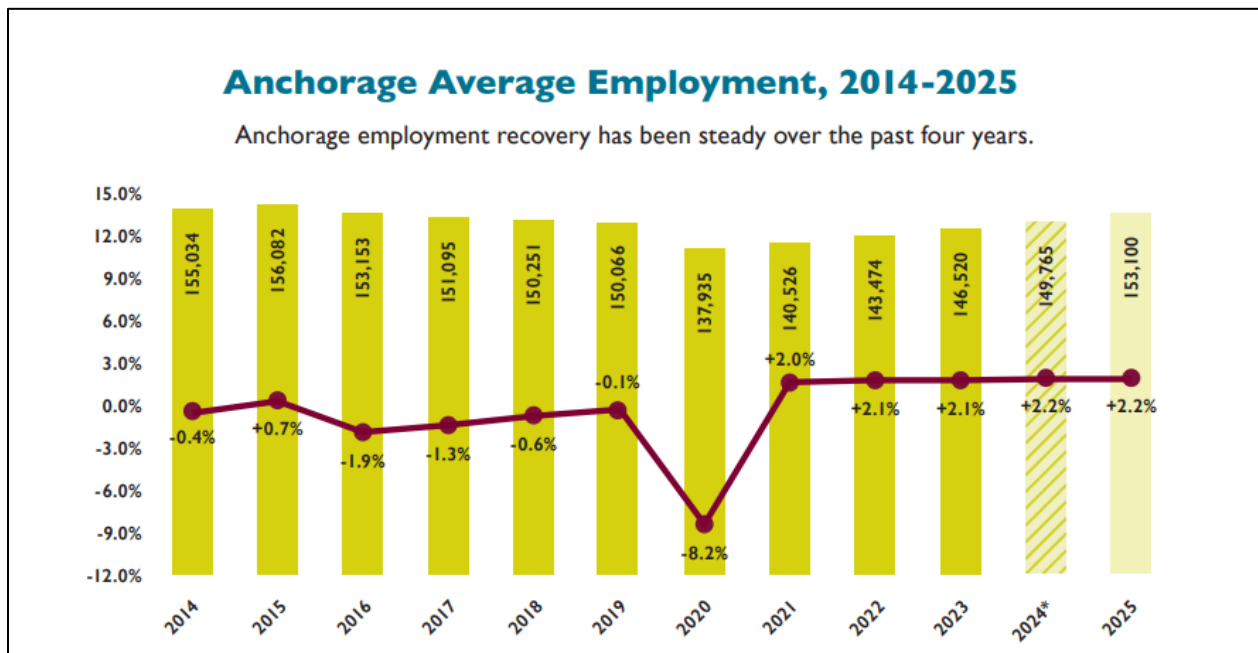
Source: Alaska Department of Labor and Workforce Development (2013-2024); McKinley Research Group estimates (2025-2029)

## Employment

Employment in Anchorage is expected to make a full recovery to pre-pandemic levels in 2025.

### Factors Contributing to the Forecast

- Slow population growth and lower working-age population continue to constrain employment growth. However, the level of job openings statewide has begun to ease from highs in 2022 and 2023, years in which there were about two job openings for every unemployed Alaska resident looking for work.
- Construction employment is expected to further expand as infrastructure funding moves through the grant pipeline, and North Slope development work continues.
- Anchorage's oil and gas industry employment will grow modestly as North Slope developments move toward the production phase.
- The strength of the national economy will continue to support transportation services through, and visitor travel to, Anchorage.



Note: Sole proprietor employment is not included in average annual employment figures.

### Current Trends

#### Top 3 Sectors (Jan-Jun 2023-2024)

Construction (+912 jobs, +13%)  
 Healthcare (+912 jobs, +4%)  
 Government (+431 jobs, +2%)

#### Bottom 3 Sectors (Jan-Jun 2023-2024)

Retail (-501 jobs, -3%)  
 Financial Services (-316 jobs, -4%)  
 Information (-129 jobs, -5%)

2022 Workforce Residency	Alaska Residents		Non-Alaska Residents
	Live where they work	Don't live where they work	Work here, live elsewhere
Where Anchorage Workers Live	75%	12%	14%
Where Alaska Workers Live	66%	13%	21%

Source: Alaska Department of Labor and Workforce Development (2013-2023); McKinley Research Group estimates (2024-2025)

Note: Rows may not add to 100% due to rounding.

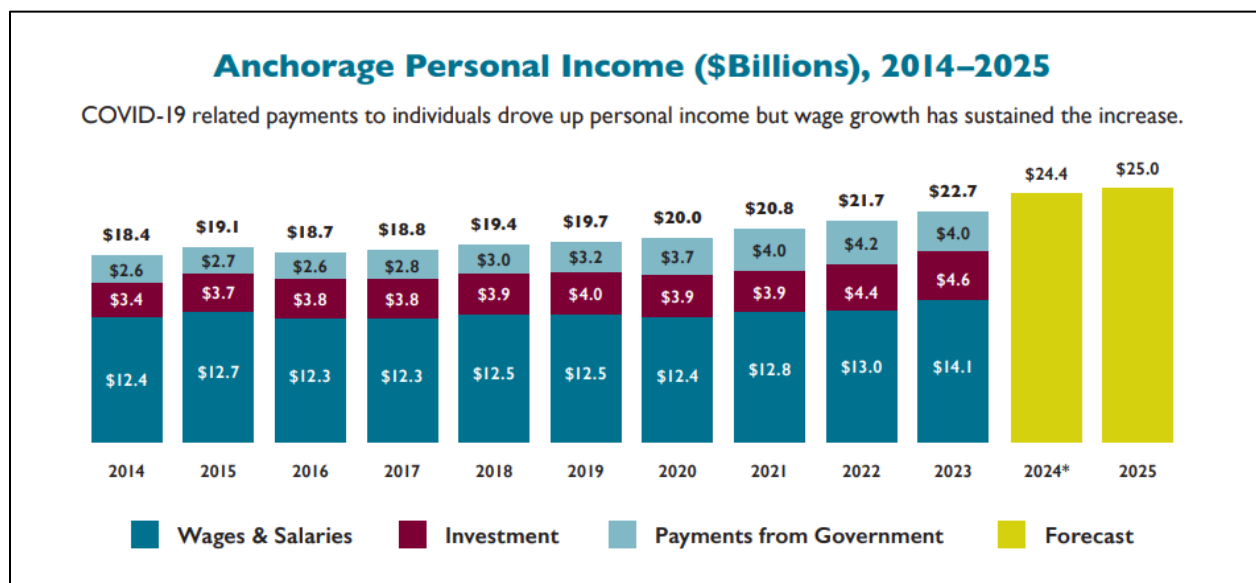
## Purchasing Power

### Personal Income

While expected to moderate, wage growth will continue to increase personal income in 2025.

#### *Factors Contributing to the Forecast*

- While still the largest contributor to personal income, work-related income has represented a lower share of total income in Anchorage over the last decade. Work-related income is expected to increase along with steady increases in Anchorage employment in 2025.
- Personal income from investments and government payments include retirement earnings, income from pension plans, and social security payments. As Anchorage's retiree population increases, these retirement – and senior-related sources of personal income are anticipated to expand.



Current Trends			
	2023 (\$Billion)	% of 2023 Total	2022- 2023% Change
Salaries, wages, and proprietors' income (including benefits)	\$14.1	62%	+5.9%
Investment income	\$4.6	20%	+10.4%
Payments from the government (i.e., unemployment insurance, social security, PFD)	\$3.9	17%	-10.0%

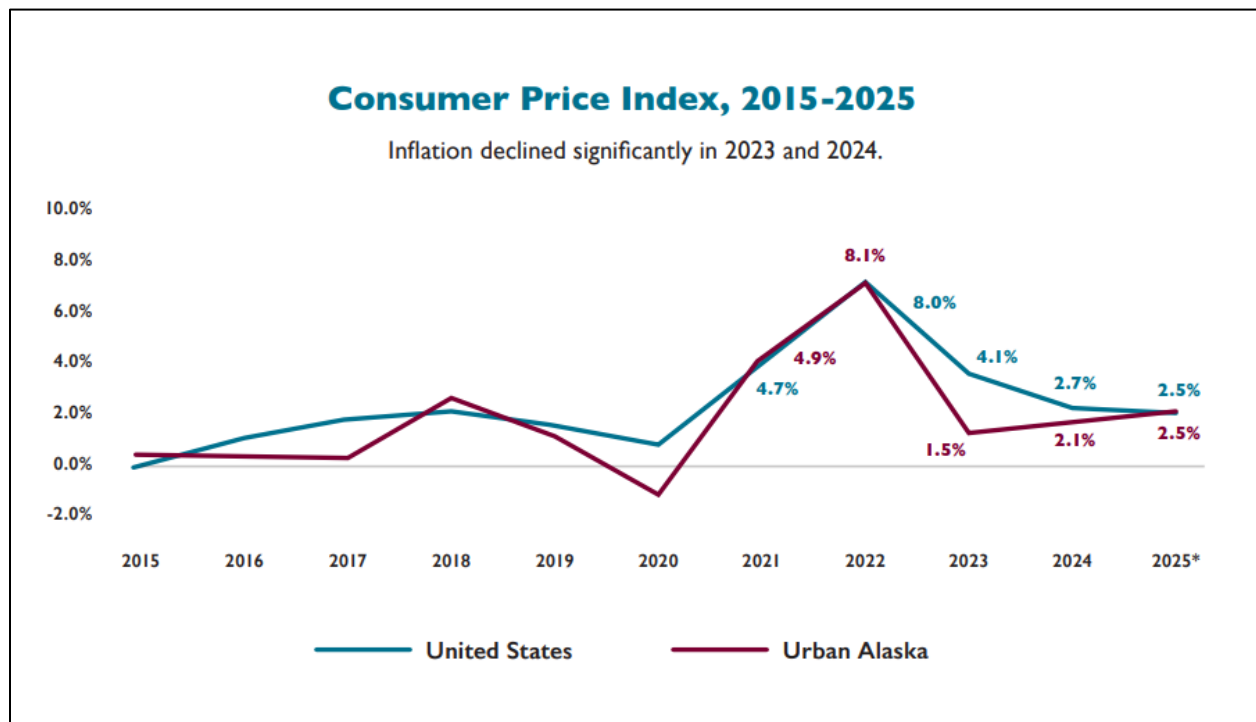
Source: U.S. Bureau of Economic Analysis (2013-2023), McKinley Research Group Estimates (2024 – 2025)

## Inflation

While inflation is expected to continue declining nationally in 2025, an expected gap in Southcentral natural gas supply could impact the overall rate of inflation in Anchorage.

### *Factors Contributing to the Forecast*

- Annual inflation, the rate at which consumer prices change, dropped significantly in 2024 after several years of rapid increase.
- The Federal Reserve is expected to make two quarter-point interest rate cuts in 2025 as the pace of inflation slows.
- Cook Inlet natural gas plays an important role in providing heat and electricity in Southcentral Alaska. Regional utilities have been seeking alternate sources of natural gas amid notification by Hilcorp in mid-2022 that they would be unable to commit to new contracts as current contracts expire over the next decade. Options include importing natural gas. Replacing Cook Inlet gas supply is likely to increase energy prices in Anchorage in the next several years.
- The tariff charged on all items brought through the Port of Alaska is set to increase in 2025 in an effort to fund the Port Modernization project. The tariff increase is not expected to significantly impact consumer prices in Anchorage.



Current Urban Alaska Trends			
Top 3 Price Increases (2023-2024)		Top 3 Price Decreases (2023-2024)	
Medical Care	+10.6%	Motor Fuel	-18.7%
Household Energy	+9.8%	Used Vehicles	-5.4%
Rent	+4.5%	Fruits & Vegetables	-0.5%

Source: U.S. Bureau of Economic Analysis (2013-2024), US Federal Reserve and McKinley Research Group Estimates (2024-2025)

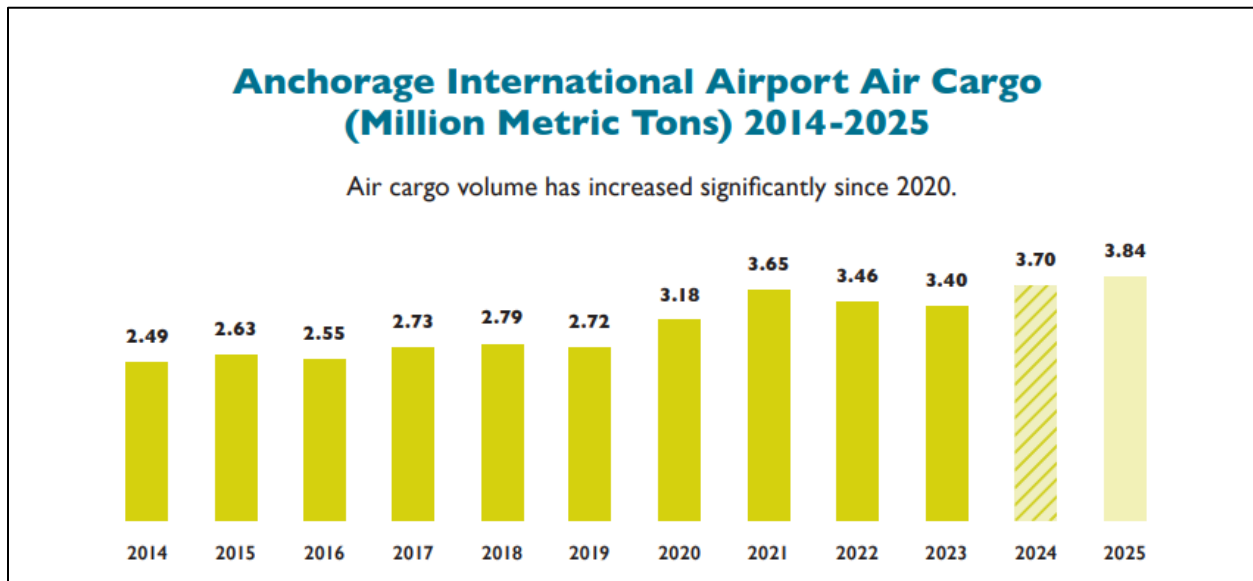
## Transportation Industry

### Anchorage Air Cargo

Increased cargo landings, and new carriers, will increase cargo volume at the Anchorage International Airport in 2025.

#### *Factors Contributing to the Forecast*

- Cargo carriers already using Anchorage International are expected to add 2,000 additional cargo landings in 2025.
- Five new cargo carriers have announced plans to land in ANC in 2025, moving cargo along the Asia to North America route.
- International political events have contributed to some re-routing of cargo aircraft to Anchorage International.
- Completion of two new cargo facilities – FedEx and NorthLink - at Anchorage International, including additional hardstands, will increase capacity for cargo landings by the end of 2025.
- Any new federal tariffs on imported goods transiting the Asia to North America route have the potential to negatively impact cargo volume brought through Anchorage International.



Current Trends			
	2024 (Jan-Nov)	2023-2024 Change	2023-2024 % Change
Metric tons of air cargo	3.36 M	+257,207	+8%
Cargo landings	49,624	+2,839	+6.5%
2022 Rank			
Global airport rank by cargo volume	3 <sup>rd</sup>		

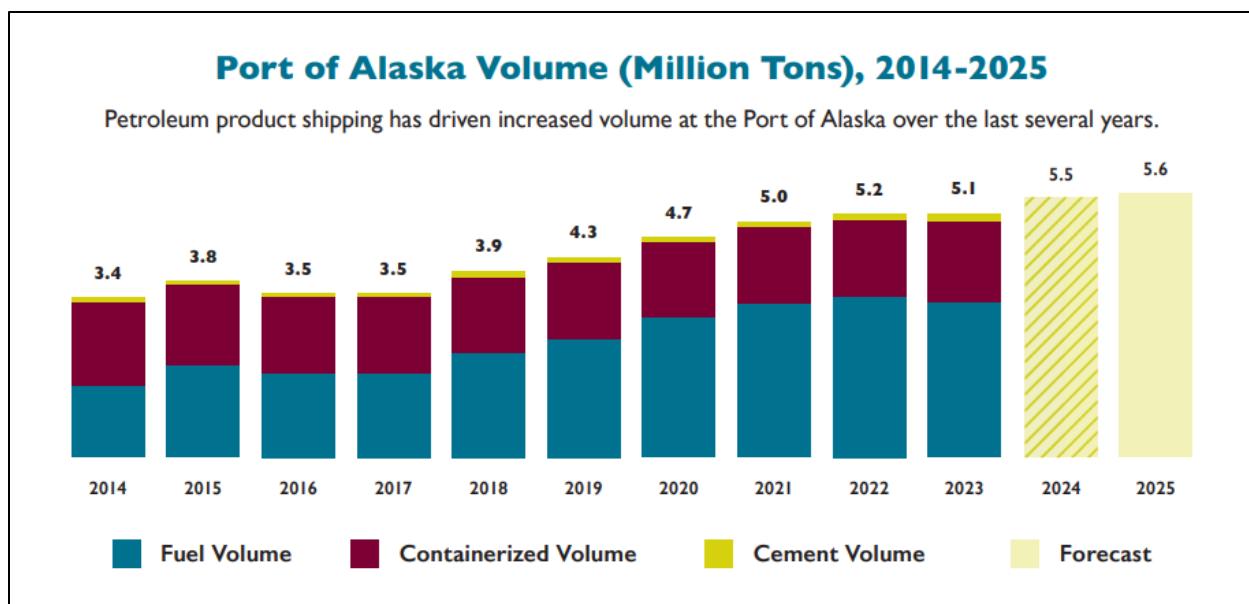
Source: State of Alaska Department of Transportation and Public Facilities (2013 – 2023), McKinley Research Group Estimates (2024 – 2025)

## Port of Alaska Marine Cargo

Shipping through the Port of Alaska will continue at historically high volumes through 2025.

### *Factors Contributing to the Forecast*

- A Port of Alaska tariff increase will go into effect in January 2025. Despite this increase, cargo volume is not expected to be diverted to other modes of transportation (air, highway) or Southcentral ports.
- The volume of petroleum products, including aviation fuel, moving through the Port of Alaska has risen substantially over the last decade. Demand for petroleum products is expected to remain strong in 2025 due to increased cargo traffic at Anchorage International Airport, among other factors.
- Despite a decline in cement volume in 2024, construction activity in Alaska is expected to remain strong in 2025 and cement shipments are anticipated to resume growth.
- Construction projects at the Port in 2025 may increase capacity in future years, but shipping volume will likely remain stable throughout the next year.



Current Trends			
	2024 Tons (Jan-Nov)	% of 2024 Total	2023-2024 % Change in Volume
Fuel volume	3.4M	67%	+13%
Containerized volume	1.6 M	31%	+2%
Cement volume	0.1 M	2%	-30%

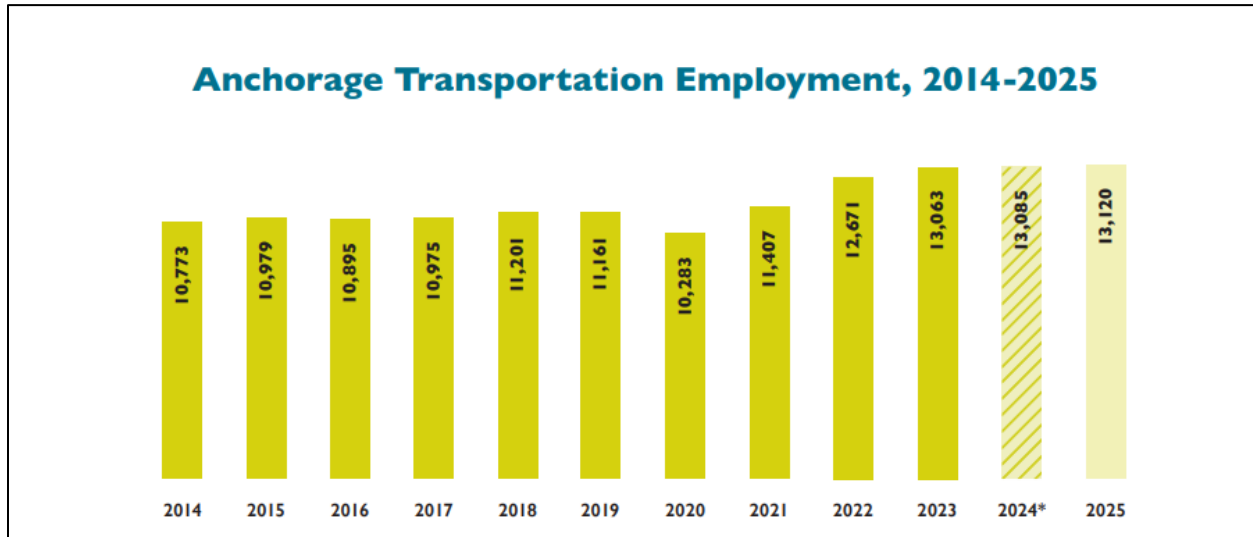
Source: Municipality of Anchorage, Port of Alaska (2013 – 2023), McKinley Research Group Estimates (2024 – 2025)

## Transportation Employment

Transportation employment will expand only slightly in 2025.

### *Factors Contributing to the Forecast*

- New sorting facilities under construction by FedEx and NorthLink are expected to open later in 2025, increasing demand for employees in the Transportation sector.
- The Alaska Airlines/Hawaiian Airlines merger is not likely to have a significant impact on employment in Anchorage, as no routes are planned to substantially change.



Source: Alaska Department of Labor and Workforce Development (2014 – 2023), McKinley Research Group Estimates (2024 – 2025)

\* Employment estimate is preliminary

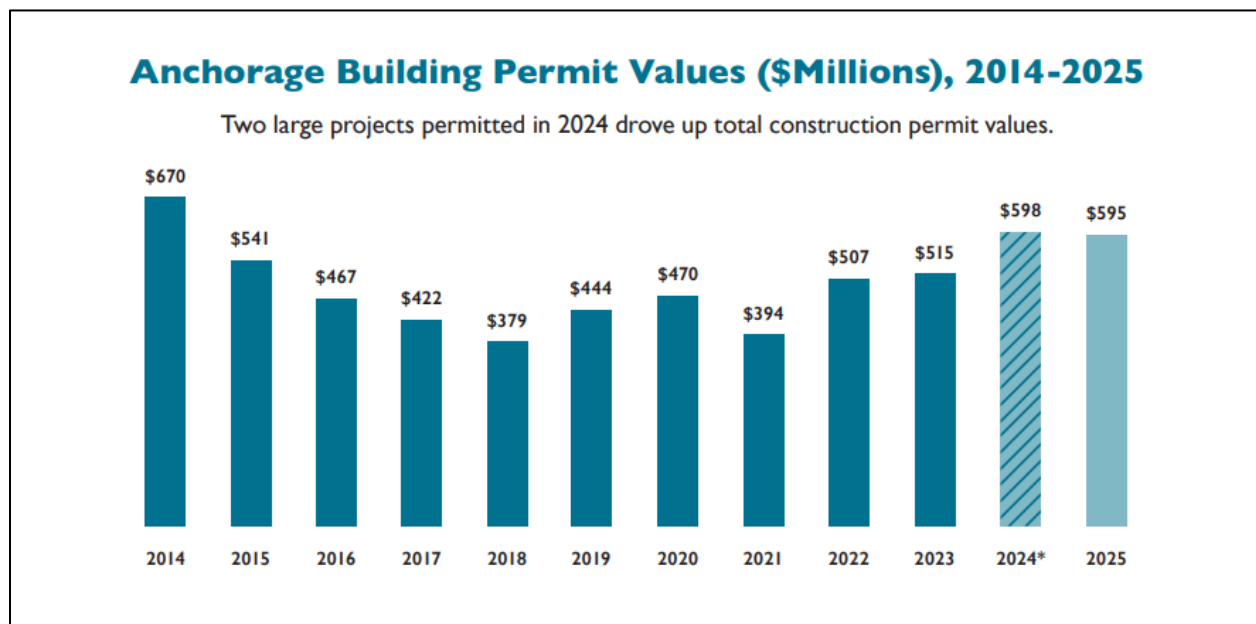
## Construction Industry

### Building Permit Values

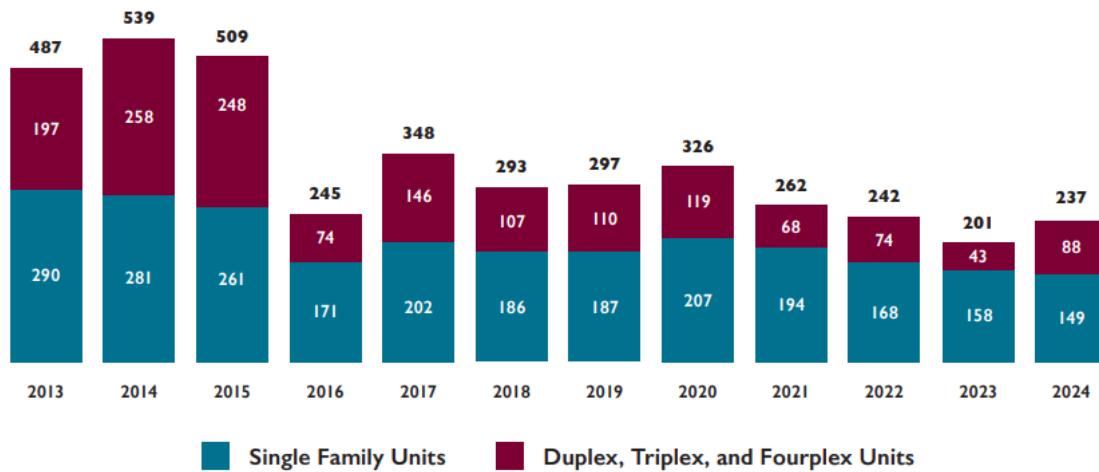
Anchorage construction permits in 2025 are expected to remain elevated compared to the decade average.

#### *Factors Contributing to the Forecast*

- The Federal Reserve is expected to continue with interest rates cuts. However, rates remain above pre-pandemic levels, exerting downward pressure on residential and private, commercial construction activity. Residential remodeling activity in particular contracted in 2024 amid high project costs.
- Permitting of two large projects – a new skilled nursing facility and a detox center – valued at a combined \$100 million, drove up building permit values in 2024. Notable commercial projects which could be permitted in 2025 include the Municipality of Anchorage Emergency Operations Center project and Atlas Air facilities at Anchorage International Airport, among others. However, total permit values in 2025 are expected to be slightly below 2024 due to the two large projects permitted that year.
- While Alaska organizations have received significant federal grant funding through the 2021 Infrastructure Investment and Jobs Act (IIJA), many projects are not in Anchorage, or otherwise do not fall within the Municipality of Anchorage’s permitting requirements.



### New Residential Units Permitted in Anchorage by Type, 2013-2024



### Current Trends

	2024 Permit Values	2023-2024 % Change
Total activity	\$598.8 million	+16%
	2024	2023 - 2024 % Change
Average homes sales price	\$513,916	+5%
	2019, YTD Q3	2024, YTD through October
Anchorage – Mat-Su average home sales price difference	\$95,661	\$102,269

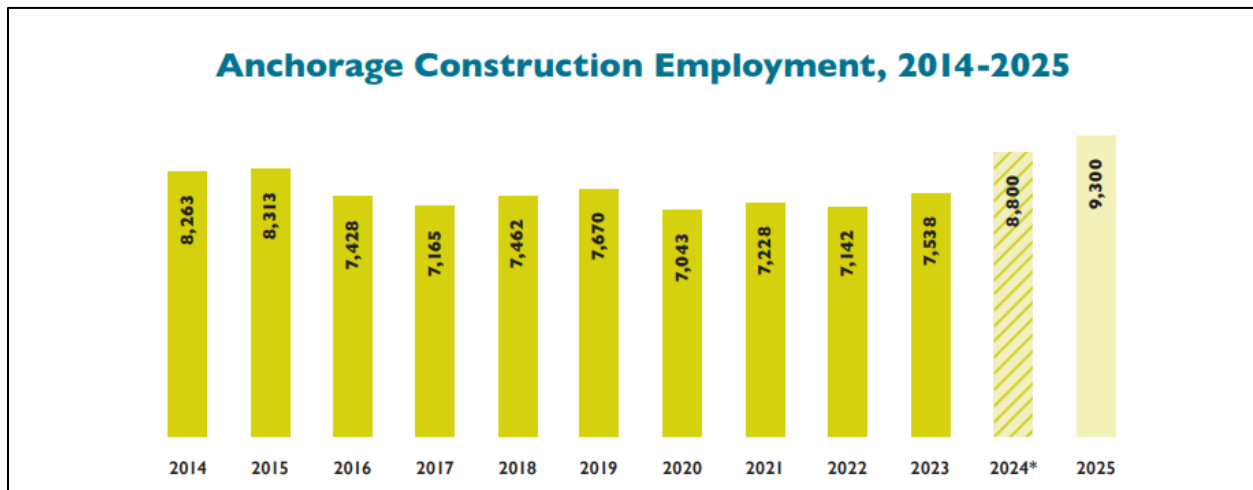
Source: U.S. Bureau of Economic Analysis (2013 – 2023), McKinley Research Group Estimates (2024 – 2025).

## Construction Employment

Heightened construction activity across Alaska continues to drive increased Anchorage construction employment in 2025.

### *Factors Contributing to the Forecast*

- Over \$8 billion in infrastructure funding authorized by the federal Infrastructure Investment and Jobs Act has been awarded to Alaska organizations, supporting demand for construction services statewide.
- Large oil field development projects on Alaska's North Slope are also supporting demand for construction services.
- Anchorage is a hub of the statewide construction industry, and local employers will see increased demand for their services statewide based on these significant sources of demand.



Source: Alaska Department of Labor and Workforce Development (2014 – 2023), McKinley Research Group Estimates (2024 – 2025)

\* Employment estimate is preliminary

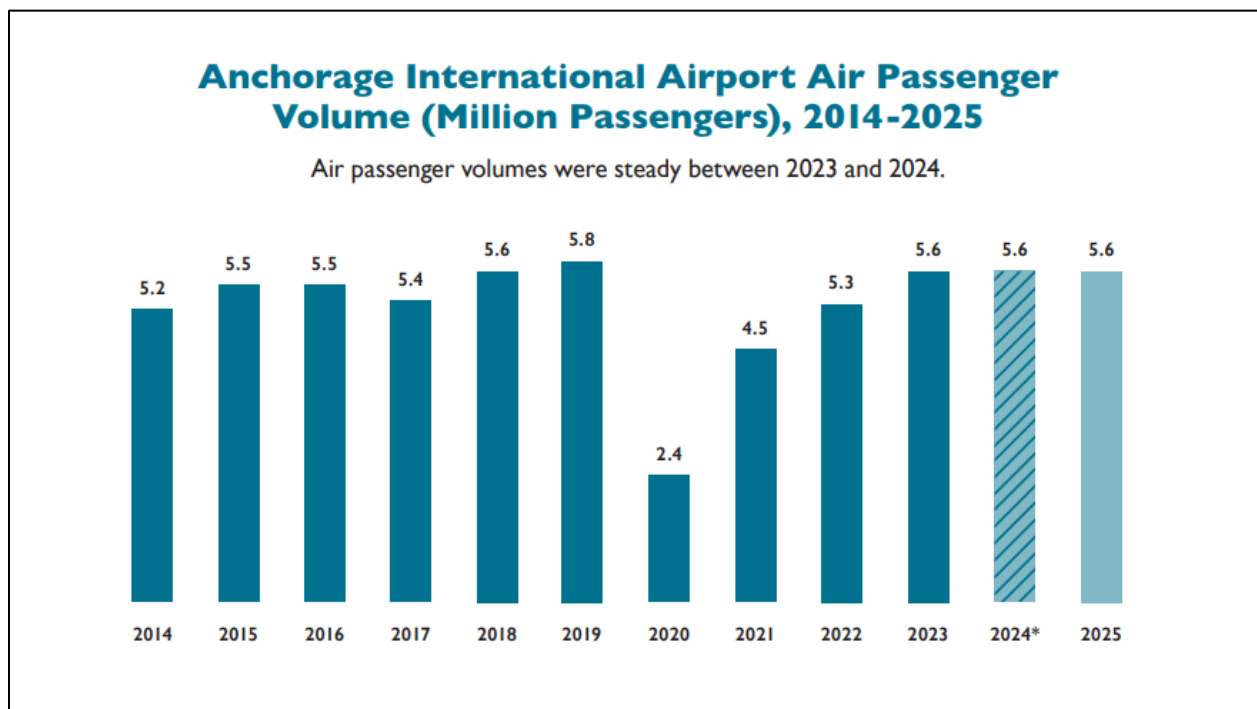
## Visitor Industry

### Anchorage Air Passengers

Air passenger volume through Anchorage International Airport is expected to remain consistent at 5.6 million passengers as post-pandemic travel stabilizes.

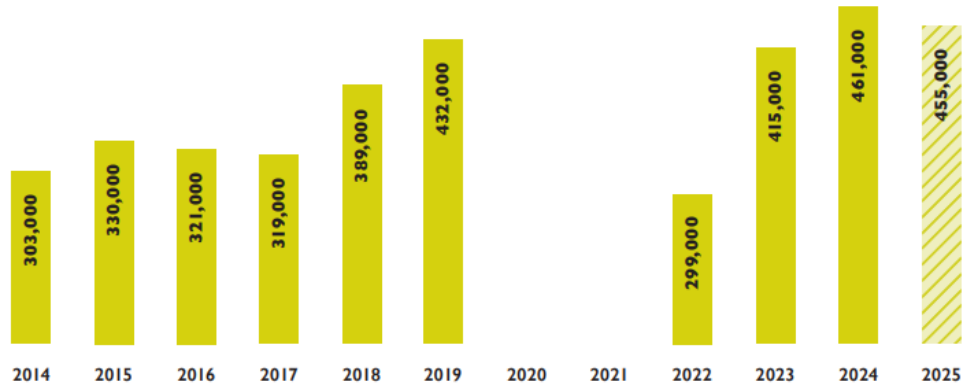
#### *Factors Contributing to the Forecast*

- Cross-gulf cruise ship passenger volume expanded in 2024 and is expected to remain above pre-pandemic levels in 2025.
- Non-cruise related visitor volumes have shown signs of stabilization to pre-pandemic levels. This trend is likely to continue in 2025.
- Nationally, domestic leisure travel is expected to expand into 2025 despite increasing travel costs over the last several years.
- In 2025, Alberta based WestJet plans to add a twice weekly service between Calgary and Anchorage, while Alaska Airlines adds new nonstop service to Detroit and Sacramento.



### Cross-Gulf Cruise Ship Passengers 2014-2024, 2025 Capacity

Cross gulf capacity will remain stable in 2025.



#### Current Trends

Municipal Tax Receipts	YTD (Jan-Sep) 2024	YTD (Jan-Sep) 2023 - 2024 % Change
Room Tax	\$40.5M	+6%
Rental Vehicle Tax	\$9.2M	-6%
Anchorage Air Passengers	YTD (Jan-Nov) 2024	YTD (Jan-Nov) 2023 - 2024 % Change
Passenger volume	4.8M	<1%
Cross-Gulf Cruise Volume (Whittier, Seward)	2024	2023- 2024 % Change
Passenger volume	461,000	+11%

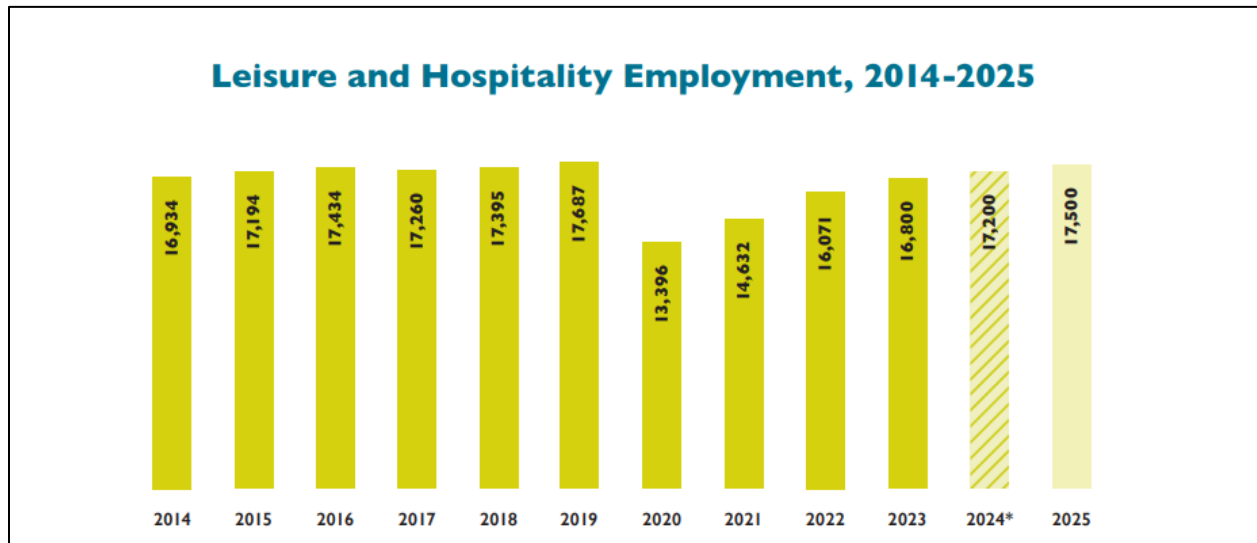
Source: Municipality of Anchorage; Cruise Line Agencies of Alaska; McKinley Research Group Estimates

## Leisure and Hospitality Employment

Leisure and hospitality employment will continue to grow modestly in 2025.

### *Factors Contributing to the Forecast*

- Across the U.S., the increase in the cost of dining out has outpaced the rise in grocery prices over the last several years, putting downward pressure on restaurant demand.
- In 2024, leisure and hospitality employment growth was largely driven by workers at recreation businesses which benefit from resident and visitor spending.
- Participation in the foreign summer visa program (J-I exchange worker program) expanded beyond pre-pandemic levels in summer 2023 in Anchorage and statewide.



Sources: Alaska Department of Labor and Workforce Development (2014-2023), McKinley Research Group Estimates (2024-2025)

\*Employment estimate is preliminary

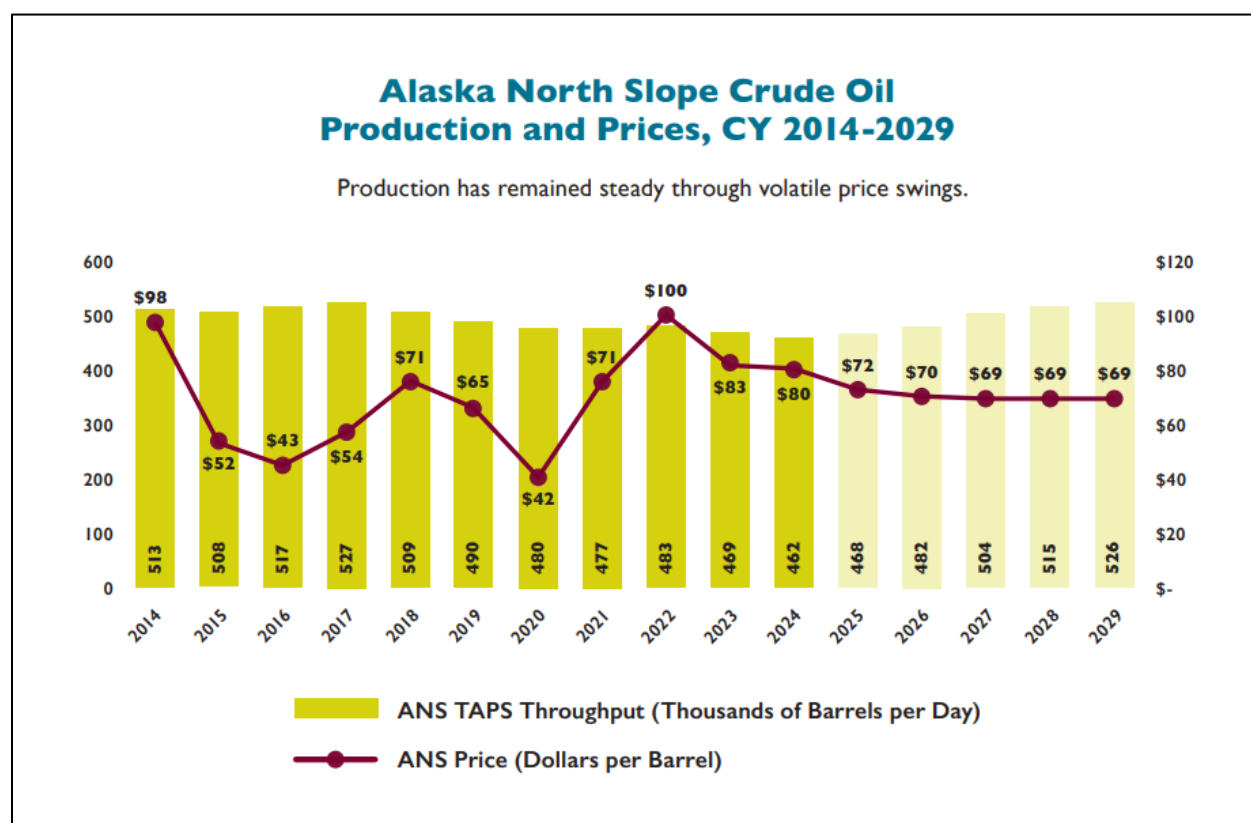
## Oil and Gas Industry

### Alaska North Slope Oil Price and Production

Alaska North Slope (ANS) prices are expected to trend downward, while production is expected to steadily increase as new production comes online in 2026 and beyond.

#### *Factors Contributing to the Forecast*

- Construction is underway on two large new developments on Alaska's North Slope – Santos' Pikka project and ConocoPhillips' Willow project. New production may begin in late 2025/early 2026, with the pace of work accelerated on Santos' Pikka project.
- ConocoPhillips' Nuna project moved into production in late 2024. The development is expected to add 20,000 barrels per day at peak production.
- Global oil supply growth is likely to outpace demand growth in the near term, exerting downward pressure on oil prices.
- Continued geopolitical pressures from conflict in the Middle East and Russia/Ukraine are a significant source of uncertainty in production and price expectations.
- Alaska North Slope oil prices averaged about \$80.47 per barrel in 2024, a decrease of 3% compared to 2023.



### Current Trends

	CY 2024 Average	CY 2023 – CY 2024 % Change
ANS oil price/barrel	\$82.47	-3%

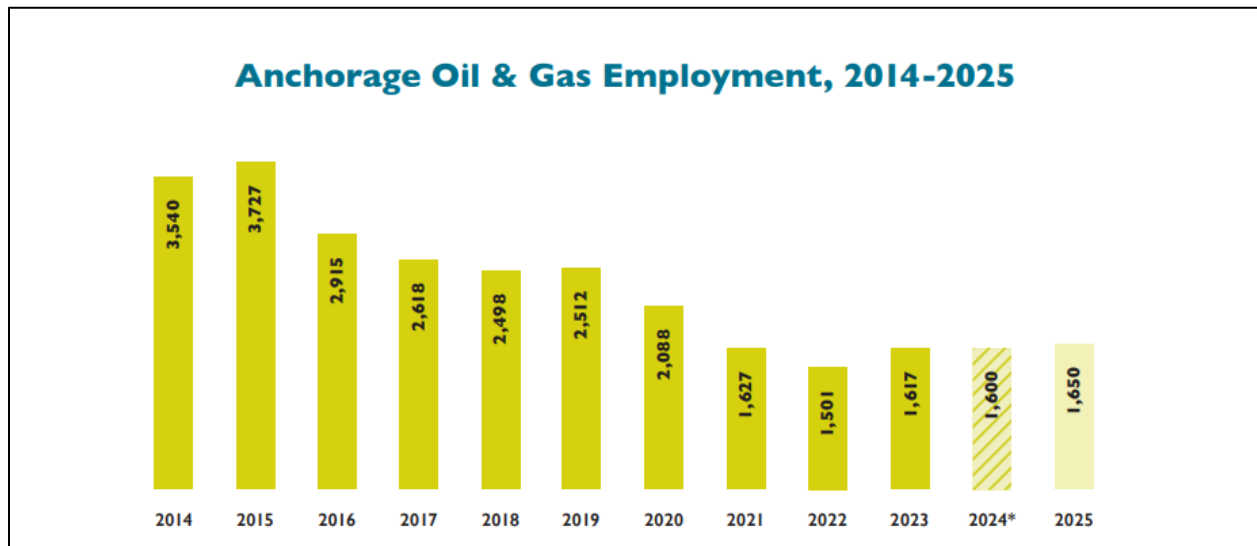
Sources: Alaska Department of Revenue, Energy Information Administration, CME Group, McKinley Research Group calculations

## Oil and Gas Employment

Projects under development on Alaska's North Slope will drive modest Oil & Gas employment growth in Anchorage.

### *Factors Contributing to the Forecast*

- Santos intends to increase Anchorage employment in 2025 as they work towards first production at Pikka at year end.
- High oil price environments and increased activity on Alaska's North Slope will generate modest additional oil and gas and support services employment in Anchorage in 2025.
- Oil industry employment growth was slow, yet positive through the first half of 2024.



Sources: Alaska Department of Labor and Workforce Development (2014-2023), McKinley Research Group Estimates (2024-2025)

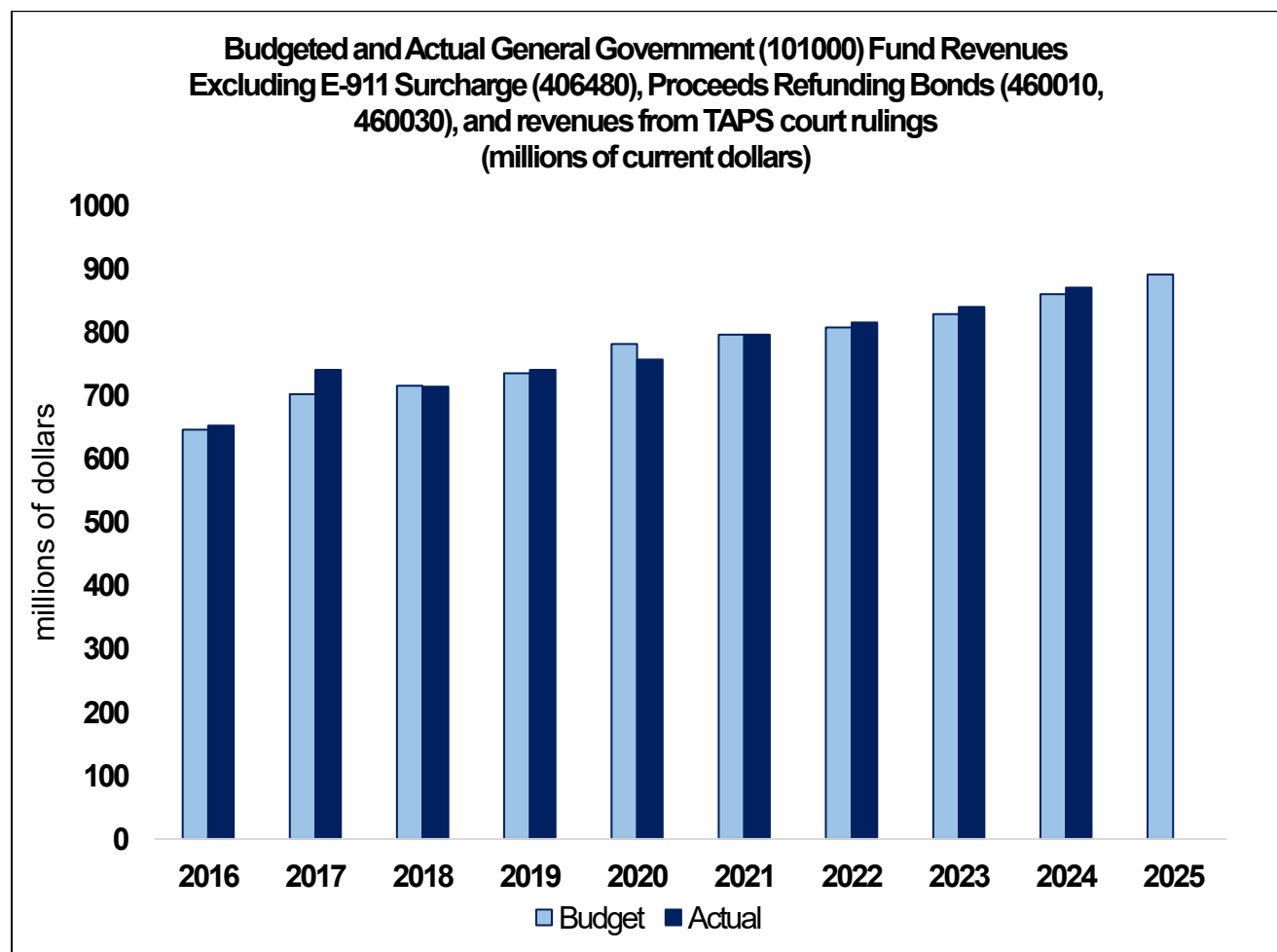
\*Employment estimate is preliminary

### 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 2024. Revenues for 2024 were up 4% compared to the same period in 2023 due primarily to higher-than-normal CPI adjustments in 2022.



**Exhibit 3.1**

Source: MOA Treasury Division

#### 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 realization of the Municipality of Anchorage. The narrative and graphs in this section review the long-term trends of general government revenues over the past twenty years from 2005 through 2024. The review covers

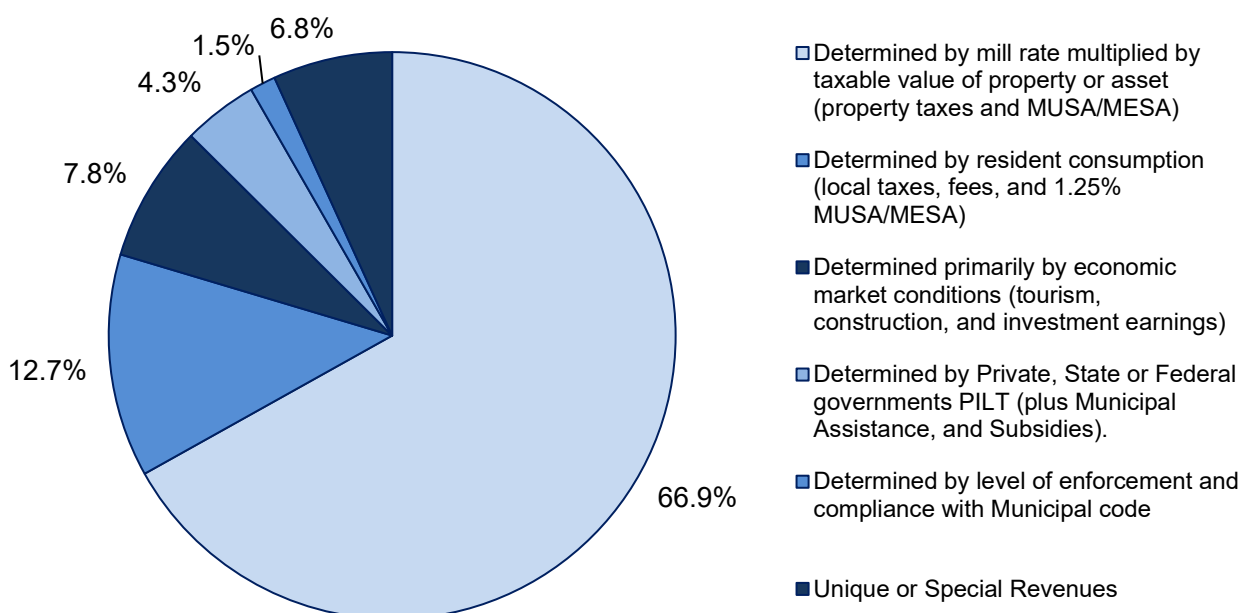
six major categories of revenues which are listed below. Each category is affected by different policy decisions, economic conditions, legal requirements, staffing, consumer decisions, and other factors.

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 as listed on 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 purchase 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 consuming of utility services. Alcohol and marijuana sales (as of 2024) tax revenues are not included as they are included in separate non-operating funds.
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 67% 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 13%). Approximately 8% of revenues are determined by economic market conditions. Another nearly 4% is determined by the actions of State or Federal governments and approximately 1% of revenues are driven by compliance and enforcement of Municipal Code. The remaining 7% is determined by a variety of unique or special factors. The summary pie chart in Exhibit 3.2 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 and marijuana tax revenues.

### Composition of General Government (100) Revenues Categorized by Major Determinants in FY 2025 (excluding ASD and Premium on Bond Sale Proceeds)



### Exhibit 3.2

Source: MOA Treasury Division \* Excludes Alcohol and Marijuana Tax Special Revenue Funds 206000, 208000

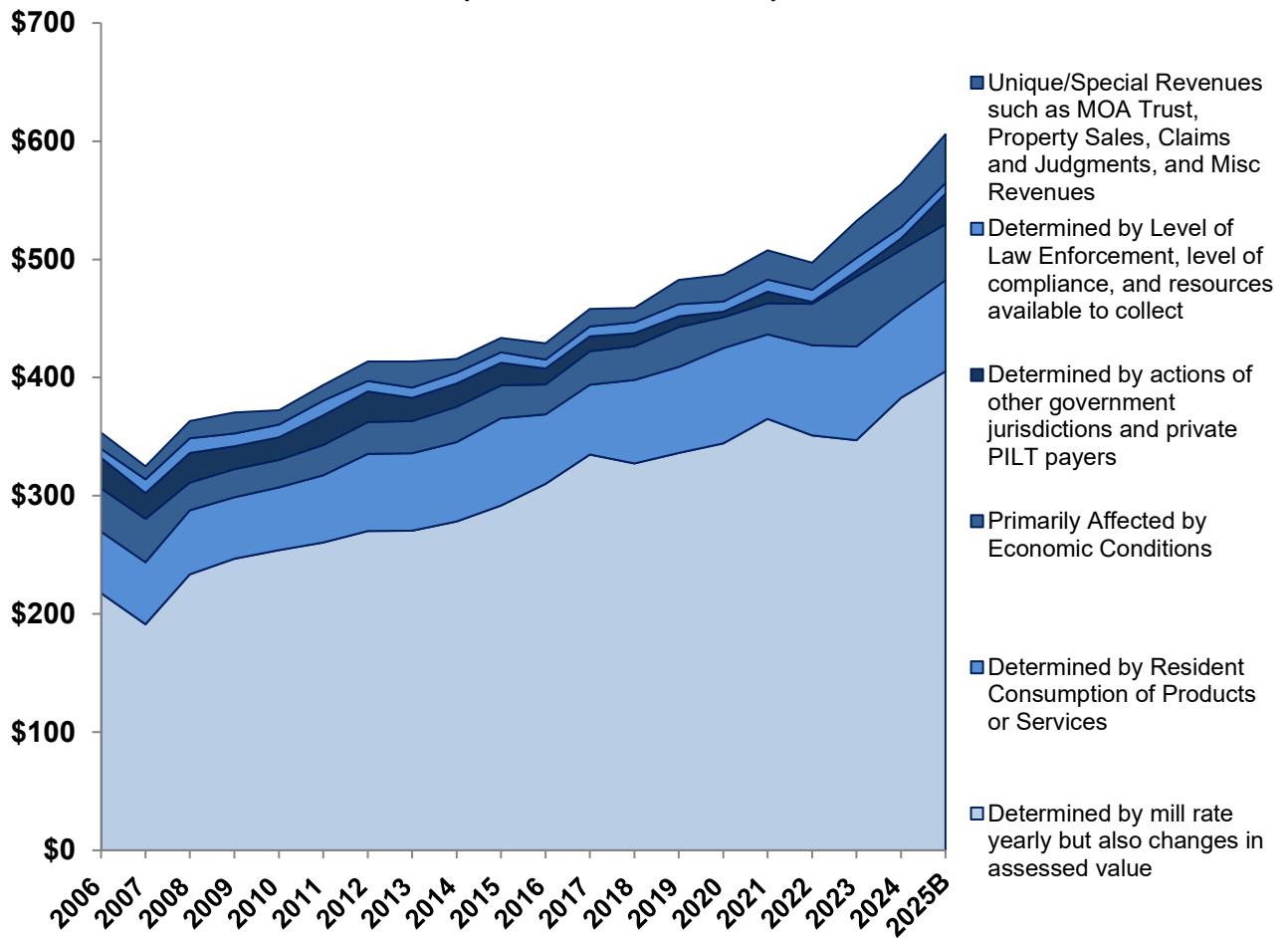
The summary chart in Exhibit 3.3 shows the changing composition of revenues for each of the major categories over the last twenty years. Revenues determined by the mill rate and taxable value of property or utility assets have historically ranged from 60 percent to 70 percent of general government revenues 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 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 revenue since 2006. There was an unusual increase in total revenue 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 from room tax and motor vehicle rental tax to decline. During that same time frame population decreases and a trend of low inflation in years 2015-2020 led to decreases in property tax revenue. Higher than average increases in inflation during 2021-2023 led to increases in property tax in 2024 and similar factors have been budgeted for 2025.

**Composition of General Government (101000) Fund  
Revenues excluding Alcohol Tax, ASD Property Taxes, Bond  
Sale Proceeds, E-911 Surcharge, and TAPS rulings  
(millions of dollars)**



**Exhibit 3.3**

Source: MOA Treasury Division

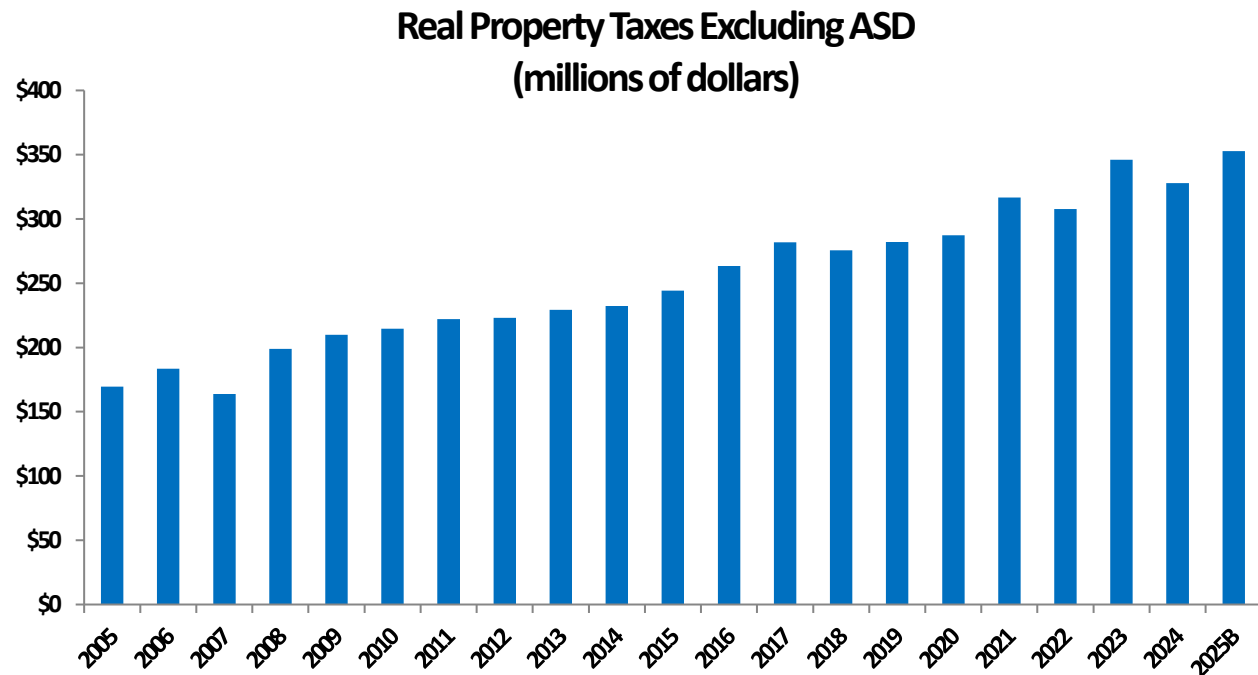
\* Excludes all Alcohol Tax Revenue Funds 206000, and Marijuana Tax Revenues 208000 in 2024-2025

\*\* 2025B Reflects 2025 Budget Amounts

## Key Revenue Determinant Categories

### Revenues Determined Primarily by the Mill Rate and Taxable Value

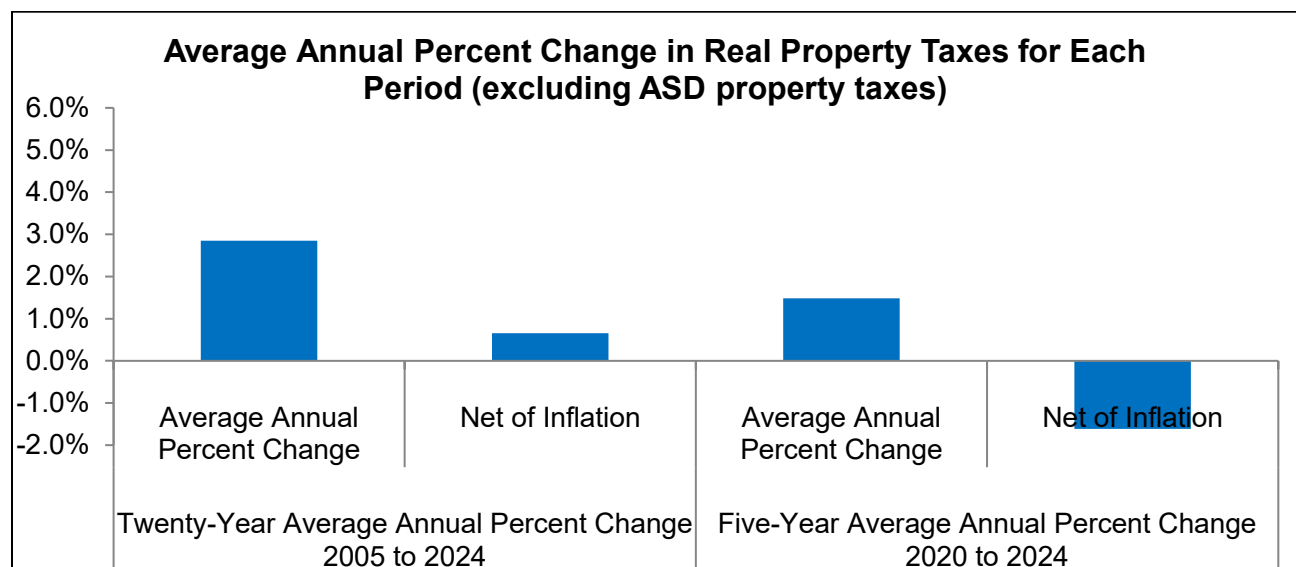
**Real property tax revenues** are the largest component of this category. The amount of real property taxes collected each year is determined by policy decisions made by the Administration and the Assembly when the mill rate is set. In recent years, real property tax revenues have returned to the average annual historical trend from 2001 to 2023 after the disruptions of the Covid pandemic.



#### Exhibit 3.4

Source: MOA Treasury Division

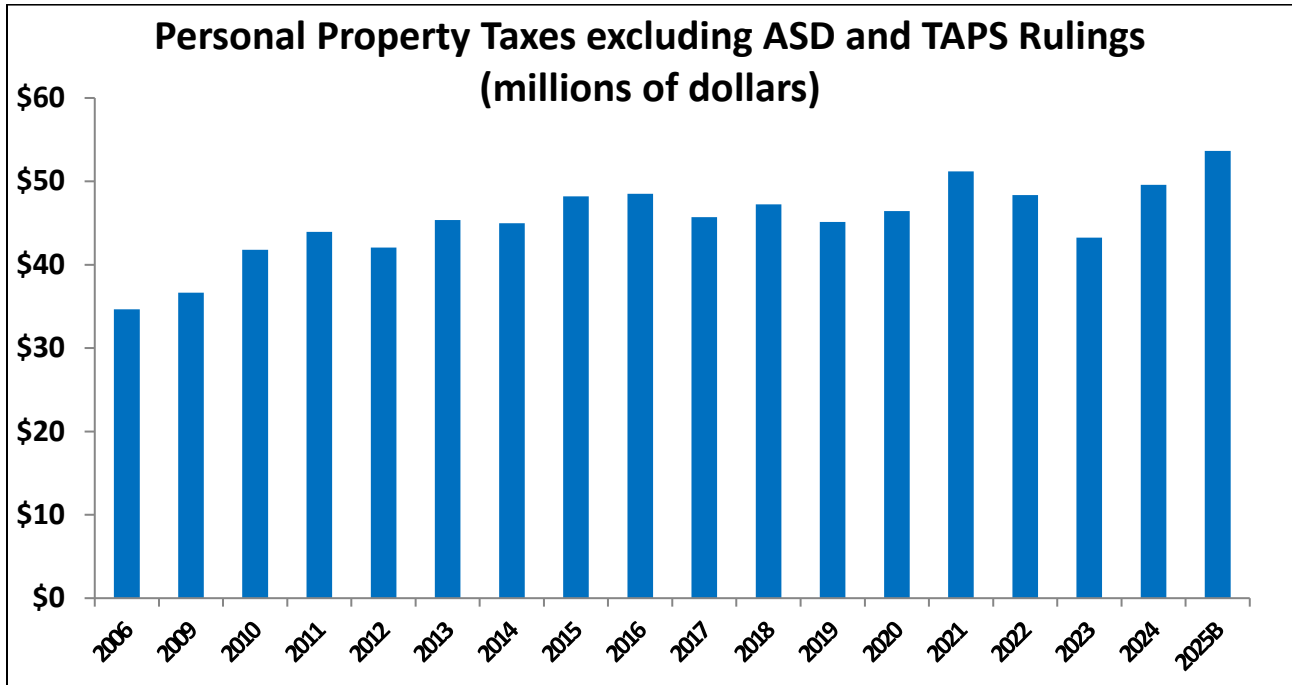
\*2025B Reflects 2025 Budget Amounts



#### Exhibit 3.5

Source: MOA Treasury Division

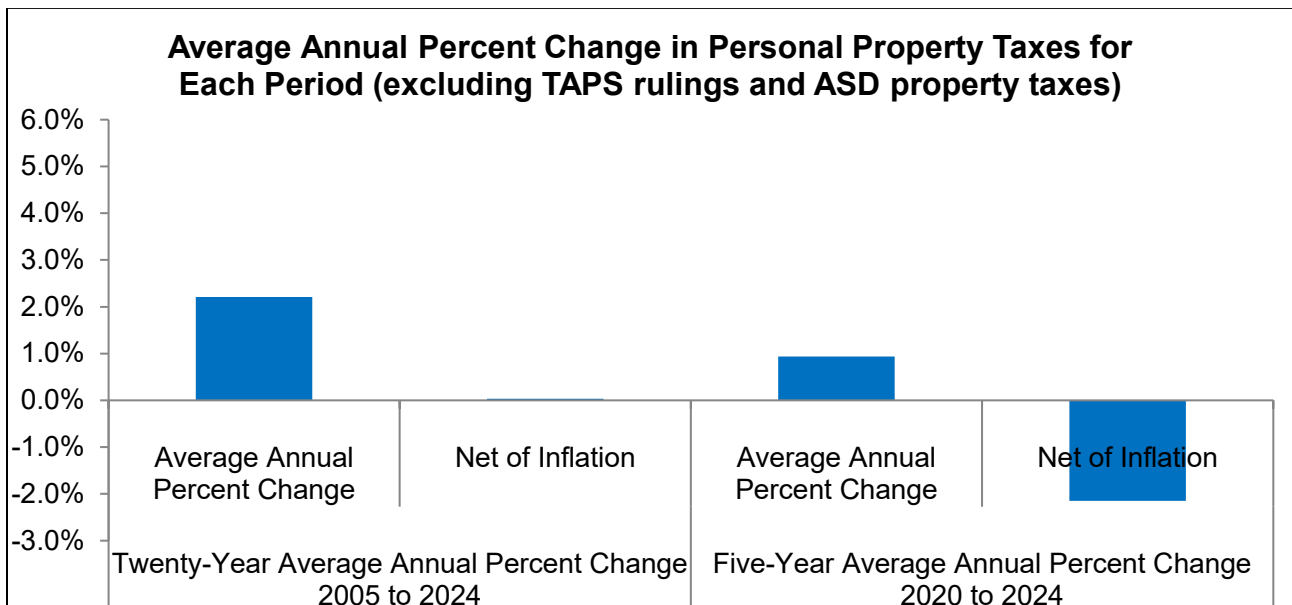
**Personal property tax revenues** are variable year to year due to changes in the mill rate and changes in the assessed values of business personal property, state oil and gas property, and mobile homes. Over the last six years, personal property tax revenues have increased modestly, leveling off more recently due to a decline in assessed values. Exhibits 3.6 and 3.7 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.



**Exhibit 3.6**

Source: MOA Treasury Division

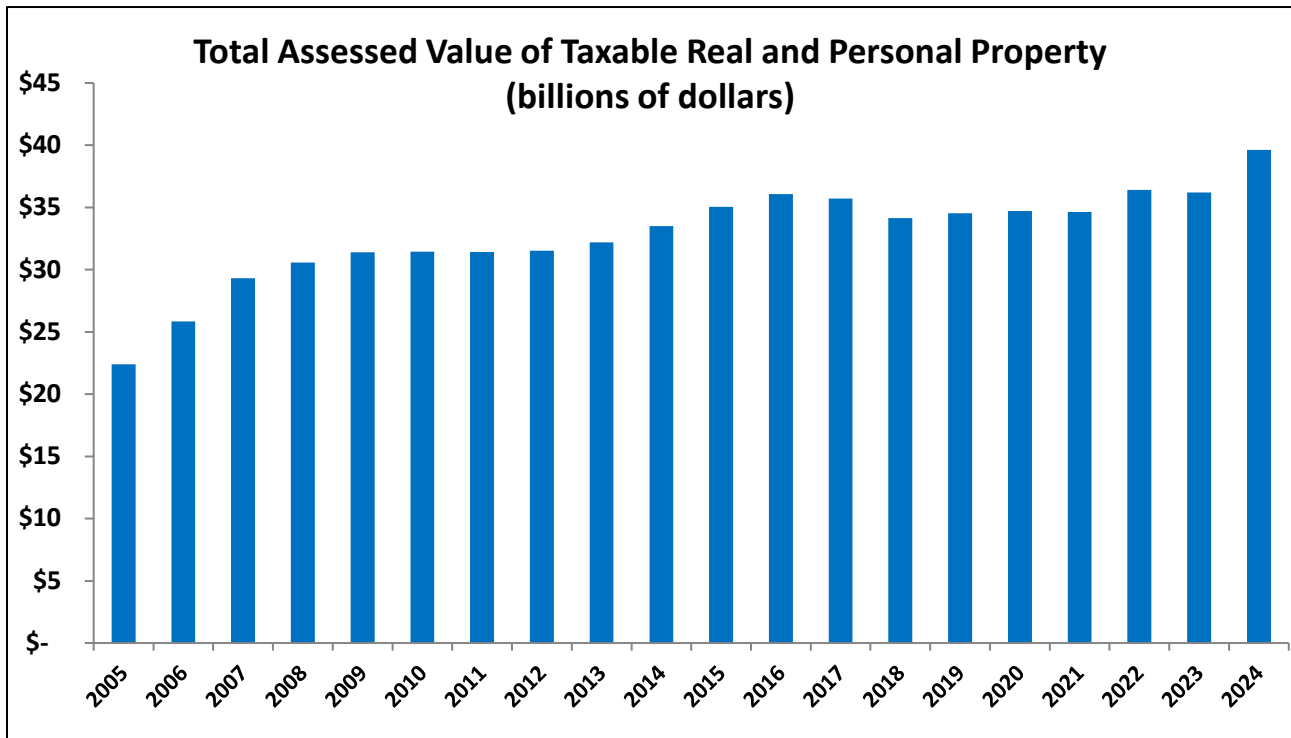
\*2025B Reflects 2025 Budget Amounts



**Exhibit 3.7**

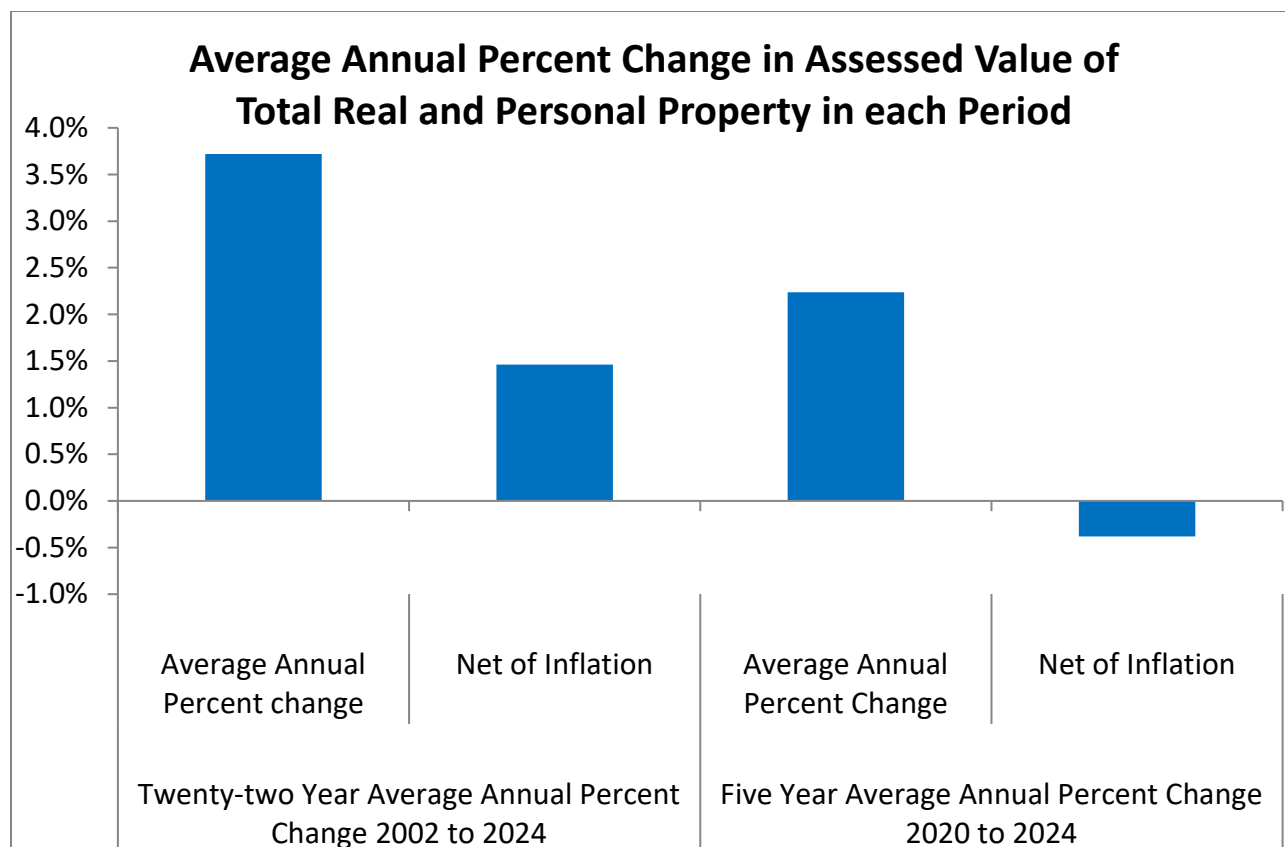
Source: MOA Treasury Division

**Assessed Value:** The calculation of real property tax revenues, personal property tax revenues, and MUSA/MESA payments are 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 modestly in 2022 and increased sharply in 2024, due to housing market valuation increases.



### Exhibit 3.8

Source: MOA Treasury Division

**Exhibit 3.9**

Source: MOA Treasury Division

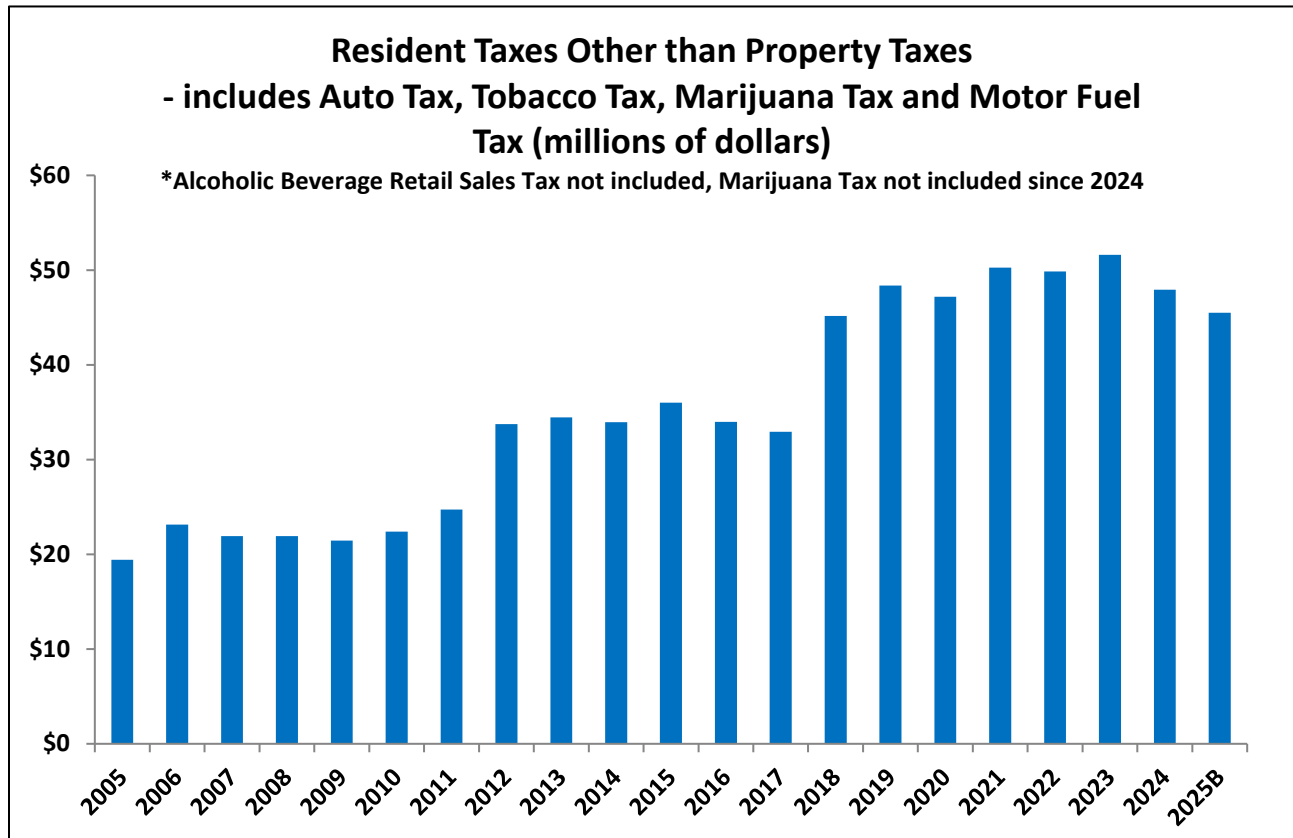
**Revenues Determined Primarily by Resident Consumption**

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% 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 \$1.1 million increase in tobacco taxes in 2015 because of a 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. The marijuana retail

sales tax (fund 208000) is no longer a general government revenue, so as of 2024, the revenues are no longer included in Exhibit 3.10.

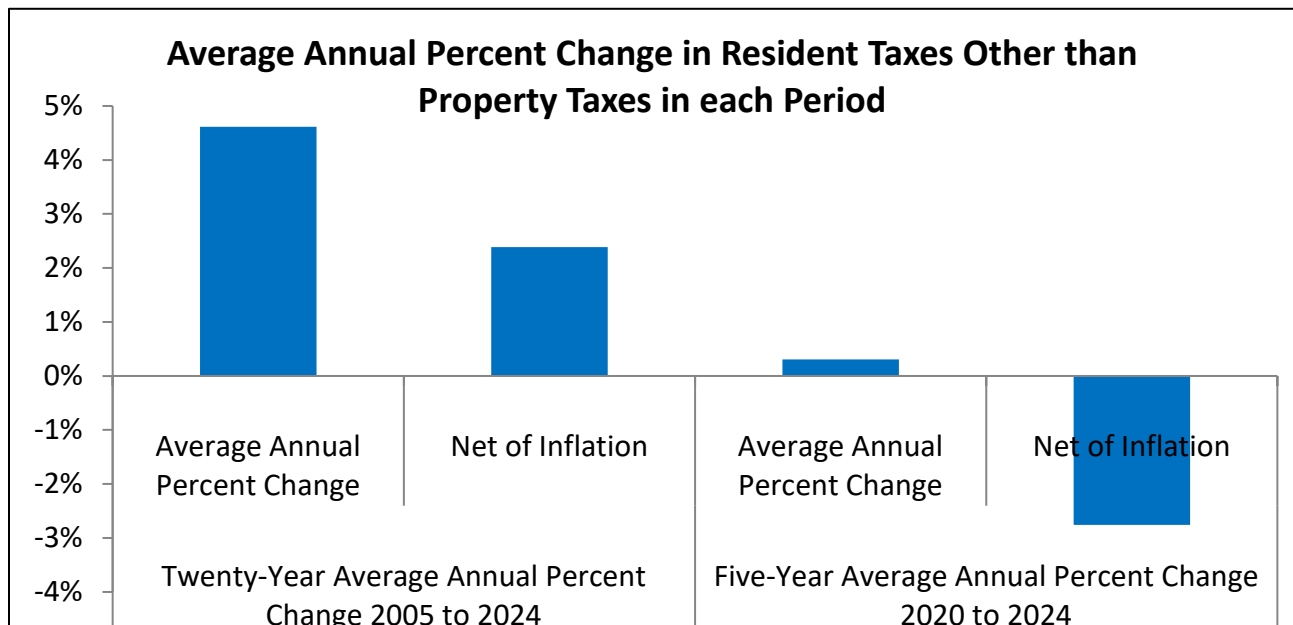


### Exhibit 3.10

Source: MOA Treasury Division

\* Excludes all Alcohol Tax Revenue Funds 206000, and Marijuana Tax Revenues 208000 in 2024-2025B

\*\* 2025B Reflects 2025 Budget Amounts

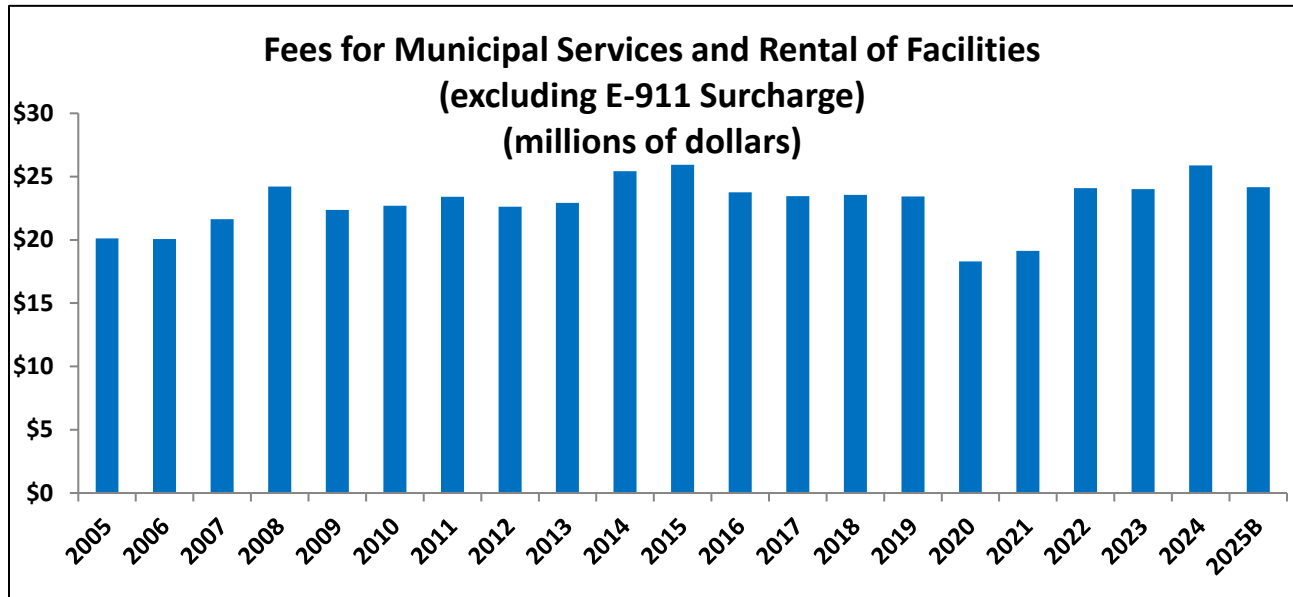


### Exhibit 3.11

Source: MOA Treasury Division

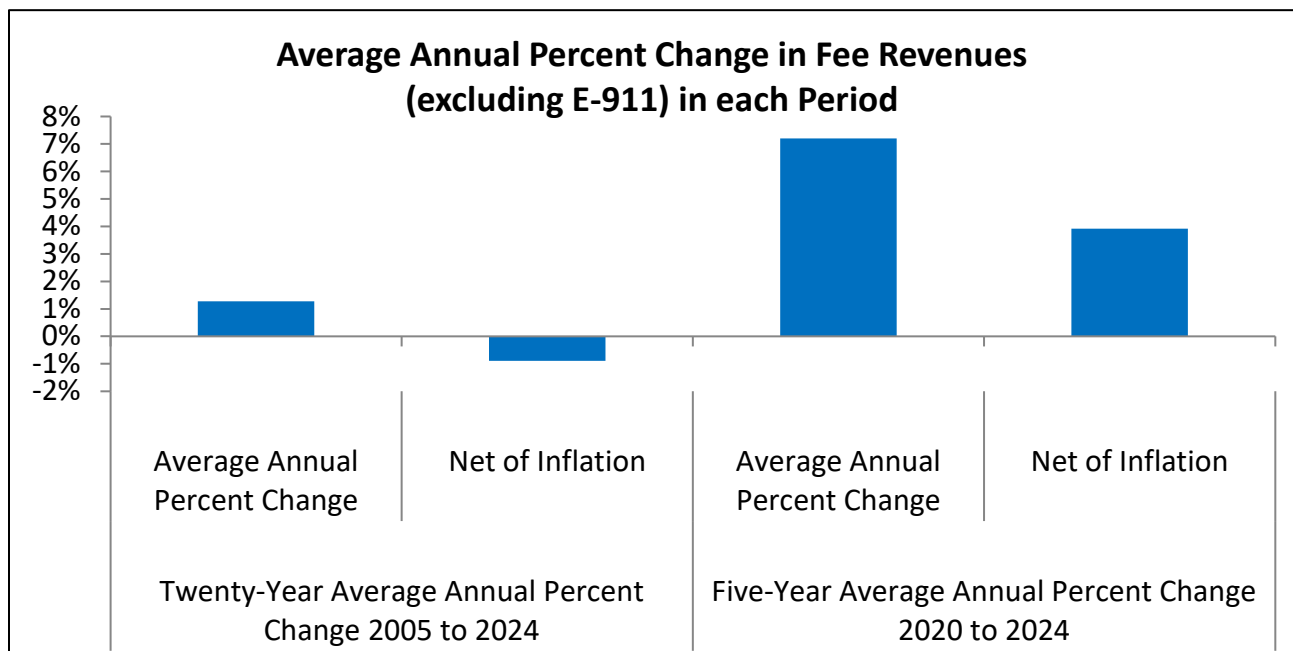
\* Excludes all Alcohol Tax Revenue Funds 206000, and Marijuana Tax Revenues 208000 in 2024-2025

**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. 2022 results reflect the build-up of demand during that period. Fees are forecast to be flat year over year.

**Exhibit 3.12**

Source: MOA Treasury Division

\* 2025B Reflects 2025 Budget Amounts

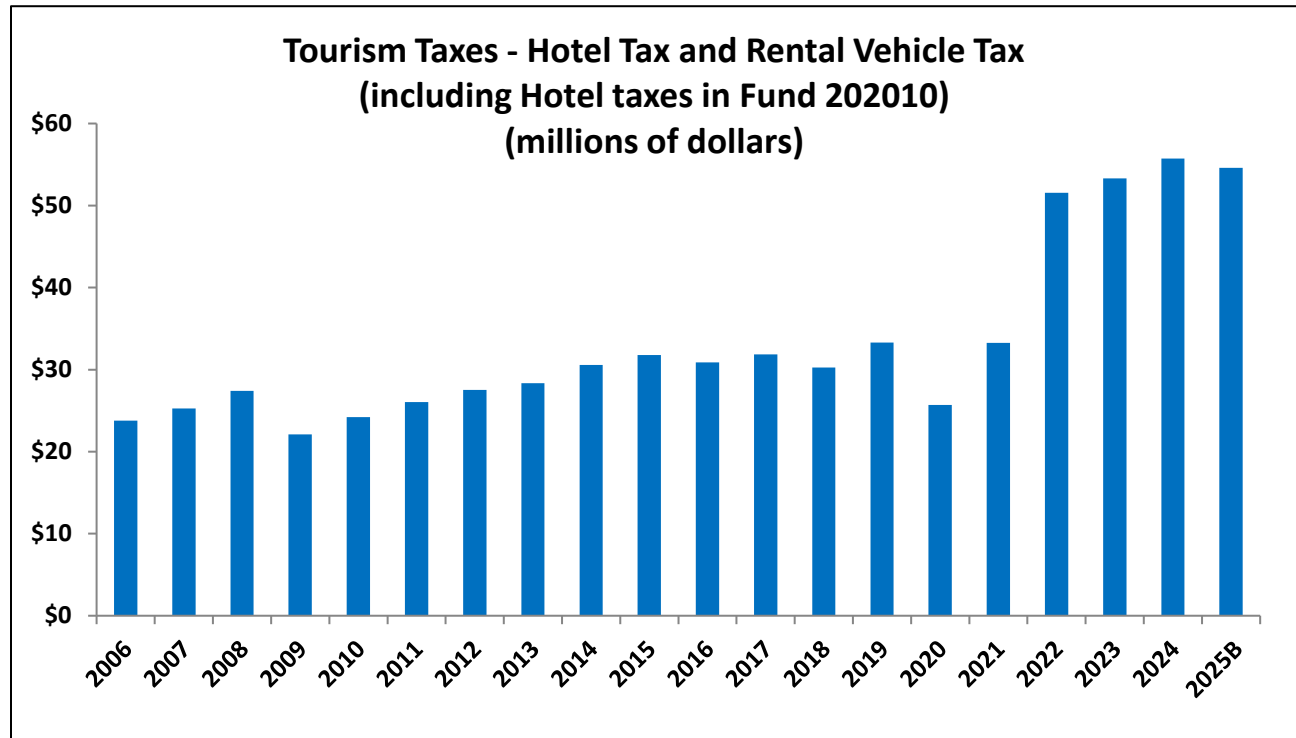
**Exhibit 3.13**

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 8% of total general government (series 101000 Funds) revenues, excluding ASD property taxes.

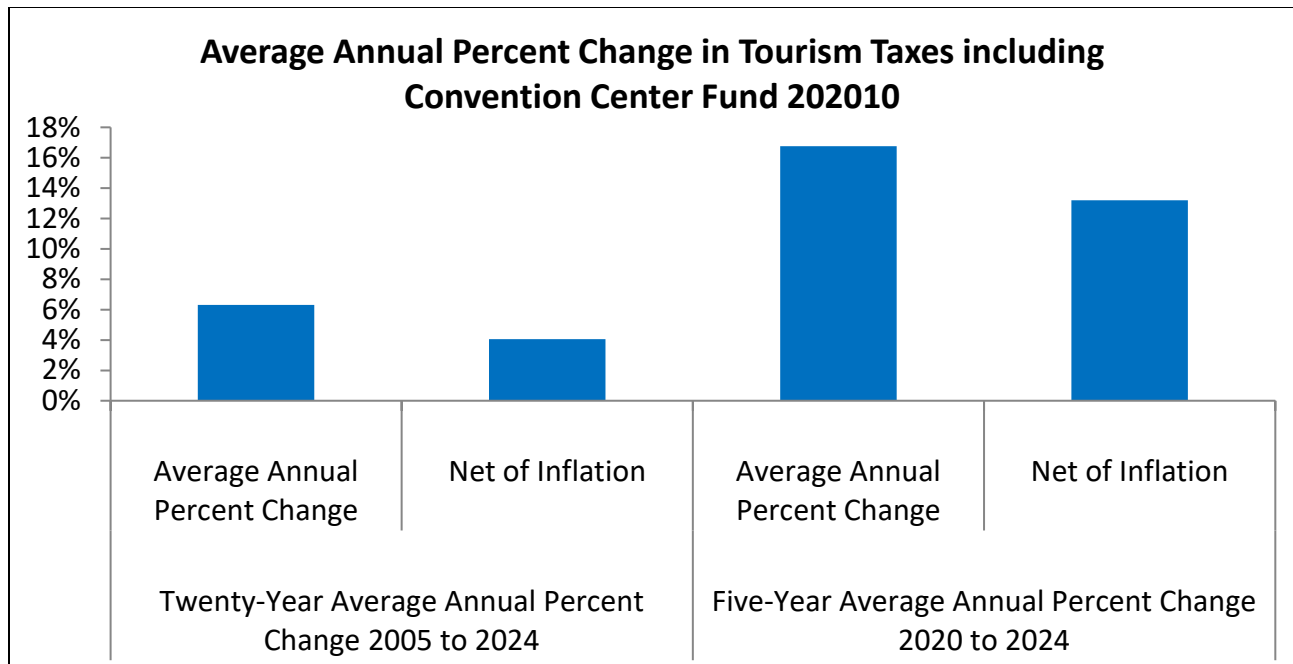
**Tourism-related revenues** from the room tax and the rental vehicle tax are affected by the tax rate, the number of visitors coming to Anchorage, how long they stay, and the price they pay for hotel rooms or rental vehicles. Tourism taxes increased substantially in 2006 due to a tax rate increase then 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. This trend has continued into 2024 and is forecast to continue into 2025.



#### Exhibit 3.14

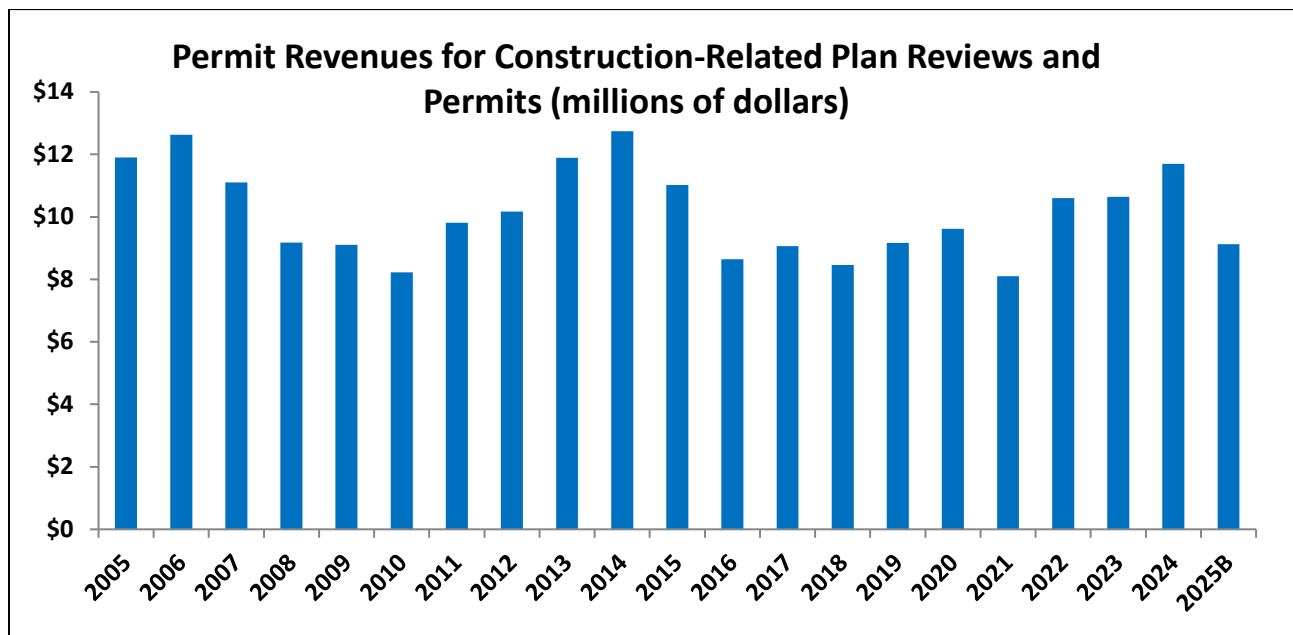
Source: MOA Treasury Division

\* 2025B Reflects 2025 Budget Amounts

**Exhibit 3.15**

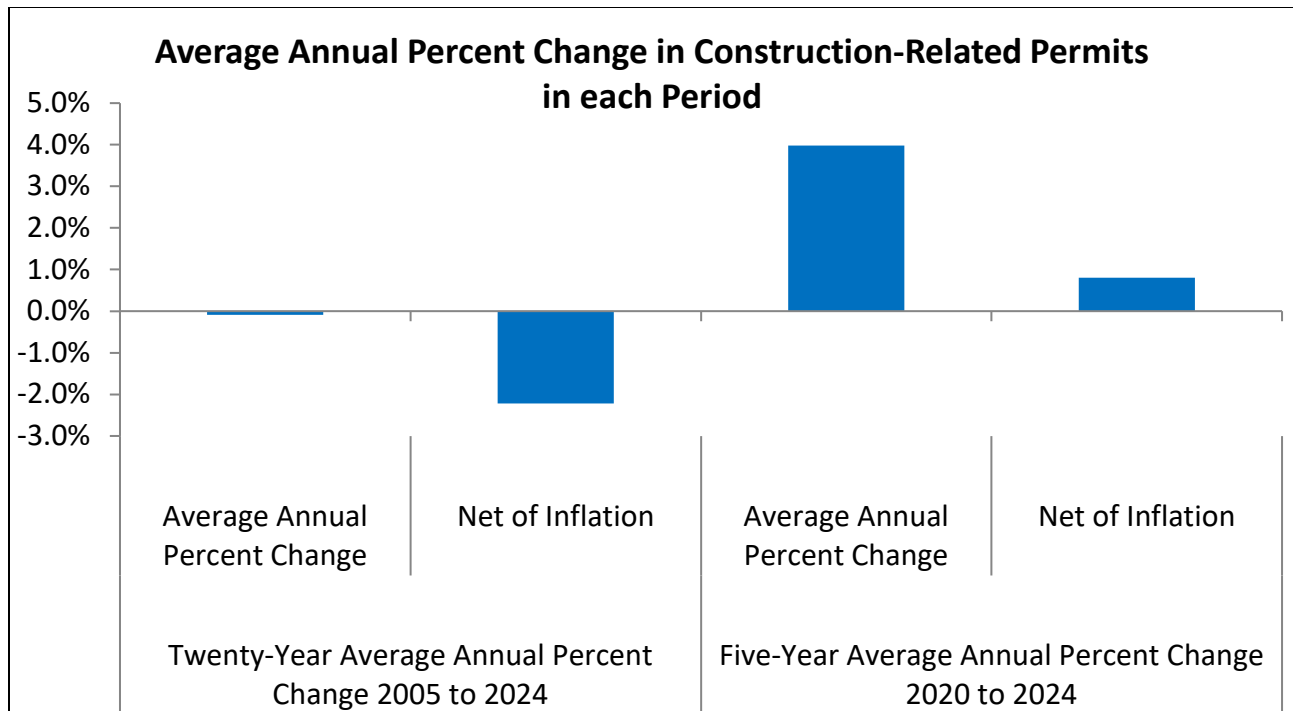
Source: MOA Treasury Division

**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 increased from 2022 through 2024 but are budgeted to be lower in 2025.

**Exhibit 3.16**

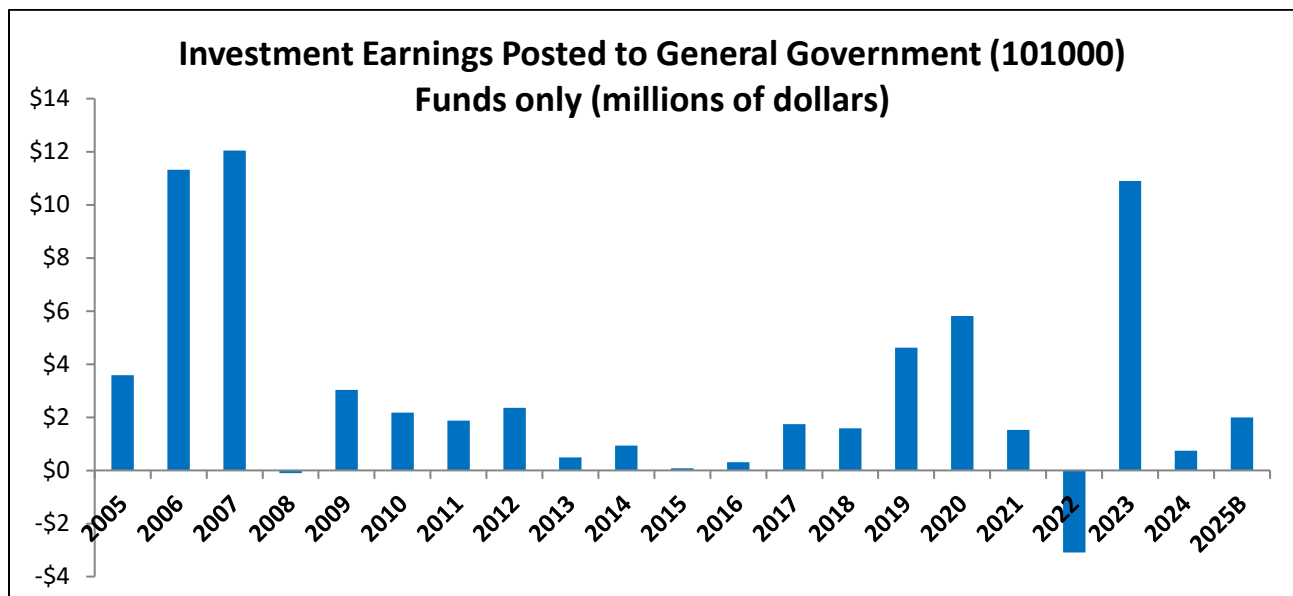
Source: MOA Treasury Division

\* 2025B Reflects 2025 Budget Amounts

**Exhibit 3.17**

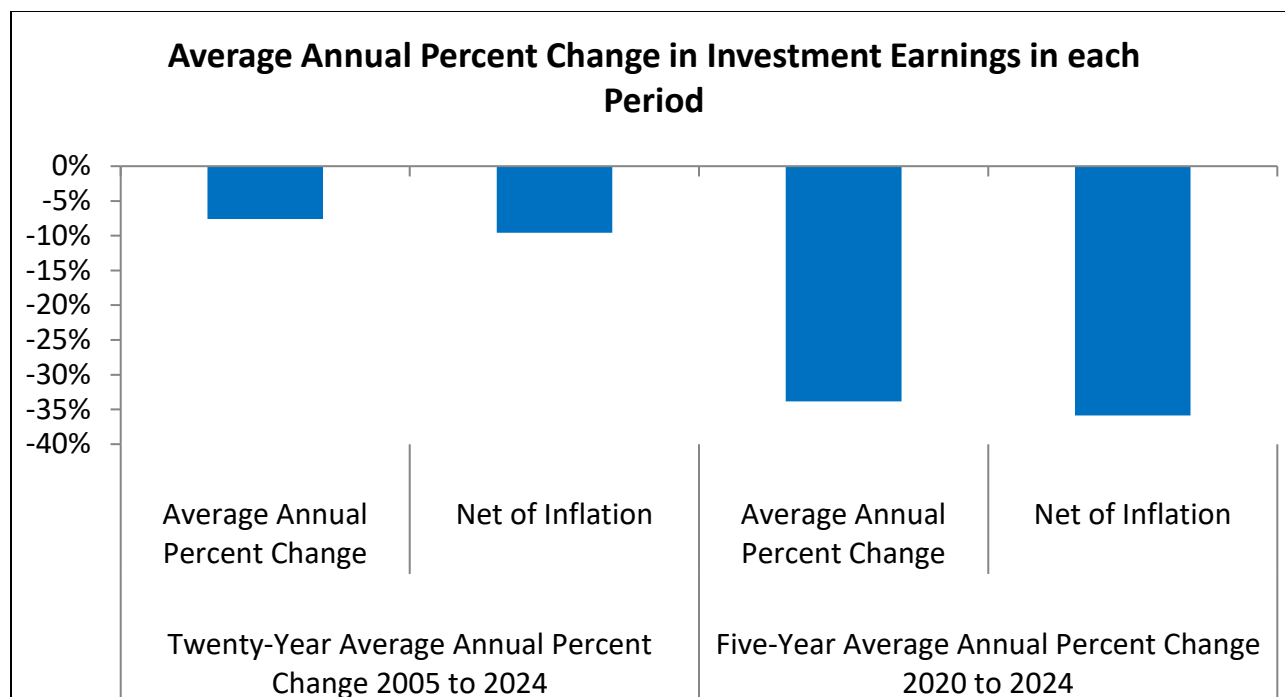
Source: MOA Treasury Division

**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 occurred in 2023 and 2024 as market valuations adjusted to higher interest rates.

**Exhibit 3.18**

Source: MOA Treasury Division

\* 2025B Reflects 2025 Budget Amounts

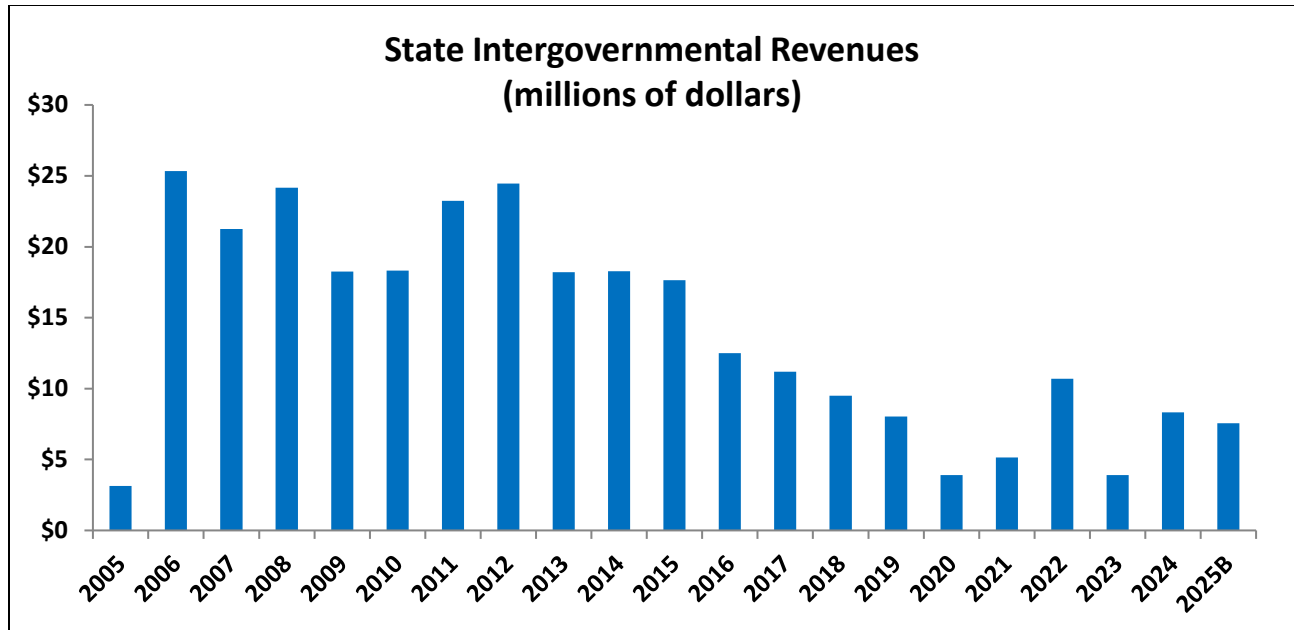
**Exhibit 3.19**

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.

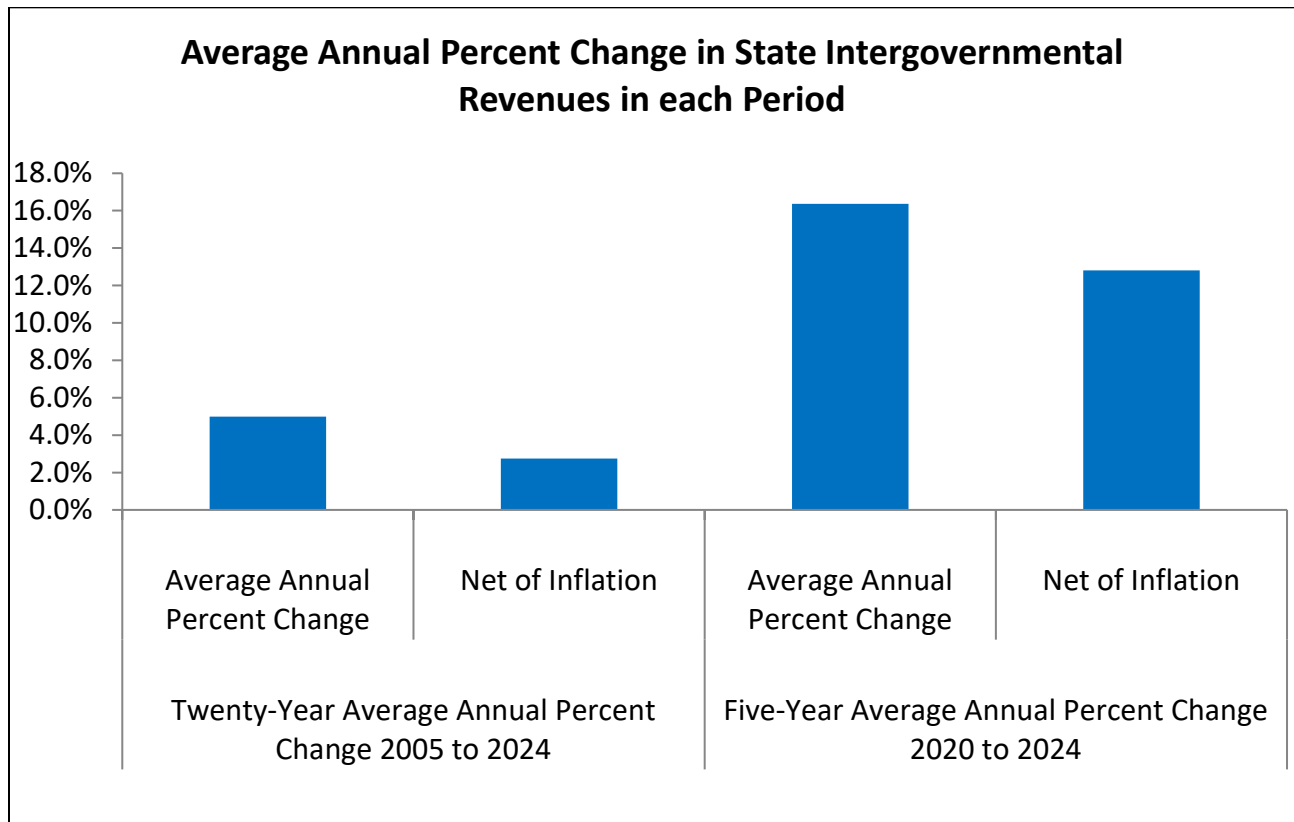
**State Intergovernmental Revenues:** Most of the revenues in this category originate from the State of Alaska's Revenue Sharing Program (through 2016) and Community Assistance Program (2017 to the present). The Municipality also receives revenues from the State for the Fisheries Tax, Liquor Licenses, 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.



**Exhibit 3.20**

Source: MOA Treasury Division

\* 2025B Reflects 2025 Budget Amounts

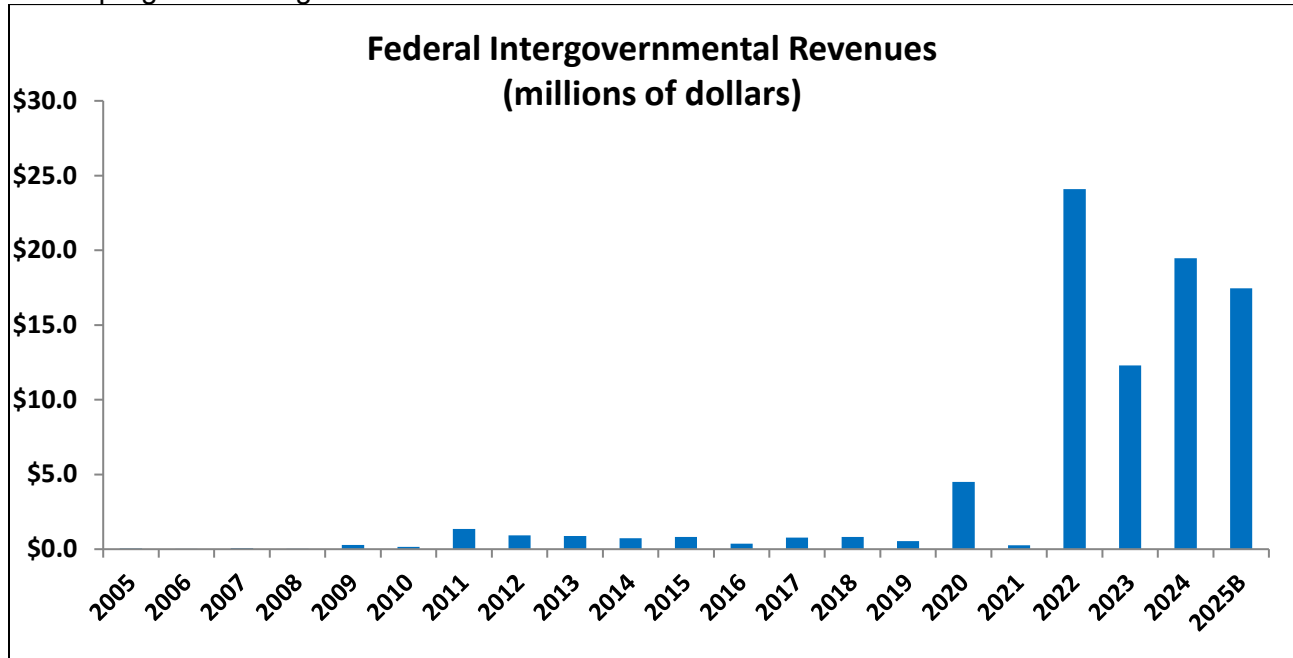


**Exhibit 3.21**

Source: MOA Treasury Division

### Federal Intergovernmental Revenues

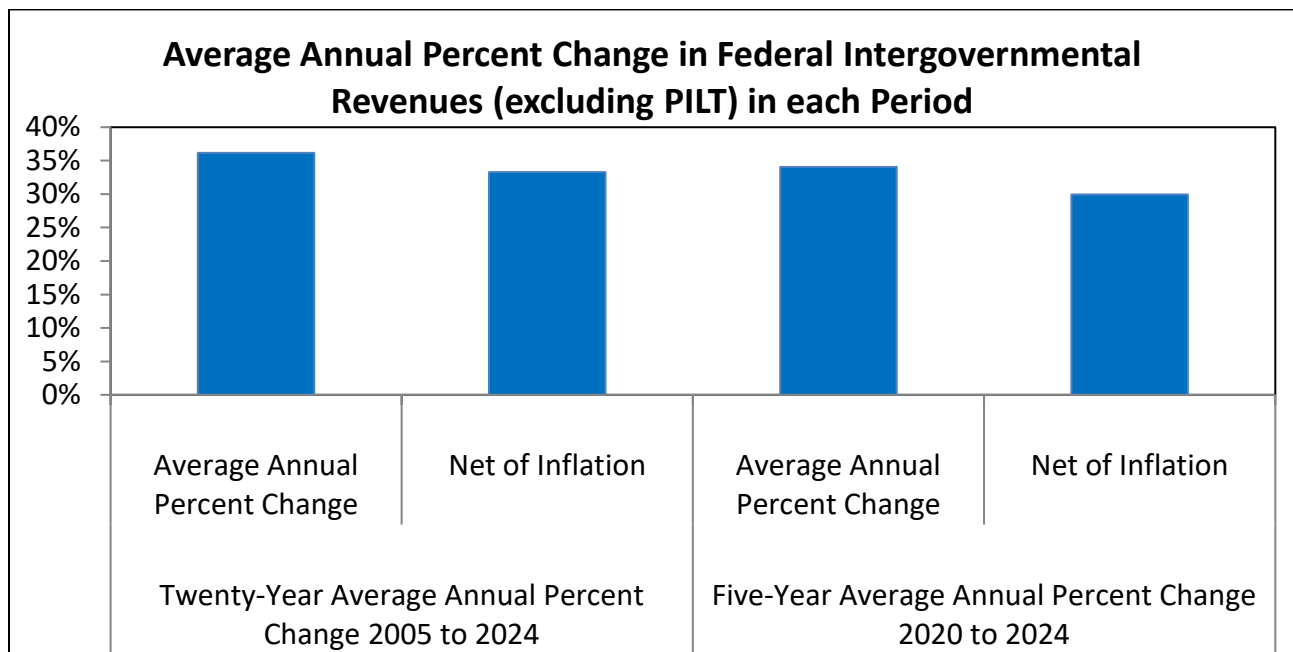
Most of the revenues in this category have come from Federal grants, fisheries tax, and national forest allocations. The Municipality also receives Federal PILT revenues. Total Federal Intergovernmental revenues were relatively modest until 2011. The large increase in 2020 was for emergency earthquake and COVID-19 relief. After 2020, the Federal revenues received by the Municipality have returned to historical levels. In 2022, the Municipality began receiving SEMT program funding.



#### Exhibit 3.22

Source: MOA Treasury Division

\* 2025B Reflects 2025 Budget Amounts



#### Exhibit 3.23

Source: MOA Treasury Division

## Expenditures

The general government annual operations are performed by multiple departments with varying types of costs, to include labor, non-labor, debt service, and transfers to other funds within the municipality. The departments are organizational structures that contain programs that provide services to the citizens of Anchorage.

The following charts show the annual spending from 2017 to October 2025 and the 2025 budget (inclusive of appropriations made outside of the budget process), in the organizational structure approved in 2025, at the appropriated and manageable level of spend, first by department / agency and then by spending category.

Department / Agency	Actuals (in thousands)								Budget	Actuals
	2017	2018	2019	2020	2021	2022	2023*	2024*	2025	2025*
Assembly	3,541	3,930	4,192	4,442	5,393	6,187	7,489	8,390	10,386	5,851
Chief Administrative Officer	20,005	19,001	26,766	23,118	26,170	26,857	27,093	29,469	27,800	23,261
Development Services	10,340	10,609	10,960	11,437	11,615	11,173	11,203	11,620	12,691	8,894
Equal Rights Commission	741	700	727	654	709	787	772	818	664	435
Equity & Inclusion	-	-	-	-	-	317	188	339	605	326
Finance	18,100	14,825	18,084	24,126	15,550	14,309	14,794	15,005	16,406	12,452
Fire	99,695	97,222	104,043	66,903	107,140	114,781	111,467	112,291	123,478	91,111
Health	10,660	11,351	12,067	22,221	19,745	11,192	14,345	19,635	20,629	13,259
Human Resources	4,431	5,118	4,736	6,788	6,431	6,426	6,304	6,771	7,215	4,567
Information Technology	19,055	22,978	22,076	21,270	19,473	19,648	19,294	19,900	23,196	16,654
Internal Audit	585	679	734	783	746	733	780	691	925	682
Library	8,494	8,056	8,653	8,652	8,745	7,959	8,830	9,506	10,034	7,163
Maintenance & Operations	97,372	96,744	95,213	98,079	98,845	103,859	113,091	111,612	119,037	87,520
Office of Management & Budget	960	963	919	1,047	911	885	1,160	1,001	1,715	753
Office of the Mayor	1,844	1,796	1,797	1,859	2,446	1,938	2,409	2,610	3,049	2,026
Municipal Attorney	7,135	7,319	7,167	7,321	7,495	7,213	7,179	7,815	9,811	6,417
Municipal Manager	2,760	2,431	2,086	4,878	2,856	2,203	2,393	2,376	3,534	1,703
Parks & Recreation	21,575	20,934	24,000	22,563	22,633	22,048	27,491	24,395	29,761	19,541
Planning	3,522	3,156	3,255	3,444	3,529	4,452	3,667	3,488	5,254	2,810
Police	114,365	113,044	124,436	73,629	125,267	127,212	130,472	137,528	146,332	105,804
Police & Fire Retiree Medical Funding	199	213	153	151	160	161	168	165	203	130
Project Management & Engineering	5,371	1,006	1,407	1,477	1,525	945	914	913	952	669
Public Transportation	22,507	23,871	24,207	23,927	26,233	26,562	29,328	30,944	32,940	23,563
Public Works Director	-	-	-	-	-	189	72	65	265	211
Planning, Development, and Public Work	3,336	3,162	2,761	17,839	20,735	8,255	2,937	2,807	3,757	2,397
Purchasing	1,704	1,717	1,950	1,856	1,900	1,639	1,771	1,869	2,128	1,374
Real Estate	12,936	8,195	8,421	21,665	11,848	8,041	26,692	10,054	14,110	8,567
Taxes & Reserve	13,357	12,523	14,929	19,033	15,195	17,205	18,051	22,850	22,266	6,711
Traffic Engineering	5,304	5,314	5,576	5,742	5,954	5,721	6,102	6,860	7,209	5,104
Non-Departmental	298	510	716	823	835	1,360	2,495	-	-	-
<b>Total</b>	<b>510,191</b>	<b>497,369</b>	<b>532,031</b>	<b>495,729</b>	<b>570,086</b>	<b>560,259</b>	<b>598,951</b>	<b>601,786</b>	<b>656,351</b>	<b>459,956</b>
Source: SAP at October 2025										
Year / Year \$ Change (Less)/More		(12,822)	34,662	(36,302)	74,357	(9,827)	38,692	2,836	54,564	*Unaudited
Year / Year % Change (Less)/More		-2.5%	7.0%	-6.8%	15.0%	-1.7%	6.9%	0.5%	9.1%	

Spending Category	Actuals (in thousands)								Budget	Actuals
	2017	2018	2019	2020	2021	2022	2023*	2024*	2025	2025*
Labor	279,321	278,840	289,948	211,697	307,025	301,974	307,074	327,122	353,650	255,971
Non Labor	146,778	147,486	159,773	179,579	180,960	156,236	171,064	179,309	200,306	128,165
Travel	204	243	290	67	100	198	380	363	546	359
Transfer to Other Funds	26,172	13,655	21,686	39,204	25,086	34,971	46,238	30,792	34,535	11,174
Debt Service	57,716	57,144	60,334	65,182	56,915	66,879	74,194	64,201	67,315	64,287
<b>Total</b>	<b>510,191</b>	<b>497,369</b>	<b>532,031</b>	<b>495,729</b>	<b>570,086</b>	<b>560,259</b>	<b>598,951</b>	<b>601,786</b>	<b>656,351</b>	<b>459,956</b>
Source: SAP at October 2025										
Year / Year \$ Change (Less)/More		(12,822)	34,662	(36,302)	74,357	(9,827)	38,692	2,836	54,564	*Unaudited
Year / Year % Change (Less)/More		-2.5%	7.0%	-6.8%	15.0%	-1.7%	6.9%	0.5%	9.1%	
% Change from 2017 (Less)/More		-2.5%	6.8%	-7.1%	14.6%	-1.9%	7.6%	0.6%	10.7%	

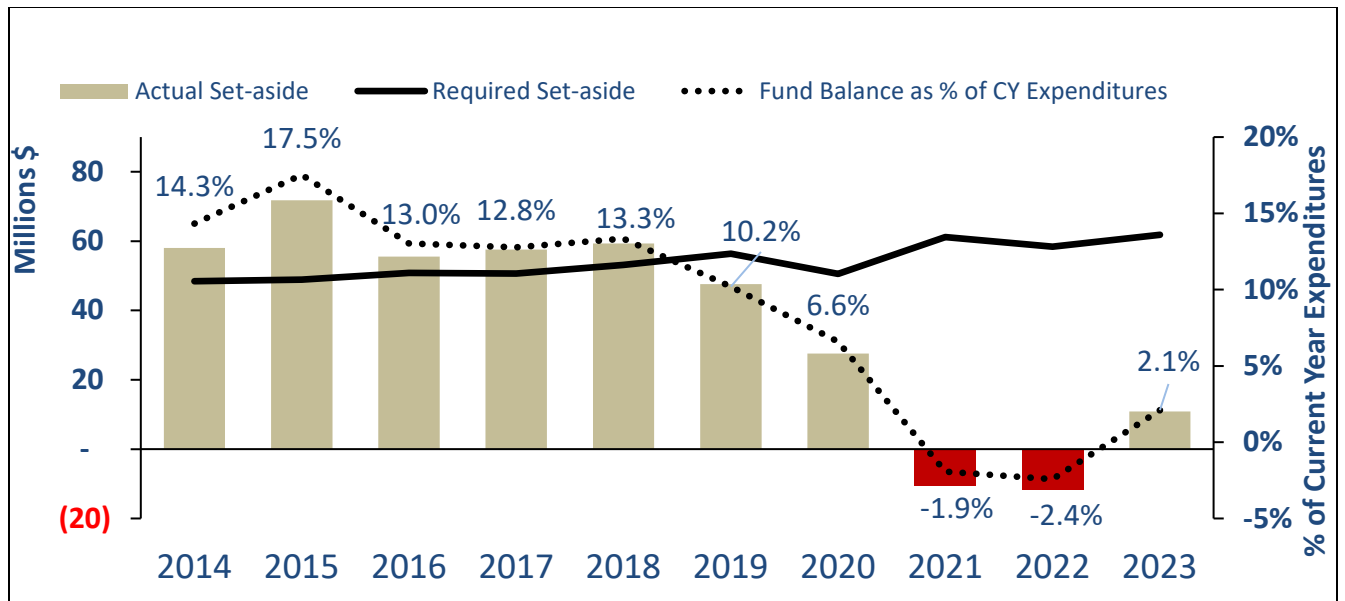
## 4. Fund Balance

---

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 following chart demonstrates that the Municipality was in excess of its Fund Balance Policy from 2014 through 2018. From 2019 through 2023 the Municipality did not meet its Fund Balance Policy requirements due to emergency ordinances that were enacted for the November 2018 Earthquake and the COVID-19 pandemic. As of 2023, a significant amount of fund balance was recovered due to receipt of FEMA reimbursements, however, these revenues were credited to the 231802 and 231803 Funds. Additionally, Fund Balance was offset by an unexpected \$27 million liability related to the Information Technology (IT) fund (607000) that put downward stress on the General Fund Balance.



Source: MOA ACFR Required Supplementary Information and Note 14 Fund Balance.

The 12% Required Fund Balance line in the chart above is comprised of:

- 10% of expenditures in the five Major Funds, and 8.25% of expenditures in the Non-Major Funds for the “10% Bond Rating” requirement; and
- 2% of expenditures in the Major Funds; and 2% to 20% of expenditures in the Non-Major Funds for the “2% Working Capital Reserve”.

### 2023 Audited ACFR Fund Balance Summary Table

<b>Total Nonspendable</b>	<b>\$ 55,331,473</b>
<b>Total Restricted</b>	<b>2,030,165</b>
Committed:	
10% Bond Rating	50,632,938
Other Projects Committed	4,315,070
<b>Total Committed</b>	<b>54,948,008</b>
<b>Total Assigned</b>	<b>0</b>
Unassigned:	
2% Working Capital Reserve	11,182,925
Other Unassigned	(50,990,663)
<b>Total Unassigned</b>	<b>(39,807,738)</b>
<b>Total Fund Balance (Deficit)</b>	<b>\$ <u>72,501,908</u></b>

The above table summarizes the 2023 Audited ACFR Fund Balance information. The above chart and table both show that for 2023 the Municipality was unsuccessful at both meeting its 12% Required Fund Balance target and having sufficient fund balance to meet its other fund balance restrictions such as Nonspendable, Restricted and Other Committed categories, missing its Fund Balance requirement by \$50,990,663.

### **Municipality's General Obligation Bond Rating**

The Municipality enjoys the benefits of being a 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 S&P Global Ratings (S&P) with a Stable Outlook. The rating agencies have a complex structured rating process for determining an issuer's 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 issuer's 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, which did not change from its previous rating and reflects the implementation of Fitch's new U.S. Public Finance Local Government Rating Criteria. In their July 19, 2024, rating review of the Municipality they commented on the Municipality's:

- Midrange' budgetary flexibility;
- Delayed ACFR due to high turnover in the finance department, slow ability to hire new staff, alongside a heavy workload documenting reimbursements in preparation for the audit;
- Economic and institutional strength due to Anchorage being the population hub of the state, and home to numerous institutional anchors include military presence, robust healthcare sector, and the state's largest university;
- Depletion of fund balance reserves and reliance on federal government reimbursements to restore its fiscal cushion; and
- Getting back to the 12% unrestricted reserve policy will depend on strict budgetary maintenance of aligning expenditures with revenues and speed of remaining reimbursements.

They also commented about their revenue framework assessment. "Fitch expects revenues will resume pre-pandemic growth between inflation and U.S. GDP. Anchorage's economy, like that of the state, is driven primarily by the energy and government sectors. The municipality also has significant tourism, health care, transportation and trade industries. Hotel taxes have recovered to exceed pre-pandemic levels by fiscal 2022 due to the full return of cruises, reopening of international borders, and robust traveling spending. Municipality project continued growth in hotel taxes followed by a level trend for fiscal 2024."

### **S&P Global Ratings**

S&P currently rates the Municipality AA- with a Stable Outlook, which was a downgrade from its previous rating of AA. In their most recent rating summary dated July 19, 2024, S&P's analyst noted that the downgrade reflects their view of Anchorage's weakened financial management practices, the trend of negative fund balances in the general fund in fiscal years 2021 and 2022, and the delayed release of the 2022 ACFR.

The analyst also noted the following regarding Anchorage:

- Management's lack of proactive adjustments to the budget to manage the declines;
- Material declines in unassigned reserves in recent years due to multiple factors include delay in FEMA receipts for the 2018 earthquake, and the avalanche disaster;
- While significant reimbursements towards COVID-19 expenditures have been received and should be reflected in the general fund, the 2022 revised projections were lower than expected due to a liability which officials did not expect to be reflected in the general fund;
- Management team has seen turnover recently and the delay in release of the 2022 audited ACFR was due to both a decline in staffing and increase in documentation requirements;
- Broad and diverse economy, albeit with a declining population, which serves as Alaska's logistics, distribution, and tourism hub;
- Weak reserve position, with a still-negative available general fund balance that is expected to grow to positive levels in 2023;
- Good management policies with a leadership team in transition, and strong institutional framework; and
- Manageable debt burden, but relatively large pension and other postemployment benefit (OPEB) liabilities.

### **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 an AA+/AAA rated issuer,
- Rating Agencies periodically change their rating criteria and a fund balance that is 15% of current year expenditures 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 may 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 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 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 2026 – 2031 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:

### 2026 - 2031 Capital Improvement Program Operations & Maintenance Estimate

(In Thousands)

Department	2026	2027	2028	2029	2030	2031	Total
Development Services	-	181	187	192	198	204	962
Anchorage Fire Department	-	4,637	-	-	-	-	4,637
Anchorage Health Department	-	75	75	75	75	75	375
Information Technology	300	1,945	1,908	1,842	456	297	6,748
Library	-	-	140	-	110	-	250
Maintenance & Operations	17	19	30	11	11	-	88
Parks & Recreation	315	735	396	205	185	254	2,090
Project Management &	55	189	120	124	124	74	686
Traffic Engineering	152	152	152	152	152	152	912
<b>Total</b>	<b>839</b>	<b>7,933</b>	<b>3,008</b>	<b>2,601</b>	<b>1,311</b>	<b>1,056</b>	<b>16,748</b>

Source: 2026 Proposed General Government Capital Improvement Program

## 6. Six-Year Projection Model Based on 2026 Proposed Budget

### Six-Year Fiscal Program General Government Operating Budget Projections of Financing Sources and Uses (\$ thousands) 2026 to 2031

	Total Budget	Proposed Budget	2025 to 2031									
			Projections with % Change from Prior Year									
Financing Sources	2025	2026	2027		2028		2029		2030		2031	
Federal Revenues	17,446	19,450	19,839	2%	20,236	2%	20,641	2%	21,054	2%	21,475	2%
State Revenues	7,337	4,385	4,464	2%	4,544	2%	4,625	2%	4,709	2%	4,793	2%
Local Revenues	216,478	213,373	211,685	-1%	217,250	3%	221,700	2%	226,836	2%	232,086	2%
Property Taxes	326,208	340,813	350,230	3%	360,057	3%	372,369	3%	384,938	3%	399,004	4%
Property Taxes - GO Bond Debt	57,809	50,590	58,506	16%	53,984	-8%	49,390	-9%	49,397	0%	45,858	-7%
New Revenues			-	0%	-	0%	-	0%	-	0%	-	0%
Fund Balance Applied	4,303	4,245	1,606	-62%	1,673	4%	1,742	4%	1,814	4%	1,888	4%
IGCs Outside General Gvt.	32,729	33,309	33,915	2%	34,577	2%	35,077	1%	35,583	1%	36,114	1%
Total Financing Sources	662,311	666,166	680,246		692,320		705,544		724,330		741,218	
Change from prior year	2.7%	0.6%	2.1%		1.8%		1.9%		2.7%		2.3%	
Financing Uses												
Salaries and Benefits	356,621	372,126	384,657	3.4%	397,739	3.4%	413,942	4.1%	429,614	3.8%	446,042	3.8%
Debt Service	67,286	63,343	61,319	-3.2%	56,532	-7.8%	51,614	-8.7%	51,229	-0.7%	47,188	-7.9%
Depr/Amort	9,300	9,300	9,440	1.5%	9,452	0.1%	10,052	6.3%	10,046	-0.1%	10,035	-0.1%
Other	229,104	221,397	222,858	0.7%	237,357	6.5%	244,546	3.0%	251,864	3.0%	259,455	3.0%
Total Financing Uses	662,311	666,166	678,274		701,079		720,154		742,753		762,720	
Change from prior year	10.9%	0.6%	1.8%		3.4%		2.7%		3.1%		2.7%	
Revenues Over/(Under) Expenditu	-	-	1,972		(8,759)		(14,610)		(18,423)		(21,501)	
cumulative	-	-	1,972		(6,787)		(21,397)		(39,819)		(61,321)	

#### 2025 Total Budget

- Includes 2025 Revised Budget and supplemental appropriations through September 8, 2025

#### 2026-2031 Projections - Overall Assumptions

- 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 programmatic grants (i.e. AMATS, HUD, etc.)
- 2026 Proposed is the base for 2027 through 2031 projections
- Population - per Anchorage Economic & Community Development (AEDC) 2025 Anchorage Economic Forecast Report - 2027: 290.8K; 2028: 290.8K; 2029: 290.8K and then flat thereafter
- CPI - 3% in 2027 and thereafter
- Does not include any adjustment for funding emergency ordinances that are not reimbursed by FEMA
- Assumes City Hall lease continues at 2026 rate

#### Financing Sources

- Federal / State Revs - Assumes no stimulus grant impacts
- State Revs - Community Assistance at \$0.5 million in 2026 and thereafter
- Property Taxes - Tax under the cap each year to match funding needs: 2027 - 2031: \$0.2M
- Property Taxes - Assumes no new Operations & Maintenance (O&M) in 2027 and thereafter
- Taxes - MESA/MUSA/Dividends from Enterprise/Utilities are from respective 8-Year summaries provided in 2026 Proposed Budget documents
- Fund Balance - Use for 100 Funds: 2027 - 2031: \$0M
- Most other revenues increase 2% in 2027 and thereafter

#### Financing Uses

- Position count stays the same from 2026 through 2031
- Salaries and Benefits - Work hours: 2027: 2088; 2028: 2080; 2029: 2088; 2030: 2088; 2031: 2088
- Salaries and Benefits - Current contract changes then last approved rate change thereafter, except: Assembly: flat; EXE and Non-Rep 0% in 2027 and thereafter; Mayor: flat. Does not account for NON step progressions to steps above 7
- Salaries and Benefits - Medical at 7% increase per year (the budgeted change from 2025 to 2026 is 7.6%)
- Salaries and Benefits - Assumes non-calculated (Vacancy Factor, Overtime, etc.) increasing at average annual salary and medical rate
- 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