

## Appendix F

### Debt Service

---

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

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

***Voter Approval Required:***

- General Obligation (GO) Bonds

***Assembly Approval Required:***

- Revenue Bonds
- Short Term Borrowing Programs (STBP)
- Intermediate Term Borrowing Programs (ITBP)
- Lease/Purchase Agreements
- Tax Anticipation Notes (TANs)

#### **GO Bonds**

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

The Municipality generally issues 20 year bonds. However, the debt is structured to make sure that there is sufficient principal being paid off to cover the shorter useful life assets in the bond package.

The amount of GO bond debt that the Municipality can incur is limited only by GO bond amounts approved by voters. GO bond debt service is included in the Tax Cap Calculation for the 5 Major Funds - the mill rate for these funds is increased to accommodate the GO bond debt service. The mill rates for GO bond debt service in other service areas does not increase unless the mill rate increase is approved by voters (language for such mill rate increases are typically included in bond propositions).

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

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

#### **Revenue Bonds**

A Revenue Bond is a bond supported solely by the revenues generated from a specific project or enterprise. Revenue Bonds are not supported by the full taxing power of the Municipality. A good example of a revenue bond is the Alaska Center for the Performing Arts (ACPA); ticket surcharges pay for ACPA's debt service on the bonds issued to finance replacement of the roof in 2004.

#### **Short Term Borrowing Programs (STBP)**

Short Term Borrowing Programs are similar to a bank loan or credit line, used to offer interim financing under flexible terms until they are paid off, or refunded, generally with Revenue Bonds. These programs usually have a variable rate of interest.

#### **Intermediate Term Borrowing Programs (ITBP)**

Intermediate Term Borrowing Programs are similar to revenue bonds. They are used when we want to amortize principal faster, since they usually have a maturity in the five to ten year range. These programs may have an interest rate that is a fixed rate or a variable rate.

## **Appendix F**

### **Debt Service**

---

#### **Lease/Purchase Agreements**

Agreement between the Municipality and Key Government Finance, Inc. that provides market rate loans to the Municipality for the purchase and eventual ownership of specific assets. The Agreements are entered into on an as-needed basis and the loans are typically repaid over the useful life of the asset.

#### **Tax Anticipation Notes (TANs)**

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

## 2020 Approved Debt Service Budgeting Requirements

Fund Description	Principal	Interest	Total P&I	Agent Fees	Total
<b>Voter-Approved GO Bonds Inside Tax Limit Calculation (5 Major Funds)</b>					
101000 Public Facility Repair -Areawide	449,368	275,358	724,726	179	724,905
101000 Emergency Ops Ctr	583,620	231,042	814,662	533	815,195
101000 Senior Center	14,228	6,129	20,357	5	20,362
101000 Cemetery	87,335	30,957	118,292	22	118,314
101000 Emergency Medical Service	745,212	545,075	1,290,287	409	1,290,696
101000 Transit	360,913	177,255	538,168	145	538,313
131000 Anchorage Fire	2,177,941	1,139,968	3,317,909	1,066	3,318,975
141000 Anchorage Roads & Drainage	28,877,778	15,070,229	43,948,007	14,979	43,962,986
151000 Anchorage Police	230,903	208,488	439,391	154	439,545
161000 Anchorage Parks/Rec	1,697,304	1,160,022	2,857,326	1,226	2,858,552
<b>GO Bonds Inside Tax Cap Total</b>	<b>35,224,602</b>	<b>18,844,523</b>	<b>54,069,125</b>	<b>18,718</b>	<b>54,087,843</b>
<b>Voter-Approved GO Bonds Outside Tax Limit Calculation</b>					
162000 Eagle River Parks/Rec	120,396	44,191	164,587	32	164,619
<b>GO Bonds Outside Tax Cap Total</b>	<b>120,396</b>	<b>44,191</b>	<b>164,587</b>	<b>32</b>	<b>164,619</b>
<b>GO Bonds Total</b>	<b>35,344,998</b>	<b>18,888,714</b>	<b>54,233,712</b>	<b>18,750</b>	<b>54,252,462</b>
<b>Revenue Bond</b>					
301000 PAC Revenue Bond	145,000	155,000	300,000	-	300,000
<b>ACPA Revenue Bond Total</b>	<b>145,000</b>	<b>155,000</b>	<b>300,000</b>	<b>-</b>	<b>300,000</b>
<b>Other Borrowing Programs or Lease/Purchase Agreements</b>					
101000 Computer Aided Mass Appraisal (CAM)	239,632	63,540	303,172	-	303,172
101000 Automated Handling System (AMHS)	-	12,000	12,000	-	12,000
607000 IT Capital Infrastructure	-	1,391,082	1,391,082	11,500	1,402,582
<b>Lease/Purchase Agreements Total</b>	<b>239,632</b>	<b>1,466,622</b>	<b>1,706,254</b>	<b>11,500</b>	<b>1,717,754</b>
<b>Tax Anticipation Notes (TANs)</b>					
101000 Public Finance and Investment	-	692,000	692,000	1	692,001
131000 Public Finance and Investment	-	91,000	91,000	1	91,001
141000 Public Finance and Investment	-	59,000	59,000	1	59,001
151000 Public Finance and Investment	-	210,000	210,000	1	210,001
161000 Public Finance and Investment	-	16,000	16,000	1	16,001
<b>TANs Total</b>	<b>-</b>	<b>1,068,000</b>	<b>1,068,000</b>	<b>5</b>	<b>1,068,005</b>
<b>Grand Total Funded Debt Service</b>	<b>35,729,630</b>	<b>21,578,336</b>	<b>57,307,966</b>	<b>30,255</b>	<b>57,338,221</b>

**Municipality of Anchorage**  
**Summary of Bonds Authorized but Unissued**  
**at October 1, 2019**

Voter Approved Year	Proposition Number	Project Description	Remaining Authorized But Unissued 9/30/2018
<b>General Purpose - General Obligation</b>			
2017	4	Anchorage Roads & Drainage Service Area	15,740,000
2018	3	Anchorage Roads & Drainage Service Area	31,390,000
2019	4	Anchorage Roads & Drainage Service Area	33,240,000
2019	6	Anchorage Fire	2,190,000
2018	4	Anchorage Parks & Recreation Service Area	260,000
2019	5	Anchorage Parks & Recreation Service Area	3,950,000
2016	7	Anchorage Police	995,000
2017	6	Anchorage Police	835,000
2018	5	Anchorage Police	1,050,000
2019	7	Anchorage Police	3,500,000
2016	3	Public Safety-Areawide	1,000,000
2018	8	Public Safety-Areawide	3,720,000
2019	2	Public Safety-Areawide	4,430,000
2013	2	Public Transportation-Areawide	300,000
2014	2	Public Transportation-Areawide	573,000
2015	2	Public Transportation-Areawide	250,000
2018	8	Public Transportation-Areawide	1,188,000
2019	2	Public Transportation-Areawide	1,506,000
<b>Total General Purpose - General Obligation</b>			<b>106,117,000</b>

**Municipality of Anchorage**  
**General Obligation, General Purpose Bonds**  
 Combined Annual Net Debt Service Requirements  
 as of October 1, 2019

<b>Fiscal Year</b>	<b>Principal Outstanding *</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>Gross Debt Service</b>	<b>US Treasury Reimbursed Interest **</b>	<b>Total Net Debt Service</b>
2019	412,010,000	36,165,000	20,468,761	<b>56,633,761</b>	-	56,633,761
2020	403,620,000	35,345,000	18,888,714	<b>54,233,714</b>	-	54,233,714
2021	368,275,000	34,185,000	17,173,538	<b>51,358,538</b>	-	51,358,538
2022	334,090,000	35,805,000	15,608,819	<b>51,413,819</b>	-	51,413,819
2023	298,285,000	37,580,000	13,885,825	<b>51,465,825</b>	-	51,465,825
2024	260,705,000	31,910,000	12,061,513	<b>43,971,513</b>	-	43,971,513
2025	228,795,000	29,370,000	10,545,175	<b>39,915,175</b>	-	39,915,175
2026	199,425,000	23,575,000	9,124,163	<b>32,699,163</b>	-	32,699,163
2027	175,850,000	24,745,000	7,958,313	<b>32,703,313</b>	-	32,703,313
2028	151,105,000	21,450,000	6,737,225	<b>28,187,225</b>	-	28,187,225
2029	129,655,000	17,790,000	5,770,894	<b>23,560,894</b>	-	23,560,894
2030	111,865,000	18,655,000	4,911,713	<b>23,566,713</b>	-	23,566,713
2031	93,210,000	15,935,000	4,099,572	<b>20,034,572</b>	-	20,034,572
2032	77,275,000	14,605,000	3,379,188	<b>17,984,188</b>	-	17,984,188
2033	62,670,000	13,370,000	2,686,138	<b>16,056,138</b>	-	16,056,138
2034	49,300,000	13,985,000	2,065,575	<b>16,050,575</b>	-	16,050,575
2035	35,315,000	11,455,000	1,440,875	<b>12,895,875</b>	-	12,895,875
2036	23,860,000	8,145,000	972,350	<b>9,117,350</b>	-	9,117,350
2037	15,715,000	6,540,000	607,125	<b>7,147,125</b>	-	7,147,125
2038	9,175,000	6,825,000	323,375	<b>7,148,375</b>	-	7,148,375
2039	2,350,000	2,350,000	35,250	<b>2,385,250</b>	-	2,385,250
<b>Totals</b>		<b>439,785,000</b>	<b>158,744,097</b>	<b>598,529,097</b>	-	<b>598,529,097</b>

**Notes:**

\* Principal Outstanding at the beginning of the calendar year (debt service does not change during the year unless new debt is issued or existing debt is refinanced - existing debt was refinanced for the MOA on October 1, 2019).

\*\* Federal reimbursement for Build America Bonds (BAB) no longer applies as of October 1, 2019 due to the refunding of the 2010 Series A-2 (BABS) Bonds