

MUNICIPALITY OF ANCHORAGE

ANCHORAGE ASSEMBLY

Special Meeting of November 18, 1997

1. **CALL TO ORDER:**

The meeting was convened at 4:00 p.m. by Chairman Mark Begich in the Public Conference Room, 3600 Denali, Anchorage, Alaska.

2. **ROLL CALL:**

Present: Charles Wohlforth, Bob Bell, Pat Abney (4:20 p.m.), Dan Kendall, George Wuerch, Mark Begich, Fay Von Gemmingen, Cheryl Clementson, Ted Carlson, Joe Murdy.
Absent: Kevin Meyer (excused.)

3. **ITEMS OF BUSINESS:**

A. ATU Bonds and Related Financial Matters

Mr. Wuerch distributed a handout received from Anchorage Telephone Utility officials in response to his request for information on dividend projections.

Chairman Begich noted there were questions about potential uses of bond funds.

Cynthia Weed, of Preston Gates & Ellis, explained her firm acts as bond counsel for the Municipality and ATU. She said ATU has historically accessed tax-exempt bonds to finance its activities. Although the utility is now an authority, it is still wholly owned by the Municipality and continues to be eligible to participate in the tax-exempt bond market. The only exception is if certain conditions are met, called the "private activity bond test." Preston Gates & Ellis has reviewed whether ATU meets the criteria, and concluded it does not because all the assets financed by the bonds would be owned by ATU or a wholly-owned subsidiary. The criteria must be met even after the bonds are issued and during the entire life of the bond.

In response to Mr. Wohlforth, Ms. Weed said although ATU competes with private companies, its assets are used to provide services available to the general public on a set rate schedule.

In response to Mr. Kendall, Ms. Weed said even in non-regulated activities such as cellular service, ATU qualifies for tax-exempt bonds because it has a set schedule of rates and charges. She also explained revenue bond activity in the electrical industry. She said recent de-regulation of the electrical utility industry is causing concerns about the ability of electric utilities to continue to use tax-exempt bonds, and maintain tax exemption on bonds issued in the past.

In response to Mr. Murdy, Ms. Weed confirmed bond funds are not used for activities or companies that are not wholly owned by ATU. Retained earnings are used to fund other activities.

In response to Mr. Bell, Ms. Weed agreed a government entity benefits from tax-exempt bonds and does not pay taxes. Private companies pay taxes, but also can issue stocks, make profits, set rates as they please and basically operate independently.

Mr. Wuerch felt there was confusion about the role of the administration and Assembly in oversight of ATU. He asked if the Municipal Chief Fiscal Officer reviews and advises the Assembly on ATU bonds.

Municipal Manager Larry Crawford confirmed this was the case.

In response to Mr. Carlson, ATU General Manager Tom Edrington discussed the process for purchasing companies and entering into deals with various entities.

There was a discussion of ATU's procurement process.

4. **ADJOURNMENT:**

The meeting adjourned at 4:40 p.m.

Chairman

ATTEST:

Municipal Clerk

Date Minutes Approved: January 6, 1998

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