

**MUNICIPALITY OF ANCHORAGE**  
**ANCHORAGE ASSEMBLY**

**Mayor's Conference Room**  
**Eighth Floor, City Hall**

**Minutes for Special Meeting of March 24, 2004**

**1. CALL TO ORDER**

The Special Assembly Meeting was called to order by Chair Traini at 5:05 p.m. in the Mayor's Conference Room, Room 830, City Hall, 632 West 6<sup>th</sup> Avenue in Anchorage, Alaska.

**2. ROLL CALL** A Quorum was achieved with Assemblymembers present.

PRESENT: Allan Tesche, Brian Whittle, Melinda Taylor, Fay Von Gemmingen, Dick Traini, Anna Fairclough, Doug Van Etten, Dan Kendall, Janice Shamberg, and Dick Tremaine, with Dan Sullivan arriving shortly after Roll Call.

ABSENT: None.

**3. PLEDGE OF ALLEGIANCE** The pledge was led by Ms. Taylor.

**4. NEW PUBLIC HEARINGS**

Chair Traini read both ordinance titles on the Agenda and invited the Mayor to address these ordinances before he opened Public Hearing.

Mayor Begich addressed the current status of the MOA bonds which involved a refunding opportunity to respond to changing market conditions. He stated that the market was continually changing and the goal with these ordinances before the Assembly was to gain authorization to be able to refinance these bonds.

Chair Traini called for a motion to incorporate Public Hearing on the two ordinances.

Mr. Tremaine moved, to combine Public Hearing on AO 2004-71 and AO 2004-72.  
Mr. Tesche seconded,  
and this was approved unanimously,

JOHN COSTAGLIOLA, Financial Advisor to the Municipality since 1993, testified. Mr. Costagliola explained that he was the Managing Director for UBS Financial Services, Inc. which had been advising the Municipality since 1981. He stated he was working with a team of advisors on the Municipality's investments. He stated the municipal markets were in a state of flux, were very volatile and had lost 15 basis points, or .15%, reducing the potential size of the refinancings. Market volatility was being affected by changing current interest rates, the changing treasury market and changes in global conditions. He stated with the high volatility of the market, with many more municipal bonds being created recently, the municipal market had underperformed the Treasury Market. It had lost ground in the past several weeks. He stated that they would be ready to invest by Tuesday and were hopeful to complete the investment by April 29, 2004. He stated the MOA had secured \$30 million in state and local government securities for the general obligation general purpose bonds and \$135 million for the school bonds, at above market rates. He stated MOA had received an AA-minus rating from Standard and Poors that day, and were expecting a rating from Moodys the next day. He stated they would begin receiving bond insurance bids tomorrow. Mayor Begich explained that the advisors and the Administration were watching the market fluxuations daily and had allowed themselves until April 29<sup>th</sup> to complete the actions. He added that approving the ordinances would allow them more flexibility to work with the market changes. Their savings threshold was 3%, which was historically the number that the MOA had used in setting a savings margin.

To Ms. Fairclough, Mr. Costagliola responded the refinancing would not extend beyond the current maturities of the bonds. The quoted fees accompanying these investments were included in the present value savings. The issues of the refinancing would be based on watching other refinancing investments in the state and local governments. The financial team would be watching the market carefully, analyzing the risks in the market and watching indicators such as price index numbers and summaries on retail sales. He assured the Assembly and the public that the Administration would not invest if the markets were falling. A three percent threshold was allowed for taking action a standard used in the market for the limit on investment interest earned. To Mayor Begich, Ms. Fairclough stated she supported the concept of creating an ordinance to approve the movement with a threshold percentage in the market.

Mayor Begich stated that the MOA had some bonds that could benefit from this same process, but currently were restricted by IRS Codes. He stated they would be challenging those laws and would be advocating for changes of those restrictions. Mr. Costagliola agreed the recent downturns in the market were results from the terrorist attack in Spain and would soon rebound.

To Ms. Shamberg, Mr. Costagliola responded that bond council fees and the advisory fees were predetermined and included in the contract amount. He stated they were contract negotiating issuance fees which included rating agency fees, printing fees and verification fees with the total underwriting fees remaining below 1%. He stated the substantial fees would be paying out the interest rates.

Mr. Kendall stated the two ordinances did not include figures and amounts that would further explain the investments. Mr. Costagliola recalled some of the 1996 bonds held coupons of 5.50% to 5.90% rate of interest. He stated the current 10-year bond rate was around 3.70%. He stated the MOA bonded indebtedness was \$700 million of general obligation school bonds, \$368 million of general obligation bonds for general government with average cost of capitol about 5.60% and included bonds for police, fire, libraries, parks and recreation and other divisions in the MOA. Currently the Administration was financing about 10% of the total general obligation bonds.

To Mr. Tremaine, Mr. Costagliola stated their chief economists and primary investors had predicted that interest rates would rise by the beginning of 2004, and now they were predicting the interest rates would go up in the first quarter of 2005, at the earliest.

To Ms. Taylor, Mr. Costagliola stated their investment managers included firms George K. Bound, Morgan Stanley, Citi Group and Bear-Stern, all selected three years ago. They were chosen by a query answering requests for investment proposals. The selection process included 15 finalists, with interviews for selected firms with the current investors selected by their answers, dealing with the MOA finances. While three of four of these firms had local offices in Anchorage, their company financial investors did not live in the state.

To Mr. Whittle, Mr. Costagliola explained the process of the transaction usually took about an hour and a half to complete. He stated the advisors were finalizing the preliminary actions, getting everything in order and he predicted they would be ready to do the transaction as early as next Tuesday. Then they would wait for the right time to act and communicate daily with the Mayor's Office, agreeing on the price, the day before market action.

To Mr. Tremaine, Mr. Costagliola stated the process would involve daily communication, including a daily agreement on the price, and if the market began changing, they would stand prepared to reconvene and reassess.

To Mr. Tesche, The Mayor confirmed for the record that the Assembly would not have the authority to collect the savings and use them for other purposes.

DR. THERESA N. OBERMEYER testified that Mr. Wolfworth had a conflict of interest with his involvement, collecting legal fees from the MOA and being on the Permanent Fund Board.

Mr. Tremaine stated that in the case the 3% changed, the Administration could change the standards the MOA used for investments and hoped they would be able to reconsider and readjust, due to the risk.

Chair Traini closed combined Public Hearing and called for a motion on the first ordinance.

- 4.A. Ordinance No. AO 2004-71, an ordinance of the Municipality of Anchorage, Alaska, authorizing and providing for the issuance of General Obligation Refunding Bonds of the Municipality in the aggregate principal amount of not to exceed \$72,000,000 to provide funds required to refund certain outstanding **general obligation general purpose bonds** of the Municipality; providing for the form and manner of sale of said bonds; pledging the full faith and credit of the Municipality to the payment thereof; authorizing the Chief Fiscal Officer to negotiate and execute a contract for the purchase and sale of said bonds; and related matters, Finance Department.

1. Assembly Memorandum No. AM 251-2004.

Mr. Tesche moved, to approve AO 2004-71.  
Ms. Fairclough seconded,  
and this motion was passed,

AYES: Tesche, Whittle, Taylor, Von Gemmingen, Traini, Fairclough, Van Etten, Kendall, Shamberg, Tremaine and Sullivan.

NAYES: None.

Mr. Tremaine moved immediate reconsideration and urged a NO-vote.

Mr. Tremaine moved, for *immediate reconsideration* on AO 2004-71.  
Mr. Tesche seconded,  
and this motion failed,

AYES: None.

NAYES: Sullivan, Tremaine, Shamberg, Kendall, Van Etten, Fairclough, Traini, Von Gemmingen, Taylor, Whittle and Tesche.

Chair Traini announced the ordinance was approved and would not be heard before the Assembly again.

- 4.B. Ordinance No. AO 2004-72, an ordinance of the Municipality of Anchorage, Alaska authorizing and providing for the issuance of General Obligation Refunding Bonds of the Municipality in the aggregate principal amount of not to exceed \$190,000,000 to provide funds required to refund certain outstanding **general obligation school bonds** of the Municipality; providing for the form and manner of sale of said bonds; pledging the full faith and credit of the Municipality to the payment thereof; authorizing the Chief Fiscal Officer to negotiate and execute a contract for the purchase and sale of said bonds; and related matters, Finance Department.

1. Assembly Memorandum No. AM 251-2004.

Chair Traini called for a motion.

Mr. Tesche moved, to approve AO 2004-72  
Ms. Fairclough seconded,  
and this was approve unanimously,

AYES: Sullivan, Tremaine, Shamberg, Kendall, Van Etten, Fairclough, Traini, Von Gemmingen, Taylor,  
Whittle and Tesche.  
NAYES: None.

Mr. Tremaine proposed immediate reconsideration and urged a NO-vote.

Mr. Tremaine moved, to approve *immediate reconsideration* of AO 2004-72.  
Mr. Tesche seconded,  
and this motion failed,

AYES: None.  
NAYES: Tesche, Whittle, Taylor, Von Gemmingen, Traini, Fairclough, Van Etten, Kendall, Shamberg,  
Tremaine and Sullivan.

Chair Traini explained both ordinances had been approved and would not be reconsidered by the Assembly.

5. SPECIAL ORDERS

Chair Traini announced there would be a Special Meeting scheduled for Friday, March 26, 2004 to begin at 1:10 and end at 1:30, for the purpose of introduction and action on a new ordinance and a new resolution. He stated this Special Assembly Meeting was going to be in conjunction with their scheduled work session on the Site Condo issue.

With requests from the Municipal Clerk Barbara Gruenstein, Chair Traini announced they would schedule a Special Assembly Meeting to take action on the 130 liquor license renewals coming due, which included over 1000 pages of pertinent information for them to review. Ms. Gruenstein stated the last day to protest these renewals was April 13<sup>th</sup> and stated that she recommended April 8<sup>th</sup> for a Special Meeting.

6. ADJOURNMENT

Chair Traini called for a motion to adjourn the meeting.

Mr. Kendall moved, to adjourn the Special Assembly Meeting.  
Ms. Shamberg seconded,  
and this motion was passed unanimously,

The Regular Assembly Meeting was adjourned at 5:55 p.m.

DICK TRAINI, Assembly Chair

ATTEST:

BARBARA GRUENSTEIN, Municipal Clerk  
Date Minutes Approved: May 18, 2004  
MC/BG