

Municipal Clerk's Office

Approved

Date: 11/01/2016

Submitted by: Chair of the Assembly at the
Request of the Mayor

Prepared by: Dept. of Law / Finance Dept.

For reading: October 18, 2016

**ANCHORAGE, ALASKA
AO No. 2016-127**

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO REVISE ANCHORAGE MUNICIPAL CODE SECTION 6.50.060 TO RESTORE A FRACTION OF THE SUSPENDED PORTION OF THE ANNUAL DIVIDEND DISTRIBUTION FROM THE MOA TRUST FUND.

WHEREAS, the MOA Trust Fund was established after the Municipality's sale of the Anchorage Telephone Utility, pursuant to Anchorage Municipal Charter section 13.11;

WHEREAS, Charter section 13.11(b)(2) authorizes the Assembly to appropriate an annual dividend from the MOA Trust Fund, "provided that the annual appropriation does not exceed five percent of the average asset balance of the trust":

WHEREAS, pursuant to Charter section 13.11, the Assembly adopted a controlled spending policy for the MOA Trust Fund codified in Anchorage Municipal Code section 6.50.060D.;

WHEREAS, consistent with the Charter, the controlled spending policy provides for a "five percent cap" on annual dividends from the MOA Trust Fund;

WHEREAS, the MOA Trust Fund lost value in 2008-2009, as a result of a significant market downturn;

WHEREAS, to allow the MOA Trust Fund to rebuild its purchasing power, the Assembly in 2009 restricted the MOA Trust Fund dividend to four percent;

WHEREAS, the MOA Trust Fund has significantly recovered since 2009;

WHEREAS, the Investment Advisory Commission and the MOA Trust Fund's primary investment consultant have concurred with the change proposed by this ordinance and advised that a dividend of 4.25% would be conservative, relative to similar funds; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code section 6.50.060 is hereby amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

6.50.060 - MOA Trust Fund.

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D. *Controlled spending policy.* No more than five percent of the average asset balance will be available for annual dividend distribution. The five percent cap is tied to an endowment method whereby long-term capital market projections for average annual investment return are netted against projected inflation (e.g., in January 2001 capital market projections indicated an 8.25 percent average annual investment return less 3.25 percent average annual inflation, for a projected "net" average annual rate of return of five percent over the next five years).

1. However, effective January 1, 2017 [2010], no more than four and one-quarter percent of the average asset balance will be available for annual dividend distribution until such time as the Trust's market value recovers to a level equal to or greater than the Trust's market value at December 31, 2007, adjusted for inflation as measured by the annual change in the United States Consumer Price Index for all Urban Consumers (CPI-U).

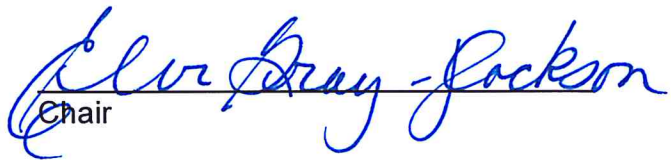
2. Following such recovery, the Trust may resume distributing a maximum of five percent of the average asset balance for annual dividend distribution purposes.

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(AO No. 99-50(S), § 1, 4-6-99; AO No. 99-156, § 1, 1-11-00; AO No. 2000-89, § 1, 6-13-00; AO No. 2000-162(S), § 1, 11-21-00; AO No. 2002-10, § 1, 4-16-02; AO No. 2003-167, § 1, 1-6-04; AO No. 2006-146, § 1, 10-31-06; AO No. 2009-3, § 1, 1-20-09)

Section 2. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 1st day of November, 2016.


Chair

ATTEST:


Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2016-127

Title: AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO REVISE ANCHORAGE MUNICIPAL CODE SECTION 6.50.060 TO RESTORE A FRACTION OF THE SUSPENDED PORTION OF THE ANNUAL DIVIDEND DISTRIBUTION FROM THE MOA TRUST FUND.

Sponsor: **MAYOR**
 Preparing Agency:
 Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:		(In Thousands of Dollars)				
	FY16	FY17	FY18	FY19	FY20	
Operating Expenditures						
1000 Personal Services						
2000 Non-Labor						
3900 Contributions	-	-	-	-	-	-
4000 Debt Service	-	-	-	-	-	-
TOTAL DIRECT COSTS:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Add: 6000 Charges from Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: 7000 Charges to Others	-	-	-	-	-	-
FUNCTION COST:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES:	\$ -	\$ 500	\$ 800	\$ 1,000	\$ 1,100	
CAPITAL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
POSITIONS: FT/PT and Temp	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	

PUBLIC SECTOR ECONOMIC EFFECTS:

The above revenue estimate shows the incremental amount of dividend payout increase over and above the 2016 budgeted baseline level of \$5.5 million, as a result of increasing the MOA Dividend payout rate from 4.00% to 4.25% applied to 20 trailing quarters of market value as of March 31 of each year. This incremental increase in dividend payout provides additional funding for the General Government operating budget starting in 2017. The MOA Trust Fund's purchasing power will continue to be restored, post market crash of 2008/2009, in accordance with terms in AMC 6.50.060; this action will extend the number of years before the MOA Trust Fund has fully recovered to the 12/31/07 inflation-proofed market value cited in AMC 6.50.060.

PRIVATE SECTOR ECONOMIC EFFECTS:

The MOA Trust Fund dividend payout formula change does not have any direct Private Sector Economic Effects.

Prepared by: *Daniel Moore, Municipal Treasurer*

Telephone: 343-4092



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 692-2016

Meeting Date: October 18, 2016

1 **From:** MAYOR
2

3 **Subject:** AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY
4 TO REVISE ANCHORAGE MUNICIPAL CODE SECTION 6.50.060
5 TO RESTORE A FRACTION OF THE SUSPENDED PORTION OF
6 THE ANNUAL DIVIDEND DISTRIBUTION FROM THE MOA
7 TRUST FUND.
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9 The attached ordinance proposes to increase the payout rate percentage used for
10 the MOA Trust Fund annual dividend from 4.00% to 4.25%. This change was
11 presented at the September 14, 2016 Investment Advisory Commission meeting
12 and consensus support for this change in the payout rate was received from both
13 the Commission and the MOA Trust Fund's independent external investment
14 consultant (i.e., RVK Inc. based in Portland, OR).
15

16 This incremental increase in the payout rate is modest and will continue to support
17 the MOA Trust's goal of recovering to an inflation-proofed level pre-market crash
18 of 2008/2009, as cited in AMC 6.50.060D.1. The Summary of Economic Effects
19 provides more details as to how General Government Operating Budget revenues
20 are positively impacted beginning 2017 and beyond.
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22 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

23

24 Prepared by: Daniel Moore, Municipal Treasurer
25 Approved by: Robert E. Harris, CFO
26 Concur: Lance Wilber, Director, Office of Management &
27 Budget
28 Concur: William D. Falsey, Municipal Attorney
29 Concur: Michael K. Abbott, Municipal Manager
30 Respectfully submitted: Ethan A. Berkowitz, Mayor
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