



# MUNICIPALITY OF ANCHORAGE

## Assembly Memorandum

No. AM 544-2020

Meeting Date: September 15, 2020

1 **From:** MAYOR

2  
3 **Subject:** AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE  
4 SECTION 6.50.060 TO MODIFY THE MOA TRUST FUND ANNUAL  
5 DIVIDEND CALCULATION METHODOLOGY AND TO BROADEN  
6 AUTHORIZED INVESTMENTS TO FURTHER DIVERSIFY THE  
7 MOA TRUST FUND RETROACTIVE TO JANUARY 1, 2020  
8 SUBJECT TO THE OCCURRENCE OF THE MUNICIPAL LIGHT &  
9 POWER SALE CLOSING DATE.

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11 The Municipality anticipates the final closing and transfer of the designated portion  
12 of net sales proceeds from the sale of Municipal Light & Power (ML&P) to Chugach  
13 Electric Association (CEA) in 2020. The designated portion of net sales proceeds  
14 which ultimately are transferred to the MOA Trust Fund ("Trust") will result a  
15 significant increase to the Trust's value (i.e., assuming upper estimate of \$230  
16 million). Historically, the Trust's annual dividend calculation has been based on a  
17 specified percentage applied to the average market value of the Trust over the  
18 trailing 20 calendar quarters ended March 31 of each fiscal year.

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20 The designated portion of net sales proceeds are expected to be received by the  
21 Trust during the second half of 2020. Given that the Trust's value is expected to  
22 increase by 140% once transferred monies are received, continued use of the  
23 current dividend calculation methodology would result in a skewed, understated  
24 annual dividend amount. To rectify this situation, the proposed Ordinance  
25 recalibrates the calculation to recognize the maximum effect of the added funds in  
26 the year 1 by modifying the definition of average asset balance in the definitions  
27 section of Anchorage Municipal Code (AMC) Section 6.50.060. The dividend  
28 calculation is then smoothed out in years 2 through 6 such that by year 2026 the  
29 average asset value is restored back to an average of the Trust's market value  
30 over the 20 consecutive quarters ending March 31 of each fiscal year.

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32 The long-term dividend payout percentage is proposed to increase from 4.25% to  
33 4.50% since the ML&P sales proceeds have helped the Trust regain its inflation-  
34 proofed status based on its prior market value at 12/31/07, the last calendar year  
35 prior to the 2008/2009 market crash. For calendar year 2020 only, the dividend  
36 payout percentage is proposed to be 5.00%, in order to generate a dividend  
37 amount in-line with the dollar amount approved in a Q1 2020 general government  
38 operating budget revision that the Assembly proposed and approved on April 28,  
39 2020.

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2 In addition, the proposed ordinance broadens investment authority to allow greater  
3 exposure to direct real estate investments and to increase the basket clause  
4 percentage cited in AMC to allow for increased allocations to more diversified types  
5 of investments. This broadened authority is in response to the Trust more than  
6 doubling in size with the receipt of ML&P sale proceeds.

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8 The proposed code changes governing the Trust were made in close consultation  
9 with the Trust's investment consultant and the Investment Advisory Commission,  
10 after significant review and discussion in late 2019 and 2020. The changes are  
11 expected to provide further diversification benefits within the Trust while  
12 maintaining risk objectives.

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14 The attached Summary of Economic Effects (S.E.E.) specifically addresses the  
15 projected increase in annual revenues to the General Government Operating  
16 Budget as a result of this proposed change in the annual dividend calculation  
17 methodology.

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19 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

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21 Prepared by: Daniel Moore, Municipal Treasurer  
22 Approved by: Alexander Slivka, CFO  
23 Concur: Lance Wilber, Director, Office of Management and  
24 Budget  
25 Concur: Kathryn R. Vogel, Municipal Attorney  
26 Concur: William D. Falsey, Municipal Manager  
27 Respectfully submitted: Ethan A. Berkowitz, Mayor