

Requested by: Chair of the Assembly at
the Request of the
Mayor
Prepared by: Chief Fiscal Officer
For Reading: September 29, 2020

**ANCHORAGE, ALASKA
AR No. 2020-360**

**A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE, ALASKA,
APPROPRIATING PROCEEDS OF THE SALE OF SUBSTANTIALLY ALL
ASSETS OF MUNICIPAL LIGHT & POWER (ML&P) TO CHUGACH ELECTRIC
ASSOCIATION, INC. (CHUGACH), PURSUANT TO THE ANCHORAGE
MUNICIPAL CHARTER; APPROPRIATING ML&P'S UNRESTRICTED CASH;
AND APPROVING PAYMENT OF MUNICIPAL DEBT.**

WHEREAS, the Municipality of Anchorage, Alaska (the Municipality), entered into an Asset Purchase and Sale Agreement (APA) with Chugach Electric Association (Chugach) on December 28, 2018, for the sale of Municipal Light & Power (ML&P) to Chugach; and

WHEREAS, upon the closing of the sale of ML&P, the Municipality is required to utilize the proceeds of the sale pursuant to sections 13.11(a) and 16.04B of the Anchorage Municipal Charter (the Charter); Regulatory Commission of Alaska Order dated May 28, 2020, entered in consolidated RCA Dockets U-18-102, U-19-020 and U-19-021; and the terms of the APA, and such proceeds need to be appropriated accordingly; and

WHEREAS, section 13.11(a) of the Charter requires that the proceeds of sale of ML&P be used to (a) retire ML&P debt, (b) "[r]etire other municipal debt deemed appropriate by the assembly," and (c) deposit the balance of the proceeds in the MOA Trust Fund; and

WHEREAS, the Municipality approved AO 2018-32, on April 24, 2018, and entered into a Facility Lease & Trust Agreement (the Agreement) with US Bank National Association and is obligated to prepay Lease Payments under the Agreement upon the closing of the sale of ML&P, it being appropriate to do so; and

WHEREAS, the Municipality has entered into several Schedules under the Amended and Restated Master Lease Agreement dated December 1, 2017 with Key Government Finance, Inc. (KGF) (the Master Lease) for the purpose of financing SAP and may prepay those Schedules in whole or in part at any time; and

WHEREAS, it has been determined that 18 (eighteen) percent of the obligations outstanding under the Master Lease, for the purpose of financing SAP, are related

1 to ML&P and it is now appropriate to retire the same percent of the obligations
2 outstanding under the Master Lease Agreement; and
3

4 **WHEREAS**, the 2020 General Government Operating Budget was revised and
5 approved per AR 2020-94(S) As Amended, on April 28, 2020, based on a July 31
6 ML&P closing date; and
7

8 **WHEREAS**, the 2020 ML&P Operating Budget was revised and approved per AR
9 2020-114, on April 28, 2020, based on a July 31 closing date; and
10

11 **WHEREAS**, the 2020 ML&P Operating Budget was amended and approved per AR
12 2020-306, on August 25, 2020, bringing the budget back to a full year budget as
13 presented in the 2020 approved budget; and
14

15 **WHEREAS**, the ML&P Sale Proceeds Fund (170000) is established to be used
16 solely for the purpose of transactions related to the sale; and
17

18 **WHEREAS**, the Assembly hereby anticipates the sale price of approximately
19 \$757,800,000 from the sale of ML&P, with the net proceeds posted to the ML&P
20 Sale Proceeds Fund (170000); and
21

22 **WHEREAS**, the following appropriation amounts are based on the July 31, 2020
23 ML&P Financial Statements and are required obligations to finalize the sale of the
24 ML&P Utility. Due to timing, the actual amounts may differ slightly, but will not
25 exceed the appropriated amounts; now, therefore
26

27 **THE ANCHORAGE ASSEMBLY RESOLVES:**
28

29 **Section 1. Municipality of Anchorage Trust Fund (the MOA Trust Fund).** The
30 Assembly hereby appropriates an amount not to exceed ONE HUNDRED SIXTY-
31 TWO MILLION NINE HUNDRED EIGHTY THOUSAND DOLLARS (\$162,980,000)
32 of ML&P sale proceeds as a contribution from the ML&P Sale Proceeds Fund
33 (170000) to the MOA Trust Fund (730000) corpus.
34

35 **Section 2. MOA Trust Fund.** The Assembly hereby appropriates an amount not to
36 exceed FIFTY-ONE MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS
37 (\$51,440,000) of ML&P sale proceeds as a contribution from the ML&P Operating
38 Fund (530000), ML&P Department, to the ML&P Sale Proceeds Fund (170000) and
39 appropriating said contribution as a contribution to the MOA Trust Fund (730000)
40 corpus.
41

42 **Section 3. Redemption of the Series 2005A Bonds and the 2009 Bonds.** The
43 Assembly hereby appropriates an amount not to exceed ONE HUNDRED THIRTY-
44 FOUR MILLION SIX HUNDRED THIRTY THOUSAND DOLLARS (\$134,630,000)
45 of ML&P sale proceeds as a contribution from the ML&P Sale Proceeds Fund
46 (170000) to the ML&P Operating Fund (530000), ML&P Department, for the purpose

1 of depositing such funds with an escrow agent for redemption of ML&P's
2 outstanding Series 2005A Bonds and 2009 Bonds.

3
4 **Section 4. Defeasance of the Series 2014 Bonds.** The Assembly hereby
5 appropriates an amount not to exceed ONE HUNDRED SEVENTY MILLION NINE
6 HUNDRED THOUSAND DOLLARS (\$170,900,000) of ML&P sale proceeds as a
7 contribution from the ML&P Sale Proceeds Fund (170000) to the ML&P Operating
8 Fund (530000), ML&P Department, for the purpose of depositing such funds with
9 an escrow agent for defeasance of ML&P's outstanding Series 2014 Bonds.

10
11 **Section 5. Redemption of the Short-Term Borrowing Program (STBP).** The
12 Assembly hereby appropriates an amount not to exceed ONE HUNDRED NINETY-
13 TWO MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS (\$192,130,000)
14 of ML&P sale proceeds as a contribution from the ML&P Sale Proceeds Fund
15 (170000) to the ML&P Operating Fund (530000), ML&P Department, for the purpose
16 of retiring the principal amount outstanding and accrued interest under the STBP
17 Loan Agreement dated April 10, 2015, as amended, with Wells Fargo Municipal
18 Capital Strategies, LLC.

19
20 **Section 6. Facility Lease & Trust Agreement Dated December 1, 2018.** The
21 Assembly hereby approves the prepayment of all Basic Lease Payments required
22 under the Agreement with the proceeds of the sale of ML&P. The Assembly hereby
23 appropriates an amount not to exceed EIGHT MILLION SIXTY THOUSAND
24 DOLLARS (\$8,060,000) of ML&P sale proceeds as a contribution from the ML&P
25 Sale Proceeds Fund (170000), and appropriates said contribution, all to the
26 Areawide General Fund (101000), Office of the Chief Fiscal Officer, for debt service
27 related to prepaying the outstanding principal and accrued interest through the day
28 prior to the financial close date.

29
30 **Section 7. Property Schedule Number 21 dated December 21, 2018 (the Schedule**
31 **21).** The Assembly hereby approves the prepayment of eighteen percent of the
32 principal balance outstanding under the Master Lease Schedules for SAP and
33 eighteen percent of the accrued interest due thereon and approves the prepayment
34 to be applied to Schedule 21 under the Master Lease. The Assembly hereby
35 appropriates an amount not to exceed FIVE MILLION FOUR HUNDRED TEN
36 THOUSAND DOLLARS (\$5,410,000) of ML&P sale proceeds as a contribution from
37 the ML&P Sale Proceeds Fund (170000) to the Information Technology Operating
38 Fund (607000), Office of Information Technology, to make such prepayment.

39
40 **Section 8. Cost of Redemption, Defeasance, and Professional Service Fees.** The
41 Assembly hereby appropriates an amount not to exceed SEVEN HUNDRED
42 THOUSAND DOLLARS (\$700,000) of ML&P sale proceeds as a contribution from
43 the ML&P Sale Proceeds Fund (170000) and appropriating said contribution to the
44 ML&P Operating Fund (530000), ML&P Department, for the purpose of depositing
45 such proceeds into an escrow account for the purpose of paying certain professional
46 service fees for the costs of redemption and defeasance of ML&P's outstanding debt
47 obligations.

1
2 **Section 9. Alaska Center for Treatment.** The Assembly hereby appropriates an
3 amount of FIFTEEN MILLION DOLLARS (\$15,000,000) of ML&P Unrestricted Cash
4 from the ML&P Operating Fund (530000), ML&P Department, as a contribution to
5 the ML&P Sale Proceeds Fund (170000) and appropriating said contribution to the
6 Areawide General Capital Improvement Projects Fund (401800), Real Estate
7 Department, for the purpose of planning, permitting, design, construction, and
8 related demolition costs of the Alaska Center for Treatment, a planned substance
9 use disorder center, or sending unused amount to Chugach.

10
11 **Section 10. Reserve for Anchorage Hydropower.** The Assembly hereby
12 appropriates an amount of THREE MILLION THREE HUNDRED THOUSAND
13 DOLLARS (\$3,300,000) of ML&P Unrestricted Cash from the ML&P Operating Fund
14 (530000), ML&P Department, as a contribution to the Anchorage Hydropower Fund
15 (531000), for the purpose of establishing a reserve fund for the Municipality's
16 obligations for its share of the Eklutna Hydroelectric Project.

17
18 **Section 11. Employment Matters.** The Assembly hereby appropriates an amount
19 not to exceed FOUR MILLION ONE HUNDRED SEVENTY THOUSAND DOLLARS
20 (\$4,170,000) of ML&P Unrestricted Cash from the ML&P Operating Fund (530000),
21 ML&P Department, as a contribution to the ML&P Sale Proceeds Fund (170000)
22 and appropriating said contribution to the Areawide General Fund (101000), Human
23 Resources Department, for the purpose of extinguishing liabilities relating to any
24 payroll or other compensation obligations incurred and required to be paid prior to
25 the close.

26
27 **Section 12. Central Services Intragovernmental Charges (IGC) Recovery.** The
28 Assembly hereby appropriates an amount not to exceed SIX HUNDRED FIFTY
29 THOUSAND DOLLARS (\$650,000) of ML&P Unrestricted Cash from the ML&P
30 Operating Fund (530000), ML&P Department, as a contribution to the ML&P Sale
31 Proceeds Fund (170000) and appropriating said contribution to the Areawide
32 General Fund (101000), Office of the Chief Fiscal Officer, for the purpose of
33 recovering the lost 2020 General Government IGC revenue due to the sale of ML&P
34 and reducing the corresponding General Government Approved Operating Budget,
35 Office of the Chief Fiscal Officer, to reflect this amount.

36
37 **Section 13. Contributed Support in 2021.** The Assembly hereby appropriates an
38 amount not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000)
39 of ML&P Unrestricted Cash from the ML&P Operating Fund (530000), ML&P
40 Department, as a contribution to the ML&P Sale Proceeds Fund (170000) and
41 appropriating said contribution to the Areawide General Fund (101000), Office of
42 the Chief Fiscal Officer, for contributed support in 2021. The \$150,000 will be
43 classified as committed fund balance as part of the 2020 Fund 101000 Fund
44 Balance calculations.

45
46 **Section 14. MOA Trust Fund.** The Assembly hereby appropriates an amount not
47 to exceed TEN MILLION DOLLARS (\$10,000,000) of ML&P sale proceeds as a

1 contribution from the ML&P Sale Proceeds Fund (170000) to the MOA Trust Fund
2 (730000) corpus, representing the remaining funds, after the sale transactions are
3 complete, to be deposited in the MOA Trust Fund.
4

5 **Section 15.** Balance of ML&P Unrestricted Cash. The Assembly hereby
6 appropriates an amount not to exceed SIX MILLION DOLLARS (\$6,000,000) of
7 ML&P Unrestricted Cash from the ML&P Sale Proceeds Fund (170000), as a
8 contribution to the Areawide General Fund (101000), fund balance.
9

10 **Section 16.** Effective Date. This resolution shall be effective immediately upon
11 passage and approval by the Assembly.
12

13 PASSED AND APPROVED by the Assembly of the Municipality of Anchorage, this
14 ____ day of _____, 2020.
15
16
17

18 _____
19 Chair of the Assembly
20

21
22 ATTEST:
23
24

25 _____
26 Municipal Clerk



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 581-2020

Meeting Date: September 29, 2020

1 **From: MAYOR**

2
3 **Subject: A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE, ALASKA,**
4 **APPROPRIATING PROCEEDS OF THE SALE OF SUBSTANTIALLY**
5 **ALL ASSETS OF MUNICIPAL LIGHT & POWER (ML&P) TO CHUGACH**
6 **ELECTRIC ASSOCIATION, INC. (CHUGACH), PURSUANT TO THE**
7 **ANCHORAGE MUNICIPAL CHARTER AND APPROPRIATING ML&P'S**
8 **UNRESTRICTED CASH; AND APPROVING PAYMENT OF MUNICIPAL**
9 **DEBT.**

10
11 The attached resolution appropriates the activity required for the sale of ML&P. In
12 accordance with Charter 13.11, the proceeds will be used to pay down municipal debt
13 and further endow the MOA Trust.

14
15 Additionally, the attached resolution appropriates unrestricted cash for:

- 16 • Alaska Center for Treatment
- 17 • Reserve for Anchorage Hydropower
- 18 • Employment Matters, including contractual PERS liabilities and retention payments
- 19 • IGCs revenue recovery, as included in the 2020 General Government Operating
- 20 Budget
- 21 • 2021 contributed support for Anchorage Economic Development Corporation (AEDC),
- 22 shared Environmental Services Manager and lobbyist.

23
24 The appropriation amounts are based on the July 31, 2020 ML&P Financial Statements.
25 Due to timing, the actual amounts may differ slightly, but will not exceed the appropriated
26 amounts. Additional appropriation document may be required, depending on final audited
27 financial statements.

28
29 The Administration recommends a public hearing on October 13, 2020 for this matter.

30
31 THE BUDGETARY DETAIL IS RECOMMENDED AS FOLLOWS:

32
33 **Revenues:**

Fund-Fund Center-Account	Description	Amount
101000-181079-450010	Contributions from Others	\$ 4,170,000
101000-137079-450010	Contributions from Others	8,060,000
170000-189530-470010	ML&P Sale Proceeds	749,050,000*

1	170000-189530-450010	Contributions from Others	77,860,000
2	531000-UNKN-450010	Contributions from Others	3,300,000*
3	101000-189110-450010	Contributions from Others	6,000,000*
4	401800-122200-REXX-450010	Contributions from Others	15,000,000
5	530000-850100-450010	Contributions from Others	498,360,000
6	607000-146279-450010	Contributions from Others	5,410,000
7	730000-134800-450010	Contributions from Others	244,690,000*

8

9 **Expenses:**

10	Fund-Fund Center-Account	Description	Amount
11	101000-187079-501118	Payments for Emp Matters	\$4,170,000
12	101000-137079-580039	Loan Principal Payment	7,900,000
13	101000-137079-580040	Loan Interest Expense	160,000
14	170000-189530-580530	Contributions to Others	756,220,000
15	401800-122200-REXX-530380	Professional Svcs	15,000,000
16	530000-850100-580530	Contributions to Others	80,710,000

17

18 *Amounts indicated for informational purposes.

19

20 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE RESOLUTION.

21

22 Prepared by: Finance Department
23 Office of Management & Budget
24 Ralph Duerre, Assistant Municipal Attorney
25 Approved by: Alexander Slivka, CFO

26

27 Fund Certification: 170000-189530-470010-FY2020 \$749,050,000
28 (ML&P Sale Proceeds)
29 530000-305080 \$74,710,000
30 (ML&P Unreserved Cash)

31

32 Concur: Lance Wilber, Director, Office of Management & Budget
33 Concur: William D. Falsey, Municipal Manager
34 Respectfully submitted: Ethan A. Berkowitz, Mayor