Municipal Light & Power (ML&P) Sale – Transaction Proceeds Discussion
10/30/19
Section 16.04. - Disposal of Municipal Light and Power to Chugach Electric Association, Inc.; disposition of proceeds.

A. **ML&P to Chugach Electric.** In addition to the disposal options provided under section 16.02, and notwithstanding any other provision of this Charter to the contrary, the municipality may by ordinance approved no later than December 31, 2018, sell, lease, or otherwise dispose of all or part of the assets and business of Municipal Light and Power to Chugach Electric Association, Inc.

B. **Disposition of proceeds.** Notwithstanding any provision of this Charter to the contrary, a portion of any annual payment received by the municipality in a transaction described in section 16.04A, equivalent to the municipal utility service assessment that the municipality would have received from ML&P had the transaction not occurred, shall be deemed and treated as a "payment in-lieu of taxes" for the purposes of section 14.03(a)(1), and shall be available to the municipality for appropriation. All other proceeds of the sale of ML&P received by the municipality shall be disposed of in accordance with section 13.11.
Section 13.11. - Trust fund.

(a) When a municipal owned utility is sold pursuant to section 16.02 of this Charter, the proceeds shall be used to:

1. Retire the debt of that utility;
2. Retire other municipal debt deemed appropriate by the assembly;
3. Establish a trust fund with the balance of the proceeds.

(b) The trust fund shall be defined as an endowment fund with a controlled spending policy limiting dividend distributions and managed by the municipal treasurer under chapter 6.70 of the Municipal Code with the following stipulations:

1. The corpus, or a portion of the corpus, of this trust shall be maintained in perpetuity as an endowment. Any use of the corpus, or a portion of the corpus, separate from the controlled spending policy of the endowment, may only be used for purposes approved by a majority of the voters voting on a ballot proposition in a regular or special election;

2. Under the endowment's controlled spending policy an annual dividend may be appropriated by the assembly provided that the annual appropriation does not exceed five percent of the average asset balance of the trust.

(c) The fund shall be invested and managed in accordance with chapter 6.50 of the Municipal Code.
Transaction Proceeds

Up Front Payment

+ Payment In Lieu of Tax (PILT) Payments - (50 years)

+ Eklutna Power Purchase Agreement (PPA) - (35 years)

____________________________

= Total Transaction Proceeds
Can the Price Change?
Projected Up Front Payment

$757,800,000.00

-- (Accrued Leave Liability)
($2,526,423.00)

-- (Net Book Value (NBV) of Excluded Assets)
($00.00)

----------------------------------
= Up Front Payment
($755,273,577.00)
Projected Transaction Proceeds

Up Front Payment
($ 755,273,577.00)

+ PILT Payments (50 years)
($166,800,000.00)

+ Eklutna PPA (35 years)
($75,000,000.00)

____________________________
= Total Transaction Proceeds
($997,073,577.00)
Where Can the Money Go?

- PILT Payments (50 years)
- Up Front Payment
- PPA Payments (35 Years)

→ Annual Budget (Replaces MUSA)
→ $529.7 Million = ML&P Debt at Closing
→ $225.6 Million Remains

$75 Million (over time)

- MOA Debt
- MOA Trust
What’s left after paying off ML&P debt?

Total transaction proceeds:

1) PILT Payment must replace MUSA
$0

2) Eklutna PPA (35 years)
$75 million over time

3) Upfront payment less ML&P Debt
$755 mill - $530 mill = $225 million lump sum
What is eligible MOA debt?

1) General Obligation Bond Debt = $403,620,000
   Finance rates between 2-4%

2) School District Bond Debt = $442,620,000
   Finance rates between 2-4%

3) Established Master Lease Debt = $49,923,271
   Examples: SAP Capital Expense (General Government amount = ~$35 million in 2020)
   Loussac Library Improvements ($358,181)
   Finance rates between 1.9% - 4.2%
What about investment in the MOA Trust?

Total amount currently in MOA Trust:

~$165 million

Average return of MOA Trust:

3 years ending 6/30/19 is ~6.0%

Current allowable annual draw of the MOA Trust:

Approximately 4.25% of average asset balance

2020 Projection = $6.6 million (not inclusive of potential ML&P deposit)
2019 Draw = $6.5 million
2018 Draw = $6.3 million