

Submitted by: Chair of the Assembly at the  
Request of the Mayor  
Prepared by: Finance Department  
For reading: September 15, 2020

**ANCHORAGE, ALASKA  
AO No. 2020-98**

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

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7  
8 **WHEREAS**, the anticipated final net sale proceeds from the sale of Municipal Light  
9 & Power (ML&P) to Chugach Electric Association (CEA) is expected to dramatically  
10 increase the value of the MOA Trust Fund; and

11  
12 **WHEREAS**, without recalibration of the current MOA Trust Fund dividend  
13 calculation methodology, the resultant dividend calculation will produce a skewed  
14 and understated annual dividend calculation beginning in 2020; and

15  
16 **WHEREAS**, the MOA Trust Fund's investment consultant and the Investment  
17 Advisory Commission recommend further diversification of portfolio managers and  
18 broadened authority to invest in alternative investment areas, in light of the more  
19 than doubling of the MOA Trust Fund's market value resulting from the sale of ML&P  
20 to CEA; now therefore

21  
22 **THE ANCHORAGE ASSEMBLY ORDAINS:**

23  
24 **Section 1.** Anchorage Municipal Code section 6.50.060, MOA Trust Fund, is  
25 hereby amended to read as follows (*other portions of this section are not affected*  
26 *and therefore not set out*):

27  
28 **6.50.060 - MOA Trust Fund.**

29  
30 A. *Definitions.* In this section, unless the context clearly indicates  
31 otherwise:

32  
33 \* \* \* \* \*

34  
35 *Average asset balance* means the market value of the pooled  
36 trusts' assets, including accrued investment interest and dividends,  
37 averaged [OVER THE 20 CONSECUTIVE QUARTERS ENDING  
38 MARCH 31 OF EACH FISCAL YEAR. DURING 2004 THE AVERAGE

1 ASSET BALANCE WILL BE BASED ON THE 19 QUARTERS ENDED  
2 MARCH 31, 2004] according to the following specified terms:

3  
4 2020 annual dividend payment to be based on the average  
5 asset balance associated with the audited December 31, 2019 market  
6 value and the initial month end market value associated with the ML&P  
7 sale closing date, using the full amount of anticipated net ML&P sale  
8 proceeds, as assigned to the MOA Trust Fund in accordance with  
9 ML&P sale closing documents.

10  
11 2021 annual dividend payment to be based on the average  
12 asset balance associated with the trailing 2 consecutive quarters  
13 ending March 31, 2021.

14  
15 2022 annual dividend payment to be based on the average  
16 asset balance associated with the trailing 6 consecutive quarters  
17 ending March 31, 2022.

18  
19 2023 annual dividend payment to be based on the average  
20 asset balance associated with the trailing 10 consecutive quarters  
21 ending March 31, 2023.

22  
23 2024 annual dividend payment to be based on the average  
24 asset balance associated with the trailing 14 consecutive quarters  
25 ending March 31, 2024.

26  
27 2025 annual dividend payment to be based on the average  
28 asset balance associated with the trailing 18 consecutive quarters  
29 ending March 31, 2025.

30  
31 2026 and later years' annual dividend payment to be based on  
32 the average asset balance associated with the trailing 20 consecutive  
33 quarters ending March 31 of each fiscal year.

34  
35 *Corpus of the MOA Trust Fund (or corpus) means:*

- 36  
37 1. The aggregate of the following proceeds  
38 previously deposited by the assembly:  
39  
40 a. Proceeds from the sale of ATU after  
41 retirement of ATU debt; [AND]  
42  
43 b. Proceeds allocated from the police and fire  
44 retirement system settlement; and[.]  
45

c. Proceeds from the sale of ML&P  
determined in accordance with Anchorage  
Charter Section 13.11(a).

\* \* \* \* \*

D. *Controlled spending policy.* No more than five percent of the average asset balance will be available for annual dividend distribution in Year 2020 only and the maximum payout percentage rate shall be reduced to four and one-half percent thereafter. The four and one-half [FIVE] percent cap is tied to an endowment method whereby long-term capital market projections for average annual investment return over the next ten to twenty years are netted against projected inflation (e.g., if long-term [IN JANUARY 2001] capital market projections in a given year indicated a [N] six and one half [8.25] percent average annual investment return less two [3.25] percent average annual inflation, this would lead to [FOR] a projected "net" average annual rate of return of four and one half [FIVE] percent.

[1. HOWEVER, EFFECTIVE JANUARY 1, 2017, 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.]

\* \* \* \* \*

I. *Authorized investments.* In addition to the investments authorized by section 6.50.030, but subject to the investment restriction of this section, the assets of the pooled trusts may be invested in the following types of investments:

\* \* \* \* \*

3. Real estate investments in a diversified portfolio of institutional quality, predominantly income producing properties held in a collective investment vehicle which limits the pooled trusts' liability;

1  
2                   \* \* \*   \* \* \*   \* \* \*

3  
4           J.     *Investment restrictions.* Notwithstanding any other provision of this  
5                   title, investment of the assets of the pooled trusts shall be restricted  
6                   as follows:  
7

8                   \* \* \*   \* \* \*   \* \* \*

9  
10           3.     *Real estate.* No more than:  
11

12                   a.     Ten [FIVE] percent (10[5]%) of the overall pooled trusts'  
13                   portfolio value at time of purchase may be invested in  
14                   real estate investments cited above in subsection I.3.  
15

16           4.     *Basket clause flexibility.* No more than:  
17

18                   a.     Ten [FIVE] percent (10[5]%) of the overall pooled trusts'  
19                   portfolio value at time of purchase may be used to  
20                   provide basket clause flexibility in:

21  
22                           i.     Extending investment parameters in any of the  
23                           asset classes cited in this section; or  
24

25                           ii.    Utilizing investment vehicles such as limited  
26                           partnerships or special purpose trusts to provide  
27                           access to well-diversified alternative investment  
28                           portfolios or strategies. Examples of such limited  
29                           liability investments include, but are not limited to,  
30                           hedge fund of funds (absolute return strategy),  
31                           private equity, private debt [FUND OF FUNDS],  
32                           and various real return and/or inflation hedge  
33                           products.  
34

35                   \* \* \*   \* \* \*   \* \* \*

36  
37                   (AO No. 99-50(S), § 1, 4-6-99; AO No. 99-156, § 1, 1-11-00; AO No. 2000-  
38                   89, § 1, 6-13-00; AO No. 2000-162(S), § 1, 11-21-00; AO No. 2002-10, § 1,  
39                   4-16-02; AO No. 2003-167, § 1, 1-6-04; AO No. 2006-146, § 1, 10-31-06; AO  
40                   No. 2009-3, § 1, 1-20-09; AO No. 2016-127 , § 1, 11-1-16)  
41

42     **Section 2.** This ordinance shall be effective retroactive to January 1, 2020,  
43     subject to the occurrence of the ML&P sale closing date.  
44

45                   PASSED AND APPROVED by the Anchorage Assembly this \_\_\_\_\_ day of  
46     \_\_\_\_\_, 2020.  
47

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7

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Municipal Clerk



# 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.

10  
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.

19  
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.

31  
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.

1  
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.

7  
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.

13  
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.

18  
19 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

20  
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

**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects -- General Government**

AO Number: 2020-98

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

Sponsor: **MAYOR**  
 Preparing Agency: **FINANCE / TREASURY**  
 Others Impacted:

<b>CHANGES IN EXPENDITURES AND REVENUES:</b>	<b>(In Thousands of Dollars)</b>				
	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
<b>Operating Expenditures</b>					
1000 Personal Services					
2000 Non-Labor					
3900 Contributions	-	-	-	-	-
4000 Debt Service	-	-	-	-	-
<b>TOTAL DIRECT COSTS:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Add: 6000 Charges from Others	\$ -	\$ -	\$ -	\$ -	\$ -
Less: 7000 Charges to Others	-	-	-	-	-
<b>FUNCTION COST:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>REVENUES:</b>	<b>\$ -</b>	<b>\$ 3,600</b>	<b>\$ 300</b>	<b>\$ 200</b>	<b>\$ 200</b>
<b>CAPITAL:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>POSITIONS: FT/PT and Temp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**PUBLIC SECTOR ECONOMIC EFFECTS:**

The proposed Ordinance would allow for an increased annual dividend, from \$6.5M to \$14.0M, starting in year 2020 as a result of a recalibrated formula to account for the designated portion of net sales proceeds going into the MOA Trust Fund ("Trust") from the sale of ML&P to Chugach Electric (i.e., assuming upper estimate of \$230M). The change in calculation methodology will gradually return to the average market value of the Trust for the 20 consecutive trailing calendar quarters by year 2026. The additional funds from the MOA Trust Fund annual dividend can be used to help fund operating budget priorities without the need to rely solely on property taxes as a revenue source. The above revenue projections factor in the ramped up average market value time periods cited in the Ordinance and assumes a 5.00% payout rate in 2020 only, in accordance with a 2020 1Q budget revision proposed and approved by the Assembly, and a 4.50% dividend payout rate thereafter, with the dividend calculated consistently at March 31 beginning in year 2021 and with the dividend assumed to be paid out by December 15 of each year per existing Code requirement. The 4.50% payout rate is consistent with recommendation provided by the Trust's investment consultant based on long-term capital market assumptions.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

There is no direct projected effect on the Private Sector other than City services will have additional non-property tax revenues from the MOA Trust Fund, in the form of investment income and return, to pay for priority public services that broadly support the community.