

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Finance Department
For reading: March 2, 1999

ANCHORAGE, ALASKA
AO NO. 99- 50

1 AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 6.50 TO
2 ADD A NEW SECTION 6.50.060 TO ESTABLISH THE ATU TRUST FUND, RELEVANT
3 DEFINITIONS, AUTHORIZED INVESTMENTS FOR THE INVESTMENT OF THE ATU
4 TRUST FUND ASSETS AND TO PROVIDE FOR THE MANAGEMENT OF SAID TRUST
5 FUND; AND TO AMEND ANCHORAGE MUNICIPAL CODE SECTION 4.50.090 TO
6 INCREASE THE MEMBERSHIP OF THE INVESTMENT ADVISORY COMMISSION
7 AND SPECIFY NEW DUTIES AND RESPONSIBILITIES FOR SAID COMMISSION
8 RELATING TO THE INVESTMENT OF MUNICIPAL FUNDS INCLUDING THE ATU
9 TRUST FUND.

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12 WHEREAS, the voters of the Municipality approved the sale of the Anchorage Telephone
13 Utility ("ATU"); and

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15 WHEREAS, the Municipality plans to close the sale of ATU in the second quarter of 1999;
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18 WHEREAS, Municipal Charter §13.11 requires the balance of the proceeds from the sale of
19 ATU after retirement of ATU debt, and other municipal debt deemed appropriate by the assembly,
20 be placed in a trust fund; and

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22 WHEREAS, Municipal Charter §13.1 requires the trust fund be invested and managed in
23 accordance with AMC 6.50; and

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25 WHEREAS, Anchorage Municipal Code section 6.50.050 regulating the investment of
26 Municipal funds does not allow investment in equity securities; and

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28 WHEREAS, some investment in equity securities balanced with some investment in fixed
29 income securities over the long term is expected to earn a higher rate of return than investing in
30 fixed income securities alone; and

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32 WHEREAS, it is prudent, reasonable, advisable and in the public interest to invest the ATU
33 Trust Fund in a balanced investment portfolio, including equity securities; and

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35 WHEREAS, it is prudent, advisable and in the public interest to minimize investment costs
36 and provide for flexible responses to changing management, economic and investment
37 circumstances based on quality professional advice from successful investment managers selected
38 and terminated on the basis of past and continuing performance rather than time-consuming

competitive proposals and bids; and

WHEREAS it is prudent, advisable and in the public interest to maximize the availability of professional economic, financial and investment advice and oversight by increasing the membership and responsibilities and authority of the Investment Advisory Commission; now therefore

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code Chapter 6.50 is hereby amended by adding a new section 6.50.060 to read as follows:

6.50.060 ATU Trust Fund.

A *ATU Trust Fund Established.* Pursuant to Charter §13.11, there is hereby established the ATU Trust Fund as Fund 730 to account exclusively for the proceeds derived from the sale of ATU and the earnings thereon.

B. *Definitions.* In this section, unless the context clearly indicates otherwise:

Corpus of the ATU Trust Fund (or Corpus) means the balance of the proceeds from the sale of ATU after retirement of ATU debt, and other municipal debt as may be determined by the Anchorage Assembly, deposited in the ATU Trust Fund plus additions thereto as an adjustment for average annual inflation.

Earnings means the amount of interest, dividends, gains and losses realized from investment of the assets of the Fund.

Fund means the ATU Trust Fund.

Inflation means the total percentage increase in the average Anchorage Consumer Price Index in any fiscal year from the average of such Index for preceding fiscal year, as published by the U.S. Department of Labor.

C. *Management of the ATU Trust Fund.* Pursuant to Anchorage Municipal Charter §13.11(c) and section 6.70.010, the municipal treasurer, under the direction and supervision of the chief fiscal officer shall manage the ATU Trust Fund in accordance with the provisions of this section.

With the advice and consultation of the Investment Advisory Commission the municipal treasurer shall hire the services of such investment managers, advisors, custodians and other professionals as are reasonably prudent and necessary to manage and invest the assets of the Fund.

2. The assets of the Fund shall be managed and invested only in accordance with the investment policy established under subsection G.
3. Procurement of investment management services related to the investment of the Fund's assets shall be exempt from Title 7.

D. *Investment Objectives.* The investment objective of the ATU Trust Fund is to maintain the purchasing power of the corpus and to maximize rates of return over time by utilizing a balanced investment approach, investing in both equity and fixed income instruments, within prudent levels of risk.

E. *Authorized Investments.* In addition to the investments authorized by section 6.50.030, but subject to the investment restrictions of this section, the assets of the Fund may be invested in the following types of investments:

Publicly traded equity investments, including but not limited to preferred and common stock and investment company shares;

2. Debt instruments issued by the U.S. Government, its Agencies and Instrumentalities, and debt instruments that have been issued by domestic entities rated triple B minus or above by Standard & Poor's Rating Service (investment grade) or the equivalent by another nationally recognized rating agency, and dollar denominated debt instruments of comparable quality issued by non-domestic entities;
3. Cash and cash equivalents including but not limited to repurchase agreements, certificates of deposit and shares in a money market or short-term investment fund that consist of securities of the type and quality as those listed above;
4. Mutual funds or other commingled investment vehicles that consist of securities predominantly of the type and quality as those listed above.

F. *Investment Restrictions.* Notwithstanding any other provision of this title, investment of the assets of the Fund shall be restricted as follows:

1. *Equity securities:* No more than:
 - a. Sixty percent (60%) of the Fund Assets may be invested in equity investments;
 - b. Five percent (5%) of the value of the equity portfolio assets, after being marked to market, shall be invested in the equity securities of any one issuer;

c. Five percent (5%) of the voting stock of any corporation may be acquired by the Fund.

2. *Fixed Income securities.* No more than five percent (5%) of the Fund's fixed-income portfolio assets may be invested in the fixed income securities of any single issuer, with the exception of the U.S. Government, its Agencies and Instrumentalities;

a. The total fixed-income portfolio shall maintain a weighted-average quality rating of AA- as determined by Standard & Poor's Ratings Service or the equivalent by another nationally recognized rating agency.

G. *Investment policy.* An investment policy, consistent with this section, for the investment of the assets of the Fund, shall be established and from time to time modified, as necessary.

H. *Reporting.* An annual report on the performance of the Fund's investments shall be submitted to the Mayor and the Assembly.

Section 2. Anchorage Municipal Code section 4.50.090 is hereby amended to read as follows:

4.50.090 Investment advisory commission.

A. There is established an investment advisory commission consisting of nine [FIVE] members. Members of the commission shall be qualified by experience in the fields of finance, economics or investments. The municipal treasurer shall serve [FUNCTION] as the Municipality's representative, advisor and secretary to the commission. [AN EX OFFICIO MEMBER OF THE COMMISSION, AND SHALL SERVE AS SECRETARY TO THE COMMISSION.]

B. The commission shall meet quarterly or more often as designated by the commission or the municipal treasurer [AND THE ASSEMBLY] and shall have the following powers, [AND] duties, and responsibilities:

1 To make recommendations and give advice on matters concerning the investment of municipal funds, including the ATU Trust Fund, but excluding the municipality's deferred compensation plan funds.

a. At least annually, the commission shall review the municipality's investments and report to the mayor and assembly on the safety and appropriateness of the investments.

appropriateness of the investments.

2. To review, advise and make recommendations for the ATU Trust Fund on:

- a. Policies, procedures and responsibilities for financial reporting and investments for the prudent and productive investment of municipal funds in the best interest of the municipality and its citizens;
- b. The selection, evaluation, retention, use, compensation and advice of financial and investment experts, consultants and managers with a view to minimizing costs and maximizing prudent and productive investment advice and management in the best interests of the municipality and its citizens;
- c. Investments, investment strategies, economic and financial assumptions, asset allocation policies and prudent investment alternatives.

3[2]. To perform such other duties as the municipal treasurer may reasonably request [ADMINISTRATION] or the assembly may designate from time to time.
(AO No. 95-46, § 1, 3-7-95)

Section 3. This ordinance shall become effective immediately upon its passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 1999.

Chair of the Assembly

ATTEST

Municipal Clerk