

ANCHORAGE, ALASKA

ORDINANCE NO. AO 99-50(S) As Amended

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

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

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15 WHEREAS, the Municipality plans to close the sale of ATU in the second quarter of
16 1999; and

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

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22 WHEREAS, Municipal Charter § 13. 1 requires the trust fund be invested and
23 managed in accordance with AMC 6.50; and

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25 WHEREAS, Anchorage Municipal Code section 6.50.050 regulating the investment
26 of 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
29 fixed income securities over the long term is expected to earn a higher rate of return than
30 investing in fixed income securities alone; and

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32 WHEREAS, it is prudent, reasonable, advisable and in the public interest to invest
33 the ATU 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
36 costs and provide for flexible responses to changing management, economic and investment
37 circumstances based on quality professional advice from successful investment managers
38 selected and terminated on the basis of past and continuing performance rather than time-
39 consuming competitive proposals and bids; and

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41 WHEREAS, it is prudent, advisable and in the public interest to maximize the
42 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 be entitled “MOA TRUST FUND”) to account exclusively for the proceeds derived from the sale of ATU and the earnings thereon. Additionally, there is hereby established an ATU Trust Fund Reserve as Fund 731 in which the ATU Revenue Bond Reserve Investment and any other amount the Assembly may want to add from time to time to replenish the reserve will be deposited to be used in the event that earnings on the ATU Trust Fund do not equal \$9.4 million/year or for additional reduction in property taxes as may be determined by the Assembly.

B. *Assembly appropriation.* The Municipal Assembly shall appropriate the earnings from the Fund 730 on an annual basis to (1) replace the annual dividends from ATU up to 9.4 million, (2) reduce property taxes, or (3) reinvest in the Trust Fund.

C. *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 and any other amounts the Assembly may want to add.

Earnings means the amount of interest, dividends, realized and unrealized gains and losses from investment of the assets of the ATU Trust Fund as of December 31 of the calendar year preceding the budget year.

Fund means the ATU Trust Fund and ATU Trust Fund Reserve.

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

D. *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 and the ATU Trust Fund Reserve in accordance with the provisions of this section.

1. 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 H.

E. *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.

F. *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.

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

Equity securities: No more than

- a. Sixty-five percent (65%) 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.

H. *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.

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 Commission members shall serve in an advisory capacity only. The municipal treasurer shall serve [FUNCTION] as the Municipality's representative 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:

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.

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.

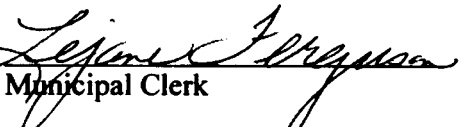
3[2]. To perform such other duties as the municipal treasurer may
reasonably request [ADMINISTRATION] or the assembly may designate
from time to time.
(AO No. 95-46, § 1, 3-7-95)

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

PASSED AND APPROVED by the Anchorage Assembly this 6th day of Apr11, 1999.


Chair of the Assembly

ATTEST:


Municipal Clerk