

CLERK'S OFFICE

APPROVED

Date: 2-22-02

Submitted by:

Prepared by:

For reading:

Chair of the Assembly at the  
Request of the Mayor  
Finance Department  
January 8, 2002

ANCHORAGE, ALASKA

AO No. 2002-11

AN ORDINANCE SUBMITTING TO THE QUALIFIED VOTERS OF THE MUNICIPALITY OF ANCHORAGE AT THE NEXT REGULAR ELECTION A BALLOT PROPOSITION TO AMEND CHARTER SECTION 13.11 TO DEFINE THE MOA TRUST FUND (730) AS AN ENDOWMENT AND IMPLEMENT A CONTROLLED SPENDING POLICY FOR FUTURE ANNUAL DIVIDENDS.

THE ANCHORAGE ASSEMBLY ORDAINS:

**Section 1.** The Municipal Clerk, Municipal Treasurer, Chief Fiscal Officer and Municipal Attorney shall prepare a synopsis of the endowment approach approved by the Assembly per AO 2002 – 10 and AO 2002 – 11 for publication and dissemination to the voters.

**Section 2.** A ballot proposition in substantially the following form and substance shall be submitted to the qualified voters of the Municipality at the next regular Municipal election to be held April 2, 2002:

PROPOSITION NO.

AMENDING ANCHORAGE CHARTER SECTION 13.11 TO  
DEFINE THE MOA TRUST FUND (730) AS AN ENDOWMENT  
FUND AND IMPLEMENT A CONTROLLED SPENDING POLICY  
FOR FUTURE ANNUAL DIVIDENDS.

Shall Section 13.11 of the Anchorage Municipal Charter be amended to read  
as follows:

*(Capital letters in brackets are deletions of existing language and underlined letters are new language.)*

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 5% of the average asset balance of the trust[THE EARNINGS OF THE TRUST FUND WILL BE AVAILABLE FOR APPROPRIATION BY THE ASSEMBLY ONLY AFTER THE FUND HAS BEEN ADJUSTED FOR AVERAGE ANNUAL INFLATION].

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

YES ☐ NO ☐

If approved by a majority of the voters voting, this proposition will become effective upon certification of the April 2, 2002 Municipal election.

**Section 3.** This ordinance shall become effective immediately on passage and approval by the Assembly and the proposition contained in Section 2. shall become effective upon certification of the April 2, 2002 election if and only if, said proposition is approved by a majority of the voters voting on the question.

PASSED AND APPROVED by the Anchorage Assembly this 12 day of February 2002

  
Chair

ATTEST:

  
Municipal Clerk



**MUNICIPALITY OF ANCHORAGE**  
**ASSEMBLY MEMORANDUM**  
AM / -2002

Meeting Date: January 8, 2002

**FROM:** Mayor

**SUBJECT:** Ballot Ordinance amending Charter 13.11 to define the MOA Trust Fund (730) as an endowment and implement a controlled spending policy for future annual dividends

The attached ballot ordinance presents to the voters at the next regular Municipal election (April 2, 2002) the question of whether to define the MOA Trust Fund (730) as an endowment. This ordinance specifically seeks to modify the language of Charter Section 13.11 regarding the Trust Fund.

Simultaneous with introduction of this ordinance to amend the Charter, there is an implementing ordinance (AO 2002-10) providing more details regarding the endowment method to be used. The Assembly Memorandum accompanying the implementing ordinance (AO 2002-10) provides additional background and discussion in support of defining the MOA Trust Fund as an endowment.

If voters approve the ballot ordinance changing Charter Section 13.11 it is expected that the endowment method will produce a stable, predictable dividend of approximately \$7.0 million for the next several years. Over the long run it is expected that the endowment method will allow the MOA Trust Fund (Fund 730) to grow beyond average annual inflation, thereby leading to larger dividend payments over time.

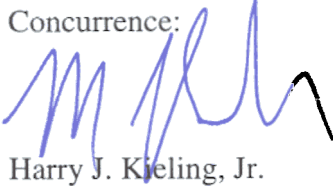
If voters do not approve the ballot ordinance changing Charter Section 13.11 it is expected that a continued use of the "earnings" approach will produce little to no dividend payout in 2002 from Fund 730, since 2001 earnings are expected to be zero. Also, under the current "earnings" approach the balance in the MOA Trust Fund Reserve (731) would likely be fully depleted by the end of 2002. Beyond 2002, continued use of the "earnings" approach without a MOA Trust Reserve will cause the General Government budget to face perpetual, often extreme market volatility year-to-year; this could quickly lead to a major revenue shortfall in the 2003 General Government Budget.

Unlike the Endowment method, the current "earnings" approach does little to allow the MOA Trust Fund (Fund 730) to grow beyond average annual inflation. As a result, the long-term growth potential for the dividend would fall far short of that generated by the Endowment approach.

THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ATTACHED BALLOT ORDINANCE, PROPOSING TO THE VOTERS AT THE APRIL 2, 2002 REGULAR MUNICIPAL ELECTION TO DEFINE THE MOA TRUST FUND (730) AS AN

1 ENDOWMENT AND IMPLEMENT A CONTROLLED SPENDING POLICY FOR  
2 FUTURE ANNUAL DIVIDENDS.  
3  
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6 Concurrence:

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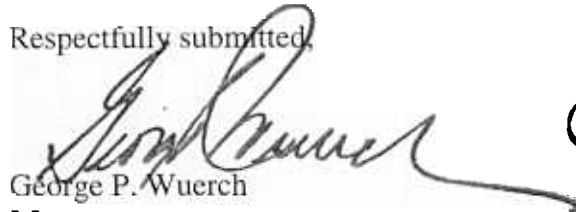
10 Harry J. Kieling, Jr.  
11 Municipal Manager  
12

Prepared by



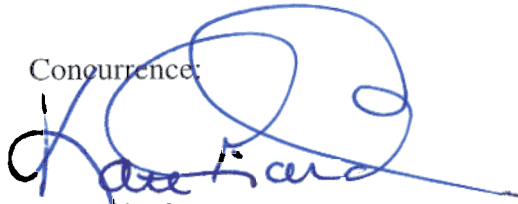
Daniel Moore  
Municipal Treasurer

13  
14 Respectfully submitted,

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18 George P. Wuerch  
19 Mayor

Concurrence:



Kate Giard  
Chief Fiscal Officer

**MUNICIPALITY OF ANCHORAGE**

**Summary of Economic Effects - General Government**

2002-11

AO Number: ~~2001-~~

Title: An Ordinance amending Charter Section 13.11 to define the MOA Trust Fund (730) as an endowment and implement a controlled spending policy for future annual dividends

Preparing Agency: Finance Department

Others Impacted:

**CHANGES IN EXPENDITURES AND REVENUES:**

(Millions of Dollars)

	FY02	FY03	FY04	FY05	FY06
Operating Expenditures					
1000 Personal Services					
2000 Supplies					
3000 Other Services					
4000 Debt Service					
5000 Capital Outlay					

**TOTAL DIRECT COSTS:**

Add: 6000 Charges from Others

Less: 7000 Charges to Others

**FUNCTION COST:**

REVENUES:	0	(1.2)	(1.2)	0	0
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**CAPITAL:**

POSITIONS: FT/PT and Temp.

**PUBLIC SECTOR ECONOMIC EFFECTS:**

It is expected that the MOA Trust Fund (730) will generate approximately a \$7.0 million annual dividend over the next five years, as a result of following the endowment model cited in the proposed ordinance. In January 2002 the MOA Trust Reserve has a market value of \$9.5 million. The current budgeted dividend level to General Government for 2002 is \$9.4 million. Assuming no additional withdrawals or market depreciation in the MOA Trust Reserve, it is expected that the MOA Trust Reserve can provide a \$2.4 million annual supplement to the \$7.0 million endowment payout from the MOA Trust Fund (730) in 2002, subject to Assembly approval. The Administration will likely propose an adjustment to revenues of \$1.2 million per year during budget years 2003-2004, for a \$2.4 million total revenue reduction, in order to bring the revenues in-line with the \$7.0 million annual dividend expected from the MOA Trust endowment fund.

Over the long-term, it is expected that after applying the proposed endowment method the MOA Trust Fund will provide more predictable, sustainable dividend payments which grow over time, as compared to the current "earnings" approach which subjects the General Government budget to extreme market volatility year to year.

Refer to companion ordinance amending AMC 6.50.060 for further details regarding definitions and effective dates.

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**PRIVATE SECTOR ECONOMIC EFFECTS:**

Currently the \$9.4 million dividend from the MOA Trust Fund (and MOA Trust Reserve, as necessary) is used to offset property taxes required to fund the General Government Operating Budget. The Administration will likely propose an adjustment to revenues of \$1.2 million per year during budget years 2003-2004, for a \$2.4 million total revenue reduction, in order to bring the revenues in-line with the \$7.0 million annual dividend expected from the MOA Trust endowment fund. It is unclear at the current time how property tax payers would be affected if alternative revenue sources and/or expenditure reductions were necessitated by a reduction in the future contributions coming from the MOA Trust endowment fund.

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Prepared by:	<u>Daniel Moore, Treasurer</u> <i>Daniel Moore</i>	Telephone:	<u>343-4092</u>
Validated by OMB:	<i>Cheryl Frasca</i>	Date:	<u>1/24/02</u>
Approved by:	<i>[Signature]</i> (Director, Preparing Agency)	Date:	<u>1/24/02</u>
Concurred by:	<i>[Signature]</i> (Director, Impacted Agency)	Date:	<u>1/24/02</u>
Approved by:	<i>[Signature]</i> (Municipal Manager)	Date:	<u>1/25/02</u>

Municipality of Anchorage  
MUNICIPAL CLERK'S OFFICE  
**Agenda Document Control Sheet**

*AO 2002-11*

(SEE REVERSE SIDE FOR FURTHER INFORMATION)

<b>1</b>	<b>SUBJECT OF AGENDA DOCUMENT</b> MOA Trust Fund - Endowment Approach - Charter Change	<b>DATE PREPARED</b> December 21, 2001	
		Indicate Documents Attached <input checked="" type="checkbox"/> AO <input type="checkbox"/> AR <input checked="" type="checkbox"/> AM <input type="checkbox"/> AIM	
<b>2</b>	<b>DEPARTMENT NAME</b> Finance Department	<b>DIRECTOR'S NAME</b> Kate Giard	
<b>3</b>	<b>THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY</b> Daniel Moore	<b>HIS/HER PHONE NUMBER</b> 343-4092	
<b>4</b>	<b>COORDINATED WITH AND REVIEWED BY</b>	<b>INITIALS</b>	<b>DATE</b>
X	Mayor		
	Heritage Land Bank		
	Merrill Field Airport		
	Municipal Light & Power		
	Port of Anchorage		
	Solid Waste Services		
	Water & Wastewater Utility		
X	Municipal Manager	<i>DM</i>	(25) 12/24/02
	Cultural & Recreational Services		
	Employee Relations		
X	Finance, Chief Fiscal Officer	<i>DM</i>	12/24/02
	Fire		
	Health & Human Services		
X	Office of Management and Budget	<i>CF</i>	1/24/02
	Management Information Services		
	Police		
	Planning, Development & Public Works		
	Development Services		
	Facility Management		
	Planning		
	Project Management & Engineering		
	Street Maintenance		
	Traffic		
	Public Transportation Department		
	Purchasing		
X	Municipal Attorney	<i>WJ</i>	12/23/02
	Municipal Clerk		
	Other		
<b>5</b>	<b>Special Instructions/Comments</b>		
<b>6</b>	<b>ASSEMBLY HEARING DATE REQUESTED</b> January 8, 2002		
<b>7</b>	<b>PUBLIC HEARING DATE REQUESTED</b> January 29, 2002		

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 CLERK'S OFFICE  
 M.O.A.