

CLERK'S OFFICE

APPROVED

Date: 12-10-02

Submitted by: Assemblymembers Tesche  
and Traini

Prepared by: Department of Assembly

For reading: December 10, 2002

ANCHORAGE, ALASKA

AR NO. 2002-386

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROVIDING FOR AN  
INDEPENDENT AUDIT OF THE MEANS BY WHICH CERTAIN MUNICIPAL FUNDS ARE  
RESERVED BY THE ADMINISTRATION FOR THE PURPOSE OF FUNDING CERTAIN  
RETIREMENT MEDICAL BENEFITS FOR POLICE OFFICERS AND FIREFIGHTERS**

WHEREAS, to pay for medical benefits due certain retired police officers, firefighters, and their dependants, the Municipality of Anchorage maintains a Retiree Medical Trust and a Retire Medical Investment Funding program under Chapters 3.87 and 3.88 of the Anchorage Municipal Code, and

WHEREAS, questions over the adequacy of measures undertaken or planned by the Municipal Administration to set aside funds sufficient to meet the Municipality's obligations to beneficiaries under law; and

WHEREAS, the Municipal Administration has not yet adequately responded to questions raised by medical trust beneficiaries and their representatives over the adequacy of measures undertaken or planned by the Municipal Administration to set aside funds sufficient to meet the municipality's obligations.


NOW THEREFORE, the Anchorage Assembly resolves:

**Section 1:** In consultation with members of the Municipal Audit Committee, the Chair of the Committee, shall select and retain an independent, professional auditor to review the Municipality's system for payment of obligations to retirees and their families under Chapters 3.87 and 3.88 of the Anchorage Municipal Code. The Audit shall address those issues set forth in Exhibit A attached hereto.

**Section 2:** Upon receipt of a recommendation by the Municipal Audit Committee, it is the intention of the Assembly to appropriate a sum of not to exceed \$30,000 for the Independent Audit described in this resolution.

**Section 3:** This resolution shall become effective upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 10<sup>th</sup> day of December, 2002.

  
Chair

ATTEST:

  
Municipal Clerk

EGJ/2002RESOLUTIONS/AR70

**SCOPE OF SERVICES**

- 1** During the Assembly work session on November 15, 2002, the Municipal Administration referred to the issuance of a bond in 1986, apparently secured by the Municipal property including the Sullivan Arena, the proceeds of which were used to purchase an annuity tied somehow into the obligation of the Municipality to adequately fund a system of retirement medical benefits for police officers, firefighters, and their dependents. The Administration has not produced either the bond or the annuity, nor were its representatives able to recite the essential terms of the underlying financial transactions involved. The independent audit should examine the issuance of the bond(s), the restrictions (if any) placed on the use of proceeds from the bond(s), the circumstances under which the annuity was purchased, the specific terms of the annuity, and the fiscal propriety of the use of the funds generated by the annuity since its purchase.
- 2.** During the same work session, the Municipal Administration stated the \$9.8 million balloon payment the Municipality is obligated to deposit into the Retiree Medical Funding Program in 2006 would be made out of the proceeds of "Certificates of Participation" in the annuity. However, no Certificates of Participation were produced in the work session. The Audit should determine the terms and restrictions of the Certificates of Participation, describe the circumstances under which they were issued (including any Assembly involvement in the process), and should specifically indicate how the Retiree Medical pre-funding system, which was not created until 1993, has any right to participate in the proceeds of an annuity created in 1986.
- 3.** The Administration's representatives have previously informed the Assembly that inappropriate payments were made directly to the Retiree Medical Trust for a period of approximately six years. When asked why the payments were made, the Administration answered, "we don't really know." The Audit should examine the circumstances under which inappropriate payments were made, whether the interests of trust beneficiaries have in any way been compromised or affected by this error and, if so, what remedies are appropriate.
- 4.** The Independent Audit should also examine the trail of financial transactions involving the Municipality's General Fund, the issuance of the bond(s), the annuity, the Retirement COP Debt Service Fund (719), the propriety of payment of retiree medical expenses, and the adequacy of measures to set aside future funds to support the system.
- 5.** Such other issues as the Municipal Audit Committee may direct.

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

*Ar 2002-386*

(SEE REVERSE SIDE FOR FURTHER INFORMATION)

<b>1</b>	<b>SUBJECT OF AGENDA DOCUMENT</b>  A Resolution Providing for an Independent Audit of the Means by which Certain Municipal Funds are Reserved by the Administration for the Purpose of Funding Certain Retirement Medical Benefits for Police Officers and Firefighters	<b>DATE PREPARED</b>  <b>4-Dec-02</b>
	DEPARTMENT NAME <b>2</b> Assembly	Indicate Documents Attached <input type="checkbox"/> AO <input checked="" type="checkbox"/> AR <input type="checkbox"/> AM <input type="checkbox"/> AIM  DIRECTOR'S NAME Greg Moyer
<b>3</b>	THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY Elvi Gray-Jackson	HIS/HER PHONE NUMBER 343-4751
<b>4</b>	<b>COORDINATED WITH AND REVIEWED BY</b>	<b>INITIALS</b>
<b>X</b>	<b>Mayor</b>	
	Heritage Land Bank	
	Merrill Field Airport	
	Municipal Light & Power	
	Port of Anchorage	
	Solid Waste Services	
<b>X</b>	Water & Wastewater Utility	
<b>X</b>	<b>Municipal Manager</b>	
	Cultural & Recreational Services	
	Employee Relations	
<b>X</b>	Finance, Chief Fiscal Officer	
	Fire	
	Health & Human Services	
<b>X</b>	Office of Management and Budget	
	Management Information Services	
	Police	
	Planning, Development & Public Works	
	Development Services	
	Facility Management	
	Planning	
	Project Management & Engineering	
	Street Maintenance	
	Traffic	
	Public Transportation Department	
	Purchasing	
<b>X</b>	<b>Municipal Attorney</b>	
	<b>Municipal Clerk</b>	
	<b>Other</b>	
<b>5</b>	<b>Special Instructions/Comments</b>	
<b>6</b>	ASSEMBLY HEARING DATE REQUESTED 12/16/02	<b>7</b> PUBLIC HEARING DATE REQUESTED

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2002 DEC 4 - 3:00 PM  
MAY 12/16/02