

CLERK'S OFFICE
APPROVED

Submitted by: Chair of the Assembly at
the Request of Mayor
Prepared by: Finance Department
For Reading: May 25, 2010

Date: 6-8-10

ANCHORAGE, ALASKA
AR No. 2010-162


1 A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING
2 SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) FROM THE MOA TRUST
3 FUND (730) FOR EXPERT FINANCIAL MANAGEMENT AND SUPPORT
4 SERVICES PROVIDED IN CALENDAR YEAR 2010.

5
6
7 The Anchorage Assembly resolves:

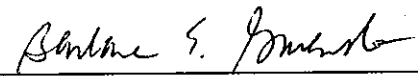
8
9 Section 1. That the sum of Seven Hundred Thousand Dollars (\$700,000) is hereby
10 appropriated from the MOA Trust Fund (730) for expert financial management and
11 support services provided in calendar year 2010.

12
13 Section 2. That this resolution shall take effect immediately upon approval.

14
15 PASSED AND APPROVED by the Assembly this 8th day of
16 June, 2010.

17
18
19
20
21
22
23
24
25
26
27
28
29
30

Chair

ATTEST:

25
26
27
28
29
30

Municipal Clerk

Departmental appropriation:
Finance Department \$700,000



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 307-2010

Meeting Date: May 25, 2010

1 **FROM:** Mayor

2
3 **SUBJECT:** Appropriating \$700,000 from the MOA Trust Fund (Fund 730) for Expert
4 Financial Management and Support Services provided in Calendar Year
5 2010

6 The Administration requests approval of the attached Assembly Resolution
7 appropriating an amount not-to-exceed \$700,000 from the MOA Trust Fund (730) for
8 financial management and support services provided in calendar year 2010.
9

10 Anchorage Municipal Code 6.50.060.A. Definitions (i.e., fund expenses) states:

11
12 *Fund Expenses means incurred expenses which are reasonably prudent and*
13 *necessary to manage and invest the assets of the pooled trusts, including all fees*
14 *charged by external service providers such as investment managers, advisors,*
15 *custodians and other professionals, and also including MOA's internal direct and*
16 *indirect expenses incurred in providing administrative and oversight services for the*
17 *benefit of the pooled trusts. Fund expenses are funded by annual earnings and are*
18 *allocated to the pooled trusts on a pro-rata basis.*
19

20 Anchorage Municipal Code 6.50.060.D1. Management of the Pooled Funds states:

21
22 *The municipal treasurer shall hire the services of such investment managers,*
23 *advisors, custodians and other professionals as are reasonably prudent and*
24 *necessary to manage and invest the assets of the pooled trusts.*
25

26 The MOA Trust Fund is the single remaining fund. The other portion of the "pooled
27 trusts" (i.e., the MOA Trust Reserve) was extinguished in 2004. Diversification is
28 provided through the establishment of multiple portfolios invested in various areas of the
29 market (i.e., Broad Fixed Income, Large Cap Growth, Large Cap Value, S&P 500 Index,
30 International Equity, Small Cap Equity, Mid Cap Index and Real Estate). The income
31 from the Trust is expected to pay all of the fees for services rendered by investment
32 managers.
33

34 The MOA Trust Fund's money managers are paid a management fee based on a
35 quoted fee multiplied by the MOA Trust Fund's market value at the end of each
36 calendar quarter. Money managers are rewarded for increasing the MOA Trust Fund's
37 value and penalized for decreased market value using this system of compensation
38 rather than a flat compensation method.
39

The Investment Advisory Commission reviews the performance of each of the MOA Trust Fund's money managers quarterly using information and reports provided by the Treasurer and the Investment Consultant (Callan Associates). The Investment Advisory Commission finds the money managers' performance to be satisfactory and they do not recommend any changes to the current line-up of money managers at this time.

In the prior year (2009), the Municipality appropriated \$735,000 for management fees and paid approximately \$547,000 in actual costs, including estimated imputed fees from mutual fund portfolios as well as intergovernmental charges. These fees were particularly low due to the severe bottoming of the market in First Quarter 2009 and a notable decrease in the amount of intergovernmental charges to Fund 730, as compared to the prior year. In 2010 the required expenditure authority to cover fund management costs is proposed to decrease to \$700,000. The proposed 2010 appropriation amount assumes as much as a 15% increase in market value over the December 31, 2009 level. Expenses incurred will depend on actual market results and portfolio fees charged by managers throughout 2010. This appropriation request represents a not-to-exceed amount.

Below is an approximate breakdown of the anticipated investment management and support service costs related to management of the MOA Trust Fund in year 2010:

• Fixed Income Fund	\$ 84,000	} \$700,000
• Real Estate Portfolio	\$ 80,000	
• Various Equity Funds including:	\$410,000	
◦ Growth, Value, S&P 500 Index		
◦ International, Small Cap and Mid Cap Index		
• Financial Advisor	\$ 52,000	
• Fund Custodian	\$ 14,000	
• Intergovernmental Charges	\$ 60,000	

The expense levels paid by the MOA Trust Fund are in line with other, similarly-sized endowment and pension funds nationwide which use professional investment management services.

An Assembly Information Memorandum regarding the MOA Trust Fund's financial performance for 2009 is expected to be submitted simultaneous with this Assembly Resolution.

The accounting detail is as follows:

REVENUE

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
730-1348-9765-BP2010	Other Interest Income	\$700,000

EXPENSE

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
730-1348-3103-BP2010	Manager & Custodian Fee	\$700,000

THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ASSEMBLY
RESOLUTION APPROPRIATING FUNDS FOR ANTICIPATED EXPENSES
ASSOCIATED WITH MANAGEMENT OF THE MOA TRUST FUND.

Prepared by: Daniel Moore, Municipal Treasurer
Concurrence & Fund Certification: Lucinda Mahoney, CFO
730-1348-9765-BP2010 – \$700,000
Concurrence: George J. Vakalis, Municipal Manager
Respectfully submitted: Daniel A. Sullivan, Mayor

Content ID: 009029**Type:** AR_FundsApprop - Funds Approp Resolution

Title: A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) FROM THE MOA TRUST FUND (730) FOR EXPERT FINANCIAL MANAGEMENT AND SUPPORT SERVICES PROVIDED IN CALENDAR YEAR 2010

Author: pruittns**Initiating Dept:** Finance**Keywords:** \$700,000, MOA Trust Fund, Financial Management, Calender Year 2010**Date Prepared:** 5/12/10 2:31 PM**Director Name:** Lucinda Mahoney**Assembly Meeting Date:** 5/25/10**Public Hearing Date:** 6/8/10

Workflow Name	Action Date	Action	User	Security Group	Content ID
Clerk_Admin_SubWorkflow	5/14/10 1:39 PM	Exit	Nina Pruitt	Public	009029
MuniManager_SubWorkflow	5/14/10 1:39 PM	Approve	Nina Pruitt	Public	009029
OMB_SubWorkflow	5/13/10 4:10 PM	Approve	Cheryl Frasca	Public	009029
Finance_SubWorkflow	5/12/10 3:36 PM	Approve	Lucinda Mahoney	Public	009029
FundsAppropWorkflow	5/12/10 2:36 PM	Checkin	Nina Pruitt	Public	009029