

**Responses to Assembly Questions  
November 6, 2009 Work Session**

<b>Solid Waste Services</b>
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**1. What is the difference between depreciating new cans for five years instead of three years? (Selkregg)**

**Depreciation**

In the 2010 Solid Waste Services Refuse Collection Utility operating budget, depreciation expenses double over two years, going from \$443,430 in 2008 to almost \$900,000 in 2010.

In 2008, Refuse Collections began purchasing equipment to support the automated refuse collection and curbside recycling project. To date, Refuse Collection has purchased over 15,000 carts totaling over \$949,000. These carts are depreciated over ten years, which reflects the ten year warranty on these units. The 2010 roll cart depreciation expense is \$114,000, compared to \$14,000 in 2008.

Refuse Collection has purchased 7 refuse trucks since 2008 totaling over \$1.78 million. In 2008, Collections purchased 3 automated side loading trucks for a total of \$742,950, and in 2009 purchased two additional automated trucks totaling \$521,718. The Utility also purchased two commercial front load trucks in 2009 for a total of \$516,578. With a useful life of seven years, the 2010 depreciation expense for these trucks will be \$457,889; an increase of \$287,583 over the 2008 depreciation expense for similar items of \$170,306.

In addition to the increase in depreciation expense, the purchase of these equipment resulted in an increase in the asset value used for calculation of the Municipal Utilities Service Assessment (MUSA) which increased from \$31,269 in 2008 to \$88,610 in the 2010 budget.

**2. What is the savings in labor when SWS completes the conversion to a fully automated collection system? (Selkregg)**

The Refuse Collection Utility's automated refuse and curbside recycle collection program is entering the second phase of a three phase program. The initial phase was rolled out in October 2008 to approximately 3,400 customers. Phase II of the program was rolled out in October 2009 to an additional 3,700 customers. The remaining customers will be added to the system in 2010.

**Productivity**

SWS has not had the opportunity to evaluate a full year of data on the new program. Table 1 presents a comparison of residential collection data for 6 months (April through September) for 2008 and 2009. In 2008, customers in the service area were serviced by conventional can / bag service. Typically, a manual collection truck can service about 400 stops per shift. The actual stops vary by the density and type of neighborhood as well as the time of year.

**Table 1. Automated and Manual Refuse Collection Data**

	<u><b>2008</b></u>	<u><b>2009</b></u>
<b>Total Manual Stops</b>	312,372	231,550
Av. Stops / day / route	397	442
Total Tons Collected	7385	4,951
Number of Routes	6	4
<b>Total Automated Refuse Stops</b>	0	91,500
Av. Stops / day / route	0	698
Total Tons Collected	0	1,514
Number of Routes	0	1
<b>Total Automated Recycle Stops</b>	0	42,263
Av. Stops / day	0	645
Total Tons Collected	0	367
Number of Routes	0	1

#### **Manual to Automated Routes**

In October 2008 we instituted one automated collection route. By increasing the productivity of the manual routes and adding the automated route, we were able to **reduce our residential collection routes by two**. In Phase II, we added an additional automated route, reduced the number of stops on the manual routes and **eliminated one additional manual route**. Ultimately, we will eliminate all manual routes that were in place in 2008 with four automated routes.

#### **Recycling Routes**

In **Phase I**, the recycling route has been run **every other week**. With the implementation of **Phase II**, we have a recycle route **every day**, as the recycle collections crew alternates by week between Phase I and Phase II routes. Ultimately there will be 2 full-time recycle routes once the program is fully implemented.

The bottom line is that the automated trucks allow us to collect the **same number refuse collection customers using 4 daily routes as we did using six manual routes**. When fully implemented, we will be able to provide both refuse collection and curbside recycling with the same resources we historically used for refuse collection only.

- 3. Can SWS reduce the man hours expended cleaning up garbage spills and send code enforcement fine notices sooner than 10 days? (Selkregg) What is the legal authority for imposing fines for not cleaning up yards? (Coffey)**
- 4. What is the tonnage of recyclables versus residential garbage for 2007-2009? What is the impact of the recycling fee for residential payers? (Claman)**

#### **Tonnage and Diversion**

In creating the model for the automated program we anticipated that we would handle more tons as materials that were being self-hauled to the recycle centers by our customers would

appear in the curbside recycling stream. We also assumed that approximately 20% of the waste stream would be diverted to recycle.

During the six month periods presented in the table, the total amount of materials collected in 2009 was 550 tons less than the total amount of materials collected for the same period in 2008. This 9 % reduction is likely due to several contributing factors. Waste tonnage generally reflects changes in the economy. In leaner times, less waste is produced. Tonnage in general received at the Anchorage Regional Landfill is down by 8% from 2008.

The 367 tons of materials collected by the curbside recycling program represents a recycle diversion rate from the automated routes of 20% for the six month period presented. This rate has been as high as 28% earlier in the year. We anticipate that this rate will fluctuate seasonally. Because the recycle stream is a small fraction of the total waste stream from the residential customers, it is not possible to quantify how much additional diversion is occurring as a result of the new program at this time.

### **Transfer Station Handling Charges**

The question was raised as to whether SWS would consider imposing a handling fee at the transfer station in lieu of prohibiting disposal of certain wastes and forcing the customers to dispose of those materials at the landfill. SWS has a policy that prohibits materials which damage our equipment, pose a safety threat to our operators and customers, or significantly reduce the efficiency of our transfer operations. Attached is a flyer which is routinely provided to Transfer Station customers which outlines materials which are not acceptable at the transfer station. These materials are accepted in small quantities at the discretion of the tipping floor operator if the loads can be safely and efficiently processed. Where processing will require special handling, a fee of \$70 per half hour is charged.

### **5. Please provide a copy of the final RFP for electricity generation at the landfill. (Flynn)**

The Purchasing Department is currently preparing the final form of the RFP.

## **Municipal Light & Power**

### **6. What is the risk and cost to ML&P rate payers vs CEA rate payers of the new power plant? (Selkregg)**

Mr. Posey discussed this request with Dr. Selkregg after the work session.

### **7. Are you hiring new people to replace retirees or fill vacant positions?**

ML&P will be creating new positions to begin training replacements for critical positions that will be vacated through retirements over the next three years.

## **Anchorage Water & Wastewater Utility**

### **8. When did new IGC method take effect? Provide a copy of memo that was provided to Assembly. Why such large increase to AWWU? (ALL)**

See attachments which follow.



## MUNICIPALITY OF ANCHORAGE

### MEMORANDUM

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November 12, 2009

TO: Assembly Members

FROM: Cheryl Frasca, Director *CFrasca*  
Office of Management and Budget

SUBJECT: Intra-governmental Charges

At the November 6, 2009 worksession, the Assembly asked for an update on the IGC process and specifically about IGCs to AWWU and ML&P.

In response, attached are two documents:

- A 2008 memo explaining revisions to the IGC system; and
- A comparison of IGCs to AWWU and ML&P from 2008 through 2010.

#### 2008 IGC Memo

This document was distributed to the Assembly as part of a response to questions from a November 2008 worksession. It contains background information on why the IGC system was revised, the approach that was taken to revising the methodology, and an overview of how the new system works.

#### IGC Comparison

For AWWU and ML&P, the spreadsheets compare each utility's IGCs from 2008 actuals; budgeted and year-to-date for 2009; proposed for 2010; and compares 2010 proposed to 2009 budgeted.

The bottom line is that IGCs to the two utilities will be \$371,826 less in 2010 when compared to 2009 budgeted.

A couple of additional comments regarding these reports:

- For 2009, actual IGCs are trending significantly lower than budgeted. At this point OMB offers two possible explanations. The first is that the budget reductions that took place in August and September have reduced the budgets for many of the departments that charge to AWWU and ML&P (IGCs were not recalculated in the fall after the savings were identified). Since IGCs, in most

cases, reflect the amount a charging department spends, it is reasonable to expect that lowered budgets will result in lower IGC charges to the two utilities.

- Another factor that might explain the fact that IGCs are trending lower than the amount budgeted is the seasonality of spending. Since IGCs are a direct reflection of amounts spent by charging departments, and since IGC charges are calculated monthly based on actual spending, any seasonality in spending will flow through to the IGCs. As we get closer to the end of the year, some departments that appear to be under budget today may end up spending them fully, which would bring IGC charges closer to their budgeted amounts.

For 2010, proposed IGCs are lower than those budgeted for 2009 for two reasons:

1. For many charging departments, the 2010 proposed budget is significantly lower than approved budget for 2009;
2. The other is that several IGC methodologies have been modified to charge the utilities more fairly. Specifically, there are several methodologies that charge out based on Prior-Year Audited Expenses. In response to issues raised in 2009, an agreement was reached by a prior administration that some non-operating expenses for the utilities would not be included in the calculation of Prior-Year Audited Expenses, resulting in the utilities receiving a lower overall proportion of charges.

Attachments:

October 29, 2008 Memo: Overview of IGC Redesign Project  
Spreadsheets: 2008 – 2010 IGCs for AWWU and ML&P



## MUNICIPALITY OF ANCHORAGE

### MEMORANDUM

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**DATE:** October 29, 2008

**TO:** Sharon Weddleton, CFO

**THROUGH:** Wanda Phillips, Director, Office of Management & Budget

**FROM:** Brian Miller, Operating Budget Analyst

**SUBJECT:** Overview of IGC Redesign Project

#### **Background**

Most governmental entities require a system to spread overhead costs from administrative departments to departments that provide service to the community. At the Municipality of Anchorage, this system of charges between departments is known as Intragovernmental Charges (IGCs). The current system for calculating and charging IGCs has been in place since at least the mid-1980's, and many observers both inside and outside of the Municipality believe that it is due for a revision. In addition, technology changes in both the Office of Management & Budget (OMB) and the Information Technology Department (IT) made the old system for calculating IGC budgets inoperable.

To address these issues, OMB issued a Request for Proposal in January 2008 for "Services to Review and Revise the Overhead Cost Allocation Methodology" at the MOA. After an evaluation of the proposals by a committee of stakeholders, the firm AKT LLP of Anchorage was selected to perform the services requested.

#### **Research and Goals**

In May of 2008, OMB staff began working with AKT so they could gain an understanding of the current system and formulate plans for a new one. Interviews were conducted with all departments that charge IGCs to determine how and why their charges are calculated. The team also looked for instances where departments should be charging for their services but are not, and vice versa. The interviews revealed several things about the current system: 1) the vast majority of allocation methodologies are rational and reasonable already, although some need updated

statistics; 2) the lack of confidence in the current system has much more to do with a lack of good information on the system as opposed to any inherent problems with it; and 3) the current system is organized in a way that makes inefficient use of time and computing resources.

With these ideas in mind, AKT and OMB staff proceeded to create a new overhead cost allocation system using the following goals as a guide: 1) to use existing methodologies whenever appropriate; 2) to make the entire system more transparent and understandable; and 3) to improve the efficiency of the system.

### **Use of Existing Methodologies**

After examining the current system extensively, it was clear that much time and effort had gone into developing the existing methodologies. In the case of many departments, the existing methodologies are entirely appropriate for spreading their costs, and there is no need to develop something new. For many of these, the statistics used to calculate charges are updated frequently by the departments, while others haven't been updated in years and need to be refreshed. A relatively small number of departments have methodologies that need to be changed. In some cases, this is because a department's function has changed over time, but the methodology was not updated to reflect the change. In others, it is because the original methodology had only a tentative relationship to the services provided. Due to time constraints, not all departments that need to change their methodology will be updated for the 2009 budget, however, OMB will continue to work with these departments so that the methodologies can be updated for the 2010-2011 budget cycle.

### **Transparency**

When AKT and OMB reviewed the responses from the interviews with departments, a common theme emerged. More than anything else, people feel that they don't understand who is charging them and how the amounts are calculated. The team feels that this lack of knowledge and understanding is the factor that most affects peoples opinions of the current system, as opposed to any real problems with the system itself. There are two steps the team will take to achieve the goal of making the new system more transparent and understandable. First, the cost allocations will be organized in a way that minimizes confusion over where the charges are coming from. This step also helps achieve the goal of a more efficient system, and is discussed in more detail below. Second, OMB will publish a website so that all departments will be able to review the methodologies and statistics backing up their IGC charges.

## **Efficiency**

One aspect of the current IGC system that needs to be addressed is efficiency. While this issue has no affect on the final numbers, it is of great concern to those charged with running the processes and reporting on the results. In the current system, all entities are allowed to charge all other entities without regard to where they fall in the sequence of charges. For example: Department A is the first allocation that runs in the current system, and they charge 100% of their costs to Departments B and C. Department B is second and it charges 100% to Department C. However, Department C comes third, and they charge to Departments A and B. If the system stopped at this point we would have two problems. First, Department A, which was supposed to charge 100% of its costs, has costs again because Department C charged to it after it had already charged. Since this is unacceptable, whole process is started over again so that A can charge again. Unfortunately, as the process moves along, C charges to A again, so the process is repeated. Each time the process runs the amounts that get charged back to A get smaller, until it is deemed immaterial, and then the process is over for the month. The team refers to this phenomenon as "circular charging". In a normal month, the process is usually run about 5 times, and the whole cycle takes 2 or 3 days, which is not a very efficient use of time or computing resources. Second, the charges from C to A look like they came entirely from C, but we know that in reality some of those costs came from A and B because they charged first. After the process has run 5 times in a month, the charges are so blended together that it is extremely difficult to determine where they really came from. This problem is one of the reasons that people have such a hard time understanding their charges.

To address this efficiency/transparency problem the team first identified all departments that provide "central services", meaning the department mostly exists to provide service to other departments. These departments are almost entirely contained within the General Fund, but not all General Fund departments are central service providers. The central service departments were then subdivided into 5 Overhead Pools (Administrative, Employee, Finance, Legal, and Maintenance & Operations), grouping entities with like functions. Then, when an individual central service department's methodology indicates that it should be charging to another central service provider, it charges to that department's Overhead Pool instead. After all other allocations have been processed, the costs collected in the Overhead Pools are then charged out to the non-central service providing departments based on methodologies that make sense for each Overhead Pool. By processing the charges in this way, we eliminate the circular charging problem because each department only charges once, and it is very easy to see where any department's charges came from because they came either from another department directly or from one of the Overhead Pools. This approach also greatly reduces the efficiency problem because each department's allocations need to be run only once.



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### **Results and Future Steps**

Any time a system with as many variables as the IGC system at the Municipality is redesigned, changes in the outcomes are not only possible, but are to be expected. On the whole, the new IGC system spreads costs in generally the same proportions to the same entities as the current system does. However, there are several individual departments or divisions that have seen changes, with some charged more and others less. These differences should not viewed as errors, nor as one department increasing or decreasing it's charges to another, but rather as the legitimate outcomes of a much improved IGC system.

The project team has identified several additional changes and improvements that could not be implemented because of time and resource constraints, and OMB staff will continue to work on these issues in preparation for the 2010-2011 budget cycle. However, the work done this year to redesign the IGC system at the Municipality should be considered a first, giant step toward having a system that is more accurate, more efficient, and more understandable to end users than ever before.

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Municipality of Anchorage  
Office of Management & Budget  
IGCs -- 2008 to 2010 -- AWWU  
November 12, 2009

From DeptID	DeptID Name	2008 Actuals	2009 Budgeted	2009 Actuals YTD thru Sept.	2010 Proposed	Difference 2009 Budgeted vs. 2010 Proposed
1020	Clerk	53,424	75,891	1,232	71,899	(3,992)
1030	Ombudsman	12,229	9,387	7,206	8,427	(960)
1060	Internal Audit	79,546	81,686	56,235	58,135	(23,551)
1111	Mayor	224,796	199,031	149,340	119,283	(79,748)
1132	Office of Equal Opportunity	23,475	21,092	23,247	18,011	(3,081)
1151	Civil Law	126,865	37,830	64,744	33,024	(4,806)
1154	Muni Attorney Administration	8,119	0	0	0	0
1210	Muni Manager Admin	99,664	58,237	49,186	58,444	207
1242	Office of Emergency Management	227,140	176,474	148,330	143,749	(32,725)
1313	Public Finance and Investment	31,301	0	1,214	0	0
1322	Central Accounting	28,150	25,255	17,742	25,579	324
1323	Payroll	47,846	47,643	34,349	48,888	1,245
1324	Accounts Payable	34,140	22,679	15,472	23,351	672
1342	Revenue Management	12,550	28,177	28,794	18,424	(9,753)
1346	Tax Billing	3,040	4,205	5,416	2,397	(1,807)
1347	Remittance Processing	163,464	135,409	108,196	133,070	(2,339)
1370	Chief Fiscal Officer	0	86,698	45,189	83,436	(3,262)
1423	Reprographics	7,980	17,363	18,804	12,914	(4,449)
1440	Fixed Assets	87,431	138,615	140,942	188,841	50,226
1451	Application Services	130,295	213,641	153,983	240,036	26,394
1454	PeopleSoft Loans	155,928	251,083	99,204	288,601	37,518
1455	ERP Services	325,358	252,039	180,106	260,722	8,683
1471	GIS Services	13,587	14,695	9,073	10,311	(4,384)
1472	Database Services	13,695	71,139	52,866	67,138	(4,001)
1473	Projects & Procurement	39,444	67,869	57,122	54,729	(13,140)
1482	Network Services	74,639	102,058	71,000	79,609	(22,449)
1483	Enterprise Services	16,889	18,155	13,574	17,218	(937)
1841	Employment & Management Svcs	141,663	99,733	86,594	128,569	28,836
1871	Class and Emp Svcs Admin	97,669	86,334	37,375	83,888	(2,446)
1912	Purchasing Services	82,374	89,402	50,167	75,155	(14,247)
1951	Management & Budget	8,542	98,572	69,123	82,818	(15,754)
9701	Administrative Overhead Pool	0	100,636	75,162	77,250	(23,386)
9702	Employee Overhead Pool	0	35,413	27,105	41,595	6,182
9703	Finance Overhead Pool	0	138,301	112,293	106,303	(31,998)
9704	Legal Overhead Pool	0	23,919	20,884	22,966	(953)
		2,371,244	2,828,662	2,031,266	2,684,780	(143,881)

**Municipality of Anchorage**  
**Office of Management & Budget**  
**IGCs -- 2008 to 2010 -- ML&P**  
**November 12, 2009**

From DeptID	DeptID Name	2008 Actuals	2009 Budgeted	2009 Actuals YTD thru Sept.	2010 Proposed	Difference 2009 Budgeted vs. 2010 Proposed
1020	Clerk	31,383	56,173	166	51,247	(4,926)
1030	Ombudsman	4,184	4,694	3,603	4,213	(480)
1060	Internal Audit	104,434	101,473	69,857	86,113	(15,360)
1111	Mayor	295,055	247,242	185,514	176,690	(70,552)
1132	Office of Equal Opportunity	53,377	23,661	26,078	18,727	(4,933)
1151	Civil Law	51,865	38,114	27,448	33,272	(4,842)
1154	Muni Attorney Administration	8,119	0	0	0	0
1210	Muni Manager Admin	130,813	72,344	61,100	86,571	14,227
1242	Office of Emergency Management	298,491	211,485	177,757	171,185	(40,300)
1322	Central Accounting	40,509	36,367	25,549	36,834	467
1323	Payroll	43,603	44,207	31,872	45,362	1,155
1324	Accounts Payable	86,954	65,976	45,010	67,931	1,955
1342	Revenue Management	15,060	14,499	14,816	9,480	(5,018)
1346	Tax Billing	3,117	6,307	8,124	3,596	(2,711)
1347	Remittance Processing	78,693	65,516	52,349	64,384	(1,132)
1370	Chief Fiscal Officer	0	21,675	11,297	20,859	(816)
1423	Reprographics	0	16,101	12,568	11,975	(4,126)
1440	Fixed Assets	162,277	131,923	134,138	167,728	35,805
1451	Application Services	241,836	203,328	146,549	213,199	9,872
1455	ERP Services	841,754	652,064	465,963	674,529	22,465
1471	GIS Services	14,266	15,430	9,526	10,827	(4,603)
1472	Database Services	54,118	67,705	50,314	59,631	(8,073)
1473	Projects & Procurement	73,211	64,593	54,365	48,610	(15,983)
1482	Network Services	36,389	122,787	85,420	93,859	(28,928)
1483	Enterprise Services	28,975	31,148	23,289	29,540	(1,608)
1841	Employment & Management Svcs	125,613	94,919	82,413	114,195	19,276
1871	Class and Emp Svcs Admin	86,604	82,166	35,571	74,510	(7,657)
1912	Purchasing Services	151,152	164,048	92,053	137,905	(26,143)
1951	Management & Budget	22,159	118,128	82,836	98,625	(19,503)
3420	Fire Marshall	19,040	0	0	0	0
5506	Horticulture	30,304	0	0	0	0
9701	Administrative Overhead Pool	0	120,602	90,074	91,994	(28,608)
9702	Employee Overhead Pool	0	33,704	25,796	36,945	3,242
9703	Finance Overhead Pool	0	165,739	134,571	126,592	(39,147)
9704	Legal Overhead Pool	0	24,099	21,040	23,138	(960)
		3,133,356	3,118,213	2,287,026	2,890,267	(227,945)

## 9. Provide a copy of the P&P on charitable contributions. (Selkregg)

 <b>MUNICIPALITY OF ANCHORAGE OPERATING POLICY/PROCEDURE</b>	P&P No. <b>80-3</b>	Page 1 of 4
	Effective Date: <b>January 1, 2008</b>	
Subject: <b>Charitable Contributions by Municipal Utilities and Enterprise Activities</b>	Supersedes No.	Dated
	Approved by: 	

1. **PURPOSE**  

To establish a policy and procedure for charitable contributions made by Municipal utilities and enterprise activities.
2. **POLICY**  

It is the policy of the Municipality of Anchorage (MOA) requests for charitable contributions will be subject to oversight and approval by an administrative body. Additionally, administrative bodies are required to set and implement criteria to be used when considering requests for charitable contributions.
3. **ORGANIZATIONS AFFECTED**  

All Municipal utilities and enterprise activities, including those organized as independent authorities.

Charitable contributions that are approved by the Assembly are not covered by this policy and procedure, except that they are included in quarterly summary reports.

Employee contributions to organizations such as the United Way are not covered by this policy and procedure.
4. **REFERENCES**  

Municipal Advisory Opinion 2007-3 dated September 13, 2007. See Attachment A.
5. **DEFINITIONS**  

Administrative Body – A Board or Commission appointed by the Mayor and confirmed by the Assembly to provide administrative oversight to an enterprise activity.

Charitable Contribution – A contribution to an organization officially created for charitable, artistic, literary, or other good works. Charitable contributions include but are not limited to non-de minimus grant awards, contributions of goods or equipment, payments of booth fees for events sponsored by a charitable organization, or contributions of surplus equipment.


De minimus – A charitable contribution of less than \$2,500 or for an item that is clearly immaterial in value (example: a donation of a case of bottled water).

Membership Fees – Enterprise activities will occasionally pay membership fees to national same-industry organizations (example: annual membership fee to the Association of Metropolitan Water Agencies). If the fee is clearly related to the enterprise activity's primary business purpose, it is not considered a charitable contribution and is excluded from this P&P. However, any monetary contribution *above* the minimum required membership fee is considered a charitable contribution and is subject to this P&P.

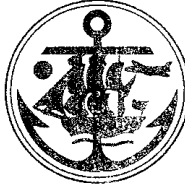
Utilities and enterprise activity – Anchorage Water and Wastewater Utility, Merrill Field, Municipal Light & Power, Solid Waste Services, or the Port of Anchorage. Hereafter referred to as *enterprise activity*.

Subject: <b>Charitable Contributions by Municipal Utilities and Enterprise Activities</b>	P&P No. 80-3	Page 2 of 4
<p><b>6. RESPONSIBILITIES</b></p> <p>The enterprise activity's administrative body:</p> <ul style="list-style-type: none"> <li>a. Sets criteria in writing for evaluating charitable contributions. Criteria can include, but are not limited to:             <ul style="list-style-type: none"> <li>i. Service area</li> <li>ii. Mission</li> <li>iii. Strategic Plan</li> </ul> </li> <li>b. Determines a budget for each year's charitable contributions.</li> <li>c. Approves or disapproves requests for charitable contributions, except de minimus contributions.</li> <li>d. Periodically reviews lists of de minimus contributions approved by the General Manager.</li> </ul> <p>The enterprise activity's Finance Manager:</p> <ul style="list-style-type: none"> <li>a. Receives all requests from charitable organizations.</li> <li>b. Submits requests for charitable contributions to the administrative body or to the General Manager if they are de minimus.</li> <li>c. Tracks all charitable contributions made by organization.</li> <li>d. Submits charitable contributions made to the Controller Division each quarter. For contributions of non-de minimus goods or equipment, estimates the value of the donation for reporting purposes.</li> </ul> <p>The enterprise activity's General Manager:</p> <ul style="list-style-type: none"> <li>a. Evaluates de minimus requests, and approves or disapproves them. He or she may also opt to forward de minimus requests to the enterprise activity's administrative body for consideration.</li> <li>b. Reports all de minimus requests that are approved to the administrative body through the enterprise activity's Finance Manager.</li> </ul> <p>The Controller Division:</p> <ul style="list-style-type: none"> <li>a. Prepares quarterly summaries of charitable contributions, sorted by recipient entity, and forward the summaries to the Assembly for review. The summaries include charitable contributions made by General Government as well as the enterprise activities. The summaries help ensure that a single recipient entity is not inadvertently receiving multiple contributions from different enterprise activities.</li> </ul> <p>The Assembly:</p> <ul style="list-style-type: none"> <li>a. Reviews quarterly summaries of charitable contributions made.</li> </ul> <p><b>7. <u>PROCEDURES</u></b></p> <p>During the annual budget cycle, the enterprise activity's administrative body sets a charitable contributions budget the following year. The budget should be set keeping the organization's size and relative financial health in mind. At this time, the administrative body also reviews its written criteria and amends them if necessary.</p> <p>During the annual budget cycle, the enterprise activity's administrative body may identify most of the charitable contributions it intends to make in the following year, but this is not required.</p>		

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<p>Charitable organizations desiring contributions submit their requests to the enterprise activity's Finance Manager. Requests should include a brochure or other information about the charity in addition to providing an explanation of the charity's purpose and the enterprise activity's interest in supporting the organization. Charitable organizations should <u>not</u> contact members of the administrative body on behalf of their organization.</p> <p>If de minimus, the Finance Manager forwards the request to the General Manager. Otherwise, the Finance Manager forwards the request to the Administrative Body for review, and approval or rejection, along with a list of de minimus contributions approved by the General Manager.</p> <p>The General Manager approves or disapproves de minimus requests, and reports such back to the Finance Manager.</p> <p>The Administrative Body reviews the list of de minimus contributions approved by the General Manager. The Administrative Body also reviews non-de minimus requests compared to the approved criteria and the remaining charitable contribution budget. The Administrative Body approves or disapproves the request.</p> <p>The Finance Manager communicates the decision (approval or disapproval) back to the requesting charitable organization.</p> <p>The Finance Manager periodically reports all year-to-date charitable contributions relative to approved budget to the Controller Division.</p> <p>The Controller Division prepares and submits quarterly summaries of charitable contributions to the Assembly for review.</p>		
<b>8. PROHIBITIONS</b>		
<p>The following contributions are expressly prohibited:</p> <ul style="list-style-type: none"> <li>a. Political contributions</li> <li>b. Religious contributions made to directly promote the respective religion's teachings. However, contributions may be considered to those faith-based organizations that promote community social services without regard to a specific religion (e.g., The Salvation Army, Catholic Social Services, etc.)</li> <li>c. Contributions made using a P-card</li> <li>d. Monetary contributions made from petty cash</li> <li>e. Contributions to youth sports teams</li> <li>f. The enterprise activity may not give tables or seats to elected officials or Municipal employees (including executives). However, the enterprise activity may purchase tables or seats at charitable events, if the table or seats are donated back to the charitable organization for its use.</li> <li>g. Contributions that exceed approved budgets</li> </ul>		
<p>Charitable organizations are prohibited from contacting members of administrative bodies in order to lobby for approval of their requests.</p>		
<p>Budget transfers to increase an enterprise activity's approved budget for charitable contributions are prohibited.</p>		

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<p data-bbox="332 363 854 390"><b><u>ANNUAL REVIEW DATE/LEAD REVIEW AGENCY</u></b></p> <p data-bbox="332 415 1286 443">This policy and procedure will be reviewed each January by the Chief Fiscal Officer or designee.</p> <p data-bbox="332 516 509 543">ATTACHMENT A</p> <div data-bbox="365 569 459 663"><p data-bbox="365 621 459 663">Adv Option 2007-3.pdf</p></div>		

# Municipality of Anchorage



BOARD OF ETHICS

C/O OFFICE OF THE CLERK  
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ANCHORAGE, ALASKA 99519-6650  
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## ADVISORY OPINION 2007-3

On September 10, 2007 the Ethics Board received by email a Request for Advisory Opinion from Barbara E. Gruenstein, the Municipal Clerk of Anchorage, and requesting that the Board expedite its decision-making so that she might receive the guidance requested by Friday, September 14, 2007. Consequently, the Board met in a special meeting at 3:00 pm, after giving appropriate public notice, to consider the Request for Advisory Opinion.

### Factual Background

The "Mayor's Charity Ball" is an annual charity event organized by a charitable non-profit organization which is not an enterprise or other division of municipal government. That is, each year the 501(c)3 non-profit corporation (Tax ID 55-0880420) organizes and hosts the event to assist charitable organizations, and each mayor, in turn, serves a ceremonial role at the event, on behalf of our community. (<http://www.mayorscharityball.org/>)

This year, the event will be held on October 13, 2007 and seating is \$150.00 per person. The \$150.00 includes dinner, with the difference between the cost of the banquet and the table seating sales going to support charity (along with the proceeds from silent and live auctions and fundraising during the event). In addition to dinner, the event also includes entertainment, dancing, socializing, the opportunity to be introduced as a civic leader, and the opportunity for the table sponsor to meet with invited guests at the table in a social setting over several hours.

Many organizations in Anchorage sponsor tables at the event and Assembly members have been invited to attend as a guest of the sponsor. (See Sponsor List at Mayor's Ball website)

### Specific Questions for Ethics Board

The Municipal Clerk requested an Advisory Opinion from the Board on the following questions:



1. "Assembly Members may be invited by Municipal Light and Power (ML&P) to accept seats at tables sponsored by ML&P. Please advise and include recommended disclosure in the advisory."

2. "Assembly members may be invited by one or more private business entities or individuals to accept seats at tables sponsored by private sector participants in the event. Please advise and include recommended disclosure in the advisory."

### **DISCUSSION**

The section of the Ethics Code dealing with the solicitation or acceptance of gifts by elected officials is AMC 1 15.035 O which is itself divided into 5 sections, the first 3 being pertinent to this discussion. First, not all "gifts" are subject to the Code's restrictions:

An elected official may not solicit or accept a gift if it can reasonably be inferred that the gift is intended to influence the elected official's independence of judgment in the exercise of official duties

1 15.035.O

Therefore, if the gift solicited or accepted can not be reasonably inferred as intended to influence the official's independence of judgment in the exercise of official duties, the solicitation or acceptance of that particular gift is not covered by the Code

A "gift" is defined in the following subsection as:

- a. Money, an item of value, service, loan, travel or hospitality accommodation, entertainment, or employment; and
- b. Provided to an elected official, or to another person or entity designated by the elected official, for less than full value.

1 15.035.O 1

Subsections 2 and 3 of AMC 1 15.035(O) describe certain exceptions to the restriction contained in AMC 1.15.035(O). AMC 1.15.035.O 2 includes a presumption that food or beverage for immediate consumption is not given in violation of the gift accepting prohibition (unless rebutted by other factors) and AMC 1.15.035.O.3 includes a listing of allowable gifts, and respective disclosure requirements.

Because the Municipal Clerk's Request for Advisory Opinion is the first instance for the Board to consider the issue of what a ticket to an event like the Mayor's Ball is in

the context of the Code, several preliminary decisions must first be made before the Board can render its Opinion on the questions posed by the Municipal Clerk.

First, under AMC 1 15.035.O, a ticket to a social event such as the Mayor's Ball is clearly a gift subject to that section's restrictions. It is an item of value, here worth \$150.00. If an elected official wanted to attend the event without being invited as a guest of a third party, the official would have to pay the \$150.00 out of his or her own pocket. Being invited as a guest saves the official that expense. The ticket is being provided to the official at less than its face value.

Second, although it is true that dinner is provided at the event, dinner is not the purpose of the event. The event is a night involving dinner, entertainment, socializing and being involved in (and being seen as being involved in) a community effort to help other members of the community. It is the Board's determination that the gifting of a ticket to such an event is more than simply providing food and beverage as contemplated in AMC 1.15.035.O.2 and thus that subsection is inapplicable to the questions submitted to the Board by the Municipal Clerk in her Request for Advisory Opinion. The ticket should be viewed as providing admittance to the event rather than being viewed as providing a single one of the several benefits included in the event.

Third, no exception listed in AMC 1 15.035.O.3 is applicable to the questions submitted by the Municipal Clerk in her Request for Advisory Opinion.

#### **Determination**

Since no exception to the restriction on an elected official soliciting or accepting a gift exists, and the Board has found that a ticket to the Mayor's Ball, if accepted by an elected official would be a gift, the question turns to whether an elected official is, under the circumstances, restricted from accepting the ticket.

The test quoted above can be stated in the form of a question:

Could a reasonable person infer that (gift giver)'s gift of a \$150.00 ticket to the Mayor's Ball to an elected official where the elected official would sit at the (Gift Giver's) table is an attempt to influence the exercise of the official's independence of judgment?

The language of AMC 1.15.035.O does not require certainty. Gifts are prohibited if **"it can be reasonably inferred"** that the gift is being given to influence the elected official's independence of judgment. The Board finds that the term "reasonably inferred" has the meaning drawn from Webster's Third New International Dictionary for the word "infer", that is, "to derive by reasoning or implication : conclude from facts or premises". The Board interprets the language of AMC 1 15.035.O to mean that the reasonable

inferences arising from the gift giving will be tested from the viewpoint of a reasonable member of the general public of the Municipality of Anchorage.

The Board determines the factors that a reasonable person would take into account in drawing an inference under the scenario as posited by the Municipal Clerk are:

1. The value of the gift
2. The fact that the elected official would be sitting at the gift giver's table, thereby giving the gift giver and his other guests substantial access to the elected official
3. The elected official being provided a free opportunity for substantial exposure in a quite positive public event.

The Board determined that a gift of a \$150.00 ticket to a social event is a gift under AMC 1.15.035.O. The fact that the event was to a charity auction as opposed to, say, tickets to a sporting event is of little moment. Both instances involve gifts which involve admission to an event that the elected official would not otherwise have attended unless he or she would have paid for admission. The value of the ticket to the event was considered by the majority of the Board to be sufficient to represent more than nominal expense. The \$150.00 amount is 3 times the limits allowed for gifts given to Municipal employees [See, AMC 1.15.025.H.2 (gifts to municipal employees worth \$50.00 or less presumed not to be intended to influence municipal employee's independent judgment in exercise of official duties)]; and Anchorage School District Employees [See, AMC 1.15.035.O.3.g (school district employee may accept gift of "nominal value" from student, parent, parent group or community organization, but must disclose gifts with value in excess of \$50.00)]. Under the specific facts encompassed in the questions submitted by the Municipal Clerk, the Board determines that a \$150.00 ticket to an event given to an elected official is a gift, regardless of the non-profit nature of the event.

The second factor was judged important by the majority of the Board because events like the Mayor's Ball last several hours and provide opportunities for contact between the gift giver and an elected official under convivial conditions not experienced by members of the general public. The gift giver is the elected official's "host," potential wine pourer, entertainer and sponsor. He or she has the opportunity to get to know, or expand his or her relationship with the elected official in a manner far beyond office or group meetings, conversations in a hall outside of the Assembly Room, on the telephone or by the internet that almost all other members of the general public experience. The disparity in the quality of the contact and the relationship building opportunity is obvious to any observer.

Finally, a Municipality of Anchorage elected official at, particularly, the Mayor's Ball will by protocol be publicly introduced at the beginning of the festivities; providing the

official a valuable benefit of being seen by a large number of members of the general public, many very civic minded; under flattering conditions. This opportunity if not golden, is at least valuable to any official who might again run for office from both an image and potential fund raising perspective. During the introduction the attention of those in attendance will be drawn to the elected official and it is probable that some in attendance will note who the table sponsor is.

Because of the weight of the combined factors described above, a majority of the Board finds that a reasonable person could infer that a ticket given to an Assembly member under the circumstances described in the Municipal Clerk's Request would be given as an attempt to influence the Assembly Member's independence of judgment.

It is the majority of the Board's opinion that Assembly Members may not accept gifted tickets to the Mayor's Ball. The Board also finds that the fact that, in Question 1, the Gift Giver is posited as ML&P makes no difference. Although ML&P is a Municipality Enterprise, its budget is still voted on and approved by Assembly members, and the development of a better than normal relationship could enhance ML&P's interests. Because AMC 1 15 035.0.3's various exceptions to the section's outright prohibition against accepting gifts does not include an exception allowing for acceptance of tickets to the Mayor's Ball under the circumstances described in the Request for Advisory Opinion, no gift disclosure can be made to allow for the acceptance of a Mayor's Ball ticket by an Assembly Member.

Respectfully submitted,

Municipality of Anchorage Board of Ethics