AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE
SECTION 6.50.060 TO PROVIDE AN INTERIM REDUCTION IN THE MAXIMUM
PERCENTAGE APPLICABLE TO THE ANNUAL DIVIDEND PAYOUT, UNTIL SUCH
TIME AS THE TRUST'S MARKET VALUE RECOVERS TO A LEVEL EQUAL TO
OR GREATER THAN THE TRUST'S MARKET VALUE AT DECEMBER 31, 2007,
ADJUSTED FOR INFLATION.

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code subsection 6.50.060D. is amended to read as follows:

6.50.060 MOA Trust Fund

*** *** ***

D. Controlled spending policy. No more than five percent of the average asset balance will be available for annual dividend distribution. The five percent cap is tied to an endowment method whereby long-term capital market projections for average annual investment return are netted against projected inflation (e.g., in January 2001 capital market projections indicated an 8.25 percent average annual investment return less 3.25 percent average annual inflation, for a projected "net" average annual rate of return of five percent over the next five years).

1. However, effective January 1, 2010, no more than four percent of the average asset balance will be available for annual dividend distribution until such time as the Trust’s market value recovers to a level equal to or greater than the Trust’s market value at December 31, 2007, adjusted for inflation.

2. Following such recovery, the Trust may resume distributing a maximum of five percent of the average asset balance for annual dividend distribution purposes.

*** *** ***

(AO No. 99-50(S), § 1, 4-6-99; AO No. 99-156, § 1, 1-11-00; AO No. 2000-89, § 1, 6-13-00; AO No. 2000-162(S), § 1, 11-21-00; AO No. 2002-10, § 1, 4-16-02; AO No. 2003-167, § 1, 1-6-04; AO No. 2006-146, § 1, 10-31-06)

AM 39-2009
Section 2. This ordinance shall become effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 20th day of January, 2009.

Chair

ATTEST:

Municipal Clerk
MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2009-3 Title: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 6.50.060 TO PROVIDE AN INTERIM REDUCTION IN THE MAXIMUM PERCENTAGE APPLICABLE TO THE ANNUAL DIVIDEND PAYOUT, UNTIL SUCH TIME AS THE TRUST'S MARKET VALUE RECOVERS TO A LEVEL EQUAL TO OR GREATER THAN THE TRUST'S MARKET VALUE AT DECEMBER 31, 2007, ADJUSTED FOR INFLATION.

Sponsor: MAYOR Preparing Agency: Finance Department Others Impacted:

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PUBLIC SECTOR ECONOMIC EFFECTS:

Revenue impacts shown above are conservatively calculated based upon an 8.25% annual increase in the Trust Fund's market value. If market value recovery occurs more quickly, the revenue impacts will be lessened.

PRIVATE SECTOR ECONOMIC EFFECTS:

None.

Prepared by: Sharon B. Weddleton, CFO Telephone: 343-6610
FROM MAYOR

SUBJECT: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 6.50.060 TO PROVIDE AN INTERIM REDUCTION IN THE MAXIMUM PERCENTAGE APPLICABLE TO THE ANNUAL DIVIDEND PAYOUT, UNTIL SUCH TIME AS THE TRUST'S MARKET VALUE RECOVERS TO A LEVEL EQUAL TO OR GREATER THAN THE TRUST'S MARKET VALUE AT DECEMBER 31, 2007, ADJUSTED FOR INFLATION.

This ordinance amends Anchorage Municipal Code section 6.50.060D., MOA Trust Fund, to promote rebuilding of the purchasing power of the Trust. Specifically:

- The proposed ordinance establishes an interim reduction in the maximum annual payout percentage from 5% to 4% until the Trust's market value recovers to its level at December 31, 2007, adjusted for inflation.

- The effective date of January 1, 2010 attempts to strike a balance between the requirements of the 2009 budget and the need to ensure long-term Trust viability.

Background/Purpose: The year 2008 is the fifth worst investment year on record. The magnitude of 2008 losses led to the Trust's market value falling below its original corpus balance of $102 million. While recovery is expected, there is uncertainty regarding how long it will take. In the meantime, the Trust is authorized by Charter and Code to withdraw up to 5% of the average asset value each year as a dividend to general government.

A primary objective of the Trust is to preserve corpus in an effective inflation-proofed manner. To maintain the long-term purchasing power of the Trust, it is incumbent on the City to lower the percentage payout rate from 5% to 4% per year until the Trust rebuilds its value. This interim dividend reduction is likely to last at least several years. If passed, this ordinance reduces annual dividends beginning in 2010 by approximately $1 million.

The Investment Advisory Commission and investment consultant met in December, carefully reviewed this issue, and unanimously recommend approval of this ordinance as a means of preserving the purchasing power of the Trust.
THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 6.50.060 TO PROVIDE AN INTERIM REDUCTION IN THE MAXIMUM PERCENTAGE APPLICABLE TO THE ANNUAL DIVIDEND PAYOUT, UNTIL SUCH TIME AS THE TRUST’S MARKET VALUE RECOVERS TO A LEVEL EQUAL TO OR GREATER THAN THE TRUST’S MARKET VALUE AT DECEMBER 31, 2007, ADJUSTED FOR INFLATION.

Prepared by: Daniel Moore, Municipal Treasurer
Approved by: Sharon Weddleton, CFO
Concur: James N. Reeves, Municipal Attorney
Concur: Michael K. Abbott, Municipal Manager
Respectfully submitted: Mayor Mark Begich and Acting Mayor-Appointee Matt Claman
AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE
SECTION 6.50.060 TO PROVIDE AN INTERIM REDUCTION IN THE MAXIMUM
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Title: ~c;.,~ ~~L~~~BsL-F:~J~~E~N:AuL~~ D~~~6~~:SA ;g~TLEUV~~L

Author: maglaquijn
Initiating Dept: Finance
Keywords: Trust, MOA Trust Fund, Interim Reduction, Dividend Payout, Market Value, Adjusted, Inflation
Date Prepared: 12/26/08 10:26 AM
Director Name: Sharon Weddleton
Assembly Meeting 1/6/09
Date: 
Public Hearing 1/20/09

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