

**ANCHORAGE, ALASKA
AO No. 2020-98**

1 **AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION**
2 **6.50.060 TO MODIFY THE MOA TRUST FUND ANNUAL DIVIDEND**
3 **CALCULATION METHODOLOGY AND TO BROADEN AUTHORIZED**
4 **INVESTMENTS TO FURTHER DIVERSIFY THE MOA TRUST FUND**
5 **RETROACTIVE TO JANUARY 1, 2020 SUBJECT TO THE OCCURRENCE OF**
6 **THE MUNICIPAL LIGHT & POWER SALE CLOSING DATE.**

7
8 **WHEREAS**, the anticipated final net sale proceeds from the sale of Municipal Light
9 & Power (ML&P) to Chugach Electric Association (CEA) is expected to dramatically
10 increase the value of the MOA Trust Fund; and

11
12 **WHEREAS**, without recalibration of the current MOA Trust Fund dividend
13 calculation methodology, the resultant dividend calculation will produce a skewed
14 and understated annual dividend calculation beginning in 2020; and

15
16 **WHEREAS**, the MOA Trust Fund's investment consultant and the Investment
17 Advisory Commission recommend further diversification of portfolio managers and
18 broadened authority to invest in alternative investment areas, in light of the more
19 than doubling of the MOA Trust Fund's market value resulting from the sale of ML&P
20 to CEA; now therefore

21
22 **THE ANCHORAGE ASSEMBLY ORDAINS:**

23
24 **Section 1.** Anchorage Municipal Code section 6.50.060, MOA Trust Fund, is
25 hereby amended to read as follows (*other portions of this section are not affected*
26 *and therefore not set out*):

27
28 **6.50.060 - MOA Trust Fund.**

29
30 A. *Definitions.* In this section, unless the context clearly indicates
31 otherwise:

32
33 * * * * *

34
35 *Average asset balance* means the market value of the pooled
36 trusts' assets, including accrued investment interest and dividends,
37 averaged [OVER THE 20 CONSECUTIVE QUARTERS ENDING
38 MARCH 31 OF EACH FISCAL YEAR. DURING 2004 THE AVERAGE

1 ASSET BALANCE WILL BE BASED ON THE 19 QUARTERS ENDED
2 MARCH 31, 2004] according to the following specified terms:

3
4 2020 annual dividend payment to be based on the average
5 asset balance associated with the audited December 31, 2019 market
6 value and the initial month end market value associated with the ML&P
7 sale closing date, using the full amount of anticipated net ML&P sale
8 proceeds, as assigned to the MOA Trust Fund in accordance with
9 ML&P sale closing documents.

10
11 2021 annual dividend payment to be based on the average
12 asset balance associated with the trailing 2 consecutive quarters
13 ending March 31, 2021.

14
15 2022 annual dividend payment to be based on the average
16 asset balance associated with the trailing 6 consecutive quarters
17 ending March 31, 2022.

18
19 2023 annual dividend payment to be based on the average
20 asset balance associated with the trailing 10 consecutive quarters
21 ending March 31, 2023.

22
23 2024 annual dividend payment to be based on the average
24 asset balance associated with the trailing 14 consecutive quarters
25 ending March 31, 2024.

26
27 2025 annual dividend payment to be based on the average
28 asset balance associated with the trailing 18 consecutive quarters
29 ending March 31, 2025.

30
31 2026 and later years' annual dividend payment to be based on
32 the average asset balance associated with the trailing 20 consecutive
33 quarters ending March 31 of each fiscal year.

34
35 *Corpus of the MOA Trust Fund (or corpus) means:*

- 36
37 1. The aggregate of the following proceeds
38 previously deposited by the assembly:
39
40 a. Proceeds from the sale of ATU after
41 retirement of ATU debt; [AND]
42
43 b. Proceeds allocated from the police and fire
44 retirement system settlement; and[.]
45

1 collective investment vehicle which limits the pooled trusts'
2 liability;

3
4 * * * * *

5
6 J. *Investment restrictions.* Notwithstanding any other provision of this
7 title, investment of the assets of the pooled trusts shall be restricted
8 as follows:

9
10 * * * * *

11
12 3. *Real estate.* No more than:

13
14 a. Ten [FIVE] percent (10[5]%) of the overall pooled trusts'
15 portfolio value at time of purchase may be invested in
16 real estate investments cited above in subsection I.3.

17
18 4. *Basket clause flexibility.* No more than:

19
20 a. Ten [FIVE] percent (10[5]%) of the overall pooled trusts'
21 portfolio value at time of purchase may be used to
22 provide basket clause flexibility in:

23
24 i. Extending investment parameters in any of the
25 asset classes cited in this section; or

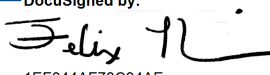
26
27 ii. Utilizing investment vehicles such as limited
28 partnerships or special purpose trusts to provide
29 access to well-diversified alternative investment
30 portfolios or strategies. Examples of such limited
31 liability investments include, but are not limited to,
32 hedge fund of funds (absolute return strategy),
33 private equity, private debt [FUND OF FUNDS],
34 and various real return and/or inflation hedge
35 products.

36
37 * * * * *

38
39 (AO No. 99-50(S), § 1, 4-6-99; AO No. 99-156, § 1, 1-11-00; AO No. 2000-
40 89, § 1, 6-13-00; AO No. 2000-162(S), § 1, 11-21-00; AO No. 2002-10, § 1,
41 4-16-02; AO No. 2003-167, § 1, 1-6-04; AO No. 2006-146, § 1, 10-31-06; AO
42 No. 2009-3, § 1, 1-20-09; AO No. 2016-127, § 1, 11-1-16)

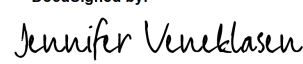
43
44 **Section 2.** This ordinance shall be effective retroactive to January 1, 2020,
45 subject to the occurrence of the ML&P sale closing date.

1 PASSED AND APPROVED by the Anchorage Assembly this 1st day of October,
2 2020.
3

4
5 DocuSigned by:
6 
7 1EF044AF78C94AE...

8 Chair

9 ATTEST:

10 DocuSigned by:
11 
12 E1BFFEC0799D4B9...

13 Municipal Clerk



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 544-2020

Meeting Date: September 15, 2020

1 **From: MAYOR**

2
3 **Subject: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE**
4 **SECTION 6.50.060 TO MODIFY THE MOA TRUST FUND ANNUAL**
5 **DIVIDEND CALCULATION METHODOLOGY AND TO BROADEN**
6 **AUTHORIZED INVESTMENTS TO FURTHER DIVERSIFY THE**
7 **MOA TRUST FUND RETROACTIVE TO JANUARY 1, 2020**
8 **SUBJECT TO THE OCCURRENCE OF THE MUNICIPAL LIGHT &**
9 **POWER SALE CLOSING DATE.**

10
11 The Municipality anticipates the final closing and transfer of the designated portion
12 of net sales proceeds from the sale of Municipal Light & Power (ML&P) to Chugach
13 Electric Association (CEA) in 2020. The designated portion of net sales proceeds
14 which ultimately are transferred to the MOA Trust Fund ("Trust") will result a
15 significant increase to the Trust's value (i.e., assuming upper estimate of \$230
16 million). Historically, the Trust's annual dividend calculation has been based on a
17 specified percentage applied to the average market value of the Trust over the
18 trailing 20 calendar quarters ended March 31 of each fiscal year.

19
20 The designated portion of net sales proceeds are expected to be received by the
21 Trust during the second half of 2020. Given that the Trust's value is expected to
22 increase by 140% once transferred monies are received, continued use of the
23 current dividend calculation methodology would result in a skewed, understated
24 annual dividend amount. To rectify this situation, the proposed Ordinance
25 recalibrates the calculation to recognize the maximum effect of the added funds in
26 the year 1 by modifying the definition of average asset balance in the definitions
27 section of Anchorage Municipal Code (AMC) Section 6.50.060. The dividend
28 calculation is then smoothed out in years 2 through 6 such that by year 2026 the
29 average asset value is restored back to an average of the Trust's market value
30 over the 20 consecutive quarters ending March 31 of each fiscal year.

31
32 The long-term dividend payout percentage is proposed to increase from 4.25% to
33 4.50% since the ML&P sales proceeds have helped the Trust regain its inflation-
34 proofed status based on its prior market value at 12/31/07, the last calendar year
35 prior to the 2008/2009 market crash. For calendar year 2020 only, the dividend
36 payout percentage is proposed to be 5.00%, in order to generate a dividend
37 amount in-line with the dollar amount approved in a Q1 2020 general government
38 operating budget revision that the Assembly proposed and approved on April 28,
39 2020.

40
41 In addition, the proposed ordinance broadens investment authority to allow greater
42 exposure to direct real estate investments and to increase the basket clause
43 percentage cited in AMC to allow for increased allocations to more diversified types
44 of investments. This broadened authority is in response to the Trust more than

1 doubling in size with the receipt of ML&P sale proceeds.
2

3 The proposed code changes governing the Trust were made in close consultation
4 with the Trust's investment consultant and the Investment Advisory Commission,
5 after significant review and discussion in late 2019 and 2020. The changes are
6 expected to provide further diversification benefits within the Trust while
7 maintaining risk objectives.
8

9 The attached Summary of Economic Effects (S.E.E.) specifically addresses the
10 projected increase in annual revenues to the General Government Operating
11 Budget as a result of this proposed change in the annual dividend calculation
12 methodology.
13

14
15 **THE ADMINISTRATION RECOMMENDS APPROVAL.**
16

17 Prepared by: Daniel Moore, Municipal Treasurer
18 Approved by: Alexander Slivka, CFO
19 Concur: Lance Wilber, Director, Office of Management and
20 Budget
21 Concur: Kathryn R. Vogel, Municipal Attorney
22 Concur: William D. Falsey, Municipal Manager
23 Respectfully submitted: Ethan A. Berkowitz, Mayor

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2020-98

Title: **AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 6.50.060 TO MODIFY THE MOA TRUST FUND ANNUAL DIVIDEND CALCULATION METHODOLOGY AND TO BROADEN AUTHORIZED INVESTMENTS TO FURTHER DIVERSIFY THE MOA TRUST FUND RETROACTIVE TO JANUARY 1, 2020 SUBJECT TO THE OCCURRENCE OF**

Sponsor: **MAYOR**
 Preparing Agency: **FINANCE / TREASURY**
 Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:	(In Thousands of Dollars)				
	FY20	FY21	FY22	FY23	FY24
Operating Expenditures					
1000 Personal Services					
2000 Non-Labor					
3900 Contributions	-	-	-	-	-
4000 Debt Service	-	-	-	-	-
TOTAL DIRECT COSTS:	\$ -	\$ -	\$ -	\$ -	\$ -
Add: 6000 Charges from Others	\$ -	\$ -	\$ -	\$ -	\$ -
Less: 7000 Charges to Others	-	-	-	-	-
FUNCTION COST:	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES:	\$ -	\$ 3,600	\$ 300	\$ 200	\$ 200
CAPITAL:	\$ -	\$ -	\$ -	\$ -	\$ -
POSITIONS: FT/PT and Temp	0	0	0	0	0

PUBLIC SECTOR ECONOMIC EFFECTS:

The proposed Ordinance would allow for an increased annual dividend, from \$6.5M to \$14.0M, starting in year 2020 as a result of a recalibrated formula to account for the designated portion of net sales proceeds going into the MOA Trust Fund ("Trust") from the sale of ML&P to Chugach Electric (i.e., assuming upper estimate of \$230M). The change in calculation methodology will gradually return to the average market value of the Trust for the 20 consecutive trailing calendar quarters by year 2026. The additional funds from the MOA Trust Fund annual dividend can be used to help fund operating budget priorities without the need to rely solely on property taxes as a revenue source. The above revenue projections factor in the ramped up average market value time periods cited in the Ordinance and assumes a 5.00% payout rate in 2020 only, in accordance with a 2020 1Q budget revision proposed and approved by the Assembly, and a 4.50% dividend payout rate thereafter, with the dividend calculated consistently at March 31 beginning in year 2021 and with the dividend assumed to be paid out by December 15 of each year per existing Code requirement. The 4.50% payout rate is consistent with recommendation provided by the Trust's investment consultant based on long-term capital market assumptions.

PRIVATE SECTOR ECONOMIC EFFECTS:

There is no direct projected effect on the Private Sector other than City services will have additional non-property tax revenues from the MOA Trust Fund, in the form of investment income and return, to pay for priority public services that broadly support the community.

Prepared by: *Daniel Moore, Municipal Treasurer*

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