AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 31.20.020 TO REVISE THE REQUIREMENT FOR PAYMENT OF A DIVIDEND FROM THE ANCHORAGE WATER AND WASTEWATER UTILITY TO THE MUNICIPALITY OF ANCHORAGE UNDER CERTAIN CONDITIONS.

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code section 31.20.020 is amended to read as follows (the remainder of the section is not affected and therefore not set out):

31.20.020 Dividend to the Municipality.

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B. The board shall make recommendations to the assembly regarding dividend payments by ASU and/or AWU to the municipality from the previous year, after the audited financial statements of ASU and AWU for that previous year are issued [APPROVED BY THE ASSEMBLY AND THE BOARD]. Dividends may be paid by ASU and/or AWU when dividends do not degrade the financial health, system integrity, and stability of ASU or AWU.

1. When making a recommendation to the assembly the board shall give consideration to indicators of financial health and integrity, including the utility’s bond coverage ratio, its debt to equity ratio, the amount of cash reserves on hand before and after the dividend payment, the utility’s historical financial trend and expected future financial operations, and any other criteria the board determines is relevant to indicating the financial health and integrity of the utility.

2. When the board recommends payment of a dividend, it shall include with its recommendation a report stating its conclusions following consideration of the indicators of financial health and integrity set out above.

[DIVIDENDS SHALL BE MADE WHEN ALL THE FOLLOWING CONDITIONS ARE MET:

1. NO ADVERSE EFFECT UPON PAYING UTILITY DEBT SERVICE AND/OR BOND COVENANTS;

2. ACHIEVEMENT AND PROJECTED FUTURE MAINTENANCE OF DEBT-TO-EQUITY RATIOS OF 65/35 OR BETTER FOR THE PAYING UTILITY;]
MAINTAINING AT LEAST 180 DAYS OPERATIONAL CASH RESERVES AFTER THE DIVIDEND PAYOUT FOR BOTH ASU AND AWU;

DIVIDEND PAYMENTS BY ASU OR AWU DOES NOT EXCEED 50 PERCENT OF THE PAYING UTILITY’S NET INCOME FOR THE YEAR ON WHICH DIVIDENDS ARE PAID; AND SHOULD THE FINANCIAL POSITION OF EITHER ASU OR AWU CHANGE DUE TO A WINDFALL CONDITION, THE BOARD AND ASSEMBLY MAY REEVALUATE THE DIVIDEND DISTRIBUTION CRITERIA.

(AO No. 2005-107, § 1, 1-1-06)

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

PASSED AND APPROVED this ________ day of ________________, 2008.

______________________________
Chair

ATTEST:

______________________________
Municipal Clerk
MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM

No. AM-2008

Meeting Date: July 15, 2008

From: MAYOR

Subject: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE
SECTION 31.20.020 TO REVISE THE REQUIREMENT FOR
PAYMENT OF A DIVIDEND FROM THE ANCHORAGE WATER
AND WASTEWATER UTILITY TO THE MUNICIPALITY OF
ANCHORAGE UNDER CERTAIN CONDITIONS

This ordinance amends Anchorage Municipal Code section 31.20.020 to revise the
requirement for payment of a dividend under certain circumstances. Section 31.20.020A.
states:

AWU (Anchorage Water Utility) and ASU (Anchorage Sewer Utility) shall be
operated in accordance with prevailing industry practices and in a manner
which shall provide dividends to the Municipality.

Thereafter, Anchorage Municipal Code section 31.20.020B. is permissive in terms of when the
utility may pay a dividend:

Dividends may be paid by ASU and/or AWU when dividends do not
degrade the financial health, system integrity, and stability of ASU or AWU.

Section 31.20.020B. is also prescriptive in terms of when the utility must pay a dividend, setting
out four conditions that must be met to trigger the dividend payment.

The AWWU Authority Board discussed the precise nature of the prescriptive terms on several
occasions. As a result of those discussions, the AWWU Authority Board seeks additional
flexibility, as provided in this ordinance, regarding making recommendations to the Assembly
regarding dividend payments.

At a special meeting of the AWWU Authority Board of Directors on March 31, 2008, the
AWWU Board of Directors endorsed the suggested language of the ordinance and asked for
introduction of the code amendment by the municipal administration.

THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE
AMENDING ANCHORAGE MUNICIPAL CODE SECTION 31.20.020 TO REVISE
THE REQUIREMENT FOR PAYMENT OF A DIVIDEND FROM THE
ANCHORAGE WATER AND WASTEWATER UTILITY TO THE
MUNICIPALITY OF ANCHORAGE UNDER CERTAIN CONDITIONS.
Prepared by: Anchorage Water and Wastewater Utility
Recommended by: Mark Premo, P.E., General Manager, AWWU
Concur: James N. Reeves, Municipal Attorney
Concur: Michael K. Abbott, Municipal Manager
Respectfully submitted: Mark Begich, Mayor