

MUNICIPALITY OF ANCHORAGE
Assembly Budget & Finance
Committee-of-the-Whole Meeting
HANDOUT

Assembly Vice Chair Zaletel, Co-Chair

Assembly Member Brawley, Co-Chair

Municipal Light & Power (ML&P) Action Items to Address

1. Alaska Center for Treatment: requirement to spend \$15M total on capital expenditures.

- 1) *The RCA stipulations for the 2020 sale of ML&P included an agreement “requiring the MOA to provide \$15 million in funding within 5 years of the date of closing for planning, design, construction, and related demolition costs for a substance use disorder treatment center.”*

9 E. Post-Closing MOA Community Donation for the Alaska Center for Treatment.
10 Within five years after Closing (the “Expenditure Deadline”), subject to Anchorage Municipal
11 Assembly appropriation, MOA shall spend \$15 million toward the planning, permitting, design,
12 construction, and related demolition costs of the Alaska Center for Treatment (the “Required
13 Use”), a planned substance use disorder center that will serve the communities of Southcentral
14 Alaska by offering some combination of outpatient and inpatient treatment options, transitional
15 housing services, and crisis stabilization. The Alaska Center for Treatment is anticipated to be
16 constructed on Municipality of Anchorage land, owned by the Municipality, and operated by a
17 third-party operator to be selected through an open procurement process in accordance with
18 Title 7 of Anchorage Municipal Code. This community benefit project is expected to fill a
19 critical void in services in Anchorage that impacts all residents of the Municipality of
20 Anchorage.
21

1. Revision to Section 8.2. Section 8.2 of the Eklutna PPA is hereby amended by the addition of a new subsection (C) reading in its entirety as follows:

(C) If (i) Seller has not, on or before the fifth anniversary of the Closing (as defined in the Asset Purchase Agreement) (the “**Expenditure Deadline**”), received an appropriation of funds from the Assembly of Seller in the amount of \$15 million for purposes of the planning, permitting, design, and construction (including any required demolition of existing structures) of the Alaska Center for Treatment, all as provided in Section III.E of the Stipulation (such purposes, the “**Required Use**”), or such appropriation ceases, at any time prior to the expenditure by Seller of the full amount of such \$15 million for the Required Use, to remain in full force and effect, (ii) such funds have not, on or before the Expenditure Deadline, been deposited into a dedicated fund for use only for the Required Use, or any such funds (other than any of such funds that have been expended for the Required Use) cease, at any time prior to the expenditure by Seller of the full amount of such \$15 million for the Required Use, to remain in such dedicated fund, (iii) one or more contracts requiring payment by Seller of the entire unexpended amount of such funds for the Required Use has not, on or before the Expenditure Deadline, been awarded by Seller pursuant to Title 7 of Anchorage Municipal Code, or (iv) Seller has not, on or before the Expenditure Deadline, become, or Seller ceases, at any time prior to the expenditure by Seller of the full amount of such \$15 million for the Required Use, to remain, a party to such contract or contracts, then Purchaser shall offset against

1

Amendment No. 3 to Eklutna PPA
dated as of [●], 2019 between
Municipality of Anchorage and Chugach Electric Association, Inc.

U-18-102(44)/U-19-020(39)/U-19-021(39)
APPENDIX B
Page 41 of 70

any amounts due to Seller under this PPA any portion of such \$15 million amount that has not been spent by Seller for the Required Use.

2. Fix Golden Lion prior year operating expenditures with appropriate fund source.

- 1) *Full recommendations pending audit of expenditure activity from capital fund set aside for ML&P Alaska Center for Treatment (Golden Lion). Planned for discussion as part of the 2025 budget process.*
- 2) *No mandatory deadline by year-end 2024.*

3. PERS (pension) liability: address Muni’s responsibility for remaining PERS liability

- 1) *Assembly action during the 2024 Revised Budget process corrected prior year general government spend allocated to PERS liability related to the sale of ML&P.*

- 2) *2025 Mayor's proposed budget will likely include the same fund source recommendation.*
- 3) *Refined analysis of future PERS liability related to the sale of ML&P and potential funding sources will be part of the discussion during the 2025 budget process.*

4. Worker's Comp: address Muni's responsibility for remaining WC liability

- 1) *The Worker's Comp liability from prior ML&P operations and potential future impacts are being researched and compiled. Answers to the following questions are pending:*
 - a. *Historical worker's comp claims during ML&P operations*
 - b. *Current status of any claims made from ML&P*
 - c. *Limitations on future claims*
 - d. *Other potential associated or outstanding costs*

5. Accounting and other close-out paperwork

- 1) *During the 2022 ACFR audit, MOA was notified that the characterization of the balance remaining in the ML&P account should no longer be reported as an "enterprise fund" as it was no longer associated with enterprise operations. The 2023 ACFR will include the correction.*
- 2) *No mandatory account closeout deadline by year-end 2024.*

Notes from OMB Director Sharon Lechner (April 2024)

1. Alaska Center for Treatment: requirement to spend \$15M total on capital expenditures; including possible impacts of defaulting on this requirement if the requirement is not met.
2. Fix Golden Lion prior year operating expenditures with appropriate fund source.
3. Discuss / propose alternative treatment to annual (ML&P) PERS liability to SOA that would avoid \$1m+ annual hits to general gov't op budget and which would comply with charter and voter approved ML&P sale.
4. Worker's Comp / GL:
 - a. Calculate true-up correction (for historic under-charging of annual WC / GL premiums) for all under-charged entities, including ML&P. Note that this item will almost certainly require a funding source (supplemental appropriation) for the non-ML&P entities' allocations.
 - b. Discuss methodology change (formula improvement) to the historic calculation approach so that WC / GL deficits don't immediately start to build again.
 - c. Discuss ML&P's share of this deficit that was inadvertently omitted from the original ML&P appropriations.
5. Accounting and other close-out paperwork
6. Discuss required processes for above items. For instance, would #3 require an AO? Would #4 require a third ML&P appropriation (and if so, should that third appropriation include reference to #3****)?

*** Re: #3, the ML&P appropriations approved the first PERS payments but were silent on the outstanding PERS debt and subsequent payment obligations.

Telephonic participation – conference bridge (907) 273-5190, participant code 721227#

Mission Statement: The Assembly Budget and Finance Committee deliberates and makes recommendations on matters relating to the financial management and policies of the Municipality and its agents. These matters include the annual operating budgets of the General Government, the Enterprise and Utilities, and the Anchorage School District.