



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 811-2016

Meeting Date: December 6, 2016

1 FROM: MAYOR

2
3 SUBJECT: AN ORDINANCE OF THE ANCHORAGE ASSEMBLY ENACTING
4 ANCHORAGE MUNICIPAL CODE 6.50.070 TO ADD A SECTION
5 FOR THE ESTABLISHMENT THE ANCHORAGE ANGEL
6 EVERGREEN FUND.
7

8 BACKGROUND

9
10 In 2012 the Municipality applied for and was awarded a \$13.2 million allocation to
11 establish a venture capital program via an agreement with the federal
12 government's State Small Business Credit Incentive (SSBCI) program. Anchorage
13 was the first U.S. city to receive an allocation under this program. This program
14 was designed to provide investment capital to create and grow start-up and early
15 stage businesses in Anchorage and to increase local investment activity.
16

17 This led to the creation of the 49th State Angel Fund (49SAF), which was adopted
18 by a unanimous vote of the Anchorage Assembly in early 2012, see AR 2012-42.
19 In order to protect the business confidentiality of applicants and investees of the
20 49SAF, confidentiality provisions regarding the structure of awards were adopted,
21 designed after those utilized by the Alaska Industrial Development and Export
22 Authority, see AO 2012-59.
23

24 To date the 49SAF program has largely invested in the Anchorage economy
25 making \$9.65 million of capital commitments to four privately-managed equity
26 funds that can deploy such money only into Anchorage businesses, or other
27 businesses which offer potentially significant economic value to the Municipality.
28 One direct investment totaling \$200,000 was made to Fractal OnCall Solutions, a
29 local medical technology company. Aside from these obligations and payment of
30 administrative expenses, another \$2.8 million remains unobligated for investment.
31

32 Cash invested to date includes investment in over a dozen local businesses which
33 have received just over a million dollars in equity or equity-like capital. Five
34 additional proposed investments aggregating approximately \$530,000 have been
35 deemed compliant and are pending.
36

37 MANAGEMENT OF ORIGINAL ANGEL FUND MONEY

38
39 The entire \$13.2 million award of federal funds (the "Original Angel Funds") has
40 been received by the Municipality and has been held in the Municipality's
41 Restricted Municipal Funds Account as required by the terms of the award by the
42 SSBCI program in Fund 245. These funds earn a flat monthly rate of return and
43 are not subject to market value fluctuations. The Original Angel Funds are the first

44 funds used by the 49SAF program so that it can i) meet the investment
45 requirements of the SSBCI program, which include successfully investing all funds
46 awarded to Anchorage in a timely manner, ii) invest such funds in compliance with
47 the SSBCI program provisions and requirements and iii) pay administrative
48 expenses.

49
50 **ESTABLISHMENT OF THE ANCHORAGE ANGEL EVERGREEN FUND**

51
52 The Municipality recently received approximately \$350,000 as a return on one of
53 the 49SAF investments in the original amount of \$250,000. These funds are
54 unrestricted assets of the Municipality. However, it is the intent of the Municipality
55 to use these assets, combined with other administrative and program income, to
56 finance increased 49SAF program activities or other unrestricted purposes of
57 general government. These funds are called "Anchorage Angel Evergreen
58 Funds".

59
60 The \$350,000 has been held in the Municipality's Restricted Municipal Funds
61 Account. At this time it would be prudent and a best practice to establish a
62 separate account for the Anchorage Angel Evergreen Funds. Since these funds
63 are not restricted like the Original Angel Funds they may be invested in the
64 Municipal Cash Pool (MCP) where they will likely earn a higher rate of return over
65 time. Since these funds may be used at any time by the 49SAF for additional
66 49SAF program investments, the payment of 49SAF administrative fees or other
67 unrestricted purposes of general government, the most appropriate place for these
68 funds is in the MCP. Other Anchorage Angel Evergreen Funds received by the
69 Municipality would also be deposited into the Anchorage Angel Evergreen Fund.

70
71 The attached ordinance enacts a new section under Anchorage Municipal Code
72 (AMC) 6.50 Chief Fiscal Officer that provides for the establishment of a separate
73 municipal account called the "Anchorage Angel Evergreen Fund" or "Fund". It
74 provides for the guidance and responsibility for the management of the Anchorage
75 Angel Evergreen Funds.

76
77 There is no financial impact and therefore no SEE is attached.

78
79 **PROPOSED IMPLEMENTATION TIMELINE**

80
81 December 6, 2016: Introduction to Assembly
82 December 20, 2016: Public Hearing held by Assembly and proposed
83 passage of ordinance
84 December 30, 2016: Anchorage Angel Evergreen Funds are moved from the
85 Municipality's Restricted Municipal Funds Account to
86 the Anchorage Angel Evergreen Fund and invested
87 into the MCP by the Chief Fiscal Officer of the
88 Municipality. The Anchorage Angel Evergreen Funds
89 are unrestricted assets of the Municipality and shall be

90 accounted for separately from the Original Angel
91 Funds.
92

93 **THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ORDINANCE.**

94
95 Prepared by: Ross Risvold, Public Finance & Investments Manager
96 Approved by: Robert E. Harris, CFO
97 Concur: Lance Wilber, Director, Office of Management & Budget
98 Concur: William D. Falsey, Municipal Attorney
99 Concur: Michael K. Abbott, Municipal Manager
100 Respectfully submitted: Ethan A. Berkowitz, Mayor
101
102
103
104
105

106 Retain until entered into PACE:
107 G:\PF\PFM\Angel Fund\ AM Angel Fund Evergreen Fund Dec 2016.docx