

Responses from Mark Begich
To Questions from Municipal Attorney Dennis Wheeler Submitted on November 12, 2009
November 14, 2009

1. When did you first know to a reasonable certainty that projected revenue for fiscal year 2008 would not meet the budgeted revenue for fiscal year 2008?

It is difficult to know with any “reasonable certainty” how the fiscal year will balance out until the 13 or 14th month of the fiscal year. However, as we did throughout my terms as mayor, my administration closely monitored economic events that may have some bearing on city finances. That was especially true in late 2008, as other cities across the country began reporting serious fiscal challenges. Although Anchorage was in better fiscal shape than many cities, we communicated our concerns to the Assembly at the October 17, 2008 work session. This report included the stock market crash (which affects the MOA Trust Fund dividend), the flight to quality (which affected the carrying values on the Municipality’s investments), investment losses that were considered to be permanent, and interest revenues. This work session was supplemented by other work sessions, committee meetings and reports (such as investment reports) that were provided to the Assembly. Of more than 60 Assembly work sessions held in 2008, at least a dozen were devoted to the state of city finances.

2. What did you do in response to CFO Weddleton’s email of December 9 that contained the budget risk factor spreadsheet?

a. Did you speak to Weddleton about the risk factors on or after December 9 and if so, when and what did you say?

b. Did you discuss the risk factors with any other MOA officials on or after December 9 and if so, with whom and when?

All the “risk factors” Sharon listed in her Dec. 9 email were already well known to me and the Assembly. In fact, as we prepared to transition to the next mayor, I asked Sharon and other department heads for the full range of issues and challenges the city might face over the next several years. Most of the “risk factors” Sharon identified never came to pass or turned out for the better. Here are three quick examples: The summary indicated the city could be liable for \$7 million if it lost an AWWU lawsuit – in fact, the suit’s outcome saved taxpayers millions. The summary indicated the city could be liable for \$20 million in a police and first medical trust lawsuit – in fact, the plaintiffs dropped the lawsuit, saving taxpayers millions. The summary indicated that state revenue sharing may be suspended due to low oil prices – in fact, Anchorage received an increase in revenue sharing, which we devoted largely to property tax relief. In response to Sharon’s email, I continued to monitor issues that could have an impact on the budget.

It’s worth noting that Sharon’s spreadsheet did not include positive financial news about the city – I only requested a summary of potential problems. For example, the spreadsheet does not

include the significantly positive financial news about the state coastal impact funds, which had not been budgeted for and ultimately totaled well over \$1 million. Also at this time, we knew our liability for the PERS obligation had been eliminated and that our net assets would be boosted by more than \$20 million. With this information, this spreadsheet would look entirely different.

3. Were you involved in decisions made after Dec. 1, 2008 regarding the treatment of PERS “on behalf” payments in the 2008 budget?

a. Did you give direction to concur in giving direction to any MOA administration officials after July 1, 2008 to make journal entries regarding PERS “on behalf” payments. If so, what was the direction given?

b. Did you concur with, endorse or give direction to take any MOA administration action after July 1, 2008 regarding the treatment of PERS in the 2008 MOA budget. If so, what was the direction given?

No. PERS accounting is handled by the Municipality’s Controller Division. I understand that external auditors were directly involved in the ultimate decision on this issue and that we received a clean audit report for 2008.

4. When did you first find out that CFO Weddleton and/or OMB Director Phillips were working with assembly members to draft what became AR 2008-333?

I do not recall the exact date, but I supported this resolution which called for regular financial reports to the Assembly. It was necessitated in part, by the Assembly’s elimination of its budget analyst position. By a 9-1 vote at its Dec. 16, 2008 meeting, the Assembly voted to postpone consideration of this resolution until Jan. 20, 2009.

5. When did you first find out that CFO Weddleton and/or OMB Director Phillips were working with assembly members to draft what became AR 2008-334?

I do not recall the exact date, but I do remember that Assemblywoman Selkregg was also working on a proposed hiring freeze. At its Dec. 16, 2008 meeting, the Assembly voted 10-0 to postpone consideration of this resolution until Jan. 20, 2009.

6. Did you at any time during December 2008 direct CFO Weddleton to work from home, take leave of any kind or otherwise make herself unavailable or less available?

No.

7. When did you first know to a reasonable certainty that projected revenue for fiscal year 2009 would not meet budgeted revenue for fiscal year 2009?

In late fall 2008, we realized the impact the international recession could have on city finances and discussed these issues with the Assembly on many occasions. At this point, 2009 is not yet over so I cannot predict how 2009 revenues. However, I understand that the Municipality's investments (both cash pool and the MOA Trust Fund) have experienced substantial recoveries in 2009, which will help boost revenues. In my transition report to incoming Mayor Claman and the Assembly, I did note the financial uncertainty brought on by the worldwide economic crisis.