



**MUNICIPALITY OF ANCHORAGE**  
**OFFICE OF THE MUNICIPAL ATTORNEY**

**MEMORANDUM**

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**DATE:** March 22, 2010

**TO:** ASSEMBLY CHAIR PATRICK FLYNN  
ASSEMBLY MEMBERS

**FROM:** RHONDA FEHLEN WESTOVER, DEPUTY MUNICIPAL ATTORNEY

**SUBJECT:** GEORGE M. SULLIVAN  
DEPT. OF LAW MATTER N08-0120

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**QUESTIONS:**

1. The Assembly asks the Department of Law to provide the background and legal analysis involved in determining the Municipality's obligation to pay \$193,000 to the George M. Sullivan Irrevocable Life Insurance Trust. In essence, was the Municipality legally obligated to pay and, if so, why?
2. The Assembly also asks whether there were any ethical violations under the Ethics Code, Anchorage Municipal Code chapter 1.15, related to submittal and passage of AR 2010-33.

**BRIEF ANSWERS:**

1. Subject to the following Background and Discussion, our Brief Answer is the Municipality was obligated to pay.

Even assuming, as some suggest, there was no contract as of 1982, the Municipality was obliged to pay the obligation. The Municipality accepted payments for 28 years, did not take action to disavow the obligation, and decided not to inform the Trust there was no specific policy as of 2002, and again in 2007 and 2008; all these actions and failure to take different action culminated in reasonable reliance by the Trust, including forbearance on using the payments for other or similar purposes. This reliance is recognized by courts as justification for relief. Courts can and do grant equitable relief in these types of circumstances, including damage awards to plaintiffs. In this case, it was and remains clear a court would be highly likely to award the Trust the \$193,000, in addition to attorney fees and costs, if the Municipality disavowed its obligation.

2. The Mayor requested an advisory opinion from the Ethics Board. This is the appropriate body for determining whether prohibited acts occurred or disclosure was required. Therefore, we defer to the Ethics Board on this issue.

## **BACKGROUND:**

### **January 19, 1982**

- The Anchorage Municipal Assembly approves AR 82-30, requesting the Salary and Emoluments Commission (SEC) "consider directing that life insurance coverage be provided to former Mayor George M. Sullivan for the remainder of his life at the same rate and with the same coverage as in existence on January 1, 1982." **Exhibit A**
- The minutes of the Assembly meeting reflect the Assembly's concern that recent triple bypass surgery may have been due to poor health induced by overwork. The Knowles Administration Employee Relations Director (Bill Smith) advised the Assembly the Municipality could negotiate with the insurance company. If the Assembly directed, staff would inform the insurance carrier to cover the individual. At that time, any person who retired had the right to convert their group insurance coverage to a private policy. **Exhibit B**

### **February 18, 1982**

- Memo from former Municipal Records & Benefits Manager, Susan Lindemuth, indicating Mr. Sullivan had the right to convert his benefit under the group policy to an individual policy. This conversion would cost Mr. Sullivan \$961 per month and the Municipality a lump sum payment of \$28,950. **Exhibit C**

### **February 24, 1982**

- The SEC approves Resolution 82-1, stating "the Municipality shall provide life insurance coverage to former Anchorage Mayor George M. Sullivan at the remainder of his life at the same rate and with the same coverage as in existence on January 1, 1982." At least one member of the SEC acknowledged Mr. Sullivan could have retired on disability at 80% of his salary. Instead, he chose to come back to work for three months and waived his eligibility for disability. **Exhibit D**
- The SEC expressed concern as to whether Mr. Sullivan was eligible for Municipal insurance since he was no longer employed. He was, however, still on the payroll because he had accrued extensive leave, having not taken a vacation in 5 years. According to Commissioners, a number of citizen objections to providing the benefit to an elected official after the official's term expired were received. The SEC minutes record Ms. Lindemuth, in her capacity as Manager of Records and Benefits, informing the Commission "there is no problem as far as the insurance company is concerned in continuing George Sullivan in the insurance program after his completion of service with the Municipality and has drawn his last paycheck. She further stated the Municipality would just add an amendment to the policy saying George Sullivan is eligible to continue participation." **Exhibit E**

**July 26, 1982**

- Ms. Lindemuth sends memo to Jerry Wertzbaugher, Municipal Attorney, asking for advice on whether the anticipated increase in the premium effective January 1, 1983 would need to be paid by Mr. Sullivan or the Municipality. **Exhibit E**
- Mr. Wertzbaugher advises any premium increase would have to borne by the Municipality. **Exhibit F**

**October 31, 1982**

- Mr. Sullivan, after using up a significant terminal leave balance, is officially severed from employment.

**November 17, 1982**

- Memo to SEC to clarify earlier memo delivered to November 10, 1982 SEC meeting, from the Records and Benefits Manager, stating the Municipality would have to pay rate increases to meet the call "at the same rate in effect as of January 1, 1982." The memo indicates the Municipal Attorney interpreted Resolution 82-1 to require the Municipality to pick up cost increases. **Exhibit G**
- Municipality's Benefits Supervisor notifies PERS Mr. Sullivan's terminal leave through October 31, 1982 should be coded as "elected official." **Exhibit H**

**November 22, 1982**

- The SEC Chair memo indicating it was the intent of the Commission that Mr. Sullivan "pay any premiums himself. They [Commission] did not intent (sic) for any monies to be taken from the current Mayor's budget." **Exhibit I**

**December 16, 1983**

- Mr. Sullivan files paperwork ("Assignment") with Aetna changing the policy beneficiary from himself to the George M. Sullivan Irrevocable Life Insurance Trust, appointing former Municipal Attorney Theodore Berns as Trustee. **Exhibit J**

**January 9, 1984**

- Aetna notifies Ms. Lindemuth it received the Assignment and needed the Municipality to execute its portion of the form and return it to Aetna. **Exhibit K**

**March 20, 1984**

- Aetna executes its portion of the Assignment, returning a copy to the Municipality. **Exhibit J**

**January 30 – March 12, 2002**

- Employee Relations exchanged a series of emails with Ms. Lindemuth [now former Records and Benefits Manager] and with Aetna. Employee Relations (David Otto, Director and Karen Moore, Records & Benefits Manager), Finance (Kate Giard, CFO), OMB (Cheryl Frasca, Director) and Legal (William Greene, Municipal Attorney) of Wuerch Administration also exchange a series of emails regarding the issue. Concerns included whether there was a policy, whether

there was coverage through Aetna, whether there was a funding source, and how the payments paid to date should be accounted for. **Exhibit L**  
Some of the exchanges are summarized:

- **January 30, 2002** Ms. Lindemuth responds to Employee Relations: Mr. Sullivan "was covered as part of the MOA group and therefore, part of that 'risk'. There was no separate policy with Aetna or any other insurance carrier for him." "We had a split funded agreement with Aetna...so we paid the 'retention' monthly and funded the life insurance claims when incurred."
- **January 30, 2002** Ms. Moore asks Aetna to advise, "Under the minimum premium arrangement, MOA apparently deposited his premium into the insurance fund. Since we have changed coverage arrangement to fully insured, how would this affect his coverage?"
- **March 12, 2002** Mr. Greene advises "Karen Moore's three options are it and number three seems the most reasonable. There is no option to not provide the coverage." Option three was to set up a sub-fund in Fund 603, credit past payments to the fund and continue to add yearly payments, with MOA to fund the difference upon Mr. Sullivan's death.

#### **March 21, 2002**

- Aetna notifies the Municipality it reviewed Mr. Sullivan's eligibility under the current Municipal policy and its determination he is not eligible under the group plan. Aetna recommended the premiums be refunded. By separate email, Aetna advises "this determination was based on available information and on our insurance records. If you find records which indicate otherwise, please provide them to me for review." **Exhibit M**

#### **March 27, 2002**

- In response to discussion between Cheryl Frasca, OMB Director, and Kate Giard, CFO, on how to handle the payments and the liability, Ms. Giard suggests one alternative is to terminate the obligation by notifying Mr. Sullivan the insurance would not be provided, Mr. Greene reiterates "[T]his is not an option from a legal point of view. We're obligated." **Exhibit N**
- We found no information in this time frame indicating Mr. Sullivan, or his Trust, or his Trustee, Daniel A. Sullivan, or any other person outside of the few Municipal employees involved in the emails, were notified the Municipality did not have an actual policy or coverage through Aetna or any other insurer.

#### **January 23, 2007**

- Joanne Hanscom, Plan Administrator/Privacy Officer, Employee Relations, informs Jeffrey Sinz, CFO, Denis LeBlanc, Municipal Manager, and Michael Abbott, Deputy Municipal Manager of the Begich Administration, of the situation. Mr. Abbott responds "This is an interesting little nugget. Do we need to set reserves aside at this time? Have we 'booked' this liability?" Ms. Hanscom responds "At this time I am not aware of reserves begin (sic) set aside or that the liability has been booked. It is on the agenda for tomorrow." **Exhibit O**

**April 28, 2008**

- In an email exchange between Sharon Weddleton (replacing Jeffrey Sinz as CFO) and Purchasing Officer Bart Mauldin, Mr. Mauldin states: "The 2008 contract value with Standard Insurance is \$1,748,854 for life, AD&D, and long and short term disability coverage. The contract can be increased up to \$250k without assembly approval. I'm not sure that Standard would or technically can accept a pass-through payment for this insurance coverage – it sounds like the MOA has allowed for this coverage over the past 28 years and the MOA is liable for the actual payment. Assuming that it is paid from the medical benefit account (or any account for that matter) and Legal can point to the MOA's obligation to make this payment – I don't think any assembly approval would be required. My reasoning is that this is an employee benefit payment and not a contractual payment for goods or services under contract. The MOA currently pays millions of dollars in employee benefits that are not subject to any assembly approval or processing other than at the appropriation level.... Let me know if I can be of any further assistance...." **Exhibit P**

**January 2010**

- Deputy Municipal Attorney Rhonda Fehlen Westover, Department of Law, Sullivan Administration, prepares and processes the Assembly Resolution and Assembly Memorandum, with assistance from Lucinda Mahoney, CFO, and David Ryan, Controller. Departments are specifically instructed by the Dept. of Law to exclude the Mayor's office from the discussion and processes.

**January 29, 2010**

- The Assembly Resolution, with accompanying AM and exhibits, requesting appropriation of \$193,000.00, are submitted to the electronic system (PACE), and placed, by the Clerk's office, as an Addendum item on the Assembly's February 2, 2010 agenda, for introduction and setting the public hearing date. **Exhibit Q**
- Both the title and body of the Assembly Resolution use the term "life insurance contract". The Assembly Memorandum provides, in part:

In March 2002, Aetna informed the Municipality that Mayor George M. Sullivan was not eligible for group life insurance plan because he was no longer an employee; Aetna was not carrying an individual policy on Sullivan, nor would Sullivan qualify for an individual policy, due to his age. The Municipality was similarly unable to secure an individual policy on Sullivan. However, the Municipality continued to accept the annual premium payments, with payout to be appropriated in full following the passing of Mayor George M. Sullivan.

- Anchorage Municipal Charter §10.01 requires ordinances from the administration to state "by the Chairman of the Assembly at the request of the Mayor". This

formality is also followed for resolutions. See, e.g., AMC section 2.30.060, providing

... "Public hearings and action on proposed resolutions shall be conducted in compliance with the procedures for ordinances pursuant to the Charter."

These headers and labeling are a formality; the assumption that the Mayor personally prepared or reviewed the item is inaccurate. In this specific situation, at the request of the Dept. of Law, the Mayor did not participate in discussions, nor did he prepare or review the legislation prior to submission to the Clerk's office on January 29, 2010.

#### **January 30, 2010**

- Assembly member Ossiander sends an email to the Administration, asking the Dept. of Law why the annual payments did not "take care of the cost."

#### **February 1, 2010**

- Ms. Westover responds by email:

"The answer is somewhat convoluted, but here's my best summary, according to the file; Lucinda [Mahoney, CFO] & Dave [Ryan, Controller], please feel free to add comments:

1. The directive from the Assembly and the Salaries & Emoluments commission in 1982 was to provide Mayor Sullivan with life insurance coverage for the remainder of his life at the "same rate and with the same coverage" as in existence on January 1, 1982.
2. To meet the directive, Sullivan was added to the Municipality's group life insurance coverage (same rate, same coverage; a separate policy was not purchased).
3. When the arrangement was first in place (presumably 1982), Aetna & the MOA had a "split premium" agreement; the MOA paid monthly retention and funded life claims as they were incurred. When Sullivan paid an annual premium, it was deposited into the insurance fund, not paid to Aetna.
4. The arrangement with Aetna changed in March 2001; the MOA went fully insured, no longer funding or paying life claims. Funding & paying became the responsibility of Aetna.
5. In 2002, Aetna notified the MOA Sullivan was not eligible for the Aetna group life insurance coverage because he was no longer an employee, and Sullivan was not eligible for a new Aetna policy, due to his age and health. The MOA also attempted to

obtain a separate policy, but was not successful due to Sullivan's age.

6. After considering several options, the MOA administrative decision (CFO & ER) was to continue accepting Sullivan annual premiums into the 735 fund, and appropriate the \$193,000 when Mayor Sullivan passed. This AR appropriates the funding."

(Emphasis in the original.) **Exhibit R**

### **February 2, 2010**

- Assembly Resolution 2010-33 is introduced and the Assembly sets a public hearing for February 16, 2010.

### **February 16, 2010**

- The public hearing is opened on AR 2010-33 (agenda item 14.J.). No member of the public testifies, and the public hearing is closed. The entirety of the Assembly's discussion on the matter is transcribed below:

**Ms. Ossiander:** Just that, if there are any more of these I would hope the Administration would make a strong point of going out and paying the premiums and getting the insurance in place. So it was interesting to read the background on this and to see the history of it, and I am supportive but, this could have been done differently I think.

**Chair:** Thank you Ms. Ossiander.

**Ms. Drummonds:** I agree with the previous speaker if there are any more of these Easter eggs hiding somewhere in this community I would sure like to know about it. We had one on the School Board with a letter of credit that expired and cost the School District millions of dollars to take care of. I was so concerned about this item that I called my insurance agent today and talked to her quite a bit about it, I sent her the documents. She was number one, shocked that in paragraph 3, on the second page where it said the premium varied from \$1,042.00 in 82' to \$555.00 since 1995, she says how did that happen? Insurance costs never go down, they always go up. And, her question was to me, was how did the Municipality continue to accept premium payments from whom if there was no policy in existence, it was illegal for the Municipality to be accepting premium payments because the Municipality is not an insurance company, and is thus acting inappropriately. This whole situation is incredibly bizarre to me and I am going to have a real hard time voting in favor of this even though I know a previous Assembly and Salaries and Emoluments Commission has encumbered us to do this.

- Despite the phrase "life insurance contract in AR 2010-33, the Assembly knew, from the AM, there was no specific policy coverage in place since at least 2002. Except as described above, the Assembly did not, to our knowledge, ask any questions of the Mayor, the Department of Law, or Assembly counsel prior to taking action on AR 2010-33; the Resolution was approved by the Assembly with a 9-1 vote.

## **DISCUSSION:**

### **I. Identification of the Trustee or Beneficiaries in the Assembly Resolution.**

All the necessary elements to make the decision to pay \$193,000 to the Trust were present in the Assembly Memorandum accompanying AR 2010-33. Part of the question to Law presumes the identity of the Trustee is relevant to the Assembly's decision regarding the Municipality's obligation to the Trust. The identity of Trustee was not legally relevant to the Assembly's appropriation of funds to fulfill the Municipality's obligation to the Trust. Law verified the Trust's existence, verified the Trust's entitlement as the sole recipient of funds, and identified the Trustee for the Trust as the authorized representative to receive the payment on behalf of the Trust.

Law presumes the Assembly and the public assumed at least some Sullivan family members would be beneficiaries. Whether some Sullivan family members were beneficiaries did not change the Municipality's obligation to the Trust. The identity of beneficiaries is also not legally relevant to whether the Municipality had an obligation to the Trust.

Under Alaska Statute 13.36.079(a), the Municipality may reasonably rely on specific information, listed in the statute, to complete a transaction with the Trust. This statutory information does not require production of the Trust instrument or identification of the beneficiaries. In fact, AS 13.26.079 (h) states "a person making a demand for the trust instrument in addition to a certification of trust or excerpts from the trust instrument is liable to the state for a civil penalty not to exceed \$1,000, plus the actual damages associated with the demand for the trust instrument, if a court determines that the person did not act in good faith in demanding the trust instrument."

### **II. Power of the Salary and Emoluments Commission (SEC) to grant benefits.**

Anchorage Municipal Charter §5.08(c) states in part:

- (c) The commission shall establish the compensation, including salaries, **benefits**, and allowances, if any, of elected officials. \* \* \*  
(Emphasis added)

We previously determined the Charter, the Charter Commentary, and the Charter Commission minutes do not indicate any special, uncommon meaning attributed to the quoted Charter language. The plain wording of the provision is clear - "compensation" is not restricted to salary, but is used in a broader sense to include remuneration of



various kinds given in exchange for an employee's labor.<sup>1</sup> The commonly accepted and generally understood meaning of "benefits" in an employment context may include anything of value to the employee (or detriment to the employer, to the advantage of the employee) given in consideration of the employee's labor.<sup>2</sup> We found nothing to suggest any different, or more narrow, meaning was, is or should be attributed to the Charter language.<sup>3</sup> In this context, we determined the Salary and Emoluments Commission is authorized to set the amount and terms of annual and sick leave for the Mayor.<sup>4</sup> Additionally, the Salary and Emoluments Commission has conferred longevity pay and similar "fringe benefits" upon a Mayor.<sup>5</sup>

At the time provisions regarding the Salary and Emoluments Commission were placed in the draft Charter, the Charter Commission also inserted language allowing decisions of the Commission to be subject to initiative and referendum in the same manner as an ordinance.<sup>6</sup> While the Assembly is not able to affect decisions of the SEC, certainly the public may determine, overturn or modify many aspects of SEC authority and action.

We found no records indicating the SEC requested or received advice from the Municipal Attorney on the extent of the SEC's ability to provide life insurance to Mr. Sullivan. However, both the Assembly and the SEC were given information by Employee Relations staff, during consideration of whether to provide insurance to Mr. Sullivan, that the action would not be a problem. We do know the Municipal Attorney, Jerry Wertzbaugher, was later consulted regarding the premium rate to be applied to Mr. Sullivan. In Mr. Wertzbaugher's correspondence, he did not identify any legal objection to the SEC's decision to provide the benefit. This does not constitute actual concurrence in the SEC action, by the Municipal Attorney, but his silence suggests the possibility of concurrence.

The SEC directed the Municipality to provide life insurance coverage, so long as Mr. Sullivan paid the costs. The benefit given by the SEC was not direct payment by the Municipality, but the privilege of being maintained on the Municipality's list of eligible employees. Payment itself would come from the Municipality's "retention", the insurance company, or a combination of both. In this scenario, as originally understood, no taxpayer money was intended to be utilized to provide the benefit.<sup>7</sup> At that time, this may have been viewed as a nominal benefit in terms of actual cost to the Municipality, especially compared to the \$28,950 the Municipality would have spent if Mr. Sullivan exercised his right to convert his policy. Assuming municipal employees were correct that Aetna would have paid the claim, it appears granting the benefit would have been a cost savings to the Municipality, compared to Mr. Sullivan exercising his right to conversion.

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<sup>1</sup> Municipal Attorney Opinion 95-99.

<sup>2</sup> Id.

<sup>3</sup> Id.

<sup>4</sup> Id.

<sup>5</sup> Municipal Attorney Opinion 76-43.

<sup>6</sup> Municipal Charter §5.08 (c).

<sup>7</sup> But, see footnote 19. Law was not able to obtain a copy of the agreement in effect in 1982 between Aetna and the Municipality. There is a possibility the Municipality directly paid some portion of claims, utilizing its contributions towards premiums or some other source of taxpayer funds.

Given these facts, we cannot conclude the benefit granted was in violation of the SEC's authority under the Charter. The only obvious constraint on the SEC is the power of the citizenry to utilize its right of initiative or referendum. If the general public had wanted to strip the SEC of the power to grant this kind of benefit, or to specifically terminate the benefit given to Mr. Sullivan, then an initiative or referendum should have been pursued in 1982 or 1983. Given that the SEC action taken in February of 1982 would not be effective until January 1, 1983, an initiative or referendum could have been placed on the regular election ballot in October. (Since that time, municipal elections have been moved to April.) The election results were certified on October 12, 1982; conceivably, the results of a referendum could have been effective prior to Mr. Sullivan's last official day as an employee (October 31, 1982). We are not aware of any effort to get the matter on the ballot and conclude there was no general objection to the grant of the benefit sufficient to generate an effort to overturn the SEC action.

### **III. Obligation of the Municipality to pay the \$193,000.**

#### **A. Promise.**

In enacting the 1982 Assembly Resolution and the SEC enabling resolution ("Resolutions"), the Municipality was not acting in the capacity of an insurer but in the capacity of an employer providing an employee benefit.<sup>8</sup> The question is not whether the Resolutions constitute an "insurance contract," but whether the Resolutions create an enforceable contractual duty on the part of the Municipality.

A leading authority defines "contract" as a **promise** for which the law provides a remedy and in some way recognizes as a **duty**.<sup>9</sup> "A contract may consist of a single promise by one person to another, or of mutual promises by two persons to one another."<sup>10</sup> A promise is a manifestation of intention to act...in a specified way, so made as to justify a promisee in understanding that a commitment has been made."<sup>11</sup>

The SEC Resolution provides "the Municipality shall provide life insurance coverage to former Mayor George M. Sullivan for the remainder of his life..." The Resolution is a manifestation of the Municipality's intent to provide life insurance coverage to Mr. Sullivan in a manner (formal resolution) which would justify Mr. Sullivan's reliance that a commitment had been made. The Municipality made a promise to Mr. Sullivan.

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<sup>8</sup> "Insurer" includes a person engaged as indemnitor, surety, or contractor in the business of entering into contracts of insurance or of annuity. AS 21.90.900 (27). An insurance contract is a contract whereby one undertakes to indemnify another or pay or provide a specified or determinable amount or benefit upon determinable contingencies. AS 21.90.900 (25).

<sup>9</sup> Restatement (Second), Contracts, Section 1 (1981).

<sup>10</sup> Restatement (Second), Contracts, Section 1, Comment c.

<sup>11</sup> Restatement (Second), Contracts, Section 2(1).

## **B. Legal Duty to Perform Promise.**

In order to form an enforceable contract, there must be a “bargained for exchange” or consideration. “To constitute consideration, a performance or return promise must be bargained for.”<sup>12</sup>

In this case, the Municipality’s promise was based solely on recognition of Mr. Sullivan’s past performance. Past performance is generally not recognized as consideration sufficient for the formation of an enforceable contract. The Municipality’s promise to procure insurance was gratuitous.<sup>13</sup> Mr. Sullivan’s subsequent agreement to make payments did not induce the making of the promise by the Municipality – this was not a bargained for exchange. It was a gift in recognition of his outstanding service to the Municipality.

...A gift is not ordinarily treated as a bargain, and a promise to make a gift is not made a bargain by the promise of the prospective donee to accept the gift, or by his acceptance of part of it. This may be true even though the terms of gift impose a burden on the donee as well as the donor...In some cases there may be no bargain so long as the agreement is entirely executory, **but performance may furnish consideration or the agreement may become fully or partly enforceable by virtue of the reliance of one party** or the unjust enrichment of the other. Compare § 90.  
(Emphasis added).<sup>14</sup>

## **C. Reliance and Promissory Estoppel.**

The Restatement and Alaska case law recognize that reliance of one party and change in position may render a promise enforceable without consideration. This doctrine is referred to as “promissory estoppel.”<sup>15</sup> The Restatement provides:

A promise which the promisor should reasonably expect to induce action or forbearance on the part of the promisee or a third person and which does induce such action or forbearance is binding if injustice can be

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<sup>12</sup> Restatement (Second), Contracts, Section 71(1).

<sup>13</sup> Gratuitous and unsolicited statement of policy or of intention which receives concurrence of party to whom it is addressed does not constitute “contract.” Mere expression of intention or general willingness to do something on the happening of particular event or in return for something to be received does not amount to an “offer.” *Beverage Distributors, Inc. v. Olympia Brewing Co.*, 440 F.2d 21, 29 (9<sup>th</sup> Cir. 1971). But, see *In re Texas Association of School Boards*, 169 S.W.3d 653, 657 (Texas 2005) (discussion of payment of premium as constituting consideration whether or not benefit to promisor).

<sup>14</sup> Restatement (Second), Contracts, Section 71, Comment c.

<sup>15</sup> Promissory estoppel is applied when a promise unsupported by consideration is sought to be enforced. *Johnson v. Curran*, 633 P.2d 994 (Alaska 1981).

avoided only by enforcement of the promise. The remedy granted for breach may be limited as justice requires.<sup>16</sup>

In this case, the Resolutions were passed in January and February, 1982, while Mr. Sullivan was an employee of the Municipality. As an employee, Mr. Sullivan had the right to convert his group life insurance benefit to an individual policy (for 31 days from termination from employment). Conversion allows a terminated employee to extend some life insurance benefits without the need for Evidence of Insurability.

According to a February 18, 1982 memo from Ms. Lindemuth (former Municipal Records and Benefits Manager), this conversion would have cost Mr. Sullivan \$961 per month and the Municipality a lump sum of \$28,950. Mr. Sullivan did not exercise this option; given his age and health, this could have been anticipated.

In applying the doctrine of promissory estoppel, the Alaska courts have required:

1. The action induced amounts to a substantial change of position;
2. It was either actually foreseen or reasonably foreseeable by the promisor;
3. An actual promise was made and itself induced the action or forbearance in reliance thereon; and
4. Enforcement is necessary in the interest of justice.<sup>17</sup>

In applying promissory estoppel to the case at hand, the first question is whether the promise of the Municipality to procure insurance induced Mr. Sullivan to forego conversion of his group life insurance policy. A second question is whether Mr. Sullivan's election not to convert represents a substantial change in position by Mr. Sullivan.<sup>18</sup> In addition to losing the opportunity to convert, Mr. Sullivan's change in position may also include the lost opportunity for the investment of the payments he paid to the Municipality, the sum of \$19,662.84 over a period of twenty-eight years.

Commentary (e) to Section 90 of the Restatement advises caution when applying promissory estoppel or reliance to a gratuitous promise to procure insurance:

This Section is to be applied with caution to promises to procure insurance. The appropriate remedy for breach of such a promise makes the promisor an insurer, and thus may result in a liability which is very large in relation to the value of the promised service. Often the promise is properly to be construed merely as a promise to use reasonable efforts to procure the insurance, and reliance by the promisee may be unjustified or may be justified only for a short time. Or it may be doubtful whether he did in fact rely. Such difficulties may be removed if the proof of the promise and the

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<sup>16</sup> Restatement (Second) Contracts, Ch. 4, Section 90. The issue of gratuitous undertakings and reliance is also addressed in the Restatement (Second), Agency, Section 378.

<sup>17</sup> *Zeman v. Lufthansa German Airlines*, 699 P.2d 1274 (Alaska 1985); and see *Alaska Trademark Shellfish, LLC v. Dept. of Fish and Game*, 172 P.3d 764 (Alaska 2007).

<sup>18</sup> *Zeman* at 1284, citing 1A A. Corbin, *Corbin on Contracts* Sec. 200 at 216 (1963). (In making this determination, the court reviews all of the circumstances and looks for evidence of actual and substantial evidence of loss).

reliance are clear, or if the promise is made with some formality, or if part performance or a commercial setting or a potential benefit to the promisor provides a substitute for formality.

(Emphasis added.)

The concern voiced by this Commentary underscores the current situation – if the Municipality's promise is enforceable, the Municipality becomes an insurer resulting in a large liability in relation to the value of the promised service.

The Commentary suggests review of the following: (1) Proof the promise and reliance are clear; or (2) the promise is made with some formality in a commercial setting with part performance. The SEC Resolution contained all the necessary terms to make the promise clear. Both Resolutions were formally enacted in writing through public process, including notice and hearing(s), in a commercial setting. The Municipality fully performed, prior to 2002, by accepting the payments and maintaining Mr. Sullivan on its list of eligible employees. Since 2002, the Municipality has not repudiated its obligation. Given the Municipality's financial resources and ability to pay, it is highly unlikely the absence of a policy would be viewed as a failure to perform.<sup>19</sup> Mr. Sullivan performed by making annual payments; Mr. Sullivan did not elect to convert his group life insurance benefit to an individual whole life policy and lost the investment opportunity of the payments made to the Municipality; and Mr. Sullivan changed his position based on the promise of a benefit upon his death, so long as he continued to make annual payments. His reliance is clear.

#### **D. Measure of Damages.**

By 2002, the Municipality (Wuerch Administration) knew there was no third party life insurance policy, yet continued to accept Mr. Sullivan's payments. There is no record the Municipality informed Mr. Sullivan, the George M. Sullivan Trust, the Trustee, or any agent of the Trust, of the lack of coverage by a third party insurance provider.<sup>20</sup> By 2002, however, Mr. Sullivan was not eligible for conversion and was apparently not insurable under an individual policy. The Municipality put into place a reserve for the annual payments and, internally, determined to pay the difference between the segregated payments and \$193,000 with its own funds. Again in 2007 and 2008 (Begich Administration), the Municipality reviewed the circumstances and in both cases took no action to avoid its obligation or to notify Mr. Sullivan or the Trust of the absence of an insurance policy as a source of funds for payment.

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<sup>19</sup> Emails suggest the Municipality's insurance coverage changed between 1982 and 2002. See Exhibit H – e-mail from Ms. Lindemuth dated January 3, 2002, advising there was no separate policy for George Sullivan; instead under the former arrangement with Aetna, "we had a split funded agreement with Aetna...so we paid the retention monthly and funded the life insurance claims when incurred. His amount of coverage (\$193,000) was included in the volume reported to Aetna." By 2002, the Municipality's life insurance was fully insured by Aetna.

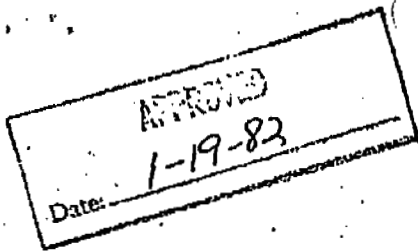
<sup>20</sup> According to available records, the Municipality took the position that the obligation was owed and would be paid, regardless of the presence of an insurance policy. On this basis, there may have been no legal obligation to inform Mr. Sullivan, the Trust or the Assembly that the source of payment would not be as originally anticipated.

In the case of reliance, a court may limit damages as justice requires. Damages arising in an enforcement action (based on reliance) could range from a return of post-2002 payments with interest, a return of all payments from 1982 with interest, lost investment opportunity costs, the amount of the conversion life insurance benefits, or the full \$193,000. There is little question the Trust would prevail for some measure of damages, leading to an additional award of attorney's fees and costs to the Trust. Given the full history of performance and reliance by Mr. Sullivan and the Trust, and given the Municipality's decisions in 2002, 2007 and 2008, it is more likely than not that the higher range of damages would be assessed.

**CONCLUSION:**

By enacting the Resolutions in 1982, the Municipality made a promise to former Mayor George Sullivan. The enforceability of this promise and the measure of damages depend on the facts supporting reliance and change of position by Mr. Sullivan. It has been the conclusion of prior Municipal Attorneys, and continues to be the opinion of this Dept. of Law that full payment was an obligation of the Municipality and the Assembly Resolution appropriating funds to pay the Trust was properly prepared through the Administration and presented to the Assembly for action.

cc: Julia Tucker, Assembly Counsel  
George Vakalis, Municipal Manager



-copy-

Submitted by: Assemblyman O'Connor  
Prepared by: Department of Law  
For Reading: January 19, 1982

ANCHORAGE, ALASKA  
AR NO. 82-30

A RESOLUTION OF THE ANCHORAGE ASSEMBLY RECOMMENDING THE MUNICIPALITY PROVIDE CERTAIN LIFE INSURANCE BENEFITS TO FORMER MAYOR GEORGE M. SULLIVAN AND REFERRING THE MATTER TO THE COMMISSION ON SALARIES AND EMOLUMENTS.

WHEREAS, on January 2, 1981, the lengthy and distinguished service of Anchorage Mayor George M. Sullivan concluded with the inauguration of his successor to the Office of Mayor; and

WHEREAS, the citizens of Anchorage are and will be forever indebted to Mayor George M. Sullivan for the many outstanding contributions he made to the general well-being of the citizens of the Municipality of Anchorage during his years of public service; and

WHEREAS, Section 5.08 of the Home Rule Charter for the Municipality of Anchorage and AMC 4.10.030 require the Commission on Salaries and Emoluments to establish the compensation, including salaries, benefits and allowances, if any, of elected officials;

NOW, THEREFORE, the Anchorage Assembly resolves:

Section 1. That the Commission on Salaries and Emoluments be requested to consider directing that life insurance coverage be provided to former Mayor George M. Sullivan for the remainder of his life at the same rate and with the same coverage as in existence on January 1, 1982.

Section 2. This resolution takes effect immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Municipal Assembly, this 19th day of January, 1982.

Am Smith  
Chairman

ATTEST:

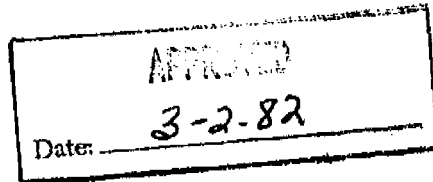
Lucy E. Smith  
Municipal Clerk



MUNICIPALITY OF ANCHORAGE

ANCHORAGE ASSEMBLY

REGULAR MEETING OF JANUARY 19, 1982



1. CALL TO ORDER:

The regular meeting of the Anchorage Assembly was called to order January 19, 1982, at 6:06 p.m. by Assembly Chairman Don Smith in the Assembly Hall, 3500 East Tudor Road, Anchorage, Alaska.

2. ROLL CALL:

Present: Fred Chiei, Rick Mystrom, Jane Angvik, Dave Walsh, Lidia Selkregg, Don Smith, Carol Maser, Ben Marsh, Paul Baer, Gerry O'Connor, Joe Josephson.

Absent: None.

3. MINUTES OF PREVIOUS MEETINGS:

A. Regular Meeting of December 15, 1981.

Mr. Walsh moved, to approve the minutes of  
seconded by Mr. Josephson, the meeting of December  
and it passed without 15, 1981.  
objection,

4. SPECIAL ORDER OF BUSINESS/EXECUTIVE SESSIONS:

A. FLORENCE ORR, Chairman of the Multipurpose Senior Center, presented a picture of the building ~~and she will~~ look when finished. She thanked several individuals who worked on the project.

B. The Assembly then moved to Appearance Requests, Item B.

Mr. Wally Hopkins re: Rondy Grand Prix event -- AIM 13-82.

MR. HOPKINS said the group appeared before the Assembly in 1977 to ask permission to hold the grand prix in its present location. The race was held there without problems until 1981. In 1981 some residents of the area voiced complaints. Those complaints were addressed by race officials. Alternate locations have been explored. However, no suitable alternative sites were found. In March 1981, a memorandum was presented to the Assembly concerning Project 80's. Part of the proposal was for a motor sports facility. MR. HOPKINS said he was working with the administration on that facility but he did not know when it would be built. The public supports the race as exhibited by the 14,000 signatures gathered on a petition. Many people who live in the vicinity of the race course have sent letters supporting the event in its present location.

MR. DITTMAN, pollster, explained the method used to take the poll which was reported in the press. Representatives talked to everyone living in the area who was home; a total of 47 people. They only found seven people who opposed the race being held at its current location.

In reply to Mr. Josephson, MR. HOPKINS said he had driven around town, studied maps and investigated commercial areas in efforts to find an alternate location. There were no sites which would accommodate the spectators and allow good control of the race. In the present location, with race control atop the Westward Hilton, potential problems can be spotted and action taken before a major problem develops.

SENIOR CITIZENS

ASSEMBLY

Misc. Act. & App.  
ref: CULT. SERV.  
Fur Rondy  
AIM 13-82

Answering to Mr. Chief, MR. HOPKINS said the race lasts two days, begins at about 10:00 a.m. and ends at 4:00 p.m. The cars are on the track about half an hour for each practice run or race.

MR. HOPKINS reported to Mr. O'Connor that races were held on Sand Lake every week but ceased because of complaints of residents. There are no other lakes in Anchorage large enough to hold the number of spectators the event attracts. Additionally, the weather conditions over the past several years have made lake racing infeasible.

Ms. Angvik asked what the race committee had done to address the complaints of the residents last year.

MR. HOPKINS said a direct telephone line to race control was established and ingress/egress from the race area was given to area residents. The municipal crews, who prepared for the race, did their work on Christianson Drive between 7:00 a.m. and 7:00 p.m.

Mr. Chief moved,  
seconded by Dr. Selkregg,  
and it was later  
withdrawn,

to direct the  
administration to furnish  
the necessary permits so  
the race can be held  
this year.

Mr. Josephson said, as a courtesy to the opponents of the race, he would like to allow them to speak for two or three minutes to respond or correct statements made. The Assembly agreed.

Mr. Walsh said he would like to clarify Mr. Chief's motion. It is intended that the race meet all requirements, whatever they may be, as a prerequisite to receiving the necessary permits.

LYNN SIMPSON said she is a resident of the neighborhood which is imprisoned by the race. None of the people who signed the petition in support of the race have experienced the same inconvenience she has experienced over the past seven years. Sleeping is impossible during the four nights required for municipal crews to prepare the snow berms. She feared a tragedy would occur because children disobey the race guards and run onto the track. The race officials cannot solve the problem of air pollution caused by the race. Residents are inconvenienced during the three to six days required for set-up and take-down of the race as well as during the two days the race takes place. The problems are so severe that several families relocate rather than put up with the inconveniences. Relocation of the race would reduce the expense of the event by improving pedestrian safety and the inconvenience of residents. Responding to Mr. Josephson, MS. SIMPSON said she was not contacted during the Dittman poll. She said she talked to several neighbors and none of them were contacted. Attorneys who work in the area were not contacted either.

Mr. Mystrom asked if she thought the location of the race would be changed this year and MS. SIMPSON responded that she did. She said she received a letter from the Assembly saying they would be looking into the matter prior to the event being held so the situation would not repeat. She thought the Assembly would take care of the residents in the area.

Mayor Knowles said it was not a question of whether the community has motor sports or not but rather the cost, safety and location of those sports. In 1977, when MR. HOPKINS appeared before the Assembly requesting the race be relocated downtown, it was because there was no ice on Sand Lake. The Assembly appropriated \$6,000 for the race that year. Now the cost is up to \$50,000. It has been generally agreed that the race should be moved from downtown. A race track in downtown Anchorage is conflicting land use. Over half the municipal funds appropriated for Fur Rendezvous are used by this event. A promise to move the race was made and should now be followed through.

Chairman Smith said he understood \$20,000 was refunded to the Municipality last year by Greater Anchorage, Inc.

Ms. Michou, Executive Support Services Manager, indicated the cost to the Municipality for preparations for the Grand Prix is about \$40,000.

Dr. Selkregg noted there had been many discussions in the past about how to attract people to downtown Anchorage. The Grand Prix does attract people to downtown even though it may not be the best method. It is an integral part of the Rony event. Many people support having the race downtown.

Mr. Chiei commented the decision to be made tonight is whether necessary permits should be issued. The \$50,000 expense is an investment in the community which will be returned through tourism and business generated. The largest liability is the dog race which lasts longer and results in more injuries to spectators than the Grand Prix. If the question of liability is thoroughly explored it might serve as the stepping stone to elimination of the dog races.

There was discussion of Mr. Chiei's motion and whether the Assembly was directing the administration to issue the permits.

Mr. Chiei moved, seconded by Dr. Selkregg,	that the Assembly authorize the Grand Prix race to take place downtown this season subject to all the administrative procedures which must take place.
---	---

Mr. O'Connor said there is an issue of public safety involved and even though he supports racing he feels another location would be more appropriate.

Mr. Mysterom commented the fault of the request coming so late to the Assembly rests with the Assembly, race officials and race opponents. No one should have taken for granted the race would be moved. Last year when the question of safety was raised, he investigated the precautions taken. He was very impressed with the precautions.

Ms. Angvik recommended the race officials double the amount of contact between race central and officials on the track; that municipal crews not build snow berms in the middle of the night; and that there be strict enforcement by race officials responsible for allowing authorized personnel into and out of the area. She asked MS. SIMPSON to make up a list of things promised by the race officials which she felt were not supplied. The Assembly will work with the administration to see that those promises are met.

MS. SIMPSON said the one thing she wanted which race officials probably could not provide was access for residents anytime they wanted.

Mr. Josephson asked Mayor Knowles whether he had received any information from municipal staff concerning this question which the Assembly didn't know about.

Mayor Knowles said he did not have any information which the Assembly didn't have. The Chief of Police feels there is a risk when there are racing cars downtown. It is a judgement call and he has made his recommendation.

Mr. Josephson said it was apparent the majority of citizens favor the race. The neighborhood appears to be split in its opinion. Therefore, he will support holding the race in this location this year.

Mr. Walsh said he was not concerned about the increased cost because indications are the additional money is being spent to

promote safety. This race has an impeccable record of trying to be safe. But he said he could not support holding the race downtown. The future facility will take about \$20,000,000 to build and there is no guarantee it will ever be built. If the community is put in the position of choosing between a school and a racing facility, the winner will probably be the school. He felt the Assembly and community should accept the fact that as long as the race goes on it will be downtown.

Mrs. Maser said she did not think the Assembly opposed the race but the location. She thought the Assembly and the administration should have taken the initiative to find an alternative location. The race officials have done everything possible to make the race safe. However, she made a commitment last year and would stand by it.

The question was called on Mr. Chiei's motion and it passed:

AYES: Chiei, Mystrom, Angvik, Selkregg, Smith, Marsh, Baer, Josephson.  
NAYS: Walsh, Maser, O'Connor.

The meeting recessed at 7:10 p.m. and reconvened at 7:22 p.m.

C. Mr. O'Connor presented a resolution recommending the Municipality continue life insurance benefits for former Mayor George Sullivan and referring the matter to the Salaries and Emoluments Commission. Mr. O'Connor felt the insurance should be continued because the former Mayor had triple bypass surgery and was probably unable to pass the physical to qualify for private coverage.

Mr. O'Connor moved, to approve the resolution.  
seconded by Mr. Baer,

(Clerk's note: This resolution was later assigned AR 82-30).

Mr. Josephson mentioned that court cases alleging illnesses of the circulatory system were job related have been won. Perhaps Mayor Sullivan's surgery was job related and the Municipality bears some responsibility.

Bill Smith, Director of Employee Relations, said the Municipality can negotiate with the insurance carrier. If the Assembly directs, staff will inform the insurance carrier to cover this individual. Any person who retires from municipal employment has the opportunity to convert his group insurance coverage into a private policy. Mr. Smith said, as he understands the resolution, the intent is the Municipality will continue paying the premiums and the coverage amount will remain the same as when Mayor Sullivan left office.

Mr. Baer said he was opposed to the Assembly going on record stating Mayor Sullivan's heart problem and surgery were caused by the job he held with the Municipality.

The question was called on the motion and it passed:

AYES: Chiei, Mystrom, Angvik, Walsh, Smith, Marsh, Baer, O'Connor, Josephson.  
NAYS: Maser.

(Clerk's note: Dr. Selkregg was out of the room at the time of the vote).

5 CONSENT AGENDA:

A. BID AWARDS:

PERSONNEL  
AR 82-30

1. Assembly Memorandum No. AM 66-82, recommendation of award for tree felling and clearing for Eagle River Junior High School Construction site.
2. Assembly Memorandum No. AM 67-82, recommendation of award for furnishing uniform clothing to the Municipality of Anchorage.
3. Assembly Memorandum No. AM 68-82, recommendation of award for furnishing litigation reports to the Municipality of Anchorage.
4. Assembly Memorandum No. AM 69-82, recommendation of award for furnishing frame and jumper wire to the Municipality of Anchorage, Telephone Utility.
5. Assembly Memorandum No. AM 70-82, recommendation of award for furnishing wire/cable to the Municipality of Anchorage, Telephone Utility.
- B. ORDINANCES AND RESOLUTIONS FOR INTRODUCTION:
  1. Ordinance No. AO 82-9, an ordinance of the Municipality of Anchorage creating Paving Special Assessment District No. 17P81 and determining to proceed with proposed improvements therein. (Quinhagak Street Paving). P.H. 2/9/82.
    - a. Assembly Memorandum No. AM 71-82, regarding same.
  2. Ordinance No. AO 82-10, an ordinance of the Municipality of Anchorage creating Paving Special Assessment District No. 12P81 and determining to proceed with proposed improvements therein. (E. 48th Avenue & Cordova Street Paving). P.H. 2/9/82.
    - a. Assembly Memorandum No. AM 72-82, regarding same.
  3. Ordinance No. AO 82-11, an ordinance of the Municipality of Anchorage creating Paving Special Assessment District No. 13P81 and determining to proceed with proposed improvements therein. (E. 82nd Avenue Paving). P.H. 2/9/82.
    - a. Assembly Memorandum No. AM 74-82, regarding same.
  4. Ordinance No. AO 82-12, an ordinance of the Municipality of Anchorage creating Paving Special Assessment District No. 11P81 and determining to proceed with proposed improvements therein. (E. 73rd Avenue and Briarwood Street Area Paving). P.H. 2/9/82.
    - a. Assembly Memorandum No. AM 75-82, regarding same.
  5. Ordinance No. AO 82-14, an ordinance amending Sections 16.95.015(E) and 16.95.020(B) of the Anchorage Municipal Code pertaining to training hours for Municipal Emergency Medical personnel. P.H. 2/2/82.
    - a. Assembly Memorandum No. AM 76-82, regarding same.
  6. Resolution No. AR 82-16, a resolution of the Municipality of Anchorage to appropriate Twenty-Five Million Dollars (\$25,000,000) from the Cultural and Recreational Services Department to the Public Works Department to consolidate the funding for the Performing Arts Center. P.H. 2/2/82.
    - a. Assembly Memorandum No. AM 77-82, regarding same.
  7. Resolution No. AR 82-17, a resolution amending AR No. 81-282, also known as P.T.E. 81-1 correcting assessments against "West 300 feet, South 101 feet, NW 1/4, SW 1/4, SE 1/4, NE 1/4, Section 1, T12N, R4W, S.N., Alaska". P.H. 2/9/82.
    - a. Assembly Memorandum No. AM 78-82, regarding same.
  8. Resolution No. AR 82-24, a resolution of the Municipality of Anchorage amending the 1981-86 Capital Improvement Program and reprogramming funds within the Anchorage Parks and Recreation Service Area Capital Improvement Fund (0461) to provide Five Hundred Fifty Thousand Dollars (\$550,000) additional funding for Central Spenard Park Land acquisition and deleting Five

BIDS

Awards

ref: SCHOOLS  
AM 66-82

ref: PERSONNEL  
AM 67-82

ref: LEGAL  
AM 68-82

ref: TELEPHONE  
AM 69-82

ref: TELEPHONE  
AM 70-82

SPECIAL ASSESS.

ref: ROADS  
Ass. Dist.  
AO 82-9  
AM 71-82

SPECIAL ASSESS.

ref: ROADS  
Ass. Dist.  
AO 82-10  
AM 72-82

SPECIAL ASSESS.

ref: ROADS  
Ass. Dist.  
AO 82-11  
AM 74-82

SPECIAL ASSESS.

ref: ROADS  
Ass. Dist.  
AO 82-12  
AM 75-82

ANCH. MUN. CODE

Title 16--Health

ref: HEALTH  
Regulations  
AO 82-14  
AM 76-82

APPROPRIATIONS

Public Works

ref: PROJ 80's  
AR 82-16  
AM 77-82

ASSESSMENTS

Levy of

AR 82-17  
AM 78-82

BUDGET

CIP

ref: PARKS  
Site Acq.  
AR 82-24  
AM 79-82

Hundred Fifty Thousand Dollars (\$550,000) for acquisition of Rabbit Creek Park land. P.H. 2/2/82.

a. Assembly Memorandum No. AM 79-82, regarding same.

FOR ACTION: None.

C. NEW BUSINESS: None.

D. INFORMATION AND REPORTS:

1. Treasurer's Summary of Combined Cash, December 31, 1981.
2. Information Memorandum No. AIM 11-82, Traffic Control for Heritage Heights Subdivision.
3. Information Memorandum No. AIM 12-82, Award for contract for Invitation to Bid 81-C-100, Telephone Utility Central Wire Center.
4. Information Memorandum No. AIM 14-82, Appointments to Executive Staff.

The Consent Agenda was considered under Agenda Item 14.

6. APPEARANCE REQUESTS:

A. Report by Volunteer Service Commission, Ruth Briggs, Chairman.

ANN FLAVIN came forward to present the commission report. She mentioned the Community School program received a national award because of the volunteers' efforts in the program. The star volunteer this year is Clair Pease who functioned as volunteer coordinator for several years. The commission advises the Volunteer Services office on policy and recruitment; cooperates with state and municipal agencies to coordinate the training of volunteers. The main goal of the commission is to raise the consciousness of people who employ volunteer labor that volunteer labor is a valuable resource.

B. Mr. Wally Hopkins regarding: Withholding of funding for the Rondy Grand Prix event.

1. Information Memorandum No. AIM 13-82, regarding same.

See Item 4B, Special Orders of Business.

7. BID AWARDS: None.

8. ORDINANCES AND RESOLUTIONS FOR INTRODUCTION: None.

FOR ACTION:

A. Resolution No. AR 82-12, a resolution authorizing the administration to acquire easements and temporary construction permits for the Gambell Street Sanitary Sewer Trunk from 15th to "A" Street.

1. Assembly Memorandum No. AM 80-82, regarding same.

B. Resolution No. AR 82-13, a resolution directing the administration to acquire easements and permits for the widening of Arctic Boulevard from Tudor Road to Arctic Spur Road.

1. Assembly Memorandum No. AM 81-82, regarding same.

C. Resolution No. AR 82-18, a resolution authorizing the disposal of an interest in Municipal land with no substantial value to the Municipality. (Vacation of BLM Road Reservation in Lot 12B, U.S. Survey 3200). Case S-5944.

1. Assembly Memorandum No. AM 82-82, regarding same.

D. Resolution No. AR 82-19, a resolution authorizing the disposal of an interest in municipal land with no substantial value to

FINANCE

TRAFFIC  
AIM 11-82

CONTRACTS  
ref: TELEPHONE  
AIM 12-82

MAYOR  
Dept. Appt.  
AIM 14-82

BRDS & COMM.  
Volunteer Service

ASSEMBLY  
Misc. Act. & Ap.  
ref: CULT SERV.  
Fur Rondy  
AIM 13-82

EASEMENTS  
AR 82-12  
AM 80-82

EASEMENTS  
AR 82-13  
AM 81-82

VACATIONS  
AR 82-18  
AM 82-82  
Case S-5944

VACATIONS  
AR 82-19  
AM 83-82  
Case S-5954

the Municipality. (Vacation of a section line easement in Eagle Glenn Subdivision). Case S-5954.

1. Assembly Memorandum No. AM 83-82, regarding same.

- E. Resolution No. AR 82-20, a resolution authorizing the disposal of an interest in municipal land with no substantial value to the Municipality. (Vacation of right-of-way in White Birch Subdivision). Case S-5956.

1. Assembly Memorandum No. AM 84-82, regarding same.

- F. Resolution No. AR 82-21, a resolution authorizing the disposal of an interest in municipal land with no substantial value to the Municipality. (Vacation of BLM easements adjacent to BLM Lot 114). Case S-5955.

1. Assembly Memorandum No. AM 85-82, regarding same.

- G. Resolution No. AR 82-22, a resolution authorizing the disposal of an interest in municipal land with no substantial value to the Municipality. (Vacation of right-of-way adjacent to BLM Lot 27). Case S-5957.

1. Assembly Memorandum No. AM 86-82, regarding same.

- H. Resolution No. AR 82-23, a resolution of the Municipality of Anchorage providing for the appropriation of Thirteen Thousand Dollars (\$13,000) from the Loussac Foundation to the Miscellaneous Operating Grants fund for the Loussac Children's Literature Collection within the Municipal Library.

1. Assembly Memorandum No. AM 87-82, regarding same.

See Item 14, Continuation of Unfinished Agenda for action on these items.

9. OLD BUSINESS:

- A. Assembly Memorandum No. AM 1226-81, Approval of a contract with Salvation Army (A California Corporation) to provide Residential Treatment for Women Alcohol Abusers. (Postponed from 1/5/82).

- B. Assembly Memorandum No. AM 47-82, Professional Services for a Park Master and Greenbelt Plan for Girdwood, Bird Creek and Indian Communities. (Postponed from 1/12/82).

See Item 14, Continuation of Unfinished Agenda for action on these items.

10. NEW BUSINESS:

- A. Assembly Memorandum No. AM 88-82, Additional Funding for Coin Telephones - Telephone Utility.

- B. Assembly Memorandum No. AM 90-82, recommendation of proprietary award of Refuse Collection Services in the Girdwood Area.

- C. Assembly Memorandum No. AM 91-82, Change Order No. 5 to 1981 Patch Contract, Contract No. C-10358, Robert R. Construction, P.W. Construction Division File No. 81-C-5.

- D. Assembly Memorandum No. AM 92-82, Change Order No. 1 to 36th & Denali Professional Service Contract with U.S.K.H., P.O. No. 54047.

- E. Assembly Memorandum No. AM 93-82, Change Order No. 10 to Contract C-50218, signed July 18, 1980 with Rogers & Babler, 36th & Denali Improvements.

- F. Assembly Memorandum No. AM 94-82, Change Order No. 3 to 1980 miscellaneous Channelization Projects Contract, Contract No. C-50238, Sanford Construction Company.

VACATIONS  
AR 82-20  
AM 84-82  
Case S-5956

VACATIONS  
AR 82-21  
AM 85-82  
Case S-5955

VACATIONS  
AR 82-22  
AM 86-82  
Case S-5957

APPROPRIATIONS  
Library  
ref: CUTL. SERV.  
Libraries  
AR 82-23  
AM 87-82

CONTRACTS  
ref: HEALTH  
Alcohol  
AM 1226-81

CONTRACTS  
ref: GIRDWOOD  
AM 47-82

TELEPHONE  
AM 88-82

REFUSE COLLECTION  
AM 90-82

CONTRACTS  
ref: PUB. WORKS  
AM 91-82

CONTRACTS  
AM 92-82

CONTRACTS  
ref: ROADS  
Eng. & Des.  
AM 93-82

CONTRACTS  
AM 94-82

LIQUOR LICENSE  
AM 96-82

- G. Assembly Memorandum No. AM 96-82, Transfer of Ownership: Pizza Mediterranean, Mediterranean, A-2 Huffman Business Park, Anchorage.

See Item 14, Continuation of Unfinished Agenda for action on these items.

11. INFORMATION AND REPORTS: None.  
12. BOARD OF ADJUSTMENT/ASSEMBLY APPEALS: None.  
13. PUBLIC HEARINGS:

ANCH. MUNC. CODE  
Title 21-Zoning  
ref: ZONING  
AO 81-217  
AM 3-82

- A. Ordinance No. AO 81-217, an ordinance amending Title 21 of the Anchorage Municipal Code pertaining to the R-10 (Residential Alpine Use District) Lot coverage and maximum units per acre.  
1. Assembly Memorandum No. AM 3-82, regarding same.

Chairman Smith opened the public hearing and asked if anyone wished to speak. There was no one and he closed the public hearing.

Mr. O'Connor moved, to adopt AO 81-217.  
seconded by Mrs. Maser,

Mr. O'Connor pointed out the ordinance changes a chart depicting maximum lot coverage to conform with amendments the Assembly made to the original ordinance.

Mrs. Maser noted the packet contained objections from the engineer and Environmental Protection.

Don Alspach, Manager of Planning and Zoning, said amendments were made to this ordinance when the Planning and Zoning Commission considered it to address the concerns of the engineer. The other concern involved an Assembly amendment which was not open to change when the ordinance was before the Planning and Zoning Commission.

The question was called on the motion and it passed:

AYES: Chief, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser, Marsh,  
Baer, O'Connor, Josephson.  
NAYS: None.

APPROPRIATIONS  
Transportation  
Senior Citizens  
ref: TRANS.  
SR. CITIZEN  
AR 81-356  
AM 4-82

- B. Resolution No. AR 81-356, a resolution of the Municipality of Anchorage providing for the appropriation of One Hundred Thousand, Seven Hundred Ten Dollars (\$100,710) from the State of Alaska, Department of Health and Social Services, Division of Adult and Aging Services, and Two Thousand, Two Hundred Dollars (\$2,200) from Public Transit Fees, to the Public Transit Fund for Supplemental Transportation to the Elderly Program.  
1. Assembly Memorandum No. AM 4-82, regarding same.

Chairman Smith opened the public hearing and asked if anyone wished to speak. There was no one and he closed the public hearing.



Dr. Selkregg moved, to approve AR 81-356.  
seconded by Mrs. Maser,

In response to Mrs. Maser, Jim Dunn, Director of Transportation, indicated the transit fees being contributed came from the special buses used solely to transport the handicapped and elderly. The Municipality is requesting \$800,000 for the program in 1983. There are sufficient funds to carry the program through calendar year 1982. If funds are not forthcoming from Juneau, there will be a shortfall in 1983.

Ron Garzini, CAO-Operations, informed the Assembly the administration would be presenting a comprehensive approach to transportation of the handicapped and elderly so that the "cliff hanging" funding situation does not recur.

ROSE PALMQUIST, representing OPAG, said the funds would not run short this year because the service is limited. Transportation Services, Inc., for a long time would not take people out in the evening. A rule was established that there must be five riders or the bus won't come. There was refusal to take people to the Sunday drop-in center. The service is not keeping up with the demand although it is not less than what was offered last year. The community needs more than 630 hours per week. The People Mover system provides more rides for senior citizens than TSI. TSI is used by people who have handicaps or live too far from a bus stop to walk.

Chairman Smith asked some standard be set which would qualify individuals for door to door service so people will not abuse the service.

The question was called on the motion and it passed:

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, Josephson.  
NAYS: None.

(Clerk's note: Mr. O'Connor was out of the room at the time of the vote).

- C. Resolution No. AR 81-357, a resolution accepting and appropriating an Urban Mass Transportation Administration Section "3" Grant for Seven Hundred Thousand Dollars (\$700,000), and a Section "5" Grant for Two Hundred Forty Thousand One Hundred Thirty Dollars (\$240,130) to the Public Transit Capital Improvement Fund for the Public Transit Bus Maintenance and Storage Facility.  
1. Assembly Memorandum No. AM 5-82, regarding same.

APPROPRIATIONS  
Transportation  
ref: TRANS.  
BUSES  
AR 81-357  
AM 5-82

Chairman Smith opened the public hearing and asked if anyone wished to speak. There was no one and he closed the public hearing.

Mrs. Maser moved, to approve AR 81-357.  
seconded by Mr. Chiei,

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, Josephson.  
NAYS: None.

(Clerk's note: Mr. O'Connor was out of the room at the time of the vote).

- D. Resolution No. AR 82-3, a resolution of the Municipality of Anchorage accepting a Two Hundred and Eighty-Two Thousand, Two Hundred Fifty Dollar (\$282,250) State of Alaska, Department of Environmental Conservation Grant and appropriating said grant to the Anchorage Sewer Utility's Capital Improvement Fund for the construction of Central Business District-2 (CBD-2) Trunk.  
1. Assembly Memorandum No. AM 32-82, regarding same.

APPROPRIATIONS  
Public Works  
Utilities  
ref: PUB. WORKS  
SEWERS  
Ass. Dist.  
AR 82-3  
AM 32-82

Chairman Smith opened the public hearing and asked if anyone wished to speak. There was no one and he closed the public hearing.

Mrs. Maser moved, to approve AR 82-3.  
seconded by Mr. Walsh,

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, Josephson.  
NAYS: None.

(Clerk's note: Mr. O'Connor was out of the room at the time of the vote).

14. CONTINUATION OF UNFINISHED AGENDA:

4. SPECIAL ORDERS:

D. Chairman Smith mentioned he previously sponsored an ordinance relative to involuntary incarceration for public inebriates. At the time of public hearing, he asked the Legal Department to draft a resolution on the subject. That resolution has been prepared and he wondered if it would be legal to bring it up for discussion in conjunction with the public inebriate plan on January 26.

Attorney Wertzbaugher responded that since it was a resolution rather than an ordinance there was no requirement for public notice and it would be alright for the Assembly to discuss the resolution on January 26.

E. Chairman Smith informed the Assemblymen he sent letters to all members of Boards and Commissions whose terms were expiring in 1982. When the responses are received a report will be prepared.

5. CONSENT AGENDA:

Mr. Walsh moved, to approve the consent  
seconded by Mrs. Maser, agenda.

Relative to AM 66-82, Paul Diener, Director of Public Works, said the wood from the site was sold and the cost of the contract reduced accordingly. It was not feasible to open the area to the public for wood cutting because some of the trees must remain.

Relative to AR 82-24, Wilda Hudson, Director of Cultural and Recreational Services, said the Municipality had negotiated with the property owner in Rabbit Creek but could not reach agreement. Therefore, the money is being moved so that it can be used. There is no opposition from the State to this proposal. Messrs. Smith and Chiei endorsed the resolution.

Mr. Walsh commented the Spenard site is the only one within a half to one mile radius available for a park in central Spenard. It is a heavily developed area and the park will be well used.

The question was called on the motion and it passed:

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, Josephson.  
NAYS: None.

(Clerk's note: Mr. O'Connor was out of the room at the time of the vote).

8A through H.

HEALTH  
Alcoholism

BRDS: & COMMS.  
Gen. Procedures

BIDS  
Awards  
ref: SCHOOLS  
AM 66-82

BUDGET  
CIP  
ref: PARKS  
Site Acq.  
AR 82-24

Mr. Walsh moved, to approve Items A through  
seconded by Mrs. Maser, H.

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, O'Connor, Josephson.  
NAYS: None.

Concerning AIM 12-82, Attorney Wertzbaugher informed the Assembly  
that the court ordered the Municipality to award the contract to  
Wick Construction. There are no alternatives.

Mr. Hickey, Purchasing Officer, added that the local preference  
provision had been specifically included in all construction bid  
invitations. The percent of preference is left to the discretion  
of the Assembly. The Purchasing Department has instructed that all  
requests for advice be forwarded and responded to in writing.

9A. AM 1226-81.

Ms. Angvik moved, to approve AM 1226-81.  
seconded by Dr. Selkregg,

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, O'Connor, Josephson.  
NAYS: None.

9B. AM 47-82.

Mr. Chiei said he met with the community council of Bird Creek  
about this matter. They have no objection to this contract being  
awarded provided that a baseball diamond, tennis court and park are  
planned for use by local residents only.

Mr. Walsh moved, to approve AM 47-82.  
seconded by Mr. Baer,

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, O'Connor, Josephson.  
NAYS: None.

10A through G.

Mr. Walsh moved, to approve Items A through  
seconded by Mr. Chiei, G of New Business.

AYES: Chiei, Mystrom, Angvik, Walsh, Selkregg, Smith, Maser,  
Marsh, Baer, O'Connor, Josephson.  
NAYS: None.

The meeting recessed at 8:15 p.m. and reconvened at 8:22 p.m.

15. AUDIENCE PARTICIPATION: None.

16. MAYOR'S COMMENTS:

Mayor Knowles distributed the first "sketch" of the legislative  
package as discussed with the Assembly a month ago. There is a  
package of back-up information available to Assemblymen which  
contains site specific information. It is the earliest a  
legislative package has been presented and has the most input of  
any legislative package presented. Community development items  
include a long range water supply, open space and trails, water and  
sewer utility improvements. The long range water supply will be  
discussed with the Assembly at the February 2, 1982 work session at  
5:00 p.m. New facilities include a winter recreation facility,  
parking garage and headquarters library. The human resources  
element includes day care assistance and training opportunities.  
Neighborhood development focuses on important neighborhood

CONTRACTS

ref: TELEPHONE  
AIM 12-82

CONTRACTS

ref: HEALTH  
Alcohol  
AM 1226-81

CONTRACTS

ref: GIRDWOOD  
AM 47-82

AM 88-82  
AM 90-82  
AM 91-82  
AM 92-82  
AM 93-82  
AM 94-82  
AM 96-82

LEGISLATION  
State

facilities like the Fairview Recreation Center. Public safety requests include a new public safety building, operation funds to allow increased policemen, street lights, and pedestrian safety items. The Municipality is requesting control of signalization and maintenance of roads which are critical bottlenecks in the transportation system of the community. Under this plan the money would be transferred from the state to the Municipality. The Municipality would then build the roads because it has a better track record of being able to complete road projects. Mayor Knowles said he had a major commitment to mass transit as an integral part of the transportation program. The tax relief element proposes full funding of municipal assistance, 90% funding of schools and a 50/50 match for public safety programs. His program requests the state make funds available to the Municipality so that the personal property tax can be eliminated. In terms of regional growth, the municipal targets will be the educational budget of the University of Alaska, hydroelectric projects to be developed in adjacent boroughs, road improvements in the Kenai Borough and ferry system improvements. Municipal staff has made an incredible effort to put this package together so early in the year. All the items listed have had public hearings and public review through the years.

Dr. Selkregg requested a map be prepared depicting the unpaved streets in Anchorage. The administration should mount an education campaign to inform citizens how RID's are formed so these roads can be paved.

In reply to Chairman Smith, Mayor Knowles said the first consideration was given to voter approved Project 80's facilities. Then the administration assessed how many of those projects could be implemented in 1982 and whether it was feasible to ask for the funds this year. If the requested tax assistance is received, residents of the Municipality will be paying about 2 mills.

Chairman Smith felt the package should be considered by the Assembly for adoption or amendment.

Mr. Josephson suggested the legislative package be placed on the agenda next week as an item of new business. The administration will not be prohibited from going to Juneau with the package and making its requests of the legislature. He felt Assembly concurrence would be helpful.

Mr. Baer felt the package should be discussed at the noon work session on January 20. As he understands it, the legislature wants all proposals by Friday. If the Assembly wants to take action on the proposal, perhaps a special meeting should be held.

Mr. Walsh spoke against putting the proposal on the agenda because it had never been done before. Perhaps it should have been subject to official Assembly action but the Assembly has not chosen to do that in the past. Next year a public hearing can be held but the legislature is "fast tracking", there was a change in municipal administration, and the Assembly does not have the luxury of requiring a public hearing this year. The document is fluid and changes will have to be made. He suggested the Assemblymen put it on their calendars for next year.

Assemblymen Mystrom and Selkregg felt the matter should be placed before the Assembly for approval. Assembly support will strengthen the Mayor's position in Juneau.

Dr. Selkregg moved,  
seconded by Mr. Baer,

to hold a Special Assembly  
Meeting at 1:30 p.m. in the  
Mayor's Conference Room on  
January 20, 1982.

There was considerable discussion about whether a special meeting should be held to consider the legislative package as presented by

Mayor Knowles and the value the meeting would have to the legislative package.

Mr. Mystrom moved, a substitute motion to  
seconded by Mr. Walsh, schedule the legislative  
package on the January 26,  
1982 Assembly Agenda.

The question was called on whether to substitute and it failed:

AYES: Mystrom, Angvik, Walsh, Smith, Josephson.  
NAYS: Chief, Selkregg, Maser, Marsh, Baer, O'Connor.

The question was called on the main motion and it passed:

AYES: Selkregg, Smith, Maser, Marsh, Baer, O'Connor, Josephson.  
NAYS: Chief, Mystrom, Angvik, Walsh.

17. ASSEMBLY COMMENTS:

A. Mr. Chief requested a sign be posted in the Assembly Hall asking all gentlemen to remove their hats because there is an American flag in the room.

B. Dr. Selkregg said she would like to attend the Alaska Coal Market Conference on behalf of the Assembly. Chairman Smith agreed the Assembly would pay the registration fee.

C. Mrs. Maser asked Mr. Diener or Mr. Harshman to inform her of the cause of deterioration or replacement of the sewer line. Secondly, Mrs. Maser asked for a report on whether those officials specified in Mr. Wertzbaugher's memo had indeed signed oaths of office. Thirdly, Mrs. Maser asked to receive a building permit status report. Lastly, Mrs. Maser asked the administration to look at using the Point Woronzof area for the Grand Prix. She said she wanted to see the report within the next three months.

D. Mr. Baer said he was glad to see Mayor Knowles' legislative package included funds for landscaping and a sound barrier along east Northern Lights Boulevard. At a meeting he recently attended, people testified they preferred a four lane street with a turn lane. He asked the administration to pursue the sound barrier along the improvement to buffer nearby residences. Secondly, Mr. Baer said he received a complaint about ticketing of cars parked on the street in Nunaka Valley. Only some of the violators were ticketed. Perhaps the police officer was interrupted or something. He suggested a 24 hour warning ticket might be a better approach.

E. Mr. O'Connor wondered if the Assembly would consider allowing the appellant, petitioner and appellee to speak for five minutes each on appeal cases.

F. Mr. Josephson reminded the Assembly a 5:00 p.m. work session was scheduled for next Tuesday to discuss the emergency housing situation.

G. Chairman Smith announced the meeting with the Budget Advisory Commission scheduled for noon, January 21 would be cancelled and rescheduled because several Assemblymen are planning to travel to Juneau.

ASSEMBLY  
Comments

Members

SEWERS

Administration

LEGISLATION  
State

ref: ROADS  
Eng. & Des

APPEALS  
Procedures

ASSEMBLY  
Meeting  
ref: HOUSING

Meeting  
ref: BRDS & COMM.  
Budget Adv.

Page 14 - Minutes of the Regular Meeting of January 19, 1982

18. ADJOURNMENT:

The meeting adjourned at 9:50 p.m.

Don Smith

Chairman

Leanne Ferguson

Leanne Ferguson  
Deputy Clerk

Date Minutes Approved 3-2-82

LP:nu

EXHIBIT "A"

# Municipality of Anchorage

## MEMORANDUM

DATE: February 18, 1982  
TO: Ruby Smith, Municipal Clerk  
FROM: Susan Lindemuth, Manager, Records and Benefits  
SUBJECT: Life Insurance Coverage for George Sullivan

RECEIVED  
Office of Municipal Clerk

FEB 22 1982

Pouch 6-650  
Anchorage, Alaska 99502

You have asked for cost figures regarding continuation of life insurance coverage for George Sullivan.

When he left office, Mr. Sullivan's life was insured for \$193,000. The figures I am quoting are based on a continuation of that level of insurance.

If the Municipality continues Mr. Sullivan's coverage as a member of the group, it will cost the Municipality \$86.85 per month or \$1,042.20 per year. This is based on the current rate of \$.45 per thousand per month. This premium could be paid either by the Municipality or Mr. Sullivan.

Mr. Sullivan is eligible to convert his insurance to an individual policy. At his age, continued coverage would cost Mr. Sullivan \$961.00 per month. After the second year dividends would be paid and after a period of time (approximately 15 years) the dividends would pay the premium. Additionally, if Mr. Sullivan were to convert his insurance to an individual basis, at his age, the insurance company charges the Municipality a lump sum of \$150 per thousand or \$28,950, if he were to convert the full \$193,000.

If I can be of further assistance, please let me know.

SL:bjd

MUNICIPALITY OF ANCHORAGE  
SALARY AND EMOLUMENTS COMMISSION  
RESOLUTION 82-1

WHEREAS, by resolution adopted on January 19, 1982, the Anchorage Municipal Assembly requested that the Commission on Salaries and Emoluments consider directing that life insurance coverage be provided to former Anchorage Mayor George M. Sullivan for the remainder of his life at the same rate and at the same coverage as in existence on January 1, 1982; and

WHEREAS, by virtue of Section 5.01(e) of the Anchorage Municipal Charter the compensation of the Mayor shall be fixed by the Commission on Salaries & Emoluments;

NOW, THEREFORE, the Commission on Salaries & Emoluments resolves:


Section 1. That the Municipality shall provide life insurance coverage to former Anchorage Mayor George M. Sullivan at the remainder of his life at the same rate and with the same coverage as in existence on January 1, 1982.

Section 2. That the cost of providing said life insurance coverage shall be borne in full by former Mayor George M. Sullivan.

Section 3. This resolution takes effect at the beginning of the next fiscal year of the Municipality.

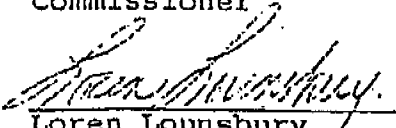
PASSED AND APPROVED by the Anchorage Commission on Salary and Emoluments, this 24th day of February, 1982.

  
Claude Millsap, Chairman

  
Ralph Amovak  
Commissioner



Pamela Gotham  
Commissioner

  
Loren Lounsbury  
Commissioner

Richard Silberer  
Commissioner

# Municipality of Anchorage



POUCH 6-650  
ANCHORAGE, ALASKA 99502  
(907) 264-4311

## COMMISSION ON SALARIES & EMOLUMENTS

February 24, 1982

### AGENDA

Mayor's Conference Room  
8th Floor, Municipal Hill Building  
February 24, 1983  
4:30 p.m.

- I. CALL TO ORDER
- II. ROLL CALL
- III. MINUTES OF PREVIOUS MEETING
  - A. September 2, 1981, Minutes of the Commission on Salaries and Emoluments.
- IV. OLD BUSINESS
- V. NEW BUSINESS
  - A. Resolution No. AR 82-30  
A RESOLUTION OF THE ANCHORAGE ASSEMBLY RECOMMENDING THE MUNICIPALITY PROVIDE CERTAIN LIFE INSURANCE BENEFITS TO FORMER MAYOR GEORGE M. SULLIVAN AND REFERRING THE MATTER TO THE COMMISSION ON SALARIES AND EMOLUMENTS.
- VI. PUBLIC HEARING
- VII. COMMISSION'S COMMENTS
- VIII. ADJOURNMENT

COMMISSION ON SALARIES AND EMOLUMENTS

February 24, 1982

I. CALL TO ORDER:

The special meeting of the Commission on Salaries and Emoluments was called to order by Chairman Claude Millsap at 4:37 p.m. in the Mayor's Conference Room, 8th Floor, Municipal Hill Building, 632 W. 6th Avenue, Anchorage, Alaska.

II. ROLL CALL:

Present: Ralph Amouak (4:39 p.m.), Pamela Gotham, Loren Lounsbury, Claude Millsap.  
Absent: Richard Silberer (excused).

III. MINUTES OF PREVIOUS MEETING:

Chairman Millsap asked if the members had read the minutes of September 2, 1981.

Mr. Lounsbury moved,  
seconded by Ms. Gotham,  
and they passed without  
objection.

to approve the minutes of  
September 2, 1981.

IV. OLD BUSINESS: None

V. NEW BUSINESS:

Resolution No. AR 82-30 "A RESOLUTION OF THE ANCHORAGE ASSEMBLY RECOMMENDING THE MUNICIPALITY PROVIDE CERTAIN LIFE INSURANCE BENEFITS TO FORMER MAYOR GEORGE M. SULLIVAN AND REFERRING THE MATTER TO THE COMMISSION ON SALARIES AND EMOLUMENTS".

Chairman Millsap advised the meeting had been called to consider Resolution No. AR 82-30 which was passed by the Anchorage Municipal Assembly January 19, 1982 and referred to the Commission on Salaries and Emoluments for consideration.

VI. PUBLIC HEARING:

Chairman Millsap said the meeting was open for comments.

Gerry O'Connor, Anchorage Assemblyman, said that when Mayor Sullivan was retiring, the Assembly looked at some things that could be done for him and this was one of the options considered. It was based on the fact of his having a heart problem. After the by-pass operation, he could have retired on disability at 80% of his salary. He chose to come back to work and after three months, he waived the option of taking the disability pay and retiring. In answer to questions by Ms. Gotham, Mr. O'Connor explained he had called the original meeting at the Cattle-men's restaurant and he proposed the resolution. He further stated this was originally proposed to be done at the George Sullivan Dinner. However, the Municipal Attorney advised the proper way to handle the matter was to refer it to the Commission on Salaries and Emoluments.

Chairman Millsap then asked if anyone else wished to speak. There was no one.

Chairman Millsap then read the memorandum dated February 18, 1982, to the Municipal Clerk from Susan Lindemuth, regarding the life insurance coverage for George Sullivan and it is attached as exhibit 'A'. After reading the memo, Chairman Millsap remarked the memo indicated the insurance premiums would be so far out of reach for most people, that it would be impossible to convert.

There was discussion among the members regarding whether a member may remain on the insurance plan once he has terminated and received his last pay check.

Mr. O'Connor said the former Mayor was still on the payroll as he had not taken a vacation in the last five years.

There was still concern by the Commission whether the insurance company would allow someone who was no longer employed by the Municipality to remain part of the group plan and pay the monthly premiums out-of-pocket. It was understood that most insurance companies allow a 30-day grace period in which to convert the insurance or lose it.

Chairman Millsap recessed the meeting at 4:45 p.m. until Susan Lindemuth, Manager of Records and Benefits, could be present to answer questions. The meeting reconvened at 4:53 p.m.

In response to questions by Mr. Lounsbury, Ms. Lindemuth stated there is no problem as far as the insurance company is concerned in continuing George Sullivan in the insurance program after his completion of service with the Municipality and has drawn his last paycheck. She further stated the Municipality would just add an amendment to the policy saying George Sullivan is eligible to continue participation.

Mr. Lounsbury said he had received two telephone calls regarding this matter. One call was from a Paul and Ann Fackler, 1576 Birchwood Street. They are long time residents of Anchorage and they wanted their opposition stated for the record. They felt it would be setting a very dangerous precedent and were afraid it would become a standing thing. The other caller did not divulge his name or address but basically said the same as Mr. & Mrs. Fackler.

Ms. Gotham said she also received telephone calls from Lana Markley, Donald and Terry Gotham, Robert E. and Helen Maulden, Chris Burns and two people who would not give their names. They all felt elective officials should not receive benefits after their terms in office had been fulfilled. Elective officials know when they run for office it is for a short duration. They further said they appreciated Mr. Sullivan's distinguished service but were not in favor of having the Municipality pay for extended life insurance for him.

Mr. Amouak said he received four telephone calls. Two calls were from municipal employees who would not give their names. All callers felt the Municipality should not extend life insurance coverage to Mr. Sullivan and it would be setting a dangerous precedent.

Ruby Smith, Municipal Clerk, stated her office had received one such call.

Chairman Millsap said this may be a precedent for the Municipality but it was not a precedent for the State. When an elected official or employee retires from the State, they have health insurance and life insurance provided for the rest of their lives.

There was discussion as to whether this should be part of the retirement benefit for George Sullivan and it was also brought out that he chose not to retire at the time of the heart operation.

Ms. Gotham said she felt this was not a benefit to George Sullivan but was rather a benefit to the Sullivan family upon his death. She did not feel this was a responsibility of the Municipality. Therefore she was opposed.

Chairman Millsap said he had drafted resolution number 82-1, Salary and Emoluments Commission and he asked it to be read for the record and it is attached as exhibit "B".

Mr. Millsap moved,  
seconded by Mr. Lounsbury,

to approve Resolution  
82-1

Ms. Gotham moved,  
seconded by Mr. Amouak,

to amend the Resolution by  
authorizing the life insurance  
so long as the full cost of  
the premiums are paid by  
George Sullivan.

There was discussion regarding the meaning of the amendment.

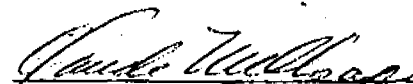
Chairman Millsap called the question on the amendment and it passed.

Chairman Millsap suggest that Section 2 be changed to read "That the said life insurance coverage be provided at full cost by George M. Sullivan" and Section 2 become Section 3. The Clerk was directed to have the Municipal Attorney draft the proper wording for the resolution and contact the members of the Commission for signatures.

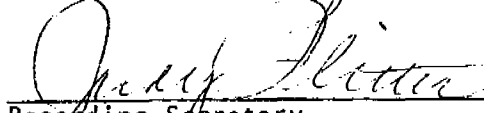
VII. COMMISSION COMMENTS: None

VIII. ADJOURNMENT:

The meeting adjourned at 5:10 p.m.

  
Claude Millsap, Chairman

ATTEST:

  
Recording Secretary



MUNICIPALITY OF ANCHORAGE  
MEMORANDUM

Date 7/24 **RECEIVED** 1982

To: Jerry Hertzbacher  
From: Susan Fundermuth  
Re: G. Sullivan Life Insurance

JUL 26 1982

Dept. of Law  
Administration

As you have already discussed this with Barbara, I was hopeful you could answer our question on the language of the resolution.

To continue his insurance (\$193,000) will cost George \$77.20 per month at the current rate of \$.40/thousand/month. Jan 1, 1983 the cost will go to \$.45/thous. or \$86.85 per month.

Does the resolution guarantee that he can buy \$193,000 worth of coverage or that he will only pay \$77.20 for it?

Signed Susan

MEMO FROM

G. Sullivan

JERRY WERTZBAUGHER  
Municipal Attorney  
264-4236

7/26/82

RECEIVED

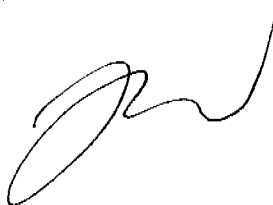
JUL 27 1982

MUNICIPALITY OF ANCHORAGE  
PERSONNEL

*Susan:*

"at the same rate" means that  
he will have to pay what the  
Muni paid as of his departure.  
Any increase in cost will be  
born by the Municipality.

Since technically the resolution  
does not take effect until Jan 1983,  
he should pay total cost for Nov. & Dec  
even if rate has gone up.



# Municipality of Anchorage

## MEMORANDUM

DATE: November 17, 1982  
TO: Salary and Emoluments Commission  
FROM: Records and Benefits Manager  
SUBJECT: Life Insurance Coverage for Former Mayor Sullivan

Judy Flitter has asked that I clarify the last sentence in paragraph two of my November 10 memo.

When planning for the implementation provisions of Resolution 82-1, the meaning of "at the rate in effect as of January 1, 1982" was questioned. Municipal Attorney Jerry Wertzbaugher interpreted it to mean that Mr. Sullivan would not be required to pay for increases in life insurance premium rates subsequent to January 1, 1982. To the extent that those rates will increase (current rate is \$.40/thousand/month; rate January 1, 1983 will be \$.45/thousand/month) the Municipality will have to pick up the difference.

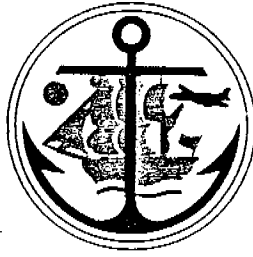
I hope this provides sufficient clarification.

*Susan Lindemuth*  
Susan Lindemuth  
Manager, Records and Benefits

SL:bw



# Municipality of Anchorage



POUCH 6-650  
ANCHORAGE, ALASKA 99502-0650  
(907) 264-4111  
TONY KNOWLES,  
MAYOR

## DEPARTMENT OF HUMAN RESOURCES

November 17, 1982

Mr. Carl Peterson  
Public Employees Retirement System  
Pouch CR  
Juneau, Alaska 99811

Dear Carl:

Per our conversation on Friday, November 12, concerning the status of George M. Sullivan, the terminal leave from January 1, 1982 to October 31, 1982 should be coded as "Elected Official."

As we further discussed, this coding will in no way affect Mr. Sullivan's retirement benefit.

If you have any further questions concerning Mr. Sullivan, please feel free to call or write.

Sincerely,

A handwritten signature in cursive script, appearing to read "Donna", is written over the typed name.

Donna Outlaw  
Benefits Supervisor

DO:bw

# Municipality of Anchorage

## MEMORANDUM

*file*

*B*

DATE: November 22, 1982

TO: Susan Lindemuth, Manager, Records and Benefits

FROM: Judy Flitter - Clerk's Office - Staff Support for the Salary and Emoluments Commission

SUBJECT: LIFE INSURANCE COVERAGE  
FOR FORMER MAYOR GEORGE  
SULLIVAN

Susan:

The Salary and Emoluments Commission has requested I write a memo to you clarifying the intent of the commission on the life insurance policy.

The decision from the Salary and Emoluments Commission was to allow former Mayor George Sullivan to retain the policy but to pay any premiums himself. They did not intent for any monies to be taken from the current Mayor's budget. The statement from the commission is: The bill is to be sent to Mr. Sullivan for the difference per thousand per month.

If there are any questions, please refer them to my attention and I will contact the Salary and Emoluments Commission.

Regards,

*Judy*  
Judy

CONCUR:

*Claude Millsap*  
Claude Millsap, Chairman  
Salary and Emoluments Commission



ASSIGNMENT

GROUP COVERAGE

Person Insured

George M. Sullivan

To be executed in triplicate — May be used for Group Life Plans with or without Paid-Up Values, Group Plans providing benefits for Accidental Death and Dismemberment and Group Accident Plans. May also be used for individual policies provided on a group basis, such as policy forms GR-42645, GR-37, GR-159 and GR-1072. Unless the prefix is included with the Contract Number, all group coverages (Life, AD&D and/or Acc.) under the Contract Number shown below will be deemed to be included in this assignment. If the employee lives in a community property state, and if the employee's spouse is not an assignee, said spouse should assent in writing to the assignment.

This form has been prepared solely for the guidance of attorneys, it should not be used by any employee without the advice of his or her own attorney. NO ONE SHOULD COMPLETE THIS FORM IF HE OR SHE HAS EXECUTED A PREVIOUS ASSIGNMENT WHICH HAS BEEN ACCEPTED BY AETNA IN CONNECTION WITH ANY OF THE ABOVE-MENTIONED COVERAGES AND WHICH IS CURRENTLY IN FORCE.

I, the undersigned, George M. Sullivan, hereby irrevocably assign, transfer, and

(Assignor)

set over, as a gift, to Ted Berns, trustee, George M. Sullivan Irrevocable Life Insurance Trust

(Assignee)

(Family Relationship, if any)

1352 W. 10th Avenue Anchorage, Alaska 99501, and to the executors,

(Street Address)

(City)

(State)

administrators, successors or assigns of said assignee all my incidents of ownership, including but not limited to all my right, title, claim, interest and benefit, present or future, in and to my insurance under Contract No.(s) GP-392680

(Prefix) (Number)

(Prefix) (Number)

(Prefix) (Number)

(Prefix) (Number)

(Prefix) (Number)

(Prefix) (Number)

a contract or contracts between the Contractholder, namely, \_\_\_\_\_, and the Insurer, namely, Aetna Life Insurance Company or one of its affiliated Companies, and under any contract or contracts issued by the Insurer or any succeeding insurer to the Contractholder, its successors or assigns, in replacement thereof, and under any individual contract or contracts issued by the Insurer or any succeeding insurer pursuant to the conversion privilege contained in such contract or contracts.

Without limiting in any way the generality of the foregoing, this assignment shall vest in the assignee, or in his executor or administrator should the assignee predecease me: (1) the sole and exclusive right to exercise the privilege of obtaining an individual contract of life insurance in accordance with any conversion privilege contained in the contract or contracts; (2) the right to make to the Contractholder any contributions which may be required to maintain my insurance in force under the contract or contracts; (3) the sole and exclusive right to exercise any and all other rights, privileges, and options which, but for this assignment, could be exercised by me under the contract or contracts, or which may be granted by the Insurer; (4) the sole and exclusive right to demand, collect, and receive any and all proceeds of the contract or contracts, subject, however, to the terms of the contract and subject further to the right of the assignee to designate and to change the beneficiary as provided in the contract or contracts.

If this assignment is made to the assignee as trustee, or is subject to any condition or agreement, neither the Contractholder nor the Insurer shall be obliged to inquire into the terms of such trust, condition or agreement, and they shall not be chargeable with knowledge of the terms thereof. The Contractholder and the Insurer may rely solely upon the signature of the assignee to any release, receipt, or waiver, or to any other instrument affecting this assignment of my insurance under the contract or contracts.

In the event the contract or contracts contain a provision against assignments, it is understood that this assignment shall not take effect until the Contractholder and the Insurer execute waivers thereof, and that after such execution this assignment shall become effective as of the date of acceptance by the Assignee, as indicated below.

It is further understood that neither the Contractholder nor the Insurer assumes responsibility of any kind or degree for the validity, sufficiency, or effect of this assignment.

IN WITNESS WHEREOF, I have hereunto set my hand at Anchorage, Alaska

this 18<sup>th</sup> day of November, 1983.

Signed and delivered in the presence of

Sharon D. [Signature]

(Witness)

George M. Sullivan

(Assignor)

I have accepted the assignment set forth on the reverse side hereof. It is my understanding that the contract or contracts under which the assignor's benefits are provided contain a prohibition against their assignment, and that the assignment to me will not be effective unless the Contractholder and the Insurer consent thereto. In consideration of their grant of such consent, I hereby agree to release the Contractholder and the Insurer, their employees, agents, and assigns, from any obligation or liability of any kind that might arise as a consequence of the assignment. In particular, I hereby release each of them from any liability for any failure to notify me of changes in the insurance benefits assigned to me, or of any termination thereof, or of any act required by me to keep said benefits in force.

Amy W. Kaufman Theodore Kern 12/16/83  
(Witness) (Assignee) (Date)

#### CONSENT BY CONTRACTHOLDER

In consideration of the execution by the assignee of the above "RELEASE BY ASSIGNEE", the Contractholder hereby consents to the assignment set forth on the reverse side hereof, and agrees to waive any prohibition against assignments contained in the subject contract or contracts. This consent and waiver shall be effective only with respect to said assignment and to no other.

Municipality of Anchorage By: Sandra Stetzel  
(Contractholder) (Date) 1/18/84 Title: Municipal Manager

#### CONSENT BY INSURER AND ACKNOWLEDGEMENT OF RECORDING

In consideration of the execution by the assignee of the above "RELEASE BY ASSIGNEE", the Insurer hereby consents to the assignment set forth on the reverse side hereof, and agrees to waive any prohibition against assignments contained in the subject contract or contracts. This consent and waiver shall be effective only with respect to said assignment and to no other. A copy of this assignment has been placed on file by the Insurer.

Insurer: ATHA LIFE INSURANCE COMPANY Date: MAR 20 1984  
By: Lewis R Mervine Registrar: Allen D. Page  
Title: Secretary

#### DESIGNATION OF BENEFICIARY BY ASSIGNEE

Effective on the date of my acceptance of the assignment set forth on the reverse side hereof and in accordance with my right as assignee, I hereby designate one\* of the following as beneficiary under the contract or contracts set forth in said assignment to receive any sum becoming payable by reason of the death of the person insured:

- ☐ Myself, if I survive the insured, otherwise in equal shares to my surviving children, and the descendants of any deceased child per stirpes.
- ☐ Myself, if I survive the insured, otherwise in equal shares to my surviving children.
- ☐ Myself, if I survive the insured, otherwise to my estate.

☒ Ted Berns, as trustee, George M. Sullivan Irrevocable Life Insurance Trust  
under Trust Agreement dated October 6, 1983, as trustee,

\*NOTE: If assignee wishes to make any other Designation of Beneficiary, the Insurer will promptly furnish proper forms on request.

It is my understanding and desire that this Designation shall operate so as to revoke any and all designations of beneficiary previously made under said contract or contracts; that this Designation is subject to change as provided in said contract or contracts; that if the Designation is to a trust, the Insurer shall not be chargeable with knowledge of the terms thereof and the payment to and receipt by the trustee(s) shall fully discharge all liability of said Insurer to the extent of such payment; and that this Designation will not affect the payment of survivor income benefits if the contract or contracts, under which such benefits are provided, make no provision for a beneficiary designation.

[Signature] Theodore Kern  
(Witness) (Assignee)



**Employee Benefits Division**  
1720 One Union Square  
Seattle, Washington 98101 - 4151  
(206) 467-2802

James E. Hickey  
Assistant Manager

January 9, 1984

Ms. Susan Lindemuth  
Manager  
Municipality of Anchorage  
Pouch 6-650  
Anchorage, AK 99502

RE: GROUP POLICY NUMBER 392680  
George M. Sullivan

Dear Susan:

I am enclosing the three copies received in my office of "Assignment of Group Coverage" for George M. Sullivan. In order to process this assignment, we will need the contractholder section completed on all three copies. We have put red x's on the lines which need to be completed.

After this is done, please return them to me as soon as possible for further processing. Thanks for your help.

Sincerely,

James E. Hickey

Enc.

JEH: 1b

**Moore, Karen A.**

---

**From:** Otto, David K.  
**Sent:** Friday, March 22, 2002 7:26 AM  
**To:** Giard, Kate H.; Greene, William A. (Law)  
**Cc:** Moore, Karen A.  
**Subject:** FW: Life Insurance Policy on former Mayor Sullivan

**Importance:** High  
**Sensitivity:** Confidential

For our discussion

-----Original Message-----

**From:** Moore, Karen A.  
**Sent:** Thursday, March 21, 2002 11:16 AM  
**To:** Otto, David K.  
**Subject:** FW: Life Insurance Policy on former Mayor Sullivan  
**Importance:** High  
**Sensitivity:** Confidential

Aetna has researched their files and cannot find a policy for Mayor Sullivan. As indicated below, he cannot be covered under our active group plan. The best solution seems to be to create an account within 603 (where his premiums have been deposited over the years), credit that account the amount of premiums received and then fund the difference between premiums collected and the \$193,000 amount set forth by the salary and emoluments commission resolution at the time of death.

What I need is some direction on how to set this up, and then document it so future Benefits Managers don't have to guess what's happening when Dan Sullivan comes in and pays the premium.

Perhaps we should set up a meeting with Kate Giard and someone from legal to be sure this is done according to hoyle???

Karen

-----Original Message-----

**From:** Deitrick, Melissa [SMTP:DeitrickM@AETNA.com]  
**Sent:** Thursday, March 21, 2002 9:49 AM  
**To:** 'Karen Moore, Anchorage'  
**Cc:** 'Ron Smith, Mercer'; 'Kathi McGinnes, Mercer'  
**Subject:** Life Insurance Policy  
**Importance:** High  
**Sensitivity:** Confidential

Karen, I have mailed you the signed, hard-copy of this letter today. As you probably suspected, Aetna does not have the former mayor on the group insurance policy due to lack of eligibility. I did confirm with Ann Wells that premium for the basic and supplemental life insurance is only paid for active employees who meet current group eligibility guidelines.

Though I did not include this in my letter to you, it may be that there is an individual life insurance policy for the former mayor currently in place. However, it is not through Aetna.

Our legal department advised the Muni return the premium money paid for the mayor's \$193,000 life insurance coverage. This would only apply for the period after the mayor was ineligible for the Aetna coverage. Of course, this would not be appropriate if the premium money is used for payment on a non-Aetna policy.

The bottom line situation from Aetna's perspective is that Anchorage's former mayor is not eligible for the current group life insurance coverage, and does not have \$193,000 life insurance policy underwritten by Aetna. If there were a death claim filed for this benefit, Aetna is not financially liable.

Please understand that this determination was made based on available information and on our insurance coverage records. If you find records which indicate otherwise, please provide them to me for review.

If you have additional questions or need to discuss this issue in detail, you are welcome to call me at the number listed below.

<<Sullivan Letter.doc>>

This e-mail, including attachments, is intended for the exclusive use of the person or entity to which it is addressed and may contain confidential or privileged information. If the reader of this e-mail is not the intended recipient or his or her authorized agent, the reader is hereby notified that any dissemination, distribution or copying of this e-mail is prohibited. If you think that you have received this e-mail in error, please advise the sender by reply e-mail of the error and then delete this e-mail immediately.



Sullivan Letter.doc

Thank you.

File in TM file.

-----Original Message-----

**From:** Greene, William A. (Law)  
**Sent:** Wednesday, March 13, 2002 11:39 PM  
**To:** Giard, Kate H.  
**Cc:** Frasca, Cheryl L.; Otto, David K.  
**Subject:** RE: George Sullivan's Life Insurance

You need to read the optional solutions mentioned in the preceding e-mail. The answer to your question depends on which alternative is chosen, but I suggest that something be done soon or MOA will have to come up with nearly \$200K all of a sudden. (I trust this is life and not double indemnity.) I'm outa here unless someone needs legal help.

-----Original Message-----

**From:** Giard, Kate H.  
**Sent:** Wednesday, March 13, 2002 6:54 AM  
**To:** Greene, William A. (Law); Frasca, Cheryl L.; Otto, David K.  
**Subject:** RE: George Sullivan's Life Insurance

Cool. I'm all for not meeting if Otto's shop has the ball and the matter is concluded. Do we have to budget for it each year til the old gentleman passes on?  
Kate

-----Original Message-----

**From:** Greene, William A. (Law)  
**Sent:** Tuesday, March 12, 2002 5:14 PM  
**To:** Frasca, Cheryl L.; Giard, Kate H.; Otto, David K.  
**Subject:** FW: George Sullivan's Life Insurance

Be glad to meet, but don't think its necessary. Karen Moore's three options are it and number three seems the most reasonable. There is no option to not provide the coverage. I'm copying the underlying documentation to you all. via internal snail mail.

-----Original Message-----

**From:** Greene, William A. (Law)  
**Sent:** Saturday, March 09, 2002 2:46 PM  
**To:** Giard, Kate H.; Otto, David K.  
**Cc:** Meyer, Kathie S.  
**Subject:** FW: George Sullivan's Life Insurance

WHERE ARE WE ON THIS???? IS LAW TO DO SOMETHING??? We will obtain AR 82-1 and provide

-----Original Message-----

**From:** Smith, Glenn C.  
**Sent:** Tuesday, February 05, 2002 10:12 AM  
**To:** Giard, Kate H.; Kieling, Harry J.; Frasca, Cheryl L.; Otto, David K.; Greene, William A. (Law)  
**Subject:** RE: George Sullivan's Life Insurance

Kate; they were not recommending to use our SIF. Depending on what action ER has to take will determine what route to take with the Assembly. I would like to see resolution 82-1 if there is a meeting on this.---One thing for sure this must be worked out and we must be positive this is the only former employee that is in this situation.

-----Original Message-----

**From:** Giard, Kate H.  
**Sent:** Tuesday, February 05, 2002 10:02 AM



**To:** Kieling, Harry J.; Frasca, Cheryl L.; Otto, David K.; Greene, William A. (Law)  
**Cc:** Smith, Glenn C.  
**Subject:** RE: George Sullivan's Life Insurance

Folks,

We had better get together on this issue. We just can't make payments of this nature from the self insurance or any fund without assembly approval. Mr. Sullivan had an insurance policy, apparently, for the last several years for which he paid premiums. The policy in effect was an illegal commitment unless the Assembly approves it. I would recommend we get together with legal to see what we have here.

Kate

-----Original Message-----

**From:** Smith, Glenn C.  
**Sent:** Monday, February 04, 2002 3:36 PM  
**To:** Giard, Kate H.  
**Subject:** FW: George Sullivan's Life Insurance

Kate; another issue presented to me and my response. I wonder at this late date if this is the only former employee we should buy him a separate policy.

-----Original Message-----

**From:** Smith, Glenn C.  
**Sent:** Monday, February 04, 2002 3:17 PM  
**To:** Moore, Karen A.  
**Subject:** RE: George Sullivan's Life Insurance

No lunch please as these situations make me sick. Is this the only former employee in this situation? If so I say go with #3 crediting the premiums paid to date. Additionally set up a sub-fund to maintain the \$193,000.00 and reduce the fund by additional premiums are received. As to investing the fund if that is an option under 603 do that at the direction of Kate, Tony Price and Rick Miller. You could set up a 193K fund and invest the 18k which ain't a bad deposit premium at this late date. You have lost the spread of risk in this situation. Glenn

-----Original Message-----

**From:** Moore, Karen A.  
**Sent:** Monday, February 04, 2002 2:20 PM  
**To:** Smith, Glenn C.  
**Subject:** FW: George Sullivan's Life Insurance  
**Importance:** High

Harry suggested I forward this onto you to see if you had any creative ideas on how to fund this. Read my email -- it's pretty self-explanatory. Bottom line, he can't be on the active group insurance because he isn't actively employed anymore. Let me know your thoughts. I'll have to take you out to lunch for all this extra brain work I've caused you! How's McDonald's sound???

Karen

-----Original Message-----

**From:** Otto, David K.  
**Sent:** Friday, February 01, 2002 4:10 PM

**To:** Kieling, Harry J.  
**Cc:** Moore, Karen A.  
**Subject:** FW: George Sullivan's Life Insurance  
**Importance:** High

We need to meet on this as it has been news to me. Dan Sullivan, who has been trying to make the annual payment for his father, does not know the data below, thanks, David

-----Original Message-----

**From:** Moore, Karen A.  
**Sent:** Wednesday, January 30, 2002 3:38 PM  
**To:** Otto, David K.  
**Subject:** George Sullivan's Life Insurance  
**Importance:** High

At your direction, I have researched Mayor Sullivan's life insurance situation with the MOA. Here is what I have found out.

On February 24, 1982, by resolution of the Salary and Emoluments Commission (Resolution 82-1), Mayor Sullivan was granted life insurance for the "remainder of his life at the same rate and at the same coverage as in existence on January 1, 1982." A memo dated August 4, 1982 from Susan Lindemuth set out that the coverage amount was \$193,000 and that the monthly premium was \$77.20. Another memo from the Clerk's office in support of the Salary and Emoluments Commission clarified that Mayor Sullivan was to pay the premium himself. Other than assigning the proceeds to an irrevocable trust and identifying a trustee, that is the only documentation in the file.

For clarification on who was on the risk, I emailed Susan Lindemuth. Susan indicated that under the former "split premium" agreement with Aetna, MOA paid retention monthly and funded the life claims as they incurred. Susan included Mayor Sullivan in the group. When we went fully insured in March of last year, we no longer fund or pay life claims as they incurred. That risk belongs to Aetna. Our agreement (contract) with Aetna was and is to cover active lives. In email conversations with Lynda Gable, long time account executive for Aetna's MOA coverage, Aetna is not aware of Mayor Sullivan's continued participation in the active group insurance. Lynda tells me they would have denied payment when it became evident that he was not an active employee. Susan indicated that premiums received from Mayor Sullivan were deposited into the insurance fund. I suspect she intended to have the MOA pay any death claim from the 603 account, rather than have Aetna pay the claim and then reimbursing Aetna.

Bottom line is that Aetna does not have a policy for Mayor Sullivan, nor would they cover him under our group plan since it is limited to active employees. We can rectify this by any one of the following:

1. Set up a sub-fund in 603 in the amount of \$193,000 to be paid out upon Mayor Sullivan's death
2. Don't fund the \$193,000 and pay it when he dies from some source to be identified at that time, upon Assembly approval.

3. Set-up sub-fund in 603, credit past premiums and continue to add yearly premiums as paid. MOA to fund difference upon his death and with Assembly approval.

The family premium payments should go into an account that would then reduce the overall liability to the MOA as yearly premiums are paid. For example, the family has paid nearly \$18,000 in premiums since 1982. Therefore, the actual MOA liability is \$175,000, since \$18,000 has been received and deposited into the 603 fund.

Once we decide how to proceed, I will document the file to make sure that future employees will know how to handle this situation when it comes time to pay out.

Karen A. Moore  
Records and Benefits Manager

## Moore, Karen A.

---

From: Gable, Lynda C [GableLC@aetna.com]  
Sent: Wednesday, January 30, 2002 1:31 PM  
To: 'Moore, Karen A.'  
Cc: Gable, Lynda C  
Subject: RE: George Sullivan's life insurance

Unfortunately this is one piece of history I don't have. Conversion is definitely expensive and really intended for those individuals who can't get replacement life insurance if they needed to pass a physical. If you send us copies of any documents you have, we can have some research done. AT this time, I can't really promise an outcome -- not having the historical knowledge or what would have continued to make him eligible after he left office. We'll look forward to the documents to continue our review.

-----Original Message-----

From: Moore, Karen A. [mailto:MooreKA@ci.anchorage.ak.us]  
Sent: Wednesday, January 30, 2002 1:40 PM  
To: Gable, Lynda C  
Subject: RE: George Sullivan's life insurance

Amount was \$193,000. I see a letter in the file from Aetna (James Hickey) regarding "Assignment of Group Coverage" that set up a trustee for his irrevocable trust and dated 1/8/84. I also found a memo from Susan Lindemuth to the MOA Clerk's office that gave the premium under Aetna group coverage and the cost of converting coverage at his then age. I can see why he wouldn't have wanted to convert it.

Karen

> -----Original Message-----

> From: Gable, Lynda C [SMTP:GableLC@aetna.com]  
> Sent: Wednesday, January 30, 2002 12:32 PM  
> To: 'Moore, Karen A.'  
> Cc: Gable, Lynda C  
> Subject: RE: George Sullivan's life insurance

>  
> This means Muni kept those dollars on hand in the claim funds. I  
> don't know if intent was to have them handle a death claim directly,  
> but Aetna never received any premiums. The insurance fund was the  
> reserves that Muni held and those funds were never submitted to Aetna  
> nor included in any of our premium calculations from a risk standpoint  
> to the best of my knowledge. How much life insurance is he supposed to  
> have???

> -----Original Message-----

> From: Moore, Karen A. [mailto:MooreKA@ci.anchorage.ak.us]  
> Sent: Wednesday, January 30, 2002 1:11 PM  
> To: Gable, Lynda C  
> Subject: FW: George Sullivan's life insurance  
> Importance: High

> Hi Lynda:

>  
> Here's what Susan Lindemuth is saying. Under the minimum premium  
> arrangement, MOA apparently deposited his premium into the insurance  
> fund. Since we have changed coverage arrangement to fully insured, how  
> would this affect his coverage?

> Karen

> > -----Original Message-----

> > From: Susan Lindemuth [SMTP:Lindemuths@akrr.com]

> > Sent: Wednesday, January 30, 2002 12:00 PM  
> > To: MooreKA@ci.anchorage.ak.us  
> > Subject: RE: George Sullivan's life insurance  
> >  
> > He was covered as part of the MOA group and therefore, part of that  
> > "risk". There was no separate policy with Aetna or any other  
> > insurance carrier for him...and no separate "premium" was paid to  
> > any outside  
> > party.  
> > As the life insurance rates changed over the years, he was informed  
> > and paid the appropriate premium amount...or the kids paid on his  
> > behalf.  
> >  
> > We had a split funded agreement with Aetna...so we paid the  
> > "retention" monthly and funded the life insurance claims when  
> > incurred. His  
> > coverage  
> > amount (\$93,000) was included in the volume reported to Aetna.  
> >  
> >  
> >  
> > >>> "Moore, Karen A." <MooreKA@ci.anchorage.ak.us> 01/30/02 11:45AM  
> > >>> >>>  
> > Yes, that makes sense. Who was on the risk? There is nothing in  
> > the  
> > file  
> > to indicate who to pay the premium to...  
> >  
> > Karen  
> >  
> > > -----Original Message-----  
> > > From: Susan Lindemuth [SMTP:Lindemuths@akrr.com]  
> > > Sent: Wednesday, January 30, 2002 11:40 AM  
> > > To: MooreKA@ci.anchorage.ak.us  
> > > Subject: Re: George Sullivan's life insurance  
> > >  
> > > George has been paying for it. A check for the annual premium was  
> > sent  
> > to  
> > > the MOA and deposited in the insurance fund. I wouldn't think it  
> > matters  
> > > who (from the Sullivan family) pays for it...but it isn't an MOA  
> > expense.  
> > >  
> > > Make sense?  
> > >  
> > > >>> "Moore, Karen A." <MooreKA@ci.anchorage.ak.us> 01/30/02  
> > > >>> 10:47AM  
> > >>>  
> > > Hi Susan:  
> > >  
> > > Can you shed some light on the continued life insurance for George  
> > > Sullivan? His son Dan wants to pay the premium, but I can't find  
> > > anything in  
> > > file  
> > > that  
> > > says who is covering the risk, only that the Salary and Emolument  
> > > Commission passed this resolution saying the MOA must continue to  
> > > provide life insurance coverage.  
> > >  
> > > Your help is greatly appreciated.  
> > >  
> > > Karen



March 21, 2002

Ms. Karen Moore  
Personnel Director,  
Records, Benefits & Payroll Manager  
Municipality of Anchorage  
Employee Relations Department  
PO Box 196650  
Anchorage, AK 99519

RECEIVED

MAR 28 2002

RECORDS AND BENEFITS

Re: Aetna Life Insurance for Former Mayor

Dear Karen:

Aetna has completed its review of former Mayor George M. Sullivan's eligibility for life insurance coverage under the current Municipality of Anchorage policy. The result of the review is that Mr. Sullivan does not meet the definition of eligibility at this time.

We understand that the Municipality's Assembly resolved to provide Mr. Sullivan with \$193,000 in life insurance benefits for the rest of his life. This benefit was dependent on his paying an annual premium of \$926.40, which was the amount resulting from the Assembly resolution dated January 19, 1982.

The Municipality included Mr. Sullivan on the most recent life insurance census (from 2001) in the category of eligibility identified as, "all permanent employees covered under the Anchorage Municipal Employees Association Agreement, who are scheduled to work on a regular basis 20+ hours per week." Aetna must assume that individuals listed on the census are eligible under the definitions of the plan. It is the employer's responsibility to administer the eligibility of the benefit plan.

If Mr. Sullivan meets this definition of eligibility, then he may be enrolled in the life insurance coverage available to those employees.

However, the amount of life insurance for this eligibility group is not equal to \$193,000. This group's basic life insurance benefits are limited to \$15,000 or \$30,000. The premium for Municipality of Anchorage group life insurance is \$.16 per \$1,000 of coverage, or \$28.80 annually for \$15,000 benefits and \$57.60 for \$30,000. The basic group life insurance coverage through Aetna is non-contributory, meaning that the employer pays the entire premium for the eligible employees' coverage.

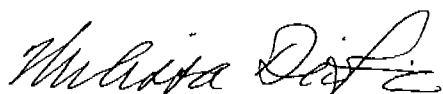
Aetna recommends that Mr. Sullivan be refunded premium paid to the Municipality for life insurance coverage through Aetna. Of course, premium would not need to be refunded during the time that Mr. Sullivan was considered eligible.

Given that Aetna does not consider Mr. Sullivan eligible under the current group insurance policy, should a claim be filed for the \$193,000 benefit, Aetna would not be financially liable.

It may be possible for the Municipality to purchase an individual life insurance policy for Mr. Sullivan. Aetna, unfortunately, does not offer this coverage. We suggest that the Municipality investigate options for individual insurance coverage for Mr. Sullivan with your benefits consultant.

If I can assist you in any way on this or other issues, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Melissa Deitrick".

Melissa K. Deitrick  
Key Account Manager

Cc: Ron Smith, William M. Mercer

**Moore, Karen A.**

---

**From:** Greene, William A. (Law)  
**Sent:** Thursday, March 28, 2002 4:02 AM  
**To:** Frasca, Cheryl L.; Otto, David K.; Kieling, Harry J.; Moore, Karen A.  
**Subject:** FW: Sullivan's Life Insurance

-----Original Message-----

**From:** Greene, William A. (Law)  
**Sent:** Thursday, March 28, 2002 3:05 AM  
**To:** Giard, Kate H.  
**Subject:** RE: Sullivan's Life Insurance

See below

-----Original Message-----

**From:** Giard, Kate H.  
**Sent:** Wednesday, March 27, 2002 6:52 AM  
**To:** Frasca, Cheryl L.  
**Cc:** Otto, David K.; Kieling, Harry J.; Greene, William A. (Law); Moore, Karen A.  
**Subject:** RE: Sullivan's Life Insurance

Cheryl et. al,

My recommendation is that the potential payout amount goes into your fund balance "reserve" account and leave it at that. If you put it in the budget, it's just going to lapse every year. Its not so much money, thank god, that when the unfortunate event occurs, we simply take the money out of the reserve and get assembly approval for payment. (My recollection is that the total is somewhere in the \$150,000 range. If it is much higher than that, my recommendation may change.)

As long as ER has all of the documentation showing that a prior Assembly intended to provide this benefit and can also show that in the past there was, in fact, no insurance policy acquired with the proceeds paid to us by the Sullivan family, then we do have an obligation to pay, as required by prior assembly action.

We could terminate this obligation by simply telling the Sullivan family we will no longer provide this insurance....I would not recommend that course of action, however, it is an option the Administration may consider. **[Greene, William A. (Law)]** This is not an option from a legal point of view. We're obligated.

We could also try to acquire a life insurance policy for the former Mayor, but the cost would very likely be prohibitive, given his age.

In summary, I would recommend that you put aside the payout amount as part of the reserve of fund balance and when Mayor Sullivan dies, we will obtain assembly approval and pay out the proceeds.

CFO

-----Original Message-----

**From:** Frasca, Cheryl L.  
**Sent:** Tuesday, March 26, 2002 5:01 PM  
**To:** Giard, Kate H.  
**Subject:** Sullivan's Life Insurance

My assumption is that this issue is getting addressed outside of the budget process. If that's incorrect, I need to know.

<< OLE Object: Picture (Metafile) >>

**Cheryl Frasca**

**Director, Office of Management & Budget  
Municipality of Anchorage • (907) 343-4490**



**Moore, Karen A.**

**From:** Giard, Kate H.  
**Sent:** Tuesday, April 02, 2002 12:47 PM  
**To:** Frasca, Cheryl L.  
**Cc:** Moore, Karen A.  
**Subject:** RE: Sullivan's Life Insurance

Yea, the revenue could be used to accumulate. I'm not clear on the details of what the amounts are, I didn't think it was much. I'll send off to Karen Moore and have her send us some info.  
Kate

-----Original Message-----

**From:** Frasca, Cheryl L.  
**Sent:** Tuesday, April 02, 2002 7:22 AM  
**To:** Giard, Kate H.  
**Subject:** RE: Sullivan's Life Insurance

Since his family is paying for this, shouldn't the receipts go into some kind of restricted account vs. using tax payer dollars?

<< OLE Object: Picture (Metafile) >>

**Cheryl Frasca**

**Director, Office of Management & Budget  
Municipality of Anchorage • (907) 343-4490**

-----Original Message-----

**From:** Giard, Kate H.  
**Sent:** Monday, April 01, 2002 5:36 PM  
**To:** Frasca, Cheryl L.  
**Subject:** RE: Sullivan's Life Insurance

Yeah, seeing as how we can't project when he may pass along, I thought you probably didn't want to specifically budget for it every year.....  
Kate

-----Original Message-----

**From:** Frasca, Cheryl L.  
**Sent:** Wednesday, March 27, 2002 9:53 AM  
**To:** Giard, Kate H.  
**Subject:** RE: Sullivan's Life Insurance

What is the fund balance "reserve" account? Do you mean the amount set aside for potential supplemental spending during the year?

<< OLE Object: Picture (Metafile) >>

**Cheryl Frasca**

**Director, Office of Management & Budget  
Municipality of Anchorage • (907) 343-4490**

-----Original Message-----

**From:** Giard, Kate H.  
**Sent:** Wednesday, March 27, 2002 6:52 AM  
**To:** Frasca, Cheryl L.  
**Cc:** Otto, David K.; Kielling, Harry J.; Greene, William A. (Law); Moore, Karen A.  
**Subject:** RE: Sullivan's Life Insurance

Cheryl et. al,

My recommendation is that the potential payout amount goes into your fund balance "reserve" account and leave it at that. If you put it in the budget, it's just going to lapse every year. Its not so much money, thank god, that when the unfortunate event occurs, we simply take the money out of the reserve and get assembly approval for payment. (My recollection is that the total is somewhere in the \$150,000 range. If it is much higher than that, my recommendation may change.)

As long as ER has all of the documentation showing that a prior Assembly intended to provide this benefit and can also show that in the past there was, in fact, no insurance policy acquired with the proceeds paid to us by the Sullivan family, then we do have an obligation to pay, as required by prior assembly action.

We could terminate this obligation by simply telling the Sullivan family we will no longer provide this insurance....I would not recommend that course of action, however, it is an option the Administration may consider.

We could also try to acquire a life insurance policy for the former Mayor, but the cost would very likely be prohibitive, given his age.

In summary, I would recommend that you put aside the payout amount as part of the reserve of fund balance and when Mayor Sullivan dies, we will obtain assembly approval and pay out the proceeds.

CFO

-----Original Message-----

**From:** Frasca, Cheryl L.  
**Sent:** Tuesday, March 26, 2002 5:01 PM  
**To:** Giard, Kate H.  
**Subject:** Sullivan's Life Insurance

My assumption is that this issue is getting addressed outside of the budget process. If that's incorrect, I need to know.

<< OLE Object: Picture (Metafile) >>

**Cheryl Frasca**

**Director, Office of Management & Budget  
Municipality of Anchorage • (907) 343-4490**

**Yeske, Misti L.**

---

**From:** Hanscom, Joanne  
**Sent:** Wednesday, January 24, 2007 10:59 AM  
**To:** Abbott, Michael K.; Sinz, Jeffrey E.; LeBlanc, Denis C.  
**Cc:** Otto, David K.; Turner, Karen L.  
**Subject:** RE:

Mike,

At this time I am not aware of reserves begin set aside or that the liability has been booked. It in on the agenda for tomorrow.

---

**From:** Abbott, Michael K.  
**Sent:** Tuesday, January 23, 2007 5:23 PM  
**To:** Hanscom, Joanne; Sinz, Jeffrey E.; LeBlanc, Denis C.  
**Cc:** Otto, David K.; Turner, Karen L.  
**Subject:** RE:

This is an interesting little nugget. Do we need to set reserves aside at this time? Have we "booked" this liability?

---

**From:** Hanscom, Joanne  
**Sent:** Tuesday, January 23, 2007 4:29 PM  
**To:** Sinz, Jeffrey E.; LeBlanc, Denis C.; Abbott, Michael K.  
**Cc:** Otto, David K.; Turner, Karen L.  
**Subject:**

Jeff, Denis and Mike,

I am attaching information for an MOA liability on Mayor George Sullivan that I am not sure you know about. I would like to discuss this at our Thursday meeting if possible. I will be bringing the paperwork that I have, but if you would like your copy sooner, please let me know.

<< File: George Sullivan2.doc >>

Joanne Hanscom  
Plan Administrator/Privacy Officer  
E-Mail: [hanscomj@muni.org](mailto:hanscomj@muni.org)  
Ph: 907-343-4426  
Fax: 907-343-4454

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Jeff, Denis and Mike,

The MOA will have to payout \$193,000 to the estate of Mayor George Sullivan upon his death. Mr. Sullivan has continued to pay the monthly premium costs. This cost was based on the amount of the premium at the time of his leaving office, and was to include any changes to that premium. This is according to Resolution 82-1 that was adopted on January 19, 1982. There has been no life insurance policy in place since he left municipal employment. The total amount that Mr. Sullivan has paid is \$17,995.32 per the receipts that I have found. The family has not yet paid the 2007 premium.

Below is a timeline of the events;

- January 19, 1982 - Resolution 82-1 Adopted
- February 18, 1982 - Memo to Ruby Smith, Municipal Clerk, from Susan Lindemuth on the premium cost to the MOA at the time of leaving office \$1,042.20 per year.
- July 12, 1982 - Handwritten note to Barb (Municipal Manager's office – last name unknown) from Susan Lindemuth stating she doesn't see any problem with self paying, but she did have a problem with the same rate. Barb responded agreeing with her.
- August 4, 1982 - Letter to Mr. Sullivan from Susan Lindemuth telling him how much he is entitled to (\$193,000) and that the annual cost was \$1,042.20.
- November 22, 1982 - Memo from Judy Flitter (Clerk's Office) to Susan Lindemuth reiterating the fact that Mr. Sullivan would need to pay the premiums himself, not the Mayor's office.
- January 9, 1984 - Letter to Susan Lindemuth from James Hickey (Aetna) regarding the group policy number 392680 and George Sullivan. I do not think anyone at the MOA informed Aetna that Mr. Sullivan was no longer employed by the municipality. However, he was kept on the census and Mr. Sullivan kept making the annual premium payments.
- January 7, 1992 - Letter to Mr. Sullivan from Christine Kendrick, MOA Records and Benefits employee, informing him that his new premium was \$833.76 per year.
- November 29, 1995 - Letter to Mr. Sullivan from Pamela Barbeau, MOA Records and Benefits employee, informing him that his new premium amount is \$555.84 per year.
- March 21, 2002 - Letter to Karen Moore from Melissa Deitrick (Aetna) informing the MOA that Aetna does not have an individual policy on Mr. Sullivan

and that because of Mr. Sullivan's age he is not eligible for an individual policy and is not eligible for the group policy because he is not an active employee. Aetna also recommended that the MOA return all of the premium payments paid to the MOA by Mr. Sullivan.

- March 27, 2002 - E-Mail from Kate Giard (CFO) to Cheryl Frasca (OMB) on how the MOA needs to handle this situation. When the unfortunate happens the MOA should get assembly approval and then take the money out of reserves.

---

**From:** Mauldin, Bart R.  
**Sent:** Monday, April 28, 2008 11:25 AM  
**To:** Weddleton, Sharon B.  
**Subject:** RE: George Sullivan

Sharon,

Sorry for the delay in answering your question, but this "after employment" life insurance policy did quite sound correct to me. I do remember some years ago that we did investigate the possibility of allowing or providing for term life insurance to be extended (as an employee option) after someone leaves Municipal employment – my recollection was it could not or did not occur. With that said, I understand that somehow we have a long standing anomaly with Mr. Sullivan. The 2008 contract value with Standard Insurance is \$1,748,854 for life, AD&D, and long and short term disability coverage. The contract can be increased up to \$250k without assembly approval. I'm not sure that Standard would or technically can accept a pass-through payment for this insurance coverage – it sounds like the MOA has allowed for this coverage over the past 28 years and the MOA is liable for the actual payment. Assuming that it is paid from the medical benefit account (or any account for that matter) and Legal can point to the MOA's obligation to make this payment – I don't think any assembly approval would be required. My reasoning is that this is an employee benefit payment and not a contractual payment for goods or services under contract. The MOA currently pays millions of dollars in employee benefits that are not subject to any assembly approval or processing other than at the appropriation level.... Let me know if I can be of any further assistance....

Bart

---

**From:** Weddleton, Sharon B.  
**Sent:** Thursday, April 24, 2008 3:04 PM  
**To:** Mauldin, Bart R.  
**Cc:** Phillips, Wanda J.; Hanscom, Joanne  
**Subject:** George Sullivan

Bart – you may recall that the MOA has a life insurance policy payable to George Sullivan's beneficiaries. The policy is current (premiums paid).

Sadly, it appears that the policy may be payable in 2008. To make the distribution non-taxable, the MOA will have to send Standard Insurance about \$193k (perhaps a few thousand more to cover their administrative costs) and then Standard will pay the benefit.

Bart Question:

- 1) We have an existing contract with Standard. Could we pay Standard up to \$200k for this purpose without *additional* Assembly approval from the *current* assembly? (Note that the Assembly approved the original insurance policy years ago.)

Wanda Question:

- 1) For the source of funding, could we expend the money without the need for a supplemental appropriation?

Thanks,

Sharon

Submitted by: Chair of the Assembly at the  
Request of the Mayor  
Prepared by: Dept. of Law  
For reading: February 2, 2010

CLERK'S OFFICE

**APPROVED**

Date: 2-16-10 ANCHORAGE, ALASKA  
AR No. 2010-33

1 A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING  
2 ONE HUNDRED NINETY THREE THOUSAND DOLLARS (\$193,000.00) FROM  
3 THE AREAWIDE GENERAL FUND (FUND 101) FUND BALANCE TO THE  
4 EMPLOYEE RELATIONS DEPARTMENT BP 2009 OPERATING BUDGET (FUND  
5 101) FOR DISBURSEMENT UNDER LIFE INSURANCE CONTRACT TO THE  
6 GEORGE M. SULLIVAN IRREVOCABLE LIFE INSURANCE TRUST.  
7

8  
9 WHEREAS, in 1982, the Assembly and the Commission on Salaries and  
10 Emoluments approved lifetime insurance coverage for Mayor George M. Sullivan;  
11 and  
12

13 WHEREAS, as required by the Assembly, annual payments for life insurance  
14 coverage were made by or on behalf of Mayor George M. Sullivan, until his passing in  
15 October 2009; and;  
16

17 WHEREAS, payment of the life insurance contract is requested by the George M.  
18 Sullivan Irrevocable Life Insurance Trust, the appropriate legal entity; now, therefore,  
19  
20

21 THE ANCHORAGE ASSEMBLY RESOLVES:  
22

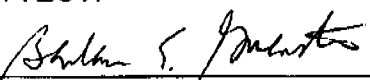
23 **Section 1.** The sum of ONE HUNDRED NINETY THREE THOUSAND DOLLARS  
24 (\$193,000.00) is hereby appropriated from the Areawide General Fund (Fund 101)  
25 Fund Balance to Employee Relations Department BP 2009 Operating Budget (Fund  
26 101) for disbursement, upon proper documentation from the George M. Sullivan  
27 Irrevocable Life Insurance Trust.  
28

29 **Section 2.** This resolution shall be effective immediately upon passage and  
30 approval by the Assembly.  
31

32 PASSED AND APPROVED by the Anchorage Assembly this 16<sup>th</sup> day of  
33 February, 2010.  
34

35   
36 Chair of the Assembly

37 ATTEST:

38   
39  
40 Municipal Clerk  
41

42 Department of Appropriation:  
43 Areawide General Fund (Fund 101) \$193,000.00

# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 76-2010

Meeting Date: February 2, 2010

1 **From: MAYOR**

2  
3 **Subject: A RESOLUTION APPROPRIATING ONE HUNDRED NINETY**  
4 **THREE THOUSAND DOLLARS (\$193,000.00) FROM THE**  
5 **AREAWIDE GENERAL FUND (FUND 101) FUND BALANCE TO**  
6 **THE EMPLOYEE RELATIONS DEPARTMENT BP 2009**  
7 **OPERATING BUDGET (FUND 101) FOR DISBURSEMENT UNDER**  
8 **LIFE INSURANCE CONTRACT TO THE GEORGE M. SULLIVAN**  
9 **IRREVOCABLE LIFE INSURANCE TRUST.**

10  
11  
12 This resolution requests appropriation of One Hundred Ninety Three Thousand  
13 Dollars (\$193,000.00) from the Areawide General Fund (Fund 101) to the Employee  
14 Relations Department 2009 Operating Budget Fund (Fund 101) for disbursement  
15 under a life insurance contract to the George M. Sullivan Irrevocable Life Insurance  
16 Trust.

17  
18 In 1982, the Assembly approved Assembly Resolution 82-30, a resolution asking  
19 the Commission on Salaries & Emoluments to consider directing the Municipality to  
20 provide life insurance coverage for Mayor George M. Sullivan for life. (See AR 82-  
21 30, attached hereto.) Thereafter, the Commission directed the Municipality to  
22 provide life insurance to Sullivan, at his cost, for the remainder of his life.  
23 (Commission Resolution 82-1, attached.) Mayor Sullivan left municipal employment  
24 in October 1982.

25  
26 To meet the directive from the Salaries & Emoluments Commission, the Municipality  
27 added Mayor George M. Sullivan to the MOA group life insurance plan with Aetna.  
28 The amount of insurance purchased by Mayor George M. Sullivan was \$193,000;  
29 the annual premium has varied, from a high of \$1,042.20 in 1982 to \$555.84 since  
30 November 1995. A total of \$19,662.84 in premiums was received by the  
31 Municipality and deposited into Fund 603 prior to 2002, and then into the 735 Fund  
32 thereafter.

33  
34 In March 2002, Aetna informed the Municipality that Mayor George M. Sullivan was  
35 not eligible for group life insurance plan because he was no longer an employee;  
36 Aetna was not carrying an individual policy on Sullivan, nor would Sullivan qualify for  
37 an individual policy, due to his age. The Municipality was similarly unable to secure  
38 an individual policy on Sullivan. However, the Municipality continued to accept the



annual premium payments, with payout to be appropriated in full following the passing of Mayor George M. Sullivan. The good mayor passed in October 2009, and this Resolution appropriates the funds to the trustee of the George M. Sullivan Irrevocable Life Insurance Trust, the appropriate legal entity for the disbursement, to meet the commitment of the Municipality.

The accounting detail is as follows:

**Revenue:**

Account Number	Account Name	Amount
101-0740	Fund Balance Available	\$193,000

**Expenditure:**

Account Number	Account Name	Amount
101-1810-3408-BP2009	Life Insurance Claims	\$193,000

THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION APPROPRIATING ONE HUNDRED NINETY THREE THOUSAND DOLLARS (\$193,000.00) FROM THE AREAWIDE GENERAL FUND (FUND 101) FUND BALANCE TO THE EMPLOYEE RELATIONS DEPARTMENT BP 2009 OPERATING BUDGET (FUND 101) FOR DISBURSEMENT UNDER LIFE INSURANCE CONTRACT TO MAYOR GEORGE M. SULLIVAN IRREVOCABLE LIFE TRUST.

Prepared by: Dept. of Law  
Approved by: Dennis A. Wheeler, Municipal Attorney  
Concur: Nancy B. Usera, Employee Relations Director  
Fund certification: Lucinda Mahoney, CFO  
101-0740 \$193,000.00  
(101 Fund Balance Available)  
Concur: George J. Vakalis, Municipal Manager  
Respectfully submitted: Daniel A. Sullivan, Mayor

**Content ID:** 008670**Type:** AR\_FundsApprop - Funds Approp Resolution

**Title:** A RESOLUTION APPROPRIATING ONE HUNDRED NINETY THREE THOUSAND DOLLARS (\$193,000.00) FROM THE AREAWIDE GENERAL FUND (FUND 101) FUND BALANCE TO THE EMPLOYEE RELATIONS DEPARTMENT BP 2009 OPERATING BUDGET (FUND 101) FOR DISBURSEMENT UNDER LIFE INSURANCE CONTRACT TO THE GEORGE M. SULLIVAN IRREVOCABLE LIFE INSURANCE TRUST.

**Author:** maglaquijp**Initiating Dept:** Legal**Review Depts:** ER, OMB, Legal, Finance, MuniManager

**Description:** APPROPRIATION of \$193,000 FROM AREAWIDE GENERAL FUND (FUND 101) FUND BALANCE TO EMPLOYEE RELATIONS BP 09 OPERATING BUDGET (FUND 101) FOR LIFE INS TO GEORGE M. SULLIVAN IRREVOCABLE LIFE INSURANCE TRUST.

**Keywords:** Appropriation, George Sullivan, life insurance**Date Prepared:** 1/29/10 9:48 AM**Director Name:** Dennis A. Wheeler**Assembly Meeting Date:** 2/2/10**Public Hearing Date:** 2/16/10

Workflow Name	Action Date	Action	User	Security Group	Content ID
Clerk_Admin_SubWorkflow	1/29/10 1:49 PM	Exit	Joy Maglaqui	Public	008670
MuniManager_SubWorkflow	1/29/10 1:49 PM	Approve	Joy Maglaqui	Public	008670
MuniManager_SubWorkflow	1/29/10 1:49 PM	Checkin	Joy Maglaqui	Public	008670
Finance_SubWorkflow	1/29/10 1:46 PM	Approve	Lucinda Mahoney	Public	008670
OMB_SubWorkflow	1/29/10 1:17 PM	Approve	Cheryl Frasca	Public	008670
ER_SubWorkflow	1/29/10 10:05 AM	Approve	Nancy Usera	Public	008670
Legal_SubWorkflow	1/29/10 9:59 AM	Approve	Rhonda Westover	Public	008670
FundsAppropWorkflow	1/29/10 9:56 AM	Checkin	Rhonda Westover	Public	008670

**From:** Maglaqui, Joy P.  
**Sent:** Monday, February 01, 2010 12:35 PM  
**To:** Westover, Rhonda F.  
**Subject:** FW: agenda questions  
**Importance:** High

Please see message below. Nina mentioned that your office did the document.

*Joy P. Maglaqui*

**From:** Vakalis, George J.  
**Sent:** Monday, February 01, 2010 8:37 AM  
**To:** Mahoney, Lucinda M.; Ryan, David P.  
**Cc:** Pruitt, Nina S.  
**Subject:** FW: agenda questions  
**Importance:** High

Hello!

Please respond to Assemblymember Ossiander's questions below as soon as you can and send your answer to George and he will in turn forward it to Assemblymember Ossiander.

Thank you for your assistance.

*Joy P. Maglaqui*

**From:** Debbie Ossiander [mailto:[ossiander@gci.net](mailto:ossiander@gci.net)]  
**Sent:** Sunday, January 31, 2010 5:55 PM  
**To:** Vakalis, George J.  
**Cc:** Gruenstein, Barbara E.  
**Subject:** agenda questions

5. AR210...Sullivan life insurance...why didn't the annual payments take care of the cost?

thanks, Debbie

---

**From:** Westover, Rhonda F.

**Sent:** Monday, February 01, 2010 1:35 PM

**To:** Maglaqui, Joy P.; Vakalis, George J.

**Cc:** Mahoney, Lucinda M.; Ryan, David P.; Wheeler, Dennis A.; Usera, Nancy B

**Subject:** RE: Ossiander Agenda questions - G Sullivan life ins

\*\*\*

*The answer is somewhat convoluted, but here's my best summary, according to the file; Lucinda & Dave, please feel free to add comments:*

- 1. The directive from the Assembly and the Salaries & Emoluments commission in 1982 was to provide Mayor Sullivan with life insurance coverage for the remainder of his life at the "same rate and with the same coverage" as in existence on January 1, 1982.*
- 2. To meet the directive, Sullivan was added to the Municipality's group life insurance coverage (same rate, same coverage; a separate policy was not purchased).*
- 3. When the arrangement was first in place (presumably 1982), Aetna & the MOA had a "split premium" agreement; the MOA paid monthly retention and funded life claims as they were incurred. When Sullivan paid an annual premium, it was deposited into the insurance fund, not paid to Aetna.*
- 4. The arrangement with Aetna changed in March 2001; the MOA went fully insured, no longer funding or paying life claims. Funding & paying became the responsibility of Aetna.*
- 5. In 2002, Aetna notified the MOA Sullivan was not eligible for the Aetna group life insurance coverage because he was no longer an employee, and Sullivan was not eligible for a new Aetna policy, due to his age and health. The MOA also attempted to obtain a separate policy, but was not successful due to Sullivan's age.*
- 6. After considering several options, the MOA administrative decision (CFO & ER) was to continue accepting Sullivan annual premiums into the 735 fund, and appropriate the \$193,000 when Mayor Sullivan passed. This AR appropriates the funding.*

*Rhonda Fehlen Westover*

*WestoverRF@muni.org*

*Deputy Municipal Attorney*

*343-4545/Fax 343-4550*

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