

Memorandum 13-098 Amendments to HCC 3.10 and 3.12 Homer Permanent Fund

Memorandum ID: 13-098

Memorandum Status: Backup

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TO: MAYOR WYTHE AND CITY COUNCIL
THROUGH: WALT WREDE, CITY MANAGER
FROM: PERMANENT FUND COMMITTEE
DATE: JULY 15, 2013

SUBJECT: AMENDMENTS TO HOMER CITY CODE CHAPTERS 3.10 AND 3.12 PERMANENT FUND

The Permanent Fund Committee is tasked with a yearly review of the Permanent Fund ordinances. The following are the recommendations the committee would like to present for the council's consideration.

Chapter 3.10 – Investment and Collateralization of Public Funds

Section 3.10.130 – Item c, following #8 appears to be misnumbered. As a housekeeping measure, the committee recommends that this section be numbered 9.

Chapter 3.12 – Permanent Fund

Section 3.12.020 - Item b should be placed in the new section, 3.12.015 named Definitions. The committee recommends item c be renamed item b to keep the logical sequence. The new verb of shall is recommended for the new item b as the committee felt the original wording was not clear enough.

Section 3.12.030 – In item a, the committee recommends 40% replace 60%. In item b, the committee recommends 60% replace 40%. The reason for the recommendation is twofold. This would place our Permanent Fund investments inline with standard investing procedures, an improved investment strategy. Also, the Finance Department has already used our recommended standard delineation instead of the ordinance mandate.

Section 3.12.060 – “Semiannually the growth and income sub-fund will be rebalanced to maintain a 60%/40% balance of the two funds. The income sub-fund will never transfer money to balance the growth fund”. The new language in this section clarifies the procedure the Finance Department should take to keep the growth sub-fund feeding the income sub-fund. If this procedure does not happen, the growth fund will grow ad infinitum and never be able to be utilized by the city government as the ordinance is currently written. This type of rebalancing tool is a common risk management tool.

Section 3.12.080 – The committee feels the number of 60% of registered voters is a number that never can be achieved given recent voter turnouts. The committee feels this number protects the fund but could allow the fund to be utilized if an emergency arose.

The final recommendation concerns the money allocated to the non-profit funds. When the Exxon Valdez monies and other windfall monies were received in the past, the Finance Department did not break out the 5% money. At this time, these funds are comingled with the city Permanent Funds. According to the committee calculations, this would have been \$70,864.87. The council allocated \$3,554.79 to the Green Dot program in the past year. It was the intention of the Council that these funds were from the 5% non-profit funds. This leaves \$67,310.08. The committee recommends that the \$67,310.08 be transferred to the Homer Foundation City of Homer Endowment Fund. These funds will be added to the current amount. The income from the City of Homer Endowment Fund can be allocated to nonprofits on a yearly basis.

Related Ordinances **Memorandum - Related Ordinances:** [Ordinance 13-25 Amend HCC 3.10 and 3.12 Homer Permanent Fund](#)
[Ordinance 13-26 Appropriate Funds from Homer Permanent Fund to the Homer Foundation City of Homer Endowment Fund](#)

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