

Session 13-05 a Special Meeting of the Permanent Fund Committee was called to order on July 11, 2013 at 5:15 p.m. by Chair Barbara Howard at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

**PRESENT:** COMMITTEE MEMBERS: BARBARA HOWARD, JO JOHNSON,  
ZHIYONG (JOHN) LI, MATT NORTH,  
FRANCIE ROBERTS

CITY ATTORNEY: TOM KLINKNER (telephonic)

### **APPROVAL OF AGENDA**

ROBERTS/JOHNSON – MOVED TO APPROVE THE AGENDA.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

### **PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**

There were no public comments.

### **APPROVAL OF MINUTES**

A. Synopsis of Special Meeting of June 20, 2013

ROBERTS/JOHNSON - MOVED TO APPROVE THE MINUTES OF JUNE 20, 2013.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

### **VISITORS**

### **STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS**

### **PUBLIC HEARING**

### **PENDING BUSINESS**

### **NEW BUSINESS**

A. Review of Investment Management Agreement

- B. Review of Investment Policy Statement
- C. Review of Custody Agreement
- D. **Draft Ordinance 13-xx**, An Ordinance of the Homer City Council Amending HCC 3.10.130, Governance of Homer Permanent Fund Assets, HCC 3.12.020, Contributions, HCC 3.12.030 Allocation to Sub-Funds, HCC 3.12.060 Expenditures of Income and HCC 3.12.080, Expenditure of Principal; Enacting HCC 3.12.015, Definitions; and Repealing HCC 3.12.070, Loans from Income Sub-Fund; Regarding the Homer Permanent Fund. City Clerk/Permanent Fund Committee.
- E. **Draft Ordinance 13-xx**, An Ordinance of the Homer City Council Appropriating \$67,310.08 from the Homer Permanent fund to the Homer Foundation City of Homer Endowment Fund. City Clerk/Permanent Fund Committee.
- F. **Draft Memorandum 13-xx**, from the Permanent Fund Committee, re: Recommendations for Amendments to HCC 3.10 and 3.12.

The committee reviewed the amendments to the ordinance amending HCC 3.10 and 3.12 with City Attorney Klinkner.

#### **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.

John Li recommended the fund be rebalanced at the beginning of the fourth quarter. The PFC could amend the language to semi-annually at a later date if needed.

Amendments included:

- Line 50: Amend the language to the Homer Foundation City of Homer Endowment Fund.
- Line 62: Amend Item b to read: Annually at the beginning of the fourth quarter the city shall transfer money from the growth sub-fund to the income sub-fund to the extent necessary to cause the amount in the income sub-fund, plus the outstanding principal of all loans from the income sub-fund under HCC 3.12.060(b), to be equal to forty percent of the total amount in the Permanent Fund.
- Clarify the name of the city's endowment fund with the Homer Foundation.

Barbara Howard discussed the amendments in the ordinance with Mayor Wythe who is on board with the majority of the amendments. Mayor Wythe requests that the 5% distribution to the Homer Foundation be placed in the city endowment fund. It is anticipated that one day the income from the endowment fund will grow large enough from the interest that the taxpayers' dollars out of the general fund will not be used to pay for the annual contribution to the Homer Foundation.

Currently there is between \$200,000 and \$300,000 in the endowment fund with the Homer Foundation. Each year Joy Steward of the Homer Foundation reports to the Council on the endowment fund. Their investments produce a good rate of return.

Five percent of the original monies of the distribution of the Exxon Valdez settlement will be distributed per the other ordinance. Those funds should be invested and appropriated by The Homer Foundation Endowment Fund as outlined in the fund agreement.

Both ordinances will be before Council at their July 22<sup>nd</sup> meeting for introduction. A Worksession will be held that day with Committee members John Li and Matt North reporting on the permanent fund accounts.

The committee discussed the reporting requirements outlined in the Investment Policy Statement and FDIC insurance provisions within the Investment Management and Custody Agreements.

## **INFORMATIONAL MATERIALS**

### **COMMENTS OF THE AUDIENCE (3 MINUTE TIME LIMIT)**

There was no audience.

### **COMMENTS OF THE CITY STAFF**

### **COMMENTS OF THE COUNCILMEMBER**

Councilmember Roberts had no comment.

### **COMMENTS OF THE CHAIR**

Barbara Howard thanked everyone for attending.

### **COMMENTS OF THE COMMISSION**

Committee members had no comments.

## **ADJOURNMENT**

There being no further business to come before the Committee, the meeting was adjourned at 6:01 p.m. A Regular Meeting is scheduled for Thursday, August 8, 2013 at 5:15 p.m. in the Homer City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

Submitted by Jo Johnson