

Permanent Fund Committee

Special Meeting
July 11, 2013
5:15 p.m.



Cowles Council Chambers
491 E. Pioneer Avenue
Homer, Alaska

**NOTICE OF MEETING
SPECIAL MEETING AGENDA**

- 1. CALL TO ORDER**
- 2. APPROVAL OF AGENDA**
- 3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**
- 4. APPROVAL OF MINUTES**
 - A. Synopsis of Special Meeting of June 20, 2013 Page 5
- 5. VISITORS**
- 6. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS**
- 7. PUBLIC HEARING**
- 8. PENDING BUSINESS**
- 9. NEW BUSINESS**
 - A. Review of Investment Management Agreement Page 9
 - B. Review of Investment Policy Statement Page 15
 - C. Review of Custody Agreement Page 17
 - 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. Page 29
 - 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. Page 33
 - F. **Draft Memorandum 13-xx**, from the Permanent Fund Committee, re: Recommendations for Amendments to HCC 3.10 and 3.12. Page 35
- 10. INFORMATIONAL MATERIALS**

- 11. COMMENTS OF THE AUDIENCE (3 MINUTE TIME LIMIT)**
- 12. COMMENTS OF THE CITY STAFF**
- 13. COMMENTS OF THE COUNCILMEMBER**
- 14. COMMENTS OF THE CHAIR**
- 15. COMMENTS OF THE COMMISSION**

- 16. ADJOURNMENT/NEXT 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.

Session 13-04 a Special Meeting of the Permanent Fund Committee was called to order on June 20, 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

APPROVAL OF AGENDA

ROBERTS/NORTH - 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 May 9, 2013

ROBERTS/NORTH - MOVED TO APPROVE THE MINUTES OF MAY 9TH.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

VISITORS

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

PUBLIC HEARING

PENDING BUSINESS

A. Review of Homer City Code 3.10 and 3.12, Investment Policies of the Permanent Fund

Memorandum PFC 13-03 from City Attorney as backup.

Memorandum PFC 13-04 from City Attorney as backup.

The committee reviewed the investment policies of the Permanent Fund as outlined in Homer City Code 3.10 and 3.12.

The following recommendations for amendments were made:

3.10.130 Section c after Section 8 should be numbered Section 9. This is a housekeeping amendment.

3.12 definitions are needed.

3.12.020(b) the definition of wind-fall monies is not consistent with 3.12.020 contributions and should be moved to definitions.

3.12.020(a) & (c) incongruent statements about the funds – shall be/are available.

3.12.030(a) amend “income” to “growth” (should be 60% allocation to growth sub-fund)

3.12.030(b) amend “growth” to “income” (should be 40% allocation to income sub-fund)

Amending the allotment percentages would place our Permanent Fund investments in line with standard investing procedures. It would be an improved investment strategy. The Finance Department has already used our recommended standard delineation instead of the ordinance mandate.

3.12.060(c) replace current language with “Semi-annually the growth and income sub-fund will be rebalanced to maintain a 60/40 balance of the two funds. The income sub-fund will not transfer money to the growth sub-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.

3.12.080(b) indicates sixty percent of city voters – needs to be 60% of voters who cast votes at a regular or special election

The committee feels the number of 60% of registered voters is a number that never can be achieved given historical voter turnouts. Although this number protects the fund, it could never allow the fund to be utilized if an emergency arose.

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 about \$71,000.00. 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 roughly \$67,000. The committee recommends that the estimated \$67,000 be transferred to the Homer Foundation City of Homer Endowment Fund. These funds will be added to the current

amount of \$22,000. The income from the City of Homer Endowment Fund can be allocated to nonprofits on a yearly basis.

The committee decided a memorandum was needed to explain the proposed amendments to the Permanent Fund investment policies.

The recommendations will be forwarded to the City Attorney for review and request for a new ordinance. The committee expects to review the ordinance at a special meeting scheduled for July 11, 2013 at 5:15 p.m.

NEW BUSINESS

INFORMATIONAL MATERIALS

COMMENTS OF THE AUDIENCE (3 MINUTE TIME LIMIT)

There was no audience.

COMMENTS OF THE CITY STAFF

There were no comments from the staff.

COMMENTS OF THE COUNCILMEMBER

Councilmember Roberts commented she likes working with this committee.

COMMENTS OF THE CHAIR

There were no comments from Chair Howard.

COMMENTS OF THE COMMISSION

There were no comments of the committee.

ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 6:47 p.m. A Special Meeting is scheduled for July 11, 2013 at 5:15 p.m. and the next 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

INVESTMENT MANAGEMENT AGREEMENT

THIS AGREEMENT, made this 27th day of May 2010, by and between U.S. Bank National Association, a national banking association with trust powers (the "Manager") and City of Homer (the "Client").

In consideration of the premises set forth herein, the Manager and the Client agree as follows:

1. **Appointment of Manager.** The Client hereby engages the Manager and the Manager hereby agrees to act as investment manager for the account of the Client (the "Account") with respect to the assets credited thereto.

2. **Authority of Manager.** (a) The investment of Account assets shall at all times be subject to the investment objectives, policies, directions and restrictions of Client, if any, established for the Account, or for any subaccount of investment securities established by Client within the Account (a "Subaccount"), as set forth in initial written directions, and in written amendments or supplements thereto, from time to time delivered by the Client to the Manager (the "Directions"). By delivery of Directions to the Manager, the Client may direct retention of any assets credited to the Account and may direct acquisition of assets for the Account or disposition of assets from the Account, including the stock or other securities issued by U.S. Bancorp, the Manager's parent holding company, and other investment securities in which the Manager or its affiliates have an interest as issuer, investment advisor or service provider. The Client shall ascertain that such Directions do not violate any applicable state or federal law. The Manager shall have no authority, power or responsibility to analyze, recommend, approve or undertake the retention, acquisition or disposition of Account assets that are the subject of Client's Directions. It shall be the Client's sole responsibility to promptly deliver all Directions to the Manager and to give the Manager prompt written notice if Client deems any Account investments to be in violation of the Directions or applicable state or federal law. The initial Directions shall be in the form set forth in Exhibit A hereto.

(b) Within the parameters of the requirements set forth in the Directions for the Account or any Subaccount, the Manager shall have the sole and exclusive responsibility for the investment management of the Account assets and the making and execution of all investment decisions for the Client with respect to the Account. Notwithstanding the forgoing, the Manager is not responsible to identify or monitor investments in the Account to ensure compliance with any applicable state law or applicable federal law.

(c) Unless otherwise agreed in writing, the Manager will not act as the custodian or trustee for the Account. The Client will cause the Account's custodian to take all necessary steps to settle purchases, sales, and trades directed by the Manager, including delivery of certificates, payment of funds, and such other acts as may be necessary to fulfill such custodial responsibilities. The Manager shall give notice and directions (and copies thereof) with respect to transactions in such manner as shall be agreed upon with the Account's custodian and the Client.

(d) The Client may at any time add assets to or remove them from the Account or any Subaccount; provided that certain reasonable lead time may be necessary between the time of the Client's notice to the Manager of the Client's intent to transfer assets from the Account and the subsequent removal of such assets.

(e) The Client hereby authorizes and directs the Manager to invest Account funds in the First American Funds, Inc., the First American Investment Funds, Inc. and the First American Strategy Funds,

Inc. (collectively the "Affiliated Funds") to the extent consistent with the Account's then current Directions. The Client acknowledges and understands that the Manager's affiliate is the investment advisor for the Affiliated Funds. The Manager is the sub-administrator, securities lending agent and custodian of the Affiliated Funds and the Manager receives compensation from the Affiliated Funds as detailed in the prospectuses for the Affiliated Funds. The Client also acknowledges receipt of the Affiliated Funds prospectuses. Notwithstanding the Directions for the Account, the Client further authorizes and directs the Manager to invest in the Affiliated Funds on a temporary basis, uninvested cash held in the Account from time to time. The Manager shall have no authority to vote proxies of the Affiliated Funds held in the Account, and shall forward any such proxies to Client. **The Client acknowledges that the Affiliated Funds are not insured by the Federal Deposit Insurance Corporation or any other government agency, are not guaranteed by the Manager or any affiliate bank or trust company, and that any mutual fund investment involves investment risks, including the possible loss of principal.**

3. **Representations and Warranties.** Client hereby represents and warrants to Manager that (a) Client has the requisite legal capacity and authority to execute, deliver and perform its obligations under this Agreement, (b) this Agreement has been duly authorized, executed and delivered by Client and is the legal, valid and binding agreement of Client, enforceable against Client in accordance with its terms, (c) Client's execution of this Agreement and the performance of its obligations hereunder do not conflict with or violate any provisions of the governing documents of Client or any obligations by which Client is bound, whether by contract, operation of law or otherwise, (d) Client will deliver to the Manager evidence of Client's authority in compliance with such governing documents upon Manager's request, (e) Client is the owner of all cash, securities and other assets in the Account, and there are no restrictions on the Client's ability to pledge, hypothecate, transfer, sell or distribute such cash, securities or assets, and (f) the Account will not hold any assets that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

4. **Books, Records and Reports.** (a) The Manager will furnish information, reports or statements at such times and in such manner as the Client may from time to time reasonably request, and the Manager shall report to the Client regularly at such times and in such detail as the Client may from time to time reasonably determine to be appropriate, in order to permit the Client to determine the Manager's investment of Account assets are consistent with the Directions.

(b) The Manager hereby acknowledges that records necessary in the operation of the Account, including, without limitation, records pertaining to investment of the Account, are the property of the Client. If a transfer of management or investment advisory services to someone other than the Manager should occur, the Manager will promptly take all steps necessary to segregate such records and deliver them to the Client.

(c) The Client agrees to furnish the Manager or cause to be furnished to the Manager such information as the Manager may from time to time reasonably request with respect to services to be performed by the Manager under this Agreement.

5. **Proxy Voting, Corporate Actions.** The Client hereby delegates all authority to the Manager to vote proxies; except, however, that proxies for securities of U.S. Bancorp or any affiliate company will be forwarded to the Client, as will proxies for any Affiliated Funds held under the Account. The Manager shall not be responsible for administrative filings, including but not by way of limitation, proofs of claims or claims in class actions.

6. **Compensation for Services.** In payment for all services rendered by the Manager under this Agreement, and for all costs incurred by the Manager in connection with the rendering of services

under this Agreement, the Client shall compensate the Manager at such times, in such manner and amounts and in accordance with such formulae as agreed upon from time to time between the Manager and the Client, a current description of which is set forth in a separate Fee Schedule. Such compensation may be paid directly by the Client or from the Account assets as directed by the Client. The Client shall review and approve all market quotations and fee calculations upon which any fees payable to the Manager for services rendered under this Agreement are based.

7. **Investment Manager Representations.** The Manager hereby represents and warrants that it is U.S. Bank National Association, which is a "bank" as defined in Section 202(a)(2) of the Investment Advisers Act of 1940, as amended (the "1940 Act"), and, therefore, that it is exempt from registration with the Securities and Exchange Commission under Section 202(a)(11)(A) of the 1940 Act.

8. **Standard of Care; Indemnification.** Client acknowledges and agrees that Manager does not warrant the rate of return on, or market value of, the Account. It is further agreed that the Manager may rely upon information that the Client furnishes to the Manager and that the Manager reasonably believes to be accurate and reliable. Client agrees to indemnify and hold the Manager, its officers, directors, employees and agents harmless against all liabilities and claims (including reasonable attorneys' and other professional fees and expenses) arising out of or in connection with (1) alleged errors in judgment in managing the Account under this Agreement; (2) any loss of Account assets due to asset value depreciation; and (3) following Directions hereunder in good faith and/or failure to act in the absence of Directions; provided, however, that the Client shall not provide indemnification or hold the Manager harmless for claims resulting from the Manager's material breach of this Agreement, or the dishonest or criminal acts or the gross negligence or bad faith of the Manager under this Agreement.

Under no circumstances shall Manager be liable to the Client hereunder for indirect, incidental or consequential damages, even if such damages are reasonably foreseeable.

9. **Freedom to Deal with Third Parties.** The Manager shall be free to render services to others similar to those rendered under this Agreement or of a different nature except as and to the extent that such services may conflict with the services to be rendered or the duties to be performed hereunder.

10. **Term and Termination.** This Agreement shall continue in force until terminated by the Client or the Manager upon 30 days' written notice to the other party.

11. **Amendments to Agreement.** No amendment to this Agreement shall be effective until approved in writing by both parties hereto. This Agreement may not be assigned by either party without the prior written consent of the other party hereto.

12. **Notices.** Any notice under this Agreement shall be in writing, addressed, delivered or mailed, postage prepaid, to the other party at such address and to such person as such other party may designate in writing for receipt of such notice.

13. **Governing Laws.** This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Minnesota, without regard to conflicts of laws, to the extent not pre-empted by federal law.

14. **Entire Agreement.** This Agreement and the Exhibits attached hereto set forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersede all prior agreements, arrangements and understandings, written or oral, between the parties that pertain to said subject matter. This Agreement is binding upon all successors and assigns of the parties, and shall be construed such that invalidity and unenforceability of one provision does not void or otherwise affect the

remainder of the Agreement. The parties do not intend nor shall this Agreement be deemed to create in any third party any rights or responsibilities with respect to the parties.

IN WITNESS WHEREOF, the Client and the Manager have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION _____

By *Doug Curtis*

Its *VICE - President*

[CLIENT] _____

By *Walt Whade*

Its *5/27/10*

EXHIBIT A
to the
INVESTMENT MANAGEMENT AGREEMENT
between
U.S. Bank National Association (the "Manager")
and City of Homer (the "Client")

This Exhibit A to the Agreement sets forth the investment objectives, policies, directions and restrictions (the "Directions"), subject to which Directions and the other terms and conditions set forth in the Agreement, the manager shall manage the Client's assets.

**City of Homer, Alaska
Permanent Fund Equity-Growth Portfolio
Investment Policy Statement**

Objectives

The primary investment objective is to grow the assets of the portfolio by earning a total return for the fund. Each category of fund will be managed according to the appropriate time horizon, liquidity needs, and risk tolerance.

Asset Mix

To accomplish the portfolio's investment objectives, the portfolios may consist of mutual funds, equity securities (common stocks and convertible securities), and short-term (cash) investments. The account is to be invested in growth instruments. To include Common and Preferred Stock, Mutual Funds, Exchange Traded Funds, and Closed End Funds. Any equity shall be diversified with no more than 5% of the equity allocation in any one company. No more than 25% of the equity portfolio shall be invested in any one industry. International holdings shall be limited to 20% of portfolio value

Asset Allocation

Sub class	Range
Large Cap Stock	30-38%
Mid Cap Stock	7-13%
Small Cap Stock	3-10%
Foreign	10-20%
Real Estate (REIT)	3-7%
Commodity	3-10%
Cash	0-20%

Asset Quality

1. Equities-

The investment manager may invest in any unrestricted, publicly traded common or preferred stock that is listed on a major exchange or a national, over-the-counter market that is appropriate for the portfolio objectives, asset class, and/or investment style of the fund that is to hold such shares.

2. Cash/Cash Equivalents-

To include Prime Obligation Money Market Funds or U.S. Government Money Market Funds and Commercial Paper. The assets of any money market mutual funds must comply with this standard and/or the quality provisions for fixed income securities.

3. Real Estate

Real Estate investments shall be publicly traded common or preferred stock, or real estate investment trusts that are listed on a major exchange or a national, over-the-counter market.

4. Commodities

Commodities shall only be held in the form of Mutual Funds, or Closed End Funds. Any Commodity fund shall be diversified limited to no more than 10% portfolio value.

Transactions

All purchases of securities will be for cash. There will be no margin transactions, short selling, or direct commodity transactions.

Reporting Requirements

1. Monthly

The investment manager will provide a monthly written statement containing all pertinent transaction and allocation details for the assets held in the portfolio for the preceding month. In addition, these written statements will be provided to the Permanent Fund Committee at regularly scheduled meetings.

2. Annually

The investment manager will provide detailed information about (a) asset allocation, (b) investment performance, (c) future investment strategies, and (d) any other matters of interest to the Committee. In addition, these written statements will be provided to the Homer City Council at regularly scheduled meetings.

Performance

It will be the objective of the portfolio to equal a composite index comprised of the 90 day U.S. Treasury Bill, the S&P 500, and Europe, Australia, and Far East (EAFE) Index. The benchmark percentages will be adjusted to reflect the allocation of assets in the portfolio.

Regina D'Amico
Representative

9/21/2010
Date

Oliver M. ...
Senior Portfolio Manager
US Bank

9/21/2010
Date

CUSTODY AGREEMENT

This custody agreement (the "Agreement") dated as of May 27, 2010, is between U.S. BANK NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America ("Custodian") and City of Homer ("Customer") a first class municipality organized under the laws of the State or Commonwealth of Alaska.

The parties agree as follows:

1. Appointment and Acceptance.

1.1 Customer hereby appoints Custodian as its agent to provide custody and other services in connection with securities, cash and other property delivered from time to time to Custodian hereunder by, or at the direction of, Customer, and income, distributions and payments received by Custodian with respect thereto (collectively the "Assets"); and Custodian hereby agrees to act in such capacity, and perform such services, and hold the Assets in a custody account established in the name of Customer (the "Account"), upon the terms and conditions set forth below.

1.2 For purposes of this Agreement, all references contained herein to actions, directions and responsibilities (other than the obligations set forth in Sections 12 and 14) of Customer shall include, apply to and be binding upon the Customer's agents, including any investment manager or advisor, appointed and authorized by Customer to direct Custodian or otherwise take actions on behalf of Customer in connection with Custodian's services and responsibilities hereunder. Customer shall provide written notice to Custodian of the identity of all such appointed agents and the scope of their authority to act hereunder.

1.3 In the event that Customer requires Custodian to establish one or more sub-accounts within the Account under this Agreement ("Sub-Accounts"), Customer shall identify such Sub-Accounts on an exhibit which may be amended from time to time. In such event, Customer shall deposit or direct the transfer of Assets to or among the separate Sub-Accounts. Further, for such situations, the term "Account" as used in this Agreement shall refer to one or all of the Sub-Accounts established by Customer, as the context of this Agreement shall require.

1.3.1 In no event shall Customer open Sub-Accounts for entities having different tax identification numbers than Customer.

2. Asset Delivery, Transfer, Custody and Safekeeping.

2.1 Customer will from time to time deliver, or cause to be delivered, Assets to Custodian. Custodian shall receive and accept such Assets for the Account upon appropriate directions from the Customer. Custodian shall keep records of all transactions involving the Account and Assets belonging to that account.

2.2 Upon receipt of Appropriate Instructions, (defined in Section 11.1) Custodian shall return Assets to Customer, or deliver to such location or third party as Appropriate Instructions may indicate, provided that in connection therewith it is the sole responsibility of Customer to provide any transfer documentation as may be required by the Depository or third party recipient. Custodian shall have no power or authority to assign, hypothecate, pledge or otherwise dispose of any Assets, except as provided herein or pursuant to Appropriate Instructions.

2.3 Custodian shall furnish Customer, as part of the services for which Custodian charges its basic fee hereunder, with monthly Account statements reflecting all Asset transactions in the Account during the reporting period and ending Asset holdings. If Customer wishes Custodian to report on Assets that are not in control of the Custodian, Customer shall execute the Custodian's CLIENT CONTROL ADDENDUM, which shall be provided to the Customer upon request.

2.4 Custodian shall forward to Customer, or Customer's designated agent identified in Section 17.3 (or as identified in a separate written designation by Customer that is received by Custodian) all information it receives with respect to any of the Assets concerning redemption rights that are exercisable at Customer's option, tender or exchange offers, all proxy material it receives with respect to securities included among the Assets and all other special matters or shareholder rights. This Section 2.4 is subject to the following exceptions:

- 2.4.1 Exception: If Custodian receives a class action litigation proof of claim in respect to any of the Assets, Custodian shall file such claim on behalf of Customer.
- 2.4.2 Exception: Custodian will not forward so-called "mini-tenders" to Customer or its designated agent, as applicable. Mini-tenders are tender offers for a small amount of the outstanding securities made on "target" company, generally with an offer price at or below market value. For equity issues, unless a tender offer is made for 5% or greater of the outstanding issue, and therefore subject to Securities Exchange Commission ("SEC") review, the tender offer will not be forwarded by Custodian.
- 2.4.3 Exception: No tender offer will be forwarded by Custodian for a debt issue if:
 - 2.4.3.1 It is not registered with the SEC;
 - 2.4.3.2 It has a "first received, first buy" basis with no withdrawal privilege and includes a guarantee of delivery clause; and
 - 2.4.3.3 The offer includes the statement that "the purchase price includes all accrued interest on the note and has been determined in the sole discretion of the buyer and may be more than or less than the fair market value of the notes" or similar language.

2.5 Absent specific investment directions to the contrary from Customer, Custodian is hereby authorized and directed by Customer to hold all cash and all checks and drafts (when collected funds are received) in a First American Funds money market fund, identified in Section 17.4, below. Customer acknowledges receipt of the current prospectus for the applicable, designated money market fund to be held in this Account.

2.6 Customer also understands and acknowledges the following information about the First American Funds:

- 2.6.1 The First American family of funds (the "First American Funds") is offered through the funds' distributor identified in the current prospectuses for the funds.
- 2.6.2 Custodian or an affiliate of Custodian serves as the funds' investment advisor, custodian, distributor, administrator and other service provider as disclosed in the prospectuses for the funds.
- 2.6.3 Compensation paid to Custodian and its affiliates by the First American Funds as well as other fees and expenses of the funds are detailed in the prospectuses.
- 2.6.4 Mutual funds, including the First American Funds, are not guaranteed by, or deposits of, any bank including Custodian, nor are such funds insured by the FDIC or any other agency. Investments in mutual funds involve risks, including the possible loss of principal.
- 2.6.5 This authorization and direction shall continue in effect with respect to the designated fund should the fund be merged with or into another fund.

2.7 If any of the Assets received and held by Custodian hereunder shall be plan assets ("Plan Assets") with respect to any employee benefit plan (a "Plan") as those terms are defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Custodian shall not be deemed to be, and shall not exercise any discretionary powers or control over such Plan Assets so as to be, a fiduciary with respect to the Plan. Furthermore, Customer shall notify Custodian in writing whenever any Assets do constitute Plan Assets and thereafter, all subcontracts, agreements or other arrangements between Custodian and any subsidiary or affiliate thereof for services or products paid for from any assets of the said Plan and utilized in the performance of Custodian's duties hereunder shall be subject to the advance approval of Customer.

3. Powers of Custodian. In the performance of its duties hereunder, Custodian shall have the following powers:

3.1 To register any of the Assets in the name of Customer or in the Custodian's name or in the name of a nominee of Custodian or in the name of the Custodian's agent bank or to hold any of the Assets in unregistered form or in such form as will pass title by delivery, provided that such Assets shall at all times be recorded in Customer's Account hereunder as belonging to the Customer. In consideration of Custodian's registration of any securities or other property in the name of Custodian or its nominee or agent, Customer agrees to pay on demand to Custodian or to Custodian's nominee or agent the amount of any loss or liability for stockholders' assessments, or otherwise, claimed or asserted against Custodian or Custodian's nominee or agent by reason of such registration.

3.2 To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any or all other instruments that may be necessary or appropriate to carry out the duties described and powers granted herein.

3.3 To maintain qualifying Assets in any registered clearing agency or in a Federal Reserve Bank (collectively a "Depository") as Custodian may select and to permit such deposited Assets to be registered in the name of Custodian, Custodian's agent or nominee or Depository, on the records of a Depository and to employ and use securities depositories, clearing agencies, clearance systems, sub-custodians or agents located outside the United States in connection with transactions involving foreign securities.

3.4 To employ agents and to delegate duties to them as it sees fit and to employ or consult with experts, advisors and legal counsel (who may be employed also by Customer) and to rely on information and advice received from such agents, experts, advisors, and legal counsel.

3.5 To perform any and all other ministerial acts deemed by Custodian necessary or appropriate to the proper discharge of its duties hereunder.

3.6 To hold uninvested reasonable amounts of cash whenever it is deemed advisable to do so to facilitate disbursements or for other operational reasons, and to deposit the same, with or without interest, in the commercial or savings departments of the Custodian serving hereunder or of any other bank, trust company or other financial institution including those affiliated with the Custodian, notwithstanding Custodian's or other entity's receipt of "float" from such uninvested cash.

4. Purchases.

4.1 Upon the receipt of Appropriate Instructions from Customer, Custodian shall purchase securities for Customer on a contractual settlement basis. Customer hereby agrees that it shall not instruct Custodian to sell any Asset until such Asset has been fully paid for by Custodian. Nor shall Customer engage in a practice whereby Customer relies on the proceeds from the sale of an Asset to pay for the earlier purchase of the same Asset.

4.2 **Notification by Agreement.** Unless Customer and Custodian have entered into a separate written agreement that expressly makes Custodian either an Investment Manager or a discretionary Trustee, the Account statements described above (including their timing and form) will serve as the sole written notification to Customer of any securities transaction effected by Custodian for the Account. Even so, Customer has the right to demand that the Custodian provide written notification of such transactions pursuant 12 CFR Sections 12.4(a) or (b) at no additional cost to Customer.

5. **Sales.**

5.1 Upon receipt of Appropriate Instructions from Customer, Custodian will deliver Assets held by it as Custodian hereunder and sold by or for Customer against payment to Custodian of the amount specified in such Appropriate Instructions in accordance with the then current securities industry practices and in form satisfactory to Custodian. Customer acknowledges that the current securities industry practice is delivery of physical securities against later payment on delivery date. Custodian agrees to use its best efforts to obtain payment therefore during the same business day, but Customer confirms its sole assumption of all risks of payment for such deliveries. Custodian may accept checks, whether certified or not, in payment for securities delivered on Customer's direction, and Customer assumes sole responsibility for the risks of collectability of such checks.

6. **Settlements.**

6.1 Custodian shall provide Customer with settlement of all purchases and sales of Assets in accordance with Custodian's then prevailing settlement policies provided that:

6.1.1 Appropriate Instructions for purchases and sales are received by Custodian in accordance with Custodian's then current published instruction deadline schedule;

6.1.2 Custodian has all other information necessary to complete the transaction.

6.1.3 To avoid a deficiency in the Account, Customer agrees that it shall not initiate any trade without sufficient Assets to settle such trade, nor shall it notify a separate financial institution that it intends to settle purchases out of the Account without sufficient Assets to do so.

6.2 Custodian shall not be liable or responsible for or on account of any act or omission of any broker or other agent designated by Customer to purchase or sell securities for the Account of Customer. Custodian shall not be responsible for loss occasioned by the acts, neglects, defaults or insolvency of any broker, bank, trust company or other person with whom Custodian may deal in the absence or bad faith on the part of Custodian.

7. **Corporate Actions.**

7.1 In connection with any mandatory conversion of Asset securities pursuant to their terms, reorganization, recapitalization, redemption in kind, consolidation or other exchange transaction that does not require or permit approval by the owner of the affected Assets, Custodian, will tender or exchange securities held for other securities, for other securities and cash, or for cash alone.

8. **Collections.**

8.1 Custodian shall collect all income, principal and other distributions due and payable on Assets held either by Custodian or a Depository but shall be under no obligation or duty to take action to effect collection of any amount if the Assets upon which such payment is due are in default, or if payment is refused after due demand and presentation. Custodian shall have no responsibility to notify Customer in the event of such default or refusal to pay, but if Custodian receives notice of default or refusal to pay from an issuer or transfer agent, Custodian shall so advise Customer.

8.2 Collections of monies in foreign currency, to the extent possible, are to be converted into United States dollars at customary rates through customary banking channels, including Custodian's own banking facilities, and in accordance with Custodian's prevailing policies for foreign funds repatriation. All risk and expense incident to such foreign collection and conversion is the responsibility of the Account and Custodian shall have no responsibility for fluctuations in exchange rates affecting such collections or conversion.

9. No Discretionary Authority; Standard of Care.

9.1 Customer and Custodian acknowledge that, except to the extent set forth in any separate instrument signed by the parties with respect to this Agreement, Custodian is not a fiduciary with respect to any Asset and the duties of Custodian hereunder do not include discretionary authority, control or responsibility with respect to the management or disposition of any Asset; or authority or responsibility to render investment advice with respect to any Asset. In addition, it is agreed that:

- 9.1.1 Custodian shall have no duty to make any evaluation or to advise anyone of the suitability or propriety of action or proposed action of Customer in any particular transaction involving an Asset or the suitability or propriety of retaining any particular investment as an Asset. Custodian shall have no duty or authority to review, question, approve or make inquiries as to any investment instructions given pursuant hereto. Custodian shall be under no duty or obligation to review the securities or other property held in the Account with respect to prudence or diversification.
- 9.1.2 Custodian shall not be liable for any loss or diminution of Assets by reason of investment experience or for its actions taken in reliance upon a direction or other instruction from Customer or Customer's agent.
- 9.1.3 Custodian shall have no duty or responsibility to monitor or otherwise investigate the actions or omissions of Customer.
- 9.1.4 Custodian shall have no responsibility for the accuracy of Asset valuations quoted by outside services or sources in cases involving assets under the control of Customer.
- 9.1.5 Custodian shall only be responsible for the performance of such duties as are expressly set forth herein or in Appropriate Instructions received by Custodian from Customer or Customer's agent which are not contrary to the provisions of this Agreement. Custodian shall exercise reasonable care in the performance of its services hereunder. In no event shall Custodian be liable for indirect, special or consequential damages.
- 9.1.6 Custodian shall not be liable for a failure to take an action required under this Agreement in the event and to the extent that the taking of the action is prevented or delayed by war (whether declared or not and including existing wars), revolutions, insurrection, riot, civil commotion, acts of God, accident, fire explosion, stoppage of labor, strikes or other differences with employees, laws regulations, orders or other acts of any governmental authority or any other cause beyond its reasonable control; nor shall any such failure or delay give Customer the right to terminate this Agreement, except as provided in Section 15 of this Agreement.

10. Books, Records and Accounts.

10.1 Custodian will make and maintain proper books of account and complete records of all Assets and transactions in the Account maintained by Custodian hereunder on behalf of Customer. Custodian will preserve for the periods prescribed by applicable federal statute or regulation all records required to be maintained.

10.2 On at least four business days' notice, Custodian will make available to and permit inspection during Custodian's regular business hours by Customer and its auditors of all books, records and accounts retained by Custodian (or, to the extent practicable, its agents) in connection with its duties hereunder on behalf of Customer.

11. Instructions and Directions.

11.1 Custodian shall be deemed to have received Appropriate Instructions ("Appropriate Instructions") upon receipt of written instructions:

11.1.1 Given by any person whose name is listed on the most recent certificate delivered by Customer to Custodian which lists those persons authorized to give orders, and instructions in the name of and on behalf of the Customer or

11.1.2 Given by any other person duly authorized by Customer to give instructions or directions to Custodian hereunder or who Custodian reasonably believes to be so authorized (such as an investment adviser or other agent designated by Customer, for example).

11.2 Appropriate Instructions shall include instructions sent to Custodian or its agent by letter, memorandum, telegram, cable, facsimile, internet e-mail or similar means of communication. The parties to this Agreement assume full responsibility for the security of electronically transmitted communications they send.

11.3 Any communication so addressed and mailed shall be deemed to be given when so mailed; and any notice so sent by electronic transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when actually received by an authorized officer of Custodian or Customer.

11.4 In the event that Custodian is directed to deliver Assets to any party other than Customer or Customer's agent, Appropriate Instructions shall include and Customer shall supply, customary transfer documentation as required by such party, and to the extent that such documentation has not been supplied, Custodian shall not be deemed to have received Appropriate Instructions.

12. Compensation, Security.

12.1 Customer shall pay to Custodian fees for its services under this Agreement and shall reimburse Custodian for costs incurred by it hereunder as set forth in Custodian's then current applicable fee schedule or such other fee arrangement as Custodian and Customer may otherwise agree in writing.

12.2 If any advance of funds is made by Custodian on behalf of Customer to purchase, or to make payment on or against delivery of securities or there shall arise for whatever reason an overdraft in Customer's account, or if Customer is for any other reason indebted to Custodian, including, but not limited to, any advance of immediately available funds to Customer with respect to payments to be received by Custodian in next-day funds (which Customer acknowledges Customer is liable to repay if Custodian does not receive final payment), Customer agrees to repay Custodian on demand the amount of the advance, overdraft or other indebtedness and accrued interest at a rate per annum (based on a 360-day year for the actual number of days involved) equal to the Federal Funds effective rate in effect from time to time.

12.3 In the event of an advance of funds by Custodian, or if any overdraft is created by Account transactions, or if Customer is otherwise in default of any obligation to Custodian, Custodian may directly charge the Account and receive such payment therefrom.

12.4 In the event that a compensation payment due Custodian is past due by more than 30 days, such amount may also be charged to the Account and Custodian may receive such payment therefrom

12.5 To secure such payment obligations as are set forth under this Section 12, Customer does hereby grant to Custodian a security interest in all Assets up to the amount of any deficiency or other indebtedness to the Custodian.

12.6 None of the provisions of this Agreement shall require Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfaction to it against such risk or liability is not assured to it.

13. Customer Responsibility.

13.1 Customer shall be responsible for the review of all reports, accountings and other statements provided thereto by the Custodian, and shall within 90 days following receipt thereof notify the Custodian of any mistakes, defects or irregularities contained or identified therein, after which time all such matters shall be presumed to be ratified, approved and correct and shall not provide any basis for claim or liability against the Custodian.

14. Indemnification.

14.1 Customer hereby agrees to fully and promptly indemnify Custodian and its affiliates, officers, directors, employees and agents (each a "Custodian Indemnified Party") and hold each Custodian Indemnified Party harmless from and against any cost, losses, claims, liabilities, fines, penalties, damages and expenses (including reasonable attorneys' and other professionals' fees) (collectively, a "Claim") arising out of:

14.1.1 Customer's actions or omissions or

14.1.2 Custodian's action taken or omitted hereunder in reliance upon Customer's directions or instructions, or upon any information, order, indenture, stock certificate, power of attorney, assignment, affidavit or other instrument delivered hereunder to Custodian, reasonably believed by Custodian to be genuine or bearing the signature of a person or persons authorized by Customer to sign, countersign or execute the same;

14.1.3 However Customer shall not indemnify a Custodian Indemnified Party for any Claim arising from the Custodian Indemnified Party's judicially determined willful misfeasance, bad faith or gross negligence in the performance of its duties under this Agreement.

14.2 Custodian hereby agrees to indemnify Customer and its controlling person, officers, directors, employee and agents ("Customer Indemnified Parties") and hold each of them harmless from and against any and all Claims arising out of:

14.2.1 Custodian's breach of this Agreement, willful misfeasance, bad faith or gross negligence in the performance of its duties under this Agreement, or

14.2.2 Any loss of Assets, including theft or destruction thereof but expressly excluding investment losses or other diminution of Assets resulting from the Custodian's proper performance of its duties hereunder.

14.3 Custodian shall not indemnify a Customer Indemnified Party for any Claim arising from the Customer Indemnified Party's breach of this Agreement, willful misfeasance, bad faith or gross negligence with respect to its duties and responsibilities under this Agreement.

14.4 This Section 14 shall survive the termination of this Agreement.

15. Termination.

15.1 This Agreement will remain in effect until terminated by either party giving written notice thirty days in advance of the termination date.

15.2 Upon termination of this Agreement, Custodian shall follow such reasonable Customer instructions concerning the transfer of Assets' custody and records, provided:

15.2.1 Custodian shall have no liability for shipping and insurance costs associated therewith;

15.2.2 Custodian shall not be required to make any such delivery or payment until full payment shall have been made by Customer of all liabilities constituting a charge on or against Custodian and until full payment shall have been made to Custodian of all its compensation, costs, including special termination costs, if any, and expenses hereunder; and

15.2.3 Custodian shall have been reimbursed for any advances of monies or securities made hereunder to Customer. If any Assets remain in the Account, Customer acknowledges and agrees that Custodian may designate Customer as successor Custodian hereunder and deliver the same directly to Customer.

15.3 Upon termination of this Agreement, all obligations of the parties to each other hereunder shall cease, except that all indemnification provisions herein shall survive with respect to any Claims arising from events prior to such termination.

16. Binding Obligations.

16.1 Customer and Custodian each hereby represent that this Agreement constitutes its legal, valid and binding obligation enforceable in accordance with the terms hereof; subject, as to enforcement of remedies, to applicable bankruptcy and insolvency laws, and to general principles of equity.

17. General Provisions.

17.1. Tax Responsibility. Unless indicated below in this section or required by law, Custodian shall have no responsibility to undertake any federal, state, or local tax reporting in connection with Assets, the Account or transactions therein, as and notwithstanding any other terms or conditions contained herein, Custodian shall not be responsible for, and Customer does hereby waive all duties or functions of Custodian (imposed by law or otherwise) relating to the withholding and government deposit of any and all taxes or amounts with respect thereto, that may be incurred or payable in connection with the Account established hereunder, income or gain realized on Assets held therein or transactions undertaken with respect thereto. (Check only one below.)

Custodian shall provide only the tax information required by law.

Custodian shall provide tax information required by law and for an additional fee,

the following added services: _____.

17.2 **Shareholder Communications Act Authorization.** The Shareholder Communications Act of 1985, as amended, requires Custodian to make an effort to permit direct communications between a company that issues securities and the shareholder that exercises shareholder rights with respect to those securities. Unless Customer specifically directs Custodian in writing not to release Customer's name, address and security position to requesting companies, Custodian is required by law to disclose Customer's name and address to such companies. Therefore the Customer hereby responds to the following question [no response will mean "yes"]. Does Customer authorize Custodian to provide its name, address and security position to requesting companies whose stock is owned in this Account?
____ Yes / No

17.3 **Customer's Agent – Shareholder Rights.** Should Customer require that a designated agent for the Account, such as an investment advisor, be responsible for proxy voting and other special matters and shareholder rights as specified in Section 2.4, above, the Customer shall provide the name and address of that agent below. Such agent shall be removed upon Custodian's receipt of a written removal from Customer. Customer may designate more than one agent to be responsible for separate sub-Accounts or investment accounts under this Agreement by providing a clear, written designation to that effect to Custodian. Custodian hereunder has no authority or responsibility with regard to proxy voting or any similar special matters. Therefore, it may not be designated below unless it has separately agreed in writing to act as investment advisor for the Account.

Designated Agent: _____
Address: _____
Telephone Number: _____

17.4 **Money Market Fund.** Pursuant to Section 2.5, above, the First American Funds money market fund designated for this Account shall be: (check one – if none are checked the Customer hereby directs that the First American Prime Obligations Fund Class Y shall be designated)

Taxable Money Market Funds

____ First American Prime Obligations Fund – Class _____
____ First American Government Obligations Fund – Class _____
____ First American Treasury Obligations Fund – Class _____

Federal Tax-Exempt Money Market Fund

____ First American Tax-Free Obligations Fund – Class _____

Other

_____ Fund – Class _____
(Must indicate correct fund name and class for election to be valid.)

17.5. **Notice.** Except as provided in Section 11 above, any notice or other communication under this Agreement shall be in writing and shall be considered given when delivered by certified mail, return receipt requested, to the parties at the addresses set forth on the execution page hereof (or at such other address as a party may specify by notice to other). Notice shall be effective upon receipt if by mail, or on the date of personal delivery (by private messenger, courier service or otherwise) or facsimile, whichever occurs first, to the addressed indicated below. The below addresses and individuals may be changed at any time by an instrument in writing executed by the party giving same and given to the other party, in accordance with the procedure set forth above.

17.6 **Complete Agreement; Modification.** This Agreement contains a complete statement of all the arrangements between the parties with respect to its subject matter, supersedes all existing agreements between them concerning the subject, and cannot be amended or modified in any manner except by a written agreement executed by both parties. Notwithstanding the foregoing, if at any time

Custodian is holding assets or property of Customer pursuant to any other custodial, pledge or other agency agreement with Customer (or which Customer has acknowledged in instructions to Custodian) and one or more third parties that involves Custodian's duties or obligations to a third party (which may be affiliates to Custodian) with respect to Assets, the terms and requirements of the other agreements concerning such Assets shall supersede and control the provisions and duties set forth herein.

17.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota applicable to agreements made and to be performed in Minnesota.

17.8 Assignment. No party may assign any of its rights hereunder without the consent of the other, which consent shall not be unreasonably withheld. The foregoing consent requirement does not apply if either party shall merge or consolidate with or sell substantially all of its assets to another corporation, provided that such other corporation shall assume without qualification or limitation all obligations of that party hereunder either by operation of law or by contract.

17.9 Separability. If any provision of this Agreement is invalid or unenforceable, the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstances, it shall nevertheless remain applicable to all other persons and circumstances.

17.10 No Third Party Rights. In performing its services hereunder, Custodian is acting solely on behalf of Customer. No agency, contractual or service relationship shall be deemed to be established hereby between Custodian and any other persons.

17.11 Counterparts and Duplicates. This Agreement may be executed in any number of counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument. This Agreement and any administrative form under the Agreement may be proved either by a signed original or by a reproduced copy thereof (including, not by way of limitation, a microfiche copy or an electronic file copy).

17.12 Legal Actions Affecting Account. If Custodian is served with a subpoena, restraining order, writ of attachment or execution, levy, garnishment, search warrant or similar order relating to the Account, (a "Legal Action") Custodian will comply with that Legal Action and shall be held harmless therefrom. Customer will reimburse Custodian for any fees or expenses Custodian incurs in responding to any Legal Action affecting the Account (including but not limited to attorneys' fees and other professionals' fees).

17.13 Abandoned Property. Any Assets remaining unclaimed or abandoned by Customer shall be delivered to the proper public official pursuant to applicable state's abandoned property, escheat or similar law and Custodian shall be held harmless therefrom. This Section 17.13 shall survive the termination of the Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative effective as of the date first written above.

City of Homer (Customer)

By: Walt White

Title: CITY MANAGER

Date: 5/27/10

Address: 491 E. PIONEER AVE.
HOMER, AK. 99603

U.S. BANK NATIONAL ASSOCIATION
(Custodian)

By: [Signature]

Title: VICE - President

Date: June 1, 2010

Address: 1420 5th Ave 10th Fl
SEATTLE, WA 98101

**EXHIBIT A
SUB-ACCOUNTS**

	Name	Sub-Account Number
1.	City of Homer Income Fund	19-504340
2.	City of Homer Growth Fund	19-504341
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
8.	_____	_____
9.	_____	_____
10.	_____	_____
11.	_____	_____
12.	_____	_____

(If additional space is needed please attach separate sheet.)

1 CITY OF HOMER
2 HOMER, ALASKA

3 City Clerk/
4 Permanent Fund Committee

5 ORDINANCE 13-XX
6

7 AN ORDINANCE OF THE HOMER CITY COUNCIL
8 AMENDING HCC 3.10.130, GOVERNANCE OF HOMER
9 PERMANENT FUND ASSETS, HCC 3.12.020,
10 CONTRIBUTIONS, HCC 3.12.030 ALLOCATION TO SUB-
11 FUNDS, HCC 3.12.060 EXPENDITURES OF INCOME AND
12 HCC 3.12.080, EXPENDITURE OF PRINCIPAL; ENACTING
13 HCC 3.12.015, DEFINITIONS; AND REPEALING HCC
14 3.12.070, LOANS FROM INCOME SUB-FUND; REGARDING
15 THE HOMER PERMANENT FUND.
16

17 THE CITY OF HOMER HEREBY ORDAINS:

18
19 Section 1. Subsection (c) of HCC 3.10.130, Governance of Homer Permanent Fund
20 Assets, is renumbered as paragraph (b)(9).
21

22 Section 2. HCC 3.12.015, Definitions, is enacted to read as follows:
23

24 3.12.015 Definitions. As used in this chapter:

25 “Income” means interest, dividends or coupon discounts derived from investments, and
26 does not include realized or unrealized gains in the market value of investments.

27 “Permanent Fund” means the Homer Permanent Fund established by HCC 3.12.010.

28 “Windfall monies” means monies received by the City after the effective date of this
29 chapter that are not either standard budgeted operating revenues or monies received for a specific
30 purpose, including without limitation bond proceeds, grant funds, and monies recovered through
31 litigation other than the Exxon Valdez litigation as damages compensating or reimbursing the
32 city for previous expenditures In all cases, the City Council’s identification of monies as wind-
33 fall monies shall be final and conclusive.
34

35 Section 3. HCC 3.12.020, Contributions, is amended to read as follows:
36

37 3.12.020 Contributions. a. If monies from the distribution of the Exxon Valdez settlement
38 or other forms of **windfall** ~~“wind-fall monies”~~ become available to the City, **not less than** 95%
39 of such funds shall be placed in the ~~Homer~~ Permanent Fund.

40 b. ~~“Wind fall monies” shall be defined as any new monies received by the City from any~~
41 ~~source other than standard budgeted operating revenues and not allocated to any specific~~
42 ~~purpose. “Wind fall monies” do not include bond proceeds, grant funds allocated to a specified~~
43 ~~purpose, or the proceeds of non-Exxon Valdez litigation when such proceeds are recovered as~~
44 ~~damages to compensate or reimburse the city for expenditures previously made by the city. In all~~
45 ~~cases, the City Council’s determination of whether monies are “wind fall” is final and~~
46 ~~conclusive.~~

47 e. The City Council shall appropriate all of the ~~remaining five percent of Exxon~~
48 ~~Valdez settlement funds and other~~ windfall ~~wind fall monies~~ that remain after the
49 contribution to the Permanent Fund required by subsection (a) of this section ~~are available~~
50 ~~to be appropriated by the City Council for grants to the Homer Foundation or other local non-~~
51 ~~profit organizations for the benefit of the community.~~

52
53 Section 4. HCC 3.12.030, Allocation to sub-funds, is amended to read as follows:

54
55 3.12.030 Allocation to sub-funds. a. Each ~~When a contribution is made to the Permanent~~
56 ~~Fund pursuant to HCC 3.12.020, the money received shall be allocated to two sub-funds as~~
57 ~~follows:~~

58 1a. Forty ~~Sixty~~ percent of each contribution shall be allocated to an income sub-
59 fund.

60 2b. Sixty ~~Forty~~ percent of each contribution shall be allocated to a growth sub-
61 fund.

62 b. Semiannually the city shall transfer money from the growth sub-fund to the
63 income sub-fund to the extent necessary to cause the amount in the income sub-fund, plus
64 the outstanding principal of all loans from the income sub-fund under HCC 3.12.060(b), to
65 be equal to forty percent of the total amount in the Permanent Fund.

66
67 Section 5. HCC 3.12.060, Expenditures of income, is amended to read as follows:

68
69 3.12.060 Expenditures from ~~of~~ income sub-fund. ~~a. Expenditures from the~~ ~~of~~
70 ~~Permanent Fund income~~ sub-fund may be made only as authorized in this section ~~chapter.~~

71 a~~b~~. The income from the income sub-fund may be appropriated by the City Council and
72 be expended for general governmental purposes, including but not limited to ordinary operating
73 expenses.

74 b. The principal of the income sub-fund may be used as a source of loan funds for
75 city capital projects, and not as a grant. To be eligible for such a loan the project must
76 receive a majority of its funding from other sources. Such loans shall be on terms approved
77 by resolution of the City Council, which must provide for the repayment of the loan over a
78 reasonable period of time.

79 ~~c. The income from the growth sub-fund shall not be expended. It shall be added to the~~
80 ~~principal of the growth sub-fund and reinvested.~~

81
82 Section 6. HCC 3.12.070, Loans from income sub-fund, is repealed.

83
84 Section 7. HCC 3.12.080, Expenditure of principal, is amended to read as follows:

85
86 3.12.080 Expenditures with voter approval ~~of principal.~~ a. Except as provided in HCC
87 3.12.060, no expenditure may be made from the ~~Expenditures of Permanent Fund principal~~
88 ~~may be made only as authorized in this section.~~ b. ~~Except as a source of loan funds as provided~~
89 ~~in subsection 3.12.070, the principal of both the income sub-fund and the growth sub-fund shall~~
90 ~~neither be distributed nor spent without the~~ approval ~~authorization of sixty percent of city voters~~
91 voting on the question at a regular or special election.

92 ~~be.~~ Prior to submitting to the voters the question of whether to **approve an expenditure**
93 ~~distribute or spend funds from the principal of the~~ Permanent Fund, the City Council shall find
94 that all reasonable options for borrowing have been exhausted, including the option of borrowing
95 from the ~~Homer~~ Permanent Fund pursuant to **HCC 3.12.060(b)** ~~section 3.12.070~~.

96
97 **Section 8.** This Ordinance is of a permanent and general character and shall be included
98 in the City Code.

99
100 ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA, this
101 _____ day of August 2013.

102
103 CITY OF HOMER

104
105
106
107 _____
108 MARY E. WYTHE, MAYOR

109 ATTEST:

110
111
112 _____
113 JO JOHNSON, CMC, CITY CLERK

114
115
116
117 AYES:
118 NOES:
119 ABSTAIN:
120 ABSENT:

121
122
123
124 First Reading:
125 Public Reading:
126 Second Reading:
127 Effective Date:

128
129
130 Reviewed and approved as to form:

131
132
133 _____
134 Walt Wrede, City Manager

135 _____
City Attorney

136 Date: _____

Date: _____

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 City Clerk/
4 Permanent Fund Committee

5 **ORDINANCE 13-XX**

6
7 AN ORDINANCE OF THE HOMER CITY COUNCIL
8 APPROPRIATING \$67,310.08 FROM THE HOMER
9 PERMANENT FUND TO THE HOMER FOUNDATION CITY
10 OF HOMER ENDOWMENT FUND.

11
12 WHEREAS, Ordinance 05-14(S) established the Homer Permanent Fund (“Permanent
13 Fund”); and

14
15 WHEREAS, Ordinance 05-14(S) required that 95% of monies from the distribution of
16 the Exxon Valdez settlement or other forms of windfall monies that become available to the City
17 be deposited in the Permanent Fund, with the remaining five percent of such monies being
18 available to be appropriated by the City Council for grants to the Homer Foundation or other
19 local non-profit organizations for the benefit of the community; and

20
21 WHEREAS, In fact, 100% of monies from the distribution of the Exxon Valdez
22 settlement and other forms of windfall monies were deposited in the Permanent Fund, and 5% of
23 such monies were not reserved for appropriation by the Council as required by Ordinance 05-
24 14(S); and

25
26 WHEREAS, As a result of this error, \$70,864.87 was deposited in the Permanent Fund
27 that should have been reserved for appropriation by the Council as required by Ordinance 05-
28 14(S); and

29
30 WHEREAS, The Council partially corrected this error by adopting Ordinance 12-58
31 approving the disbursement of \$3,554.79 from the Permanent Fund to local non-profit
32 organizations for the benefit of the community, and allocating the same amount by Resolution
33 13-016 for the purpose of implementing the Green Dot program in Homer; and

34
35 WHEREAS, To complete the correction of this error, an additional sum of \$67,310.08
36 now should be appropriated from the Permanent Fund to the Homer Foundation City of Homer
37 Endowment Fund for the benefit of the community.

38
39 NOW, THEREFORE, THE CITY OF HOMER HEREBY ORDAINS:

40
41 Section 1. The sum of \$67,310.078 is appropriated from the Homer Permanent Fund to
42 the Homer Foundation City of Homer Endowment Fund as follows:

43
44 Transfer From:

45 Account Number

Description

Amount

46



City of Homer

www.cityofhomer-ak.gov

Office of the City Clerk

491 East Pioneer Avenue
Homer, Alaska 99603

clerk@cityofhomer-ak.gov

(p) 907-235-3130

(f) 907-235-3143

Memorandum 13-xx

TO: MAYOR AND CITY COUNCIL
THROUGH: WALT WREDE, CITY MANAGER
FROM: PERMANENT FUND COMMITTEE
DATE: JULY 5, 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 – Section **c**, following section 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 of \$19,000. The income from the City of Homer Endowment Fund can be allocated to nonprofits on a yearly basis.