Permanent Fund Committee

Regular Meeting
August 8, 2013
5:15 p.m.

City Hall
Conference Room
491 E. Pioneer Avenue
Homer, Alaska

PERMANENT FUND COMMITTEE | AUGUST 8, 2013
491 E. PIONEER AVENUE | THURSDAY, 5:15 P.M.
HOMER, ALASKA | COWLES COUNCIL CHAMBERS

NOTICE OF MEETING
REGULAR 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 July 11, 2013 Page 5

5. VISITORS

6. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

7. PUBLIC HEARING

8. PENDING BUSINESS

A. **Ordinance 13-25,** 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 9

Memorandum 13-098 from Permanent Fund Committee as backup. Page 13

B. **Ordinance 13-26,** 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 15

9. NEW BUSINESS

A. **Memorandum PFC 13-05** from City Clerk, Re: Recruitment of a New Committee Member. Page 19

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, November 14, 2013 at 5:15 p.m. in the Homer City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

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.

<u>Chapter 3.10 – Investment and Collateralization of Public Funds</u>
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.

<u>Chapter 3.12 – Permanent Fund</u>
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 22nd 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

CITY OF HOMER
HOMER, ALASKA

City Clerk/
Permanent Fund Committee

ORDINANCE 13-25

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.

THE CITY OF HOMER HEREBY ORDAINS:

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

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

3.12.015 Definitions. As used in this chapter:
"Income" means interest, dividends or coupon discounts derived from investments, and does not include realized or unrealized gains in the market value of investments.
"Permanent Fund" means the Homer Permanent Fund established by HCC 3.12.010.
"Windfall monies" means monies received by the City after the effective date of this chapter that are not either standard budgeted operating revenues or monies received for a specific purpose, including without limitation bond proceeds, grant funds, and monies recovered through litigation other than the Exxon Valdez litigation as damages compensating or reimbursing the city for previous expenditures. In all cases, the City Council's identification of monies as windfall monies shall be final and conclusive.

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

3.12.020 Contributions. a. If monies from the distribution of the Exxon Valdez settlement or other forms of **windfall** ~~"wind-fall~~ monies~~"~~ become available to the City, **not less than** 95% of such funds shall be placed in the ~~Homer~~ Permanent Fund.
b. ~~"Wind-fall monies" shall be defined as any new monies received by the City from any source other than standard budgeted operating revenues and not allocated to any specific purpose. "Wind-fall monies" do not include bond proceeds, grant funds allocated to a specified purpose, or the proceeds of non-Exxon Valdez litigation when such proceeds are recovered as damages to compensate or reimburse the city for expenditures previously made by the city. In all cases, the City Council's determination of whether monies are "wind-fall" is final and conclusive.~~

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

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

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

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

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

b. 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.

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

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

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

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

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

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

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

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

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

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

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

CITY OF HOMER

____
MARY E. WYTHE, MAYOR

ATTEST:

____
JO JOHNSON, CMC, CITY CLERK

AYES:
NOES:
ABSTAIN:
ABSENT:

First Reading:
Public Reading:
Second Reading:
Effective Date:

Reviewed and approved as to form:

____
Walt Wrede, City Manager

Date: __________________________

____
Thomas F. Klinkner, City Attorney

Date: __________________________

Office of the City Clerk
491 East Pioneer Avenue
Homer, Alaska 99603
clerk@cityofhomer-ak.gov
(p) 907-235-3130
(f) 907-235-3143

City of Homer

www.cityofhomer-ak.gov

Memorandum 13-098

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.

CITY OF HOMER
HOMER, ALASKA

City Clerk/
Permanent Fund Committee

ORDINANCE 13-26

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.

WHEREAS, Ordinance 05-14(S) established the Homer Permanent Fund ("Permanent Fund"); and

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

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

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

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

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

NOW, THEREFORE, THE CITY OF HOMER HEREBY ORDAINS:

Section 1. The sum of $67,310.08 is appropriated from the Homer Permanent Fund to the Homer Foundation City of Homer Endowment Fund as follows:

Transfer From:

Account Number	Description	Amount
999-000-1043	Permanent Fund Income	$26,924.03
999-000-1044	Permanent Fund Growth	$40,386.05

Deposit/Transfer To:

Account Number	Description	Amount
806-375-5830	Homer Foundation	$67,310.08

Section 2. The amount appropriated from the Homer Permanent Fund under Section 1 shall be withdrawn pro rata from each sub-fund in the Homer Permanent Fund.

Section 3. This is a budget amendment only, is not permanent in nature, and shall not be codified.

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

CITY OF HOMER

____
MARY E. WYTHE, MAYOR

ATTEST:

____
JO JOHNSON, CMC, CITY CLERK

AYES:
NOES:
ABSTAIN:
ABSENT:

First Reading:
Public Reading:
Second Reading:
Effective Date:

Reviewed and approved as to form:

______________________________	______________________________
Walt Wrede, City Manager	Thomas F. Klinkner, City Attorney
Date: _________________________	Date: _________________________

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 PFC 13-05

TO: PERMANENT FUND COMMITTEE

THROUGH:

FROM: JO JOHNSON, CITY CLERK

DATE: AUGUST 5, 2013

SUBJECT: RECRUITMENT OF A NEW COMMITTEE MEMBER

For the last two years I have advertised for the vacant position on the Permanent Fund Committee. This includes advertising in the Clerk's weekly meeting notice in the newspapers and announcements on KBBI with the Clerk's Calendar. To date there have been no applicants to fill the vacant position on the committee.

Pursuant to Homer City Code 3.10.130(4):
The city council shall establish a permanent fund investment committee consisting of the finance director, the city clerk, two members of the city council, and two members of the community at-large. The term of each appointment shall be two years, with initial terms of the city council members and members at-large staggered so that half of the terms will expire each year. The committee shall be appointed by the mayor and confirmed by the city council. The appointment of any city official will automatically terminate on the date when the person no longer holds such city office. Any city council member or member at-large may be removed from the committee at any time by the City Council.

RECOMMENDATION:

Discuss ways to recruit a new member for the Permanent Fund Committee.