

# Permanent Fund Committee

Regular Meeting  
August 14, 2014  
5:15 p.m.



City Hall  
Cowles Council Chambers  
491 E. Pioneer Avenue  
Homer, Alaska



**NOTICE OF MEETING  
REGULAR MEETING AGENDA**

**1. CALL TO ORDER**

Committee Member Roberts has requested excusal.

**2. APPROVAL OF AGENDA**

**3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**

**4. APPROVAL OF MINUTES**

A. Synopsis of Special Meeting of June 12, 2014

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**5. VISITORS**

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

**7. PUBLIC HEARING**

**8. PENDING BUSINESS**

A. Review of Homer City Code 3.12 the Established Investment Policies of the Permanent Fund

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**9. NEW BUSINESS**

**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 13, 2014 at 5:15 p.m. in the Homer City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.



Session 14-02 a Special Meeting of the Permanent Fund Committee was called to order on June 12, 2014 AT 5:17 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, FRANCIE ROBERTS, JO JOHNSON, ZHIYONG (JOHN) LI  
ABSENT: MATT NORTH

**APPROVAL OF AGENDA**

ROBERTS/JOHNSON – MOVED TO APPROVE THE AGENDA AS PRESENTED.

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 Regular Meeting of February 13, 2014

JOHNSON/LI – MOVED TO APPROVE THE MINUTES OF February 13, 2014.

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 Homer City Code 3.12 the Established Investment Policies of the Permanent Fund

Committee Member John Li provided a statement of the income and growth accounts from U.S. Bank for the period ending May 31, 2014. Administrative expenses for 2014 to date were \$5,016.18 on the growth account and \$2,366.74 on the income account. The overall market value of both accounts is \$2,001,479.11.

The committee discussed the administrative costs charged by U.S. Bank in relation to the investment. Committee Member John Li spoke with the investment manager at U.S. Bank about the high fees and they reduced the fee from 1% to .75% of the holdings.

The consensus of the committee is that U.S. Bank is passively managing account activities, just once or twice a year. The City is being charged a large fee for very little gain. It may be more lucrative to invest the funds in CDs than the current investment plan, or take a slightly higher risk for higher yield.

The committee postponed discussion on this matter to August 14<sup>th</sup> to review the investment policies in addition to Homer City Code 3.12.

- B. Memorandum from City Clerk, Re: Reducing Meetings of the Board, Commissions, and Committees

The committee holds meetings in February, May, August, and November. In light of the work the committee has before them it was decided no reduction of meetings was needed. If there is no business to conduct, a meeting will be cancelled.

## **INFORMATIONAL MATERIALS**

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

There was no audience.

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

### **COMMENTS OF THE COUNCILMEMBER**

Committee Member Roberts had no comment.

### **COMMENTS OF THE CHAIR**

Chair Barbara Howard commented on the short committee meeting of February 13<sup>th</sup> with both councilmembers absent. She thanked Matt North for requesting reappointment to the committee.

**COMMENTS OF THE COMMISSION**

Committee Members Li and Johnson had no comment.

**ADJOURNMENT**

There being no further business to come before the Committee, the meeting was adjourned at 5:47 p.m. The next Regular Meeting is scheduled for Thursday, August 11, 2014 at 5:15 p.m. in the Homer City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

Submitted by Jo Johnson





## Chapter 3.12 PERMANENT FUND

### Sections:

- [3.12.010](#) Homer permanent fund established.
- [3.12.015](#) Definitions.
- [3.12.020](#) Contributions.
- [3.12.030](#) Allocation to sub-funds.
- [3.12.040](#) Additions to fund.
- [3.12.050](#) Investment of fund.
- [3.12.060](#) Expenditures from income sub-fund.
- [3.12.070](#) *Repealed.*
- [3.12.080](#) Expenditures with voter approval.

### **3.12.010 Homer permanent fund established.**

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There is hereby established the Homer permanent fund. The permanent fund shall be governed by this chapter. [Ord. [05-14\(S\)](#) § 1, 2006].

### **3.12.015 Definitions.**

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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 the ordinance codified in 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 wind-fall monies shall be final and conclusive. [Ord. [13-25](#) § 2, 2013].

### **3.12.020 Contributions.**

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a. If monies from the distribution of the Exxon Valdez settlement or other forms of windfall monies become available to the City, not less than 95 percent of such funds shall be placed in the permanent fund.

b. The City Council shall appropriate all of the Exxon Valdez settlement funds and other windfall monies that remain after the contribution to the permanent fund required by subsection (a) of this section to the Homer Foundation City of Homer Endowment Fund or other local nonprofit organizations for the benefit of the community. [Ord. [13-25](#) § 3, 2013; Ord. [05-14\(S\)](#), 2006].

### **3.12.030 Allocation to sub-funds.**

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a. Each contribution to the permanent fund shall be allocated to two sub-funds as follows:

1. Forty percent of each contribution shall be allocated to an income sub-fund.
2. Sixty 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 40 percent of the total amount in the permanent fund. [Ord. [13-25](#) § 4, 2013; Ord. [05-14\(S\)](#) § 1, 2006].

### **3.12.040 Additions to fund.**

The City Council may elect to contribute monies to the permanent fund. Unless otherwise allocated by the Council, such contributions shall be allocated to sub-funds pursuant to HCC [3.12.030](#). [Ord. [05-14\(S\)](#) § 1, 2006].

### **3.12.050 Investment of fund.**

The sub-funds of permanent fund shall be invested and managed in accordance with HCC [3.10.130](#). [Ord. [05-14\(S\)](#) § 1, 2006].

### **3.12.060 Expenditures from income sub-fund.**

Expenditures from the income sub-fund may be made only as authorized in this section.

a. 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. [Ord. [13-25](#) § 5, 2013; Ord. [05-14\(S\)](#) § 1, 2006].

### **3.12.070 Loans from income sub-fund.**

*Repealed by Ord. [13-25](#). [Ord. [05-14\(S\)](#) § 1, 2006].*

### **3.12.080 Expenditures with voter approval.**

a. Except as provided in HCC [3.12.060](#), no expenditure may be made from the permanent fund without the approval of 60 percent of City voters voting on the question at a regular or special election.

b. Prior to submitting to the voters the question of whether to approve an expenditure from the permanent fund, the City Council shall find that all reasonable options for borrowing have been exhausted, including the option of borrowing from the permanent fund pursuant to HCC [3.12.060\(b\)](#). [Ord. [13-25](#) § 7, 2013; Ord. [05-14\(S\)](#) § 1, 2006].

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**The Homer City Code is current through Ordinance 14-22(A),  
passed May 27, 2014.**

Disclaimer: The City Clerk's Office has the official version of the Homer City Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.