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**CITY OF HOMER
HOMER, ALASKA**

*Not introduced
Ordinance 17-23
was not
repealed*

Stroozas

ORDINANCE 17-32

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING CHAPTER 3.12, PERMANENT FUND AND HCC 3.10.130, GOVERNANCE OF PERMANENT FUND, TO REMOVE ALL REFERENCES OF SUBFUNDS AND ESTABLISH A BALANCED FUND AS THE INVESTMENT MECHANISM FOR THE HOMER PERMANENT FUND.

WHEREAS, The Homer Permanent Fund was established by Ordinance 05-14(S) for the purpose of receiving monies from the distribution of the Exxon Valdez Oil Spill settlement and other “wind-fall” funds, and serving as an endowment whose income would be used to support City government, and whose principal could be loaned to support City capital projects; and

WHEREAS, The Homer Permanent Fund is divided into income and growth sub-funds with different investment and expenditure requirements for each; and

WHEREAS, A balanced fund is a fund investing in stocks and bonds to provide both income and growth; and

WHEREAS, Simplifying the Permanent Fund to one balanced fund streamlines the administration while maintaining a conservative balance between growth and risk.

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. Homer City Code 3.10.130, Governance of Homer permanent fund assets is amended to read:

3.10.130 Governance of Homer permanent fund assets

a. In investing and managing the monies of the permanent fund established pursuant to Chapter 3.12 HCC, the persons having responsibility for making decisions shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the long-term investment of funds considering the probable safety of capital as well as probable income, in accordance with the stated objectives of the permanent fund.

43 b. In order to ensure sound investment strategy, the City Council will take action in the
44 following manner:

45
46 1. The City Council shall establish written investment policies by resolution which
47 shall be adhered to without exception;

48
49 2. The City Council shall review the performance **and** investment policies of the
50 permanent fund at least once each year during the first quarter and shall, by
51 resolution, re-adopt or modify said policies; **review of the fund shall take into**
52 **account the following priorities listed in order of importance:**

- 53
54 **1. Preservation of capital**
55 **2. Long-term growth of capital**
56 **3. Preservation of purchasing power**
57 **4. Current income**
58 **5. Stability of return**

59
60 3. The City Council shall establish, by resolution, a plan for the allocation of
61 investment assets each year that provides for the following:

62
63 a. ~~That~~ earnings available for annual appropriation and distribution shall be
64 confined to the interest, dividends or coupon discounts derived from the
65 investments of the fund. Realized or unrealized gains to the portfolio value
66 are not considered earnings.

67
68 b. The portfolio of the ~~growth sub-fund~~ will be invested in **a balanced fund**
69 ~~primarily in equities,~~ **with 25% equities and 75% bonds or other fixed rates**
70 **securities** and is exempt from HCC 3.10.040.

71
72 **c. Rebalancing of the fund when out of balance by \$100,000 or more in**
73 **equities/fixed rate securities.**

74
75 c. ~~The portfolio of the income sub-fund will be invested primarily in bonds~~
76 ~~and the other fixed rate securities authorized by HCC 3.10.040.~~

77
78 d. ~~The income sub-fund may be used as a revolving loan fund for various City~~
79 ~~capital projects as provided in Chapter 3.12 HCC.~~

80
81 e. ~~That states~~ **pPortfolio** duration, performance benchmarks, and the
82 estimated percentage or amount of that year's earnings that would be
83 necessary to retain to inflation-proof the fund principal;

84

85 f. That states portfolio's investment objective.
86

87 4. The City administration shall maintain on file within the offices of the Finance
88 Department monthly reports which indicate transactions affecting the
89 investment account, to include, at a minimum, transfers of cash into and out of
90 the account, and interest or dividends received by the account;

91
92 ~~5. The City administration shall order an objective performance evaluation of the~~
93 ~~investment program every year;~~

94
95 **56.** The City administration shall retain one or more bank custodians to hold all
96 investments~~s~~ cash and fixed income securities of the permanent fund and require
97 that the custodians shall render monthly reports to the administration regarding
98 assets held at both book and market values, and individual transactions which
99 have taken place, that the banks shall have adequate fidelity insurance, and that
100 written contracts be entered into between the City and the custodian banks.

101
102 Section 2. Homer City Code 3.12.030, Allocation to sub-funds, is repealed.

103
104 Section 3. Homer City Code 3.12.060, Expenditures from income sub-fund is amended
105 to read:

106 3.12.060 Expenditures from ~~income sub-fund~~.

107
108 Expenditures from the ~~income sub-fund~~ may be made only as authorized in this
109 section.

110
111 a. The income from the ~~income sub-fund~~ may be appropriated by the City Council and
112 be expended for general governmental purposes, including but not limited to ordinary
113 operating expenses.

114
115 b. The principal of the ~~income sub-fund~~ may be used as a source of loan funds for City
116 capital projects, and not as a grant. To be eligible for such a loan the project must
117 receive a majority of its funding from other sources. Such loans shall be on terms
118 approved by resolution of the City Council, which must provide for the repayment of
119 the loan over a reasonable period of time.

120
121 Section 4. Section 3.10.120, Definitions is amended to add:

122
123 **“balanced fund” is a fund investing in stocks and bonds to provide both income**
124 **and growth.**

125
[**Bold and underlined added.** Deleted language stricken through.]

