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# Investment Committee Minutes

Monday, February 27, 2017 3:00 p.m.  
3<sup>rd</sup> Floor Conference Room of City Hall

**Goal: To make recommendations for and oversee the Investment Policy of the City and Borough of Sitka enacted as Chapter 4.28.**

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**Investment Committee Members:** Michael Reif, Bert Stedman, Jere Christner  
Tristan Guevin (Assembly Liaison)

Meeting began at approximately 3:00 p.m.

## I. Roll Call

Present: Michael Reif, Jere Christner

Absent: Bert Stedman (excused)

Staff: Municipal Administrator Mark Gorman, Chief Finance and Administrative Officer (CFAO)  
Jay Sweeney; Deputy Clerk Melissa Henshaw

## II. Approval of the minutes

### A. February 14, 2017

**M – Christner/S – Reif moved to approve the minutes from February 14, 2017. Motion carried unanimously of the two members present.**

## III. Persons to be Heard

None.

## IV. Reports

None.

## V. Unfinished Business

### B. Investment Policy

Sweeney asked for a review by members for any changes that need to be made. Discussion took place of Alaska Permanent Capital Management (APCM) recommendations to 4.28.120. Discussion occurred to amend this section of the Code when or if the external management of the Operating Funds would come to fruition, or to do it in two phases.

**M – Christner/ S – Reif moved to recommend a revision to Chapter 4.28 Investment Policy to add a section 4.28.025 that would add language to allow professional management for the City and Borough of Sitka finances. Motion carried unanimously of the two members present.**

### C. Master Working Capital and Debt Service Plan

Sweeney could not find other communities in Alaska that had such a policy with the exception of the City of Homer which was broad. He included five other examples in the packet. He asked the question if Sitka should be the first in the state to write such a policy or wait until another municipality goes forward with one. He told of internal and external challenges, thought to take this in stages and have the commission review the examples first.

Discussion occurred on the State's guidelines that were in the packet material given to the CBS for loaning on water/wastewater, how much debt was too much, putting a structure in

place on how to evaluate debt and how to educate new Assembly members. CBS has developed a comprehensive fiscal management plan for the water, wastewater, electric and harbor funds that include measurements of financial safety and liquidity. It was agreed that a framework was needed.

**M – Reif/ S – Christner moved to postpone the Master Working Capital and Debt Service Plan until such time as the Finance Department, as determined by the Administrator, has the time and resources capable to pursue this detailed and complex subject and that it is the desire of the Investment Advisory Committee to pursue this with high priority. Motion carried unanimously of the two members present.**

**D. Discussion of professional management of operating funds**

It was determined that there were three options 1) expand the scope of the current contract with APCM which the Municipal Attorney needed to make a determination, 2) send out a new contract without competitive bid as sole source from SGC Title 3 which the Municipal Attorney needed to make a determination or 3) Send out an RFP.

Gorman reminded that the Assembly didn't necessarily need to approve one of the options, but told that they should be aware of the route that the Committee would proceed with.

**M – Christner/ S – Reif moved to ask the Municipal Attorney to explore expanding the scope of services under the existing contract to include the Operating Funds or to look at the option of going to an uncompetitive sole source contract to allow Alaska Permanent Capital Management to manage the Operating Funds. Motion carried unanimously of the two members present.**

Sweeney told that the existing contract has no limitation however the title of the contract was specifically for the Permanent Fund.

**VI. New Business**

Discussion occurred on the alternate voting membership and how to obtain a member for this seat.

**VII. Adjourn**

The next was tentatively scheduled for Monday, April 24, 2017.

**M –Christner moved to adjourn, seeing no objection, the meeting adjourned at 4:19 p.m.**

Attest:  
Melissa Henshaw, Deputy Clerk

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## Investment Committee Minutes

Tuesday, December 19, 2016 3:00 p.m.  
3<sup>rd</sup> Floor Conference Room of City Hall

**Goal: To make recommendations for and oversee the Investment Policy of the City and Borough of Sitka enacted as Chapter 4.28.**

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**Investment Committee Members:** Michael Reif, Bert Stedman, Jere Christner  
Tristan Guevin (Assembly Liaison)

Meeting began at approximately 3:00 p.m.

**I. Roll Call**

Present: Michael Reif, Jere Christner, Bert Stedman

Staff: Municipal Administrator Mark Gorman, Chief Finance and Administrative Officer (CFAO)

Jay Sweeney

Assembly Liaison: Tristan Guevin

**II. Approval of the minutes from November 29, 2016**

**M – Christner/S – Stedman moved to approve the minutes from November 29, 2016. Motion carried unanimously.**

**III. Persons to be Heard**

**IV. Reports**

None.

**V. Unfinished Business**

**a. Annual Transfer Formula (path to sustainable Sitka Permanent Fund)**

Discussion of the annual transfer amount from the Permanent Fund and to continue as the ordinance is written at .50% or to change the ordinance to .25% occurred. The Committee determined that the ordinance should be amended to the .25% annual transfer. Sweeney would amend the ordinance.

**b. Professional Management of Operating Funds (Reserve Working Capital)**

Sweeney reminded the Committee that review the Investment Policy was needed and wondered if a competitive bid would need to be sent out. Sweeney questioned if a modification would be needed on the Investment Policy before drafting a RFP. Gorman stated that a competitive bid was not necessary per Code for a professional service. Stedman was in support of going out for a competitive bid and thought it could be beneficial to have more than one firm managing funds. Stedman thought the new entity could make recommendations to the policy. Sweeney clarified terminology and strongly urged the Committee to reaffirm on a bi-annual basis the Investment Policy. Christner thought that another similar city would have something to look at for reference. Sweeney stated the current policy was liberal and could compare different policies around the State. Stedman told of history with regards to the liberal policy.

**M – Stedman/S – Christner moved to request Administration to review the Investment Policy and come back with recommendations for updating and review of the**

**Committee. Motion carried unanimously.**

**c. Municipal Debt Policy**

**d. Working Capital Policy**

Items c and d were discussed together. Sweeney created a comprehensive Debt and Working Capital Policy that included in one document: an accounting policy, capital budget policy, debt issuance policy, debt policy, debt ratios, sample ratios, goals, investment policy, operating budget policy, reserve working capital policy, and a revenue policy. Sweeney shared the level of CBS debt including bonds, rates, dam costs, loans, repayment, projects, fees on enterprise funds and ratios. He stated that the concept of a debt to working capital policy was to try to put a framework around how much debt and debt service a community was willing to handle, was proven to handle and how it would be administered which would allow the governing body a framework to make decisions, evaluate and keep within boundaries in case of a downturn in the economy. Gorman told of the concept of having a finance committee of the Assembly. The Committee went through the document and discussed how to incorporate bonds, ratios, thresholds, limits, targets, enterprise funds, master plans, rates, savings, balancing funds and citizen support.

Discussion occurred on if the policy should be in Code or not. Guevin thought a critical piece would be for the Assembly to understand the policy and to use as a guide. Reif suggested the process of 1) fleshing the draft policy out at the Committee level, 2) getting tables in the policy a more understandable, presentable form and 3) having a work session with the Assembly. Christner liked the idea that this would be a sustainable policy for decades.

**VI. New Business**

None.

**VII. Adjourn**

The Committee would schedule to meet mid to late January to continue to work on the Investment Policy and would individually review the Debt and Working Capital Policy prior to the meeting. Sweeney would produce a 10 year capital combined master plan and debt service load.

Sweeney would refine the Debt and Working Capital Policy for the February 14<sup>th</sup> meeting.

**M – Christner moved to adjourn at 5:13 p.m. Motion carried unanimously.**

Attest:  
Melissa Henshaw, Deputy Clerk

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## Investment Committee Minutes

Tuesday, November 29, 2016 3:30 p.m.  
3<sup>rd</sup> Floor Conference Room of City Hall

**Goal: To make recommendations for and oversee the Investment Policy of the City and Borough of Sitka enacted as Chapter 4.28.**

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**Investment Committee Members:** Michael Reif, Bert Stedman, Jere Christner  
Tristan Guevin (Assembly Liaison)

Meeting began at approximately 3:30 p.m.

### **I. Roll Call**

Present: Michael Reif, Jere Christner, Bert Stedman  
Staff: Municipal Administrator Mark Gorman, Chief Finance and Administrative Officer (CFAO)  
Jay Sweeney, Deputy Clerk Melissa Henshaw  
Assembly Liaison: Tristan Guevin  
Others: Laura Bruce, Alaska Permanent Capital Management, Senior Vice President  
(teleconference)

### **II. Approval of the minutes from June 1, 2016**

**M – Christner/S – Stedman moved to approve the minutes from June 1, 2016. Motion carried unanimously.**

Reif clarified that the tasks were completed from the minutes.

### **III. Persons to be Heard**

Assembly Liaison, Tristan Guevin, stated he volunteered to be on this committee and that he was looking forward to serving.

### **IV. Reports**

#### **a. CBS Operating Portfolio Review**

CFAO, Jay Sweeney, noted from the handouts market value, average interest and yield and recent purchases for the Operating Portfolio. He pointed out that the average market value does not include the liquid reserves that are maintained with First National Bank of Anchorage and Alaska Municipal League Investment Pool. He told of minimum balances to avoid banking fees, explained the 10 year investment ladder method, discount note, call feature and various bonds and maturity dates.

#### **b. APCM Portfolio Review**

Senior Vice President Laura Bruce with Alaska Permanent Capital Management (APCM) went over the executive summary and performance of the portfolio as of October 31, 2016. She told of changes and thoughts on the future. It was determined to have APCM review the portfolio in person with the Committee at 3:00 p.m. on Tuesday, February 14 and give a 10 minute report to the Assembly at their meeting that evening.

### **V. Unfinished Business**

#### **c. Annual Transfer Formula (path to sustainable Sitka Permanent Fund)**

Gorman confirmed with Sweeney that a transfer was built into the FY18 budget. Gorman told of the visioning session with the Assembly and budget targets. Stedman spoke of history and purpose of the Permanent Fund.

**VI. New Business**

**d. Discussion of professional management of operating funds (reserve working capital)**

Discussion occurred on having an outside agency manage the Operating Fund. Sweeney told of the time constraints and lack of opportunity to purchase wholesale prices. Ms. Bruce outlined other municipalities that outsourced their operating funds. Ms. Bruce disconnected from the meeting. Stedman spoke in favor of a bid as part of the process and of the ladder method. Discussion occurred on management levels, the ladder method, direction, RFP process, selection, costs and the potential value of having an outside agency manage it. It was determined that a review of the policy in Sitka General Code Chapter 4 was needed prior to beginning the process. Staff would send out the Code via email.

**e. Discussion of withdrawal of additional funds from the Permanent Fund to be transferred to other city funds**

Gorman told of discussions that occurred on the possible sale of the Marine Service Center and confirmed that in order to transfer additional funds from the Permanent Fund to other funds, it would take a ballot proposition.

**f. Discussion of a Municipal Debt and Working Capital Policy**

Sweeney had a concept that the municipality should develop a debt policy and a working capital policy to determine how much debt is appropriate and what criteria to use for additional debt. He stated that the National Government Financial Officers Association has a standard advisory policy and many other Alaskan municipalities have adopted it. He told of measuring and suggested rules that would provide guidelines for staff and the Assembly.

Sweeney also mentioned that prevalent in other communities was a working capital policy which Sitka does not have. This would regulate how much emergency funds would be available and could reduce conflict surrounding rate increases. Gorman thought these were a must and asked the Committee to look at and make a recommendation to the Assembly. Stedman gave history of Green Lake Dam debt, talked about a debt level, future debt and future generations and the concept of not moving debt. Chair Reif in addition to carrying debt, also mentioned not increasing costs with inflation for funds. Sweeney added due to the lack of working capital within the funds, the City was driven by it in order to finance the capital projects that exist. The policy would help to manage and pay for future renovations and avoid borrowing.

Sweeney would draft the policies for the Committee to review. Stedman asked for current debt amounts. Sweeney would provide the spreadsheet via email.

**VII. Adjourn**

The next meeting was set for Monday, December 19, 2016 at 3:00 p.m.

**M – Christner/S – Reif moved to adjourn at 5:27 p.m. Motion carried unanimously.**

Attest:  
Melissa Henshaw, Deputy Clerk