

**City of Gustavus, Alaska
Ordinance No. FY13-14**

**AN ORDINANCE FOR THE CITY OF GUSTAVUS PROVIDING FOR THE
AMENDMENT OF CITY ORDINANCE MUNICIPAL CODE TITLE 4.13**

BE IT ENACTED BY THE GUSTAVUS CITY COUNCIL AS FOLLOWS:

Section 1. This ordinance is of general and permanent nature and shall become a part of the City of Gustavus Municipal Code.

Section 2. Severability If any provisions of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and its application to other persons, or circumstances shall not be affected thereby.

Section 3. Enactment Now therefore, is it enacted by the Gustavus City Council that Title 4.13 be amended, as follows. **Bolded and underlined** items are additions, and ~~strikethroughs~~ are deletions.

Section 04.13.010 Gustavus Endowment Fund Established

There is established as a separate Fund within the finances of the City of Gustavus, a Fund to be known as the Gustavus Endowment Fund (hereinafter referred to as the Fund).

Section 04.13.020 Purpose

The purpose for establishment of the Fund is to preserve in trust, City assets for the benefit of present and future generations of Gustavus residents.

Section 04.13.030 Deposits To The Fund

- a. The first deposit to the Fund shall be the approximately Nine Hundred Sixty-three Thousand Dollars that the City received from the Gustavus Community Association that received the money from the National Park Service in COMPENSATION FOR THE LOSS OF COMMERCIAL FISHERIES IN GLACIER BAY NATIONAL PARK.

- b. The Council may, from time to time, make deposits to the principal of this Fund in the same manner as it makes other appropriations. Any funds received by the City from any source may be deposited into the Fund.
- c. Donations to the Fund by private individuals and groups will be honored and accepted.
- d. Funds once dedicated are intended to be held in the Fund for perpetuity.
- e. **The Council will seek to attain an appropriate return on the Fund commensurate with the level of risk. The Fund shall not be exposed to risk greater than that expected of a diversified portfolio invested in the authorized asset classes. All participants in the investment process shall ensure that the Fund is invested wisely with due fiduciary care. Investment officials shall avoid any transaction that might impair public confidence in the City of Gustavus.**

~~Safety of the principal is the foremost investment objective of the Fund. Each investment transaction shall seek to first insure that capital losses are avoided, whether they are from securities defaults or permanent erosion of market value. The Council will seek to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives and cash flow considerations that restrict placement of public funds. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City of Gustavus.~~

Section 04.13.040 Long-term Goal of the Endowment Fund

- a. The long-term goal of the Fund is to achieve a 5% **3% total return plus inflation.** ~~income (return on the fund*) level of earnings plus the average rate of inflation as reported by the Anchorage CPI index plus administrative costs.*PER ORDINANCE 2006.04 AMENDMENT~~
- b. In order to avoid the effect of **market volatility** ~~extreme activities in the market,~~ year-to-year **market values** earnings are to be compared to a five- (5-) year rolling average **plus the** rate of inflation. Until the Fund has been in existence for five (5) years, the **market value** earnings will be expected to meet the average rate of inflation since inception.

Section 04.13.050 Treasury Management

- a. The Fund shall be managed in accordance with the Prudent Expert Rule which requires management with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims.
- b. ~~The Finance Committee may, with concurrence of the~~ Council may retain a registered investment advisor to manage all or part of the Fund. Such advisor will be bound by all aspects of this chapter. A report of absolute and comparative performance and of compliance with this chapter shall be provided to the City Council quarterly by the investment advisor. In addition, a copy of the Association of Investment Management and Research Report and a completed copy of Part II of Securities and Exchange Commission Form ADV shall be provided to the City Council annually by the investment advisor. These reporting requirements are in addition to any other reporting requirements contained within this chapter. Investment guidelines given to such advisor(s) may be more restrictive than the policies contained herein, but may not be less restrictive.

Section 04.13.060 Asset Allocation and Performance Benchmarks

- a. No more than 5% of the Fund portfolio that is managed by an investment manager may be held in the form of cash equivalents for a period longer than thirty (30) days unless extenuating circumstances exist. Such circumstances should be documented in writing by the investment manager.
- b. The portion of the Fund managed by an investment manager shall be compared to appropriate benchmarks. Asset allocation of the investment portfolio shall hold securities similar to those held in the appropriate benchmarks.
- c. **The Council shall annually review and approve an Asset Allocation Plan for investment of the City's Fund, as well as evaluating performance measuring benchmarks for managing investment of the Fund. The yearly evaluation shall be conducted at the beginning of the fiscal year and shall be amended as necessary by resolution.**

Section 04.13.070 Permissible Investments

- a. The City of Gustavus Endowment Fund may be invested in:
 1. U.S. government treasury, agency, and instrumentality securities;
 2. Notes or bonds issued by the State of Alaska or its political subdivisions, or other states of the United States, maturing within

two years, with a credit rating of A-/A3 or better from two national rating agencies;

3. Federally insured or fully collateralized certificates of deposit of banks and credit unions, maturing within two (2) years;
4. Repurchase agreements collateralized by U.S. Treasury securities and marked-to-market. If purchase agreements are overnight investments or if securities are collateralized in excess of 102%, marked-to-market is not necessary;
5. A state investment pool formed within the State of Alaska and comprised of agencies of the state and/or its political subdivisions;
6. Money market mutual Funds whose portfolios consist entirely of U.S. government securities; or
7. Any of the following:

A. Mortgage-backed and asset-backed obligations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national ratings agencies;

B. Corporate debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a rating of A-/A3 or better from at least two national ratings agencies;

C. Convertible debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national ratings agencies; or

D. ~~Common and preferred stock of U.S. (and foreign securities of developed economies*) domiciled corporations listed on a national exchange or NASDAQ with a minimum market capitalization of five hundred million dollars or a mutual fund that invests in these stocks.~~ **Domestic equities, which taken as a whole, attempt to mirror the characteristics or replicate the Standard and Poor's 500 Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).**

Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 400 Mid-Cap Index or another index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 600 Small-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

International equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Developed ex North America Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).

Equities, which taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the Standard & Poor's REIT composite index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

Emerging market equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Emerging Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).

E. ~~Bond funds to include bonds from foreign developed economies shall have a cumulative rating of A /a#, or better from a national rating agency,~~ **which taken as a whole, attempt to replicate the Barclays Aggregate Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).**

Bond funds, which taken as a whole, attempt to replicate the Barclays US Treasury Inflation Securities Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

Bond funds, which taken as whole, attempt to replicate the Barclays Capital Global Treasury ex-US Capped Bond Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

Section 04.13.080 Income

- a. The **market value** ~~net income~~ of the Fund shall be determined annually as of the last day of the (fund*) fiscal year in accordance with this section and utilizing generally accepted accounting practices.*PER ORDINANCE 2006-04 AMENDMENT
- b. ~~For the purpose of Determining the~~ **market value** ~~net income~~ of the Fund, **shall be calculated by the value reported by the custodian as of the end of the period** ~~net income shall be defined as the total income yielding from investment of the principal of the Fund, less any amounts needed.~~

1. To offset any depletive effect of inflation on the Fund principal during the fiscal year, using the Anchorage CPI index; and
2. To offset any reduction in Fund principal due to administrative costs.

Section 04.13.090 Distribution of Earnings

~~Income derived from investment of~~ The average market value of the Fund principal over a five year period, not otherwise reinvested in the Fund as required for inflation proofing and administrative costs, may be appropriated to provide funding for capital outlays, grant matching funds and community projects as provided for in the Gustavus City Endowment Fund Policy and Procedures.

Section 04.13.100 Appropriating Principal

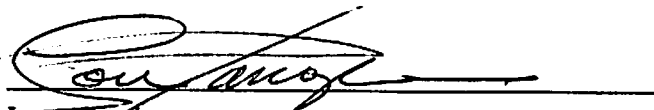
The City Council may appropriate from the principal effective only upon approval by a 2/3 majority of votes cast in a regular ballot election.

Section 4. Effective Date. This ordinance becomes effective upon its adoption by the Gustavus City Council.

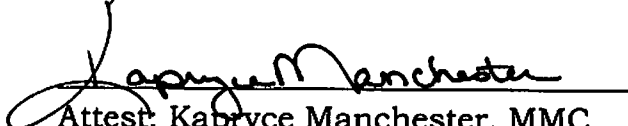
DATE INTRODUCED: March 14, 2013

DATE OF PUBLIC HEARING: April 11, 2013

PASSED and APPROVED by the Gustavus City Council this 11th day of April, 2013.



Lou Cacioppo
Mayor



Attest: Kapryce Manchester, MMC
City Clerk