

CITY OF GUSTAVUS, ALASKA
TITLE 4
Revenue & Finance

AN ORDINANCE OF THE CITY OF GUSTAVUS CREATING AND ADOPTING TITLE 4.13, GUSTAVUS ENDOWMENT FUND, OF THE MUNICIPALITY'S CODE OF ORDINANCE.

BE IT ENACTED BY THE GUSTAVUS CITY COUNCIL AS FOLLOWS:

Section 1. Classification. 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 provision 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.

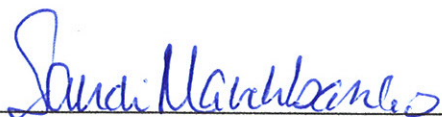
Section 3. Enactment. Now, therefore, be it enacted by the Gustavus City Council that Title 4.13, Gustavus Endowment Fund, be created and adopted.

Section 4. Effective Date. This ordinance becomes effective September 9, 2004.

DATE INTRODUCED: September 2, 2004


DATE OF PUBLIC HEARING: September 9, 2004

PASSED AND ADOPTED by the Gustavus City Council this 9th day of September, 2004.



Mayor

ATTEST:



Clerk

City of Gustavus, Alaska Municipal Code

Chapter 4.13

Gustavus Endowment Fund

Sections:

- 04.13.010 Gustavus Endowment Fund Established**
- 04.13.020 Purpose**
- 04.13.030 Deposits To The Fund**
- 04.13.040 Investment Goal of the Endowment Fund**
- 04.13.050 Fund Management**
- 04.13.060 Asset Allocation and Performance Benchmarks**
- 04.13.070 Permissible Investments**
- 04.13.080 Grant Awards**
- 04.13.090 Other Withdrawals**

Section 04.13.010 Gustavus Endowment Fund Established

There is established within the finances of the City of Gustavus a separate fund to be known as the Gustavus Endowment Fund (hereafter "the Fund").

Section 04.13.020 Purpose

The purpose of the Fund is to preserve in trust community assets for the benefit of present and future generations of Gustavus residents by generating revenue for community needs.

Section 04.13.030 Deposits to the Fund

- (a) The first deposit to the Fund shall be the Commercial Fishing Compensation Fund to be transferred from the Gustavus Community Association, which 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 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 by resolution of the city council.
- (c) Donations to the Fund from individuals, groups, and any other source will be honored and accepted.

Section 04.13.040 Investment Goal of the Endowment Fund

The investment goals of the Fund are as follows, and they shall be implemented in any investment plan or strategy:

1. the prime goal is to preserve the real market value of the Fund over the investment horizon;
2. achieve a 5% average real rate of return on the fund balance (above inflation and expenses);
3. subject to revision of this ordinance, the investment horizon shall always be seven (7) years in the future.

Section 04.13.050 Fund Management

- (a) The prudent-investor rule shall be applied in the management and investment of Fund assets. The prudent-investor rule as applied to investments of the Fund means that in making investments the Council shall exercise the judgment and care under the circumstances then prevailing that 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 permanent disposition of funds, considering probable safety of capital as well as probable income. Investment officials shall avoid any transaction that might impair public confidence in the City of Gustavus.
- (b) The City Council has ultimate control, authority, and responsibility for the Fund.
- (c) The City Council shall establish a standing Investment Advisory Committee (hereafter "Committee"). The Committee shall review Fund reports, conduct research, gather public testimony, and make recommendations to the City Council regarding investment policies and actions. At a minimum, the Committee shall evaluate the Fund and its management and issue a report and recommendations including asset allocation changes, if any, by March 1 of each year.
- (d) The Council must pass a resolution to make deposits to, withdrawals from, and asset changes to the Fund. Withdrawals must be in accordance with sections 4.13.080 (Grant Awards) or 4.13.090 (Other Withdrawals) of this chapter. Asset allocations must be made according to an investment plan or resolution approved by the Council. The Council shall keep a record of how much of the Fund is "available for grants" and "awarded" under the procedures in section 14.13.080.
- (e) The city may, by resolution of the Council, retain a registered investment advisor to manage all or part of the Fund after considering the costs involved. If retained, such advisor will be bound by all aspects of this chapter. Investment guidelines given to such advisor(s) may be more restrictive than the policies contained herein, but may not be less restrictive. The investment

advisor shall provide to the Fund Administrator annually 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.

- (f) If an investment advisor is retained, he or she shall provide a report of absolute and comparative performance and of compliance with this chapter to the Committee and City Council as requested or at least quarterly.

Section 04.13.060 Asset Allocation and Performance Benchmarks

- (a) No more than 5% of the Fund portfolio that is managed by an investment advisor 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 advisor.
- (b) The portion of the Fund managed by an investment advisor shall be compared to appropriate benchmarks. Asset allocation of the portfolio shall be similar to that prescribed in an investment plan adopted by the City Council.
- (c) The Committee shall draft an investment plan for approval by the Council.

Section 04.13.070 Permissible Investments

- (a) The City of Gustavus Endowment Fund may be invested in the following instruments and shall give due consideration to economical instruments:
 - 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;
 - 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 mutual funds, including index funds, that invests in these bonds; or
 - D. common and preferred stock of U.S. domiciled corporations listed on a national exchange or NASDAQ with a minimum market capitalization of five hundred million dollars or mutual funds, including index funds, that invests in these stocks.

Section 04.13.080 Grant Awards

- (a) By March 1 of each year, the City Council shall determine the **average quarterly market value** ("AQMV") of the Fund for the last five preceding calendar years (or all years the Fund has been in existence if fewer than five). Five percent (5%) of the AQMV of the Fund shall be added to the portion of the Fund designated "available for grants."
- (b) **Eligible recipients:** Grants may be awarded to city departments, non-governmental organizations within the City of Gustavus, or other local entities whose proposals the City Council deems worthy.
- (c) **Eligible purposes:** Any community need may be funded.
- (d) **Solicitation of proposals:** The City Council shall establish a procedure and timeline for soliciting proposals for community needs desiring funding. Proposals should, at minimum, include a written justification of need, explanation of benefits, and itemized budget showing how the funds will be spent.
- (e) **Award of grants:** The City Council, after due public input, shall decide by role call vote which, if any, of the submitted proposals receive funding and in what amount, up to the total "available for grants." Any amount "available for grants" but not appropriated shall be carried forward as "available for grants" the following year. The Council shall notify the investment advisor, if any, of the timeline for withdrawals from the Fund.

- (f) **Payments:** The Treasurer may make withdrawals from the Fund as needed to pay for appropriated grants. Payment may be made in advance or on a reimbursable or direct-to-third party basis as needed to assure the grant is used for the intended purpose.
- (g) **Retracting Awards:** Awards not paid out of the fund after one year may be retracted by the City Council. Retracted awards are returned to the amount "available for grants."

Section 04.13.090 Other Withdrawals

- (a) **Emergency Appropriations:** In extenuating circumstances the Council may award emergency grants at a regular meeting, outside the annual schedule for awarding grants. Such awards require a proposal and the extenuating circumstances must be documented in the appropriation ordinance, and may not exceed the amount "available for grants."
- (b) Appropriations from the fund exceeding the amount "available for grants," including liquidating the Fund, require approval by a 2/3 majority of votes cast in a regular municipal election.