



CITY & BOROUGH OF WRANGELL PUBLIC HEARING AGENDA

Tuesday, May 26, 2015
6:30 – 7:00 p.m.

Location: Assembly Chambers, City Hall

1. Call to Order
2. Roll Call
3. Public Hearing Items:
 - a. The Borough Assembly will hear testimony on the request to have the City enter into an agreement with Mike Allen Jr. for Temporary Use, to harvest timber on City Owned property, as requested by Mike Allen Jr.
 - b. **PROPOSED ORDINANCE No. 901:** AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING SECTIONS 5.04.350 AND 5.04.360 OF CHAPTER 5.04, PROPERTY TAX, OF THE WRANGELL MUNICIPAL CODE TO AMEND THE DUE DATE FOR PAYMENT OF PROPERTY TAXES AND THE PENALTY AND INTEREST FOR LATE PAYMENTS OF PROPERTY TAXES *(second reading)*
 - c. **PROPOSED ORDINANCE No. 902:** AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, ADDING A NEW CHAPTER 5.26 TO TITLE 5, REVENUE AND FINANCE, OF THE WRANGELL MUNICIPAL CODE TO ESTABLISH THE INVESTMENT POLICY AND OBJECTIVES FOR THE SWIMMING POOL FUND *(second reading)*
4. Written Testimony
5. Oral Testimony
6. Adjournment

Agenda Item 3a

CITY & BOROUGH OF WRANGELL

BOROUGH ASSEMBLY PUBLIC HEARING AGENDA ITEM May 26, 2015

INFORMATION:

Approval of the agreement with Mike Allen Jr. for temporary use,
to harvest timber on City owned property

Attachments:

1. Memo from Manager Jabusch
2. Proposed agreement with conditions (to be provided at or before the Assembly Mtg.)

MEMORANDUM

**TO: HONORABLE MAYOR AND MEMBERS OF THE ASSEMBLY
CITY AND BOROUGH OF WRANGELL**

**FROM: JEFF JABUSCH
BOROUGH MANAGER**

SUBJECT: Approval of Contract with Mike Allen to Harvest City Timber

DATE: May 21, 2015

Previous actions

- 1.** The planning and zoning approved a temporary use permit for harvesting timber at the city owned institute sight.
- 2.** The assembly approved the concept to allow Mike Allen to harvest approximately 100 spruce trees at the institute sight.

Other information:

During our previous process, a concerned citizen contacted us and had some concerns that we were not going about our valuation correctly. Although we felt originally we had talked to the US Forest Service about how they would value the timber and came up with a fair price, we felt it was prudent to expand our knowledge base and have a second opinion. In this case we contacted the State of Alaska's forestry division and they have agreed to assist us in valuation as they would do it if they were selling the trees. We hope to get two things out of this. First, just a better understanding of what goes into the valuation process of timber. Secondly is it will give us a more confident figure to charge Mr. Allen.

Contract before you:

The contract before you was put together by including the requirements of both the Planning and Zoning and Borough Assembly. In addition, our Borough Attorney's office also assisted us. Although at the time of this memo, we do not have the final contract language, we will get that to the assembly as soon as it is available. The State Forestry person that was going to cruise the trees and come up with a value was delayed a day due to fog so the report will not get to us until Friday or perhaps Monday.

One thing that was added after talking to Mike Allen is that any trees that are part of the collateral damage will be removed and put at the start of the borough's access road for firewood to the public.

Recommended Motion:

Move to approve the Borough Manager to execute the Agreement between the City and Borough of Wrangell and Mike Allen for the purpose of harvesting trees on the Borough owned Institute property.

Agenda Item 3b

CITY & BOROUGH OF WRANGELL

BOROUGH ASSEMBLY PUBLIC HEARING AGENDA ITEM May 26, 2015

INFORMATION:

PROPOSED ORDINANCE NO. 901: AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING SECTIONS 5.04.350 AND 5.04.360 OF CHAPTER 5.04, PROPERTY TAX, OF THE WRANGELL MUNICIPAL CODE TO AMEND THE DUE DATE FOR PAYMENT OF PROPERTY TAXES AND THE PENALTY AND INTEREST FOR LATE PAYMENTS OF PROPERTY TAXES *(second reading)*

Attachments:

1. Memo from Finance Director, Lee Burgess
2. **Proposed Ordinance No. 901**

MEMORANDUM

TO: MAYOR DAVID JACK AND ASSEMBLY

FROM: LEE BURGESS, FINANCE DIRECTOR

SUBJECT: AMENDMENT OF PROPERTY TAX ORDINANCE TO ESTABLISH A SINGLE DUE DATE

Date: May 1, 2015

Background:

Property taxes are due to the borough by August 15 of every year, or may be paid in two installments at August 15 and December 15. While this provides convenience and flexibility to some taxpayers, there are also disadvantages, which include:

- More work calculating interest and penalties corresponding to two different one-half installments (or more, if multiple years are delinquent).
- Some taxpayers every year find it confusing as to what amounts are due when (e.g. some individuals who intend to pay the full amount in one installment mistake the due date as being Dec. 15 rather than Aug. 15.).
- The first half installment due date (August 15) is typically in the same week as the auditing team site visit for the year-end financial audit. The combination of the large influx of taxpayers at City Hall while audit teams are also on-site with numerous questions and requests makes this particular week and day one of the most chaotic and stressful of the year for the finance department.
- Penny rounding and payment errors on one-half installments of taxes with odd-cent tax liabilities. In other words, tax liabilities are frequently a penny off due to the one-half installment option, which needs to be resolved for accounts to balance (and cannot simply be written off or ignored). This costs more in time/money trouble-shooting out-of-balance amounts than those pennies are worth.
- December 15th is just before Christmas and not a good time to be collecting taxes. We have heard this complaint in the past.
- Moving the payment to September 15th gives workers in the fishing, construction and other summer occupations another month before the payment is due.

Most of these issues would be resolved if there were a single due date for property taxes. I would suggest August 31 of every tax year as this is not during the annual financial audit but is still during the summer when many individuals are in a better financial position to make the payment.

Some individuals could incur penalties and interest because of a single due date (i.e. being unable to meet the full tax at the due date), but others already incur penalties and interest unnecessarily because of confusion or mistakes regarding the two-installment policy. Therefore I do not believe this would

significantly change penalties and interest revenue from late payments one way or the other, nor is that a goal of this proposal.

It is ultimately the responsibility of the property owner to meet the property tax obligation, but a single property tax due date that does not coincide with the week of the year-end financial audit and site visit would simplify this matter for taxpayers and staff.

We have looked at the municipal codes for other Southeast communities just to see what others do. Petersburg, Sitka, Ketchikan and Juneau have a one payment date. Haines and Craig have a two payment date unless the amount is small (\$50 for Craig and \$200 for Haines) and then it also would be a one payment date. Also it seems that September 30th is the most used date also September 1st is also used on a couple.

Recommendation:

Move to authorize staff to bring back an ordinance changing the current property tax due date from a two date payment to September 15th as a single payment date.

Respectfully submitted,

Lee Burgess
Finance Director

CITY AND BOROUGH OF WRANGELL, ALASKA

ORDINANCE NO. 901

AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING SECTIONS 5.04.350 AND 5.04.360 OF CHAPTER 5.04, PROPERTY TAX, OF THE WRANGELL MUNICIPAL CODE TO AMEND THE DUE DATE FOR PAYMENT OF PROPERTY TAXES AND THE PENALTY AND INTEREST FOR LATE PAYMENTS OF PROPERTY TAXES

BE IT ORDAINED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA:

[The changes to the existing code are shown as follows: the words that are underlined are to be added and the words that are **[bolded and in brackets are to be deleted]**.]

SEC. 1. Action. The purpose of this ordinance is to amend Sections 5.04.350 and 5.04.360 of the Wrangell Municipal Code relating to the delinquent date for payment of property taxes and the penalty and interest for late payments of property taxes.

SEC. 2. Amendments. Sections 5.04.350 and 5.04.360 of the Wrangell Municipal Code are amended to read:

5.04.350 Delinquent date for payment of taxes.

All taxes levied in accordance with this chapter shall be due and payable on or before September 15**[August 15th]** of the assessment year and shall become delinquent if not paid before 5:00 p.m. on said date, or, if payment is received through the mail after said date, when the mailed payment is postmarked after said date **[; provided, however, that the taxpayer shall have the right to pay such taxes in two equal installments. If the taxpayer pays the taxes in two installments, the first one-half installment shall be due and payable on or before August 15th, the second one-half installment shall be due and payable on or before December 15th of the same year and shall become delinquent if not paid before 5:00 p.m. on said date, or, if payment is received through the mail after said date, when the mailed payment is postmarked after said date. Penalty and interest on an unpaid installment shall accrue from the date the installment becomes due]**.

Section 5.04.360 Penalty and interest for late payments.

When the general tax provided for in this chapter is not paid on or before the due date, penalties and interest will accrue as follows:

A. A penalty of 10 percent of the unpaid taxes shall be added thereto immediately upon delinquency. **[If the first one-half installment is not paid when due, a penalty of 10 percent, together with interest at the rate of eight percent per year on the unpaid installment, not including penalty, from due date until paid in full, shall be added thereto.]**

B. Interest at an annual rate of 10 percent shall accrue upon all unpaid taxes, not including penalty, from the due date until paid in full. When interest is applied, it shall be calculated and accrue on a daily basis. **[After the due date for the payment of the second one-half installment, a total penalty of not to exceed 10 percent shall be added to all delinquent taxes, and interest at the rate of eight percent per year shall accrue, as provided in this section, upon all unpaid taxes, not including the penalty, from due date until paid in full.]**

SEC. 3. Classification. This ordinance is of a permanent nature and shall be codified in the Wrangell Municipal Code.

SEC. 4. Severability. If any portion of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

SEC. 5. Effective Date. This ordinance shall be effective upon adoption.

PASSED IN FIRST READING: May 12, 2015.

PASSED IN SECOND READING: _____, 2015.

David L. Jack, Mayor

ATTEST:

Kim Lane, Borough Clerk

Agenda Item 3c

CITY & BOROUGH OF WRANGELL

BOROUGH ASSEMBLY PUBLIC HEARING AGENDA ITEM May 26, 2015

INFORMATION:

PROPOSED ORDINANCE: No. 902: AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, ADDING A NEW CHAPTER 5.26 TO TITLE 5, REVENUE AND FINANCE, OF THE WRANGELL MUNICIPAL CODE TO ESTABLISH THE INVESTMENT POLICY AND OBJECTIVES FOR THE SWIMMING POOL FUND *(first reading)*

Attachments:

1. Memo from Manager Jabusch
2. **Proposed Ordinance No. 902**

MEMORANDUM

**TO: HONORABLE MAYOR AND MEMBERS OF THE ASSEMBLY
CITY AND BOROUGH OF WRANGELL**

**FROM: JEFF JABUSCH
BOROUGH MANAGER**

SUBJECT: ORDINANCE TO CREATE THE SWIMMING POOL FUND

DATE: MAY 4, 2015

Information:

As we continue to look at ways to reduce expenses and increase revenues the swimming pool reserve has been talked about with staff for some time. In addition, Assembly Member Decker also asked about getting more out of the investment of these funds. This prompted us to push a little harder and put this on top of the to do list. We contacted the manager of the Permanent Fund the city has to get his advice on the best way to approach setting up a new fund for this purpose.

He said that the ordinance that we have with our Permanent Fund would work with a handful of changes. Some of the changes in the proposed ordinance are his suggestions and others were administrative changes we made. He also suggested that the initial funds put into this start out more conservative than that of the Permanent Fund. We have included language that we feel will address that concern.

The things that staff can invest in is limited to Certificates of Deposit and have a low rate of return at the present time. Although investing in other instruments such as stock does not guarantee larger returns, it appears to be a better investment option over a longer period of time.

The Swimming Pool Reserve was set up in the early 1980's when the city received money from a windfall lawsuit. At that time, the community was planning to build a swimming pool and knew that pools were expensive to maintain so the money was dedicated to be put aside for the purpose of supporting the pool as a long term revenue generator. This has worked pretty well until the last four or five years when interest rates have been at the lowest point in over 30 years.

We feel that passing the ordinance and setting up this fund with Morgan Stanley will average over the long term much more money than if we continue investing in Certificates of Deposit. We likely will have years where we actually lose money, but history has shown that stocks outperform CD's over the long haul. The ordinance is written so that risk is minimized, but it is still more risk than with CD's. Over time we feel this is a better option and will create the most return on investment for the swimming pool reserve funds.

Recommended Motion:

Move to approve ordinance in first reading and move to second with a public hearing to be held on May 26th, 2015.

CITY AND BOROUGH OF WRANGELL, ALASKA

ORDINANCE NO. 902

AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, ADDING A NEW CHAPTER 5.26 TO TITLE 5, REVENUE AND FINANCE, OF THE WRANGELL MUNICIPAL CODE TO ESTABLISH THE INVESTMENT POLICY AND OBJECTIVES FOR THE SWIMMING POOL FUND

WHEREAS, on June 26, 1984, the Council of the City of Wrangell adopted Resolution No. 6-84-198, which authorized the creation of a special fund to be known as the Swimming Pool Fund and instructed that certain funds be deposited in the Swimming Pool Fund; and

WHEREAS, Resolution No. 6-84-198 directed that the Swimming Pool Fund and interest earned on the fund be used exclusively for the operation and maintenance costs of the swimming pool and urged future City Council members to preserve the fund for these purposes for the benefit of taxpayers; and

WHEREAS, on September 25, 1984, the City Council adopted Resolution No. 9-84-206, which authorized that certain additional funds be deposited in the Swimming Pool Fund and be used only for the purposes set forth in Resolution No. 6-84-198; and

WHEREAS, since its creation, the Swimming Pool Fund has been maintained as a separate fund within the finances of the City of Wrangell and, upon its incorporation, the City and Borough of Wrangell, and used only for the operation and maintenance of the swimming pool;

WHEREAS, the Swimming Pool Fund assets have been invested in accordance with the general investment policy set out in Chapter 5.02, Investment of Borough Funds, of the Wrangell Municipal Code; and

WHEREAS, the Borough Assembly has determined that it would be in the best interests of the City and Borough of Wrangell to establish an investment policy and objectives specifically for the Swimming Pool Fund, generally following the investment policy established for the City and Borough of Wrangell Permanent Fund.

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA:

SEC. 1. Action. The purpose of this ordinance is to add a new Chapter 5.26 to Title 5, Revenue and Finance, of the Wrangell Municipal Code to establish an investment policy

CITY AND BOROUGH OF WRANGELL, ALASKA

ORDINANCE NO. 902

AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, ADDING A NEW CHAPTER 5.26 TO TITLE 5, REVENUE AND FINANCE, OF THE WRANGELL MUNICIPAL CODE TO ESTABLISH THE INVESTMENT POLICY AND OBJECTIVES FOR THE SWIMMING POOL FUND

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WHEREAS, Resolution No. 6-84-198 directed that the Swimming Pool Fund and interest earned on the fund be used exclusively for the operation and maintenance costs of the swimming pool and urged future City Council members to preserve the fund for these purposes for the benefit of taxpayers; and

WHEREAS, on September 25, 1984, the City Council adopted Resolution No. 9-84-206, which authorized that certain additional funds be deposited in the Swimming Pool Fund and be used only for the purposes set forth in Resolution No. 6-84-198; and

WHEREAS, since its creation, the Swimming Pool Fund has been maintained as a separate fund within the finances of the City of Wrangell and, upon its incorporation, the City and Borough of Wrangell, and used only for the operation and maintenance of the swimming pool;

WHEREAS, the Swimming Pool Fund assets have been invested in accordance with the general investment policy set out in Chapter 5.02, Investment of Borough Funds, of the Wrangell Municipal Code; and

WHEREAS, the Borough Assembly has determined that it would be in the best interests of the City and Borough of Wrangell to establish an investment policy and objectives specifically for the Swimming Pool Fund, generally following the investment policy established for the City and Borough of Wrangell Permanent Fund.

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA:

SEC. 1. Action. The purpose of this ordinance is to add a new Chapter 5.26 to Title 5, Revenue and Finance, of the Wrangell Municipal Code to establish an investment policy

and objectives for the Swimming Pool Fund.

SEC. 2. New Chapter. A new Chapter 5.26 is added to Title 5, Revenue and Finance, of the Wrangell Municipal Code to read:

Chapter 5.26
**INVESTMENT POLICY, OBJECTIVES, AND GUIDELINES
FOR THE SWIMMING POOL FUND**

Sections:

- 5.26.010 Scope of investment policy.
- 5.26.020 Investment policy statement.
- 5.26.030 Delegation of authority.
- 5.26.040 Definitions.
- 5.26.050 Assignment of responsibility.
- 5.26.060 General investment principles.
- 5.26.070 Investment management policy.
- 5.26.080 Investment objectives.
- 5.26.090 Specific investment goals; distribution of earnings.
- 5.26.100 Definition of risk.
- 5.26.110 Liquidity.
- 5.26.120 Marketability of assets.
- 5.26.130 Investment guidelines.
- 5.26.140 Selection of investment managers.
- 5.26.150 Investment manager performance review and evaluation.
- 5.26.160 Investment policy review.

5.26.010 Scope of investment policy.

This investment policy reflects only investment policy, objectives, and constraints of the swimming pool fund and does not amend or change any of the policies for investment of borough general funds herein above.

5.26.020 Investment policy statement.

This statement of investment policy is set forth by the City and Borough of Wrangell regarding its swimming pool fund in order to:

- A. Define and assign the responsibilities of all involved parties.
- B. Establish a clear understanding for all involved parties of the investment goals and objectives of plan assets.

C. Offer guidance and limitations to all investment managers regarding the investment of plan assets.

D. Establish a basis for evaluating investment results.

E. Manage plan assets according to prudent standards as established in common trust law.

F. Establish the relevant investment horizon for which the plan assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the plan assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

5.26.030 Delegation of authority.

The City and Borough of Wrangell is a fiduciary, and is responsible for directing and monitoring the investment management of plan assets. As such, the City and Borough of Wrangell will from time to time delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

A. Investment Management Consultant. The consultant may assist the City and Borough of Wrangell in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time, measuring and evaluating investment performance, and other tasks as deemed appropriate.

B. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the plan's investment objectives.

C. Custodian. The custodian will physically (or through agreement with a subcustodian) maintain possession of securities owned by the plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the plan accounts.

D. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the City and Borough of Wrangell to assist in meeting its responsibilities and obligations to administer plan assets prudently.

The City and Borough of Wrangell will not reserve any control over investment decisions, with the exception of specific limitations described in this Chapter. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the plan as deemed appropriate and necessary.

5.26.040 Definitions.

- A. “Plan” shall mean the City and Borough of Wrangell swimming pool fund.
- B. “The City and Borough of Wrangell” shall refer to the borough assembly which shall administer the plan as specified by applicable ordinance.
- C. “Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the plan assets.
- D. “Investment manager” shall mean any individual, or group of individuals, employed to manage the investments of all or part of the plan assets.
- E. “Investment management consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
- F. “Securities” shall refer to the marketable investment securities which are defined as acceptable in this statement.
- G. “Investment horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this plan is 20 years.

5.26.050 Assignment of responsibility.

A. Responsibility of the Investment Managers. Each investment manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the investment managers include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.

3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the plan's investment management.
4. Informing the City and Borough of Wrangell regarding any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the City and Borough of Wrangell, on behalf of the plan, and communicating such voting records to the investment committee on a timely basis.

B. Responsibility of the Investment Consultant. The investment consultant's role is that of a nondiscretionary advisory to the City and Borough of Wrangell. Investment advice concerning the investment management of plan assets will be offered by the investment consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the investment consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the investment committee.
3. Providing "due diligence," or research, on the investment manager(s).
4. Monitoring the performance of the investment manager(s) to provide the investment committee with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the City and Borough of Wrangell.
6. Reviewing plan investment history, historical capital markets performance and the contents of this investment policy statement to the City and Borough of Wrangell when necessary.

5.26.060 General investment principles.

- A. Investments shall be made solely in the interest of the beneficiaries of the plan.
- B. The fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

C. Investment of the fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

D. The City and Borough of Wrangell may employ one or more investment managers of varying styles and philosophies to attain the fund's objectives.

E. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

5.26.070 Investment management policy.

A. Preservation of Capital. Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

B. Risk Aversion. Understanding that risk is present in all types of securities and investment styles, the City and Borough of Wrangell recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the plan's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

C. Adherence to Investment Discipline. Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

5.26.080 Investment objectives.

The investment objectives for the swimming pool fund are both short term and long term in nature:

A. The short term objective over the first 5 years is to establish the fund and invest on the more conservative side of the asset allocation parameters.

B. The long term objective is to slowly balance the investment portfolio in order to increase earnings over the long term and to review the distribution formula set out in Section 5.26.090D after the first five years so that a larger portion will remain in the fund each year allowing the fund to grow.

C. Objectives for both the short term and long term will be to provide funding for the Swimming Pool Special Revenue Fund which supports the operations and maintenance of the swimming pool, to grow the principal over time, and to avoid excessive risk.

5.26.090 Specific investment goals; distribution of earnings.

A. The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the investment committee that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

B. Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire plan.

C. Distribution of earnings. Earnings of the swimming pool fund will provide income which can be used to help fund the Swimming Pool Special Revenue Fund. The actual amount of funds to be budgeted and transferred to the Swimming Pool Special Revenue Fund each year will be based on the following formula which uses a three year average:

$$A = ((E1 + E2 + E3)/3) \times 70\%$$

A= the amount that is budgeted for the upcoming year. The actual amount transferred in the upcoming year will be adjusted after the audit is completed and the exact earnings are known.

E1= Total return earned or expected to be earned in the current year when the budget is being prepared for the upcoming year.

E2= Actual total return earned in the previous year

E3= Actual total return earned two years back

In the implementation of this average basis, a projection of the following year earnings will be used in year one and multiplied by seventy percent, a projection of the following year earnings and one year actual in year two will be averaged and multiplied by seventy percent and a projection of the following year earnings and two years actual will be averaged and multiplied by seventy percent in year three and then can be fully implemented in projecting year four.

This formula will allow both a substantial amount of funding from the earnings to be transferred to the Swimming Pool Special Revenue Fund and some to help increase the investment fund over time. The formula will be reviewed every five years or more often to

assure the required funding outcome and fund growth are meeting the needs of the swimming pool.

Special situations:

1. In the event the fund's three year average is a loss, the borough assembly can make the decision whether or not to take money from the principal on a one time basis. If the borough assembly makes the decision to do this, the amount may not be more than 3% of the principal amount in the current year at year end.
2. In the event the amount calculated by the formula exceeds 5% of the principal amount projected at year end, only an amount of 5% will be transferred with any excess amounts to remain in the fund and added to the principal.

5.26.100 Definition of risk.

The City and Borough of Wrangell realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the City and Borough of Wrangell swimming pool fund assets understands how it defines risk so that the assets are managed in a manner consistent with the plan's objectives and investment strategy as designed in this statement of investment policy. The City and Borough of Wrangell defines risk as:

A. The probability of not maintaining purchasing power over the plan's investment time horizon.

B. The possibility of surprises (upside or downside) in investment returns.

5.26.110 Liquidity.

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the City and Borough of Wrangell will periodically provide investment counsel with an estimate of expected net cash flow. The City and Borough of Wrangell will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

5.26.120 Marketability of assets.

The City and Borough of Wrangell requires that all plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the plan, with minimal impact on market price.

5.26.130 Investment guidelines.

A. Allowable Assets.

1. Cash Equivalents.

- a. Treasury bills;
- b. Money market funds;
- c. STIF funds;
- d. Commercial paper;
- e. Banker's acceptances;
- f. Repurchase agreements;
- g. Certificates of deposit.

2. Fixed Income Securities.

- a. U.S. government and agency securities;
- b. Corporate notes and bonds;
- c. Mortgage backed bonds;
- d. Preferred stock;
- e. Fixed income securities of foreign governments and corporations;
- f. Planned amortization class collateralized mortgage obligations (PAC CMOs) or other "early tranche" CMOs.

3. Equity Securities.

- a. Common stocks;
- b. Convertible notes and bonds;
- c. Convertible preferred stocks;
- d. American Depositary receipts (ADRs) of non-U.S. companies;
- e. Stocks of non-U.S. companies (ordinary shares).

4. Mutual Funds.

- a. Mutual funds which invest in securities as allowed in this statement.

5. Other Assets.

a. GICs.

B. Stock Exchanges. To ensure marketability and liquidity, investment advisors will execute equity transaction through the following exchanges: New York Stock Exchange; and NASDAQ over-the-counter market. In the event that an investment manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the City and Borough of Wrangell.

C. Prohibited Assets. Prohibited investments include, but are not limited to, the following:

1. Commodities and future contracts;
2. Private placements;
3. Options;
4. Limited partnerships;
5. Venture-capital investments;
6. Real estate properties;
7. Interest-only (IO), principal-only (PO), and residual tranche CMOs;
8. Derivative investment.

D. Prohibited Transactions. Prohibited transactions include, but are not limited to, the following:

1. Short selling;
2. Margin transactions.

E. Asset Allocation Guidelines. Investment management of the assets of the City and Borough of Wrangell permanent fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Plan Asset Allocation Guidelines (at market value).

Asset Class	Minimum	Maximum	Preferred
Equities	35	65	50
Fixed Income	30	60	45
Cash and 5 Equivalents		15	5

2. The City and Borough of Wrangell may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate plan, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the City and Borough of Wrangell regarding specific objectives and guidelines.

3. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the City and Borough of Wrangell will instruct the investment manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual investment manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the City and Borough of Wrangell expects that the investment manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the investment committee.

F. Diversifications for Investment Managers. The City and Borough of Wrangell does not believe it is necessary or desirable that securities held in the plan represent a cross-section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed five percent of the total fund, and no more than 15 percent of the total fund should be invested in any one industry. Individual treasury securities may represent five percent of the total fund, while the total allocation to treasury bonds and notes may represent up to 100 percent of the plan's aggregate bond position.

G. Guidelines for Fixed Income Investments and Cash Equivalents.

1. Plan assets may be invested only in investment grade bonds rates (or equivalent) or better.

2. Plan assets may be invested only in commercial paper rates A1 (or equivalent) or better.

3. Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

5.26.140 Selection of investment managers.

The City and Borough of Wrangell's selection of investment manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The City and Borough of Wrangell requires that each investment manager provide, in writing,

acknowledgement of fiduciary responsibility to the City and Borough of Wrangell swimming pool fund.

5.26.150 Investment manager performance review and evaluation.

Performance reports generated by the investment consultant shall be compiled at least quarterly and communicated to the City and Borough of Wrangell for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The City and Borough of Wrangell intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

A. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

B. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

C. Significant qualitative changes to the investment management organization.

D. The pleasure of the borough assembly.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

5.26.160 Investment policy review.

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the City and Borough of Wrangell plans to review investment policy at least annually.

SEC. 3. Classification. This ordinance is of a permanent nature and shall be codified in the Wrangell Municipal Code.

SEC. 4. Severability. If any portion of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

SEC. 5. Effective Date. This ordinance shall be effective upon adoption.

PASSED IN FIRST READING: May 12, 2015.

PASSED IN SECOND READING: _____, 2015.

David L. Jack, Mayor

ATTEST:

Kim Lane, Borough Clerk