

**CITY OF KODIAK
ORDINANCE NUMBER 1430**

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK AMENDING KODIAK CITY CODE 3.16.010 GENERALLY, 3.16.030, PERMISSIBLE INVESTMENTS AND AMENDING KODIAK CITY CODE, 3.28.010 GENERALLY, AND 3.28.030 INVESTMENT

WHEREAS, the City Council establishes annual budget goals by resolution and the investment committee is instructed to review investment goals and objectives quarterly; and

WHEREAS, the Investment Committee has been counseled by the Investment Manager on February 17, 2022, that the Kodiak City Code permissible investments are restrictive for higher rate of return in the City's investment portfolio; and

WHEREAS, the Investment Committee received a legal opinion dated February 22, 2022, indicating the City could change their investment policy by updating the Kodiak City Code 3.16 and 3.28; and

WHEREAS, the City's Investment Manager, Alaska Permanent Capital Management (APCM), concurs with the recommended City code amendments to include an investment policy statement to outline portfolio characteristic restraints, diversification parameters, and identifying performance benchmarks; and

WHEREAS, the Investment Committee supports and recommends these changes to Kodiak City Code.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Kodiak, Alaska, as follows:

Section 1: This ordinance is of a permanent and general nature and shall be included in the Kodiak City Code. (new text is **bold and underlined**, deleted text ~~stricken~~):

Section 2: Kodiak City Code 3.16.010 Generally is hereby amended to read as follows:

The purpose of this investment and collateralization policy is to provide guidelines for investment period of at least 30 days but not more than ~~two~~ **ten** **(10)** years. The policy guidelines do not apply to investments of less than 30 days which may be invested at the discretion of the finance director.

Section 3: Kodiak City Code 3.16.030, Permissible Investments, is hereby amended to read as follows:

3.16.030 Permissible Investments

City funds shall be invested only in the following types of security investments.
Securities will be in U.S. dollars.:

(a) Bonds, notes, or other obligations, direct or otherwise, of the United States;

(b) Bonds and other evidence of indebtedness of the state of Alaska or its political subdivisions or other states of the United States;

(c) Savings accounts, certificates of deposit, bankers' acceptances, repurchase agreements, and such other security instruments as may be authorized by law; and

(d) The Alaska Municipal League Investment Pool, Inc., made in accordance with the terms of that pool's Common Investment Agreement.

(e) Obligations of a corporation or municipality if the obligations are investment grade by at least one nationally recognized rating service at the time of investment.

Section 4: Kodiak City Code 3.28.030 Generally is hereby amended to read as follows:

A city enhancement fund is hereby created from appropriations to be made by the council by ordinance. These funds shall be held perpetually in trust for the benefit of the present and future generations of Kodiak residents. The city enhancement fund shall be maintained separate and apart from all other funds and accounts of the city. **The principal goal shall be to preserve principal and maintain purchasing power.**

Section 5: Kodiak City Code 3.28.030 Investment is hereby amended to read as follows:

~~Funds placed or deposited in the city enhancement fund are fund principal which shall be invested only in the income producing investments stipulated in KCC 3.16.030. Principal may be invested for a period of not more than five years and shall follow the policy guidelines set forth in Chapter 3.16 KCC~~

The assets of the Enhancement Fund shall be invested in investment vehicles that provide exposure to asset classes or implementation strategies which have been approved by a strategic asset allocation resolution as adopted by the City Council.

- (a) Fund Level Investment Guidelines: The Fund will use low cost, efficient investment vehicles (mutual funds and/or Exchange Traded Products-“ETPs”) for all equity exposure. For the fixed-income portion of the portfolio, the investment manager may use both mutual funds/ETPs or individual fixed income securities. The Fund will achieve its objective via long only, unlevered investments. The Fund is prohibited from engaging in direct short sales or margin transactions.
- (b) Investment Vehicle Level Investment Guidelines: The City Council will take a conservative posture on derivative securities in order to maintain a risk averse nature. Since it is anticipated the new derivative products will be created each year, it is not the intention of this code to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. The City Council recognizes that derivatives may be utilized within investment vehicles as a portfolio management tool. Derivative used within a product is permissible when utilized for the purpose of creating or enhancing exposure to an asset class or implementation strategy. Due to the inherent characteristics of derivatives, embedded leverage is permissible when fully collateralized. Net exposure exceeding the asset value of the investment vehicle is prohibited. Exposure must be net long at all times.
- (c) The Enhancement Fund’s strategic asset allocation will be determined based upon the desired return, risk tolerance, and other investment parameters. The appropriateness and characteristics of the strategic asset allocation will be reviewed and confirmed by City Council by a resolution.

Section 6: This ordinance shall be effective on the date that is one month after its final passage and publication in accordance with Kodiak Charter Section 2-13.



CITY OF KODIAK


MAYOR

ATTEST:


CITY CLERK

First Reading: January 12, 2023

Public Hearing & Second Reading: January 26, 2023

Effective Date: March 1, 2023