

Introduced by: Mayor
Date: 10/26/21
Shortened Hearing: 11/09/21
Action: Enacted
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2021-37**

**AMENDING KPB 5.10.200(B) TO ADD A NEW SUBPARAGRAPH UNDER
AUTHORIZED INVESTMENTS – TO FORM A GENERAL POLICY ON DERIVATIVES
FOR THE BOROUGH’S LAND TRUST INVESTMENT FUND**

WHEREAS, pursuant to KPB 5.10.200(B) the Land Trust Investment Fund (“LTIF”) may invest in two categories: Financial Assets and Non-Financial Assets outlined in sections (B) and (C) of KPB 5.10.200; and

WHEREAS, the LTIF financial assets shall be managed by the Kenai Peninsula Borough Finance Director through a contract for management of the financial asset investments, the current manager is Alaska Permanent Capital Management; and

WHEREAS, Alaska Permanent Capital Management has recommended to the Finance Director that KPB 5.10.200(B) include a general policy on derivatives that may be used within the products as a portfolio management tool with the purpose of creating or enhancing exposure to an asset class or implementation strategy; and

WHEREAS, due to the time sensitive nature of financial investments, there exists sufficient justification to provide an exception to KPB 1.12.010 which requires at least 25 days to pass between introduction and public hearing on a code amendment ordinance;

WHEREAS, this amendment will allow Alaska Permanent Capital Management the tools necessary to manage the portfolio to achieve the expected rate of return effectively while maintaining an acceptable level of risk by fully collateralizing embedded leverage and limiting net exposure to less than that of the asset value;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That KPB 5.10.200(B) is hereby amended to add a new subparagraph (11), as follows:

5.10.200. Authorized Investments for the Land Trust Investment Fund.

B. Authorized Investments—Financial Assets. Moneys in the Land Trust Investment Fund shall be invested only in the following instruments and subject to the applicable limitations and requirements

11. The borough will take a conservative posture on derivative securities in order to maintain a risk-averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. The borough recognizes that derivatives may be used within products as a portfolio management tool. Derivative use within a product is permissible when used 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.

SECTION 2. Notwithstanding KPB 1.12.010, the assembly finds that sufficient good cause justification exists to enact this ordinance on shortened time and provide an exception to the 25 day requirement under KPB 1.12.010.

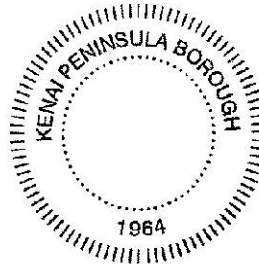
SECTION 3. This ordinance shall become effective immediately upon enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 9TH DAY OF NOVEMBER, 2021.


Brent Johnson, Assembly President

ATTEST:


John Blankenship, MMC, Borough Clerk



Yes: Bjorkman, Chesley, Cox, Ecklund, Elam, Hibbert, Tupper, Johnson
No: None
Absent: Derkevorkian