

Introduced by: Mayor
Date: 08/07/18
Hearing: 09/04/18
Action: Enacted
Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2018-29**

**AN ORDINANCE ESTABLISHING THE LAND TRUST INVESTMENT FUND, AND
SETTING PARAMETERS FOR FUNDING, USES AND INVESTMENTS OF THE FUND**

- WHEREAS,** the Land Trust Fund, per KPB 5.20.080, accounts for activities related to the acquisition, sale and use of Kenai Peninsula Borough (“borough”) lands; and
- WHEREAS,** borough lands, especially lands acquired from the State of Alaska as a result of formation of the borough, have significant value for all current and future generations of borough residents, and therefore should be managed for the long-term benefit of borough residents; and
- WHEREAS,** the creation of a Land Trust Investment Fund (“LTIF”) to account for the proceeds of borough land sales and the financial assets of the Land Trust Fund in excess of annual operating needs will enhance the ability to manage borough lands for the long term; and
- WHEREAS,** a portion of the fund balance of the Land Trust Fund will capitalize the LTIF; and
- WHEREAS,** financial endowments, due to their long time horizons, are typically invested in instruments which carry more risk and volatility and have the potential of greater returns over the long term than short term investment instruments; and
- WHEREAS,** the financial assets in the LTIF shall essentially be an endowment intended to preserve the value of land assets that are sold and to generate investment income to support and supplement the operating revenue of the Land Trust Fund and for other uses as determined by the assembly; and
- WHEREAS,** the initial capitalization of the LTIF will not exceed normal fund balance policy requirements of the Land Trust Fund; and
- WHEREAS,** this ordinance provides benefits to the General Fund including long-term autonomous funding for borough land programs and the ability in the future to utilize earnings generated by the LTIF for General Fund purposes;

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

SECTION 1. That KPB 5.10.010 Scope is amended as follows:

5.10.010. Scope.

- A. This chapter applies to the investment of all borough moneys, unless otherwise provided expressly by ordinance.
- B. Sections 5.10.040 through 5.10.120 apply to all fund types except the Land Trust Investment Fund.
- C. Objectives. The borough investment portfolio shall be managed so that the portfolio, as a whole, meets the objectives set forth below. All persons selecting investments for borough moneys shall adhere to these objectives, which are listed in order of relative importance.

SECTION 2. That KPB 5.10.200 Authorized Investments for the Land Trust Investment Fund is hereby enacted as follows:

5.10.200. Authorized Investments For The Land Trust Investment Fund

- A. Land Trust Investment Fund investments include two categories: Financial Assets and Non-Financial Assets outlined in sections B and C below. Financial assets shall be managed by the finance director with the following conditions:
 - 1. The borough shall contract for management of the financial asset investments for the Land Trust Investment Fund with one or more professional investment managers with experience handling institutional endowment investments.
 - 2. The financial asset investments of the Land Trust Investment Fund shall be approved by resolution annually, usually during the budget process, in the form of an asset allocation plan. The asset allocation plan shall have specific categories of investments for the fund with percentage targets that allow for reasonable fluctuations above and below the target percentage. The plan will establish benchmarks for evaluating the performance of each investment manager and asset classification. Investments shall be managed to adhere to the target ranges of the asset allocation plan.

3. The finance director shall submit quarterly to the assembly an investment report that summarizes the portfolio in terms of investment securities, maturities, risk categories, returns and other features.

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.

1. Investments authorized by KPB 5.10.040.
2. Bonds or other U.S. dollar denominated debt instrument of this state, its agencies, municipalities, any other state which at the time of investment have an investment grade rating by a nationally recognized rating agency. If, after purchase, these obligations are downgraded below investment grade, the obligations shall be sold in an orderly manner within ninety days of downgrading.
3. Corporate obligations of investment-grade quality as recognized by a nationally recognized rating organization. If, after purchase, these obligations are downgraded below investment grade, the obligations shall be sold in an orderly manner within ninety days of downgrading.
4. 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).
5. Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 400 Mid-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).
6. 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).
7. 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).

8. Equities, which taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the Standard and Poor's REIT composite index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).
9. 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).
10. Interfund loans for land or capital improvements.
 - a) Loans shall only be for the purpose of financing the acquisition of land or capital improvements for the borough including its service areas;
 - b) The rate of interest shall be the prime rate in effect on the date of ordinance approval;
 - c) The term of a loan shall not be longer than the term allowed for a land sale contract of similar size;
 - d) Payments shall be paid in equal annual installments upon adoption of each year's annual budget until the loan is paid in full and each payment is subject to the appropriation of available funds; and
 - e) All such loans must be approved by the assembly by ordinance, and the assembly may add such additional terms and conditions as appropriate.

C. Authorized Investments - Non-Financial Assets

Land Trust Investment Fund assets may be used to supplement Land Trust Fund assets for investment in the following:

1. Land which will be added to the inventory of land assets.
2. Income producing assets such as improvement to borough lands.

SECTION 3. That KPB 5.20.030. Special revenue funds are amended as follows:

5.20.030. Special revenue funds.

Special revenue funds account for the proceeds from specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Nikiski Fire Service Area Fund
 Bear Creek Fire Service Area Fund
 Anchor Point Fire and Emergency Medical Service Area Fund

Central Emergency Service Area Fund

Kachemak Emergency Service Area Fund
Lowell Point Fire Service Area
Central Peninsula Emergency Medical Service Area Fund
North Peninsula Recreation Service Area Fund
Road Service Area Fund
Road Improvement Assessment District Engineer's Estimate Fund
RIAD Match Fund
School Fund
Post-Secondary Education Fund
Land Trust Fund
Land Trust Investment Fund
Kenai River Center Fund
Coastal Zone Management Fund
Seward Bear Creek Flood Service Area
Disaster Relief Fund
Environmental Protection Programs Fund
Underground Storage Tank Removal and Upgrade Fund
Pass-Through Grants Fund
Miscellaneous Grants Fund
Nikiski Senior Citizen Service Area Fund
Solid Waste Fund
Local Emergency Planning Committee Fund
Central Kenai Peninsula Hospital Service Area Fund
South Peninsula Hospital Service Area Fund

SECTION 4. That KPB 5.20.080 is amended as follows:

5.20.080. Land Trust Fund.

- A. The land trust fund is established to receive, disburse, and account for all moneys accruing to the borough in lieu of lands or from the use or sale of lands. Disbursement from said fund shall be for the acquisition of property and expenses related to the borough land management operations, or such other purposes as the assembly may authorize.
- [B. FIFTY PERCENT OF ANY AMOUNT IN EXCESS OF THE HIGHEST PREVIOUS FUND BALANCE MAY BE AVAILABLE FOR APPROPRIATION TO THE GENERAL FUND. FUND BALANCES PRIOR TO 2005 SHALL NOT BE CONSIDERED WHEN DETERMINING THE HIGHEST FUND BALANCE. FOR PURPOSES OF COMPUTING REVENUES THAT MAY BE AVAILABLE FOR APPROPRIATION TO THE GENERAL FUND, ON MARCH 1 OF EACH YEAR THE BALANCE OF THE BUDGET NOT YET SPENT FOR LAND MANAGEMENT ADMINISTRATION FOR THAT FISCAL YEAR WILL BE SUBTRACTED FROM THE LAND TRUST FUND BALANCE. ALSO, REVENUES EXPECTED TO BE RECEIVED AFTER MARCH 1 AND BEFORE JULY 1 OF THAT YEAR MAY BE ADDED TO THE LAND TRUST FUND BALANCE.]

B. The net proceeds of land sales will be transferred to the Land Trust Investment Fund provided that the fund balance policy minimum requirements of the Land Trust Fund are met.

C. After the first five years, if the fund balance of the Land Trust Fund is more than 125 percent of the maximum established in the fund balance policy the amount greater than 125 percent may be transferred to the general fund or may be used for any other purpose as determined by the assembly.

SECTION 5. That KPB 5.20.200 – Land Trust Investment Fund is enacted as follows:

5.20.200. Land Trust Investment Fund.

The Land Trust Investment Fund is established to manage the proceeds of land sales and the financial assets of the Land Trust Fund in excess of annual operating needs of the Land Trust Fund and to generate investment earnings to be used for Land Trust Fund operations, General Fund functions, or for other purposes as determined by the assembly.

A. Transfers to support operations in the Land Trust Fund or the General Fund shall be limited to 5 percent of the market value (5% POMV) of the Land Trust Investment Fund. The allocation of the 5% POMV shall be first to the Land Trust Fund to subsidize operations and to ensure compliance with the fund balance policy. If the transfer to the Land Trust Fund is less than 5% POMV the excess may be transferred to the General Fund at the direction of the assembly.

B. Transfers to the Land Trust Fund to invest in non-financial assets such as land or income producing investments shall not exceed 10 percent of the market value of the Land Trust Investment Fund in any year or 25 percent in any five-year period. These limits do not apply to investment in Interfund Loans or any other allowable financial asset.

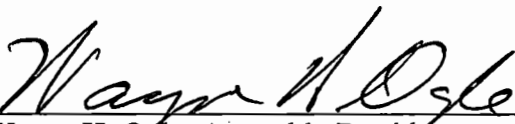
C. The Land Trust Fund may utilize an interfund loan from the Land Trust Investment Fund if the fund balance in the Land Trust Fund falls below the minimum requirements of the fund balance policy. Any such interfund loan must be repaid within five years.

D. The Land Trust Investment Fund is a special revenue fund and shall not require an annual budget.

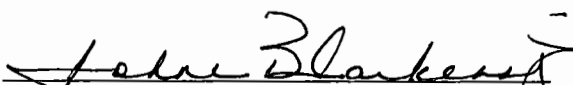
SECTION 6. That \$5,275,000 is appropriated from the Land Trust Fund balance, account 250.27910 for the initial operating transfer to the Land Trust Investment Fund.

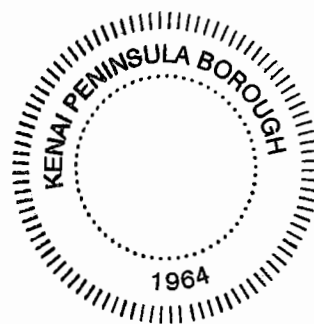
SECTION 7. That this ordinance takes effect upon enactment; however, no operating transfer may be made from the Land Trust Investment Fund to the Land Trust Fund until after commencement of the first full budget year following enactment of this ordinance.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 4TH DAY OF SEPTEMBER, 2018.


Wayne H. Ogle, Assembly President

ATTEST:


Johni Blankenship, MMC, Borough Clerk



Yes: Bagley, Blakeley, Carpenter, Cooper, Dunne, Fischer, Hibbert, Smalley, Ogle
No: None
Absent: None