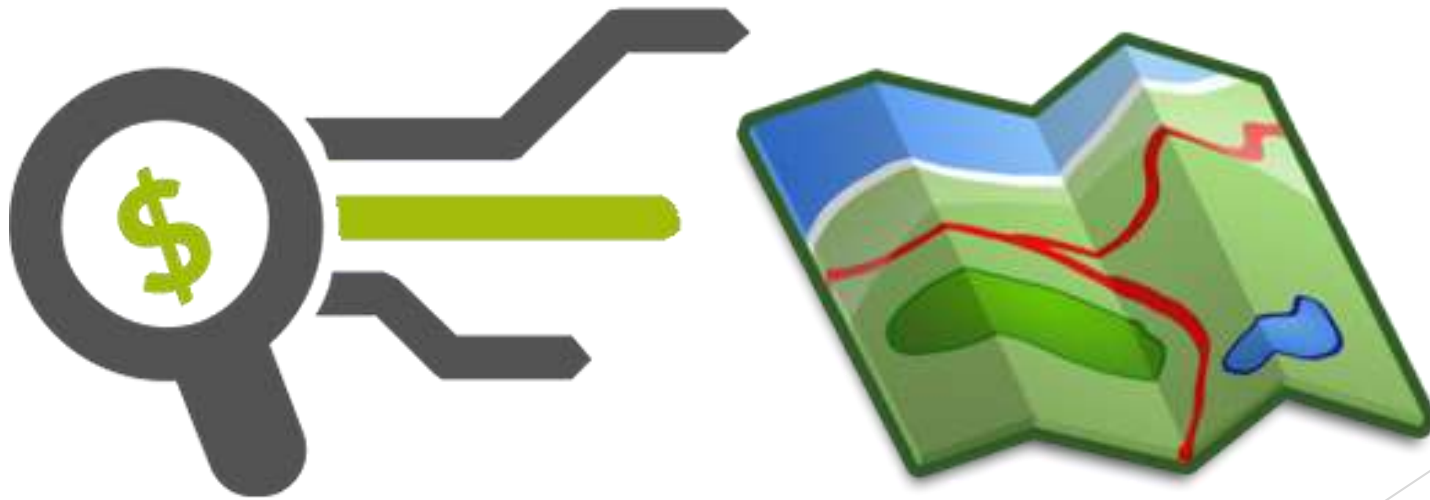


LAND TRUST INVESTMENT FUND



Background

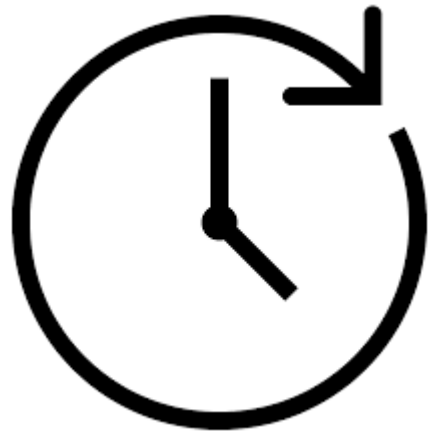
- ▶ Land Trust accounts for all land revenues
- ▶ Land Revenues include Use Fees, Rents, Land Sale Contracts, Resource Sales, Processing Fees, & Interest Earnings
- ▶ Land Trust supports Land Operations, Land Purchases, & Land Projects
- ▶ Land Operations include Inventory, Planning, Use Authorizations, Resource Management, Acquisitions, Record Keeping, & Public Information
- ▶ 75% of Land Operations are Performance of General Services to the borough

Sustainable Asset Management

- ▶ Sustainable funding for Land Management Operations has been identified as a major long-term concern for more than a decade
- ▶ There will always be a land management program, even after saleable lands have been sold
- ▶ The borough can expect to reorganize its land holdings over time, selling surplus lands and purchasing needed lands, and putting lands to various uses
- ▶ Borough lands are assets belonging to the people of the borough; the values of which are found in their functional use, the revenues that are generated, and the capacity to serve future needs

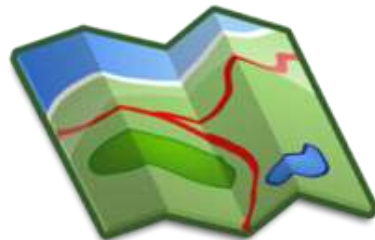
Without a sustainable asset management strategy:

- ▶ Future land programs would require contribution from the general fund
- ▶ Current land programs will diminish in capacity



Key Operating Objectives for Financial Reorganization

- ▶ To sustainably fund ongoing and future Land Management Operations
- ▶ To maintain capacity to satisfy future land needs of the borough
- ▶ To create capacity for new financial benefits to the borough
- ▶ To promote heads up budgeting and public trust
- ▶ To Maintain Asset Values



Fund Model & Assumptions

- ▶ Identify land operational needs, creating a two fund structure
 - ▶ one for operations
 - ▶ one for long-term investment opportunities
- ▶ Create LTIF and move available funds to capitalize long-term investment vehicle

Fund Model & Assumptions

- ▶ More aggressive investment strategy
- ▶ Assumes a 6% investment return
- ▶ Land proceeds will fund LTIF corpus
- ▶ 5% of the market value of the LTIF will be transferred to the land trust fund to support operations
- ▶ Two General Fund support vehicles over time
 - ▶ a. Excess POMV
 - ▶ b. Excess fund balance in Land Trust Fund

Volatility & Expectations

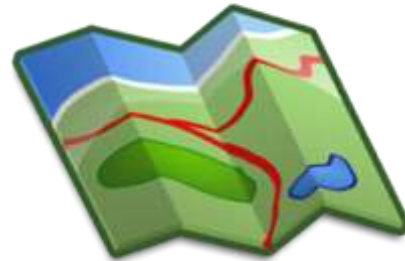
- ▶ Higher volatility with a more aggressive investment strategy

Fund Management - Finance Perspective

- ▶ Portfolio manager, experienced in endowment type of investment strategy
- ▶ Use asset allocation plan to mitigate risk
- ▶ Financial investments
- ▶ Non-financial investments

Fund Management - Lands Perspective

- ▶ Incentive to have good land sales & to forecast land sales
- ▶ Revenue Planning: Generate new revenue streams
 - ▶ Land Use Fees & Rents
 - ▶ Natural Resource Management
 - ▶ Enterprise Investments
 - ▶ Grants & Partnerships
- ▶ Tools to Operate
- ▶ Tools to Analyze Budgets & Performance
- ▶ Energize Land Management



Summary Review

- ▶ Land Trust Fund (LTF) Becomes an annual operating fund with a fund balance policy
- ▶ Land Trust Investment Fund (LTIF) is initially capitalized and takes in net land sale revenue
- ▶ LTIF is invested in portfolio, loans, and investment projects with 6% target
- ▶ 5% POMV provides sustained funding to LTF Operations, 1% inflation offset
- ▶ LTIF Volatility is expected, outlook is to Long Term Investment
- ▶ Projections indicate 20-year path to surplus capacity at which new benefits would appear
- ▶ General Fund maintains benefit of Land services, at no expense

August 8, 2018
Kenai Peninsula Borough Finance Committee

Thank You

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