NORTHWEST ARCTIC BOROUGH ASSEMBLY
ORDINANCE 20-07

AN ORDINANCE OF THE NORTHWEST ARCTIC BOROUGH ASSEMBLY AMENDING THE BOROUGH REVENUE AND FINANCE CODE.

WHEREAS: Title 6 of the Borough Code establishes the Borough Revenue and Finance Code, including standards, guidelines, and procedures for the Borough revenue, budgeting, and finance; and

WHEREAS: the Borough wishes to revise its Revenue and Finance Code to clarify and update automatic transfer provisions for the contingency reserve fund and sustainability fund; and

WHEREAS: the Assembly has determined that it is in the Borough’s best interest to update its Revenue and Finance Code.

NOW THEREFORE BE IT ENACTED BY THE NORTHWEST ARCTIC BOROUGH ASSEMBLY:

Section 1: Title 6 of the Borough Code is amended as follows with additions indicated by underlining in bold and deletions by strikethrough in bold:


A. A working capital reserve account is established within the general fund in the initial amount of $820,000.

B. The annual fund balance for the working capital reserve account shall be at least 20 percent of the borough’s total annual general fund appropriations, excluding deposits made to the financial contingency reserve account pursuant to NABC 6.12.230, and shall be appropriated by the assembly in the annual budget ordinance.

C. The administration shall have access to the working capital reserve account throughout the fiscal year to pay appropriated borough obligations, provided that:
1. Withdrawals from the working capital reserve account shall only be made when there are no funds otherwise available in the general fund to pay the obligation; and

2. Deposits shall be made to the working capital reserve account to replace any previous withdrawals as soon as appropriate revenues are received, in any case no later than the end of the borough’s fiscal year.


A. The financial contingency reserve account is established within the general fund in the initial amount of $500,000. The assembly shall endeavor to maintain a balance in the financial contingency reserve account of approximately $10,000,000. **Contingency reserve funds in excess of $10,000,000 shall be transferred to the borough sustainability fund.**

B. Except as provided in subsection (C) of this section, after FY 2002, annual appropriations to the financial contingency reserve account shall be made in an amount necessary to maintain a balance of approximately $10,000,000 determined appropriate by the assembly.

C. After the beginning of FY 2017, the funds aggregating more than $10.5 million annually derived from agreements negotiated under NABC 6.08.020 shall be deposited in the financial contingency reserve account.

C. The borough shall evaluate the account no less than annually in order to ensure that the balance remains near $10,000,000, and shall transfer the excess, should there be any, to the sustainability fund as established under NABC 6.28.010.

D. Funds held in the financial contingency reserve account shall not be appropriated for borough expenditures unless the appropriation is approved by a two-thirds majority of the assembly. **To be eligible for a contingency reserve fund appropriation, the borough must experience a significant revenue shortfall that threatens the immediate ability to continue providing services. Appropriations to fund general operations in the ordinary course of business are not permitted.**

E. The contingency reserve fund transfer requirements of this section do not apply to agreements between the borough and mining companies under NABC 6.08.020 dedicated exclusively for village infrastructure and village programs.
F. This section of the borough code may only be amended or repealed by an ordinance approved by a two-thirds majority of the assembly.

6.28.010 Sustainability fund.

A long-term sustainability fund is hereby created that will be maintained and preserved separate and apart from all other borough funds to foster investment of borough revenue and sustain long-term borough operations. The purpose of the sustainability fund is to utilize revenue for long-term investment that will eventually yield investment revenue to help augment borough operations in the absence of sufficient tax or payment in lieu of taxes revenue.

6.28.020 Findings.

A. Exhaustible Tax Base. Most of the borough's revenue is derived from taxation of nonrenewable resources, and the nonrenewable portion of the borough's revenue stream cannot be replaced by other revenue generation mechanisms available to the borough. Future revenue sources are unknown. To ensure long-term operation of the borough, the borough should invest revenue now to create a fund of sufficient size to generate meaningful investment income to support general operations when adequate tax revenue is unavailable to fund borough services.

B. Fiscal Responsibility. Recognizing that future revenue sources are unknown, the borough affirms the importance of avoiding the unsustainable growth of borough services and general operations, and the importance of investing for long-term needs.

6.28.030 Sustainability fund contributions.

A. Automatic Transfers. On an annual basis, the assembly must designate an appropriation to the sustainability fund allocating 30 percent of the funds annually derived from agreements negotiated under NABC 6.08.020 for long-term operation of borough services, programs, and capital projects. All sustainability fund allocations must be realized and invested pursuant to NABC 6.28.040 by the end of each fiscal year, constituting money in excess of: (1) 50% of General Fund excess revenues over expenditures; general fund operations; and (2) money allocated to meet contingency fund reserve requirements in NABC 6.12.230.
B. Discretionary Transfers. The assembly may transfer revenue to the sustainability fund by budget ordinance. (Ord. 17-06 § 1, 2017)

6.28.040 Sustainability fund investment.

The sustainability fund will be invested in accordance with the borough investment guidelines codified at Chapter 6.20 NABC except that the investment portfolio will be managed without considering the need for sufficient liquidity to meet cash flow requirements. Instead, the sustainability fund will be managed to maximize long-term investment growth while maintaining safety of the fund’s principal.

6.28.050 Use of sustainability fund.

A. Pledge for Bonded Debt. Money in the sustainability fund may be pledged by ordinance to secure payment of the borough’s general obligation bonds.

B. Use of Investment Income. After fiscal year 2030, on an annual basis, the assembly may approve, by a three-fourths vote of assembly members, the use of up to four percent of the five-year average of the sustainability fund’s calendar-year-end market value.

C. Use of Fund. Except as provided in subsection (B) of this section, no expenditure may be made from the sustainability fund without the approval of a majority of borough voters voting on the question at a regular or special election. Prior to submitting to the voters, assembly must pass an ordinance approved by at least 10 members approving use of the fund and determining that all reasonable options for borrowing funds have been exhausted.

6.28.060 Amendment.

This chapter may not be amended without approval of all 11 borough assembly members.

Section 2: This Code Ordinance shall be effective upon adoption.
PASSED AND ADOPTED THIS 22nd DAY OF September, 2020.

Nathan Hadley, Jr., Assembly President

PASSED AND APPROVED THIS 22nd DAY OF September, 2020.

Lucy S. Nelson, Mayor

SIGNED AND ATTESTED TO THIS 22nd DAY OF September, 2020.

Helena Hildreth, Borough Clerk

ATTEST:

First Reading August 25, 2020
Second Reading: September 22, 2020