

**NORTHWEST ARCTIC BOROUGH  
ORDINANCE 17-06**

**AN ORDINANCE OF THE NORTHWEST ARCTIC BOROUGH  
ASSEMBLY AMENDING THE BOROUGH CODE TO ESTABLISH A  
SUSTAINABILITY FUND, AND FOR RELATED PURPOSES.**

**WHEREAS:** the Northwest Arctic Borough is a home rule borough organized under the laws of the State of Alaska; and

**WHEREAS:** Alaska law requires home rule boroughs to exercise the power of taxation in order to raise revenue to provide for municipal services; and

**WHEREAS:** mining is the Borough's principal economic industry and tax base; and

**WHEREAS:** the Assembly recognizes that mining resources are a non-renewable resource, and that the Borough must plan ahead to sustain Borough services and functions in the event large-scale mines no longer operate within the Borough; and

**WHEREAS:** the Assembly wishes to establish a policy to set aside sufficient revenue from direct taxation or payment in lieu of taxes (PILT) agreements to establish a "sustainability fund" of a sufficient size to be able to fund borough services after mining activity ceases; and

**WHEREAS:** in 2010, the Borough Assembly passed Ordinance 10-03 to establish a sustainability fund but those efforts were abandoned because of insufficient revenue to establish a meaningful sustainability fund;

**WHEREAS:** the Borough's recent approval and execution of a Payment in Lieu of Taxes and Memorandum of Commitment with Teck Alaska for the Red Dog Mine will provide sufficient revenue to establish a sustainability fund;

**WHEREAS,** after much consideration, including consultation with qualified financial advisers, and review of similar municipal funds, the Borough Assembly wishes to adopt a comprehensive sustainability fund.

**NOW THEREFORE BE IT ENACTED** by the Northwest Arctic Borough Assembly as follows:

**Section 1:** Chapter 6.28 of the Borough Code is adopted as follows:

## **6.28 SUSTAINABILITY FUND**

**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 non-renewable resources, and the non-renewable 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 constituting money in excess of: (1) general fund operations; and (2) money allocated to meet contingency fund reserve requirements in Section 6.12.230 of this Code.

**B. Discretionary Transfers.** The Assembly may transfer revenue to the sustainability fund by budget ordinance.

**6.28.040 Sustainability Fund Investment.** The sustainability fund will be invested in accordance with the borough investment guidelines codified at Chapter 6.20 of this Code 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.

**6.28.50 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 Section B, 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.

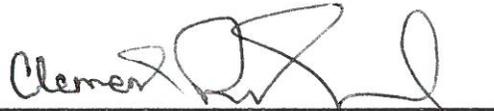
**Section 2:** This is a code ordinance to be effective immediately.

PASSED AND ADOPTED THIS 13<sup>th</sup> DAY OF June 2017.



Carl Weisner, Assembly President

APPROVED THIS 13<sup>th</sup> DAY OF June 2017.



Clement Richards, Sr., Mayor

ATTESTED THIS TO THIS 13<sup>th</sup> DAY OF June 2017.



**Stella Atoruk, Borough Clerk**

**ATTEST:**

**First Reading:** May, 31, 2017  
**Second Reading:** June, 13, 2017

