

**NORTHWEST ARCTIC BOROUGH ASSEMBLY
ORDINANCE 20-09**

**AN ORDINANCE OF THE NORTHWEST
ARCTIC BOROUGH ASSEMBLY AMENDING
SECTIONS OF THE BOROUGH INVESTMENT
CODE AND FOR RELATED PURPOSES.**

WHEREAS: Chapter 6.20 of the Northwest Arctic Borough establishes guidelines for the Borough's long-term investments, including an exclusive list of financial instruments in which Borough moneys may be invested; and

WHEREAS: the Borough's investment advisor, Alaska Permanent Capital Management (APCM), has recommended revisions to Chapter 6.20 in order to provide more varied asset allocation options and to more effectively meet the Borough's investment goals.

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

Section 1: Chapter 6.20 of the Borough Code is amended as follows with additions indicated by underlining in bold and deletions by ~~strikethrough~~ in bold:

6.20.030 Authorized investments.

A. Subject also to the requirements of subsection (B) of this section, borough moneys shall be invested only in the following instruments:

1. Obligations of or obligations insured or guaranteed by the United States and United States agency obligations.
2. Certificates of deposit and other deposits at banks and savings and loan associations collateralized as provided in NABC 6.20.040.
3. Federally insured deposits at banks and savings and loan associations.
4. Bonds and notes which are issued by any state or political subdivision thereof, or pursuant to the Tribal Tax Status Act, 26 USC Section 7871, and which are rated A or higher by a nationally recognized rating service.

5. TIPS – Treasury inflation-protected security. Issued by the U.S. Treasury.
6. Banker's acceptances drawn on and accepted by: (a) a bank, all of whose debt issues are rated at least AA or its equivalent by a nationally recognized rating service; or (b) if the bank is a subsidiary of one bank holding company, all of whose commercially held paper has the highest rating given by a nationally recognized rating service or whose debt issues meet the requirements in subsection (A)(6)(a) of this section.
7. Money market mutual funds. It is understood that the money market funds will not use leverage or use derivatives.
8. Repurchase agreements, the securities underlying the agreement being any of the items listed in subsections (A)(1) and (6) of this section which meet a margin requirement of 102 percent.
9. Corporate bonds which are rated BBB or higher, investment grade, by a nationally recognized rating service. Limitations include a 10-year maximum maturity on any bond series, and not more than five percent of assets invested in a single company. If, after purchase, these obligations are downgraded below investment grade, the obligations shall be sold in an orderly manner within 90 days of downgrading.
10. Mortgage-backed securities (MBS), asset-backed securities (ABS), and commercial mortgaged-backed securities (CMBS) rated A or higher by a nationally recognized rating organization.
11. 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).
12. Domestic equities, which, taken as a whole, attempt to mirror the characteristics or 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).
13. Domestic equities, which, taken as a whole, attempt to mirror the characteristics or 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).

14. International equities, which, taken as a whole, attempt to mirror the characteristics or 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).

15. Emerging market equities, which, taken as a whole, attempt to mirror the characteristics or replicate the Financial Times Stock Exchange Emerging Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).

16. Equities, which, taken as a whole, attempt to mirror the characteristics or replicate the universe of domestic real estate investment trusts as represented by the Standard & Poor's REIT composite index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

17. Bond funds, which, taken as a whole, attempt to mirror the characteristics or replicate the Bloomberg Intermediate Government/Credit Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

18. Bond funds, which, taken as a whole, attempt to mirror the characteristics or replicate the U.S. Treasury Inflation-Protected Securities universe or portion thereof, including both mutual funds and exchange traded funds (ETFs).

19. Bond funds, which, taken as a whole, attempt to replicate the Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

20. Bond funds, which, taken as a whole, attempt to replicate the Bloomberg Barclays US Gov/Credit 1=5 Year Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

21. Bond funds, which, taken as a whole, attempt to replicate the Bloomberg Barclays US High Yield Very Liquid Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).

22~~20~~. Global infrastructure equities, which, taken as a whole, attempt to replicate the STOXX Global Broad Infrastructure Index, or a substantially

similar index, including both mutual funds and exchange traded funds (ETFs).

2321. Alternative beta funds, which, taken as a whole, attempt to provide a total return target of cash plus a specified percentage-based return target, including both mutual funds and exchange traded funds (ETFs).

2422. Commodities, which, taken as a whole, attempt to replicate a broad-based commodity index, such as the Bloomberg Commodity Index or a substantially similar index, including mutual funds, exchange traded funds (ETFs) and exchange traded notes (ETNs).

B. One hundred percent of moneys in the working capital reserve account, established and maintained under NABC 6.12.225, shall be invested only in one or more of the investments described in subsections (A)(1) through (8) of this section. Moneys in the undesignated fund balance may be invested in any of the instruments described in subsections (A)(1) through (242) of this section. Moneys in the financial contingency reserve account, established and maintained under NABC 6.12.230, and moneys in the sustainability fund may be invested in any of the instruments described in subsections (A)(1) through (242) of this section. Allocations shall be reviewed at least annually and set by assembly resolution.

C. While maintaining compliance with provisions of the borough's code and investment policies, the prudent investor rule shall be applied by the borough's investment adviser in the management and investment of borough money. The prudent investor rule as applied to borough investments means that in making investments the adviser shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

D. No person shall invest any borough moneys in any instrument which is not listed in subsection (A) of this section.

E. So long as the bank in which the borough operating funds are deposited is on the qualified bidders' list, the mayor may enter into a repurchase agreement, certificate of deposit, or other authorized investment of 180 days or less with the bank in which the borough's daily operating moneys are deposited for the purpose of investing any excess operating moneys, which will be needed to fund borough operations during the next

180 days. This short-term investment shall be governed by the provisions of NABC 6.20.040.

F. Prohibited transactions for advisers include:

1. The use of borrowed funds;
2. Purchase of letter stock.

Any exemption from the general equity guidelines requires prior written approval from the borough treasurer.

G. The borough will take a conservative, cautionary posture on derivative securities in order to maintain a risk averse investment strategy. 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 utilized within investment products as a portfolio management tool. Derivative use and short exposure within a product is permissible when utilized 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. Direct leverage or borrowing for the purpose of magnifying returns is prohibited. Exposure must be net long at all times.

H. No securities from an individual issuer shall comprise more than five percent of any portfolio; securities issued or guaranteed directly by the U.S. government are exempt from this limit. (Ord. 18-10 § 1, 2018; Ord. 15-01 § 1, 2015; Ord. 13-09 § 1, 2013; Ord. 10-08 § 1, 2010)

Section 2: This Code Ordinance shall be effective immediately.

PASSED AND ADOPTED THIS 28th DAY OF October, 2020.



Nathan Hadley, Jr., Assembly President

PASSED AND APPROVED THIS 28th DAY OF October, 2020.



Lucy S. Nelson, Mayor

SIGNED AND ATTESTED TO THIS 28th DAY OF October, 2020.

Helena Hildreth
Helena Hildreth, Borough Clerk

ATTEST:

First Reading: 9-22-20
Second Reading: 10-28-20

