

**NORTHWEST ARCTIC BOROUGH ASSEMBLY
ORDINANCE 15-01**

**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 Borough Code establishes guidelines for the Borough's long-term investments; and

WHEREAS: as the Borough's Investment Adviser, Alaska Permanent Capital Management, has recommended revisions to Chapter 6.20 in order to provide a more structured investment regime for the Borough's long-term investments; and

WHEREAS: the Borough wishes to establish an asset allocation plan for the Borough's long-term investments and provide for performance benchmarks to annually evaluate the Investment Adviser in Chapter 6.20; and

WHEREAS: the Assembly has determined that it is in the Borough's best interest to update its investment guidelines to provide more flexible and effective standards while setting performance review standards.

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

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 whose portfolios consist entirely of instruments, maturity date not applicable, which are U.S. government or U.S. government guaranteed obligations, which have a constant net asset value. 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 Barclays 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 **Barelays Capital Global Treasury ex-US Capped Bond Index** 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).

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 (19) of this section. Moneys in the financial contingency reserve account, established and maintained under NABC 6.12.230, and moneys in the sustainability fund (Ordinance No. 10-03) may be invested in any of the instruments described in subsections (A)(1) through (19) 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:

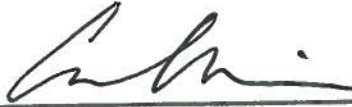
1. The use of borrowed funds;
2. Short sales or margin sales;
3. Purchase of letter stock;
4. Futures, options, currency forwards and futures, and other derivatives securities.

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

G. 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. 13-09 § 1, 2013; Ord. 10-08 § 1, 2010)

Section 2: This Code Ordinance shall be effective immediately.

PASSED AND ADOPTED THIS 25th DAY OF February 2015.



Carl Weisner, Assembly President

PASSED AND APPROVED THIS 25th DAY OF February 2015.



Reggie Joule, Mayor

SIGNED AND ATTESTED TO THIS 25th DAY OF February 2015.



Stella Atoruk, Borough Clerk

for

ATTEST:

First Reading: January, 27 2015
Second Reading: February, 25, 2015

