

**PETERSBURG BOROUGH
ORDINANCE #2013-14**

**AN ORDINANCE PROVIDING FOR CHAPTER 4.36 THE MUNICIPAL CODE, AND
UPDATING CURRENT LANGUAGE TO REFLECT BOROUGH INCORPORATION**

Whereas, on January 3, 2013 the Election Division for the State of Alaska certified the election results of the December 18, 2012 incorporation election for the Petersburg Borough, and

Whereas, the certified election confirmed the incorporation of the Petersburg Borough and dissolved the City of Petersburg, and

Whereas, Petersburg Borough Charter, Section 19.06 requires all ordinances, resolutions, regulations, orders and rules in effect for the former City of Petersburg continue in full force and effect within the Petersburg Borough, Service Area 1, until expressly reaffirmed, revised or repealed by the assembly.

Therefore the Petersburg Borough Ordains, the existing provisions for Chapter 4.35, Banking, Investment and Collateralization Policies, as noted with amendments below, are hereby approved and adopted as a borough ordinance to be administered on an areawide basis.

Section 1. Classification: This ordinance is of a permanent nature and shall be codified in the Petersburg Borough Code.

Section 2. Purpose: The purpose of this ordinance is to update Code language to reflect borough incorporation.

Section 3. Substantive Provisions: The provisions of the former City of Petersburg (now Service Area 1) Municipal Code, Chapter 4.36, Banking, Investment and Collateralization Policies, are hereby transferred and incorporated into this borough ordinance, and shall read as follows. Chapter and section numbers from the prior city code are retained for future referencing and codification of the Borough Code.

Chapter 4.36 - BANKING, INVESTMENT AND COLLATERALIZATION POLICIES

Sections:

4.36.010 - Objective.

4.36.020 - Treasury management.

4.36.030 - Authorized financial dealers and institutions.

4.36.040 - Permissible investments.

4.36.050 - Collateralization and custody.

4.36.060 - Diversification.

4.36.070 - Internal control.

4.36.080 - Competitive selection of investment instruments.

4.36.090 - Competitive selection of banking services.

4.36.100 - Investment advisor.

4.36.110 - Reporting requirements.

4.36.120 - Investment policy adoption.

4.36.010 - Objective.

Safety of principal is the foremost investment objective of the borough. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. The borough seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives and cash flow considerations that restrict placement of public funds. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the borough.

4.36.020 - Treasury management.

In accordance with Section 3.18.030(B) of this code, the responsibility for conducting investment transactions resides with the finance director. If the finance director is not available the borough manager, or his designee, will assume responsibility for conducting investment transactions. The finance director shall not deposit funds in any depository that is not a member of the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). Investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

4.36.030 - Authorized financial dealers and institutions.

The finance director will maintain a list of financial institutions authorized to provide investment service. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. Investments shall be placed with securities dealers who, unless they are affiliated with a bank, shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must certify they shall comply with the borough's banking and investment policy with regard to transactions involving the borough's funds.

4.36.040 - Permissible investments.

Funds of the borough may be invested in:

- A.
 - U.S. Treasury bills;
- B.
 - Notes or bonds issued by the United States Treasury, U.S. government agencies, or government-sponsored enterprises, or the state of Alaska or its political subdivisions or other states of the United States;
- C.
 - Federally insured or fully collateralized certificates of deposit of banks, credit unions and savings and loan associations;
- D.
 - Repurchase agreements collateralized by U.S. Treasury securities and marked-to-market, if repurchase agreements are overnight investments marked-to-market is not necessary if securities are over-collateralized (at least to one hundred two percent);
- E.
 - Money market mutual funds whose portfolios consist entirely of U.S. government securities;
- F.
 - An investment pool authorized by Alaska Statutes 37.23.010 through 37.23.900;
- G.
 - In addition to the above-listed instruments, the following are also permitted in the economic fund:
 - 1.
 - Corporate debt obligations of U.S.-domiciled corporations with a minimum credit rating of AA- or AA3 from Standard and Poors or Moodys,
 - 2.
 - Common and preferred stock of U.S.-domiciled corporations listed on a national exchange or NASDAQ with a minimum market capitalization of five hundred million dollars. Domestic stock and mutual stock fund purchases are allowed for up to sixty percent of the total stock investment of the Economic Fund. Except in mutual funds, no individual stock may have a total cost that exceeds five percent of the total stock investment of the fund. However, market value of a stock, not in a mutual fund, may exceed five percent of the total stock investment of the fund,
 - 3.
 - Equity/stock mutual funds listed on a national exchange.

4.36.050 - Collateralization and custody.

Collateralization will be required on certificates of deposit, repurchase (and reverse) agreements, and on all deposits over the FDIC insured amount. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred two percent.

The borough chooses to limit collateral to the following:

1.
State and municipal bonds and notes: Alaska issues, federally guaranteed project notes—Alaska issues; other states—AA- rating or better.
2.
U.S. government obligations: Direct obligations; federal agency issues; federally guaranteed project notes.

Collateral will always be held by an independent third party with whom the borough has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the borough and retained.

The right of collateral substitution will be granted only after a signed release from the borough is obtained, except for par value substitutions.

All security transactions, including collateral for repo agreements, entered into by the borough shall be conducted on a delivery-vs.-payment basis. Securities will be held by a third-party custodian designated by the finance director or in an independent custodial account in the borough's name and evidenced by safekeeping receipts and monthly/quarterly statements.

4.36.060 - Diversification.

It is the policy of the borough to diversify its investment portfolio. Assets held in the common cash fund and other investment funds shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the finance director.

In establishing specific diversification strategies, the following general policies and constraints shall apply:

Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

The following diversification limitations shall be imposed on the portfolio:

To the extent possible, the borough will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the borough will not directly invest more than twenty-five percent of its excess funds in securities maturing more than twelve years from date of purchase. Seventy-five percent of excess funds may be invested for as long as five years. Excess funds will be defined, for this policy, as funds in excess of anticipated annually budgeted moneys and cash flows.

4.36.070 - Internal control.

As part of the annual audit there shall be a review by the external auditor to assure the compliance of the borough's policies and procedures.

4.36.080 - Competitive selection of investment instruments.

Before the borough makes any long term investments, a competitive process shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, investment options will be requested for instruments which meet the maturity requirement.

Investment options:

A.

The finance director shall review investment options from a minimum of two banks or financial institutions for each investment.

B.

The finance director may negotiate the investment provisions with any eligible bank or financial institution.

C.

Each investment option must provide cost of purchase, maturity date, interest rate and such other information as the borough, from time to time, may deem necessary or appropriate.

D.

The penalty factors for each investment shall be considered.

E.

Investment information must be delivered to the finance director or borough manager.

4.36.090 - Competitive selection of banking services.

Depositories shall be selected through the borough's banking selection process, that process shall include a formal request for proposal and may be required every two years. Local branches will be given consideration in the selection of banking services.

4.36.100 - Investment advisor.

The borough manager may, with concurrence of the borough assembly, retain a registered investment advisor to manage a portion of the borough's investment portfolio. Such advisor(s) will be bound by all aspects of this chapter. Investment guidelines given to such advisor(s) may be more restrictive than the policies contained herein, but may not be less restrictive.

4.36.110 - Reporting requirements.

The finance director shall generate monthly reports for management purposes, including data on investments. Copies of the reports shall be provided to the assembly upon request.

4.36.120 - Investment policy adoption.

The borough's investment policy shall be adopted by ordinance. The policy shall be reviewed on an annual basis by the finance director and borough manager and any recommendations for changes will be submitted to the borough assembly for consideration.

Section 4. Severability: If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected.

Section 5. Effective Date: This Ordinance shall become effective immediately upon final passage.

Passed and approved by the Petersburg Borough Assembly, Petersburg, Alaska this _____ day of _____, 2013.

ATTEST:

Mark Jensen, Mayor

Kathy O'Rear, Clerk

Adopted:
Published:
Effective: