

Presented by: The Manager
Presented: 11/21/2022
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2022-54

An Ordinance Amending the Investments and Collateral Chapter of Title 57 Related to Investment Policies.

BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Classification. This ordinance is of a general and permanent nature and shall become a part of the City and Borough of Juneau Municipal Code.

Section 2. Amendment of Section. CBJC 57.25.015 Management of municipal funds, is amended to read:

57.25.015 Management of municipal funds.

- (1) Pooling of funds. The finance director will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration.
- (2) Investment decisions shall be guided by this section and by the City and Borough of Juneau Investment Policy. Material changes to the investment policy shall be brought to the assembly finance committee by the city manager for review and to the assembly for approval by resolution.
- (3) The finance director will choose which investment portfolio is most appropriate for funds based on the objectives at hand. Portfolio types are outlined in the investment policy.
- (4) Appropriate benchmarks shall be selected by the finance director based upon portfolio goals and holdings of the portfolio. Benchmark selection shall be approved by the city manager as a function of the investment policy statement.
- (5) Safekeeping and custody.
 - (A) Delivery vs. payment. All trades of marketable securities will be executed using the delivery vs. payment (DVP) method to ensure that securities are deposited in an eligible custody account prior to the release of funds.

- (B) Safekeeping. Securities will be held by a centralized, independent third-party custodian selected by the City and Borough, as with all securities held in the City and Borough's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).
- (6) Restricted funds shall be deposited into separate and restricted alternative investments, bank accounts, or other accounts which may be interest-bearing and held by financial institutions for the benefit of the municipality, with all revenues and expenses associated with such funds allocated to such investments or accounts. Restricted funds may be commingled with other similarly restricted funds within the discretion of the finance director.
- (7) The finance director may obtain the services of such investment managers, advisors, custodians, and other professionals as are reasonably prudent and necessary to manage all municipal funds.
- (8) Investment portfolio performance reports shall be prepared and posted to the City and Borough website on a quarterly basis. These reports shall be addressed with the assembly finance committee on a semi-annual basis.

Section 3. Amendment of Section. CBJC 57.25.018 Investment objectives, is amended to read:

57.25.018 Investment objectives.

Investment portfolios will be selected to achieve the overall investment objectives. The primary objectives of investment activities shall be safety, liquidity, and return:

(a) *Safety.* Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. The finance director and hired contractors, if any, shall manage investment funds exercising the judgment and care under the circumstances then prevailing which 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.

- (1) *Credit risk.* The City and Borough will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:
 - (A) Limiting investments to the types of securities listed in Code section 57.25.020.
 - (B) Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the City and Borough will do business.

- (C) Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
- (2) *Interest rate risk.* The municipality will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
 - (A) Structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - (B) Investing operating funds primarily in shorter-term securities, money market mutual funds, exchange-traded funds (ETF), or similar investment pools and limiting individual security maturity as well as the average maturity of the applicable portfolio.
- (b) *Liquidity.* The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets to meet unanticipated demands (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds, ETFs, or local government investment pools which offer same-day liquidity for short-term funds.
- (c) *Return.* The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following possible exceptions:
- (1) A security with declining credit may be sold early to minimize loss of principal;
 - (2) Selling a security and reinvesting the proceeds that would improve the quality, yield, or target duration in the portfolio may be undertaken; or
 - (3) Unanticipated liquidity needs of the portfolio require that the security be sold.
- (d) *Sustainability.* Where each investment decision, when possible and appropriate, considers environmental, social, and governance factors, and is consistent with the principles outlined in CBJ Resolution 2755. The finance director and treasurer may direct investment decisions to further promote these principles on sustainability, and as the objectives of safety, liquidity, and return permit.

Section 4. Amendment of Section. CBJC 57.25.020 Authorized investments, is amended to read:

57.25.020 Authorized investments.

To provide maximum security for the investment of public funds and to provide the greatest interest revenue consistent with safety, funds may be invested only in the following instruments:

- (1) Obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;
- (2) Commercial paper issued by corporations or businesses and rated at least A1/P1 by a nationally recognized statistical rating organization (NRSRO), and collateralized commercial paper with no time limit;
- (3) Negotiable certificates of deposit issued by rated banks;
- (4) Repurchase agreements secured by obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States;
- (5) Bank obligations insured by the appropriate federal insurance agency, including nonnegotiable certificates of deposit secured as provided in section 57.25.030;
- (6) Custodial money market funds and other mutual funds so long as the nature of the fund is generally consistent with all other provisions of this section of the code;
- (7) United States dollar denominated corporate bonds rated investment grade or higher by NRSRO at the time of purchase;
- (8) Mortgage-backed securities and collateralized mortgage obligations (CMOs) issued and insured or guaranteed by the United States or agencies or instrumentalities of the United States;
- (9) Asset-backed securities that are publicly traded and rated AAA by a NRSRO at the time of purchase;
- (10) Domestic fixed income mutual fund or ETF: Securities issued in the United States matching security types, quality, and maturity ranges contained in the Bloomberg Barclays Aggregate Index;
- (11) Domestic equity mutual fund or ETF: Common and preferred stock issued by companies domiciled in the United States, and traded on a domestic stock exchange, or traded through the NASDAQ system;

- (12) International equity mutual fund or ETF: Common and preferred stock issued by companies domiciled outside the United States, primarily in developed countries, as defined by the financial times stock exchange;
- (13) Loans to specified funds of the City and Borough for the purpose of capital acquisition, made as provided in section 57.05.045;
- (14) An investment pool for public entities authorized by AS 37.23;
- (15) Taxable and or tax exempt municipal debt rated AA- or better by at least one NRSRO;
- (16) Debt issued by supranational agencies rated AAA by at least one NRSRO; or
- (17) Other investment types or asset classes as provided in the Investment Policy and consistent with all other provisions of this section of the Code.

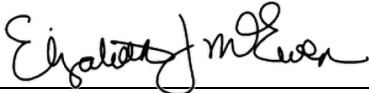
Section 5. Effective Date. This ordinance shall be effective 30 days after its adoption.

Adopted this 12th day of December, 2022.



Beth A. Weldon, Mayor

Attest:



Elizabeth J. McEwen, Municipal Clerk