
Investment Committee Minutes

Wednesday, November 20, 2024, 3:00 p.m.

Harrigan Centennial Hall

Goal: To make recommendations for and oversee the Investment Policy of the City and Borough of Sitka enacted as Chapter 4.28.

Investment Committee Members: Michael Reif, Bert Stedman,
Thor Christianson (Assembly Liaison)

The Chair called the meeting to order at approximately 4:00 p.m.

I. Roll Call

Present: Michael Reif, and Bert Stedman

Absent: None.

Staff: Municipal Administrator John Leach, Finance Director Melissa Haley,
Deputy Municipal Clerk Jess Earnshaw

Assembly Liaison: Thor Christianson

Others: Blake Phillips with Alaska Permanent Capital Management (APCM)

II. Approval of the minutes

A. March 21, 2024

M – Stedman / S - Reif– moved to approve the minutes from March 21, 2024. Motion carried unanimously by the two members present.

III. Persons to be Heard

None.

IV. Reports

B. APCM Portfolio Review

Phillips outlined the Sitka Permanent Fund, established in 2015, with initial contributions of \$41.4 million and withdrawals totaling \$28.5 million. The current market value stands at \$27.2 million, with a gross return of 6.35% and a net return of 6.18% since inception. The funds allocation is 35% in risk control, 55% in risk assets, and 10% in alternatives. Long-term objectives include growth and income, with a projected 7.6% return over the next 10 years. Year-to-date, the fund has achieved a 9.2% return, and the 1-year return is 21.6%.

He noted that the portfolio's risk, at 10.9%, had been realized at 9.3% over the past year, which he considered a positive outcome. Phillips emphasized the importance of monitoring volatility and being prepared for unforeseen events, such as the Covid-19 pandemic, with risk calculations based on prior capital market assumptions.

In reviewing performance, he stressed the importance of adhering to strategic goals while balancing returns with tactical shifts. He pointed out the portfolio's slight overweight in U.S. fixed income and underweight in cash, with potential risks from inflation and Federal Reserve policy changes. Phillips also underscored the need for maintaining investment guardrails to prevent policy breaches and cautioned against an overly aggressive approach to private markets (equity and credit), which could offer higher returns. He emphasized the adoption of a sustainable 4% payout rate to ensure the long-term health of the fund.

He also discussed a potential investment in a fish processing plant and recommended revisiting private market opportunities in mid-2025. Phillips stressed the importance of diversification and expressed interest in reviewing a more detailed investment proposal. The committee also examined the city's bond exposure and the growth of its grand deal's portfolio. Finally, Phillips provided an update on the \$103 million operating fund, emphasizing its goal to avoid idle funds amid rising interest rates, with a net return of 1.7% since its inception. He highlighted the funds' benefit from declining interest rates and the critical need to maintain liquidity.

V. Unfinished Business

None.

VI. New Business

None.

VII. Adjourn

M – Cameron / S –Stedman- moved to adjourn. Seeing no objection, the meeting adjourned at 4:15 p.m.

Attest:
Jessica Earnshaw, Deputy Municipal Clerk