
Investment Committee Minutes

Thursday, January 28, 2021 3:00 p.m.

Harrigan Centennial Hall / Tele/Videoconference

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,
Jere Christner, Max Rule (Alternate)
Thor Christianson (Assembly Liaison)

The Chair called the meeting to order at approximately 3:00 p.m.

I. Roll Call

Present: Michael Reif (videoconference), Jere Christner, Bert Stedman (videoconference), Max Rule (videoconference)

Staff: Municipal Administrator John Leach, Finance Director Melissa Haley, Compliance Officer Jay Sweeney, Deputy Clerk Melissa Henshaw

Assembly Liaison: Thor Christianson

Others: Blake Phillips, Allison Capps, Brandy Niclai, Richard Cochinos, and Vinay Sharma with Alaska Permanent Capital Management (APCM)

II. Approval of the minutes

A. September 17, 2020

M - Christner / S - Stedman - moved to approve the minutes from September 17, 2020. Motion carried unanimously.

III. Persons to be Heard

None.

IV. Reports

B. APCM Portfolio Review

Blake Phillips with APCM reminded of the two funds APCM was managing, the Permanent Fund and the Operating Fund. He gave an account summary that included inception date, contributions, withdrawals, current market value, and account return. Brandy Niclai (APCM) went over the market review that included impacts regarding the COVID-19 pandemic, COVID-19 vaccine, fiscal stimulus, and she gave an economic outlook on global recovery. Niclai told of protections in place for inflationary risk and that the amounting US debt was not a near term problem but that it could be in the future. She went over fixed income, equities, and real assets with regards to risk.

Looking at the value of the Permanent Fund over time, she reminded the strategic benchmark was in code and APCM was within the policy. She noted the preference in the equity market over bonds and the concentration in global stocks and infrastructure. Niclai clarified that the returns in the presentation were lagging the benchmark which had been amplified from 2020 that had carried over.

Niclai went over the three different models of allocation reminding the Committee of the New Model 5 which would require a code change. Discussion took place on the three different models. Christianson offered to sponsor the ordinance for code change if the Committee recommended the New Model 5. Christner expressed his concern of risk. Members did not feel that the additional risk would bring much more return but that a change could be done in the future and there was no hurry now. Niclai showed distribution in future projections and the portfolio balance over time.

Finance Director Melissa Haley reminded of the possible increase to the Permanent Fund from the sale of the previous Sitka Community Hospital building.

In closing, Niclai felt explaining the New Model 5 was worthy information to bring forward due to falling short of a 6% return expectation. Additionally, she said that regarding new asset classes and strategies, it was important to understand that they evaluate them in an in-depth manner each year. She relayed that APCM was always evaluating new opportunities.

V. Unfinished Business

None.

VI. New Business

C. Fiscal Policy

Finance Director Melissa Haley noted that there was not the manpower and time to jump full into the fiscal policy but wanted to talk about what could be done as far as getting something started. She showed a spreadsheet with fiscal policy elements, benchmarks, and status (to be codified or not) and noted that many of the elements were currently used informally. She pointed out highlighted elements that may be a good place to start. She noted the need for master plans/models for Enterprise Funds and the General Fund giving the example of the Harbor Master Plan that was a decade old. Alternatives needed to be looked at and therefore the plan needed updating.

She noted that finance used debt to equity as a metric, but it was not official. Compliance Officer Jay Sweeney gave his perspective that if elements of a fiscal policy were adopted, they would then be a guideline. He wondered of the level of flexibility that was needed and he asked the question of how much debt was too much debt.

Christianson also noted the need to have clear definitions of debt and equity which would be laid out in the policy. Haley agreed that definitions would be key. Christianson thought a prioritized list was needed for projects. Haley noted that Public Works has been working on one for infrastructure.

Stedman brought up a concern of continually refinancing and extending maturities of assets particularly with hydroelectric bonds/loans.

Christianson stated that Sitka has an infrastructure that was very similar to a city that with a high tax rate, yet Sitka had one of the lowest tax rates in Alaska. At some point the two were not mutually compatible. He thought by laying out this plan, it could show the cost in order to keep what Sitka already had. Haley noted the hope would be to give guidance to staff and the Assembly in most situations, but that if there were specific situations that did not follow the fiscal policy, the Assembly could have the flexibility to deviate. Commissioners agreed flexibility was needed. Rule commented on the importance of a fiscal policy that could be a statement or guidelines as the community planned for the future. Christner stated his support

of working on a fiscal policy and gave history with regards to drafts and examples. Reif stressed the importance of Administrator and Assembly buy in. Stedman felt that direction was needed from the Assembly. Rule agreed.

Haley felt that the concept had been introduced to the Assembly and that a few areas of a fiscal policy could be worked on. She suggested setting a deadline and offered that May, June, and July would be a good time for this project.

Christianson felt this committee could turn into a finance committee in order to give recommendations.

Municipal Administrator John Leach was in support of a fiscal policy. Noting the need for a strategic plan, he felt a fiscal policy could be a part of it along with master plans.

Christianson would work with Leach to explore additional duties/code changes for the Committee to include finance, possibly titled Finance and Investment Committee.

VII. Adjourn

Agenda item for the next meeting:

M - Christner / S - none - moved to adjourn. Seeing no objection, the meeting adjourned at 4:48 p.m.

Attest:
Melissa Henshaw, Deputy Clerk