
Investment Committee Minutes

Monday, May 11, 2020 3:00 p.m.
Teleconference / 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 3:04 p.m.

I. Roll Call

Present: Michael Reif, Jere Christner, Max Rule

Absent: Bert Stedman (excused)

Staff: Municipal Administrator John Leach, Chief Finance and Administrative Officer (CFAO)
Jay Sweeney; Controller Melissa Haley, Deputy Clerk Melissa Henshaw

Assembly Liaison: Thor Christianson (absent)

Others: Kevin Mosher, Blake Phillips, Bill Lierman, Brandy Niclai with Alaska Permanent
Capital Management (APCM) - signed off at 3:4 p.m.)

II. Approval of the minutes

A. November 7, 2019

M – Christner / S Rule – moved to approve the minutes from November 7, 2019 as presented. Motion carried unanimously.

III. Persons to be Heard

None.

IV. Reports

B. APCM Portfolio Review

Brandy Niclai told of market conditions and market outlook stating that data has been collected to gauge the magnitude of the COVID-19 pandemic but that current numbers showed first quarter which was only about two weeks of the pandemic. She noted that the second quarter would be worse. Their team was and would continue monitoring. She stated that the outlook was dependent on reopening the economy and pharmaceutical advancements. She stated, looking forward a year out was expected to have positive economic growth. She noted that interest rates would be low and may end up lower than the inflation rate.

Bill Lierman reported interest rates were down and gave the positives of that. He told of bonds in context with the market through the pandemic.

Rule found it interesting that the financial market damage graph tracked what occurred in 2008. APCM felt it would be deeper and longer with this pandemic. Niclai noted subsequent rebound may be quicker than from the financial crash of 2008 as financial markets were focused on optimism with pharmaceutical and treatment with drugs and vaccines. She commented on equity market valuations.

Rule wondered how the national election may impact the market. Niclai stated it could cause volatility and that APCM was monitoring those types of situations. She made comments on strategic planning for market risk and exogenous shocks. She stated APCM utilized models and was monitoring. Niclai told of historical market value as of March 31, 2020 and annual returns of the past. She went over asset allocation, focusing on the strategic benchmark and the systematic steps taken. She showed account performance giving the unofficial year to date return through April 21, 2020.

Rule brought up the lack of cruise ship industry for Sitka and slowed economic activity over the next 12-18 months and wondered if we should look at maturities or if we had to dip into Permanent Fund to fund government operation in the event of significant deficits. CFAO Jay Sweeney told of decisions that were made by the Assembly to forego all General Capital Fund spending. He stated that high profile paving projects were put on hiatus and therefore, there was an operating budget surplus by foregoing them. He told of anticipated CARES Act funding.

Lierman went over the Operating Portfolio. Blake Phillips stated it was important to remember the Operating Fund was not meant to be absolute return as money was going in and out to support the city and tried to enhance the yield when possible.

V. Unfinished Business

None.

VI. New Business

C. Discussion of an Assembly Member's Question Concerning Sitka Permanent Fund Performance Review

CFAO Jay Sweeney felt this was to consider trying to find an investment manager to generate greater return or a process to gauge the return by a third-party. Assembly member Kevin Mosher wondered when the last review/evaluation was against industry benchmarks. Christner agreed that it should be done periodically as good managers of the funds. He thought to look at if the funds were in line with goals and objectives every few years as part of the process as managing the public's money. Sweeney stated a general review would entail going back again to do an RFP for an external management firm independent review.

Reif gave his perspective, the policy was middle of the road conservative, and didn't feel that better returns could be made. Rule felt that periodic reviews were a good idea but noted that APCM followed the investment policy. He stated it maybe better to look at creating a fiscal policy. Sweeney gave prior history of the concept of creating a fiscal policy, stating it was on hold. Controller Melissa Haley added that during the budget process certain metrics and best practices were stated which gave explanation of rate increases. Rule stated a fiscal policy was critical for community and hugely complex. He felt bringing someone in with the skill set would be worth it.

VII. Adjourn

M -Christner /S - Rule - moved to adjourn. Seeing no objection, the meeting adjourned at 4:05 p.m.

Attest:
Melissa Henshaw, Deputy Clerk