

CLERK'S OFFICE

**APPROVED**

Date: 7-21-09

Submitted by: Chair of the Assembly at the  
Request of the Acting Mayor

Prepared by: Finance Department

For reading: June 9, 2009

**ANCHORAGE, ALASKA**

**AO No. 2009-80**

**AN ORDINANCE REPEALING AND RE-ENACTING ANCHORAGE MUNICIPAL  
CODE SECTION 6.50.030 TO UPDATE THE INVESTMENT GUIDELINES FOR  
MUNICIPAL FUNDS.**

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**WHEREAS**, Assembly Resolution No. 2005-64 directed the Municipality (MOA) to perform a review of cash pool investment policies and practices. The scope of the project was extensive and included an analysis of the MOA's cash flows, evaluation of cash pooling practices and a re-write of Anchorage Municipal Code and Operating Policies and Procedures governing investment practices, portfolio management practices, security selection and the use of external money managers; and

**WHEREAS**, a Request for Proposal (RFP) for an investment advisory services firm to assist staff with the review was solicited and the MOA entered into a contract with the investment advisory firm of RV Kuhns and Associates, Inc (RV Kuhns); and

**WHEREAS**, RV Kuhns completed its review of the MOA's investment policies and practices and provided numerous recommendations, including the re-write of section 6.50.030 in October 2006; and

**WHEREAS**, other recommendations of RV Kuhns' were implemented and in particular the Municipal Cash Pool (MCP) was created on June 1, 2007; and

**WHEREAS**, two years has elapsed since the creation of the MCP; and

**WHEREAS**, the capital markets have been in historic turmoil for the past one and one half years; and

**WHEREAS**, due to the time elapsed since the creation of the MCP and the market turmoil of the past one and one half years the investment advisory services firm of Callan Associates was hired to review the organizational concept, existing practices and performance of the investment guidelines for Municipal funds of the Municipality; and

**WHEREAS**, recommendations agreed to between the Finance Department staff and Callan Associates include modifications to section 6.50.030 regarding the clarification of some definitions and addressing the use of derivatives and identifying prohibited investments; and

1 **WHEREAS**, support of these proposed changes was received from  
2 Commissioners of the Investment Advisory Commission; now therefore,  
3

4 **THE ANCHORAGE ASSEMBLY ORDAINS:**  
5

6 **Section 1.** Anchorage Municipal Code section 6.50.030, copy attached as  
7 **Exhibit A**, is hereby repealed in its entirety.  
8

9 **Section 2.** Anchorage Municipal Code section 6.50.030 is hereby re-enacted to  
10 read as follows:  
11

12 **6.50.030**      **Investment Guidelines for Municipal Funds**  
13

14 A. *Definitions.* For the purposes of this section, the following definitions  
15 shall apply:  
16

17 *Asset Backed Commercial Paper (ABCP)* means a short-term  
18 investment vehicle with a maturity that is typically between 30 and  
19 270 days. The security itself is typically issued by a bank or  
20 other financial institution. Unlike commercial paper, the notes are  
21 backed by physical assets such as trade receivables, and are  
22 generally used for short-term financing needs.  
23

24 *Bank* means a state or federally chartered commercial or mutual  
25 bank, savings and loan association or credit union located in the  
26 United States and having insurance of accounts through the  
27 appropriate federal insuring agency of the United States.  
28

29 *Broker/Dealer* means a qualified institution including depository  
30 banks, any Federal Reserve Bank, government securities dealers, or  
31 broker dealer registered in compliance with the Securities Exchange  
32 Act of 1934.  
33

34 *Certificate of deposit* means a nonnegotiable certificate of deposit or  
35 other depository agreement issued or to be issued to the  
36 Municipality by a Bank.  
37

38 *Collateralized Debt Obligation (CDO)* means an investment-grade  
39 security backed by a pool of bonds, loans and other assets. CDOs  
40 do not specialize in one type of debt but are often non-mortgage  
41 loans or bonds. Similar in structure to a collateralized mortgage  
42 obligation (CMO) or collateralized bond obligation (CBO), CDOs are  
43 unique in that they represent different types of debt and credit risk.  
44 In the case of CDOs, these different types of debt are often referred  
45 to as 'tranches' or 'slices'. Each slice has a different maturity and  
46 risk associated with it. The higher the risk, the more the CDO pays.

1  
2 *Commodities* means bulk goods such as grains, metals, and foods  
3 traded on a commodities exchange or on the spot market.  
4

5 *Contingency Reserve Portfolio* means that portion of the Portfolio  
6 used as a defensive fixed income portfolio, with an average duration  
7 within half a year of its benchmark. The Contingency Reserve  
8 Portfolio is intended as a buffer between the Working Capital  
9 Portfolio and the Strategic Reserve Portfolio. The objective of this  
10 fixed income portfolio is to provide a high level of current income  
11 consistent with low volatility of principal. The Contingency Reserve  
12 Portfolio is not designed to provide daily liquidity yet seeks higher  
13 returns with some preservation of principal by employing a broader  
14 range of sectors and tactically managing duration.  
15

16 *Derivatives* means a security whose price is dependent upon or  
17 derived from one or more underlying assets. The derivative itself is  
18 a contract between two or more parties. Its value is determined by  
19 fluctuations in the underlying asset. The most common underlying  
20 assets include stocks, bonds, commodities, currencies, interest rates  
21 and market indexes. Most derivatives are characterized by high  
22 leverage. Futures contracts, forward contracts, options and  
23 swaps are the most common types of derivatives. Derivatives are  
24 contracts and can be used as an underlying asset. Derivatives are  
25 generally used as an instrument to hedge risk, but can also be used  
26 for speculative purposes.  
27

28 *Equity Investments* means investments in foreign or domestic stocks  
29 or mutual funds that have investments in foreign or domestic stocks.  
30

31 *FDIC* means the Federal Deposit Insurance Corporation.  
32

33 *FHLMC or Freddie Mac* means Federal Home Loan Mortgage  
34 Corporation.  
35

36 *FNMA or Fannie Mae* means Federal National Mortgage  
37 Association.  
38

39 *Forward Contract* means a cash market transaction in which delivery  
40 of the commodity is deferred until after the contract has been made.  
41 Although the delivery is made in the future, the price is  
42 determined on the initial trade date. (Most forward contracts don't  
43 have standards and aren't traded on exchanges. A farmer would  
44 use a forward contract to "lock-in" a price for his grain for the  
45 upcoming fall harvest.)  
46

1            *Futures Contract or Futures* means a contractual agreement,  
2            generally made on the trading floor of a futures exchange, to buy or  
3            sell a particular commodity or financial instrument at a pre-  
4            determined price in the future. Futures contracts detail the quality  
5            and quantity of the underlying asset; they are standardized to  
6            facilitate trading on a futures exchange. Some futures contracts  
7            may call for physical delivery of the asset, while others are settled in  
8            cash.

9  
10           *GNMA or Ginnie Mae* means Government National Mortgage  
11           Association.

12  
13           *IBRD* means the International Bank for Reconstruction and  
14           Development.

15  
16           *Index Fund* means a type of mutual fund with a portfolio constructed  
17           to match or track the components of a market index, such as the  
18           Standard & Poor's 500 Index (S&P 500). An index mutual fund is  
19           said to provide broad market exposure, low operating expenses and  
20           low portfolio turnover.

21  
22           *Interfund loan* means a loan from a MCP to a Municipal Fund  
23           extending outside a fiscal year.

24  
25           *Municipal Cash Pool* means that portion of the Portfolio that is  
26           invested by external managers and represents the Duration/Risk  
27           Portfolio investment objective of this part of the Code.

28  
29           *Mutual Fund* means a diversified mutual fund, including index funds,  
30           registered under the Securities Act of 1933 and Investment  
31           Company Act of 1940.

32  
33           *Non-Dollar Denominated Securities* means a financial instrument  
34           that has its face value denominated in a currency other than the U.S.  
35           dollar.

36  
37           *Operating Policy & Procedures* means the Municipality's Policy &  
38           Procedures established and related to investments.

39  
40           *Options* means a contract between a buyer and a seller that gives  
41           the buyer the right—but not the obligation—to buy or to sell a  
42           particular asset (the underlying asset) at a later day at an agreed  
43           price. In return for granting the option, the seller collects a payment  
44           (the premium) from the buyer.

45  
46           *Portfolio* means aggregate balance of all Municipal funds currently

1 under investment. It excludes real estate owned by the Municipality,  
2 including real estate owned by the Heritage Land Bank and any  
3 component unit of the Municipality. Portfolio excludes debt  
4 proceeds in escrow for defeased debt. Portfolio excludes assets  
5 invested within the MOA Trust Fund, the Police and Fire Pension,  
6 the Municipal Prefunding Trust, and the Police and Fire Medical  
7 Trust.

8  
9 *Portfolio Benchmark* means a blended benchmark consisting of the  
10 individual portfolios respective benchmarks, weighted at their  
11 beginning-of-period market values throughout budgetary and  
12 economic cycles, taking into account the Municipality's investment  
13 risk constraints and the cash flow characteristics of the Portfolio.

14  
15 *Rated Bank* means:

- 16  
17 1. A bank whose short term debt issues are rated at least A-1 or  
18 P-1 or F-1, or whose long term debt issues are rated at least  
19 A by Standard and Poor's (S&P), Moody's Investors Service  
20 (Moody's), or Fitch Ratings (Fitch) or the equivalent by a  
21 nationally recognized rating service; or  
22
- 23 2. A bank whose letters of credit secure third-party debt issues  
24 rated at least A by S&P or its equivalent by a nationally  
25 recognized rating service; or  
26
- 27 3. A bank which is a subsidiary of a one-bank holding company,  
28 all of whose commercial paper is rated at least "A-1" by S&P  
29 or "P-1" by Moody's or "F-1" by Fitch or the equivalent by a  
30 nationally recognized rating service.  
31

32 *Real Estate Investments* means land and all physical property  
33 associated with it. This includes all investments that have an  
34 interest in land ownership including real estate investment trusts.  
35

36 *Securities* means any authorized investment listed in subsection D.  
37

38 *Securities Lending* means an investment strategy in which investors  
39 make short-term loans of their securities to generate incremental  
40 revenues from their portfolios. Loans are typically collateralized by  
41 at least 102% with cash or government backed securities.  
42

43 *Short Sales or Selling Short* means the sale of a security or contract  
44 related to a security not owned by the seller. Selling Short is a  
45 technique used to take advantage of an anticipated price decline in  
46 the security.

1  
2 *Split Rated or Split Rating* means when a debt security or a debt  
3 issuer has ratings from two or more nationally recognized rating  
4 agencies that are different. In this situation, the lowest rating applies  
5 for the purposes of this section of the Anchorage Municipal Code  
6 when determining if an investment is an Authorized Investment.  
7

8 *Strategic Reserve Portfolio* means that portion of the Portfolio that is  
9 analogous to an intermediate fixed income portfolio, managed with a  
10 maximum duration no greater than 1-year in excess of its  
11 benchmark. The Strategic Reserve Portfolio is intended for residual  
12 cash balances for which the Municipality does not foresee utilizing  
13 over a rolling three-year forecast period. The objective of the  
14 Strategic Reserve Portfolio is to generate excess return through  
15 effective sector selection, issue selection, and duration  
16 management.  
17

18 *Structured Investment Vehicles (SIVs)* means a special kind of  
19 conduit or a special purpose vehicle or entity that is bankruptcy  
20 remote, which means that it is a separate business entity and is not  
21 rolled up into the sponsoring company's balance sheet. It is a type  
22 of structured vehicle that issues ABCP. Many SIVs are administered  
23 by large commercial banks or other asset managers such as  
24 investment banks or hedge funds. They issue ABCP as a way to  
25 fund purchases of investment grade securities and also to earn the  
26 spread based on the term to maturity differential. They usually  
27 invest the majority of their portfolios in 'AAA' and 'AA' assets, which  
28 include an allocation to residential mortgage backed securities. In  
29 contrast to a multi-seller or securities arbitrage conduit, a SIV does  
30 not employ credit enhancement, and the underlying SIV assets are  
31 marked to market at least weekly.  
32

33 *Swap* means a derivative in which two counterparties agree to  
34 exchange one stream of cash flow against another stream. These  
35 streams are called the *legs* of the swap. The cash flows are  
36 calculated over a notional principal amount, which is usually not  
37 exchanged between counterparties. Consequently, swaps can be  
38 used to create unfunded exposures to an underlying asset, since  
39 counterparties can earn the profit or loss from movements in price  
40 without having to post the notional amount in cash or collateral.  
41 Swaps can be used to hedge certain risks such as interest rate risk,  
42 or to speculate on changes in the expected direction of underlying  
43 prices.  
44

45 *TBA* means a term used to describe a forward mortgage-backed  
46 securities trade. Pass-through securities issued by Freddie Mac,

1 Fannie Mae and Ginnie Mae trade in the TBA market. The term  
2 TBA is derived from the fact that the actual mortgage-backed  
3 security that will be delivered to fulfill a TBA trade is not designated  
4 at the time the trade is made. The securities are "to be announced"  
5 48 hours prior to the established trade settlement date. The  
6 settlement procedures of mortgage-backed securities TBA trades  
7 are established by the Bond Market Association.

8  
9 *Variable Rate Demand Obligation (VRDO)* means a debt security  
10 which bears interest at a floating (variable) rate adjusted at specified  
11 intervals (such as daily, weekly, or monthly) and can be redeemed at  
12 its holder's option when the rate changes. Also known as a low  
13 floater, variable rate demand note, or variable rate demand bond.

14  
15 *Working Capital Portfolio* means that portion of the Portfolio  
16 managed for very short-term liquidity, typically with a duration band  
17 of 0 – 270 days. The Working Capital Portfolio is intended to  
18 provide for same-day liquidity for working capital management. In  
19 addition to providing liquidity, the objective of the Working Capital  
20 Portfolio is to preserve principal and generate current income by  
21 investing in a portfolio of high-quality, short-term instruments.

22  
23 **B. Management of Municipal Funds.**

- 24  
25 1. It is the policy of the Municipality to invest public funds in a  
26 manner that provides the highest investment return  
27 consistent with preservation of capital while meeting the daily  
28 cash flow demands of the Municipality.  
29  
30 2. Investment decisions shall be guided by this section, and the  
31 Operating Policy & Procedures for investment of Municipal  
32 funds, as modified from time to time by the Chief Fiscal  
33 Officer.  
34  
35 3. The Chief Fiscal Officer shall obtain the services of such  
36 investment managers, advisors, custodians and other  
37 professionals as are reasonably prudent and necessary to  
38 manage and invest all Municipal Funds.  
39  
40 4. The Chief Fiscal Officer shall solicit input from the Investment  
41 Advisory Commission members prior to the final selection of  
42 any service providers.  
43  
44 a. For an investment manager, advisor, custodian or  
45 other professionals contracted under the provisions of  
46 this section, assembly approval is not required;

1  
2           b.     The Chief Fiscal Officer shall report within ninety (90)  
3                days to the Assembly, by Assembly Informational  
4                Memorandum, on contracts entered into pursuant to  
5                the provisions of this section including, but not limited  
6                to, the duties to be performed by the contractor and  
7                the compensation paid.  
8

9           C.     Investment Objective. The primary objectives, in priority order, of  
10                the Municipality's investment activities shall be:

11  
12           1.     *Safety.* Safety of principal is the foremost objective of the  
13                investment program. Investments of the Municipality shall be  
14                undertaken in a manner seeking to ensure the preservation of  
15                capital in the overall Portfolio. To attain this objective,  
16                diversification is required to reduce overall Portfolio risk while  
17                attaining market rates of return.  
18

19           2.     *Liquidity.* The Municipality's investment Portfolio shall remain  
20                sufficiently liquid to enable the Municipality to meet all  
21                reasonably anticipated operating requirements.  
22

23           3.     *Return on Investment.* The Municipality's investment  
24                Portfolio shall be designed with the objective of outperforming  
25                the total Portfolio Benchmark.  
26

27           4.     *Duration/Risk Portfolio.* The Municipality's investment  
28                Portfolio shall be structured into three duration portfolios,  
29                each designed to fulfill a specific liquidity requirement.  
30                Allocations into each portfolio shall consist of an absolute  
31                value derived from a rolling three-year forecast, re-evaluated  
32                on an annual basis.  
33

34           D.     *Authorized Investments.* In order to provide maximum security for  
35                the investment of public funds and to provide the greatest interest  
36                revenue consistent with safety, only the following investments of the  
37                Municipality's funds are authorized (where the issue or issuer is Split  
38                Rated, the lower of the ratings shall apply):  
39

40           1.     Obligations issued or guaranteed by the U.S. government,  
41                U.S. agencies or U.S. government-sponsored corporations  
42                and agencies.  
43

44           2.     Corporate Debt Securities that are guaranteed by the U.S.  
45                government or the FDIC as to principal and interest.  
46



- 1 3. Taxable and tax-exempt municipal securities having a long  
2 term rating of at least A- by a nationally recognized rating  
3 agency or a taxable or tax-exempt municipal security having  
4 a short term rating of at least "A-1" by S&P or "P-1" by  
5 Moody's or "F-1" by Fitch.  
6
- 7 4. IBRD Debt Securities issued and guaranteed by the IBRD  
8 and rated AAA by a nationally recognized rating agency.  
9
- 10 5. Commercial paper rated at least "A-1" by S&P or "P-1" by  
11 Moody's or "F-1" by Fitch.  
12
- 13 6. Bank debt obligations, including unsecured certificates of  
14 deposit, notes, time deposits, and bankers' acceptances (with  
15 maturities of not more than 365 days), and deposits with any  
16 Bank, the short-term obligations of which are rated at least  
17 "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and is  
18 either:  
19
  - 20 a. Incorporated under the laws of the United States of  
21 America, or any state thereof, and subject to  
22 supervision and examination by federal or state  
23 banking authorities; or  
24
  - 25 b. Issued through a foreign bank with a branch or agency  
26 licensed under the laws of the United States of  
27 America, or any state thereof, or under the laws of a  
28 country with a Moody's sovereign rating for bank  
29 deposits of "Aaa", or an S&P sovereign rating of  
30 "AAA", or a Fitch national rating of "AAA", and subject  
31 to supervision and examination by federal or state  
32 banking authorities.  
33
- 34 7. Repurchase agreements secured by obligations of the U.S.  
35 government, U.S. agencies, or U.S. government-sponsored  
36 corporations and agencies.  
37
- 38 8. Dollar denominated corporate debt instruments rated BBB- or  
39 better by S&P's Rating Service (investment grade) or the  
40 equivalent by another nationally recognized rating agency.  
41
- 42 9. Dollar denominated corporate debt instruments, rated below  
43 BBB- by S&P's Rating Service or the equivalent by another  
44 nationally recognized rating agency, including emerging  
45 markets.  
46

- 1 10. Dollar denominated debt instruments of foreign governments  
2 rated BBB- or better by S&P's Rating Service or the  
3 equivalent by another nationally recognized rating agency.  
4
- 5 11. Asset Backed Securities (ABS), other than commercial paper,  
6 collateralized by: credit cards, automobile loans, leases and  
7 other receivables which must have a credit rating of AA- or  
8 above by S&P's Rating Service or the equivalent by another  
9 nationally recognized rating agency.  
10
- 11 12. Mortgage Backed Securities, including generic mortgage-  
12 backed pass-through securities issued by GNMA, FHLMC,  
13 FNMA, Non-agency mortgage-backed securities,  
14 Collateralized Mortgage Obligations (CMOs), or Commercial  
15 mortgage-backed securities (CMBS), which must have a  
16 credit rating of AA- or better by S&P's Rating Service or the  
17 equivalent by another nationally recognized rating agency.  
18
- 19 13. Debt issued by the Tennessee Valley Authority.  
20
- 21 14. Money Market Mutual Funds rated "Am" or better by Standard  
22 & Poor's Rating Service, or the equivalent by another  
23 nationally recognized rating agency, and consisting of any or  
24 all of the securities authorized for investment in this section of  
25 the code.  
26
- 27 15. Alaska Municipal League Investment Pool (AMLIP),  
28 consistent with all other provisions of this section of the code.  
29
- 30 16. Mutual Fund Investments so long as the overall nature of the  
31 fund is generally consistent with this section of the code.  
32
- 33 17. Interfund Loans from a Municipal Cash Pool to a Municipal  
34 Fund.  
35

36 E. *Prohibited Investments.* Prohibited Investments for the Portfolio are  
37 those not listed under Authorized Investments and specifically  
38 include Equity Investments. Prohibited Investments also include the  
39 sale or purchase of futures or option contracts for any security.  
40

41 Other Prohibited Investments include:

- 42
- 43 1. SIVs;
- 44 2. ABCP;
- 45 3. The Selling Short of any security;
- 46 4. Non Dollar Denominated Securities;

- 5. Commodities; and
- 6. Real Estate Investments.

F. *Use of Derivatives.* Derivatives shall not be used as an investment in the Portfolio with the exception of:

- 1. TBAs; and
- 2. Derivative securities of which the ultimate payment of principal and or interest on the security is guaranteed by the U.S. government or an agency of the U.S. government.

G. *Securities Lending.* This type of program is permissible only if recommended by the Chief Fiscal Officer and approved by the Municipal Assembly.

H. *Reporting.* The Chief Fiscal Officer shall submit to the Assembly on an annual basis reports addressing Portfolio performance and compliance. The annual report shall address the use of investment consultants and external money managers, the use of derivatives, securities lending activities and bank lines of credit. The report shall also include compliance with the requirements regarding Portfolio diversification, maximum holdings by type of authorized investment, and Portfolio performance compared with Portfolio benchmarks.

**Section 3.** This ordinance shall become effective immediately upon its passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 21<sup>st</sup> day of <sup>July</sup>~~June~~, 2009.

Debbie Osslander  
Chair of the Assembly

ATTEST:

Barbara S. Jonstad  
Municipal Clerk

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**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects -- General Government**

AO Number: 2009-80

Title: AN ORDINANCE REPEALING AND RE-ENACTING ANCHORAGE  
MUNICIPAL CODE SECTION 6.50.030 TO UPDATE THE INVESTMENT  
GUIDELINES FOR MUNICIPAL FUNDS

Sponsor: Acting Mayor  
Preparing Agency: Finance Department  
Others Impacted:

<b>CHANGES IN EXPENDITURES AND REVENUES:</b>	<b>(In Thousands of Dollars)</b>				
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Operating Expenditures</b>					
1000 Personal Services	\$ -	\$ -	\$ -	\$ -	\$ -
3103 Professional Services	-	-	-	-	-
<b>TOTAL DIRECT COSTS:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Add: 6000 Charges from Others					
Less: 7000 Charges to Others					
<b>FUNCTION COST:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>REVENUES:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CAPITAL:</b>					
<b>POSITIONS: FT/PT and Temp</b>					

**PUBLIC SECTOR ECONOMIC EFFECTS:**

This ordinance modifies Anchorage Municipal Code section 6.50.030 with respect to certain clarifications and identifying specific prohibited investments for municipal funds.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

No effects.

Prepared by:

Ross Risvold

343-6610



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 326-2009

Meeting Date: June 9, 2009

1 **From: ACTING MAYOR**

2  
3 **Subject: AN ORDINANCE REPEALING AND RE-ENACTING**  
4 **ANCHORAGE MUNICIPAL CODE SECTION 6.50.030 TO**  
5 **UPDATE THE INVESTMENT GUIDELINES FOR MUNICIPAL**  
6 **FUNDS**

7  
8 Assembly Resolution No. 2005-64, approved on March 29, 2005, requested the  
9 Administration to conduct an analysis of the Municipality's cash pool investment  
10 practices. In early 2006, a contract was awarded to RV Kuhns & Associates  
11 (Consultant), an investment consulting firm to assist the Administration with the  
12 analysis. The scope of work included analysis of the Municipality's cash flows,  
13 evaluation of current cash management and investment practices,  
14 recommendation of ways to improve current practices, and if necessary, a re-  
15 write of Anchorage Municipal Code (AMC) which was accomplished in October  
16 2006 and a rewrite of the Operating Policies & Procedures, which also was  
17 accomplished in December 2007. The Consultant presented its findings and  
18 recommendations to the Investment Advisory Commission (IAC) on  
19 September 19, 2006. The IAC unanimously approved a motion supporting the  
20 recommendations of the Consultant, and supporting the effort of the Finance  
21 Department to move forward with implementation of the recommendations.  
22 The Municipal Assembly supported the recommendations with passage of the  
23 revised Code in October 2006.

24  
25 A major part of the implementation was the start of the Municipal Cash Pool  
26 (MCP) on June 1, 2007. Because it has been two years since the beginning of  
27 the MCP and the capital markets have been in a state of historic turmoil since  
28 late 2007, the Chief Fiscal Officer hired Callan Associates (Callan) as an  
29 outside investment consultant for the year 2009 to review the concept of  
30 external managers and the daily practices of the administration of the MCP and  
31 other internally managed funds.

32  
33 As part of Callan's review, staff has proposed, and Callan has concurred with,  
34 the amendments in this ordinance. The changes are some minor  
35 housekeeping issues, additional clarification in the definition section, an  
36 additional section identifying specifically prohibited investments, and a section  
37 regarding Derivatives. Michael O'Leary of Callan believes the original concept  
38 of the MCP, the utilization of external money managers and the internal  
39 management of restricted municipal funds remains sound and appropriate for  
40 the Municipality of Anchorage. Review of the more detailed aspects of the

1 external managers themselves, as well as the changes proposed in the  
2 ordinance, are ongoing.

3  
4 The existing reporting requirements remain intact and unchanged in this  
5 ordinance, requiring the Chief Fiscal Officer to report to the Assembly on an  
6 annual basis the use of investment consultants, external money managers and  
7 other matters including compliance with portfolio limitations regarding  
8 diversification, maximum holdings by type of authorized investment, and  
9 portfolio performance compared to portfolio benchmarks. The Chief Fiscal  
10 Officer has recently reported performance of the portfolio to the Assembly on a  
11 monthly basis.

12  
13  
14 **THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE**  
15 **REPEALING AND RE-ENACTING AMC SECTION 6.50.030 TO UPDATE THE**  
16 **INVESTMENT GUIDELINES FOR MUNICIPAL FUNDS.**

17  
18 Prepared by: Ross Risvold, Public Finance & Investments  
19 Manager

20 Approved: Sharon Weddleton, CFO

21 Concur: James N. Reeves, Municipal Attorney

22 Concur: Michael K. Abbott, Municipal Manager

23 Respectfully submitted: Matt Claman, Acting Mayor  
24  
25

**Content ID:** 007781

**Type:** Ordinance - AO

AN ORDINANCE REPEALING AND RE-ENACTING ANCHORAGE

**Title:** MUNICIPAL CODE SECTION 6.50.030 TO UPDATE THE INVESTMENT GUIDELINES FOR MUNICIPAL FUNDS

**Author:** maglaquijp

**Initiating Dept:** Finance

**Keywords:** Repealing, AMC, Section 6.50.030, Investment, Guidelines, funds

**Date Prepared:** 5/22/09 3:47 PM

**Director Name:** Sharon Weddleton

**Assembly Meeting Date:** 6/9/09

**Public Hearing Date:** 6/23/09 7/7/09

<b>Workflow Name</b>	<b>Action Date</b>	<b>Action</b>	<b>User</b>	<b>Security Group</b>	<b>Content ID</b>
Clerk_Admin_SubWorkflow	5/29/09 9:09 AM	Exit	Joy Maglaqui	Public	007781
MuniMgrCoord_SubWorkflow	5/29/09 9:09 AM	Approve	Joy Maglaqui	Public	007781
MuniMgrCoord_SubWorkflow	5/28/09 3:19 PM	Checkin	Joy Maglaqui	Public	007781
MuniManager_SubWorkflow	5/28/09 10:30 AM	Approve	Michael Abbott	Public	007781
Legal_SubWorkflow	5/26/09 6:03 PM	Approve	Rhonda Westover	Public	007781
OMB_SubWorkflow	5/26/09 11:12 AM	Approve	Bruce Holmes	Public	007781
Finance_SubWorkflow	5/22/09 4:12 PM	Approve	Sharon Weddleton	Public	007781
AllOrdinanceWorkflow	5/22/09 3:50 PM	Checkin	Nina Pruitt	Public	007781