

**SB**

**161**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 23, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/28/97

The FINANCE Committee considered:

CSSB 161(FIN)

CS FOR SENATE BILL NO. 161(FIN)

PERM. FUND CORP TO MANAGE MUNI ASSETS

"An Act relating to management of certain municipal assets by the Alaska Permanent Fund Corporation."

recommends it be replaced with the following committee substitute CSSB 161(FIN)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dep't)

APPROVES PREVIOUS: (Dep't/Date)

fiscal note(s) \_\_\_\_\_

fiscal note(s) Revenue 4/15/97

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Therriault	X			
	MULDER	X			
	Martin			X	
	J. Davis	X			
	MOSES			X	
	G. Davis			X	
	Kelly				
	FOSTER				

CHAIR'S SIGNATURE

# Alaska State Legislature

SENATOR  
**BERT SHARP**

DISTRICT P

CO-CHAIRMAN  
SENATE FINANCE COMMITTEE

MEMBER  
RESOURCE COMMITTEE



Senate

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DENALI BANK BUILDING  
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(907) 452-7885/7886  
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SESSION ADDRESS:  
STATE CAPITOL, ROOM 516  
JUNEAU, ALASKA 99801-1182  
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## SPONSOR STATEMENT

SB-161

BY: SENATOR BERT SHARP

**THIS LEGISLATION AUTHORIZES THE PERMANENT FUND CORPORATION TO MANAGE THE ASSETS OF A MUNICIPAL SAVINGS OR INVESTMENT ACCOUNT.**

**THE PARAMETER OF A MANAGEMENT AGREEMENT STARTS ON PAGE 1, LINE 9 THROUGH THE REMAINDER OF THE BILL.**

**THESE WERE SET BY THE PERMANENT FUNDS CORPORATION AS CONDITIONS THEY COULD ACCOMMODATE WITHOUT COMPROMISING THEIR MISSION.**

**THIS OFFERS MUNICIPALITIES THE OPTION OF INVESTMENT MANAGEMENT SERVICES WITHIN ALASKA AND ONE IN WHICH THE AVERAGE CITIZEN HAS CONFIDENCE.**

**MANAGEMENT COSTS ARE TOTALLY REIMBURSABLE TO THE PERMANENT FUND CORPORATION BY THE MUNICIPALITIES .**



REPRESENTING  
GOLDEN HEART  
OF ALASKA

# LEGAL SERVICES

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Juneau, Alaska 99801-2105

## MEMORANDUM

April 11, 1997

**SUBJECT:** Management of municipal assets by the Alaska Permanent Fund Corporation (CSSB 161( ); 20-LS0864\E)

**TO:** Senator Bert Sharp  
Attn: Marilyn Wilson

**FROM:** Tamara B. Cook  
Director *TBC*

Here is the sectional summary you requested of the above referenced draft.

**Sec. 1.** Requires the Alaska Permanent Fund Corporation to manage the assets in an account of a municipality when directed to do so by resolution of the municipal governing body if the account meets certain requirements. The municipality must pay an amount sufficient to reimburse the corporation for the costs of managing those assets. Payments are deposited in the earnings reserve account and the corporation may request the legislature to appropriate those payments for operations of the corporation.

TBC:jdr  
97-262.jdr



**CITY OF FAIRBANKS**  
*James C. Hayes, Mayor*  
800 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701-4683  
OFFICE: 907-459-6793



March 7, 1997

Senator Bert Sharp  
State Capitol  
Juneau, Alaska 99801-1182

Re: City of Fairbanks' Permanent Fund

Dear Senator Sharp:

Pursuant to our conversation earlier this week, I wish to formally request your sponsorship of legislation regarding the management of the City's Permanent Fund. As I explained to you, it is the City's desire that it be allowed to deposit the proceeds of the utility sale into the State's Permanent Fund, to be managed by the State Permanent Fund Corporation. Because the sale is expected to take place this summer, I would respectfully request that this legislation be proposed by late summer, and acted upon during this Legislative Session.

I am certain you are aware that this is currently being done for both the Alaska Mental Health Lands Trust and the Alaska Science Technology Foundation. This, I am sure, will help pave the way for the passing of this proposed legislation.

Thank you for your assistance. If you have any further questions, please do not hesitate to contact me.

Sincerely,

CITY OF FAIRBANKS

A handwritten signature in cursive script that reads "James C. Hayes".

James C. Hayes  
Mayor

JCH:bss

**RESOLUTION 97-02****ALASKA GOVERNMENT FINANCE OFFICERS ASSOCIATION****A RESOLUTION OF THE ALASKA GOVERNMENT  
FINANCE OFFICERS ASSOCIATION SUPPORTING THE  
ALASKA MUNICIPAL BOND BANK AUTHORITY AND THE  
POSITION OF EXECUTIVE DIRECTOR.**

WHEREAS, many Alaska municipalities, especially smaller communities, have utilized the Alaska Municipal Bond Bank Authority (AMBBA) for the issuance of local debt for the past twenty (20) years; and

WHEREAS, municipalities are able to finance projects benefitting Alaskan communities in important areas such as safety, schools, docks, health and welfare; and

WHEREAS, communities can enjoy lower interest rates due to the AMBBA's ability to obtain the industry rating of "A" which is higher than the communities could obtain independently; and

WHEREAS, the authority is self supporting, paying to the Alaska State General Fund \$617,000 in 1996 and over \$19,600,000 in the past twenty (20) years; and

WHEREAS, AMBBA Executive Director is the only position authorized to be hired by Alaska State Statute (44.85.070) by its Board of Directors; and

WHEREAS, the AMBBA's Executive Director is the first contact who has sufficient knowledge and provides the technical assistance and expertise to local communities to structure and process loans for much needed public projects; and

WHEREAS, the AMBBA is currently obligated, by statute, to continue to assist Alaskan communities even if it is unable to issue debt; and

WHEREAS, the AMBBA, with the guidance of it's Executive Director, is vital to local communities in issuing debt and for the continuation of development of Alaska communities.

NOW, THEREFORE, BE IT RESOLVED, that the ALASKA GOVERNMENT FINANCE OFFICERS ASSOCIATION supports the Alaska Municipal Bond Bank Authority and position of the Executive Director.

BE IT FURTHER RESOLVED, that this resolution be forwarded to Governor Knowles, Senate and House of Representatives.

PASSED AND ADOPTED by the Alaska Government Finance Officers Association, in Homer, Alaska, this 18th day of April 1997.

ATTEST:

Renee VanNort /s/  
Renee VanNort, Secretary

Tammy Clayton /s/  
Tammy Clayton, President

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act relating to management of certain municipal BRU: Alaska Permanent Fund Corporation  
assets by the Alaska Permanent Fund Corporation. Component: Alaska Permanent Fund Corporation  
 Sponsor: Senator Sharp  
 Requestor: CRA, [REDACTED] COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	300.0	309.0	318.0	328.0	341.0	355.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>300.0</b>	<b>309.0</b>	<b>318.0</b>	<b>328.0</b>	<b>341.0</b>	<b>355.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )	300.0	309.0	318.0	328.0	341.0	355.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other-Corporate Receipts	300.0	309.0	318.0	328.0	341.0	355.0
<b>TOTAL</b>	<b>300.0</b>	<b>309.0</b>	<b>318.0</b>	<b>328.0</b>	<b>341.0</b>	<b>355.0</b>

Estimate of any current year (FY97) cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Byron I. Malott  
 Division: Alaska Permanent Fund Corporation  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-3172  
 Date: April 11, 1997  
 Date: April 11, 1997

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**Analysis to Accompany Fiscal Note for  
Proposed Senate Community & Regional Affairs  
Committee Substitute for Senate Bill 161**

April 11, 1997

Proposed SCS SB161(C&RA) provides for the management of certain municipal assets by the Alaska Permanent Fund Corporation (APFC). The APFC would hold and invest the municipal assets, provide quarterly financial reports and audited annual reports, make certain transfers and advise the municipality of revisions to investment policy or changes in asset allocation. The municipality will pay the corporation a management fee to cover the costs of managing these assets. This fee shall be deposited in the earnings reserve account and the APFC would request that the legislature appropriate these funds for the operations of the corporation.

The projected costs above are calculated based on a municipal fund value of \$90 million and a 3-4% growth rate. The management fee represents a pro-rata share of the APFC operating expenses which includes investment manager and custody fees and administrative costs for accounting, reporting, communications and other support.

This fiscal note is prepared on the assumption that the APFC would be directed to invest one municipal fund with approximately \$90 million in assets. If it turns out that a number of municipalities seek to take advantage of this legislation, it would likely raise at least two issues at the legislative level:

- Would the increased operating costs and administrative, accounting and reporting responsibilities required for the APFC to effectively and prudently manage a number of municipal funds be consonant with the corporation's primary fiduciary responsibility - the preservation of the Alaska Permanent Fund's principal and the cost-effective management and investment of its assets?
- Is it appropriate public policy for the APFC to compete with private sector investment firms who are able to provide virtually the same investment management services as the APFC?