

SB

161

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, ~~XXXXXX~~ 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						
TOTAL OPERATING	300.0	309.0	318.0	328.0	341.0	355.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	300.0	309.0	318.0	328.0	341.0	355.0

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
TOTAL	300.0	309.0	318.0	328.0	341.0	355.0

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. Mallott Phone: 465-3172
 Division: Alaska Permanent Fund Corporation Date: April 11, 1997
 Approved by Commissioner: Wilson L. Condon Date: April 11, 1997
 Agency: Revenue

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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?

PARTICIPATING LIOs

ANCHORAGE

FAIR BANKS

KENAI

Jim Kelly
Perm Fund.

AGENDA

1. SB 161, Perm. Fund Manage Muni. Assets
2. SB 98, Convey Land to Muni/Boro.

04/14/97

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

13:31:10

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:70635

SCHEDULED FOR:04/14/97 13:30 TO 15:00

FOR:ANC

PUBLIC HEARING

SENATE COMMUNITY & REGIONAL AFFAIRS

LOCATION:ANCHORAGE

SB 98

GARY

GUSTAFSON (ANS ?)

MUNI OF ANCH

TESTIFY

04/14/97 13:30:44 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
MESSAGE FROM: LIOCJEN IN ANCHORAGE

LTN1120
JNU

RE TCN: 70635 SCHEDULED FOR:04/14/97 13:30 TO 15:00
SPONSOR: SENATE COMMUNITY & REGIONAL AFFAIRS PURPOSE: PUBLIC HEARING

MESSAGE TEXT: OF1, JANE ANVIK, IS ON TO T ON SB 98

COMMITTEE PACKET

SB 161, Perm. Fund Corp. Manage Mun. Assets

1. Sponsor Statement
2. Bill Sectional
3. Proposed CS
4. SB 161
4. Letter of Support

Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CO-CHAIRMAN
SENATE FINANCE COMMITTEE

MEMBER
RESOURCE COMMITTEE



Senate

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JUNEAU, ALASKA 99801-1182
(907) 465-3004/4921
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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

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
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

0-LS0864E
Cook
4/8/97

CS FOR SENATE BILL NO. 161()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR SHARP

A BILL

FOR AN ACT ENTITLED

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

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 37.13 is amended by adding a new section to read:

5 Sec. 37.13.310. Management of municipal assets. (a) When directed to do
6 so by resolution of the governing body of a municipality, the corporation shall manage
7 the assets in an account of that municipality if the account was established by the
8 municipality under an ordinance or charter provision and the account

9 (1) is a savings or investment account for the municipality;

10 (2) has investment goals and objectives similar to those established by
11 the corporation for the fund;

12 (3) consists only of cash and other financial assets belonging to the
13 municipality; and

14 (4) has an asset value of at least \$50,000,000.

1 (b) In managing the assets of a municipality under (a) of this section, the
2 corporation shall

3 (1) hold and invest those assets subject to AS 37.13.120;

4 (2) at least quarterly, prepare, publish, and distribute to the governing
5 body of the municipality a financial report showing investment revenue and
6 expenditures, including the allocation of the assets in the account among investments;

7 (3) annually prepare, publish, and distribute to the governing body of
8 the municipality financial statements prepared in accordance with generally accepted
9 accounting principles consistently applied and an audit report prepared by a certified
10 public accountant;

11 (4) periodically advise the governing body of the municipality when
12 revisions to long-range investment policy, including asset allocation changes, are
13 contemplated and provide an opportunity for consultation and comment on the changes
14 before they are implemented; and

15 (5) when directed by resolution of the governing body of the
16 municipality, transfer from the account to the municipality the amount requested in the
17 resolution, but not to exceed the total value of the assets being managed for the
18 municipality.

19 (c) A municipality with assets managed by the corporation under this section
20 shall pay to the corporation the amount determined by the corporation to be sufficient
21 to reimburse the corporation for the costs of managing those assets. All charges
22 collected by the corporation under this subsection shall be deposited in the earnings
23 reserve account in the fund. The corporation may request the legislature to appropriate
24 the amount deposited in the earnings reserve account under this subsection for
25 operations of the corporation.

26 (d) Net income from assets managed by the corporation for a municipality
27 under this section may not be included in the computation of net income available for
28 distribution under AS 37.13.140.

SENATE BILL NO. 161

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY SENATOR SHARP

Introduced: 4/4/97
Referred: CRA, Finance

A BILL

FOR AN ACT ENTITLED

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

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 37.13 is amended by adding a new section to read:

5 Sec. 37.13.310. Management of municipal assets. (a) When directed to do
6 so by resolution of the governing body of a municipality, the corporation shall manage
7 the assets in a fund of that municipality if the fund was established by the municipality
8 under an ordinance or charter provision and the fund

9 (1) is a savings or investment fund or account for the municipality;

10 (2) consists only of cash and other financial assets belonging to the
11 municipality; and

12 (3) has an asset value of at least \$50,000,000.

13 (b) In managing the assets of a municipality under (a) of this section, the
14 corporation shall

- 1 (1) hold and invest those assets subject to AS 37.13.120;
- 2 (2) at least quarterly, prepare, publish, and distribute to the governing
3 body of the municipality a financial report showing investment revenue and
4 expenditures, including the allocation of the assets in the fund among investments;
- 5 (3) annually prepare, publish, and distribute to the governing body of
6 the municipality financial statements prepared in accordance with generally accepted
7 accounting principles consistently applied and an audit report prepared by a certified
8 public accountant;
- 9 (4) periodically advise the governing body of the municipality when
10 revisions to long-range investment policy, including asset allocation changes, are
11 contemplated and provide an opportunity for consultation and comment on the changes
12 before they are implemented; and
- 13 (5) when directed by resolution of the governing body of the
14 municipality, transfer from the fund to the municipality the amount requested in the
15 resolution, but not to exceed the total value of the assets being managed for the
16 municipality.
- 17 (c) A municipality with assets managed by the corporation under this section
18 shall pay to the corporation the amount determined by the corporation to be sufficient
19 to reimburse the corporation for the costs of managing those assets. All charges
20 collected by the corporation under this subsection shall be deposited in the general
21 fund. The corporation may request the legislature to appropriate the amount deposited
22 in the general fund under this subsection for operations of the corporation.
- 23 (d) Net income from assets managed by the corporation for a municipality
24 under this section may not be included in the computation of net income available for
25 distribution under AS 37.13.140.



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