

# Capital Improvement Project Sales Tax Fund

## Remaining Funds for Budgeted Projects

Source	Project	Appropriation	Expense		2/19/14 Notes
			Posted as of 12/31/2013	Remaining Budget	
FY06	Police/Dispatch Ventilation	6,000	-	6,000	Incorporate with e911 project
FY07	Culvert Replacement - Union, 4th, Muncaster	38,500	6,863	31,637	Reappropriate for "townsite culverts"
FY07	Rd Drainage & Surface Improvements	50,000	47,908	2,092	Will be spent in spring for D1
FY08	H.E.L.P.	25,000	11,468	13,532	Fire Chief is looking into this
FY09	Admin Building Roof Repair	35,000	-	35,000	Spring/summer 2014 - combine with FY10&FY14 appropriations?
FY09	Downtown Development	35,000	46,855	(11,855)	MRV Report needs addn'l appropriation
FY11	Downtown Development - <b>SIGNAGE</b>	70,000	41,825	28,175	discuss next phase. Possible use at picture pt.
FY09	Acctng Software, Server & Network Upgrades	159,000	152,669	6,331	some for p/t data conversion - reappropriate remaining
various	Advance Engineering	262,400	199,595	62,805	Add to in FY15
FY10&11	Areawide Road Improvements (outside townsite)	65,000	35,595	29,405	Plan to use on RMSA roads
FY10	School Demolition	150,000	86,108	63,892	Match for DEED Grant -some will be left over
FY10	Admin Building Repair	80,000	55,271	24,729	Spring/summer 2014 - combine with FY09&FY14 appropriations?
FY10	Project Contingency	20,000	-	20,000	Add to in FY15?
various	Facilities Deferred Maintenance	399,869	165,333	234,536	Will use much in spring/summer. Continue to fund in future.
FY11/FY13	Library Storage Cabinetry	10,000	6,350	3,650	"sideboard" for the A. Myren Reading Rm & end of shelf book display cabinets
FY11	Jail Upgrades	10,000		10,000	Incorporate with e911 project
FY11	Public Works Tools	1,409	6,000	(4,591)	FY13 reappropriated in error was \$6000
FY11	Visitor Ctr D1,Grade Prkg Lot,Replace Windows	7,500	4,418	3,082	Reappropriate for other Visitor center upgrades/repair
FY12	Admin Records Management Scanning System	23,200	21,135	2,065	Needs additional software & hardware
FY12	Refurbish Jones Point Graveyard	10,000	4,069	5,931	will be spent in spring
FY12	Klehini Valley Fire Dept Water Filter System	5,000	1,790	3,210	Project partially complete.
FY12	Library Heated Storage Area RENAMED 5/13 Addition	68,500	2,041	66,459	
FY12	Parks Trash Cans	5,000		5,000	reappropriate
FY12	Police Security System Public Safety Bldg	50,000		50,000	Due to grant won't use whole thing, but don't yet know how much. Camer
FY12	School Engineering / Pool Locker Rooms	25,000	13,085	11,915	Use for further engineering or reappropriate
FY12,13,&14	Trail Development	35,000	1,617	33,383	Darsie will work with Parks & Recreation Adv. Committee
FY12	Barnett Tank Resize Tank	13,983	-	13,983	reappropriate
FY12	Replace Sewer Plant Blowers	40,000		40,000	will be spent in Feb/March
FY12	Facility Master Plan	75,000	56,281	18,719	reappropriate to advanced engineering?
FY13&14	Road Improvements	150,000	113,989	36,011	Continue to make annual appropriation
FY13	Public Facilities / Harbor Snow Blowers (3)	8,000	1,313	6,687	Carlos checking
FY13	Harbor Fuel Facility Cardlock	35,000		35,000	reappropriation of part before assembly. Needed for fuel management sy
FY13	Drainage Improvements PS Bldg Parking Lot	21,000	7,389	13,611	need ~\$10K for asphalt repair
FY13	Gravel Pit Development	7,000		7,000	keep
FY13	Public Works Flat Bed Truck	50,000	54,162	(4,162)	needs additional appropriation
FY13	Police Patrol Vehicle	26,167	28,500	(2,333)	FY13 reappropriated in error was \$28,500

<u>Source</u>	<u>Project</u>	<u>Appropriation</u>	<u>Expense</u>		<u>2/19/14 Notes</u>
			<u>Posted as of</u>	<u>Remaining</u>	
			<u>12/31/2013</u>	<u>Budget</u>	
FY13	Chilkat Center Major Maintenance & Repairs	33,500	52,163	(18,663)	new boilers -use deferred maint?
FY13&FY14	Water & Sewer Wet Jetter (& equipment)	75,000	31,111	43,889	water meters, pumps, radio read modules
FY13	Sewer Main Repair at Oceanview Slump	25,000	5,079	19,921	reappropriate use for surface water mitigation in slump area
FY13	Float Extension for Excursion Inlet "city" dock	25,000	25,354	(354)	needs additional appropriation
FY13	Mosquito Lk Schl Fire Suppr. Sys. Upgrade	42,500	43,089	(589)	needs additional appropriation
FY13	Public Works Dump Truck	165,000	151,590	13,410	reappropriate (pw utility box truck?)
FY13	Tank Truck (for use by HVFD)	150,000	89,735	60,265	return to equipment sinking fund (1/2 is hvfd)
FY14	Storage Building at Track Area	10,000		10,000	Spring/summer 2014
FY14	Fire Dept. SCBA Upgrade	43,000		43,000	got grant - reapprop. \$30k for thrml imaging camera & nrw band radios
FY14	Library Mechanical Controls	60,000	5,063	54,937	
FY14	New Roofing at Admin Building (No Mods)	40,000		40,000	Spring/summer 2014 - combine with FY09&FY10 appropriations?
FY14	D-1 for Beach Road	26,500	22,873	3,627	will be spent in spring for D1
FY14	Road Improvements - Excursion Inlet	20,000		20,000	Match for grant
FY14	Sewer Submersible Pump	9,500		9,500	
FY14	Camera for Sewer Main Inspections	15,000		15,000	
FY14	Air Handling Units - High School	110,000	-	110,000	summer 2014
FY14	Technical Upgrades at Assembly Chambers	15,000		15,000	developing plan with Warren/Julie
FY14	Narrowbanding, Repeaters & Dispatch console	250,000	33,012	216,988	winter/spring 2014
FY14	Phone/Electrical Upgrades for PS Building	50,000		50,000	winter/spring 2014
FY14	Boiler & other improvements for Tourism Bldg	50,000	1,848	48,152	
FY14	2 Police Vehicles	75,000	71,373	3,627	reappropriate
FY14	Loader	220,000	219,804	196	reappropriate
FY14	Pool Light replacement	35,000	248	34,752	may not be enough. Waiting on estimate.
FY14	Administration Computer Servers	20,700		20,700	spent Jan 2014
FY14	Mosq. Lake Schl Fan Replacement Engineering	15,000	1,304	13,696	
FY14	High School Roof engineering	8,500		8,500	

1,736,455

## Manager & Public Facility Director Spending Authorizations

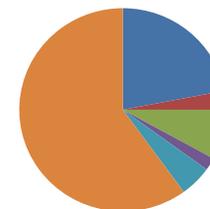
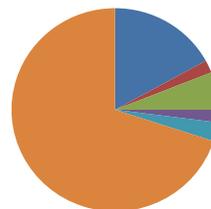
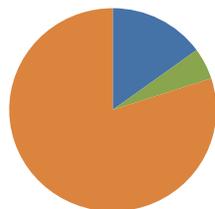
An Assembly member raised the issue of why purchases, which have been approved in the budget, come back to the Assembly for approval. Currently the manager's spending limit is \$10,000. Raising the purchase authorization would increase flexibility for the manager so that he or she could make purchases without scheduling around Assembly meetings. Additionally, it would reduce the size of meeting packets -though it may not save time at meetings since these items usually appear on the consent agenda. The chart below shows the Haines Borough's Manager spending limit compared to other communities.

The Interim Manager and the Finance Director recommend increasing the spending limit for the Public Facilities Director from \$1,000 to \$5,000. At the current limit the facilities director is frequently waiting on approval from the manager in order to authorize routine, budgeted, purchases. Increasing the Facility Director's spending limit would speed up the purchasing process and save time for the Facilities Director and the Manager. Changing spending authorizations requires a code amendment.

It should be noted that, in addition to spending authorization, there is a framework of internal controls in place designed to ensure that funds are spend appropriately. Funds may not be expended unless there has been an adequate appropriation by the Assembly. The finance department and check signers monitor expenditures to ensure they are legitimate and appropriate to the budget. Transparency of records, financial reporting, and the external audit provide additional compliance checks.

<b>Purchase Authorization Comparison Chart</b>			
All purchases assume they are in the budget and go through PO process. For contract services and small projects RFP but not sealed bid. For large projects, sealed bids.			
Municipality	Dept. Head Approval	Borough Manager Approval	Public Bid Required
Haines	\$ 1,000	\$ 10,000	\$ 20,000
Wrangell	\$ 500	\$ 25,000	\$ 25,000
Petersburg	\$ 5,000	\$ 30,000	\$ 30,000
Skagway	No policy, as long as in budget.	\$ 5,000	\$ 25,000
Cordova	No policy, as long as in budget.	\$ 25,000	\$ 25,000
Kodiak		\$ 25,000	\$ 25,000
Ketchikan		\$ 50,000	\$ 50,000
Homer	\$ 4,000	\$ 25,000	\$ 25,000

# Asset Allocation



Asset Class		Haines Borough	30% Equity	40% Equity
Large Cap Equity		15.0%	17.0%	22.0%
Mid Cap Equity		-	2.0%	3.0%
International Equity		5.0%	6.0%	8.0%
Emerging Markets Equity		-	2.0%	2.0%
REITs		-	3.0%	5.0%
U.S. Fixed Income		80.0%	70.0%	60.0%
APCM's Forward Looking Assumptions	Return	3.5%	4.3%	4.9%
	Risk	5.8%	7.1%	8.3%
Annualized Historical Returns 3/1997 - 12/2012	Return	6.6%	7.0%	7.2%
	Risk	4.4%	5.7%	7.2%
Best 12 Month Period		18.3%	25.2%	30.7%
Worst 12 Month Period		-8.4%	-13.1%	-17.7%

Risk and return data from Windham Portfolio Advisor.

## ASSET ALLOCATION

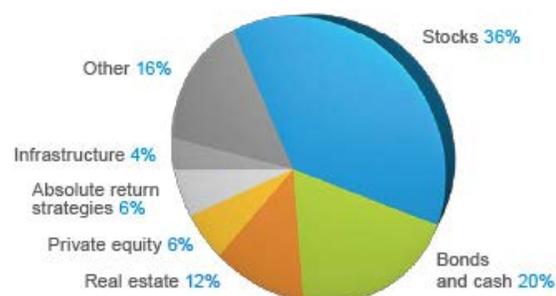
### section links

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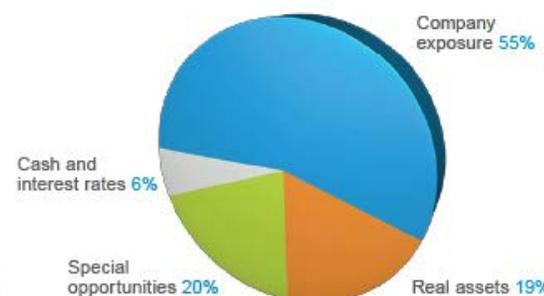
Each year the Board of Trustees sets the target allocation for the Permanent Fund's investments. When considering the asset allocation each year, the Board doesn't try to time the markets or focus on short-term market conditions. Instead, the Board builds a portfolio that will provide a more stable return under a variety of market conditions. The Board attempts to balance the anticipated risks within the portfolio with the return potential of different mixes of assets. The goal of this allocation is to protect principal in difficult markets, but as a result it may not keep up during periods of strong positive markets. This approach should create a portfolio that is less volatile than the broader markets, and would be expected to outperform other traditional allocations over longer-term horizons.

In 2009, the Board took a different approach to asset allocation that is a good fit for the goal of building an all-weather portfolio. Rather than taking the traditional tack of grouping investments by asset class, the Board decided to group investments by their risk and return profiles, and by the market condition that each group is intended to address.

**TARGET ASSET ALLOCATION**  
by traditional asset classes, 2013



**TARGET ASSET ALLOCATION**  
by risk factor, 2013



### Cash and Interest Rates

**Purpose:** This allocation addresses deflation or market crises by investing in securities with low credit risk that usually perform better in times of volatility. It is also designed to let the Fund build up reserves over the course of the year to meet its expected liabilities, primarily the annual dividend payment each July.

**Components:** U.S. bonds, non-U.S. bonds, and liquid investments with durations of less than 12 months.

**Benchmark:** 20% US Government 3 month Treasury Bills + 80% Interest Rates Benchmark which is: (64% BC Global Aggregate Treasury Hedged + 16% BC US Aggregate MBS)

### Company exposure

**Purpose:** When the economy is performing well, most public and private companies are performing well. Investing in these corporations allows the Permanent Fund to benefit in times of growth and prosperity.

**Components:** U.S. and non-U.S. stocks, Corporate investment grade and high yield bonds, private credit and private equity

**Benchmark:** 20% Barclays Global Corporate Index + 80% MSCI All Country IMI Index

### Real assets

**Purpose:** The value of real assets hedges inflation risk, helping protect the Fund's real value over time.

**Components:** Real estate, infrastructure and TIPS

**Benchmark:** 35% 3 Month US Treasury Bill + 35% MSCI US REIT + 20% FTSE Developed Core Infrastructure + 10% Barclays US Treasury Inflation-Protected Securities

### Special opportunities

**Purpose:** This allocation allows the Permanent Fund to invest in special opportunities and to take advantage of dislocations in the markets.

**Components:** Allocation strategies such as fixed income aggregates, absolute return, real return, emerging market multi-assets, distressed debt, other strategies as they arise.

**Benchmark:** 12.5% Cash & Interest Rates Benchmark + 65.6% Company Exposure Risk Benchmark + 21.9% Real Assets Risk Benchmark



# Valdez Alaska

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## Valdez Permanent Fund

### Overview

The City of Valdez Permanent Fund came into being from a voter approved charter amendment on July 19, 1977. The oil company owners of the trans-Alaska pipeline used the City's bonding authority and saved millions of dollars in the issuance of tax-exempt bonds to build the pipeline and Valdez Marine Terminal. The City asked for and received a 1% fee, amounting to a windfall of \$13,576,000 on the initial bond sales. The principal of the fund "shall not be spent, but shall be held perpetually in trust for the benefit of the present and future generations of Valdez residents."

### Asset Allocations

The Permanent Fund Investment Committee reviews the fund's asset allocation with the City Council once a year. The City Council approved the 2003 asset allocation as follows:

Asset Class	% of Fund
Large Cap Equity	22 %
Small Cap Equity	5 %
International Equity	13 %
Fixed Income (bonds)	60 %

### Fund History

The City expended all interest earnings of the fund until the passage of inflation-proofing legislation in 1983 and 1985. After 1987 until the present, the City Council has made a policy of not appropriating any fund earnings to the annual operating and capital budget. This along with the infusion of additional refinancing fees, has enabled the fund to grow to a market value of just over \$86 million by November 2003.

The City Treasurer managed the Permanent Fund internally for the first twenty years. In 1996, an investment committee was formed and an investment advisor was hired to advise the Permanent Fund Investment Committee and City Council on the selection of full time outside money managers. Brinson Partners and Alaska Permanent Capital Management were hired in April of 1997 to manage all fixed income investments.

In October 1997, the voters approved a charter amendment permitting the investment in domestic and foreign common stocks. In 1998, the City Council selected the Vanguard Group and Putnam Investments as managers of a domestic and international portfolio. Dreyfus Service Corporation was added in 1999 as a manager of domestic small cap stocks.

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## ***Portfolio Management for the Long Portfolio***

### 1. Eligible Securities

#### a. Domestic Equity

The domestic equity allocation will be invested in an index fund, managed to the S&P 500 index fund. All the stocks in the benchmark are permissible investments. Cash should be kept to a minimum. The use of futures contracts to equitize residual cash is permitted.

#### b. International Equity

The international equity allocation will be invested in an index fund, managed to the MSCI<sup>1</sup> – EAFE (Europe, Australia, and the Far East) index. All securities in the benchmark are permissible. A stratified sampling strategy is acceptable when full replication is not practical. Investments in currencies of the underlying securities are permitted.

#### c. Domestic Fixed Income

The domestic fixed income allocation will be invested in an index fund, managed to the Barclays Capital Aggregate index. The manager will pursue a sampling strategy as full replication is not feasible.

### 2. Maturity, Duration, Sector Allocation and Credit Quality

Maturity, duration, sector allocation, and credit quality of the Domestic Fixed Income allocation are to be managed to reproduce the same risks as the Barclays Capital Aggregate index. Variations should not exceed the normal limits for funds of this type.

### 3. Asset Allocation

The strategic asset allocation of the Long portfolio shall be:

Broad Domestic Equity	35% ± 5%
International Equity	14% ± 5%
Domestic Fixed	51% ± 5%

The policy establishes for each asset class the target allocation, and a band around that target. The strategic asset allocation is expected to produce a median return of 7% annualized over a 5-year period.

### 4. Portfolio Rebalancing

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<sup>1</sup> MSCI means Morgan Stanley Capital International