

**POLICIES AND PROCEDURES APPLICABLE  
TO THE TREASURY DIVISION,  
DEPARTMENT OF REVENUE,  
STATE OF ALASKA**



**APPENDIX T**

**MEMORANDUM**

**STATE OF ALASKA  
Department of Revenue**

To: Wilson L. Condon  
Commissioner

Date: July 31, 1998

Telephone: 465-4399

From: Robert D. Storer  
Chief Investment Officer  
Treasury Division

Subject: General Fund and Other  
Non-segregated Investments  
(GeFONSI)

This memorandum restates the analysis set forth in my memorandum of February 25, 1998 on this subject.

The Portfolio Management Section of the Treasury Division manages the assets of the General Fund and Other Non-segregated Investments "Fund" (the GeFONSI). The GeFONSI holds and invests the cash of approximately 125 funds; the typical balance of the GeFONSI is \$1 billion. The GeFONSI has been managed with a short time horizon. All of its cash has been invested in Treasury's Short-term and Intermediate-term Fixed Income Investment Pools.

Historically the GeFONSI has been managed with a low risk tolerance because the largest participant has been the State's general fund and because Treasury had, until recently, been unable to complete a careful cash flow analysis of the other funds investing their cash in the GeFONSI.

Recently, the Cash Management and Accounting Sections of the Treasury Division completed an analysis of the cash flows for a twenty month time period for most of the funds investing their cash in the GeFONSI. Using this analysis, Treasury focused its attention on 25 funds that together had a relatively constant aggregate balance of between \$350 and \$390 million. These funds are reflected in the following table. Earnings code "1" indicates the fund is automatically entitled to its share of GeFONSI earnings. Earnings code "2" indicates Treasury must compute its share of GeFONSI earnings, but a separate legislative appropriation is required before the fund may be credited with those earnings. Earnings code "3" indicates the general fund automatically receives the pertinent GeFONSI earnings.





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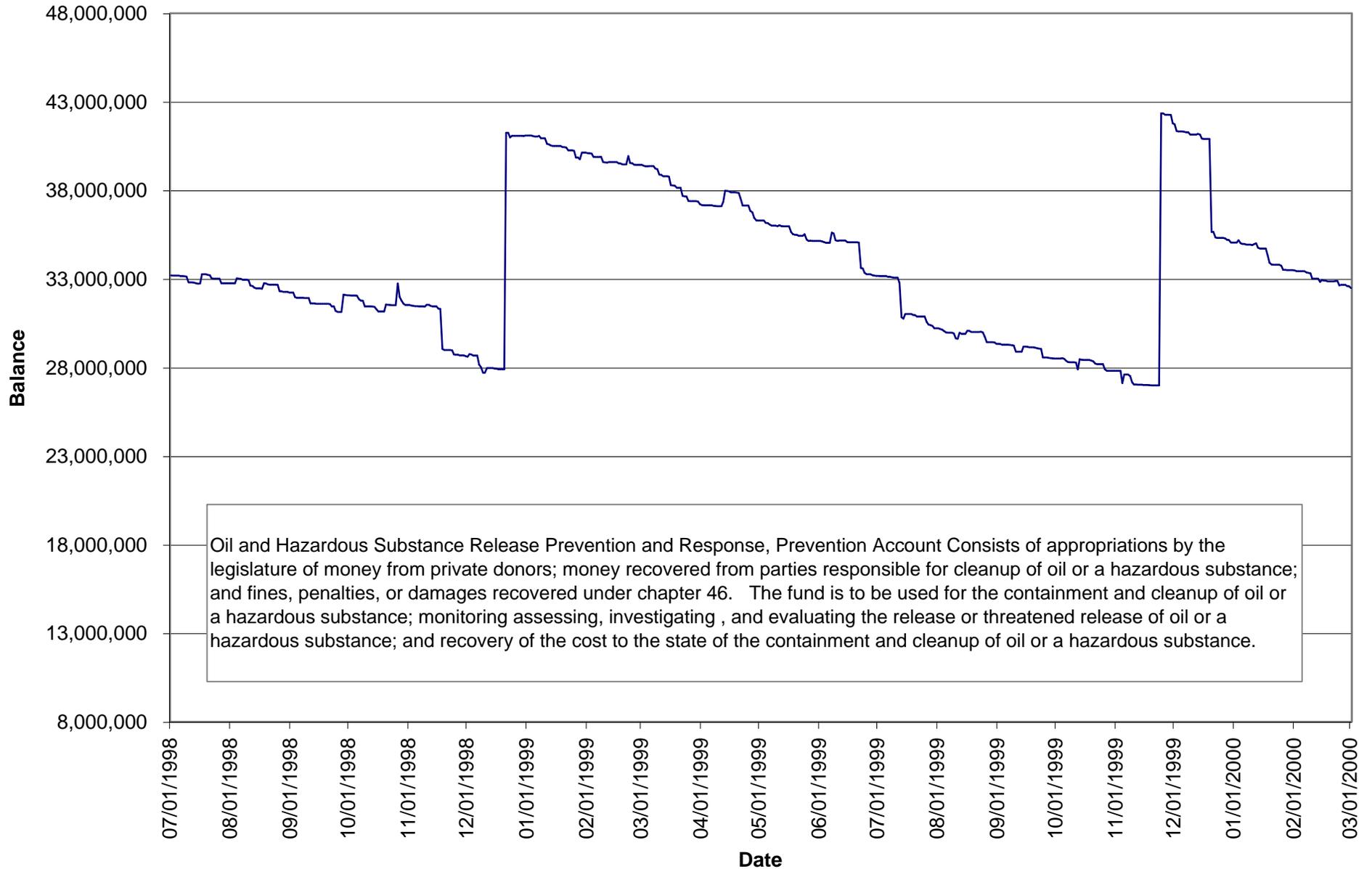


Finally, Portfolio Management requested that Callan Associates provide a five year expected return for a 1-3 year fixed income index and a 1-5 year fixed income index. Their projection for that period was 5% and 5.40% respectively. Thus, historically and prospectively, the Portfolio Management Section believes that 0.40% (40 basis points) of incremental return is a reasonable expectation. Adding a fourth pool with a Merrill Lynch government 1-10 year index will add an additional 40 basis points of return to participants in that pool but only one third of the assets in the GeFONSI will benefit from the incremental return.

Portfolio Management recommends adopting an investment policy for the Intermediate-term Fixed Income Investment Pool (see attached) that is managed with a benchmark of the Merrill Lynch 1-5 year index. Treasury will continue to work towards improving cash flow monitoring and enhancing asset management. As a minimum standard, Treasury will conduct a review of the GeFONSI on an annual basis.

GEFONSI ACCOUNT BALANCES - 21468 OIL & HAZARDOUS SUBSTANCE RELEASE PREV. AND RESPONSE,  
PREVENTION ACCT

For the 20-month period July 1, 1998 through February 29, 2000



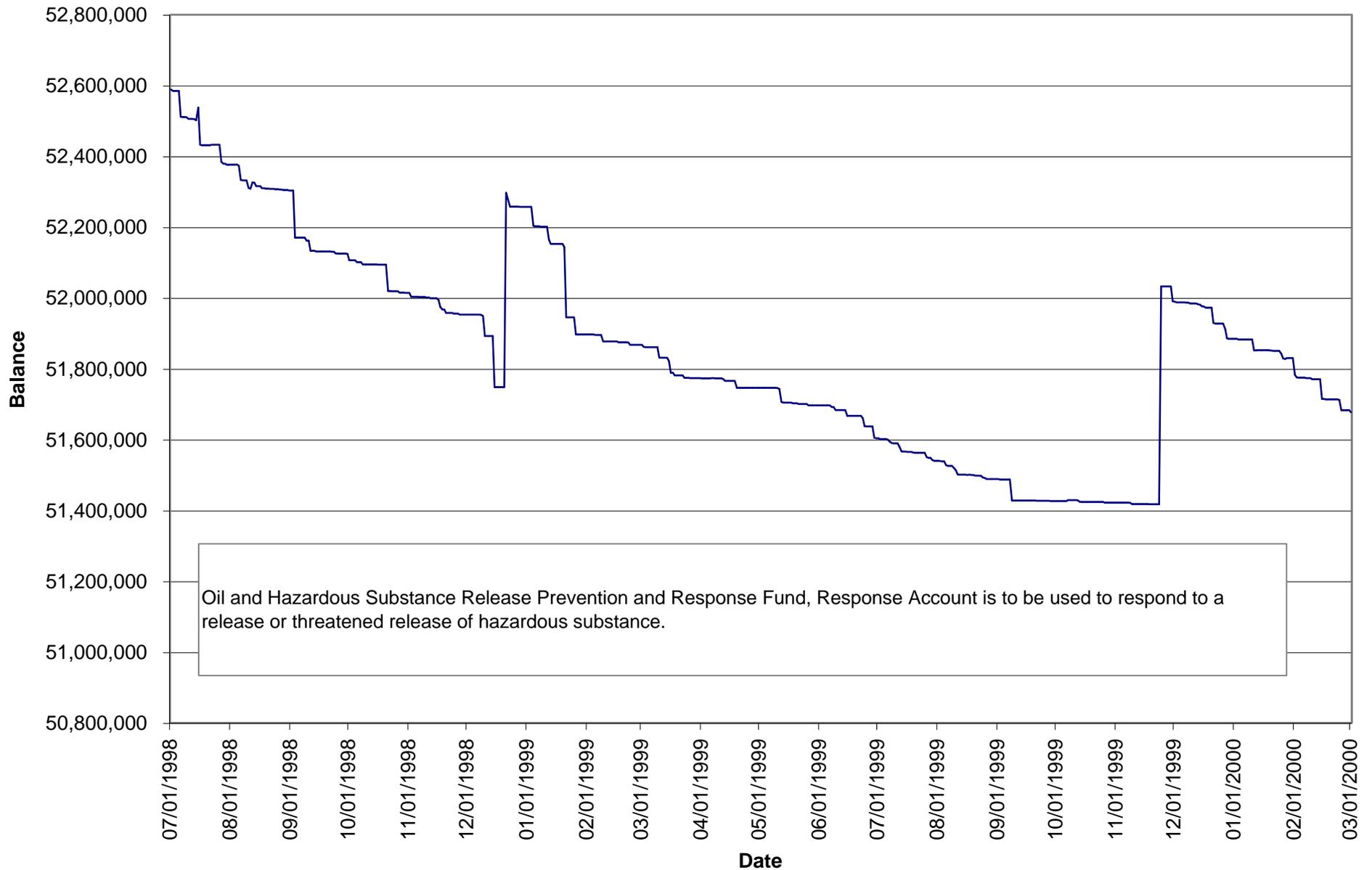
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

**GEFONSI ACCOUNT BALANCES - 21472 OIL & HAZARDOUS SUBSTANCE RELEASE PREVENTION AND RESPONSE FUND**

For the 20-month period July 1, 1998 through February 29, 2000



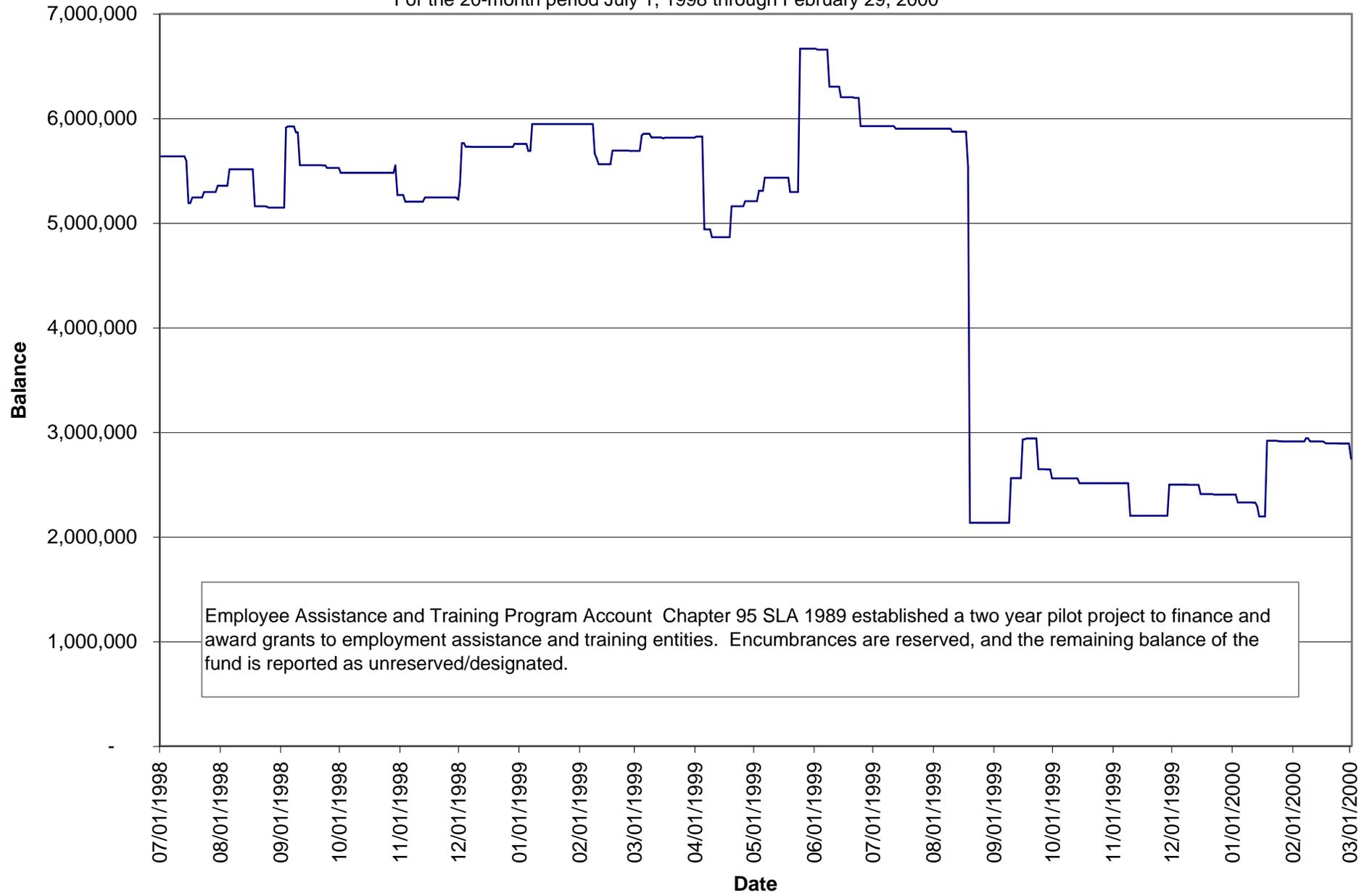
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 21477 EMPLOYEE ASSISTANCE & TRAINING PROGRAM ACCOUNT

For the 20-month period July 1, 1998 through February 29, 2000



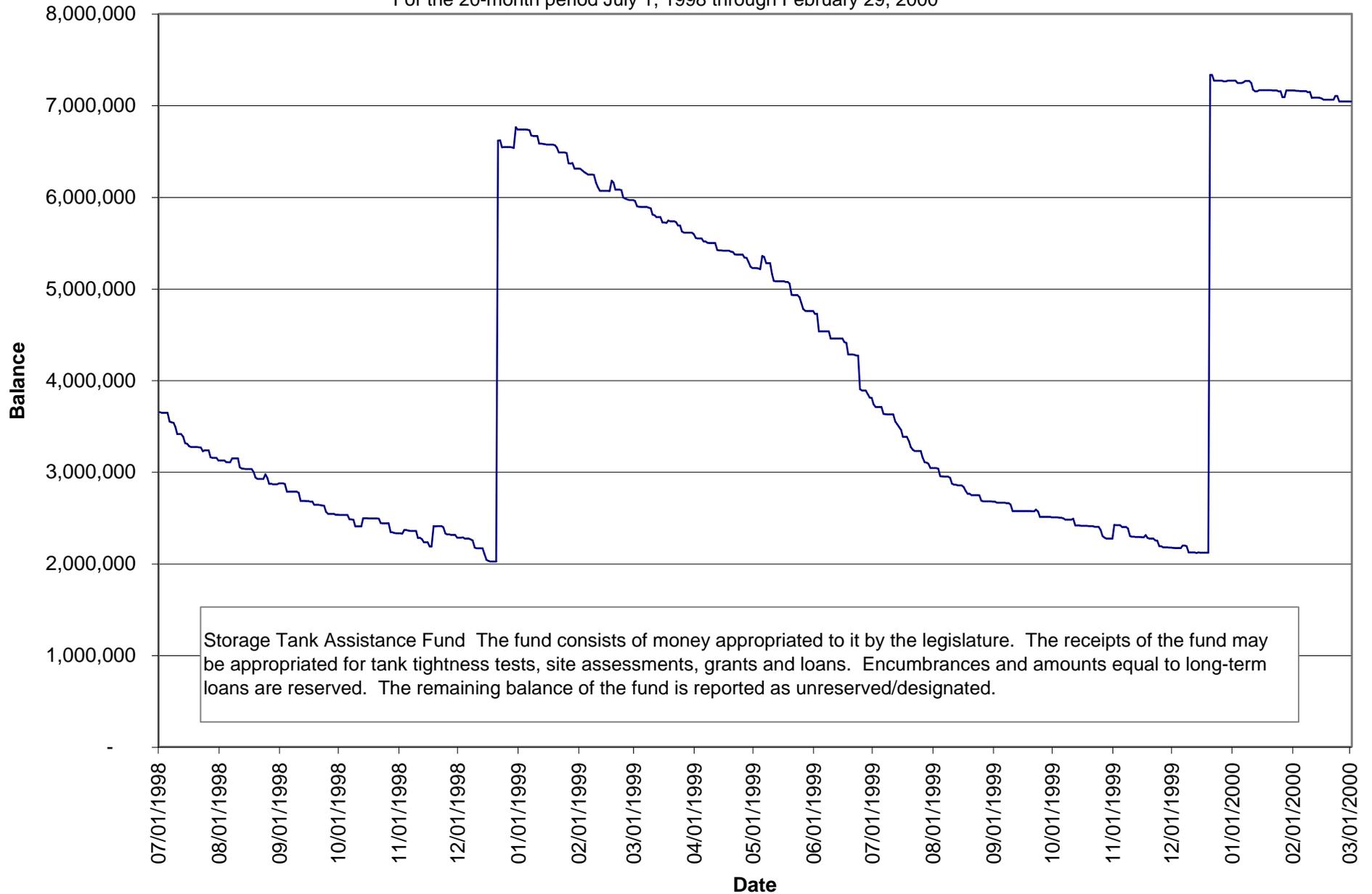
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

# GEFONSI ACCOUNT BALANCES - 21478 STORAGE TANK ASSISTANCE FUND

For the 20-month period July 1, 1998 through February 29, 2000



Storage Tank Assistance Fund The fund consists of money appropriated to it by the legislature. The receipts of the fund may be appropriated for tank tightness tests, site assessments, grants and loans. Encumbrances and amounts equal to long-term loans are reserved. The remaining balance of the fund is reported as unreserved/designated.

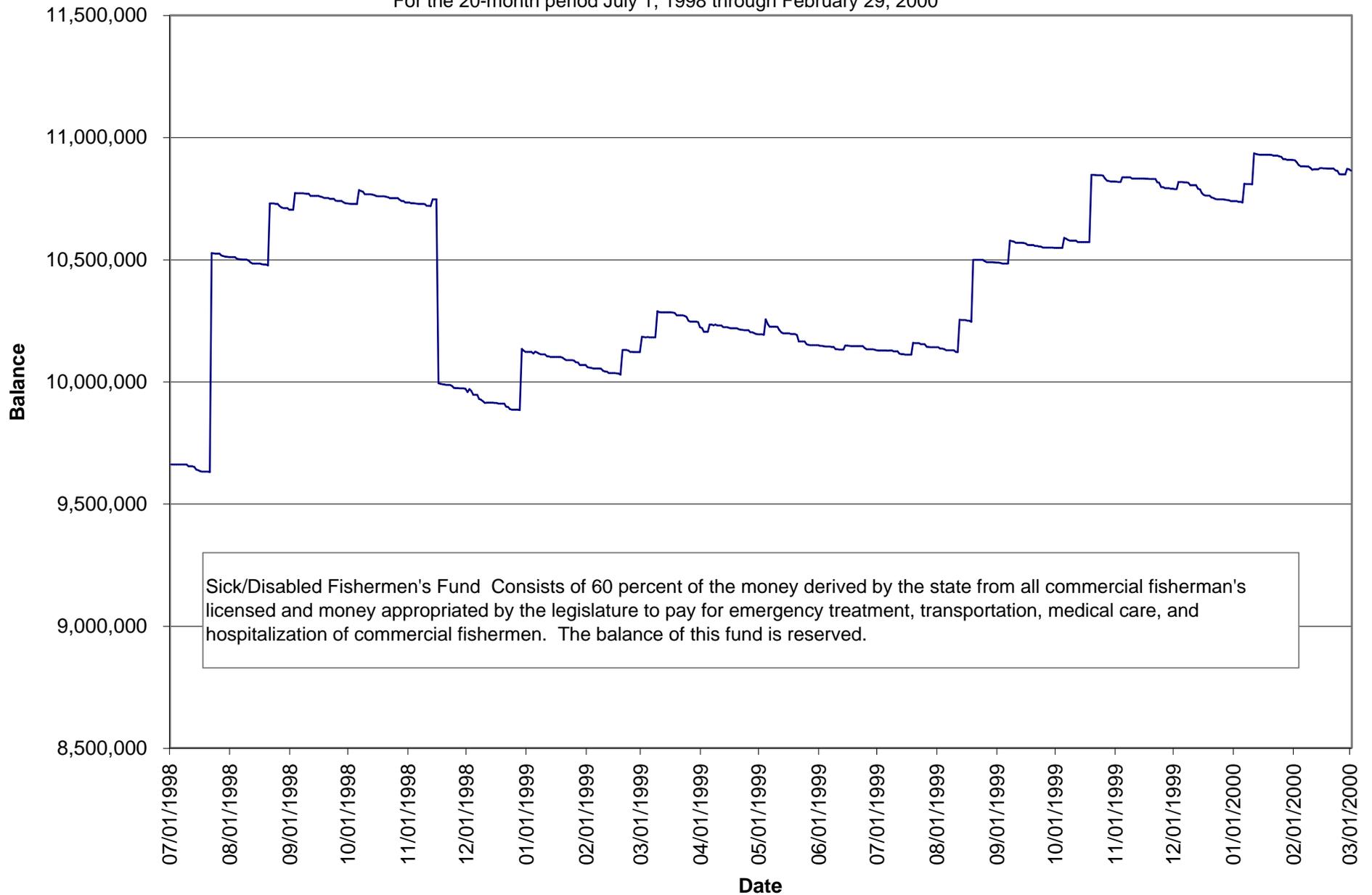
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 21496 SICK & DISABLED FISHERMEN'S FUND

For the 20-month period July 1, 1998 through February 29, 2000



Sick/Disabled Fishermen's Fund Consists of 60 percent of the money derived by the state from all commercial fisherman's licensed and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of commercial fishermen. The balance of this fund is reserved.

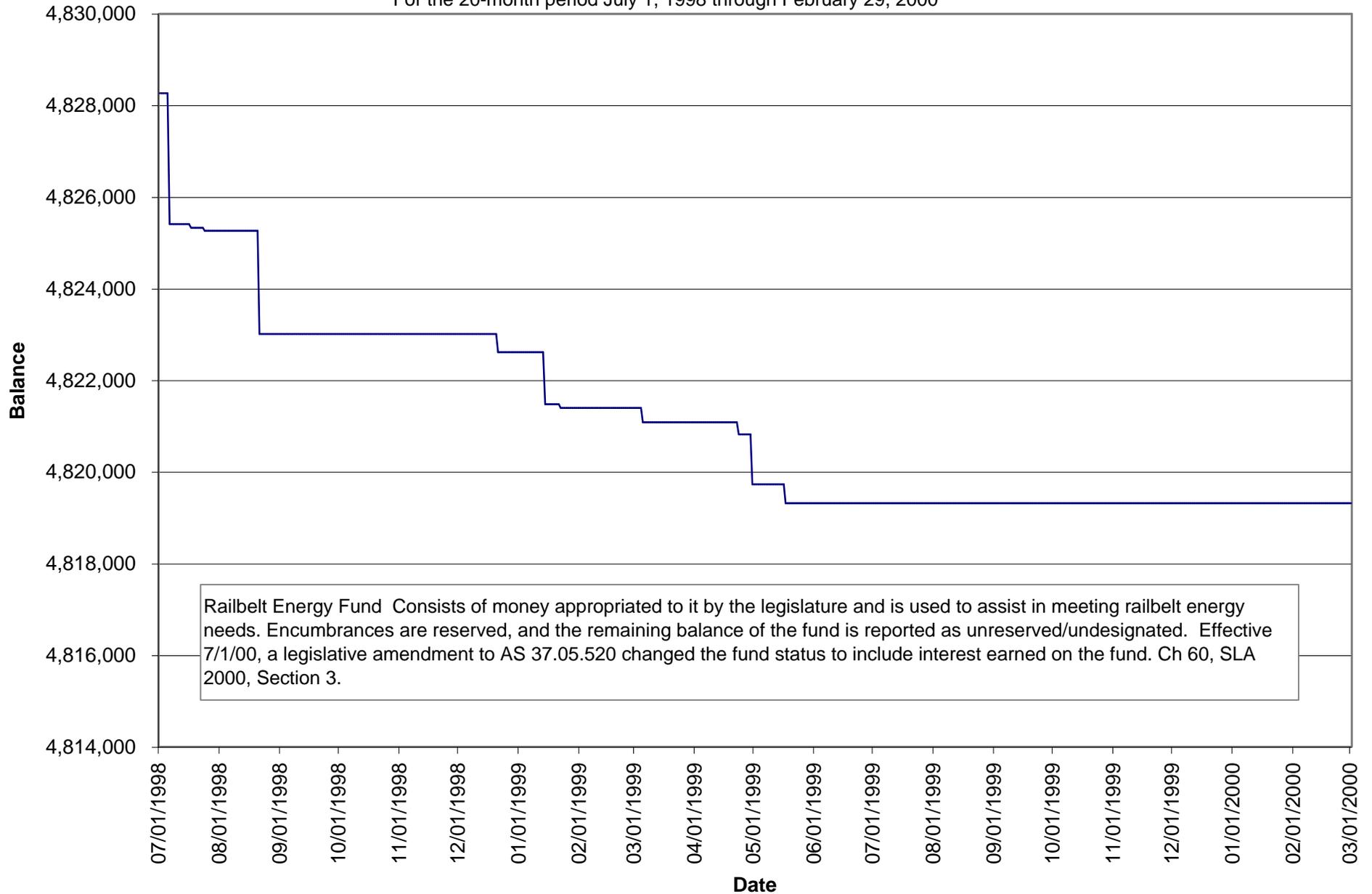
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 21497 RAILBELT ENERGY FUND

For the 20-month period July 1, 1998 through February 29, 2000



Railbelt Energy Fund Consists of money appropriated to it by the legislature and is used to assist in meeting railbelt energy needs. Encumbrances are reserved, and the remaining balance of the fund is reported as unreserved/undesignated. Effective 7/1/00, a legislative amendment to AS 37.05.520 changed the fund status to include interest earned on the fund. Ch 60, SLA 2000, Section 3.

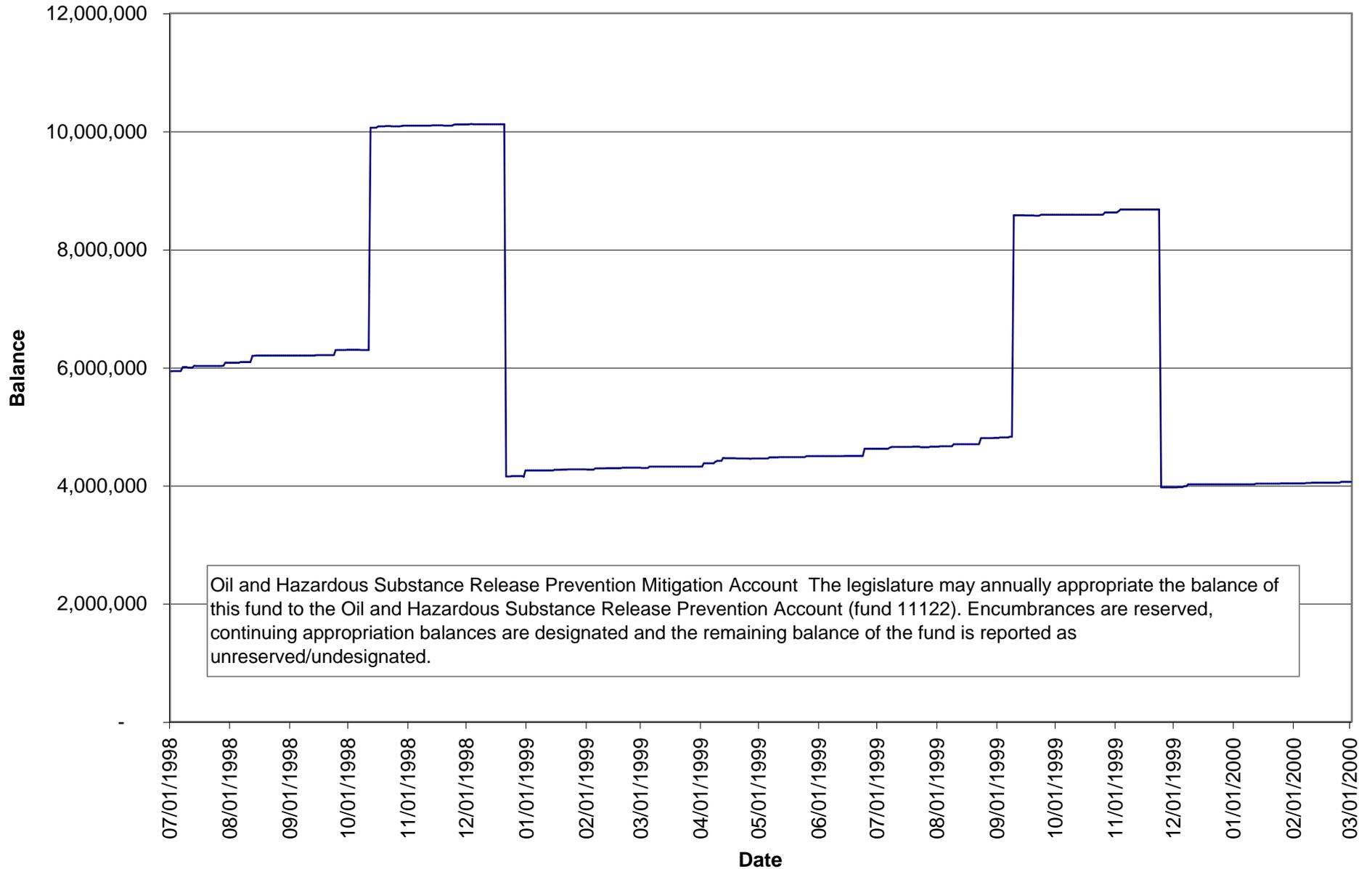
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 21503 OIL & HAZARDOUS SUBSTANCE RELEASE PREVENTION MITIGATION ACCOUNT

For the 20-month period July 1, 1998 through February 29, 2000



Oil and Hazardous Substance Release Prevention Mitigation Account The legislature may annually appropriate the balance of this fund to the Oil and Hazardous Substance Release Prevention Account (fund 11122). Encumbrances are reserved, continuing appropriation balances are designated and the remaining balance of the fund is reported as unreserved/undesignated.

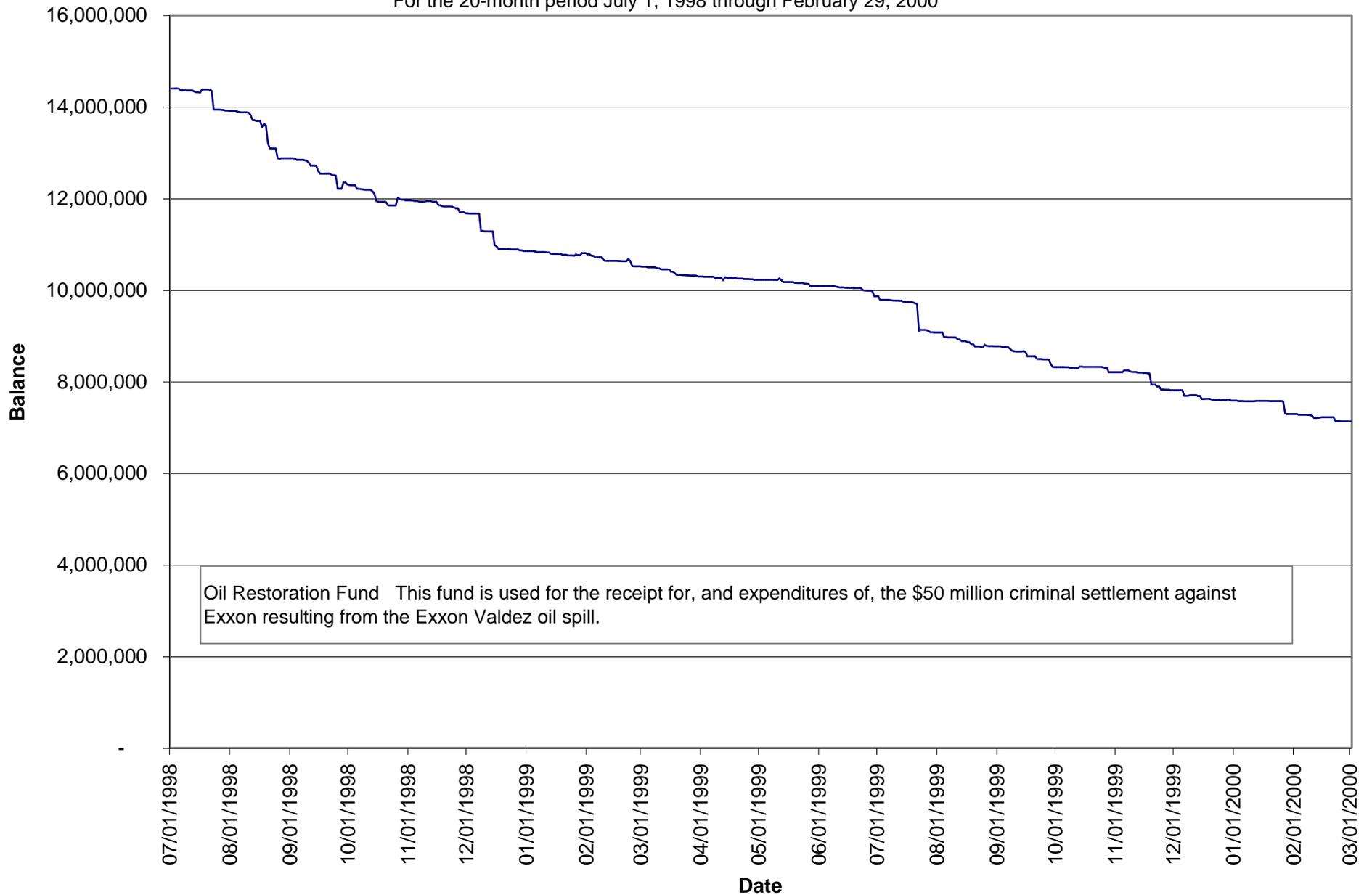
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

# GEFONSI ACCOUNT BALANCES - 21504 OIL RESTORATION FUND

For the 20-month period July 1, 1998 through February 29, 2000



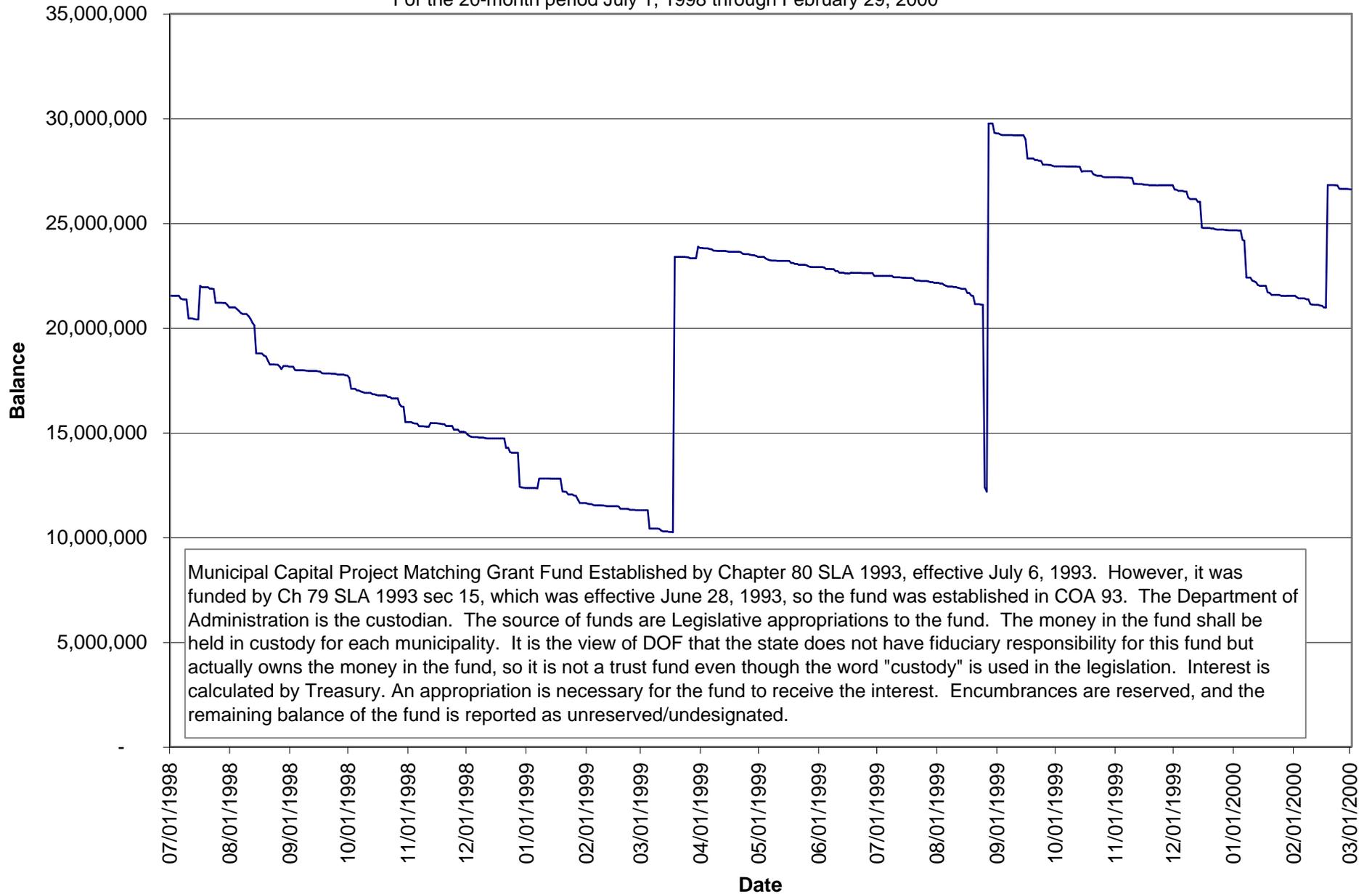
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 21511 MUNICIPAL CAPITAL PROJECT MATCHING GRANT FUND

For the 20-month period July 1, 1998 through February 29, 2000



Municipal Capital Project Matching Grant Fund Established by Chapter 80 SLA 1993, effective July 6, 1993. However, it was funded by Ch 79 SLA 1993 sec 15, which was effective June 28, 1993, so the fund was established in COA 93. The Department of Administration is the custodian. The source of funds are Legislative appropriations to the fund. The money in the fund shall be held in custody for each municipality. It is the view of DOF that the state does not have fiduciary responsibility for this fund but actually owns the money in the fund, so it is not a trust fund even though the word "custody" is used in the legislation. Interest is calculated by Treasury. An appropriation is necessary for the fund to receive the interest. Encumbrances are reserved, and the remaining balance of the fund is reported as unreserved/undesigned.

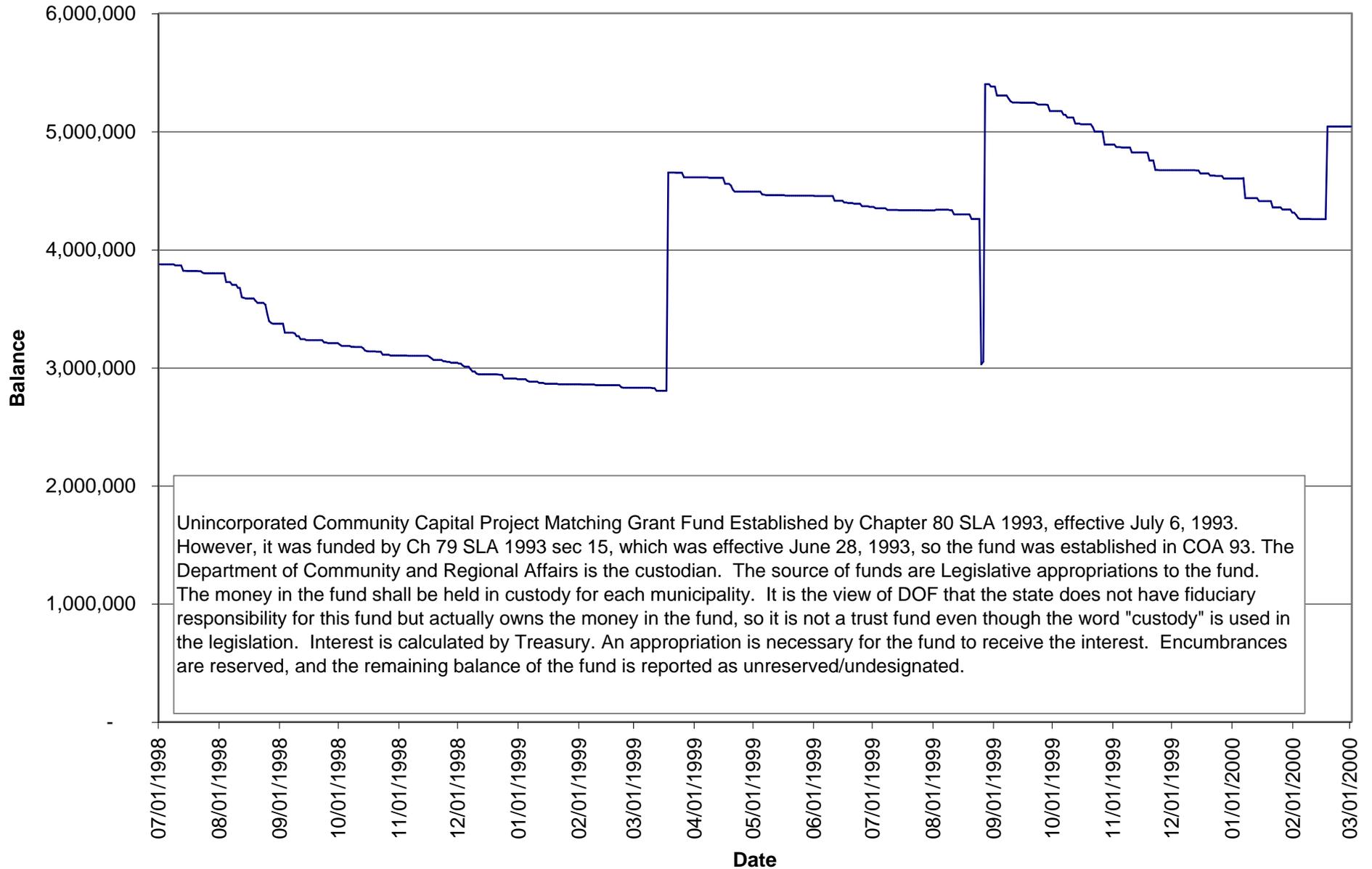
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 21512 UNINCORPORATED COMMUNITY CAPITAL PROJECT MATCHING GRANT FUND

For the 20-month period July 1, 1998 through February 29, 2000



Unincorporated Community Capital Project Matching Grant Fund Established by Chapter 80 SLA 1993, effective July 6, 1993. However, it was funded by Ch 79 SLA 1993 sec 15, which was effective June 28, 1993, so the fund was established in COA 93. The Department of Community and Regional Affairs is the custodian. The source of funds are Legislative appropriations to the fund. The money in the fund shall be held in custody for each municipality. It is the view of DOF that the state does not have fiduciary responsibility for this fund but actually owns the money in the fund, so it is not a trust fund even though the word "custody" is used in the legislation. Interest is calculated by Treasury. An appropriation is necessary for the fund to receive the interest. Encumbrances are reserved, and the remaining balance of the fund is reported as unreserved/undesigned.

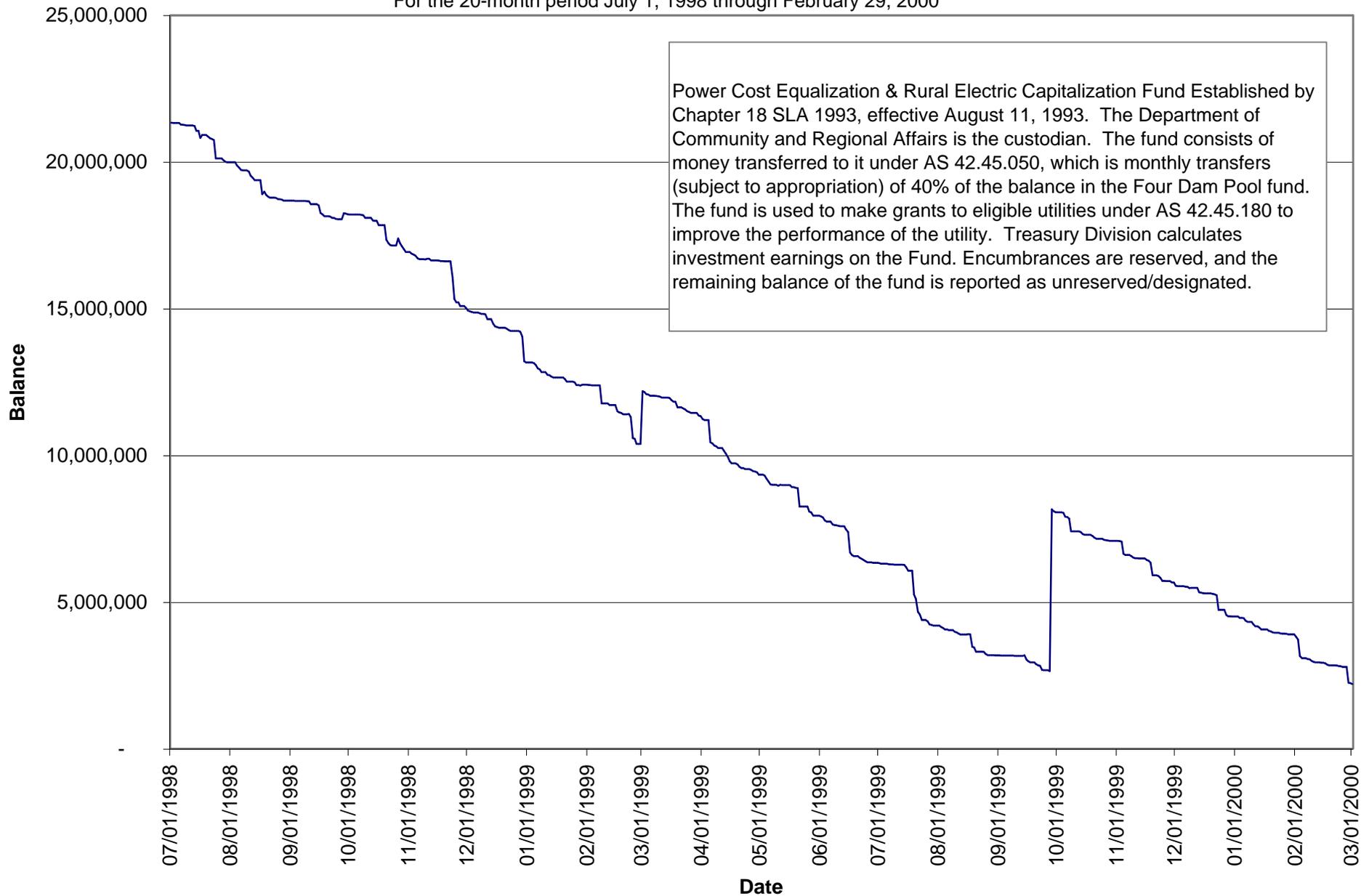
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

**GEFONSI ACCOUNT BALANCES - 21516 POWER COST EQUALIZATION & RURAL ELECTRIC CAPITALIZATION FUND**

For the 20-month period July 1, 1998 through February 29, 2000



Power Cost Equalization & Rural Electric Capitalization Fund Established by Chapter 18 SLA 1993, effective August 11, 1993. The Department of Community and Regional Affairs is the custodian. The fund consists of money transferred to it under AS 42.45.050, which is monthly transfers (subject to appropriation) of 40% of the balance in the Four Dam Pool fund. The fund is used to make grants to eligible utilities under AS 42.45.180 to improve the performance of the utility. Treasury Division calculates investment earnings on the Fund. Encumbrances are reserved, and the remaining balance of the fund is reported as unreserved/designated.

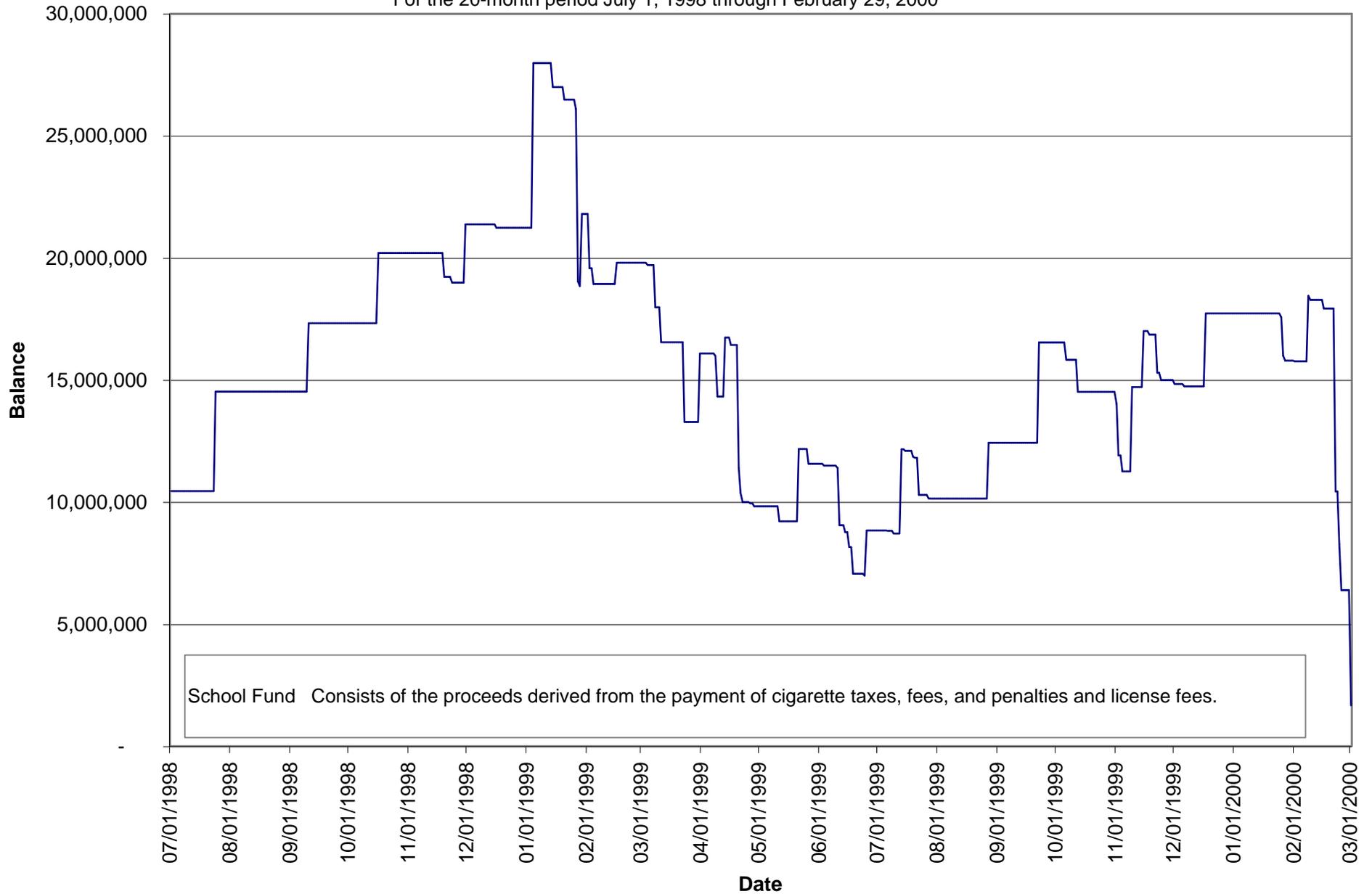
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

# GEFONSI ACCOUNT BALANCES - 21520 SCHOOL FUND

For the 20-month period July 1, 1998 through February 29, 2000



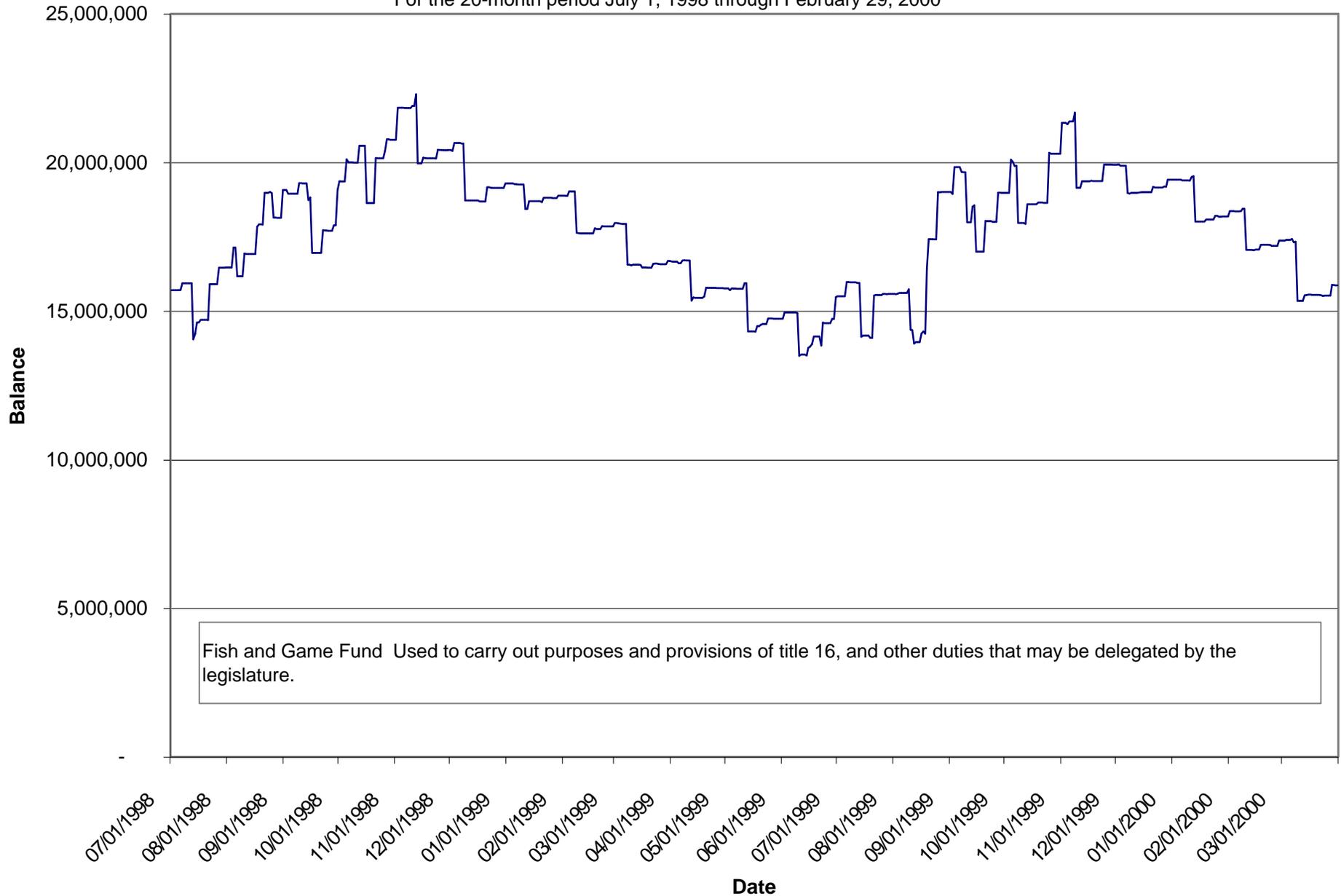
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

# GEFONSI ACCOUNT BALANCES - 21530 FISH & GAME FUND

For the 20-month period July 1, 1998 through February 29, 2000



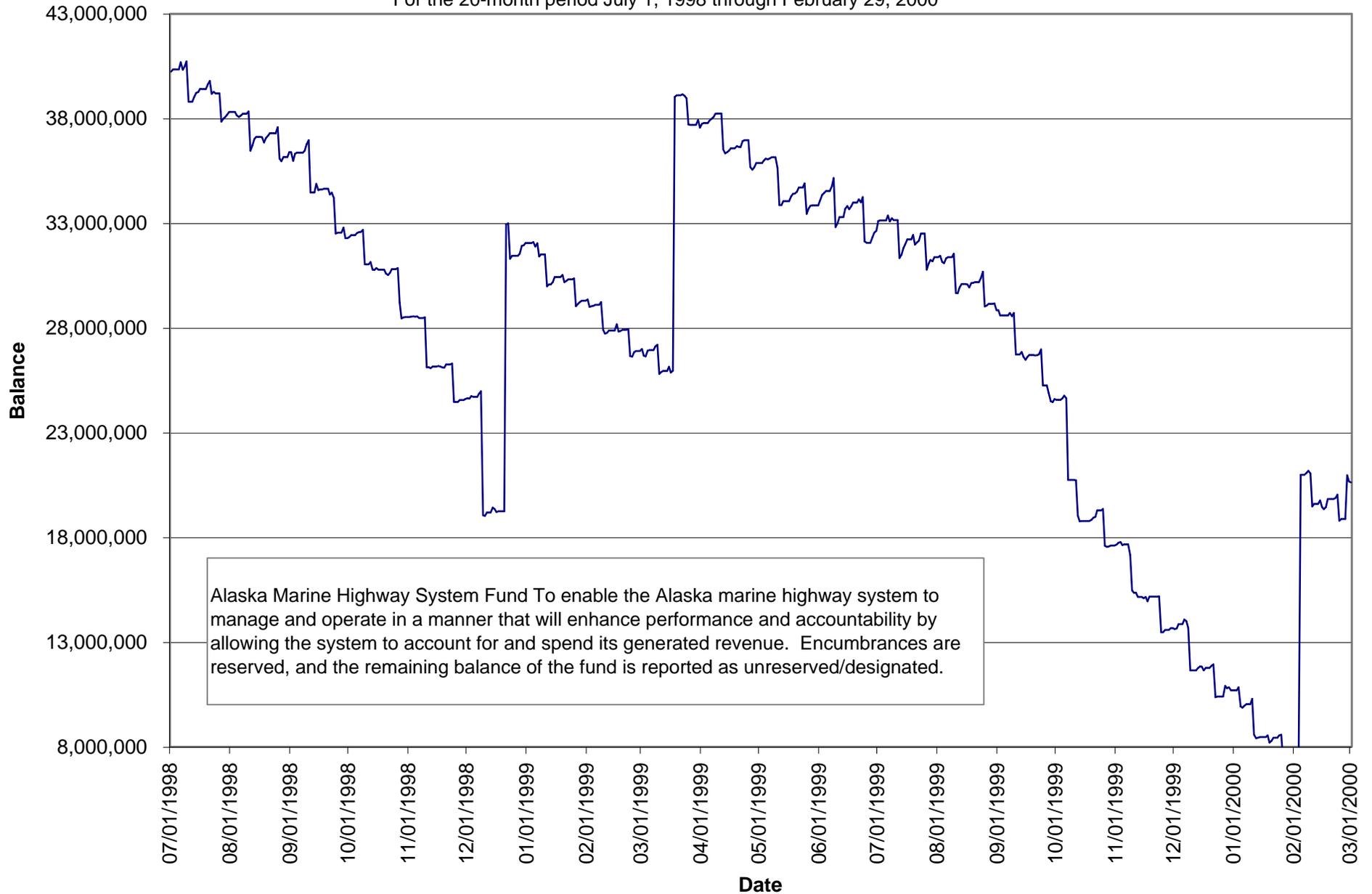
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 21560 AK MARINE HIGHWAY SYSTEM FUND

For the 20-month period July 1, 1998 through February 29, 2000



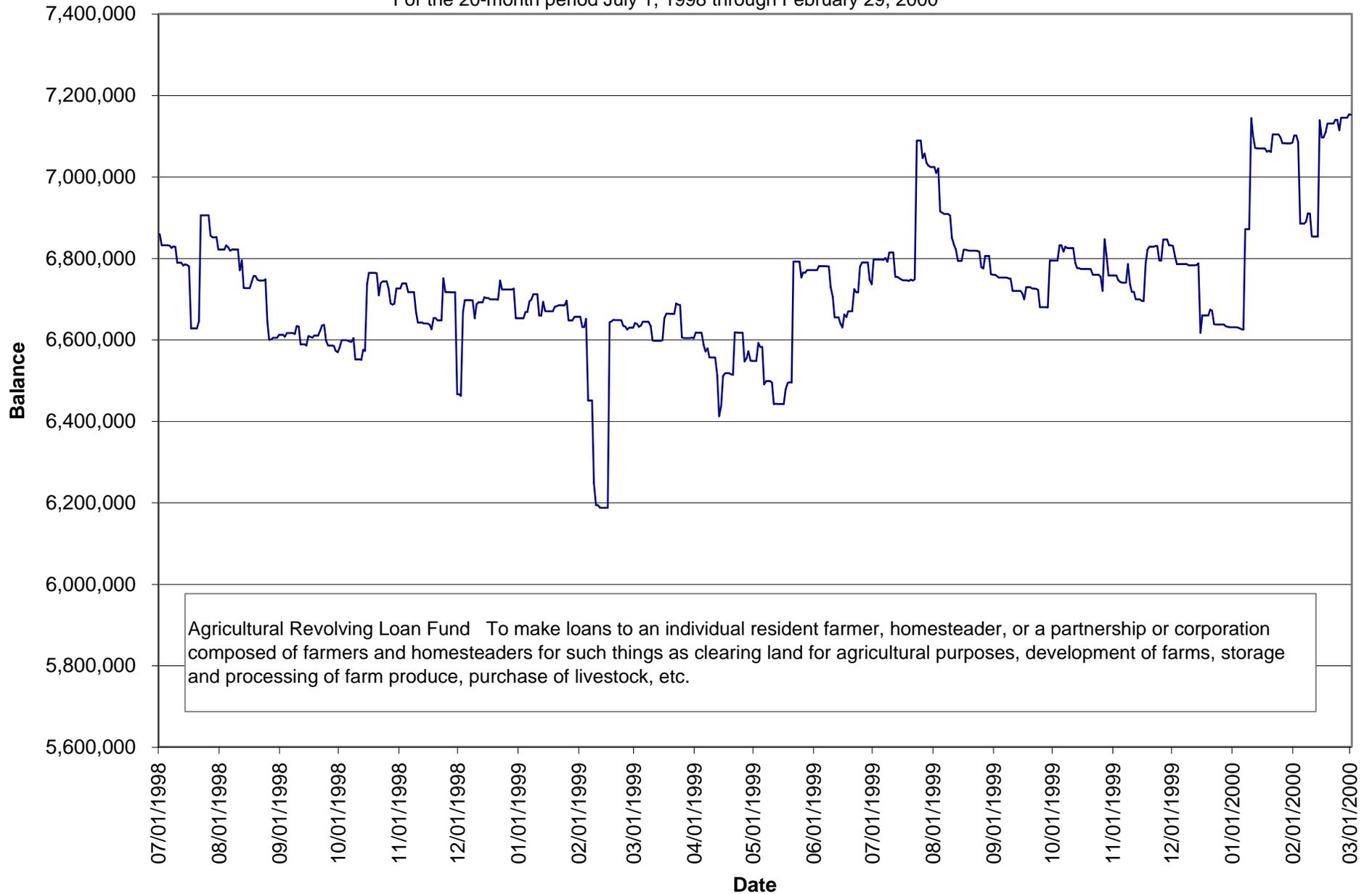
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 21980 AGRICULTURAL REVOLVING LOAN FUND

For the 20-month period July 1, 1998 through February 29, 2000



Agricultural Revolving Loan Fund To make loans to an individual resident farmer, homesteader, or a partnership or corporation composed of farmers and homesteaders for such things as clearing land for agricultural purposes, development of farms, storage and processing of farm produce, purchase of livestock, etc.

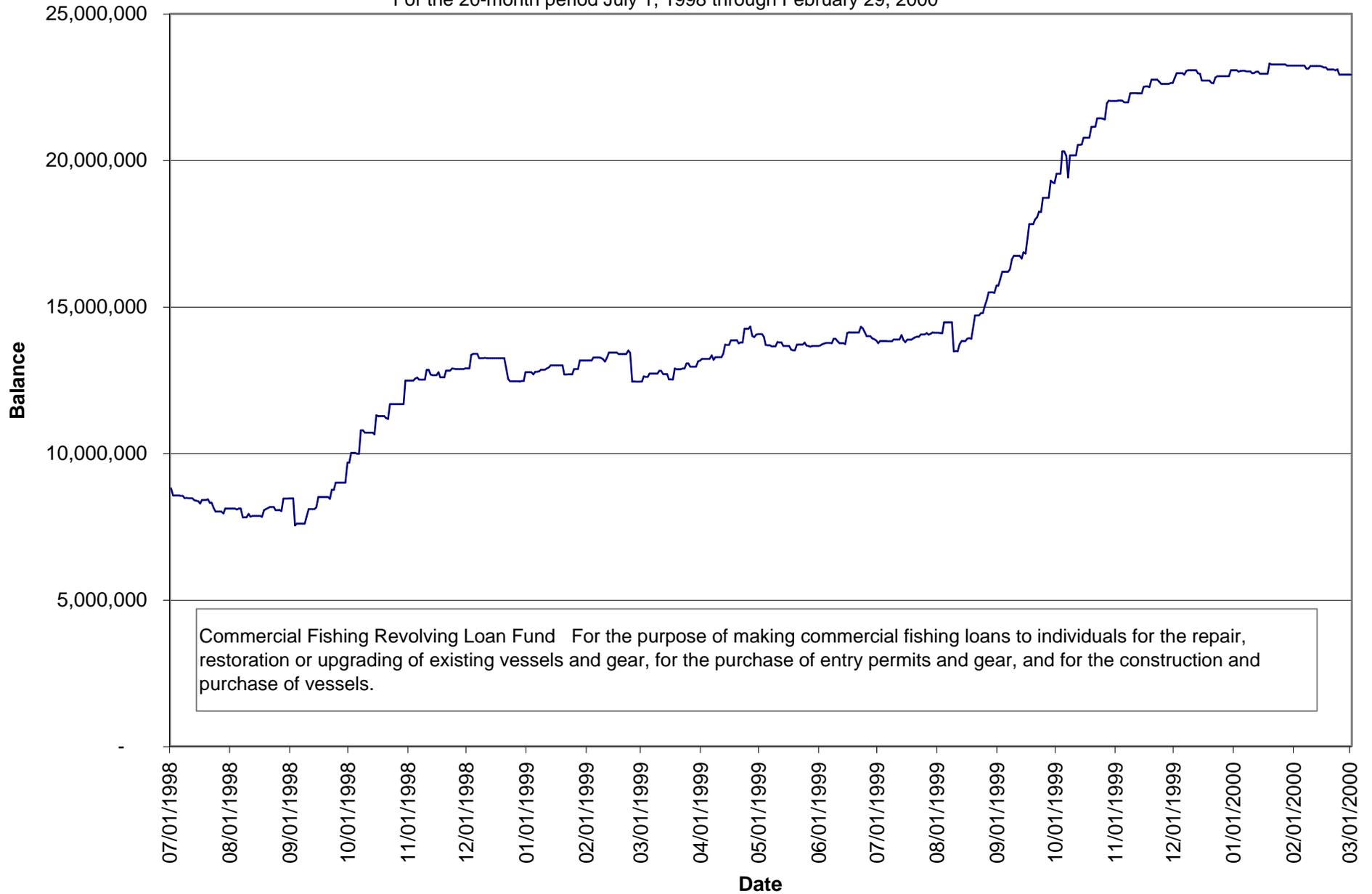
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

# GEFONSI ACCOUNT BALANCES - 21990 COMMERCIAL FISHING REVOLVING LOAN FUND

For the 20-month period July 1, 1998 through February 29, 2000



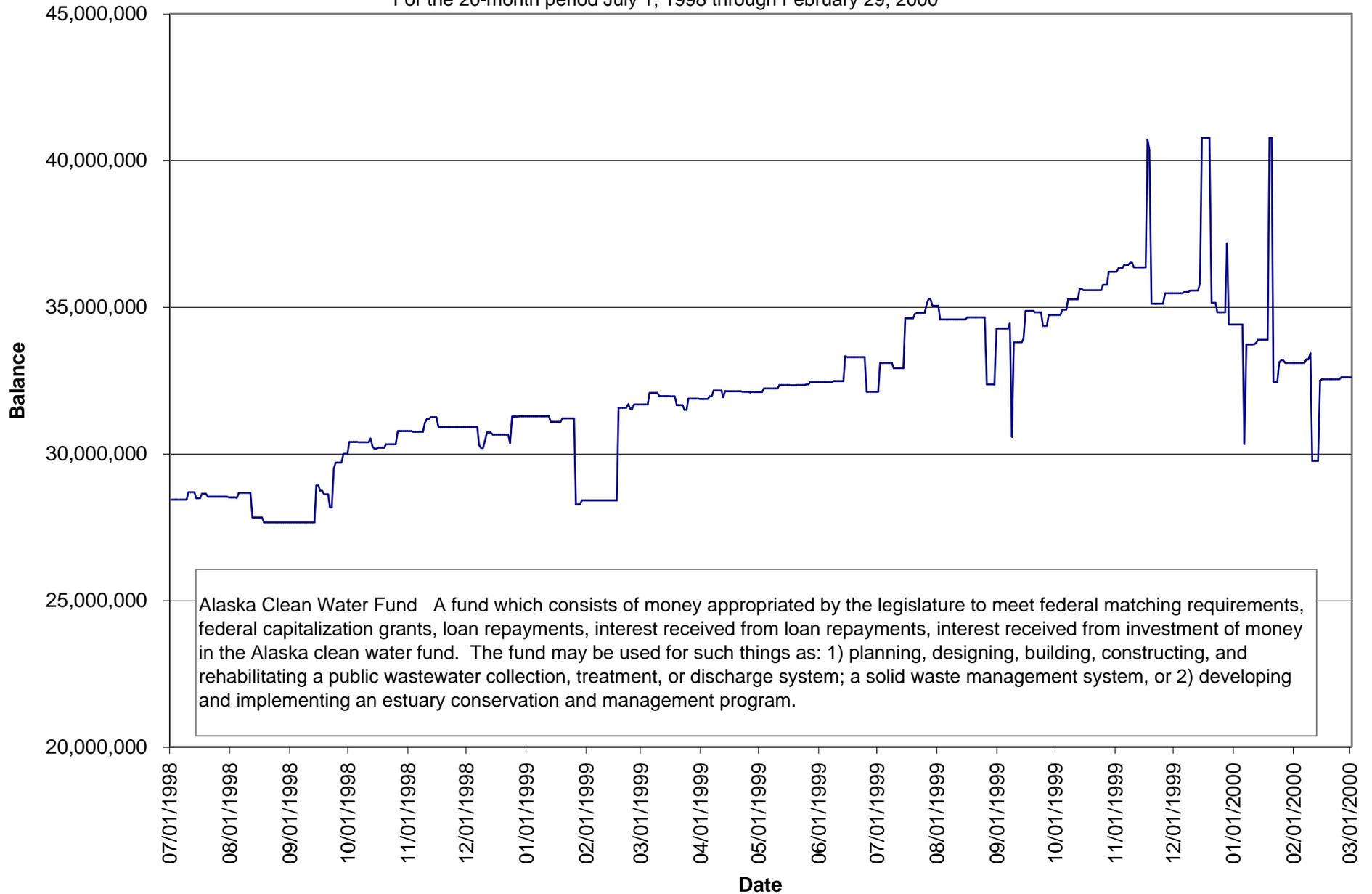
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 22076 AK CLEAN WATER FUND

For the 20-month period July 1, 1998 through February 29, 2000



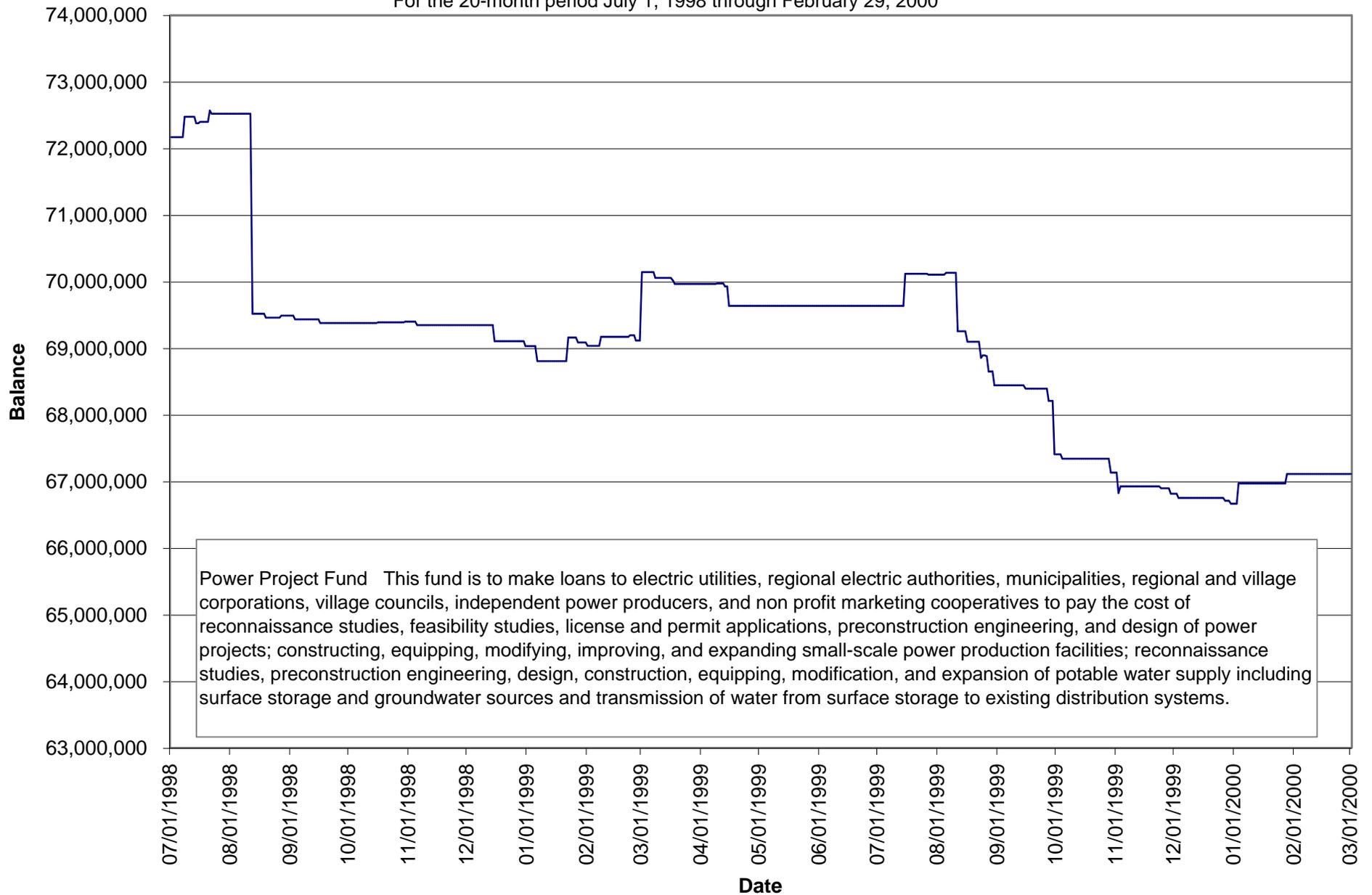
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 22093 POWER PROJECT FUND

For the 20-month period July 1, 1998 through February 29, 2000



Power Project Fund This fund is to make loans to electric utilities, regional electric authorities, municipalities, regional and village corporations, village councils, independent power producers, and non profit marketing cooperatives to pay the cost of reconnaissance studies, feasibility studies, license and permit applications, preconstruction engineering, and design of power projects; constructing, equipping, modifying, improving, and expanding small-scale power production facilities; reconnaissance studies, preconstruction engineering, design, construction, equipping, modification, and expansion of potable water supply including surface storage and groundwater sources and transmission of water from surface storage to existing distribution systems.

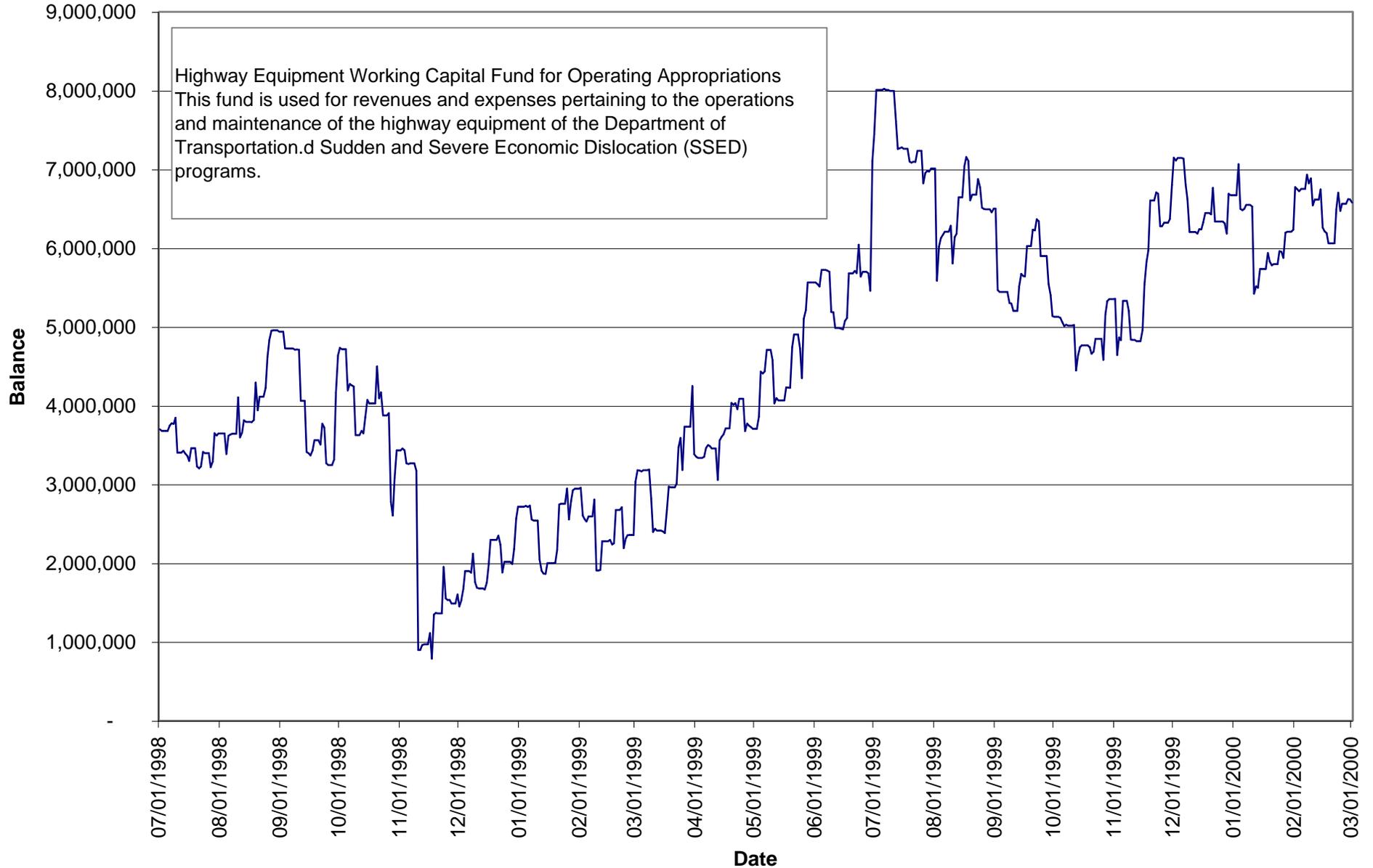
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 22110 HIGHWAY EQUIPMENT WORKING CAPITAL FUND FOR OPERATING APPROPRIATIONS

For the 20-month period July 1, 1998 through February 29, 2000



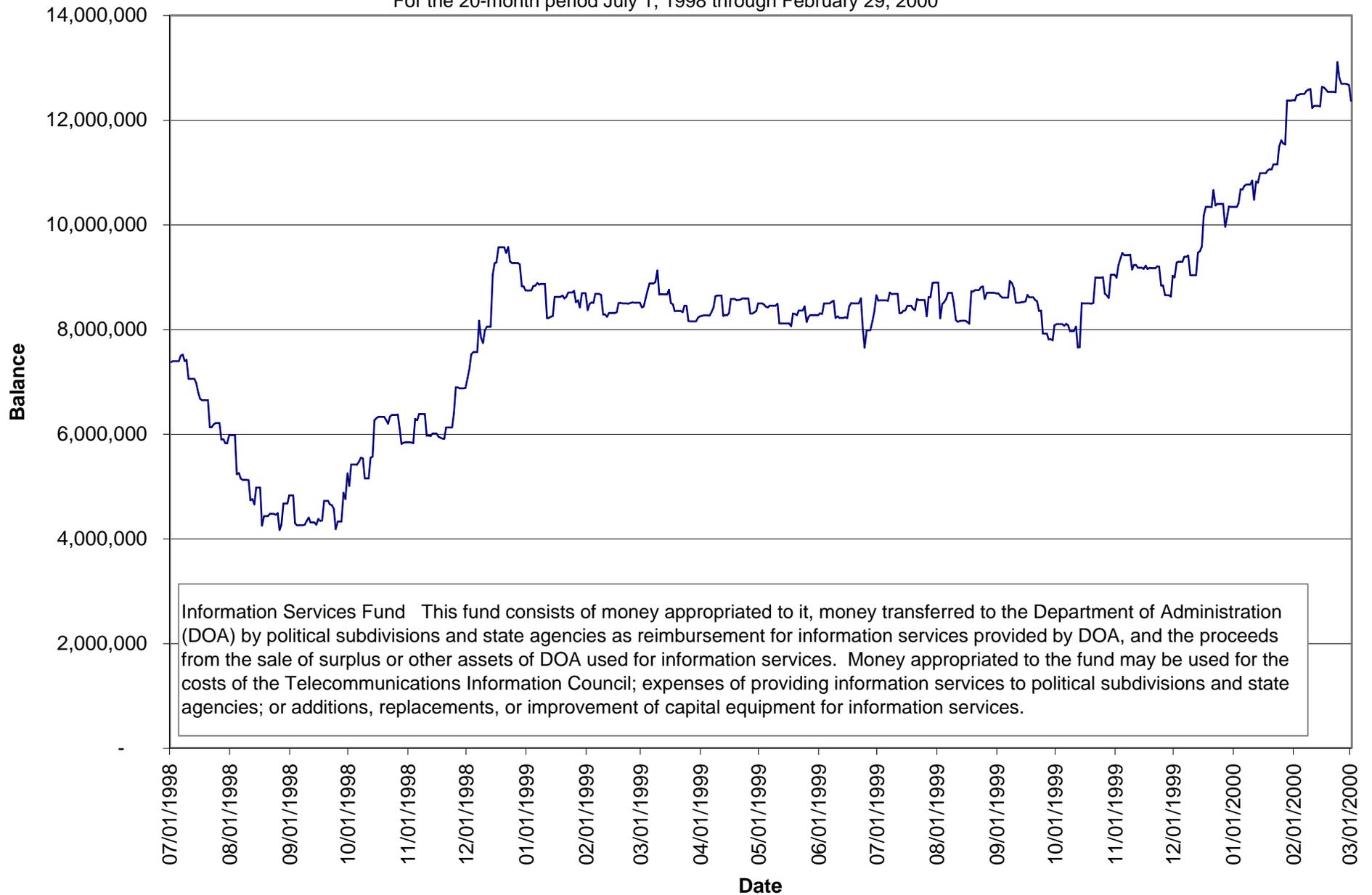
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 22115 INFORMATION SERVICES FUND

For the 20-month period July 1, 1998 through February 29, 2000



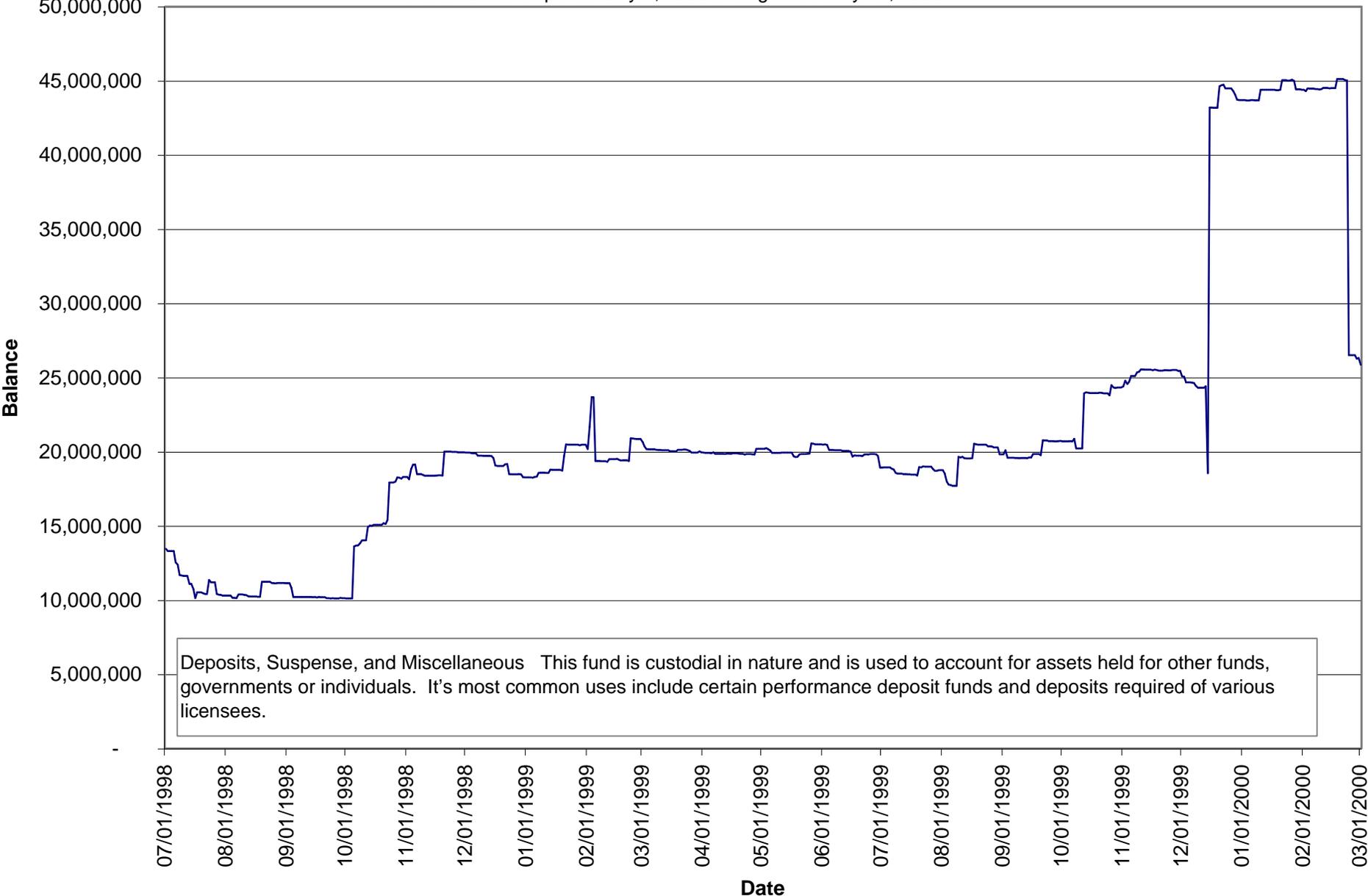
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 22160 DEPOSITS,SUSPENSE & MISCELLANEOUS

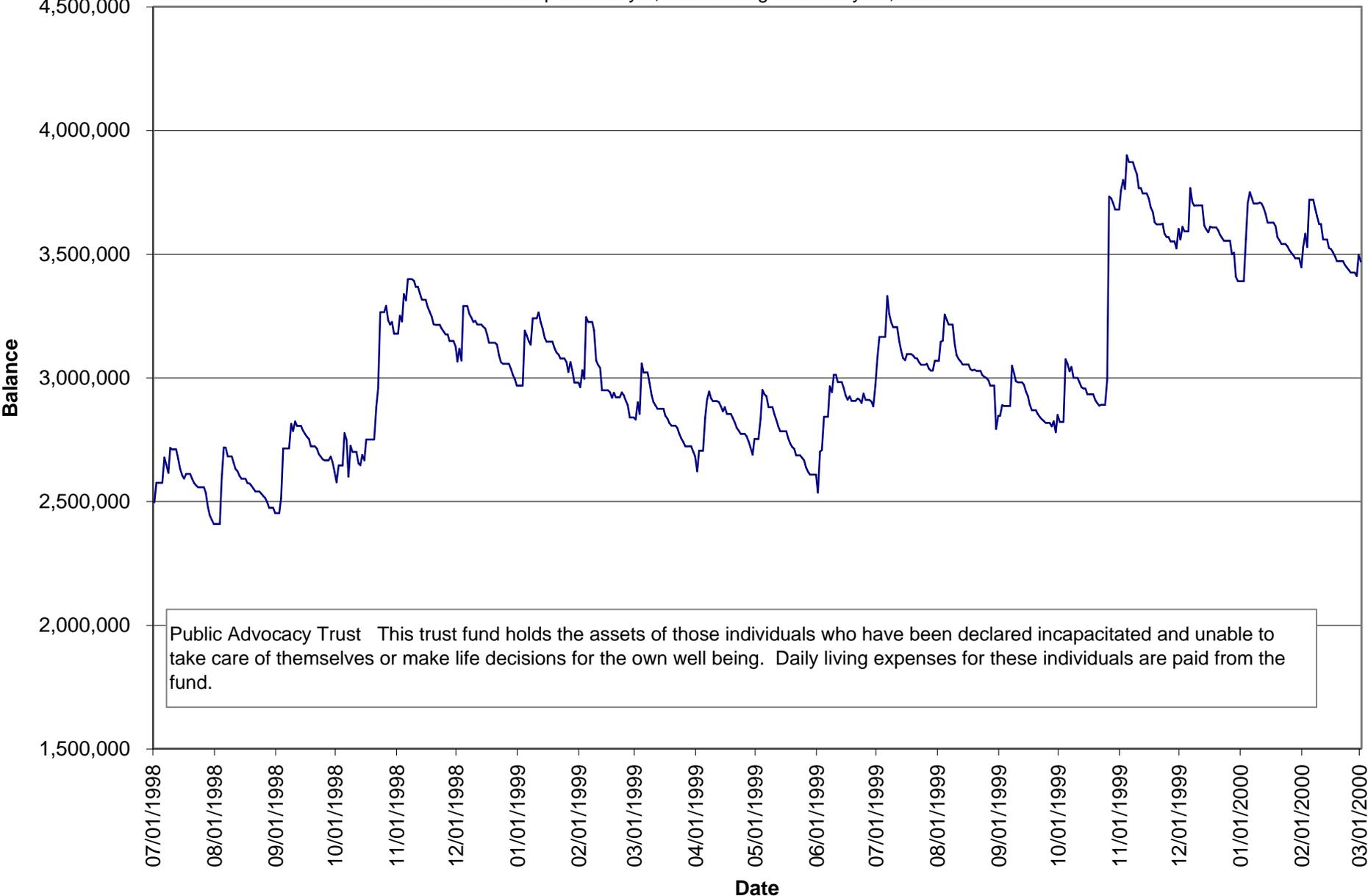
For the 20-month period July 1, 1998 through February 29, 2000



Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.  
 Prepared by Treasury Division, Asset Accounting  
 Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 22162 PUBLIC ADVOCACY TRUST

For the 20-month period July 1, 1998 through February 29, 2000

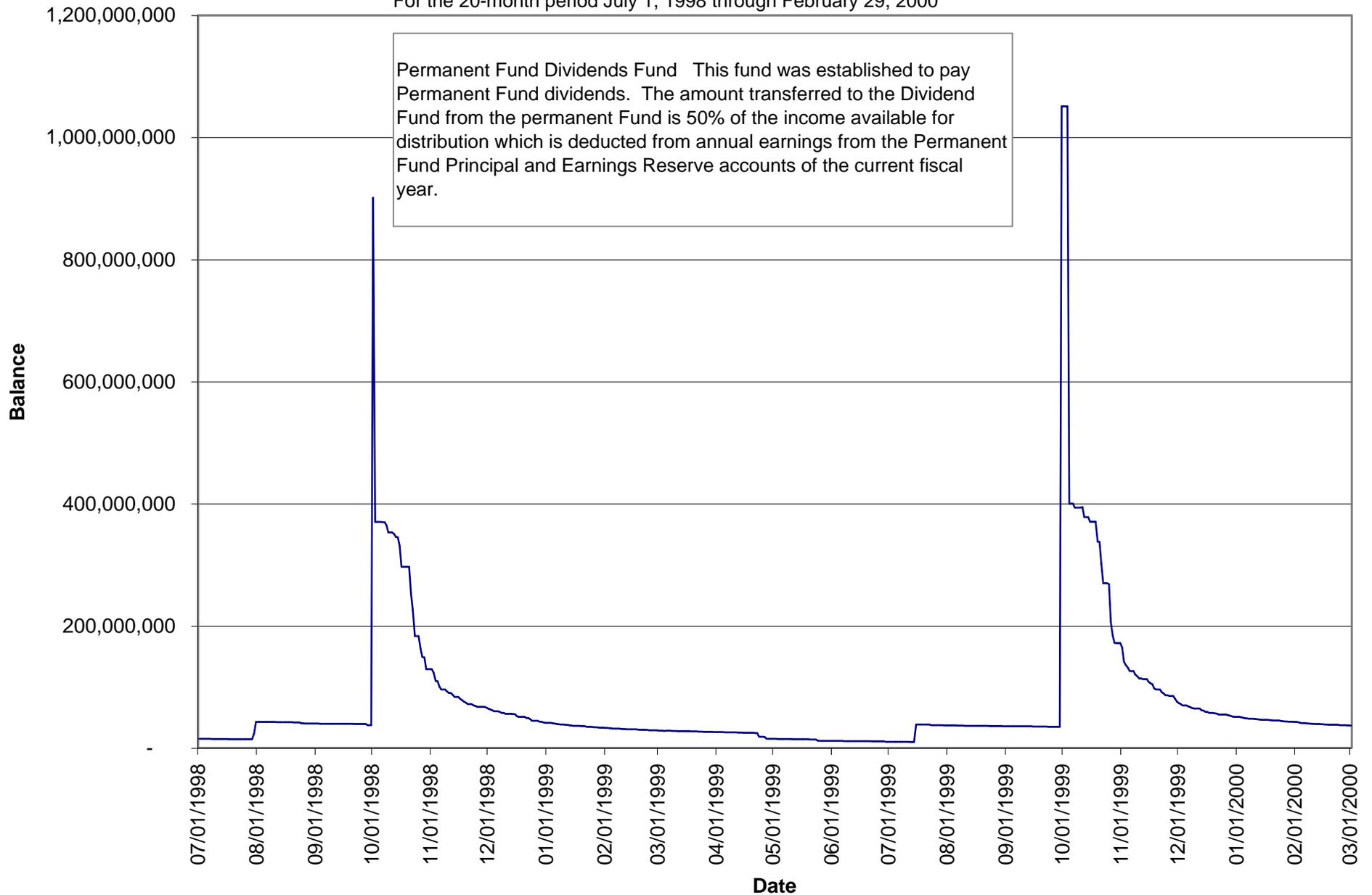


Public Advocacy Trust This trust fund holds the assets of those individuals who have been declared incapacitated and unable to take care of themselves or make life decisions for the own well being. Daily living expenses for these individuals are paid from the fund.

Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.  
 Prepared by Treasury Division, Asset Accounting  
 Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 22170 PERMANENT FUND DIVIDENDS FUND

For the 20-month period July 1, 1998 through February 29, 2000



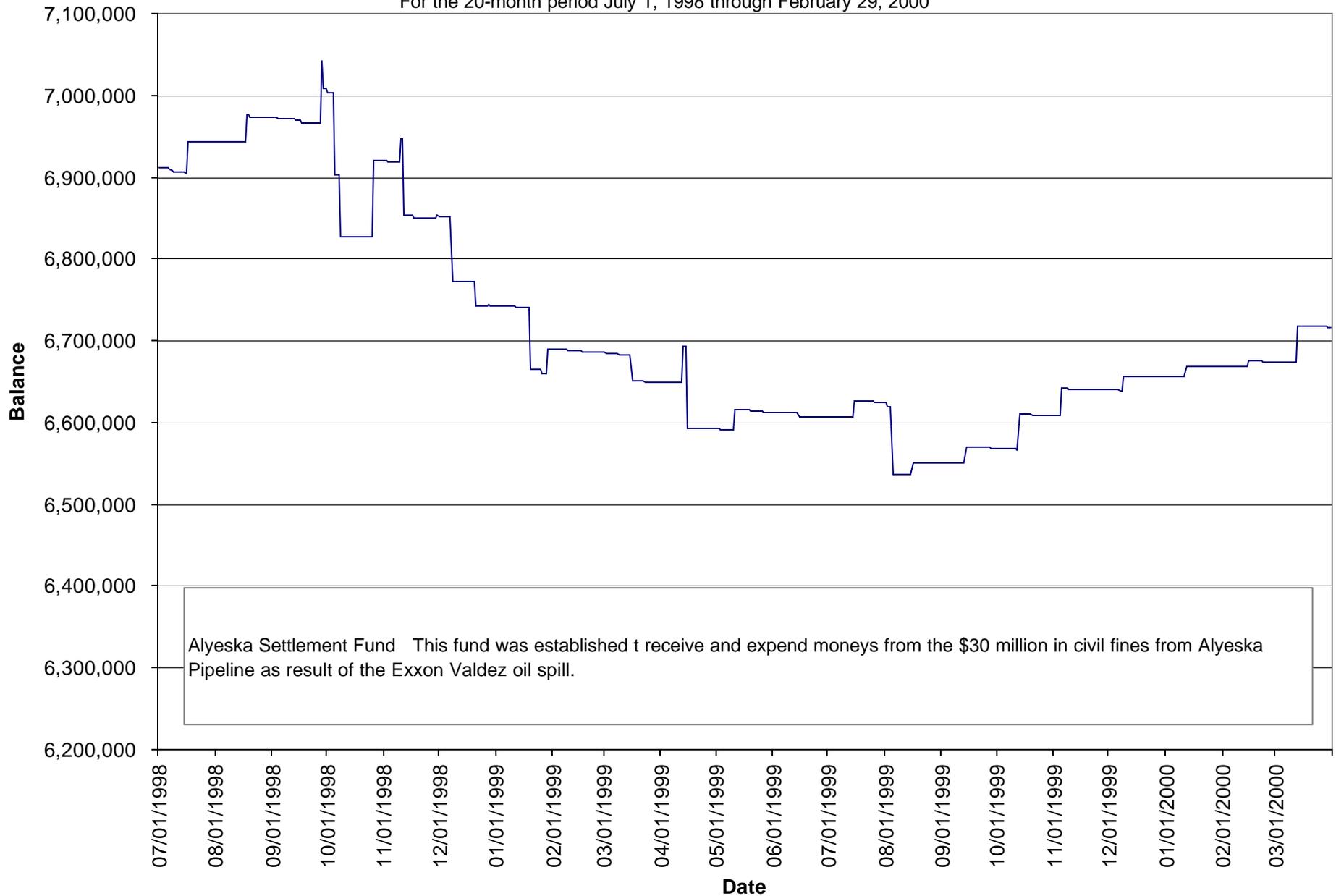
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

## GEFONSI ACCOUNT BALANCES - 22178 ALYESKA SETTLEMENT FUND

For the 20-month period July 1, 1998 through February 29, 2000



Alyeska Settlement Fund This fund was established to receive and expend moneys from the \$30 million in civil fines from Alyeska Pipeline as result of the Exxon Valdez oil spill.

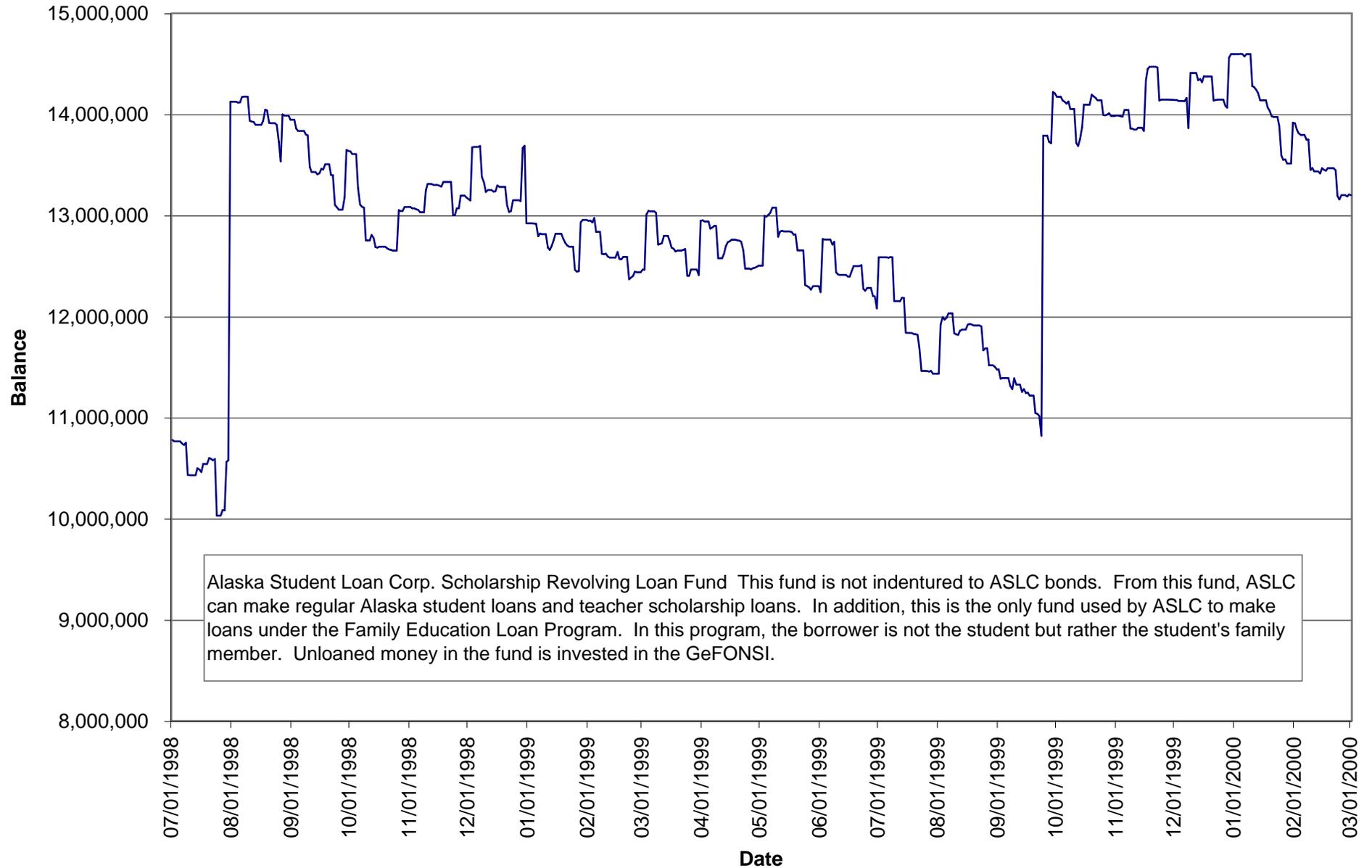
Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

Prepared by Treasury Division, Asset Accounting

Printed: 10/10/2000

GEFONSI ACCOUNT BALANCES - 22297 AK STUDENT LOAN CORPORATION SCHOLARSHIP REVOLVING LOAN FUND

For the 20-month period July 1, 1998 through February 29, 2000



Purpose: Shows this fund's daily share of the GeFONSI for dates noted above.

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Printed: 10/10/2000