

Investment Portfolio Overview

September 17, 2020



- Background
- Investment Guidelines
- Portfolio Composition
 - Duration and Performance Targets

Background

- Portfolio comprised of multiple funds with different restrictions and requirements
 - Liquidity Fund
 - General Fund
 - Revenue Bond Reserve Fund
 - Rate Stabilization Fund
- Cash and investments come from bonds proceeds and operating income

Investment Guidelines

- **Purpose:**

- Manage investments in a manner which preserves principle while providing highest possible return
- Meet daily cash flow demands of the Port
- Conform to all state statutes governing the investment of public funds

- **Objective:**

- Safety – Preservation of capital
- Liquidity – Ability to meet all cash flow requirements
- Return on Investment – Achieve market rate of return within confines of risk and cash flow constraints

Investment Guidelines

- **Delegation of Authority:**
 - Authority to manage investment portfolio derived from RCW 53.36.010, regarding Port District Treasurer, and by
 - POT Resolutions 2013-04 (and future master resolutions) and Resolution 2013-11 delegate authority to the Port Treasurer and Deputy Treasurer to make investments authorized by Statutes
 - Per Section V.A.(1). of the POT Master Policy Directive assigns Deputy Treasurers
- **Authorized and Suitable Investments:**
 - All investments authorized by RCW 39.59 (Public Funds – Authorized Investments), RCW 43.84.080 (Investment of Current State Funds), and all referenced RCW's within
 - All rated “A3 or A-” or better

Some Authorized Investment Examples

- **US Agencies:** (implicit/explicit US Government guarantee)
 - Federal National Mortgage Association (FNMA)
 - Federal Home Loan Mortgage Corporation (FHMC)
 - Federal Agricultural Mortgage Corporation (FAMCA)
- **Municipalities, GO** – Guaranteed by tax levies (any US issuer)
 - State, City, County, School districts, Water districts
- **Municipalities, Revenue** – WA state issuers only
 - Energy Northwest, Washington State University
- **Supra-Nationals** (US Government largest participant)
 - World Bank, Asian Development Bank

Some Authorized Investment Examples

- **Washington State Local Government Investment Pool (LGIP)**
 - Liquid pool managed by WA State Treasurer
 - Similar to a Money Market fund
- **Corporate Debt**
 - Bonds and Commercial Paper of major corporations

Investment Guidelines

SECURITY CLASSIFICATION	MAXIMUM HOLDING BY CLASS	MAXIMUM HOLDING BY ISSUER
Washington State LGIP	100%	N/A
U.S. Treasuries	100%	N/A
U.S. Government Agencies	60%	20%
Municipal Securities	40%	5%
Supranationals	20%	5%
Corporates	20%	2%
Commercial Paper	20%	3%
Certificates of Deposit	20%	5%

Portfolio Management and Performance Standards

- **Liquidity Fund**
 - Measured against net cost of bank charges; Performance goal is to achieve a break-even cost for this capability
- **General Fund**
 - Measured against an IFB calculated based on the Port's known cash flow liabilities; Average maturity (duration) target for this fund is 3 years
- **Revenue Bond Reserve Fund**
 - Role of this fund is to maximize interest earned to offset or reduce any negative arbitrage resulting from bond issuance
- **Rate Stabilization Fund**
 - Role of this fund is to provide a source of capital to be used to ensure subordinate lien bond covenants are maintained; Duration target for this fund is 4 to 6 years

Portfolio Composition as of 5/31/2020

- Liquidity Fund
 - Held in bank account – Approx. \$1 million
- General Fund
 - Treasury/ Agencies - \$28 million
 - Munis - \$16 million
 - LGIP - \$112 million
- Revenue Bond Reserve Fund
 - Treasury/ Agencies - \$10 million
 - Munis - \$3 million
 - LGIP - \$3.5 million
- Rate Stabilization Fund
 - Treasury/ Agencies - \$2 million
 - Munis - \$18.5 million
 - LGIP - \$14 million

Conclusion

- Staff will invest Port funds in accordance with the Guidelines and RCW's
- Investment Guidelines will be reviewed annually, and commissioners updated if there are significant changes
- Cash and investment balances, and interest income, are reported in the monthly financial package