



***Investment  
&  
Debt Overview***

***Commission Meeting  
April 20, 2017***



# Agenda



## Investments

- Investment Guidelines
- Portfolio Composition & Performance

## Debt

- Debt Profile & Outstanding Debt
- Outstanding Swaps & Variable Rate Debt
- Refunding Opportunities

# Investment Guidelines



## Purpose:

- Manage investments in a manner which preserves principle while providing highest possible return
- Meet 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
- Port Resolution No. 2013-04 (and future master resolutions) and 2013-11, delegating authority to Treasurer and 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

# Authorized Investments



US Agencies: (implicit/explicit US Government guarantee)

- Federal National Mortgage Association (FNMA)
- Federal Home Loan Mortgage Corporation (FHMC)
- Federal Agricultural Mortgage Corporation (FAMCA)

Municipalities: Guaranteed by tax levies (any US issuer)

- State, City, County, School districts, Water districts

Municipalities: Revenue (WA state issuer only)

- Energy Northwest, Washington State University

# Authorized Investments



Supra-Nationals: US Government largest participant

- World Bank, Asian Development Bank

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



## Diversification:

- Diversified by security type and maturity
- Limits based on issuer type, issuer, and specific issue
  - Ex: 60% U.S. Agency Bonds, 20% FNMA
  - Ex: 40% Municipal Bonds, 5% WA State University

# Investment Guidelines



## Performance Standards:

- Bond Covenant Required Long Term Fund
  - Maximize interest earned to reduce any negative arbitrage
- Internally Restricted Rate Stabilization Fund
  - Stable source of funds for subordinate lien bonds with an investment horizon of four to six years
- Medium Term Investment (General) Fund
  - Maximize return of general fund investments over an investment horizon of one to three years
- Construction Fund (Bond proceeds)
  - Maximize arbitrage during the allowable spend-down period specified by the Internal Revenue Service
- Liquidity Fund
  - Provide the Port of Tacoma with an immediate demand source of operating liquidity



# Portfolio Performance (03/31/2017)



## Bond Covenant Required Long Term Fund

- Par Value: \$12.4 million
- Book Yield: 3.5%
- Duration: 3.0 Years

## Internally Restricted Rate Stabilization Fund *(as of 02/28/2017)*

- Par Value: \$29.3 million
- Book Yield: 2.4%
- Duration: 4.3 Years

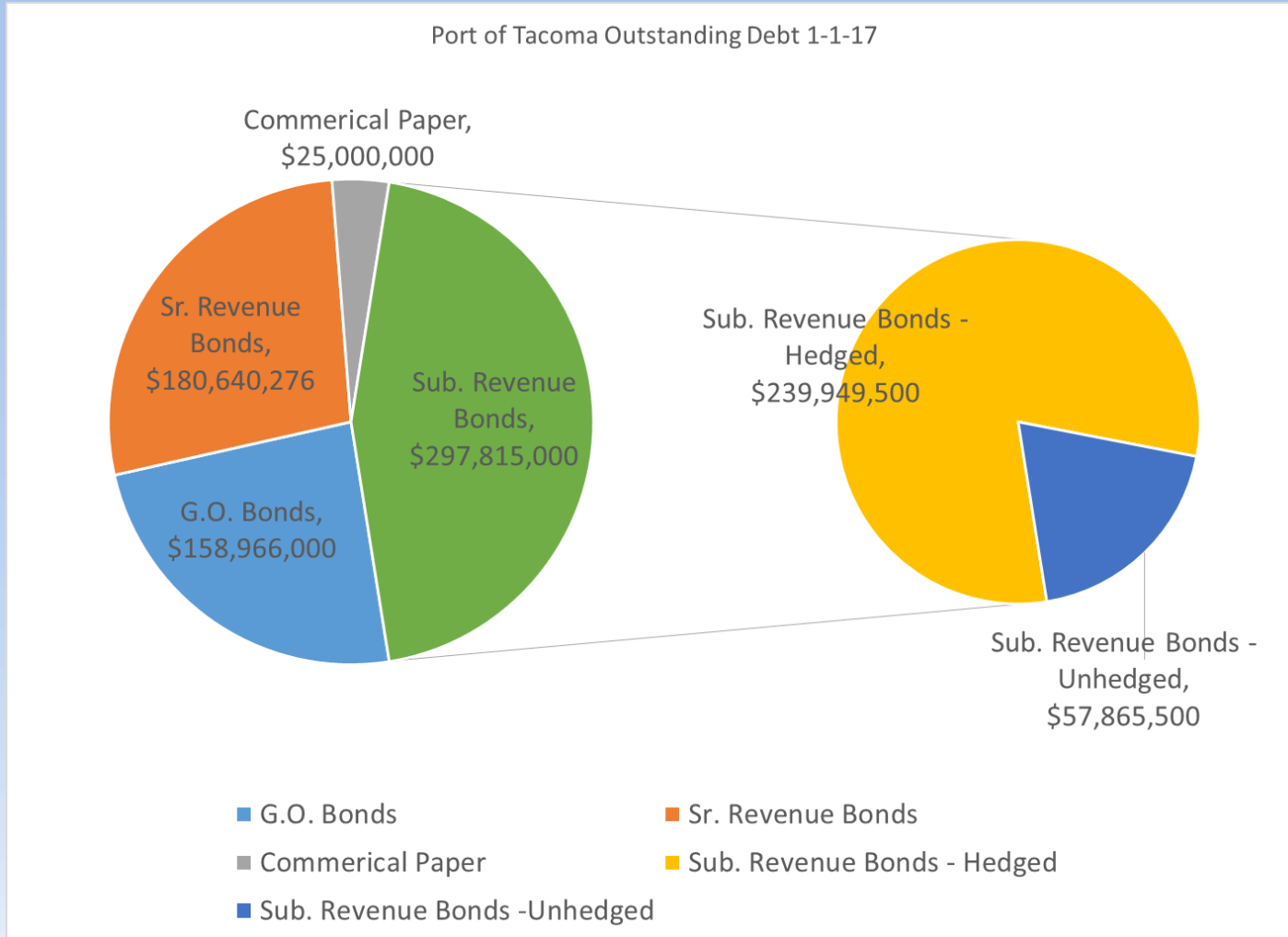
## Medium Term Investment (General) Fund

- Par Value: \$106.8 million
- Book Yield: 1.5%
- Duration: 2.0 Years

## Construction Fund (Bond proceeds)

- Par Value: \$69.9 million
- Book Yield: 0.9%
- Duration: 0.4 Years

# Debt Profile 01/01/2017

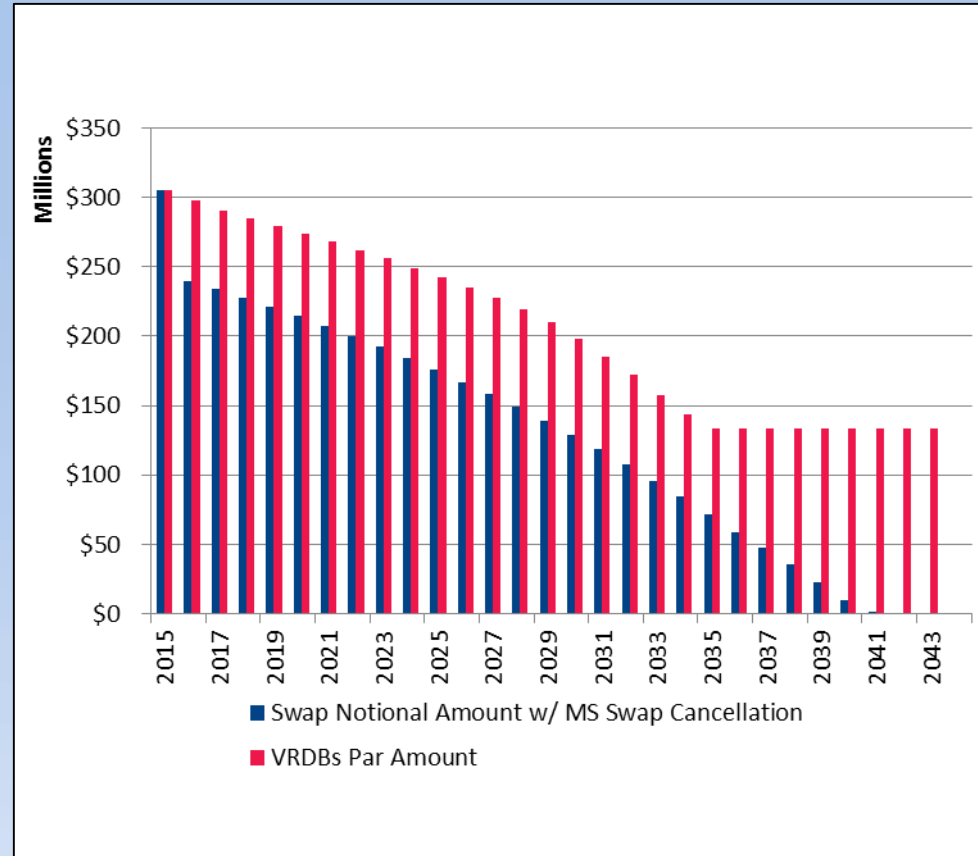


Total debt outstanding of \$662.4 million

# Outstanding Swap vs. Variable Debt



Swap & VRDB Amortization with MS Swap Cancellation				
As of	Swap Notional Amount	VRDBs Par Amount	Unhedged VRDBs	Unhedged Debt %
12/1/2016	239,949,000	297,815,000	57,866,000	12.09%
12/1/2017	233,892,500	290,045,000	56,152,500	11.98%
12/1/2018	227,587,500	284,925,000	57,337,500	12.50%
12/1/2019	221,029,500	279,590,000	58,560,500	13.06%
12/1/2020	214,210,500	274,020,000	59,809,500	13.67%
12/1/2021	207,109,000	268,200,000	61,091,000	14.33%
12/1/2022	199,730,000	262,125,000	62,395,000	15.04%
12/1/2023	192,050,000	255,780,000	63,730,000	15.81%
12/1/2024	184,064,000	249,150,000	65,086,000	16.66%
12/1/2025	175,749,000	242,225,000	66,476,000	17.60%
12/1/2026	167,099,000	234,990,000	67,891,000	18.63%
12/1/2027	158,102,000	227,440,000	69,338,000	19.79%
12/1/2028	148,743,000	219,555,000	70,812,000	21.08%
12/1/2029	139,002,500	210,100,000	71,097,500	22.16%
12/1/2030	128,869,500	197,915,000	69,045,500	22.67%
12/1/2031	118,331,500	185,165,000	66,833,500	23.24%
12/1/2032	107,365,500	171,835,000	64,469,500	23.89%
12/1/2033	95,961,500	157,890,000	61,928,500	24.66%
12/1/2034	84,096,000	143,300,000	59,204,000	25.56%
12/1/2035	71,746,000	133,000,000	61,254,000	28.71%
12/1/2036	58,900,000	133,000,000	74,100,000	36.16%
12/1/2037	47,335,000	133,000,000	85,665,000	43.69%
12/1/2038	35,310,000	133,000,000	97,690,000	52.29%
12/1/2039	22,795,000	133,000,000	110,205,000	62.23%
12/1/2040	9,775,000	133,000,000	123,225,000	73.85%
12/1/2041	1,140,000	133,000,000	131,860,000	84.46%
12/1/2042	0	133,000,000	133,000,000	91.83%
12/1/2043	0	133,000,000	133,000,000	100.00%
12/1/2044	0	0	0	N/A

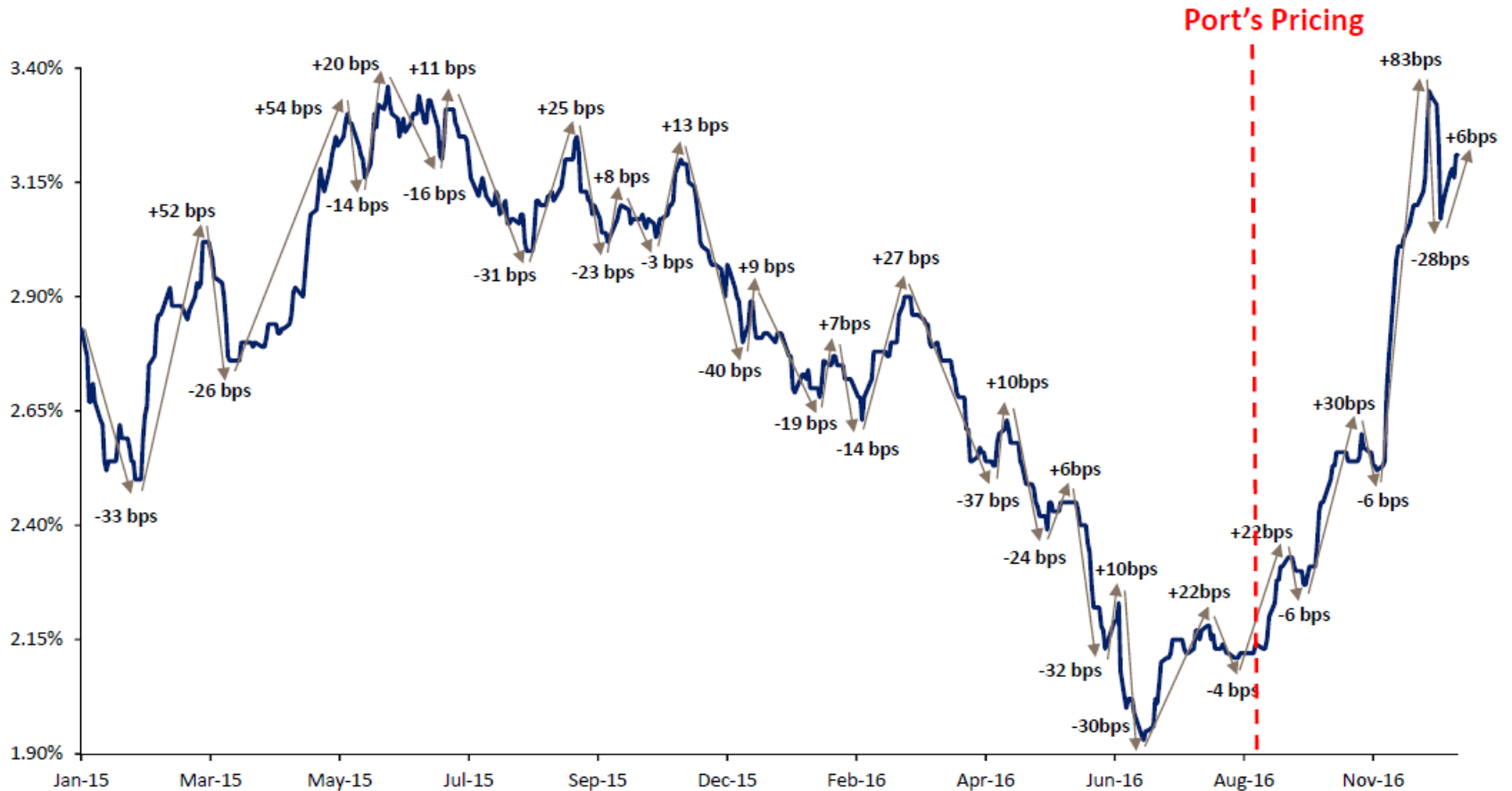


*Note: Commercial Paper is excluded from the unhedged VRDB calculation ; Unhedged Debt % is calculated using total outstanding Revenue Bonds*

# 2016 Bond Refunding Timing

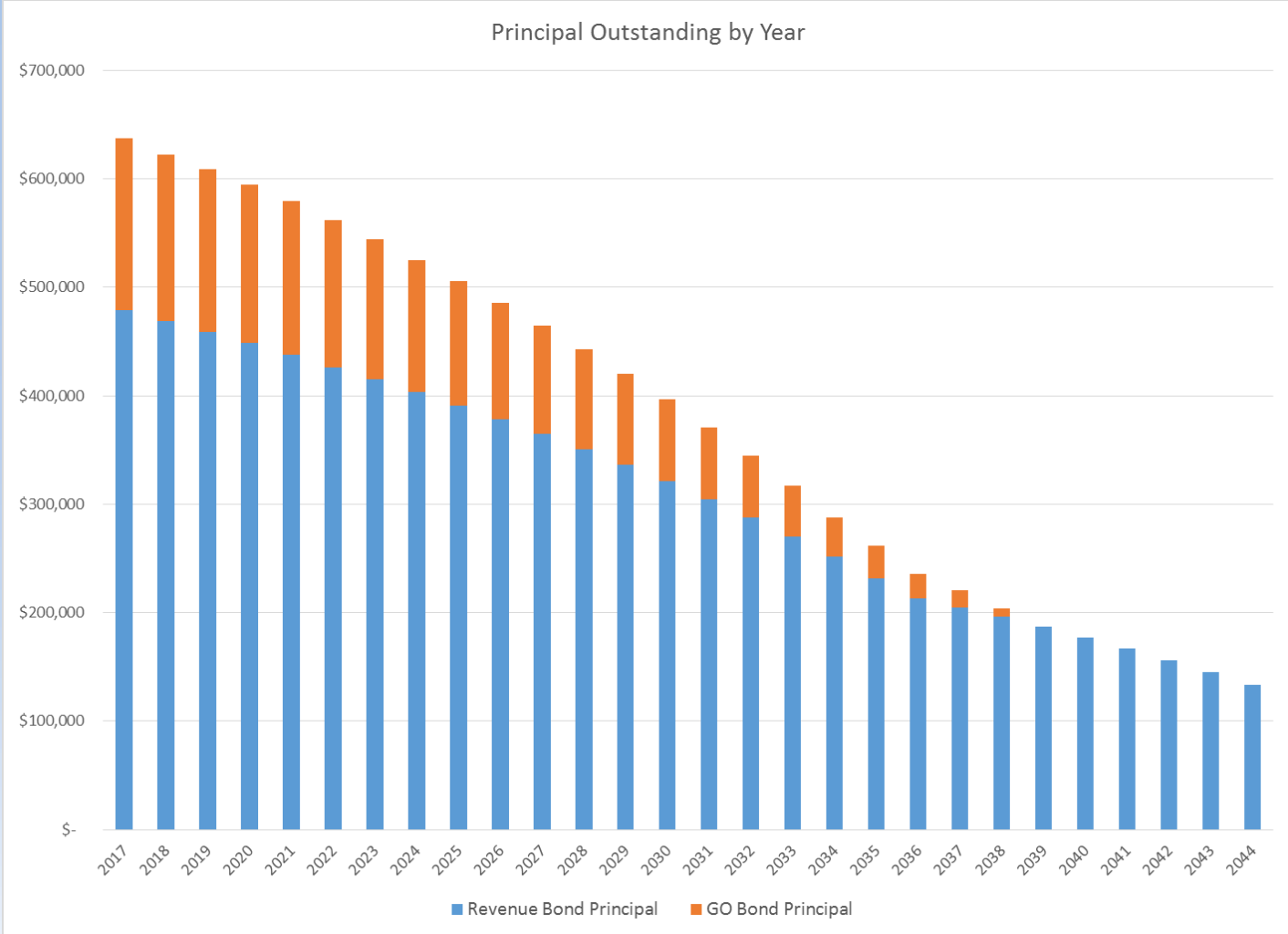


30-Year MMD Since January 1, 2015



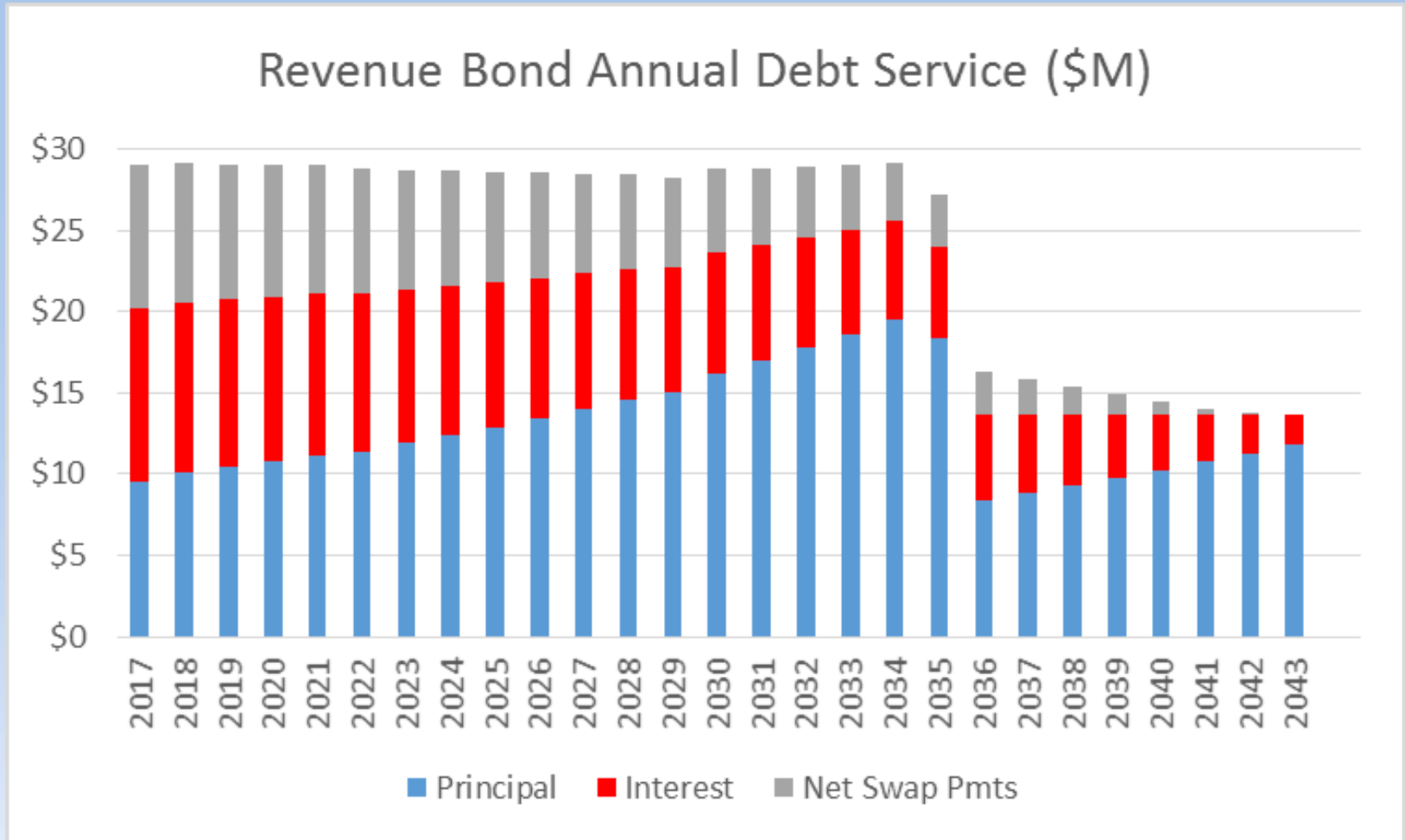
Luck = Preparation + Opportunity

# Debt: Outstanding and Projected Principle



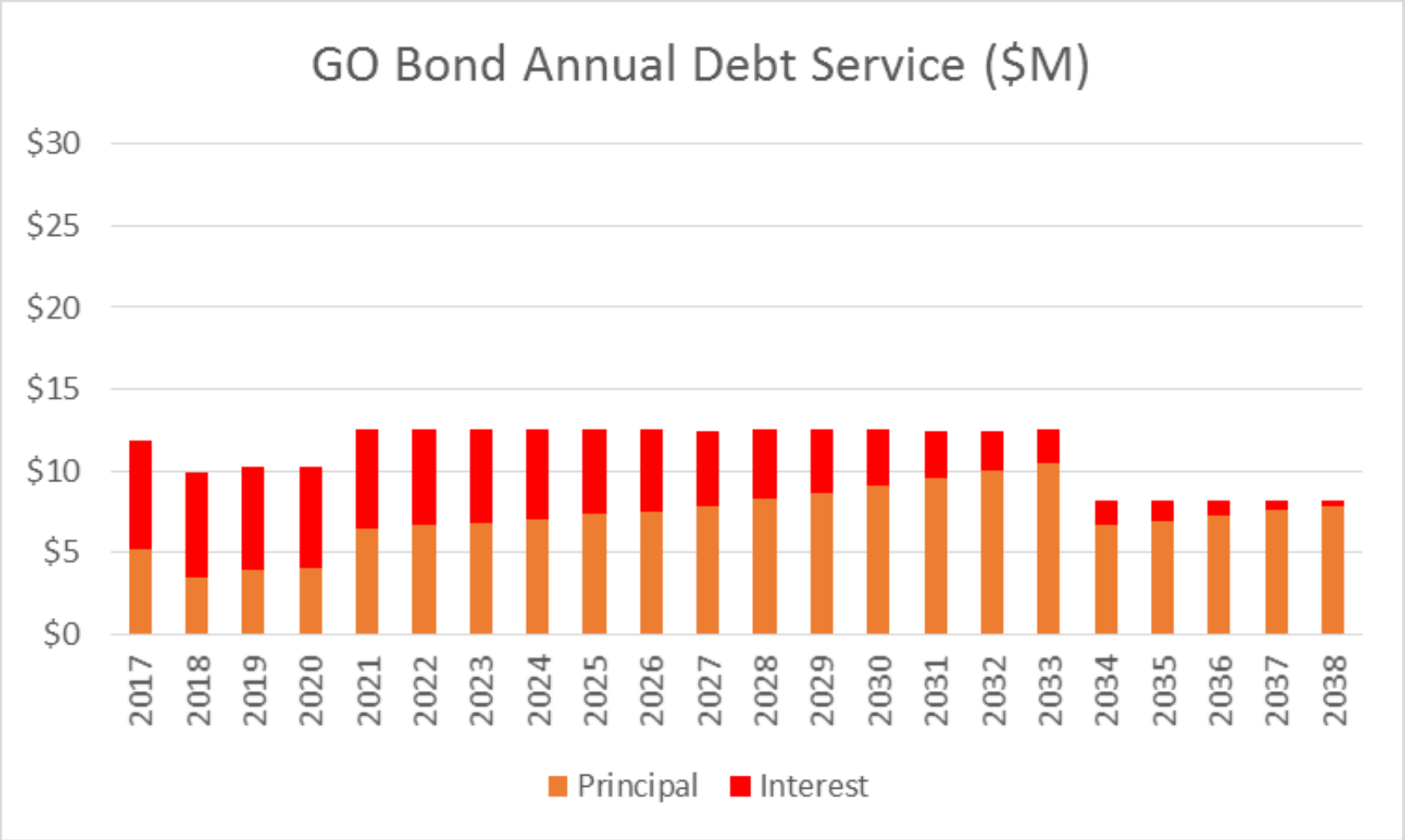
Excludes Commercial Paper

# Revenue Bond Annual Debt Service



NOTE: Excludes \$133M payment due 2044  
Excludes commercial paper

# G.O. Bond Annual Debt Service



Refunding opportunity: \$20M in 2018

# Debt: Outstanding and Projected Principle



(\$ millions)

	Balance 12/31/2016	2017 Issues	2017 Repayments	Balance 12/31/2017
G.O. Bonds	\$ 159.0	\$ -	\$ (5.3)	\$ 153.7
Senior Rev. Bonds	180.6	-	(1.8)	178.8
Sub. Rev. Bonds	297.8	-	(7.8)	290.0
Commercial Paper	25.0	-	0.0	25.0
<b>Total</b>	<b>\$ 662.4</b>	<b>\$ -</b>	<b>\$ (14.8)</b>	<b>\$ 647.6</b>