

Port of Port Angeles

Port Angeles, Washington

Commissioners' Resolution No. 19-1203

RESOLUTION OF THE PORT OF PORT ANGELES REVISING THE PORT OF PORT ANGELES INVESTMENT POLICY

WHEREAS, the Board of Commissioners (the "Port Commission") of the Port of Port Angeles (the "Port") has statutory authority to adopt from time to time resolutions authorizing the investment of Port District funds which are not required for immediate expenditures and which are in the custody of the Port Treasurer and to specify, subject to statutory constraints, permitted investment of said funds; and

WHEREAS, the Port Commission has from time to time enacted various resolutions for the purposes and uses aforesaid; and

WHEREAS, the Port Commission deems it advisable to enact a new resolution governing the investment policy with regard to funds of the Port District not needed for immediate expenditure; and

WHEREAS, the Port Commission deems it advisable to rescind the current Port of Port Angeles resolution governing investment policy of such funds, to wit: Resolution No. 10-987, and to replace the same with a new investment policy as hereinafter set forth;

NOW, THEREFORE, BE IT RESOLVED, that the Port Commission of the Port of Port Angeles hereby rescinds Resolution No. 10-987 and adopts the following investment policy to govern investment of Port funds not needed for immediate expenditure, and authorizes the investment of such funds by the Port Treasurer in accordance with the terms and provisions herein.

Treasury & Investment Policy

I. Governing Authority

The treasury and investment programs shall be operated in conformance with federal and Washington State legal requirements, including Revised Code of Washington (RCW) Ch. 53.36 Finances, Ch. 36.29 County Treasurer, Ch. 39.58 Public Funds – Deposits and Investments – Public Depositories, and Ch. 39.59 Public Funds – Authorized Investments.

II. Scope

This policy applies to the investment of all funds. Proceeds from certain bond issues may be covered by the bond covenants and will be managed accordingly.

III. Delegation of Authority

Authority to manage the investment program is derived from RCW 53.36.010, authorizing the appointment of a Port Treasurer, and Port Resolution 19-1201, appointing the Port Treasurer and Deputy Treasurer. Management responsibility for the investment program is hereby delegated to the Port

Treasurer, who shall establish written procedures, including internal controls, for the operation of the investment program consistent with this investment policy. The internal controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in the financial markets, or imprudent actions by employees and officers of the Port. The internal controls shall be reviewed with an independent auditor.

The Port Treasurer may delegate authority to other Port staff hereafter identified as an "Investment Officer," such as, for example, the Executive Director or the Deputy Treasurer depending on qualifications and as the need arises. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Port Treasurer. The Port Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities. Procedures should include references to: investment accounting, wire transfer agreements, and collateral/depository agreements.

The Port has established an approach for determining the minimum amount of cash on hand and investments to meet its financial obligations during a period of severe, adverse operating conditions that would substantially impair its revenue stream. It has based the components of this approach on prudent financial management considerations. This minimum amount also serves to guide the Port as to when it needs to borrow for its capital program. The minimum is a dynamic amount, which changes with its components below:

1. Six months of cash on hand for operating expenses based on the current year Port budget; funds should be readily accessible at a bank or LGIP;
2. Any self-insurance reserves (if applicable); and
3. All bond debt service reserve funds per their bond covenants.

Any amount in excess of this minimum amount is hereby deemed to be in excess of the Port's current needs at the time the minimum amount is calculated. Such excess amounts, as identified by the Port Treasurer in accordance with the factors set forth above, may be invested by the Port Treasurer in accordance with applicable law.

IV. Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of financial institutions authorized to provide investment services and a list of authorized security broker/dealers with acceptable credit worthiness. No public deposits shall be made except in qualified public depositories as provided in Chapter 39.58 RCW, Public Funds.

V. Commercial Bank

The Port Treasurer shall lead the selection of the Port's commercial bank. The Treasurer will report to the Port Commission the status of the commercial banking relationship every five to ten years and will seek Commission direction regarding the need to seek bids from qualifying banks that have a branch in Clallam County, Washington.

VI. Investment Program Objectives

The primary objectives of investment activities, in priority order, shall be safety, liquidity, and yield:

1. *Safety:*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. *Yield or Market Rate of Return*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

VII. Standards of Care

1. *Prudence*

The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. When acting in accordance with written procedures and this investment policy and exercising due diligence, the Port Treasurer and any Investment Officer designated by the Port Treasurer shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

In determining whether a Port investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than a consideration as to the prudence of a single investment, and, whether the investment decision was consistent with the written investment policy of the entity.

2. *Ethics and Conflicts of Interest*

Port investment officials involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Port investment officials shall disclose any material interests in financial institutions with which they conduct business, and shall disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Port investment officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Port.

VIII. Safekeeping and Custody

1. *Delivery vs. Payment*

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

2. Safekeeping

Securities will be held by an independent third-party custodian selected by the Port as evidenced by safekeeping receipts in the Port's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

IX. Authorized Investments

1. Investment Types

As authorized by RCW 39.59.040 and RCW 39.58.130, the Port may invest in the following:

- A. Bonds of the state of Washington and any local government in the state of Washington;
- B. General obligation bonds of a state and general obligation bonds of a local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency (A, AA, AAA or equivalent ratings as determined by specific rating agencies. Sub-ratings within each rating category, such as +, -, or 1, 2, 3, are not considered in this criteria);
- C. Subject to compliance with RCW 39.56.030. Issuing Officer to Fix Rate, registered warrants of a local government in the same county as the government making the investment;
- D. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder;
- E. Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system;
- F. Bankers' acceptances purchased on the secondary market;
- G. Commercial paper purchased in the secondary market, provided that any local government of the state of Washington that invests in such commercial paper must adhere to the investment policies and procedures adopted by the state investment board;
- H. Corporate notes purchased on the secondary market, provided that any local government of the state of Washington that invests in such notes must adhere to the investment policies and procedures adopted by the state investment board; and

- I. A public depository as defined in RCW 39.58.010, so long as any funds so deposited are secured by collateral in accordance with the provisions of Ch. 39.58 RCW.

X. Investment Parameters

1. Diversification

It is the policy of the Port to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all Port funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the Port Treasurer for all funds.

Any other provision of this resolution notwithstanding, aggregate total investment portfolio is constrained by the following provisions at the time of purchase. No more than 50% of the Port's direct portfolio shall be invested in a single financial institution or any one security except as noted below:

- A. Investment in the Local Government Investment Pool may comprise up to 80% of the total portfolio;
- B. U.S. Treasury and U.S. Government agency securities may comprise up to 80% of the total portfolio and U.S. Government agency securities shall be restricted so that no more than 60% of total portfolio is invested in any one agency;
- C. Washington State and local municipal bonds may comprise up to 60% of the total portfolio;
- D. Repurchase agreements and commercial paper may not comprise more than 10% of the total portfolio;
- E. Certificates of deposit shall be limited to 50% of net worth of the issuing institution;
- F. Deposits at the Port's bank for investment holdings are to be separately identified and will exclude the amount in the day-to-day checking accounts;
- G. The Treasurer shall at all times manage the Port's portfolio in a manner that will assure adequate cash flow to meet all reasonably foreseeable circumstances.

2. Maximum Maturities

To the extent possible, the Port shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Port will not directly invest in securities maturing more than the lesser of five (5) years from the date of purchase or the maturity period authorized in applicable state and local statutes and ordinances.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years, but no more than ten (10) years, if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with maturities exceeding five (5) years shall be disclosed in writing to the Port Commission.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3. *Competitive Bids*

In general, the Port Treasurer should attempt to obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.

XI. Reporting

1. *Methods*

The Port Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio. This management summary will be prepared in a manner that will allow the Port to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Port's Executive Director and the Port Commission. The report will include the following:

- A. Listing of individual securities held at the end of the reporting period;
- B. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements);
- C. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks;
- D. Listing of investment by maturity date; and
- E. Percentage of the total portfolio, which each type of investment represents.

2. *Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established.

XII. Rescission of Prior Resolutions

This Resolution No. 19-1203 supersedes Resolution 10-987 and all other prior resolutions related to the subject matter hereof, and said prior resolutions are hereby rescinded.

PASSED and ADOPTED this ____ day of November, 2019.

PORT OF PORT ANGELES
BOARD OF COMMISSIONERS


Connie L. Beauvais, President


Steven D. Burke, Vice President


Colleen M. McAleer, Secretary