

RESOLUTION NO. 3748

A RESOLUTION of the Port Commission of the Port of Seattle restating the Port of Seattle Statement of Investment Policy; repealing Resolution No. 3663 in its entirety; and adopting the State Treasurer's Resolution Authorizing Investment of the Port of Seattle's Monies in the Local Government Investment Pool.

WHEREAS, on December 11, 2001, the Port Commission adopted Resolution No. 3476 appointing the Chief Financial Officer of the Port as the Treasurer of the Port ("Port Treasurer") pursuant to RCW 53.36.010; and

WHEREAS, the Port Treasurer developed a Port of Seattle Statement of Investment Policy ("Policy") in order to facilitate the exercise of the Port Treasurer's responsibilities; and

WHEREAS, pursuant to Resolution No. 3487, the Port Commission adopted the Policy effective June 11, 2002; and

WHEREAS, consistent with the Association of Public Treasurers of the United States and Canada and the Government Finance Officers' Association best practices, the Chief Financial Officer completed a review of the Policy resulting in the Port Commission's adoption of Resolution No. 3569 on December 12, 2006; and

WHEREAS, the Policy was subsequently restated and amended by Port Commission Resolution No. 3589 (repealed) and Resolution No. 3663; and

WHEREAS, the investment objectives of the Policy are to ensure the safety of the principal, maintain liquidity of the Port's investment portfolio, and seek a yield reflecting a market rate of return; and

WHEREAS, sections nine and ten of the Policy list authorized investments and their diversification parameters; and

WHEREAS, Port of Seattle staff recommends including the Local Government Investment Pool (LGIP) as an authorized investment, an additional option to invest short-term cash, to enhance the Policy's liquidity investment objective; and

WHEREAS, the Washington State Treasurer's Office requires local governments to authorize participation in the Local Government Investment Pool by resolution in the form prescribed by that office;

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle as follows:


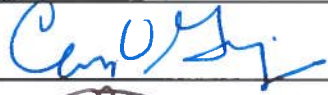


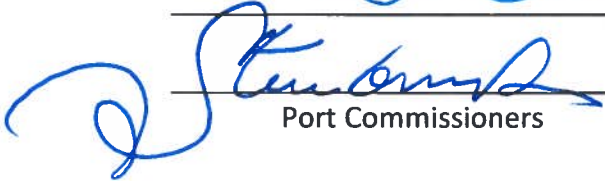
Section 1. Resolution No. 3663 is repealed.

Section 2. The restated Port of Seattle Statement of Investment Policy is established to include the Local Government Investment Pool (LGIP) as an authorized investment, as provided in Exhibit A.

Section 3. The State of Washington Treasurer's Office Resolution Authorizing Investment of the Port of Seattle's Monies in the Local Government Investment Pool is adopted, as provided in Exhibit B.

ADOPTED by the Port Commission of the Port of Seattle at a duly noticed meeting thereof, held this 22nd day of MAY, 2018, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.



	_____	RYAN CALKINS
	_____	COURTNEY GREGOIRE
	_____	STEPHANIE BOWMAN
	_____	FRED FELLEMAN
	_____	PETER STEINBRUECK

Port Commissioners

PORT OF SEATTLE
STATEMENT OF INVESTMENT POLICY

Exhibit A
To Resolution No. 3748

1. POLICY

It shall be the policy of the Port of Seattle (the "Port") to manage its investments in order to preserve principal while maximizing income and maintaining liquidity to meet anticipated cash needs and to conform to all statutes governing the investment of public funds.

2. INVESTMENT OBJECTIVES

The primary investment objectives of the Port, in priority order, are as follows:

1. **Safety** – Safety of principal is the foremost objective of the Port's investment program. Investments shall be selected in a manner that seeks to insure the preservation of capital in the portfolio. This will be accomplished through security selection, portfolio diversification, and maturity limitations, as more fully described below.
2. **Liquidity** – The Port's investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated.
3. **Yield** – The portfolio shall be managed with the objective of attaining a market rate of return throughout economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of least importance compared to the objectives of safety and liquidity.

3. SCOPE

This policy covers all funds managed by the Port as reported in the Port's Annual Financial Report unless specifically excluded by this policy. This policy does not apply to the Port's deferred compensation funds, employee pension, health and welfare funds, or other funds managed by third party administrators.

This investment policy does not cover any moneys collected and held by King County or the State of Washington until such time as those moneys are remitted to the Port of Seattle.

All investments shall comply with federal and state laws and this policy. Funds related to the issuance of tax-exempt debt shall at all times be invested and otherwise treated in accordance with Internal Revenue Service rules and regulations.

4. STANDARDS OF CARE

Prudence - The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule", and shall be applied in the context of managing the overall portfolio at all times:

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, in priority order, the probable safety and liquidity of their capital as well as the probable income to be derived.

Investment personnel acting in accordance with this policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are promptly reported and appropriate action is taken to control adverse consequences.

Ethics and Conflict of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial decisions. Investment officials and personnel shall disclose to the Port's General Counsel any material financial interests in financial institutions that conduct business with the Port, and shall further disclose any personal financial/investment positions that could be related to the performance of the Port's portfolio.

5. DELEGATION OF AUTHORITY

Authority to manage the Port's investment program shall reside with the Chief Financial Officer, appointed Port Treasurer pursuant to Resolution No. 3476. The Treasurer shall be accountable for all investment transactions and shall establish written procedures and internal controls designed to insure that the Port's assets are protected from loss, theft or misuse. The Treasurer may delegate the day-to-day duties and responsibilities related to the Port's investment program.

6. SAFEKEEPING AND CUSTODY

All transactions involving authorized investments shall be settled on a delivery versus payment (DVP) basis. All securities shall be held at the Port's safekeeping agent, or that agent's representative in New York City, or the agent's account at the Federal Reserve Bank.

7. SECURITIES LENDING

The Treasurer may enter into one or more contracts with the custodial banks or financial institutions, or any one of them, holding the Port's securities for the lending of all or part of these securities to reputable brokers and financial institutions to earn additional investment revenue or fees from such loans, provided that collateral equal to at least 102% of the market value of loaned securities shall be continuously maintained.

8. FINANCIAL INSTITUTIONS AND SECURITIES DEALERS

The Treasurer shall maintain a list of financial institutions and security broker/dealers authorized to provide investment services to the Port. Firms eligible to provide such services must meet the following criteria:

Financial Institutions

Banks: The Port may make deposits and purchase CDs only from banks that are qualified public depositories as determined by the Washington Public Deposit Protection Commission (PDPC). The Treasurer shall monitor the net worth and financial condition of these institutions on an ongoing basis, and may restrict and/or exclude any institution based on such evaluation.

Approved Securities Dealers

Primary Dealers: Security Dealers that can buy and sell Government Securities and deal directly with the Federal Reserve Bank of New York.

Secondary Dealers: The Port will transact securities with Secondary Dealers having an office in the State of Washington, doing investment business with other public entities in the State, that have a minimum capitalization of \$10 million and retained earnings of \$1 million.

Security broker/dealers engaged in investment transactions with the Port must have demonstrated knowledge and expertise in public sector investing and shall certify, in writing, that the dealer has read, understands, and agrees to comply with this investment policy. Dealers shall also provide the Port with annual audited financial statements. Should concerns arise regarding a dealer's financial condition, business practices, or compliance with the Port's investment policy, the firm may be restricted from conducting business with the Port at the sole discretion of the Treasurer.

9. AUTHORIZED INVESTMENTS

In accordance with and subject to restrictions embodied in Revised Code of Washington (RCW) 36.29.020, the following investments are authorized by this policy:

- A. Certificates of Deposit (CDs) with qualified public depositories as defined in RCW 39.58.
- B. Certificates, notes, bonds, bills, or other obligations of the U.S. government or its agencies, or of any corporation wholly owned by the U.S. government, all of which are secured by the full faith and credit of the United States for the repayment of principal and interest.
- C. Obligations of U.S. government-sponsored corporations eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. These include, but are not limited to, Federal Home Loan Bank bonds or notes, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures and bonds, Federal Home Loan Mortgage Corporation bonds or notes. In addition, the following mortgage backed securities of these agencies are allowed for purchase including: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of this policy and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of this policy.
- D. Bankers' Acceptances purchased in the secondary market. Bankers' Acceptance purchases are limited to the largest 50 world banks as listed each July in the American Banker. The banks must meet Tier one and Tier two capital standards.
- E. Commercial Paper authorized by RCW 43.84.080(7) purchased from the secondary market, consistent with policy of the State Investment Board. Any changes to the State Investment Board Guidelines will be communicated in writing to the Commission as soon as possible.
- F. Repurchase Agreements structured with securities eligible for purchase (as defined in B through E above), provided that a Master Repurchase Agreement and Annex(es) has been executed with the contra-party.
 - 1) All securities used in a repurchase agreement shall be priced to reflect current market conditions.
 - 2) Repurchase Agreements ("Repos") will not exceed 60 days in duration and will be collateralized in excess of 102% if under 30 days and 105% from 30 – 60 days. The collateral must be marked to market no less frequently than daily, and additional collateral posted if necessary. Pricing shall be rendered at a price the Port could reasonably expect to receive if those securities were sold on the open market (bid side of the market). The maturity of the underlying collateral cannot exceed ten years.
 - 3) Collateral on Repurchase Agreements shall be delivered to the Port's Safekeeping Agent as described in Section 6. Any excess collateral requirement will be determined at the time of the transaction, as specified in the Master Repurchase Agreement.
- G. Reverse Repurchase Agreements ("Reverse Repos") not exceeding 60 days in duration. When used for yield enhancement rather than cash management purposes, only "matched book" transactions will be utilized, meaning that the maturity date of the security furnished as collateral is identical to the end date of the reverse repo transaction. Reverse Repos will only be executed with Approved Security Dealers or Financial Institutions.

- H. Municipal Bonds of the State of Washington and any local government of the State of Washington: or, general obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington. RCW 39.59.020 prohibits purchase of municipal revenue bonds of jurisdictions outside the State of Washington. At the time of purchase, these bonds must have one of the three highest credit ratings of a nationally recognized rating agency (i.e. "A" or better).
- I. The Washington State Local Government Investment Pool (LGIP).

Investments shall **not** be made in the following securities:

- A. Corporate stocks
- B. Corporate bonds
- C. Foreign Government Obligations
- D. Futures Contracts
- E. Investments in Commodities
- F. Real Estate
- G. Limited Partnerships
- H. Negotiable Certificates of Deposit
- I. Inverse Floaters
- J. "Interest Only" and "Principal Only" Mortgage Backed Securities

10. DIVERSIFICATION

Portfolio risk shall be mitigated by diversification with respect to security class and issuer. The following limitations shall apply:

<u>Type of Securities</u>	<u>Maximum Holding</u>
U.S. Treasury Bills, Certificates, Notes and Bonds	100% of portfolio
U.S. Government Agency Securities (*)	60% of portfolio
Agency Mortgage-Backed Securities	10% of portfolio
Certificates of Deposit	15% of portfolio 5% per Issuer
Bankers' Acceptances	20% of portfolio 5% per bank
Commercial Paper	20% of portfolio 3% per issuer
Repurchase Agreements	
Overnight	15% of portfolio
Term Only	25% of portfolio
Reverse Repurchase Agreements	5% of portfolio
 Municipal Securities	 20% of portfolio 5% per issuer

(*) U. S. Government Agency Discount Notes shall not apply toward maximum Agency limitations. In addition, Discount Notes cannot exceed 20% of the Portfolio.

11. MATURITY RESTRICTIONS

The investment program shall be administered in a manner that will ensure adequate liquidity to meet reasonably anticipated cash needs. Purchases shall attempt to match, but should not exceed, the anticipated need for the funds. To further ensure the satisfaction of these needs, securities purchased shall have a maximum maturity not longer than ten (10) years from settlement date.

12. PORTFOLIO STRATEGY STANDARD

The portfolio shall maintain a 2.0 target (modified) duration standard plus or minus 50 basis points.

13. POLICY EXCEPTIONS

No transaction is required if any policy exception or a sudden unexpected change in portfolio size causes the category holdings to exceed their limits, subsequent investment transactions will work towards returning the portfolio to the diversification limits contained in the above guidelines within a reasonable amount of time. Within fifteen (15) days of an exception, staff will notify the audit committee and identify a plan and estimated time for returning the portfolio to its policy parameters. Weekly reports will be submitted to the audit committee until the portfolio is within its established policy parameters.

14. PERFORMANCE STANDARDS

The portfolio shall be managed to obtain a market rate of return through economic cycles and consistent with the Port's investment objectives. Portfolio performance shall be benchmarked against the Merrill Lynch Treasury/Agency 3 Year Index for the period of time being evaluated.

15. INDEPENDENT REVIEW

Annually, the Washington State Auditor's Office and external auditors will review the Port's investments and investment controls to ensure effective and appropriate controls exist. A periodic review of investments and controls, by the Port's internal auditor, will also occur.

16. REPORTING

At least annually, the Treasurer will provide an investment report to the Port Commission.

EXHIBIT B TO RESOLUTION NO. 3748

**RESOLUTION AUTHORIZING INVESTMENT
OF THE PORT OF SEATTLE'S MONIES IN THE
LOCAL GOVERNMENT INVESTMENT POOL**

RESOLUTION AUTHORIZING INVESTMENT
OF PORT OF SEATTLE'S MONIES IN THE
LOCAL GOVERNMENT INVESTMENT POOL

WHEREAS, pursuant to Chapter 294, Laws of 1986, the Legislature created a trust fund to be known as the public funds investment account (commonly referred to as the Local Government Investment Pool (LGIP)) for the contribution and withdrawal of money by an authorized governmental entity for purposes of investment by the Office of the State Treasurer; and

WHEREAS, from time to time it may be advantageous to the authorized governmental entity, PORT OF SEATTLE, the "governmental entity", to contribute funds available for investment in the LGIP; and

WHEREAS, the investment strategy for the LGIP is set forth in its policies and procedures; and

WHEREAS, any contributions or withdrawals to or from the LGIP made on behalf of the governmental entity shall be first duly authorized by the Port of Seattle Commission, the "governing body" or any designee of the governing body pursuant to this resolution. or a subsequent resolution; and

WHEREAS the governmental entity will cause to be filed a certified copy of said resolution with the Office of the State Treasurer; and

WHEREAS the governing body and any designee appointed by the governing body with authority to contribute or withdraw funds of the governmental entity has received and read a copy of the prospectus and understands the risks and limitations of investing in the LGIP; and

WHEREAS, the governing body attests by the signature of its members that it is duly authorized and empowered to enter into this agreement, to direct the contribution or withdrawal of governmental entity monies, and to delegate certain authority to make adjustments to the incorporated transactional forms, to the individuals designated herein.

NOW THEREFORE, BE IT RESOLVED that the governing body does hereby authorize the contribution and withdrawal of governmental entity monies in the LGIP in the manner prescribed by law, rule, and prospectus.

BE IT FURTHER RESOLVED that the governing body has approved the Local Government Investment Pool Transaction Authorization Form (Form) as completed by Treasury Manager and incorporates said form into this resolution by reference and does hereby attest to its accuracy.

BE IT FURTHER RESOLVED that the governmental entity designates the Port of Treasurer, Dan Thomas, Chief Financial Officer, the "authorized individual" to authorize all amendments, changes, or alterations to the Form or any other documentation including the

designation of other individuals to make contributions and withdrawals on behalf of the governmental entity.

BE IT FURTHER RESOLVED that this delegation ends upon the written notice, by any method set forth in the prospectus, of the governing body that the authorized individual has been terminated or that his or her delegation has been revoked. The Office of the State Treasurer will rely solely on the governing body to provide notice of such revocation and is entitled to rely on the authorized individual's instructions until such time as said notice has been provided.

BE IT FURTHER RESOLVED that the Form as incorporated into this resolution or hereafter amended by delegated authority, or any other documentation signed or otherwise approved by the authorized individual shall remain in effect after revocation of the authorized individual's delegated authority, except to the extent that the authorized individual whose delegation has been terminated shall not be permitted to make further withdrawals or contributions to the LGIP on behalf of the governmental entity. No amendments, changes, or alterations shall be made to the Form or any other documentation until the entity passes a new resolution naming a new authorized individual; and

BE IT FURTHER RESOLVED that the governing body acknowledges that it has received, read, and understood the prospectus as provided by the Office of the State Treasurer. In addition, the governing body agrees that a copy of the prospectus will be provided to any person delegated or otherwise authorized to make contributions or withdrawals into or out of the LGIP and that said individuals will be required to read the prospectus prior to making any withdrawals or contributions or any further withdrawals or contributions if authorizations are already in place.

PASSED AND ADOPTED by the Commission of the Port of Seattle, State of Washington on this 22nd day of May 2018.


SIGNATURE

Commissioner
TITLE

RYAN CALKINS


SIGNATURE

Commissioner
TITLE

STEPHANIE BOWMAN


SIGNATURE

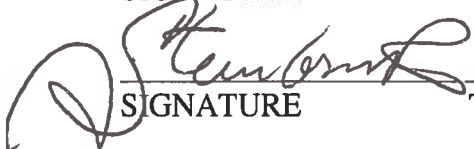
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