

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7a
Date of Meeting March 24, 2015

DATE: March 16, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Diane Campbell, Treasury Manager
SUBJECT: 2014 Annual Investment Portfolio Report and Treasury Update

SYNOPSIS

The purpose of this memo and report is to provide: (i) the annual investment update of the Port's investment portfolio, as required by the Port's Statement of Investment Policy, and (ii) a brief update on major current Treasury initiatives.

BACKGROUND

The Port established its in-house Treasury pursuant to the Port's Commission Resolution No. 3476, adopted on December 11, 2001. The resolution appointed the Port's Chief Financial Officer as the Port's Treasurer. Prior to the passage of this resolution King County served as the Port's Treasurer. Subsequently, Resolution No. 3663, adopted as of June 2002, authorized the implementation of the Statement of Investment Policy, guiding how the Treasurer will invest Port funds, much of which is dictated by State of Washington laws.

Summary of Investment Portfolio Earnings

Since the Port became its own Treasurer, the long term investment performance has exceeded the benchmark (the Bank of America, Merrill Lynch 1-3-year Treasury Agency Index) by 84 basis points, and during 2014, the Port's portfolio earned 31 basis points over the benchmark:

<u>Year:</u>	<u>Port</u>	<u>Benchmark</u>	<u>Over/under performance</u>
2014	0.86%	0.55%	+0.31%
2002 to 2014	2.80%	1.96%	+0.84%

Authorized investments are made in accordance with and subject to restrictions of the Revised Code of Washington (RCW) 36.29.020, and the portfolio primarily consists of conservative investments, typically U.S. Government Treasuries and Agencies bills, notes and bonds. To meet the Port's investment objectives, the investment policy includes additional risk controls that impose further restrictions on the types of securities permitted under statute. These include limiting the maturity date of securities purchased to be no more than 10 years from the settlement date, and a total portfolio target (modified) duration of 2.0 years, plus or minus ½ year. Further details on permitted investments are in the attached Statement of Investment Policy.

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Summary of Major Treasury Initiatives

Following the August 2013 Commission authorization to bid out for a new banking services contract, Treasury partnered with teams from Accounting & Financial Reporting (Revenues Services, Disbursements and Business Technology), Information Communications & Technology (ICT), Purchasing and Airport Parking. The bank selection team also included a senior treasury executive from Costco Wholesale Corporation. An estimated 4,500 staff hours were spent on the preparation of the RFP, evaluation of responses and implementation of the new banking contract. Wells Fargo Bank was ultimately selected from the banks who responded to the RFP, and a new five-year contract (with the option to extend for two additional one-year periods) was executed in May 2014. Conversion from the incumbent, Bank of America, began September 1, 2014, and as of the end of 2014, 99% of banking operations were transitioned to Wells Fargo Bank; the remainder of operations are expected to be completed by March 2015.

ATTACHMENTS TO THIS BRIEFING

- Annual Investment Report Update for year-end 2014
- Current Port Statement of Investment Policy

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 6, 2013, approval of procurement for banking service contract