

AGENDA

Port Freeport
Finance Advisory Committee
Special Meeting
Thursday, May 26, 2022, 11:00 am - 11:45 am
In Person & Videoconference - Administration Building - 1100 Cherry Street - Freeport



This meeting agenda with the agenda packet is posted online at www.portfreeport.com

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." A quorum of the Finance Advisory Committee, including the presiding officer, will be present at the Commissioner Meeting Room located at 1100 Cherry Street, Freeport, Texas. The public will be permitted to attend the meeting in person or by videoconference.

The videoconference is available online as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/82204047880?pwd=VlhKMzM4QW9TL3hyZ3A5djJiUHBUUT09>

Meeting ID: 822 0404 7880

Passcode: 915176

Dial by your location

1 346 248 7799 US (Houston)

Meeting ID: 822 0404 7880

Find your local number: <https://us02web.zoom.us/j/82204047880>

1. Committee Members: Croft (Chairman), Pirtle, Giesecke
2. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
3. Roll Call.
4. Public Comment. (Public comment on any matter not on this Agenda will be limited to 5 minutes per participant and can be completed in person or by videoconference)
5. Public Testimony. (Public testimony on any item on this Agenda will be limited to 3 minutes per agenda item to be addressed per participant and can be completed in person or by videoconference. The participant shall identify in advance the specific agenda item or items to be addressed.
6. Discussion regarding audit proposals and award of contract to KM&L, LLC.
7. Discussion regarding amendments to the Port Freeport Investment Policy.
8. EXECUTIVE SESSION in accordance with Subchapter D of the Open Meetings Act, Texas Government Code Section 551.001, et. seq., to review and consider the following:
 - A. Under authority of Section 551.072 (Deliberation of Real Property Matters) for discussion regarding:
 1. The potential purchase, exchange, lease or value of real property located at Port Freeport, including but not limited to the real property located at and contiguous to Berths 1, 2, 5 and 7.
 2. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcel 14.
9. RECONVENE OPEN SESSION:
10. Adjourn.

The Committee does not anticipate going into a closed session under Chapter 551 of the Texas Government Code at this meeting for any other items on the agenda, however, if necessary, the Committee may go into a closed session as permitted by law regarding any item on the agenda.



Phyllis Saathoff, Executive Director/CEO

PORT FREEPORT

In compliance with the Americans with Disabilities Act, the District will provide for reasonable accommodations for persons attending its functions. Requests should be received at least 24 hours in advance.



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WWW.PORTFREEPORT.COM

MEMORANDUM

TO: Commissioners
Chief Executive Officer

FROM: Rob Lowe
Mary Campus

DATE: April 22, 2022

SUBJECT: Annual audit proposals

The Port's contract for annual independent financial and compliance audit with Kennemer, Masters & Lunsford, LLC ended Sept 30, 2021. The Port received three responses to our request for proposals, one of which was rejected as it arrived after the deadline. The attached spreadsheet is a summary of the two remaining services.

Management recommends awarding the annual independent audit services to KM&L, LLC for the next three years, and at the option of the Port, to extended the services for two additional one year periods.

The fee proposed from KM&L for fiscal year 2022 is \$31,650 which is 4.8% higher than the 2021 audit fee. This is reasonable considering the additional requirements that are now required in auditing.

PORT FREEPORT			
AUDIT PROPOSALS			
4/21/2022			
	KM&L, LLC		BKD, LLP
References Provided	16		11
Number of Employees	30		3,030
Number of Offices	4		42
Accountants Professional Liability Ins Amt	\$ 1,000,000	\$	10,000,000
Pier Review Rating (Pass or Fail)	Pass		Pass
Date of Pier Review	3/31/2020		5/31/2020
Litigation	none		no substantial outstanding
State of Texas License	Yes		Yes
Proposed Manhours	200		670
Staff Levels:			
Audit Partner	90		60
Senior & Staff Accountants	100		610
Clerical Support	10		0
TOTAL HOURS	200		670
Base Audit (does not include grant single audit fee when applicable)		Estimated Fee	
9/30/2022	\$ 31,650	\$	122,500 *
9/30/2023	\$ 32,400	\$	128,625 *
9/30/2024	\$ 33,200	\$	135,055 *
9/30/2025	\$ 34,000	\$	141,800 *
9/30/2026	\$ 34,800	\$	148,900 *
		*Fees include travel & administrative fee of 5%	

**RESOLUTION OF COMPLIANCE WITH PUBLIC FUNDS
INVESTMENT ACT, APPROVING AMENDMENT OF
INVESTMENT POLICY AND UPDATE OF
INVESTMENT STRATEGIES**

At a regular meeting of the Port Commission of Port Freeport held in the office of said Port at 1100 Cherry Street, Freeport, Texas, at 1:00 p.m. on the 26th day of May 2022, among other business came on to be considered the following resolution, which upon motion duly made and seconded was adopted by the vote of all Commissioners present.

FINDINGS

1. Due and proper notice of the date, time, place and purpose of this meeting has been duly given in accordance with the provisions of the Texas Open Meetings Act, and such meeting has been conducted in accordance with said Open Meetings Act.
2. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), the Commission reviews the investment policy and strategies of the Port at least annually and maintains strict compliance with the requirements of the Act.
3. The Port has heretofore adopted a standing investment policy currently complied and set forth as Section 9.1 (Investment of Surplus Funds) of *Port Freeport Policy Manual*, subject to review and amendment.
4. The Commission has this date conducted its annual review of the Port's investment policy in accordance with the Act and determines it is in the best interest of the Port to update said policy with amendment as set forth in the document attached hereto, Section 9.1 of the *Port Freeport Policy Manual*, entitled Port Property/Investment of Surplus Funds.
5. The Commission has this date conducted its annual review of the Port's authorized investment brokers in accordance with the Act and determines it is in the best interest of the Port to approve the authorized broker list as set forth in the document attached hereto, Section 9.1, exhibit 9.1-1 of the *Port Freeport Policy Manual*, entitled Port Property/Investment of Surplus Funds
6. The Commission this date has furthermore conducted its annual review of the investment strategies of the Port as presented for fiscal year 2022 and determines that it is in the best interest of the Port to approve the investment strategies as set forth in the documents attached hereto, Section 3.6 of the Port's administrative *Practices and Procedures*, entitled Investment of Funds.
7. Upon certification presented, the Commission also finds that the Port's Treasurer or designated investment officer have attended training sessions and received the requisite hours of instruction for the biennium 2021-2023, and also approves the sources of training used in compliance with said Act.

NOW, THEREFORE, BE IT RESOLVED, that the Port's investment policy set forth at Section 9.1 of the *Port Freeport Policy Manual* be and is hereby amended as presented and attached hereto, that the investment strategies of the Port for fiscal year 2022/2023 be adopted as presented and attached hereto and made a part of Section 3.6 of the Port's *Practices and Procedures*, and that the Port's compliance with the requirements of the Public Funds Investment Act be and is in all things affirmed.

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SCOPE

This investment policy applies to the investment activities of Port Freeport (“the Port”) and shall be reviewed annually by the Port Commission. This policy emphasizes the guiding principles of the investment program and conforms to all statutes, rules and regulations governing the investment of public funds.

Funds Included: All financial assets of the enterprise fund are included. This fund, as well as funds that may be created from time-to-time, shall be administered in accordance with the provisions of this policy.

Authorized Investment Brokers: Only those brokers authorized by the Port Commission shall be used for investment of Port financial assets. The authorized list of investment brokers (exhibit 9.1-1) shall be reviewed and revised, if necessary, in combination with the annual review.

OBJECTIVES/INVESTMENT STRATEGY

All participants in the investment process should seek to act responsibly as custodians of the public trust. Investment officials should avoid any transactions that might impair public confidence in the Port's ability to govern effectively.

The following objectives are listed in order of priority:

Safety: The primary objective of the Port's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall seek first to ensure that capital losses are avoided, whether they are from securities defaults or permanent erosion of market value.

Liquidity: The Port's investment portfolio will remain sufficiently liquid to enable the Port to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

Yield: The Port's cash management portfolio may be designed with the objective of regularly exceeding the average rate of return on three-month U. S. Treasury Bills, or the average Federal Reserve Discount, whichever is higher. The investment program should seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment principles.

RESPONSIBILITY AND CONTROL

Delegation: Management responsibility for the Investment Program is hereby delegated to the Chief Financial Officer and Controller, who may establish procedures for the operation of the investment program consistent with this Investment Policy. Such procedures should include explicit delegation of

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authority to persons responsible for investment transactions.

Subordinates: All persons involved in investment activities will be referred to as the "Investment Officials." No person should engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer or Controller. The Chief Financial Officer and Controller shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate investment officials.

Reports: An investment report shall be submitted to the Finance Committee and/or Port Commission quarterly. The report format for each fund must:

1. Summarize the investment position of the Port and state compliance of the investment portfolio as it relates to the investment strategy and the relevant provisions of the Public Funds Investment Act.
2. Be jointly prepared and signed by all investment officers
3. Contain a summary statement prepared in compliance with generally accepted accounting principles that states the:
 - A. beginning and ending market value for the reporting period
 - B. additions and changes to the face value during the period
 - C. weighted average yield and maturity
 - D. fully accrued interest for the period
4. State the following for each separately invested asset:
 - A. book value and market value at the beginning and end of the reporting period
 - B. maturity date if applicable
 - C. yield

Prudence: Investments should be made with exercise of due 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 income to be derived. Standards of prudence should be applied in the context of managing an overall portfolio with investment officers acting in accordance with the investment policy and exercising due diligence to 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 appropriate action is taken to control adverse developments.

Conflicts of Interest: Officers and employees involved in the investment process should refrain from personal business activity that could conflict with proper execution of the Investment Program, or which could impair their ability to make impartial investment decisions. All business relationships between an Investment Officer and a business organization offering to sell investments to the Port, whether now existing or hereafter arising, shall be disclosed. An Investment Officer has a relationship with the business organization if: (1) the person owns 10 percent or more of the voting stock or shares of the business organization, or owns \$5,000 or more of the fair market value of the business organization; or (2) funds received by the Investment Officer from the business organization exceed 10

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percent of the Investment Officer's gross income for the previous year; (3) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer; (4) the Investment Officer is related within second degree of affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell investments to the Port. Disclosure shall be made by filing written statement with the Port's Commission Secretary through the office of Executive Port Director within seven days of the creation, occurrence or discovery of the relationship, describing the nature and extent of the relationship; and unless such matter is waived by the Port Commission, no investment transactions will be executed between the Port and the business organization. All such disclosures required by law (Government Code Section 2256.005 {i}) must also be filed with the Texas Ethics Commission.

Education: All investment officials shall attend an investment training session not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date and receive not less than ten (10) hours of investment related training. Training must include education in investment controls, security risks, strategy risks, market risks and compliance with the Public Funds Investment Act as amended. The training must be provided by an independent source approved by the Finance Committee. Within twelve months after taking office or assuming duties, all investment officials shall attend at least one training session containing at least ten (10) hours of instruction related to the person's responsibilities under this policy. A list of authorized training sources is provided in exhibit 9.1-1.

AUTHORIZED INVESTMENTS AND INVESTMENT PARAMETERS

Active Portfolio Management: The Port intends to pursue an active versus a passive portfolio management philosophy. That is, securities may be sold before they mature if market conditions present an opportunity for the Port to benefit from the trade. The market price of acquired investments will be monitored through the Wall Street Journal and other similar sources, and independent pricing by the Port's financial advisor.

Eligible Investments: Assets of funds of the government of Port Freeport may be invested in:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities; including the Federal Home Loan Banks;
2. Direct obligations of this state or its agencies and instrumentalities;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund or by the explicit full faith and credit of the United States,
4. Texas State, City, County, School and Road district bonds with an investment grade bond rating from a nationally recognized investment rating firm not less than A or its equivalent or that is insured;
5. Fully insured or collateralized* certificates of deposits issued by a state or national bank,

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- savings bank or a federal credit union, or broker with a main office or branch office in Texas;
6. Investment pools created to function as money market mutual funds marked-to-market daily that maintain a market value ratio (market value/book value) of between .995 and 1.005 and are continuously rated no lower than AAA-or AAA-m or at an equivalent rating by at least one nationally recognized rating service; and report yield in accordance with regulations of the Securities and Exchange Commission applicable to reporting by money market funds and is compliant with the requirements of Texas Government Code Public Funds Investment Act Section 2256.016;
 7. Money-market mutual fund or No-load money market mutual fund that is registered with the Securities and Exchange Commission; provides the investing entity with a prospectus and other information as required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; complies with Federal Securities and Exchange Commission Rule 2a-7, promulgated under the Investment Company Act of 1940; has an average weighted maturity of less than two years; and either has a duration of one year or more and is invested exclusively in eligible investments or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. ; 7. Other such securities or obligations as allowed in the Public Funds Investment Act as amended and approved by the Finance Committee and/or full Commission.
 8. An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. All prudent measures that are consistent with the investment policy to liquidate an investment that does not have the minimum rating should be taken.

Investment in money market mutual funds is not authorized for:

1. funds, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

*(see definition of collateral, SAFEKEEPING Section)

Unauthorized Investments: The following types of investments are not authorized investments under this policy:

1. Interest-only strips of obligations with underlying mortgage-backed security collateral;
2. Principal-only strips of obligations with underlying mortgaged-backed security collateral;
3. Collateralized mortgage obligations with a maturity date of greater than ten (10) years;
4. Collateralized mortgage obligations with an inverse floating interest rate.

Length of Investment: The maximum allowable stated maturity of any individual investment is six (6) years at the time of purchase, unless a temporary extension is granted by the Port Commission. In such cases, the weighted average maturity of each fund's portfolio shall not exceed three (3) years. To the extent possible, investment maturities should be matched with anticipated cash flow requirements.

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Diversifications: It is the policy of the Port to diversify its investment portfolios. Assets held in the investment portfolio shall be diversified to eliminate the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Portfolio maturities should be staggered in a way that protects interest income from the volatility of interest rates that avoids undue concentration of assets in a specific maturity sector. Securities should be selected which provide for stability of income and reasonable liquidity.

Arbitrage: The Tax Reform Act of 1986 provided limitations restricting the Port's investing of tax-exempt General Obligation Bond proceeds and debt service income. New arbitrage rebate provisions require that the Port compute earnings on investment from each issue of bonds on an annual basis to determine if a rebate is required. To determine the Port's arbitrage position, the Port is required to perform specific calculations relative to the actual yield earned on the investment of the funds and the yield that could have been earned if the funds had been invested at a rate equal to the yield on the bonds sold by the Port. The rebate provision states that periodically (not less than once every five years, and not later than sixty days after maturity of the bonds), the Port is required to pay the U. S. Treasury a rebate of excess earnings based on the Port being in a positive arbitrage position. The Tax Reform restrictions require extreme precision in the monitoring and recording facets of investments as a whole, and particularly as relates to yields and computations so as to insure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance.

The Port's investment position relative to the new arbitrage restrictions is the continued pursuit of maximizing yield on applicable investments while insuring the safety of capital and liquidity. It is a fiscally sound position to continue maximization of yield and rebate excess earnings, if necessary.

AUTHORIZED FINANCIAL DEALERS

Primary Dealers: For brokers and dealers of government securities, only those dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as the "primary government securities dealers," shall be selected unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The minimum capital requirement is \$2,000,000. Audited financial statements and proof of National Association of Securities Dealers (NASD) certification must be submitted for analysis. All brokers and dealers must be authorized by the Port Commission. A list of authorized investment brokers is provided in exhibit 9.1-1

Certification: Before a broker/dealer or bank can execute an investment transaction with the Port, the broker/dealer must provide written acknowledgment from the registered principal certifying that they have received and thoroughly reviewed the Port's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising from investment transactions. A form for acknowledgement of investment policy is provided in exhibit 9-1-2.

SAFEKEEPING

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Insurance or Collateral: All deposits and investments of Port funds other than direct purchases of U. S. Treasuries or U. S. Agencies shall be secured by pledged collateral with a market value equal to no less than 105% of the deposits or investments less any amount insured by the FDIC. Evidence of the pledged collateral shall be maintained by the Controller and/or a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledged in each agreement. Collateral shall be reviewed periodically to assure the market value of the securities pledged equals or exceeds the related bank balances.

Safekeeping Agreement: All safekeeping arrangements should be in accordance with a Safekeeping Agreement which clearly defines the procedural steps for gaining access to the collateral should Port Freeport determine that the Port's funds are in jeopardy. The safekeeping institution, or Trustee, shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement shall include the signatures of the Port, the firm pledging the collateral, and the Trustee.

Collateral Defined: Port Freeport shall accept only the following securities as collateral:

1. FDIC insurance coverage
2. Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
3. Texas State, City, County, School and Road district bonds with a remaining maturity of ten (10) years or less with an investment grade bond rating from Moody's Investors Services (A- and above) and Standard & Poor's Corporation (A- and above) or that is insured.
4. A letter of credit issued by a Federal Home Loan bank.
5. Other securities as approved by the Port Commission.

Subject to Audit: All collateral shall be subject to inspection and audit by the Port, or designee, as well as, the Port's independent auditors.

Delivery vs. Payment: Treasury Bills, Notes and Bonds and Government Agencies' Securities shall be purchased using the delivery versus payment method. That is, funds shall not be wired or paid until verification has been made that the security was received by the Trustee. The security shall be held in the name of the Port or held on behalf of the Port. The Trustee's records shall assure the notation of the Port's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the Port.

MANAGEMENT AND INTERNAL CONTROLS

The Chief Financial Officer, Controller, or designee, should establish a system of internal controls which shall be reviewed by the Port's auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or Investment Officers of the Port.

In conjunction with the Port's annual financial audit, a compliance audit of internal controls on

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investments and adherence to this investment policy shall be performed including a review of the quarterly investment reports. The audit results must be submitted to the Finance Committee or the Port Commission.

EXEMPTION

Current Investments: Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such funds shall be reinvested only as provided by this policy.

(Corresponding Practices & Procedures – Section 3.6)

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AUTHORIZED TRAINING SOURCES

The following training sources are authorized to provide investment official training:

University of North Texas Center for Public Management
Texas State University
Texas Municipal League
Government Treasurer's Organization of Texas

AUTHORIZED INVESTMENT BROKERS

The following brokers are authorized to engage in investment transactions for Port Freeport subject to compliance with the Port's investment policy. In the event an executed Broker/Dealer certification is not received, the Broker will not be in compliance with the Port's Investment Policy and will be removed from the list of Authorized Investment Brokers.

Hilltop Securities, Inc.
700 Milam Street, Suite 500
Houston, TX 77002

Texpool
c/o Federated Investors Inc.
1001 Texas Avenue,
Suite 1150
Houston, TX 77002

Texas Gulf Bank, N.A.
1717 N. Velasco
Angleton, TX 77515

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ACKNOWLEDGEMENT OF INVESTMENT POLICY

I the undersigned, hereby certify that I am a registered principal licensed by the NASD or, if none, a duly authorized representative of business organization. In such capacity, I am providing Port Freeport (“Port”) with this Acknowledgment of Investment Policy. It is the undersigned’s understanding that the Port wishes to use this Acknowledgement to satisfy the legal requirement set forth in Section 2256.005(k), Texas Government Code, as amended (the “Act”), which prohibits the Port from buying securities from any “person” who has not delivered to the Port an instrument similar in content to this Acknowledgment.

Representatives of the Port have provided business organization with a copy of the Port’s Investment Policy. In connection with such Investment Policy, I hereby certify on behalf of the Investment Institution as follows:

- (1) that I have received and thoroughly reviewed the Investment Policy; and
- (2) that the business organization has implemented reasonable procedures and controls designed to preclude investment transactions that are not authorized by the Port’s investment policy from being conducted between the Port and the Investment Institution, except to the extent that this authorization is dependent on any analysis of the makeup of the Port’s entire portfolio or requires an interpretation of subjective investment standards.

EXECUTED THIS _____ DAY OF _____,

By: _____

Firm: _____

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PRACTICES AND PROCEDURES**

SUBJECT: INVESTMENT OF FUNDS

SECTION: 3.6

INVESTMENT OFFICIALS

The Chief Finance Officer and Controller are responsible for the Investment Program and compliance with the Investment Policy last amended by the Commission July 1, 2020.

The Chief Finance Officer and Controller have been designated as the Port's Investment Official responsible for investment transactions and in compliance with the Investment Policy last amended by the Commission July 1, 2020.

REPORTING/MONITORING

Monthly

A cash and investment summary report, investment maturity schedule, and a pledged securities report should be prepared monthly (or upon request) by the Accounting Manager and submitted to the Controller for review and investment instructions for upcoming maturities and available cash.

Monthly broker/dealer statements should be reconciled to the general ledger by the Accounting Manager and submitted to the Controller for review and approval.

Quarterly

An investment report by fund should be prepared quarterly and submitted by the investment officials in advance of the next regular scheduled Commission meeting following the quarter ended. The report format for each fund must:

- A. Summarize the investment position of the Port and state compliance of the investment portfolio as it relates to the Investment Strategy (Exhibit 3.6-1) and the relevant provisions of the Public Funds Investment Act.
- B. Be jointly prepared and signed by all investment officers.
- C. Contain a summary statement prepared in compliance with generally accepted accounting principles that states the:
 1. beginning and ending market value for the reporting period,
 2. additions and changes to the face value during the period,
 3. ending market value for the period, and
 4. fully accrued interest for the period.
- D. State the following for each separately invested asset:
 1. book value and market value at the end of the reporting period,
 2. maturity date, if applicable, and
 3. yield.

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SUBJECT: INVESTMENT OF FUNDS

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INVESTING

Quotations

The Controller or with instruction, the Accounting Manager, should consult with authorized broker/dealers and/or local banking institutions on rates and maturities available on investments of types allowed under the Investment Policy. It is encouraged that a minimum of two broker/dealers or local banking institutions be consulted.

Purchase

Upon determining which investment quoted best meets the objectives and Investment Strategy, the Controller should then instruct the broker/dealer or financial institution to purchase the investment. A repetitive wire transfer or check should then be initiated to fund the investment transaction. **Exception:** Purchases of securities through a broker/dealer with funds in the Port's money market account with a broker/dealer should be approved in advance of giving instructions to purchase the investment. For such transactions, an Electronic Transfer Authorization of Money Market Funds form (Exhibit 3.6-1) should be prepared and submitted to the Controller for approval.

POSTING

Investment transactions not funded with the issuance of a check should be posted to the general ledger by journal entry at month end using the transaction confirmation submitted to the Accounting Manager or the Controller.

INVESTMENT STRATEGY

Investment Objectives

Safety: The primary objective will be the preservation of capital in the overall portfolio. Each investment transaction shall seek first to ensure that capital losses are avoided. All securities will be purchased with the intent to hold them until maturity unless marketing conditions present an opportunity. Most will have maturities less than one year therefore limiting market risk.

Liquidity: The next objective will be to have sufficient funds available to meet the monthly port operating requirements and the cash flow requirements of the Port's port improvement projects when selecting eligible investments.

Yield: First considering the preservation of capital and liquidity needs, eligible investments providing the highest yield to the Port will be selected with the goal of regularly exceeding the average rate of return on three-month U.S. Treasury Bills or the average Federal Reserve Discount, whichever is higher, while maintaining diversity in the portfolio.

The quarterly investment report along with a schedule of maturing funds and cash available for investment shall be presented to the Finance Committee quarterly for review and discussion as to market conditions, portfolio allocation and reinvestment strategy.

(Corresponding Policy – Section 9.1)

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SUBJECT: INVESTMENT OF FUNDS

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ELECTRONIC TRANSFER AUTHORIZATION OF MONEY MARKET FUNDS

Date: _____

Account: _____

Broker/Bank: _____

Target Amount: _____

C.D. _____ Tbill/Note _____ Agency _____ Other _____

Length of Investment: _____ Rate: _____

Account: _____

Broker/Bank: _____

Target Amount: _____

C.D. _____ Tbill/Note _____ Agency _____ Other _____

Length of Investment: _____ Rate: _____

Account: _____

Broker/Bank: _____

Target Amount: _____

C.D. _____ Tbill/Note _____ Agency _____ Other _____

Length of Investment: _____ Rate: _____

Prepared By: _____ Authorization: _____