

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
September 18, 2013

[Comm. R. Bagger] The Committee on Finance is called to order. The first portion of today's meeting of the Finance Committee is being held in public session, after which the committee will meet in executive session to discuss matters in which the release of information could impair a right to receive funds from the US or other grantor and to discuss and act upon matters involving ongoing negotiations or review of contracts or proposals. In addition, the public portion of this meeting is being broadcast on the Port Authority's web site for those interested in viewing today's proceedings via the Internet. So, when you speak, please activate your microphones. Our first agenda item and our topic for public meeting this morning is a portfolio performance report for the second quarter, which will be presented by John Tomasulo, but I think Libby probably wants to introduce John.

[L. McCarthy] Yes, good morning, commissioners. We have previously presented to you or provided to you our report on quarterly portfolio performance, but we're going to go through those results again for you today. John Tomasulo, our manager of the investment portfolio, will walk you through the structure of the portfolio and the yield and earnings on that portfolio through the second quarter of this year.

[J. Tomasulo] Good morning, commissioners. Today we have an update on the Port Authority's investment portfolio balances and earnings as of the end of the second quarter of 2013. This slide outlines the allocation of the portfolio by investment type and weighted average investment yield for each security type held. Port Authority's investment balance of \$5.4 billion provided a year-to-date realized return of 0.53% as of June 30, 2013. The year-to-date earnings on the investments totaled \$13.4 million, excluding market valuation adjustment, which was \$2 million higher than that provided for in the 2013 operating budget, primarily due to slightly higher investment rates and balances than anticipated in the 2013 budget. The categories of the investment remained equivalent to investment types of the first quarter; however, the mix changed. Investments in US Treasury notes were increased to capture the backup in yields. The pie chart on the left shows the breakdown of individual pieces of the total portfolio. A portfolio's typically thought of as one large investment account, but it's actually made up of 5 separate portfolios. Each of these portfolios have different investment authorizations, requirements, and purposes. The bar graph on the right shows the maturity allocation buckets for the total portfolio. The Overnight section—the bar on the left— represents the collateralized bank accounts that we use as an investment substitute for short to intermediate-term securities. Instead of purchasing US Treasury bills and notes with maturities of overnight to approximate 1½ years out, we invest the funds in collateralized accounts that earned 25 basis points on average, producing a yield advantage of approximately 15 basis points over securities. Collateralized bank accounts generate more income, provide the liquidity we need, and provide the flexibility to invest at higher rates without selling securities into a rising interest rate environment. Also collateralized accounts are not subject to market value reductions with rising interest rates as are US Treasury securities. This slide compares the yields of treasury securities between the end of the first quarter and the end of the second quarter of 2013. During the second quarter, returns on securities with maturities of 2 years and longer increased from

their extremely low levels as the market focused on the possibility that the Federal Reserve will reduce their interest rate accommodation.

[L. McCarthy] With that, we'd be happy to take any questions.

[Comm. R. Bagger] Okay. John and Libby, thank you very much for that report, and thank you for the memo previously provided, and we appreciate these updates and look forward to them on an ongoing basis. So this concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters that fall in the categories appropriate for executive session that I've described previously.