



ITEM NO. 7b Supp

DATE OF

MEETING March 1, 2011

Annual Treasury And Investment Portfolio Update for 2010

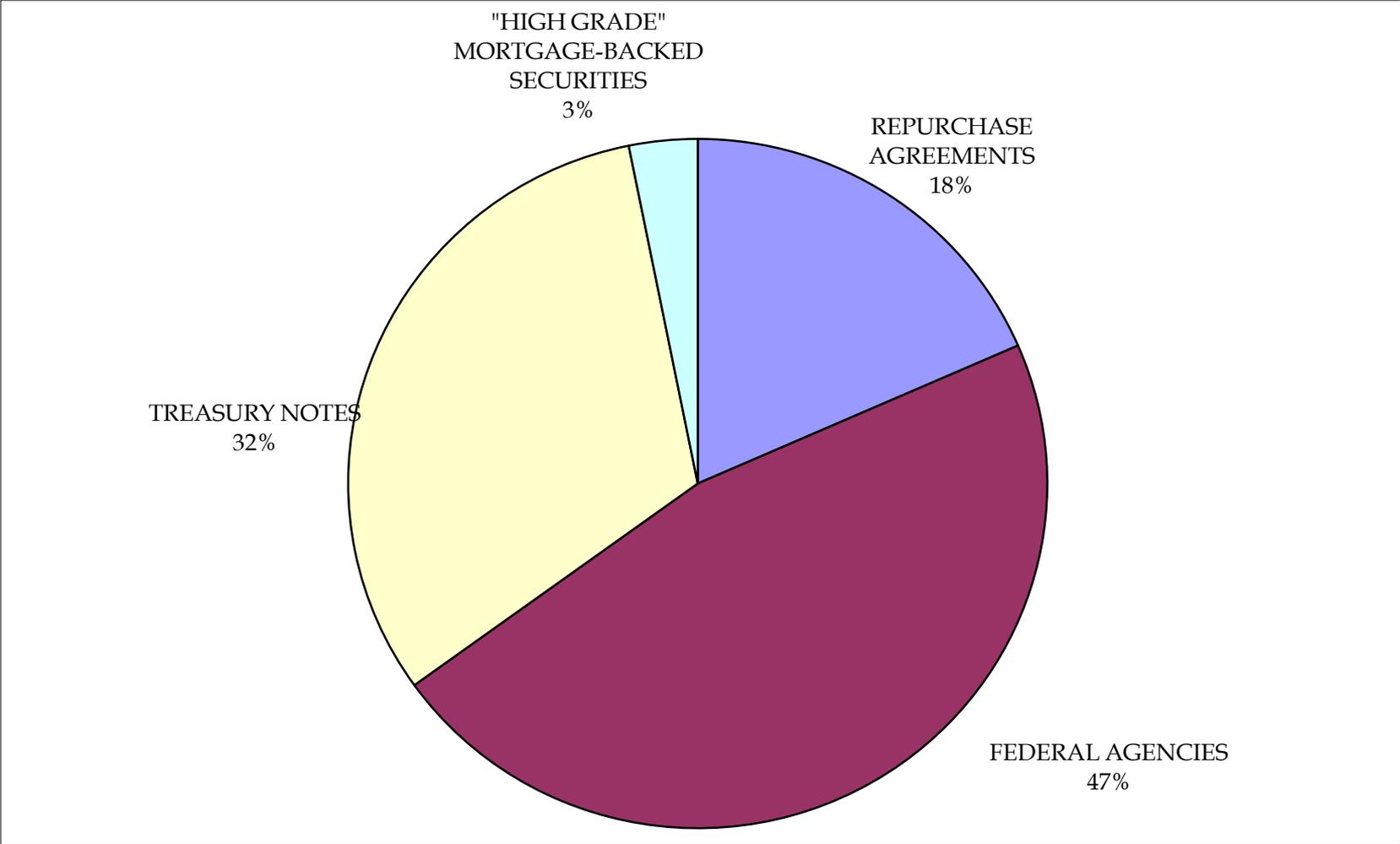
Commission Briefing
Presented by Craig Kerr
March 1, 2011

BACKGROUND

- Commission Resolution Approved Port Investment Policy
 - 2.0 Target Duration Plus Or Minus 50 Basis Points
- Do Not Forecast Rates; Balance RETURN And RISK Over Cycles
- This Strategy Outperforms The Market When Rates Are Falling And Underperforms When Rates Are Rising
- Benchmark – Bank of America Merrill Lynch Treasury/Agency 3 Year Index

PORTFOLIO COMPOSITION

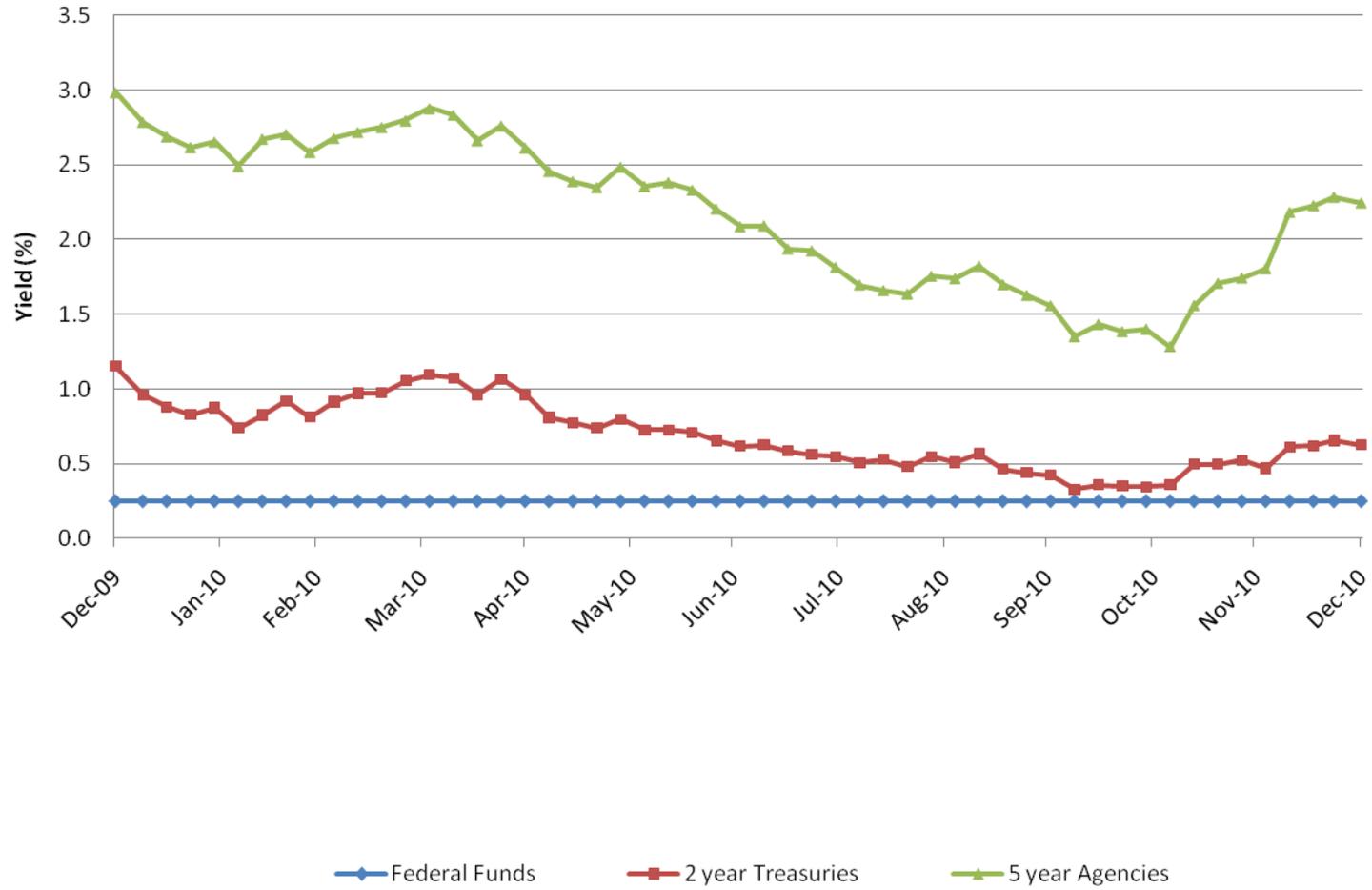
12/31/2010



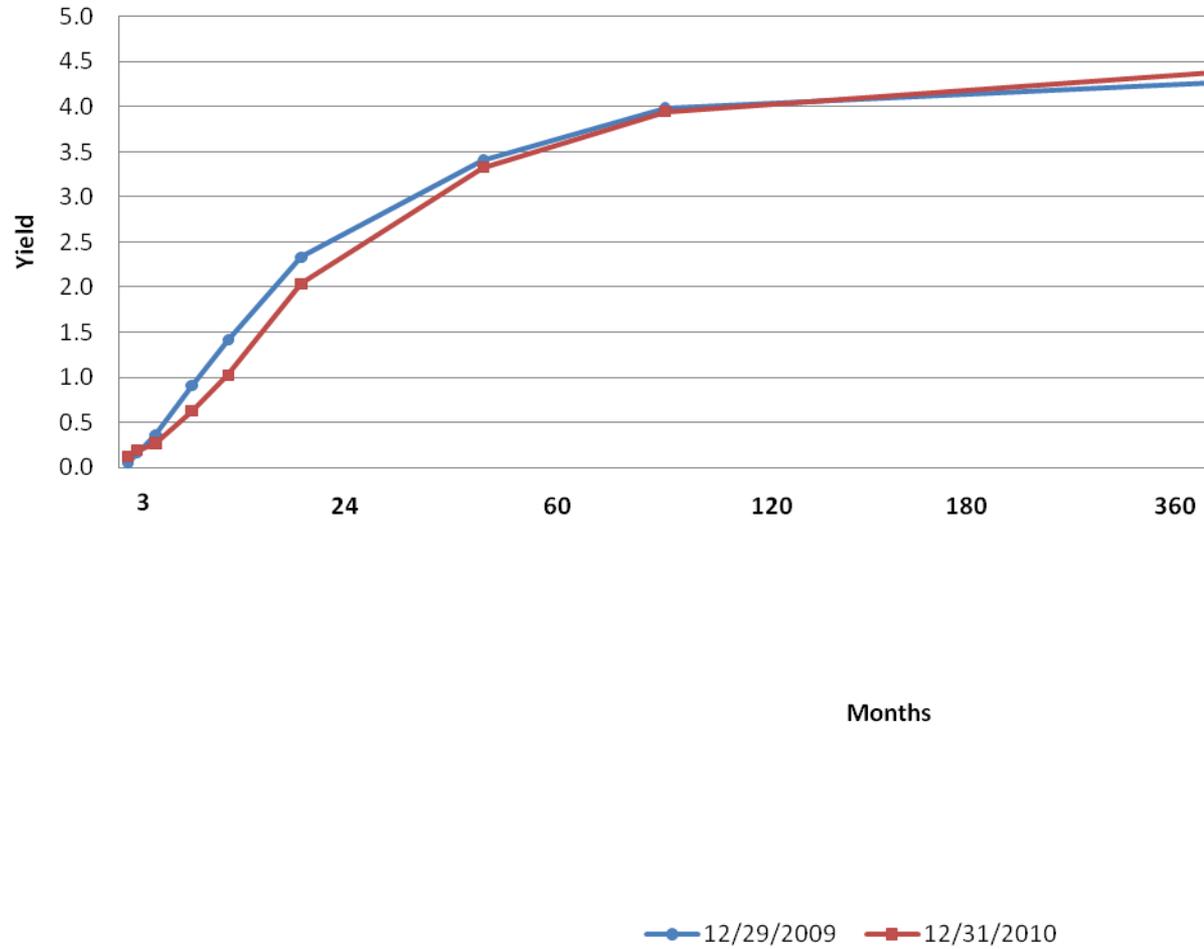
INTEREST RATE TRENDS

- For 2010, Short And Medium Term Rates Stayed Within a Narrow Trading Range And Rose At Year-end.
- The Federal Reserve Left Short Term Rates Constant Throughout 2010 [0.25%]
- Staff Monitors Market Conditions; but, Does Not Time the Market.
- Short and Medium Term Rates Are Expected to Rise In The Fourth Quarter of 2011.

2010 Rates



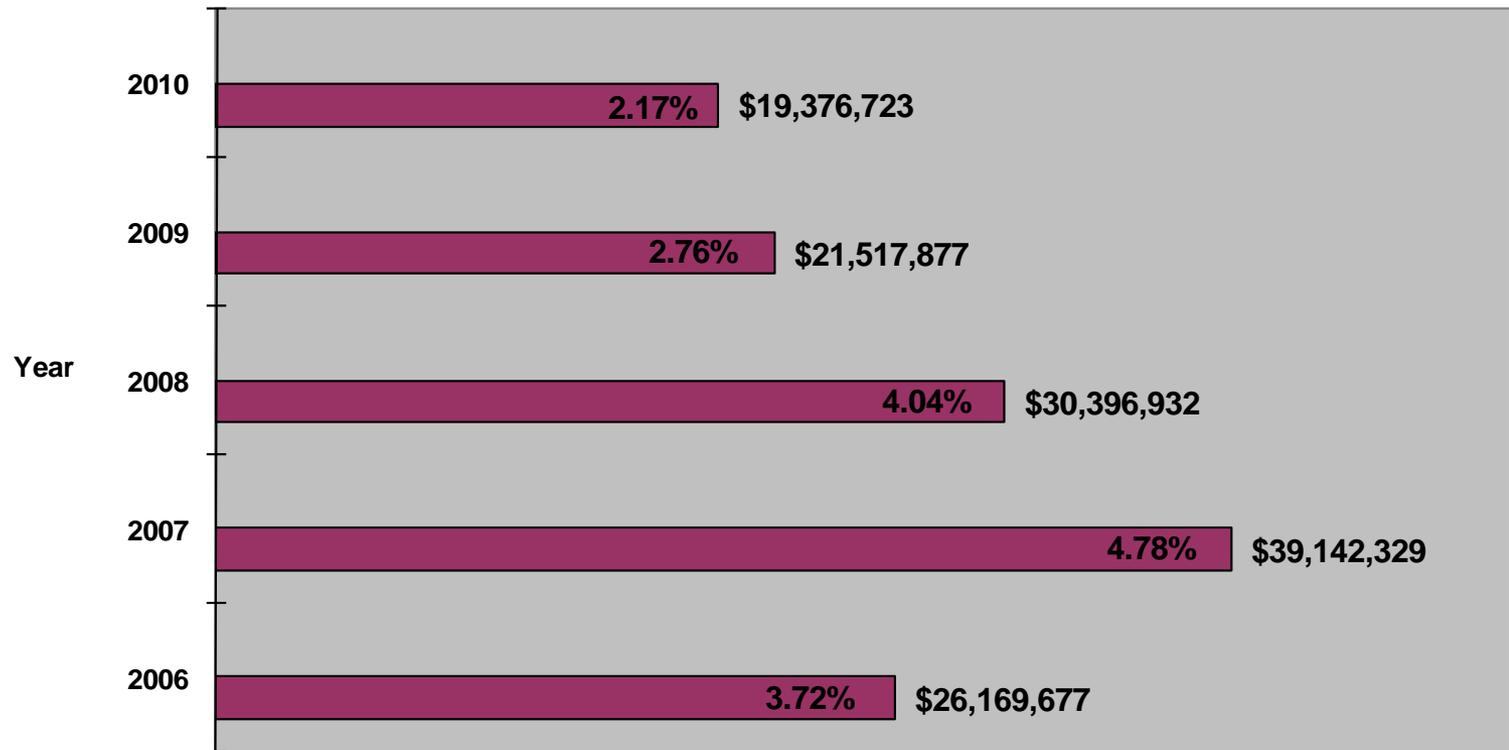
Treasury Yield Curve



2010 YIELD COMPARISON

| | Benchmark | Port's Pool |
|---------|-----------|-------------|
| Q1-2010 | 1.07% | 2.38% |
| Q2-2010 | 0.70% | 2.34% |
| Q3-2010 | 0.48% | 2.39% |
| Q4-2010 | 0.64% | 1.55% |
| ANNUAL | 0.72% | 2.17% |

PORTFOLIO EARNINGS 2006– 2010



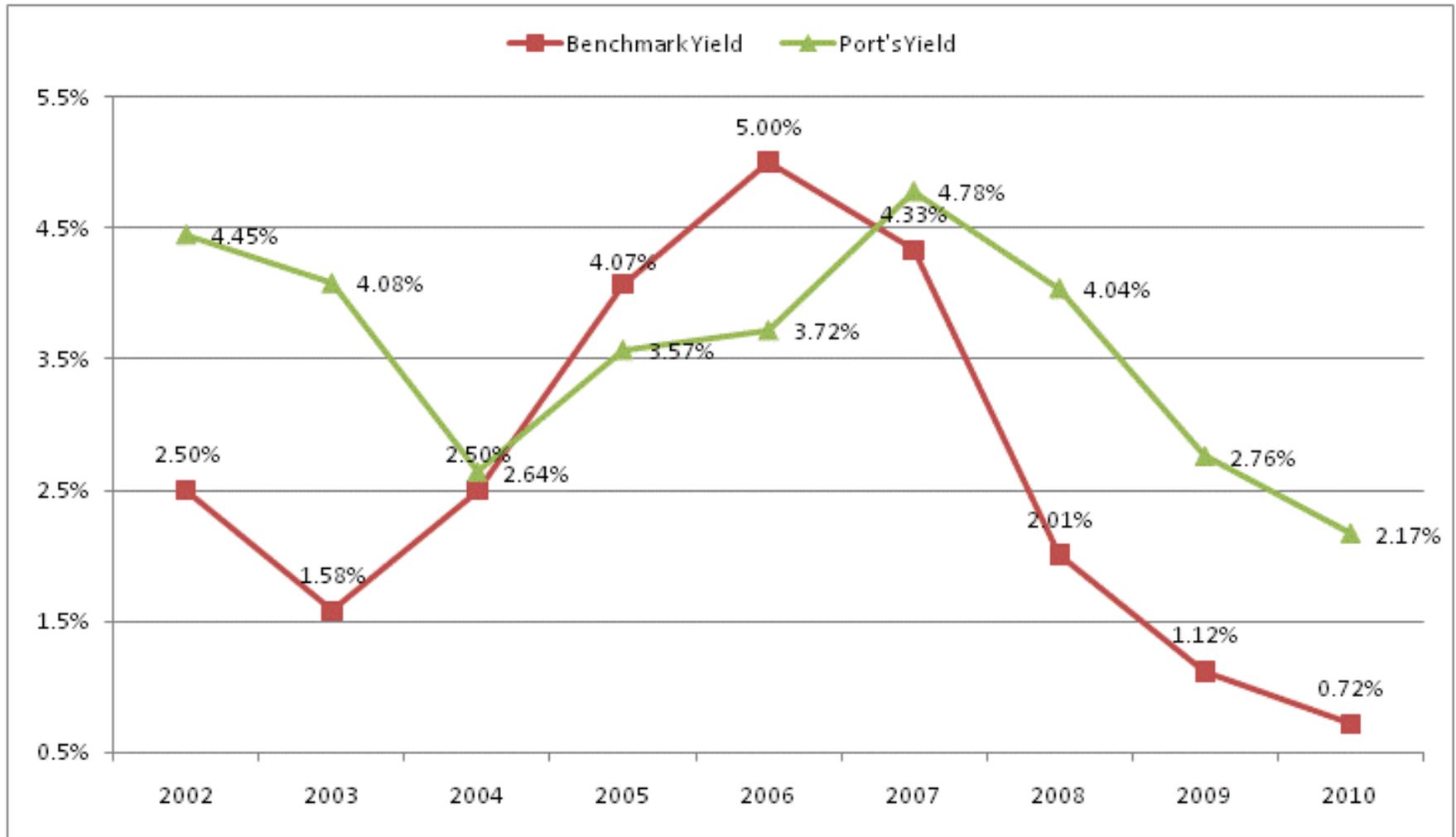
Interest Earnings - % Yield and \$

YIELD HISTORY

| • Year | Benchmark | Port's Pool |
|---------------|-----------|-------------|
| • 2002 - 2006 | 3.13% | 3.69% |
| • 2007 | 4.33% | 4.78% |
| • 2008 | 2.01% | 4.04% |
| • 2009 | 1.12% | 2.76% |
| • 2010 | 0.72% | 2.17% |

| | | |
|------------|-------|-------|
| Nine Years | 2.65% | 3.58% |
|------------|-------|-------|

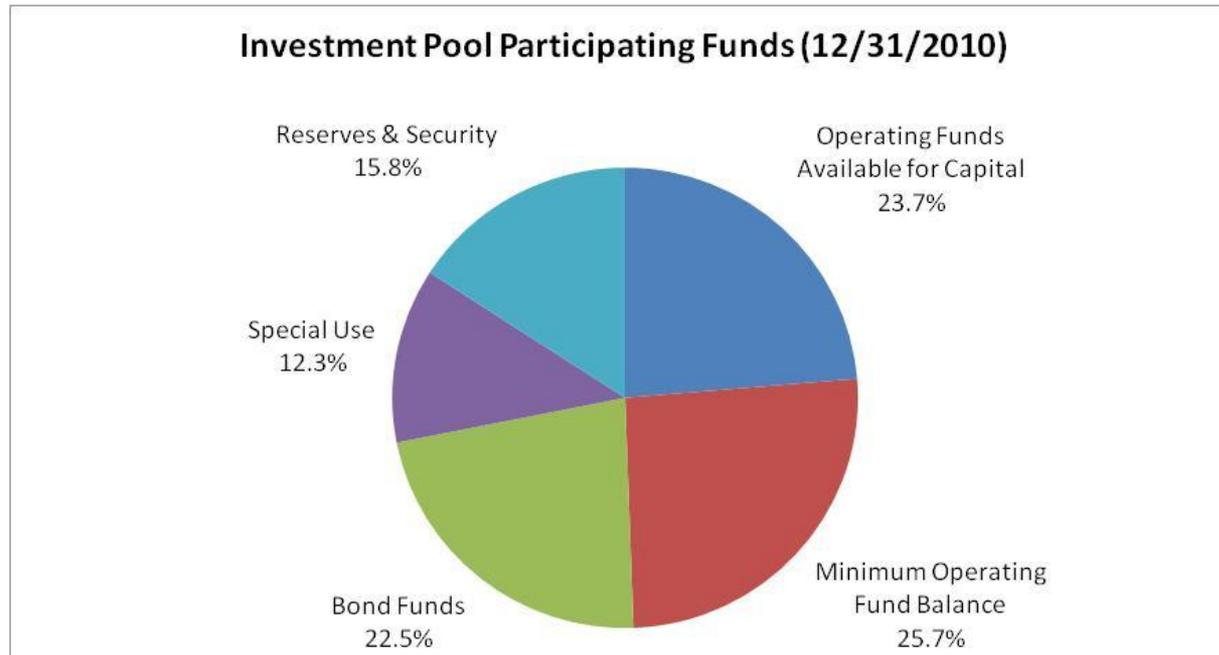
YIELD HISTORY



Port's Investment Portfolio Size Fluctuates

- Port's Investment Portfolio 12/31/2010 Was \$954 Million
- Over The Past 5 Years, The Size Has Ranged From \$639 Million to \$976 Million
- Size Fluctuations Are Mostly Tied To Capital Spending:
 - Capital Projects Reduce The Portfolio Size
 - Bond Issues To Fund Projects Increase The Portfolio

Investment Pool Participating Funds



Examples

- Minimum Operating Fund Balance: General & Airport Development = 9 months O&M expense
- Operating Funds Available for Capital: General, Airport, Tax Levy funds programmed to be spent over the next few years.
- Bond Funds: Capital projects
- Reserves & Security: Bond reserves, customer lease security
- Special Use (primarily for capital projects): Passenger & Customer Facility Charges, Transportation & Infrastructure