



ITEM NO. 7b Supp

DATE OF

MEETING: March 9, 2010

# **Annual Treasury and Investment Portfolio Update for 2009**

Commission Briefing  
Presented by Craig Kerr  
March 9, 2010

# BACKGROUND

- 12/11/2001 Resolution No. 3476 authorized the Port to become its own Treasurer
- 6/11/2002 Resolution No. 3487 adopted Port Investment Policy
- 6/25/2002 Through a Competitive Process, Selected Bank of America as the Port's Bank (On-line banking) \*
- 7/31/2002 Port Started Operating its Own Treasury
- 12/12/2006 Adopted Resolution No. 3569 Revising Port Investment Policy
- 10/23/2007 Adopted Resolution No. 3589 Amending Section 10 ("Diversification") of the Policy

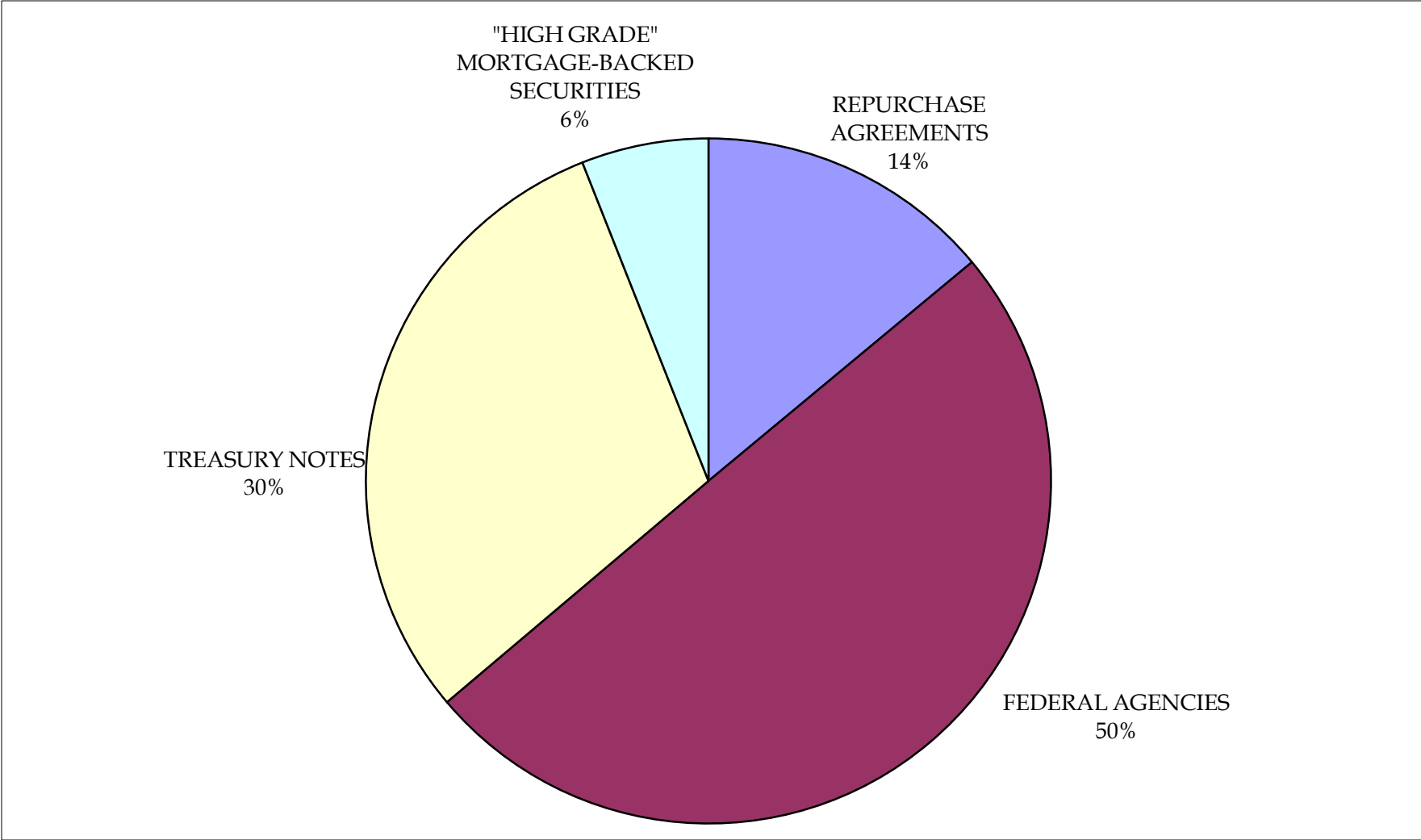
\* Rebid and Awarded New Banking Contract with Bank of America as of 8/1/2009

# INVESTMENT STRATEGY

- 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

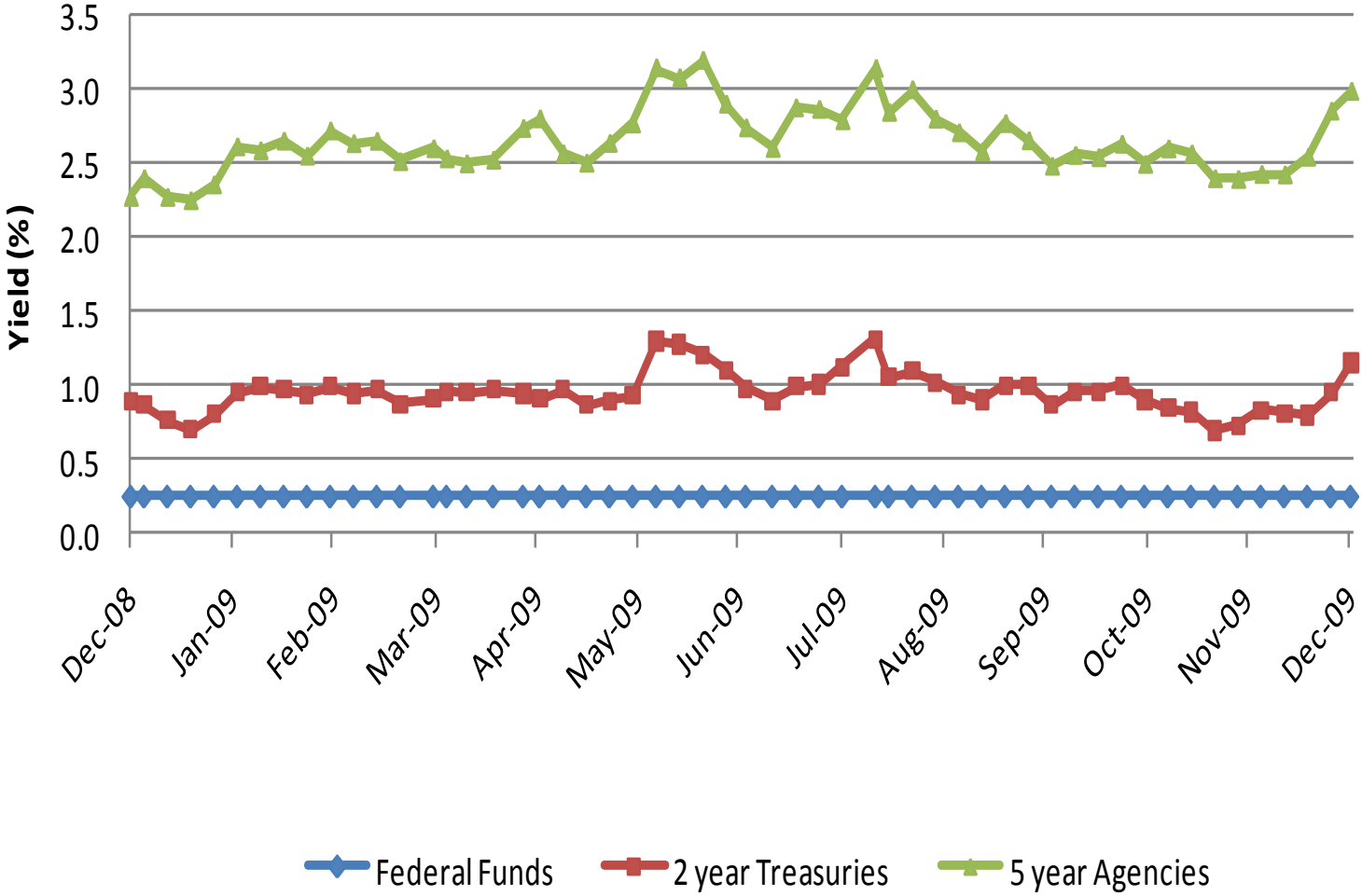
12/31/2009



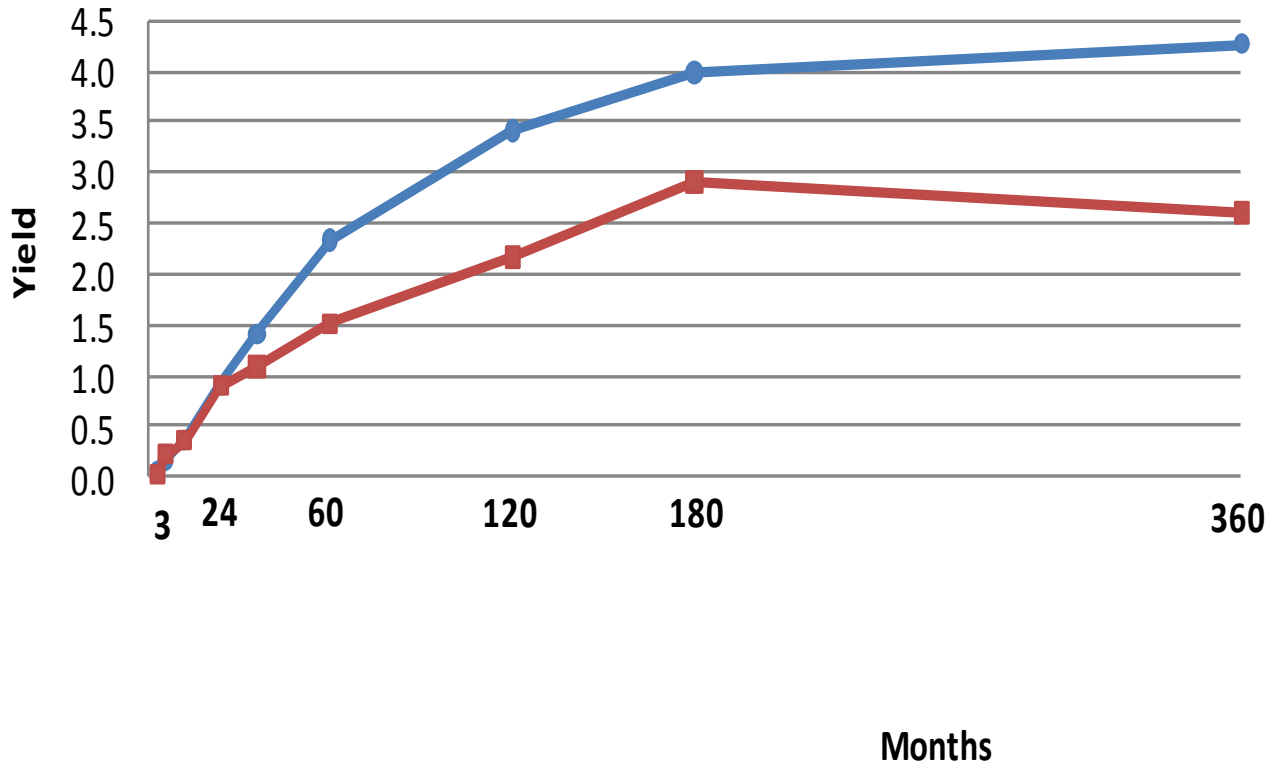
# INTEREST RATE TRENDS

- For 2009, Short and Medium Term Rates Stayed Within a Narrow Trading Range for the Year.
- The Federal Reserve Left Short Term Rates Constant Throughout 2009 [0.25%]
- Staff Monitors Market Conditions; but Does Not Time the Market.
- Short and Medium Term Rates Are Expected to Stay Within a Narrow Trading Range from their Current Levels for Most of 2010.

# 2009 Rates



# Treasury Yield Curve



12/29/2009 12/31/2008

# **Actions Taken In Light of 2009** **Financial Environment**

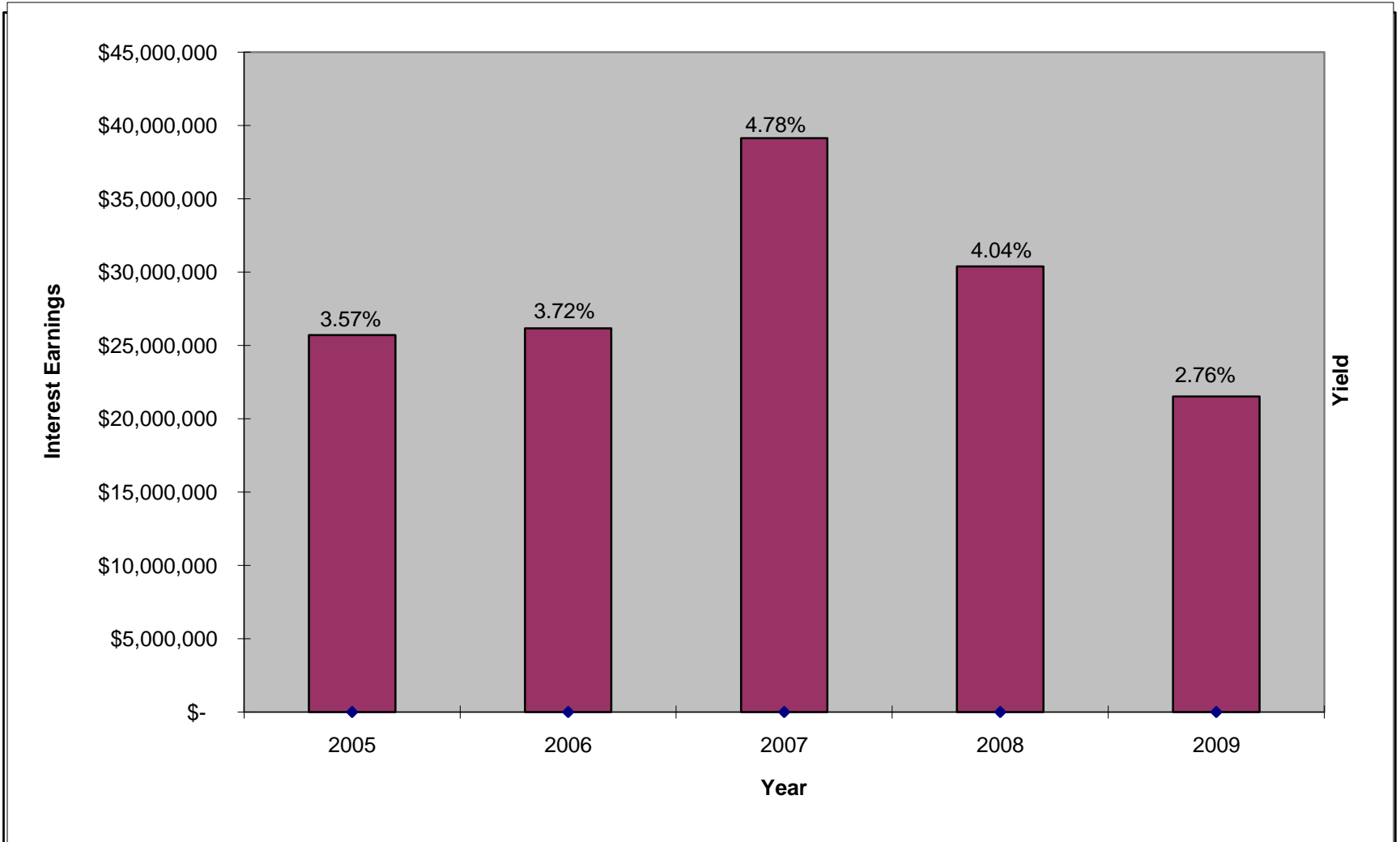
- Did not Invest in any New Commercial Paper
- Amended our Securities Lending Contract Limiting the Trustee's Reinvestment Activities to Treasuries and Agencies



# 2009 YIELD COMPARISON

|         | Benchmark | Port's Pool |
|---------|-----------|-------------|
| Q1-2009 | 1.05%     | 3.30%       |
| Q2-2009 | 1.18%     | 2.82%       |
| Q3-2009 | 1.02%     | 2.51%       |
| Q4-2009 | 1.21%     | 2.40%       |
| ANNUAL  | 1.12%     | 2.76%       |

# PORTFOLIO YIELD 2005– 2009

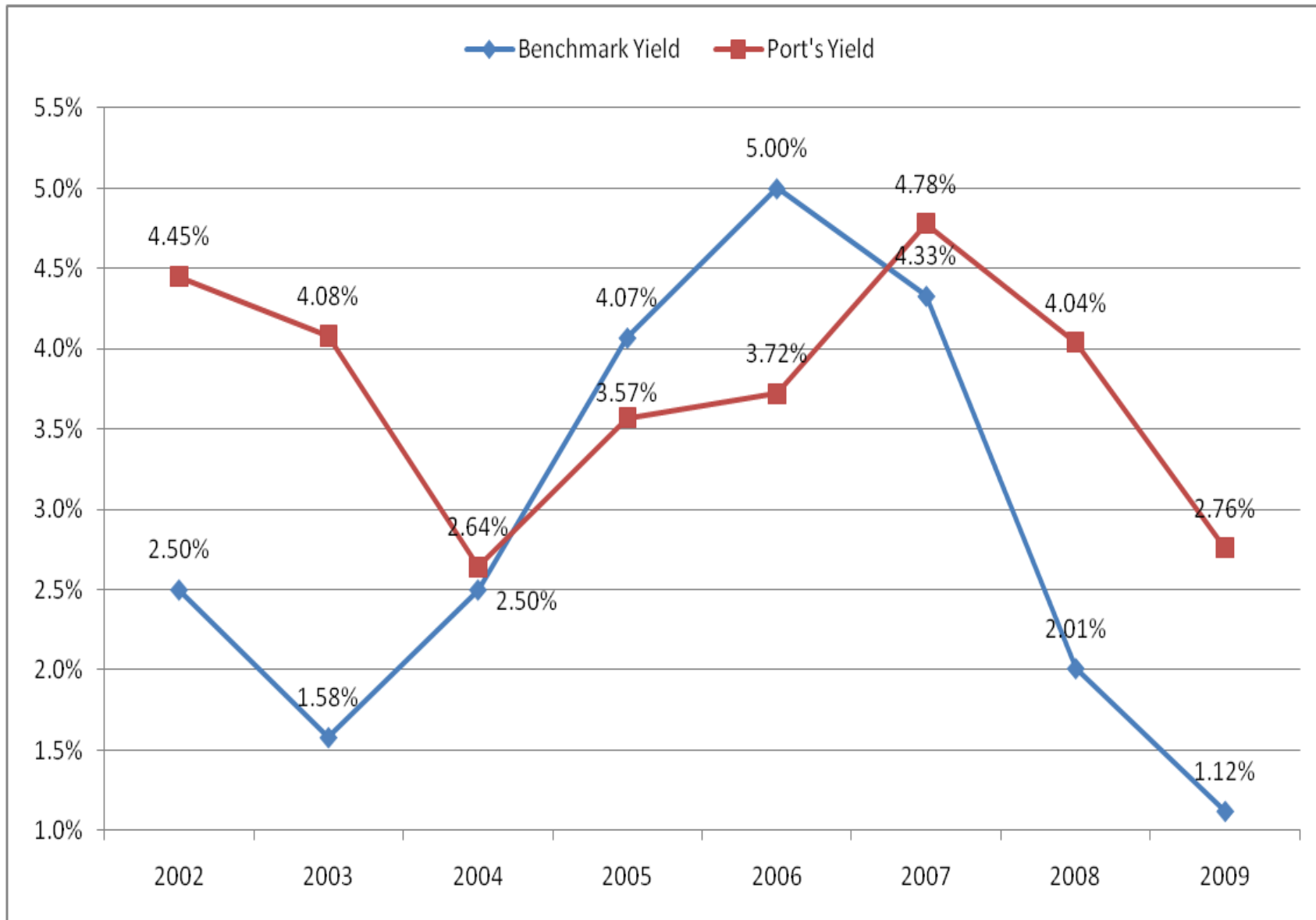


# YIELD HISTORY

| • 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%       |

|             |       |       |
|-------------|-------|-------|
| Eight Years | 2.89% | 3.74% |
|-------------|-------|-------|

# YIELD HISTORY



# Port's Investment Portfolio Size Fluctuates

- Port's investment portfolio 12/31/2009 was \$894 Million
- Over the past 5 years, the size has ranged from \$615 million to \$995 million
- Size fluctuations are mostly tied to capital spending:
  - Capital projects reduce the portfolio size
  - Bond issues to fund projects increase the portfolio

# PORTFOLIO VALUE 2005 -2009

