



## ● **Treasurer's Monthly Report**

### **Summary**

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The attached Treasurer's monthly report, as required by Section 5114 of the Metropolitan Administrative Code, provides Metropolitan's investments, as well as portfolio compliance with Metropolitan's Statement of Investment Policy and investment programs.

### **Attachments**

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Attachment 1: Portfolio Performance Report – February 2012

Attachment 2: Portfolio Summary Report – February 2012

Attachment 3: Summary Report of Investment & Cash Activity – February 2012

Attachment 4: Duration Report – February 2012



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** March 12, 2012  
**To:** Finance and Insurance Committee  
**From:** Gary Breaux, Assistant General Manager/Chief Financial Officer  
**Subject:** Treasurer's Monthly Report February 2012

This letter transmits a summary report of investments, cash balances and performance report with total return, and duration comparisons for the end of the current month. A detailed report of investments is filed each month with the Executive Secretary. These reports are required by Section 5114 of the MWD Administrative Code. All of the investments comply with Chapter 5101 of the MWD Administrative Code and the Investment Policy dated June 14, 2011. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of February 29, 2012, Metropolitan posted collateral totaling \$28.356 million pursuant to various swap agreements. \$27.437 million and \$919,000 in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

A handwritten signature in black ink, appearing to read 'Gary Breaux', written over a horizontal line.

Gary Breaux

GB-mt

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Attachments

Attachment 1  
**The Metropolitan Water District of Southern California (MWD)**  
**Portfolio Performance Report**  
**February 29, 2012**

		Market Value		Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
		(\$ in Thousands)		MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$	612,402	0.26	0.23	(0.01%)	0.00%	(0.06%)	0.02%	2.59%	1.93%
Long-Term	(2)		320,638	2.83	2.66	(0.06%)	(0.07%)	(0.67%)	(0.85%)	4.66%	4.09%
Total Core Funds		\$	933,040								
Other Funds	(3)		128,867	7.08		(0.12%)		(1.40%)		9.44%	
Total		\$	<u>1,061,907</u>								

(1) The Short-Term Portfolio Benchmark is the Merrill Lynch, Three Month Treasury Bill Index.

(2) The Long-Term Portfolio Benchmark is the Merrill Lynch, Corporate and Government, 1 to 5 years, A Rated and Higher Index.

(3) Debt Service Reserve Funds and Lake Mathews Trust.

\* Inception Date 5/01/2002

Attachment 2  
**Portfolio Summary Report**  
**February 29, 2012**

(\$ in Thousands)

<u>Securities</u>		<u>Credit Quality</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Percent of Portfolio Market Value</u>	<u>Investment Policy Limits</u>
United States Treasuries	(1,2)	"AAA"	\$ 203,668	\$ 194,628	19.18%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	14	12	0.00%	100%
Federal Agencies	(2,3)	"AAA"	552,051	550,363	51.99%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	38,942	38,944	3.67%	25%
Negotiable Certificates of Deposit		"F1 or higher"	-	-	0.00%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	384	384	0.04%	20%
California Local Agency Investment Fund			50,000	50,000	4.71%	N/A
Medium Term Notes	(5)	"A or higher"	88,948	87,436	8.37%	30%
Asset & Mortgage-Backed Securities		"AAA"	44,756	44,512	4.21%	20%
Municipals	(6)	"A or higher"	83,144	79,137	7.83%	30%
Total Portfolio			\$ 1,061,907	\$ 1,045,416	100.00%	

(1) Securities have an explicit United States Government guarantee.

(2) United States Treasuries and Federal Agencies are rated 'AAA' by two nationally recognized rating agencies and 'AA+' by one nationally recognized rating agency.

(3) As of February 29, 2012, Metropolitan posted collateral totaling \$28.356 million pursuant to various swap agreements. \$27.437 million and \$919,000 in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

(4) Repurchase agreements can only be executed with primary dealers and collateral consists of Treasuries and/or Federal Agencies with maturities under 5 years.

(5) Please see attachment 2a for medium term notes that are rated less than A.

(6) \$27.234 million (market value) of the municipal bond portfolio was rated AAA.

**Portfolio Summary Report**  
**Attachment 2a**  
**February 29, 2012**  
(\$ in Thousands)

Credit Ratings Moody's      S&P		Medium Term Notes	Maturity Date	Market Value	Book Value
Baa1	A-	Bank of America 6.5%	8/1/2016	\$ 1,081	\$ 1,059
Baa1	A-	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 2,058	\$ 2,031
				\$ 3,139	\$ 3,090

Attachment 3  
**Summary Report of Investment & Cash Activity**  
**February 29, 2012**

(Shown at Book Value and \$ in Thousands)

	<b>Beginning Balance</b>	<b>Purchases</b>	<b>Sales</b>	<b>Maturities</b>	<b>Ending Balance</b>
United States Treasuries	\$ 198,045	\$ 28,388	\$ 12,754	\$ 19,051	\$ 194,628
Gov't National Mtge Assoc.	12	-	-	-	12
Federal Agencies (1)	551,405	176,711	177,753	-	550,363
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	18,097	256,289	-	235,442	38,944
Negotiable Certificates of Deposit	1,860	28,948	-	30,808	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	646	16,718	16,980	-	384
California Local Agency Investment Fund	33,232	18,521	1,753	-	50,000
Medium Term Notes	95,068	23,052	4,908	25,776	87,436
Asset & Mortgage-Backed Securities	39,266	7,205	1,959	-	44,512
Municipals	81,783	834	3,480	-	79,137
<b>Subtotals</b>	<b>\$ 1,019,414</b>	<b>\$ 556,666</b>	<b>\$ 219,587</b>	<b>\$ 311,077</b>	<b>\$ 1,045,416</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 1,917	5			1,922
Petty Cash	5				5
Overnight Investment	-				-
<b>Subtotals</b>	<b>\$ 1,922</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,927</b>
<b>Total</b>	<b>\$ 1,021,336</b>	<b>\$ 556,671</b>	<b>\$ 219,587</b>	<b>\$ 311,077</b>	<b>\$ 1,047,343</b>

(1) As of February 29, 2012, Metropolitan posted collateral totaling \$28.356 million pursuant to various swap agreements. \$27.437 million and \$919,000 in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Attachment 4  
**Duration Report**  
**February 29, 2012**

(\$ in Thousands)

<b>Securities Available for Metropolitan's Self-Liquidity Program</b>	<b>Market Value</b>	<b>Duration (1)</b>
US Treasury Bills	\$ -	-
US Treasury Notes	141,385	1.599
US Treasury Strips	12,249	13.872
Federal Agency Coupons	467,349	0.522
Federal Agency Strips	7,057	4.468
Federal Agency Discount Notes	-	-
Shares of Beneficial Interest	355	0.000
California Local Agency Investment Fund	46,220	0.000
Commercial Paper	35,718	0.000
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	-	-
Medium Term Notes	82,106	1.891
Municipals	330	0.151
Gov't National Mtge Assoc.	13	5.041
Asset Backed	-	-
Mortgage Backed	41,373	3.801
<b>Total</b>	<b>\$ 834,155</b>	
 Weighted Average Duration		 1.180

(1) Duration is a measure of the sensitivity in the price of a bond to changes in interest rates, so it is a measure of risk in a fixed income portfolio. As a rule of thumb, a fixed income portfolio with a duration of 5 (years) will decline 5% in value for every 1% upward movement in comparable interest rates.