



● **Treasurer's Monthly Report**

Summary

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

Attachment 1: Portfolio Performance Report – April 2012

Attachment 2: Portfolio Summary Report – April 2012

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

Attachment 4: Duration Report – April 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: May 7, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report April 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 April 30, 2012, Metropolitan posted \$26.252 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

A handwritten signature in black ink, appearing to read 'Gary Breaux'.

Gary Breaux

GB-mt

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
April 30, 2012

| | | Market Value (\$ in Thousands) | Duration | | Monthly Return | | Annualized Monthly Return | | Annualized Return *Inception-to-Date | |
|------------------|-----|-----------------------------------|----------|-----------|----------------|-----------|------------------------------|-----------|---|-----------|
| | | | MWD | Benchmark | MWD | Benchmark | MWD | Benchmark | MWD | Benchmark |
| Short-Term | (1) | \$ 585,423 | 0.29 | 0.22 | 0.15% | 0.00% | 1.86% | 0.05% | 2.56% | 1.89% |
| Long-Term | (2) | 322,110 | 2.74 | 2.67 | 0.56% | 0.43% | 6.96% | 5.32% | 4.63% | 4.05% |
| Total Core Funds | | \$ 907,533 | | | | | | | | |
| Other Funds | (3) | 127,300 | 7.11 | | 1.60% | | 21.04% | | 9.36% | |
| Total | | <u>\$ 1,034,833</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
April 30, 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" | \$ 206,575 | \$ 197,290 | 19.96% | 100% |
| Gov't National Mtge Assoc. | (1) | "AAA" | 13 | 11 | 0.00% | 100% |
| Federal Agencies | (2,3) | "AAA" | 364,212 | 361,413 | 35.20% | 100% |
| Repurchase Agreements | (4) | "AAA" | - | - | 0.00% | 50% |
| Bankers' Acceptances | | "F1 or higher" | - | - | 0.00% | 40% |
| Commercial Paper | | "A1/P1 or higher" | 144,898 | 144,904 | 14.00% | 25% |
| Negotiable Certificates of Deposit | | "F1 or higher" | 14,000 | 14,000 | 1.35% | 30% |
| Time Deposits | | "F1 or better" | - | - | 0.00% | N/A |
| Shares of Beneficial Interest | | "AAA" | 1,312 | 1,312 | 0.13% | 20% |
| California Local Agency Investment Fund | | | 50,000 | 50,000 | 4.83% | N/A |
| Medium Term Notes | (5) | "A or higher" | 121,825 | 120,344 | 11.77% | 30% |
| Asset & Mortgage-Backed Securities | | "AAA" | 47,507 | 47,146 | 4.59% | 20% |
| Municipals | (6) | "A or higher" | 84,491 | 80,525 | 8.17% | 30% |
| Total Portfolio | | | \$ 1,034,833 | \$ 1,016,945 | 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 April 30, 2012, Metropolitan posted \$26.252 million in federal agency securities as collateral with Morgan Staley, pursuant to various swap agreements.
- (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) \$26.759 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
April 30, 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 | \$ 1,093 | \$ 1,057 |
| Baa1 | A- | Merrill Lynch Corporation 5.0% | 1/15/2015 | \$ 2,088 | \$ 2,029 |
| | | | | \$ 3,181 | \$ 3,086 |
| | | | | | |

Attachment 3
Summary Report of Investment & Cash Activity
April 30, 2012

(Shown at Book Value and \$ in Thousands)

| | Beginning Balance | Purchases | Sales | Maturities | Ending Balance |
|--|------------------------------|---------------------|-------------------|--------------------|---------------------------|
| United States Treasuries | \$ 194,739 | \$ 12,350 | \$ 9,799 | \$ - | \$ 197,290 |
| Gov't National Mtge Assoc. | 12 | - | - | 1 | 11 |
| Federal Agencies | (1) 396,106 | 144,230 | 158,800 | 20,123 | 361,413 |
| Repurchase Agreements | - | - | - | - | - |
| Bankers' Acceptances | - | - | - | - | - |
| Commercial Paper | 105,819 | 901,893 | - | 862,808 | 144,904 |
| Negotiable Certificates of Deposit | 45,195 | 69,429 | - | 100,624 | 14,000 |
| Time Deposits | - | - | - | - | - |
| Shares of Beneficial Interest | 313 | 2,467 | 1,468 | - | 1,312 |
| California Local Agency Investment Fund | 50,000 | - | - | - | 50,000 |
| Medium Term Notes | 99,611 | 22,209 | 6 | 1,470 | 120,344 |
| Asset & Mortgage-Backed Securities | 44,768 | 7,417 | 5,039 | - | 47,146 |
| Municipals | 79,251 | 3,274 | 2,000 | - | 80,525 |
| Subtotals | \$ 1,015,814 | \$ 1,163,269 | \$ 177,112 | \$ 985,026 | \$ 1,016,945 |
| | Beginning | | | | Ending |
| Cash | Balance | Deposits | | Withdrawals | Balance |
| Demand Accounts | \$ 1,697 | 2,717 | | | 4,414 |
| Petty Cash | 5 | | | | 5 |
| Overnight Investment | - | | | 3 | (3) |
| Subtotals | \$ 1,702 | \$ 2,717 | \$ - | \$ 3 | \$ 4,416 |
| Total | \$ 1,017,516 | \$ 1,165,986 | \$ 177,112 | \$ 985,029 | \$ 1,021,361 |

(1) As of April 30, 2012, Metropolitan posted \$26.252 million in federal agency securities as collateral with Morgan Staley, pursuant to various swap agreements.

(2) Includes investment of outstanding checks.

Attachment 4
Duration Report
April 30, 2012

(\$ in Thousands)

| Securities Available for Metropolitan's Self-Liquidity Program | Market Value | Duration (1) |
|---|---------------------|---------------------|
| US Treasury Bills | \$ - | - |
| US Treasury Notes | 142,675 | 1.556 |
| US Treasury Strips | 13,214 | 13.993 |
| Federal Agency Coupons | 295,080 | 0.683 |
| Federal Agency Strips | 7,115 | 4.313 |
| Federal Agency Discount Notes | - | - |
| Shares of Beneficial Interest | 1,212 | 0.000 |
| California Local Agency Investment Fund | 46,163 | 0.000 |
| Commercial Paper | 133,779 | 0.001 |
| Bankers' Acceptances | - | - |
| Negotiable Certificates of Deposit | 12,926 | 0.000 |
| Medium Term Notes | 112,360 | 1.448 |
| Municipals | 3,245 | 0.005 |
| Gov't National Mtge Assoc. | 13 | 4.995 |
| Asset Backed | - | - |
| Mortgage Backed | 43,861 | 3.758 |
| Total | \$ 811,643 | |
| | | |
| Weighted Average Duration | | 1.191 |

- (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.