



● **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 – May 2012

Attachment 2: Portfolio Summary Report – May 2012

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

Attachment 4: Duration Report – May 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: June 11, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report May 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 May 31, 2012, Metropolitan posted collateral totaling \$32.305 million pursuant to various swap agreements. \$29.261 million and \$3.044 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

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
May 31, 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)	\$ 608,239	0.31	0.25	0.12%	0.01%	1.43%	0.16%	2.55%	1.88%
Long-Term	(2)	323,499	2.76	2.69	0.36%	0.11%	4.46%	1.34%	4.63%	4.03%
Total Core Funds		\$ 931,738								
Other Funds	(3)	129,211	7.20		1.37%		17.75%		9.48%	
Total		<u>\$ 1,060,949</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
May 31, 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"	\$ 210,163	\$ 198,624	19.81%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	13	11	0.00%	100%
Federal Agencies	(2,3)	"AAA"	392,589	389,650	37.00%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	100,561	100,566	9.48%	25%
Negotiable Certificates of Deposit		"F1 or higher"	26,500	26,500	2.50%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	807	807	0.08%	20%
California Local Agency Investment Fund			50,000	50,000	4.71%	N/A
Medium Term Notes	(5)	"A or higher"	139,817	138,869	13.18%	30%
Asset & Mortgage-Backed Securities		"AAA"	48,994	48,439	4.62%	20%
Municipals	(6)	"A or higher"	91,505	87,083	8.62%	30%
Total Portfolio			<u>\$ 1,060,949</u>	<u>\$ 1,040,549</u>	<u>100.00%</u>	

(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 May 31, 2012, Metropolitan posted collateral totaling \$32.305 million pursuant to various swap agreements. \$29.261 million and \$3.044 million 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) \$23.962 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
May 31, 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	\$ 1,083	\$ 1,056
Baa1	A-	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 2,054	\$ 2,028
WR	A-	ALLTEL 7.0%	7/1/2012	\$ 437	\$ 438
				\$ 3,574	\$ 3,522

Attachment 3
Summary Report of Investment & Cash Activity
May 31, 2012

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 197,290	\$ 9,634	\$ 1,131	\$ 7,169	\$ 198,624
Gov't National Mtge Assoc.	11	-	-	-	11
Federal Agencies	(1) 361,413	162,079	133,842	-	389,650
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	144,904	737,323	-	781,661	100,566
Negotiable Certificates of Deposit	14,000	51,500	-	39,000	26,500
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	1,312	2,853	3,358	-	807
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	120,344	23,401	-	4,876	138,869
Asset & Mortgage-Backed Securities	47,146	1,506	213	-	48,439
Municipals	80,525	9,652	3,094	-	87,083
Subtotals	\$ 1,016,945	\$ 997,948	\$ 141,638	\$ 832,706	\$ 1,040,549
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 4,414			4,239	175
Petty Cash	5				5
Overnight Investment	(2) (3)	3			-
Subtotals	\$ 4,416	\$ 3	\$ -	\$ 4,239	\$ 180
Total	\$ 1,021,361	\$ 997,951	\$ 141,638	\$ 836,945	\$ 1,040,729

(1) As of May 31, 2012, Metropolitan posted collateral totaling \$32.305 million pursuant to various swap agreements. \$29.261 million and \$3.044 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

(2) Includes investment of outstanding checks.

Attachment 4
Duration Report
May 31, 2012

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	144,215	1.536
US Treasury Strips	14,354	14.362
Federal Agency Coupons	317,827	0.679
Federal Agency Strips	7,192	4.242
Federal Agency Discount Notes	629	0.084
Shares of Beneficial Interest	746	0.000
California Local Agency Investment Fund	46,265	0.000
Commercial Paper	93,049	0.038
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	24,520	0.079
Medium Term Notes	129,256	1.241
Municipals	6,429	0.078
Gov't National Mtge Assoc.	12	4.956
Asset Backed	-	-
Mortgage Backed	45,334	3.657
Total	\$ 829,828	
Weighted Average Duration		1.213

- (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.