



● ***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 – June 2012

Attachment 2: Portfolio Summary Report – June 2012

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

Attachment 4: Duration Report – June 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: July 9, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report June 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 12, 2012. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of June 30, 2012, Metropolitan posted collateral totaling \$36.868 million pursuant to various swap agreements. \$31.217 million and \$5.651 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively. During June, Metropolitan also posted collateral with Citigroup Financial, pursuant to various swap agreements. However, as of June 30, 2012 no collateral was posted with Citigroup Financial.

Gary Breaux

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
June 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)	\$ 692,538	0.25	0.24	0.03%	0.01%	0.38%	0.11%	2.53%	1.87%
Long-Term	(2)	323,774	2.59	2.69	0.15%	0.05%	1.75%	0.63%	4.61%	4.00%
Total Core Funds		\$ 1,016,312								
Other Funds	(3)	134,035	6.84		(0.24%)		(2.85%)		9.33%	
Total		<u>\$ 1,150,347</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
June 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"	\$ 204,897	\$ 194,188	17.81%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	13	11	0.00%	100%
Federal Agencies	(2,3)	"AAA"	348,804	345,843	30.32%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	202,033	202,044	17.56%	25%
Negotiable Certificates of Deposit		"F1 or higher"	40,000	40,000	3.48%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	660	660	0.06%	20%
California Local Agency Investment Fund			50,000	50,000	4.35%	N/A
Medium Term Notes	(5)	"A or higher"	150,711	149,405	13.10%	30%
Asset & Mortgage-Backed Securities		"AAA"	55,455	54,856	4.82%	20%
Municipals	(6)	"A or higher"	97,774	93,732	8.50%	30%
Total Portfolio			<u>\$ 1,150,347</u>	<u>\$ 1,130,739</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 June 30, 2012, Metropolitan posted collateral totaling \$36.868 million pursuant to various swap agreements. \$31.217 million and \$5.651 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) \$37.253 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
June 30, 2012
(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
Baa1	A-	Bank of America 6.5%	8/1/2016	\$ 1,093	\$ 1,055
Baa2	A-	Citigroup Inc. 5.85%	8/2/2016	1,086	1,078
Baa2	A-	Citigroup Inc. 6.01%	1/15/2015	2,374	2,262
Baa2	A-	Citigroup Inc. 4.45%	1/10/2017	1,287	1,252
Baa2	A-	Merrill Lynch Corporation 5.0%	1/15/2015	2,070	2,027
Baa1	A-	Morgan Stanley 5.75%	8/31/2012	101	101
Baa1	A-	Morgan Stanley 4.10%	1/26/2015	2,431	2,437
Baa1	A-	Morgan Stanley 3.80%	4/29/2016	2,299	2,269
WR	A-	ALLTEL 7.0%	7/1/2012	435	435
				\$ 13,176	\$ 12,916

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

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 198,624	\$ 6,143	\$ 10,579	\$ -	\$ 194,188
Gov't National Mtge Assoc.	11	-	-	-	11
Federal Agencies	(1) 389,650	80,289	122,856	1,240	345,843
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	100,566	907,049	556	805,015	202,044
Negotiable Certificates of Deposit	26,500	15,000	-	1,500	40,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	807	5,671	5,818	-	660
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	138,869	33,225	-	22,689	149,405
Asset & Mortgage-Backed Securities	48,439	7,563	1,146	-	54,856
Municipals	87,083	6,649	-	-	93,732
Subtotals	\$ 1,040,549	\$ 1,061,589	\$ 140,955	\$ 830,444	\$ 1,130,739
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 175	420			595
Petty Cash	5				5
Overnight Investment	-				-
Subtotals	\$ 180	\$ 420	\$ -	\$ -	\$ 600
Total	\$ 1,040,729	\$ 1,062,009	\$ 140,955	\$ 830,444	\$ 1,131,339

(1) As of June 30, 2012, Metropolitan posted collateral totaling \$36.868 million pursuant to various swap agreements. \$31.217 million and \$5.651 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Attachment 4
Duration Report
June 30, 2012

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	142,137	1.379
US Treasury Strips	13,113	13.229
Federal Agency Coupons	267,244	0.701
Federal Agency Strips	6,071	4.961
Federal Agency Discount Notes	10,033	0.006
Shares of Beneficial Interest	614	0.000
California Local Agency Investment Fund	46,559	0.000
Commercial Paper	188,128	0.004
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	37,247	0.003
Medium Term Notes	140,244	1.127
Municipals	6,453	0.021
Gov't National Mtge Assoc.	12	5.001
Asset Backed	2,356	3.093
Mortgage Backed	49,282	3.562
Total	<u>\$ 909,493</u>	
Weighted Average Duration		1.021

- (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.