



## ● ***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 – October 2012

Attachment 2: Portfolio Summary Report – October 2012

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

Attachment 4: Duration Report – October 2012



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** November 8, 2012  
**To:** Finance and Insurance Committee  
**From:** Gary Breaux, Assistant General Manager/Chief Financial Officer  
**Subject:** Treasurer's Monthly Report October 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 October 31, 2012, Metropolitan posted collateral totaling \$23.395 million pursuant to various swap agreements. \$20.529 million and \$2.866 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Gary Breaux

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Attachments

Attachment 1  
**The Metropolitan Water District of Southern California (MWD)**  
**Portfolio Performance Report**  
**October 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)	\$ 587,281	0.23	0.23	0.04%	0.01%	0.51%	0.11%	2.47%	1.81%
Long-Term	(2)	327,135	2.66	2.69	0.05%	(0.03%)	0.65%	(0.36%)	4.55%	3.95%
Total Core Funds		\$ 914,416								
Other Funds	(3)	134,201	7.05		0.02%		0.22%		9.24%	
Total		<u>\$ 1,048,617</u>								

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

(2) The Long-Term Portfolio Benchmark is the Bank of America 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**  
**October 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"	\$ 196,816	\$ 186,286	18.77%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	12	10	0.00%	100%
Federal Agencies	(2,3)	"AAA"	346,124	343,254	33.01%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	192,194	192,196	18.33%	25%
Negotiable Certificates of Deposit		"F1 or higher"	5,000	5,000	0.48%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	782	782	0.07%	20%
California Local Agency Investment Fund			50,000	50,000	4.77%	N/A
Medium Term Notes		"A or higher"	101,964	100,349	9.72%	30%
Asset & Mortgage-Backed Securities		"AAA"	58,920	58,143	5.62%	20%
Municipals	(5)	"A or higher"	96,805	91,341	9.23%	30%
Total Portfolio			<u>\$ 1,048,617</u>	<u>\$ 1,027,361</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 October 31, 2012, Metropolitan posted collateral totaling \$23.395 million pursuant to various swap agreements. \$20.529 million and \$2.866 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) \$35.947 million (market value) of the municipal bond portfolio was rated AAA.

Attachment 3  
**Summary Report of Investment & Cash Activity**  
**October 31, 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	\$ 181,269	\$ 17,584	\$ 12,567	\$ -	\$ 186,286
Gov't National Mtge Assoc.	11	-	-	1	10
Federal Agencies	(1) 370,024	117,056	142,501	1,325	343,254
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	135,009	964,921	-	907,734	192,196
Negotiable Certificates of Deposit	40,001	21,499	-	56,500	5,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	809	5,181	5,208	-	782
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	117,531	37,403	6,238	48,347	100,349
Asset & Mortgage-Backed Securities	56,914	7,203	5,974	-	58,143
Municipals	87,077	10,279	6,015	-	91,341
<b>Subtotals</b>	<b>\$ 1,038,645</b>	<b>\$ 1,181,126</b>	<b>\$ 178,503</b>	<b>\$ 1,013,907</b>	<b>\$ 1,027,361</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 226			55	171
Petty Cash & Payroll	15				15
Overnight Investment	(2) (72)	72			-
<b>Subtotals</b>	<b>\$ 169</b>	<b>\$ 72</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 186</b>
<b>Total</b>	<b>\$ 1,038,814</b>	<b>\$ 1,181,198</b>	<b>\$ 178,503</b>	<b>\$ 1,013,962</b>	<b>\$ 1,027,547</b>

(1) As of October 31, 2012, Metropolitan posted collateral totaling \$23.395 million pursuant to various swap agreements. \$20.529 million and \$2.866 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

(2) Includes investment of outstanding checks.

Attachment 4  
**Duration Report**  
**October 31, 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	130,318	1.590
US Treasury Strips	14,555	13.990
Federal Agency Coupons	255,422	0.650
Federal Agency Strips	6,031	4.628
Federal Agency Discount Notes	27,623	0.017
Shares of Beneficial Interest	716	0.000
California Local Agency Investment Fund	45,754	0.000
Commercial Paper	175,874	0.055
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	4,576	0.169
Medium Term Notes	93,073	1.425
Municipals	5,504	0.015
Gov't National Mtge Assoc.	11	4.908
Asset Backed	2,307	2.782
Mortgage Backed	51,610	3.339
Total	<u>\$ 813,374</u>	
Weighted Average Duration		1.140

- (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.