



## ● **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 – December 2012

Attachment 2: Portfolio Summary Report – December 2012

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

Attachment 4: Duration Report – December 2012



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** January 7, 2013  
**To:** Finance and Insurance Committee  
**From:** Gary Breaux, Assistant General Manager/Chief Financial Officer  
**Subject:** Treasurer's Monthly Report December 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 December 31, 2012, Metropolitan posted collateral totaling \$22.864 million pursuant to various swap agreements. \$21.006 million and \$1.858 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', is positioned above the printed name.

Gary Breaux

GB-mt

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Attachments

Attachment 1  
**The Metropolitan Water District of Southern California (MWD)**  
**Portfolio Performance Report**  
**December 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)	\$ 801,753	0.19	0.24	0.014%	0.015%	0.17%	0.18%	2.44%	1.78%
Long-Term	(2)	327,765	2.65	2.69	(0.11%)	(0.02%)	(1.29%)	(0.22%)	4.49%	3.90%
Total Core Funds		\$ 1,129,518								
Other Funds	(3)	132,453	7.28		(0.90%)		(10.32%)		9.14%	
Total		<u>\$ 1,261,971</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**  
**December 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"	\$ 212,302	\$ 202,191	16.82%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	12	10	0.00%	100%
Federal Agencies	(2,3)	"AAA"	458,009	455,119	36.29%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	217,190	217,199	17.21%	25%
Negotiable Certificates of Deposit		"F1 or higher"	72,800	72,800	5.77%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	490	490	0.04%	20%
California Local Agency Investment Fund			50,000	50,000	3.96%	N/A
Medium Term Notes		"A or higher"	93,348	91,913	7.40%	30%
Asset & Mortgage-Backed Securities		"AAA"	64,240	63,668	5.09%	20%
Municipals	(5)	"A or higher"	93,580	88,119	7.42%	30%
Total Portfolio			<u>\$ 1,261,971</u>	<u>\$ 1,241,509</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 December 31, 2012, Metropolitan posted collateral totaling \$22.864 million pursuant to various swap agreements. \$21.006 million and \$1.858 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) \$31.796 million (market value) of the municipal bond portfolio was rated AAA.

Attachment 3  
**Summary Report of Investment & Cash Activity**  
**December 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	\$ 213,678	\$ 16,375	\$ 7,262	\$ 20,600	\$ 202,191
Gov't National Mtge Assoc.	10	-	-	-	10
Federal Agencies	(1) 399,093	218,489	152,447	10,016	455,119
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	164,574	590,880	-	538,255	217,199
Negotiable Certificates of Deposit	59,350	40,000	-	26,550	72,800
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	616	1,484	1,610	-	490
California Local Agency Investment Fund	50,000	2,245	2,245	-	50,000
Medium Term Notes	78,296	28,973	2,436	12,920	91,913
Asset & Mortgage-Backed Securities	62,439	4,680	3,451	-	63,668
Municipals	93,887	10,111	15,879	-	88,119
<b>Subtotals</b>	<b>\$ 1,121,943</b>	<b>\$ 913,237</b>	<b>\$ 185,330</b>	<b>\$ 608,341</b>	<b>\$ 1,241,509</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 166	533			699
Petty Cash & Payroll	15				15
Overnight Investment	-				-
<b>Subtotals</b>	<b>\$ 181</b>	<b>\$ 533</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 714</b>
<b>Total</b>	<b>\$ 1,122,124</b>	<b>\$ 913,770</b>	<b>\$ 185,330</b>	<b>\$ 608,341</b>	<b>\$ 1,242,223</b>

(1) As of December 31, 2012, Metropolitan posted collateral totaling \$22.864 million pursuant to various swap agreements. \$21.006 million and \$1.858 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Attachment 4  
**Duration Report**  
**December 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	147,442	1.349
US Treasury Strips	14,129	13.667
Federal Agency Coupons	390,063	0.446
Federal Agency Strips	6,154	4.463
Federal Agency Discount Notes	2,459	0.001
Shares of Beneficial Interest	456	0.000
California Local Agency Investment Fund	46,486	0.000
Commercial Paper	201,927	0.016
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	67,683	0.026
Medium Term Notes	86,367	1.865
Municipals	4,370	0.023
Gov't National Mtge Assoc.	11	4.861
Asset Backed	2,149	2.624
Mortgage Backed	57,577	3.113
Total	<u>\$ 1,027,273</u>	
Weighted Average Duration		0.919

- (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.