



● **Treasurer's Monthly Report**

Summary

The attached Treasurer's monthly report provides Metropolitan's investments, as well as portfolio compliance with Metropolitan's Statement of Investment Policy and investment programs.

Purpose

Administrative Code Requirement Section 5114

Attachments

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| Attachment 1: | Portfolio Performance Report – June 2013 |
| Attachment 2 & 2a: | Portfolio Summary Report – June 2013 |
| Attachment 3: | Summary Report of Investment & Cash Activity – June 2013 |
| Attachment 4: | Duration Report – June 2013 |



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: July 8, 2013
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report June 2013

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 10, 2013. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of June 30, 2013, Metropolitan posted \$7.221 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Gary Breaux

GB/mt

Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
June 30, 2013

		Market Value		Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
		(\$ in Thousands)		MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$	869,522	0.21	0.24	(0.71%)	0.01%	(8.20%)	0.07%	2.27%	1.71%
Long-Term	(2)		325,053	2.91	2.74	(0.57%)	(0.52%)	(6.58%)	(6.05%)	4.21%	3.67%
Total Core Funds		\$	1,194,575								
Other Funds	(3)		126,221	7.00		(2.13%)		(22.72%)		8.29%	
Total		\$	<u>1,320,796</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
June 30, 2013

(\$ 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"	\$ 215,837	\$ 210,391	16.34%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	11	9	0.00%	100%
Federal Agencies	(2,3)	"AAA"	448,694	453,729	33.97%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	116	116	0.01%	40%
Commercial Paper		"A1/P1 or higher"	174,179	174,184	13.19%	25%
Negotiable Certificates of Deposit		"F1 or higher"	168,917	168,915	12.79%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	409	409	0.03%	20%
California Local Agency Investment Fund			46,415	46,415	3.52%	N/A
Medium Term Notes	(6)	"A or higher"	98,303	98,230	7.44%	30%
Asset & Mortgage-Backed Securities		"AAA"	66,194	66,541	5.01%	20%
Municipals	(5)	"A or higher"	101,721	98,510	7.70%	30%
Total Portfolio			<u>\$ 1,320,796</u>	<u>\$ 1,317,449</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, 2013, Metropolitan posted \$7.221 million in federal agency securities as collateral with Morgan Stanley, 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) \$49.3 million (market value) of the municipal bond portfolio was rated AAA.
- (6) Please see attachment 2a for medium term notes that are rated less than A.

Portfolio Summary Report
Attachment 2a
June 30, 2013
(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
A3	BBB+	Hartford Life Inst - Float	8/15/2013	1,000	998
A3	BBB+	Hartford Life Global - Float	6/16/2014	1,224	1,206
				\$ 2,224	\$ 2,204

Attachment 3
Summary Report of Investment & Cash Activity
June 30, 2013

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 208,114	\$ 18,858	\$ 16,581	\$ -	\$ 210,391
Gov't National Mtge Assoc.	9	-	-	-	9
Federal Agencies	(1) 399,453	125,911	70,045	1,590	453,729
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	116	-	-	116
Commercial Paper	114,851	398,335	-	339,002	174,184
Negotiable Certificates of Deposit	144,566	50,849	-	26,500	168,915
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	680	2,969	3,240	-	409
California Local Agency Investment Fund	50,000	21,047	24,632	-	46,415
Medium Term Notes	100,487	22,616	11,981	12,892	98,230
Asset & Mortgage-Backed Securities	64,652	3,318	1,429	-	66,541
Municipals	116,629	5,800	23,919	-	98,510
Subtotals	\$ 1,199,441	\$ 649,819	\$ 151,827	\$ 379,984	\$ 1,317,449
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 116	20			136
Petty Cash & Payroll	15				15
Overnight Investment	-				-
Subtotals	\$ 131	\$ 20	\$ -	\$ -	\$ 151
Total	\$ 1,199,572	\$ 649,839	\$ 151,827	\$ 379,984	\$ 1,317,600

(1) As of June 30, 2013, Metropolitan posted \$7.221 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Attachment 4
Duration Report
June 30, 2013

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 32,772	0.238
US Treasury Notes	116,906	2.315
US Treasury Strips	12,374	12.402
Federal Agency Coupons	389,434	0.445
Federal Agency Strips	6,012	3.961
Federal Agency Discount Notes	-	-
Shares of Beneficial Interest	371	0.000
California Local Agency Investment Fund	42,076	0.000
Commercial Paper	157,895	0.011
Bankers' Acceptances	105	0.005
Negotiable Certificates of Deposit	153,126	0.012
Medium Term Notes	88,750	1.820
Municipals	15,841	0.072
Gov't National Mtge Assoc.	10	4.653
Asset Backed	-	-
Mortgage Backed	60,006	3.816
Total	<u>\$ 1,075,678</u>	
 Weighted Average Duration		 0.952

- (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.