



## ● **Treasurer's Monthly Report**

### **Summary**

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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**

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Administrative Code Requirement Section 5114

### **Attachments**

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



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** October 7, 2013  
**To:** Finance and Insurance Committee  
**From:** Gary Breaux, Assistant General Manager/Chief Financial Officer  
**Subject:** Treasurer's Monthly Report September 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 September 30, 2013, Metropolitan posted \$5.434 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

A handwritten signature in black ink, appearing to read "Gary Breaux".

Gary Breaux

GB/mt

Attachments

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

		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)	\$ 705,311	0.27	0.24	0.44%	0.01%	5.43%	0.06%	2.24%	1.67%
Long-Term	(2)	326,731	2.79	2.71	0.50%	0.54%	6.21%	6.73%	4.16%	3.65%
Total Core Funds		\$ 1,032,042								
Other Funds	(3)	126,706	7.44		1.93%		25.72%		8.10%	
Total		<u>\$ 1,158,748</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**  
**September 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"	\$ 208,442	\$ 203,089	17.99%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	10	9	0.00%	100%
Federal Agencies	(2,3)	"AAA"	368,111	372,662	31.77%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	647	647	0.05%	40%
Commercial Paper		"A1/P1 or higher"	173,545	173,553	14.98%	25%
Negotiable Certificates of Deposit		"F1 or higher"	130,002	130,000	11.22%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	242	242	0.02%	20%
California Local Agency Investment Fund			50,000	50,000	4.31%	N/A
Medium Term Notes	(6)	"A or higher"	74,415	74,032	6.42%	30%
Asset & Mortgage-Backed Securities		"AAA"	68,221	68,425	5.89%	20%
Municipals	(5)	"A or higher"	85,113	81,612	7.35%	30%
Total Portfolio			<u>\$ 1,158,748</u>	<u>\$ 1,154,271</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 September 30, 2013, Metropolitan posted \$5.434 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) \$18.689 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**  
**September 30, 2013**  
(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
A3	BBB+	Hartford Life Global - Float	6/16/2014	1,225	1,211

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

(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	\$ 203,888	\$ 42,931	\$ 7,142	\$ 36,588	\$ 203,089
Gov't National Mtge Assoc.	9	-	-	-	9
Federal Agencies	(1) 337,047	61,537	2,532	23,390	372,662
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	1,859	189	-	1,401	647
Commercial Paper	239,303	487,943	-	553,693	173,553
Negotiable Certificates of Deposit	80,000	99,790	-	49,790	130,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	835	1,438	2,031	-	242
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	73,358	10,437	4,056	5,707	74,032
Asset & Mortgage-Backed Securities	68,062	829	466	-	68,425
Municipals	81,548	64	-	-	81,612
<b>Subtotals</b>	<b>\$ 1,135,909</b>	<b>\$ 705,158</b>	<b>\$ 16,227</b>	<b>\$ 670,569</b>	<b>\$ 1,154,271</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 866			584	282
Petty Cash & Payroll	15				15
Overnight Investment	-				-
<b>Subtotals</b>	<b>\$ 881</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 584</b>	<b>\$ 297</b>
<b>Total</b>	<b>\$ 1,136,790</b>	<b>\$ 705,158</b>	<b>\$ 16,227</b>	<b>\$ 671,153</b>	<b>\$ 1,154,568</b>

(1) As of September 30, 2013, Metropolitan posted \$5.434 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Attachment 4  
**Duration Report**  
**September 30, 2013**

(\$ 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	150,549	1.882
US Treasury Strips	10,936	10.720
Federal Agency Coupons	297,438	0.562
Federal Agency Strips	6,134	3.713
Federal Agency Discount Notes	21,276	0.040
Shares of Beneficial Interest	222	0.000
California Local Agency Investment Fund	45,887	0.000
Commercial Paper	159,027	0.028
Bankers' Acceptances	594	0.057
Negotiable Certificates of Deposit	119,309	0.082
Medium Term Notes	67,729	2.498
Municipals	-	-
Gov't National Mtge Assoc.	9	4.625
Asset Backed	-	-
Mortgage Backed	62,610	3.712
<b>Total</b>	<b>\$ 941,720</b>	
<b>Weighted Average Duration</b>		<b>1.070</b>

(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.