



- 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 – December 2018 |
| Attachment 2: | Portfolio Summary Report – December 2018 |
| Attachment 3: | Summary Report of Investment & Cash Activity – December 2018 |
| Attachment 4: | Duration Report – December 2018 |



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: January 7, 2019
To: Finance and Insurance Committee
From: June Skillman, Interim Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report December 2018

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 Board Executive Secretary. These reports are required by Section 5114 of the MWD Administrative Code. All of the investments comply with Section 5101 of the MWD Administrative Code and the Investment Policy dated June 13, 2018. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

A handwritten signature in blue ink, appearing to read "June Skillman", with a long horizontal flourish extending to the right.

June Skillman

JS:mt

Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
December 31, 2018

		Market Value (\$ in Thousands)	Duration		Monthly Return		Fiscal YTD Return		Annualized Return *Inception-to-Date	
			MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$ 744,280	0.17	0.16	0.25%	0.18%	1.19%	1.06%	1.87%	1.33%
Long-Term	(2)	351,634	2.52	2.53	1.02%	1.06%	1.80%	1.77%	3.30%	2.87%
Total Core Funds		\$ 1,095,914								
Other Funds	(3)	22,763	2.44		1.14%		1.84%		6.93%	
Total		<u>\$ 1,118,677</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, 2018

(\$ 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"	\$ 371,953	\$ 371,432	33.25%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	2	2	0.00%	100%
Federal Agencies	(2)	"AAA"	175,130	175,585	15.66%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	101,101	101,116	9.04%	25%
Negotiable Certificates of Deposit		"F1 or higher"	207,231	207,251	18.52%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	1,684	1,684	0.15%	20%
California Local Agency Investment Fund	(4)		57,468	57,468	5.14%	N/A
Medium Term Notes		"A or higher"	138,434	139,755	12.37%	30%
Asset & Mortgage-Backed Securities		"AAA"	62,984	63,423	5.63%	20%
Municipals	(5)	"A or higher"	2,690	2,403	0.24%	30%
Total Portfolio			<u>\$ 1,118,677</u>	<u>\$ 1,120,119</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) Repurchase agreements can only be executed with primary dealers and collateral consists of Treasuries and/or Federal Agencies with maturities under 5 years.
- (4) \$65 million maximum allowed by California Local Agency Investment Fund.
- (5) \$0.653 million (market value) of the municipal bond portfolio was rated AAA.

Attachment 3
Summary Report of Investment & Cash Activity
December 31, 2018

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 289,508	\$ 88,810	\$ 6,886	\$ -	\$ 371,432
Gov't National Mtge Assoc.	2	-	-	-	2
Federal Agencies	69,209	114,738	-	8,362	175,585
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	191,649	284,260	-	374,793	101,116
Negotiable Certificates of Deposit	262,467	65,014	-	120,230	207,251
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	1,748	2,416	2,480	-	1,684
California Local Agency Investment Fund	35,161	35,411	13,104	-	57,468
Medium Term Notes	142,497	37,326	25,102	14,966	139,755
Asset & Mortgage-Backed Securities	65,392	2,001	3,970	-	63,423
Municipals	9,127	9	6,733	-	2,403
Subtotals	\$ 1,066,760	\$ 629,985	\$ 58,275	\$ 518,351	\$ 1,120,119
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 2,555	54,184			56,739
Petty Cash & Payroll	15				15
Overnight Investment	(1) (3,399)	3,399			-
Subtotals	\$ (829)	\$ 57,583	\$ -	\$ -	\$ 56,754
Total	\$ 1,065,931	\$ 687,568	\$ 58,275	\$ 518,351	\$ 1,176,873

(1) Includes investment of outstanding checks.

Attachment 4
Duration Report
December 31, 2018

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 117,620	0.102
US Treasury Notes	204,056	2.420
US Treasury Strips	12,938	2.838
Federal Agency Coupons	38,137	1.130
Federal Agency Strips	2,167	6.736
Federal Agency Discount Notes	124,858	0.062
Shares of Beneficial Interest	1,361	0.000
California Local Agency Investment Fund	54,274	0.000
Commercial Paper	95,482	0.108
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	194,561	0.138
Medium Term Notes	129,371	1.329
Municipal Bonds	-	-
Municipal Discount Bonds	692	5.521
Gov't National Mtge Assoc.	2	3.500
Asset Backed	-	-
Mortgage Backed	59,483	2.328
Total	<u><u>\$ 1,035,002</u></u>	
Weighted Average Duration		0.927

- (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.