



October 2, 1996

**TO: MTA BOARD OF DIRECTORS**

**FROM:**

**RODNEY DAWSON** *RJD*

Los Angeles County  
Metropolitan  
Transportation  
Authority

**SUBJECT:**

**INVESTMENT REPORT FOR MONTH ENDED  
AUGUST 31, 1996**

One Gateway Plaza  
Los Angeles, CA  
90012

**BACKGROUND**

The purpose of the monthly report on investments is to certify that MTA's cash and investment portfolios are in compliance with the MTA Investment Policy approved February 28, 1996, and the California Government Code.

213.922.6000

**INVESTMENT POLICY COMPLIANCE**

1. All investment managers were in compliance with the Investment Policy as of August 31, 1996.

Mailing Address:

P.O. Box 194

Los Angeles, CA 90053

2. L.A. County Pool

a) L.A. County Pool Non-Compliance with MTA Investment Policy

The L.A. County Pool held asset-backed and floating rate securities and securities with maturities in excess of five years, which are specifically prohibited by the MTA Investment Policy, but are in compliance with the California Government Code and the L.A. County Treasurer's Investment Policy.

b) L.A. County Pool Non-Compliance with L.A. County Investment Policy

As of August 31, 1996, The L.A. County Pool was in compliance with the L.A. County Investment Policy.

**INVESTMENT RETURNS**

Investment returns for the managers are shown in Attachment II.

**INVESTMENT/CASH MANAGEMENT GOALS**

Treasury staff are developing Investment/Cash Management strategies that will enhance yield and extend maturities of the operating fund. The following activities represent process improvements that will assist in meeting these goals:

- Funds that have longer cash flow requirements have been identified and invested out to match anticipated expenditure dates. The 61 day weighted average maturity of the combined operating funds reflects forecasted cash flow requirements.
- A daily cash flow model has been developed that identifies revenue and expenditure information. This model is used as a guide for making short-term investment decisions for the operating fund.

- Treasury staff have begun training on the 5 year cash flow model, with an expected completion date of October 1996. The 5 year cash flow model will be used to develop more reliable estimates of the timing and amount of cash flows, which should also enhance the internal and external investment managers' ability to extend maturities.
- The externally managed portfolio strategies are designed to enhance total return by targeting the benchmark Lehman Brothers 1-3 year Government/Corporate index. For August 1996, the externally managed portfolios had a combined weighted average maturity of 1.99 years compared to a weighted average maturity of 1.92 years for the benchmark.

Attachment I: August 1996 Report on Cash & Investments

Attachment II: Investment Manager Returns

Attachment III: 1996 Bond Issuance Schedule

Prepared by: Donna Robinson Mills & Debbie Shapiro

DAS\C:InvestmentReports\TRPTaug96.doc

**ATTACHMENT I**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**REPORT ON CASH & INVESTMENTS**

**AUGUST 31, 1996**

# Los Angeles County Metropolitan Transportation Authority

## CASH AND INVESTMENT REPORT OVERVIEW AUGUST 31, 1996

The Los Angeles County Metropolitan Transportation Authority Treasury Department is responsible for various funds which can be divided into four categories:

	<u>Current Month</u> <u>August 31, 1996</u>	<u>Previous Month</u> <u>July 31, 1996</u>	<u>Change</u>
Discretionary/Operating Funds	419,964,858 <sup>1</sup>	487,835,325 <sup>1</sup>	(67,870,467)
Bond proceeds, debt service reserves, and other debt related funds	1,684,028,711	1,696,356,843	(12,328,132)
Pension & Deferred Compensation Reserves	757,144,480 <sup>2</sup>	741,401,248 <sup>2</sup>	15,743,232
Other (Transit Guarantee Bond Program, escrows)	<u>14,831,039</u>	<u>15,332,854</u>	<u>(501,815)</u>
TOTAL	2,875,969,088	2,940,926,270	(64,957,182)

Additionally, the LACMTA Treasury Department administers funds (approximately \$180.4 million) for government programs such as the High Occupancy Vehicle program, and the Transportation Development Act program, and provides Treasury services to other organizations such as the SCRRA.

<sup>1</sup> Includes accrued income

<sup>2</sup> Reported at market value

**Los Angeles County Metropolitan Transportation Authority**

**SUMMARY and COMPARISON  
DISCRETIONARY / OPERATING FUNDS  
August 31, 1996**

<u>Description</u>	<u>CURRENT MONTH</u> <u>August 31, 1996</u>	<u>PRIOR MONTH</u> <u>July 31, 1996</u>
<b>Yield to Maturity (at market)</b>		
Bank Deposits	5.08%	4.90%
LA County Investment Pool	5.61%	5.59%
Minority CD Program	4.98%	4.91%
Managed Investments	<u>5.77%</u>	<u>5.46%</u>
<b>Total Wtd Avg YTM (at mkt)</b>	<b>5.76%</b>	<b>5.45%</b>
<b>Wtd. Avg. Maturity (days)</b>	<b>427</b>	<b>375</b>
<b>Balances</b>		
Bank Deposits	(863,480)	11,980,955
LA County Investment Pool	12,125	4,641,366
Minority CD Program	1,683,000	1,683,000
Managed Investments	<u>419,133,213</u>	<u>469,530,004</u>
<b>Total Book Value</b>	<b>419,964,858</b>	<b>487,835,325</b>
<b>Total Market Value</b>	<b>412,955,382</b>	<b>480,554,474</b>
<b>Total Par Value</b>	<b>417,729,582</b>	<b>485,026,724</b>
<b>Interest - Earned</b>	\$ 1,768,491	\$ 1,847,772
<b>Interest - Received</b>	\$ 2,583,319	\$ 1,986,078

Note: Book Value is the original cost of the investment, plus accrued interest and amortization of any discount or premium. Market Value is the current market price of the investment. Par Value (or face value) is the principal amount paid at maturity.

# Los Angeles County Metropolitan Transportation Authority

## CASH and INVESTMENT SUMMARY DISCRETIONARY/OPERATING FUNDS AUGUST 31, 1996

<u>Description</u>	<u>Balance</u> (at cost)	<u>Wtd. Avg.</u> <u>YTM</u> (at mkt)	<u>Wtd. Avg.</u> <u>Maturity</u> (days)	<u>Percentage</u>
Bank Deposits	(863,480) <sup>1</sup>	5.08%	1	-0.2%
LA County Investment Pool	12,125	5.61%	126	0.0%
Minority Bank CD Program	1,683,000	4.98%	104	0.4%
<b>Managed Investments</b>				
Money Market Funds	17,192,577	5.08%	81	4.1%
Bankers Acceptance	5,387,426	5.44%	16	1.3%
Commercial Paper	44,583,116	5.38%	19	10.6%
Treasuries	187,270,913	5.39%	450	44.6%
Federal Agencies	94,958,797	6.21%	360	22.6%
Municipal Obligations	2,550,519	6.83%	1,135	0.6%
Corporate Notes	67,189,865	6.60%	828	16.0%
<i>SUBTOTAL - Managed</i>	<i>419,133,213</i>	<i>5.77%</i>	<i>428</i>	<i>99.8%</i>
<b>Total Cash &amp; Investments</b>	<b>419,964,858</b>	<b>5.76%</b>	<b>427</b>	<b>100.0%</b>

<sup>1</sup> Earnings on Bank Deposits include interest earned plus service fees offset by the balance credit allowance

## Los Angeles County Metropolitan Transportation Authority

### INVESTMENT MANAGER PERFORMANCE DISCRETIONARY/OPERATING FUNDS

August 31, 1996

<u>Investment Manager</u>	<u>Balance</u> (at market)	<u>Balance</u> (at cost)*	<u>YTM</u> (at mkt)	<u>Avg. Mat.</u> (days) ( years)	<u>PERFORMANCE</u>					
					<u>Month</u> 8/31/96	<u>Quarters Ending</u> 6/30/96 3/31/96		<u>Fiscal Year</u> 12/31/95		
<u>Short Duration</u>					<u>Total Return (gross of fees)</u>					
Internal**	125,443,990	125,816,357	5.61%	40	0.1	0.51	1.12	1.47	1.28	1.08
Sanwa	60,920,272	61,574,908	5.10%	105	0.3	0.51	0.86	1.10	1.51	1.04
Benchmark - 6 month Treasury plus 20 basis points						0.46	1.34	1.38	1.45	0.92
<u>Intermediate Duration</u>					<u>Total Return (gross of fees)</u>					
Amervest	38,187,202	39,003,656	6.30%	781	2.1	0.30	0.86	0.09	2.68	0.80
Bear Stearns	37,986,306	39,424,653	5.87%	711	2.0	0.31	0.88	0.26	2.39	0.70
Danson & Neuhar	16,776,325	17,086,528	6.45%	730	2.0	0.40	1.10	0.40	2.71	0.54
LM Capital	39,994,323	41,082,307	6.51%	877	2.4	0.28	0.96	0.00	2.80	0.66
VA Reid	37,522,572	38,598,001	4.95%	567	1.6	0.37	1.00	0.38	2.58	0.77
Schroder Wertheim	55,292,748	56,546,801	6.20%	695	1.9	0.40	1.09	0.34	2.78	0.84
Benchmark - Lehman Brothers 1 - 3 year Government/Corporate Index						0.37	1.06	0.40	2.47	0.76
Policy Index***						0.37	1.06	0.38	2.53	0.76

\*Cost balance includes accrued income.

\*\*Starting July 1, 1996 the Capra 2, Gateway PTI, and Disaster Relief accounts are included in the Internal performance return calculation. The Quarter Ending performance returns are for the Internal portfolio only.

\*\*\*Policy Index is comprised of the ML 1-5 year Gov't/Corp Index thru 8/31/95, then the ML 1-3 year Gov't/Corp Index thru 2/28/96, and from then on is comprised of the LB 1-3 year Gov't/Corp Index.

## Los Angeles County Metropolitan Transportation Authority

### LIQUIDITY SCHEDULE DISCRETIONARY/OPERATING FUNDS August 31, 1996

	Availability	Balance (at cost)	YTM <sup>1</sup> at mkt	Cumulative Availability
Bank Deposits	Immediate	(863,480)	5.08%	(863,480)
Money Market Funds	Immediate	17,192,577	5.08%	16,329,097
LA County Invest. Pool	< 14 days	12,125	5.61%	16,341,222
Minority CD Program	See attached schedule	1,683,000	4.98%	18,024,222
Investments Maturing:	< 30 days	117,484,805	4.86%	135,509,027
	30 -60 days	18,851,999	5.49%	154,361,026
	60-90 days	29,556,688	5.42%	183,917,714
	90- 1 year	76,807,426	5.71%	260,725,140
	1 to 2 years	43,481,533	6.34%	304,206,673
	2 to 3 years	57,019,824	6.57%	361,226,497
	3 to 4 years	31,275,274	6.91%	392,501,771
	4 to 5 years	27,463,087	6.93%	419,964,858
	> 5 years	-		419,964,858
<b>Total Cash &amp; Investments</b>		<b>419,964,858</b>	<b>5.76%</b>	

<sup>1</sup> Yield to Maturity is the single rate of return earned on an investment considering all cash flows and timing factors.



# Los Angeles County Metropolitan Transportation Authority

## CERTIFICATE OF DEPOSIT PROGRAM

August 31, 1996

<u>Institution</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Days to Maturity</u>
American International Bank	99,000.00	5.15%	2/24/97	208
Broadway Federal Bank	99,000.00	4.75%	11/28/96	120
Cathay Bank	99,000.00	4.80%	9/12/96	43
East - West Federal Bank	99,000.00	4.93%	10/16/96	77
Family Savings Bank	99,000.00	4.90%	10/16/96	77
Far East Bank	99,000.00	4.50%	10/7/96	68
First Continental Bank	99,000.00	4.50%	9/14/96	45
First Public Savings Bank	99,000.00	4.80%	11/14/96	106
Founders National Bank	99,000.00	4.90%	9/25/96	56
Grand National Bank	99,000.00	4.95%	10/28/96	89
Hamni Bank	99,000.00	5.25%	2/1/97	185
Omni Bank	99,000.00	5.00%	2/3/97	187
Preferred Bank	99,000.00	5.00%	10/15/96	76
Standard Savings Bank	99,000.00	5.00%	2/7/97	191
Transit District FCU	99,000.00	5.75%	10/30/96	91
Western State Bank	99,000.00	5.40%	10/30/96	91
Wilshire Bank	99,000.00	5.00%	9/25/96	56
TOTAL PROGRAM	1,683,000.00	4.98%		104

# Los Angeles County Metropolitan Transportation Authority

## LA County Treasurer's Investment Pool AUGUST 31, 1996

The MTA had \$12.1 thousand invested and available for expenditure with the Los Angeles County Treasurer's Investment Pool as of August 31, 1996. The earnings rate for August 1996 was 5.61%.

The MTA is also administrator of various funds which must be invested with the Los Angeles County Treasurer by enabling legislation or by court directive.

	<u>\$ thousands</u>
HOV Project Funds	715.5
State Transit Assistance Bus Funds	2,821.1
State Transit Assistant Rail Funds	7,750.5
TDA Local Transportation Account	<u>169,147.5</u>
Total Administered Funds	\$ 180,434.5

Additionally, approximately \$24.8 million of trusteed bond proceeds and debt service reserve funds are invested with the LA County Treasurer.

Attachment II  
Investment Manager Returns  
Gross of Fees  
Periods Ending August 31, 1996

**Short Duration Managers**

	Month	Fiscal Year	Since Inception***
Internal Manager Portfolio*	0.51%	0.93%	5.04%
Short Duration Portfolio (Sanwa Trust**)	0.51%	1.04%	4.92%
<b>Current Benchmark</b> Six month T bill + 20 bps	0.46%	0.92%	5.16%

\* The Internal portfolio monthly and fiscal year returns include the Capra 2, Disaster Relief, and Gateway PTI accounts as of July 1, 1996. The inception returns are for the Internal portfolio alone.

\*\*Sanwa Trust manages a short duration portfolio, and until June 1, 1996 also managed the Internal Manager portfolio.

\*\*\*Since Inception - 9/30/93

**Intermediate Duration Managers**

	Month	Fiscal Year	Since Inception**	Inception Benchmark***
Amervest	0.30%	0.80%	4.90%	5.03%
Bear Stearns	0.31%	0.70%	4.96%	5.10%
Danson & Neuhar	0.40%	0.54%	6.51%	6.74%
LM Capital	0.28%	0.66%	8.28%	7.69%
V.A. Reid	0.37%	0.77%	7.53%	7.65%
Schroder Wertheim	0.40%	0.84%	4.94%	5.03%
<b>Current Benchmark</b> Lehman Bros. 1-3 year Government/Corporate Index	0.37%	0.76%		

\*\*Since Inception Dates:

Amervest - 6/30/93

Bear Stearns - 7/31/93

Danson & Neuhar - 7/31/94

LM Capital - 2/28/90

V.A. Reid - 1/31/90

Schroder Wertheim - 6/30/93

\*\*\*The Inception Benchmark is comprised of the ML 1-5 Yr. Gov't/Corp Index through 8/31/95, then the ML 1-3 Yr Gov't/Corp Index until 2/28/96, and from then on is comprised of the LB 1-3 Yr. Gov't/Corp Index.

ATTACHMENT III  
1996 Bond Issuance Schedule

	Security	New Money	Refunding	Timing
Sales Tax Revenue Bonds Series 1996A	Prop A First Tier	\$111 million	\$0	Completed
Sales Tax Revenue Bonds Series 1996	Prop A Second Tier	\$0	\$105 million	Completed
Union Station Gateway Project Series 1996-A	General Revenues	\$0	\$185 million	Completed
Sales Tax Revenue Bonds Series 1996-A	Prop C	\$200 million	\$0	Fall 1996
Taxable Sales Tax Revenue Refunding Bonds Series 1996-B	Prop C	\$0	\$60 million	Fall 1996
Revenue Anticipation Notes Series 1996-B	Pledged Revenues	\$40 million	\$0	Fall 1996
Sales Tax Revenue Refunding Bonds Series 1996-C (1989-A Restructuring)	Prop C	\$20-\$40 million	\$200 million	Fall 1996