



March 18, 1996

TO: MTA BOARD OF DIRECTORS
FROM: RONNY GOLDSMITH *RG*
SUBJECT: INVESTMENT REPORT FOR MONTH ENDED
DECEMBER 31, 1995

Los Angeles County
Metropolitan
Transportation
Authority

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BACKGROUND

The purpose of the monthly report on investments is to certify that the Authority's cash and investment portfolios are in compliance with the MTA Investment Policy adopted by the Board on October 27, 1993, as revised August 24, 1995.

INVESTMENT POLICY COMPLIANCE

The portfolios of VA Reid and Sanwa Trust currently meet the Investment Policy guidelines. The other managers continue to adjust their portfolios to comply with the policy. All managers must be in compliance by March 31, 1996. Exceptions to the policy as of December 31, 1995 were:

1. The investment policy prohibits holdings in derivatives. Amervest, Bear Stearns and Danson & Neuhar held derivative securities on December 31, 1995.
2. The investment policy limits the maximum maturity of an investment to five years. Amervest, and Danson & Neuhar held investments with maturities greater than five years.
3. The investment policy limits corporate investments to 15% of the portfolio. Amervest, Bear Stearns, Schroder Wertheim and the internally managed portfolios exceed this limit.
4. The investment policy limits commercial paper investments to 30%. The internally managed portfolio exceeds this limit.
5. The investment policy limits investment in agencies to 25%. LM Capital exceeds this limit.

INVESTMENT RETURNS

The following chart displays the returns for the Short Duration Manager. Sanwa Trust manages a short duration portfolio, and a portfolio used to meet

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daily operating cash needs specified as the Internal Manager Account. These portfolios met or slightly underperformed the benchmark for the month and quarter ended December 31, 1995. For the fiscal year-to-date period, these portfolios met or outperformed the benchmark.

Short Duration Managers

	Month	Quarter	Fiscal YTD
Internal Manager Portfolio (Sanwa Trust)	0.45%	1.28%	2.77%
Short Duration Portfolio (Sanwa Trust)	0.48%	1.51%	3.06%
Current Benchmark Six month T bill + 20 bps	0.48%	1.45%	2.77%

The following chart displays the returns for the Intermediate Duration Managers. All Intermediate Duration Managers, except for Amervest and Bear Stearns exceeded the benchmark for the month ended December 31, 1995. For the quarter and the fiscal year-to-date period, all managers, except Bear Stearns, outperformed the benchmark.

Intermediate Duration Managers

	Month	Quarter	Fiscal YTD
Amervest	0.60%	2.68%	4.39%
Bear Stearns	0.66%	2.39%	3.97%
Danson & Neuhar	0.82%	2.71%	4.39%
LM Capital	0.86%	2.80%	4.40%
VA Reid	0.82%	2.58%	4.16%
Schroder Wertheim	0.84%	2.78%	4.45%
Current Benchmark Merrill Lynch 1-3 year Government/Corporate Index	0.77%	2.53%	4.08%

RELEVANT STAFF ACTIVITIES

Treasury staff are developing new processes and procedures to effectively manage cash and investments. The following activities represent areas of

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concentration by Treasury Staff:

1. The Board of Directors approved the revised Investment Policy on February 28, 1996. The Policy will be sent to all Operating Fund managers and brokers. The Policy will also be forwarded to the Municipal Treasurers Association for certification.
2. As of March 1996, \$102 million in bond proceeds have been reinvested reducing negative arbitrage by approximately \$40,000. However, from December 1, 1995 through March 7, 1996, interest rates continued to decline, further widening the negative spread between the rate paid on MTA bonds versus current interest rate levels.
3. Staff is conducting weekly cash flow meetings with Sanwa Trust to discuss cash needs and investment strategy. A new cash/investment tracking software program was installed on December 21, 1995. The historical database is currently being built, and the investment tracking portion of the system will be fully operational by March 31, 1996.
4. Investment maturities have been extended from 1.2 years as of July 1, 1995 to 1.4 years as of December 31, 1995.
5. Asset Strategy Consulting has recommended that the investment portfolio be restructured to improve investment performance. Current investment managers have been informed that an RFP for investment manager services will be issued no later than June 30, 1996. Managers who have not met their benchmark and whose performance has not improved as of June 30, 1996 will be terminated and new managers put in place.
6. Staff is evaluating the L.A. County Pool Investment Policy to ensure compliance with MTA's Investment Policy requirements. This evaluation is scheduled for completion by March 31, 1996.
7. An RFP for Banking Services will be issued by April 30, 1996.

Attachment A: December 1995 Report on Cash & Investments

ATTACHMENT A

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

REPORT ON CASH & INVESTMENTS

DECEMBER 1995

Los Angeles County Metropolitan Transportation Authority

CASH AND INVESTMENT REPORT
OVERVIEW
DECEMBER 31, 1995

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>December 31, 1995</u>	<u>Previous Month</u> <u>November 30, 1995</u>	<u>Change</u>
Discretionary/Operating Funds	546,007,914 ¹	533,467,574	12,540,340
Bond proceeds, debt service reserves, and other debt related funds	1,867,898,502	1,851,752,129	16,146,373
Pension & Deferred Compensation Reserves	773,605,061 ²	765,038,424	8,566,637
Other (Transit Guarantee Bond Program, escrows)	<u>15,417,649</u>	<u>22,796,905</u>	<u>(7,379,256)</u>
TOTAL	3,202,929,126	3,173,055,032	29,874,094

Additionally, the LACMTA Treasury Department administers funds (approximately \$170 million) for various government programs such as the State Transit Assistance program and the Transportation Development Act programs, and provides Treasury services to other organizations such as the SCRRA.

¹ Includes accrued income

² Reported at market value

Los Angeles County Metropolitan Transportation Authority

SUMMARY and COMPARISON
DISCRETIONARY / OPERATING FUNDS
DECEMBER 31, 1995

Description	CURRENT MONTH		PRIOR MONTH		September 30, 1995		August 31, 1995		July 31, 1995		June 30, 1995	
	December 31, 1995	November 30, 1995	October 31, 1995	September 30, 1995	August 31, 1995	July 31, 1995	June 30, 1995	Yield to Maturity (at market)	Wtd. Avg. Maturity	Yield to Maturity (at market)	Wtd. Avg. Maturity	Yield to Maturity (at market)
Bank Deposits	3.65%	4.15%	3.69%	3.46%	3.35%	2.69%	3.61%					
LA County Investment Pool	5.84%	5.88%	5.84%	5.84%	5.76%	5.89%	5.91%					
Minority CD Program	5.28%	5.26%	5.26%	5.32%	5.36%	5.41%	5.37%					
Managed Investments	5.53%	5.53%	5.80%	6.02%	5.98%	5.98%	5.99%					
Total Wtd Avg YTM (at mkt)	5.58%	5.65%	5.70%	5.89%	5.59%	5.41%	5.66%					
	400 days	425 days	448 days	399 days	449 days	441 days	437 days					
Balances												
Bank Deposits	1,789,182	4,214,190	20,641,394	23,717,949	78,387,704	99,804,239	78,437,902					
LA County Investment Pool	105,246,342	54,123,010	38,286,921	59,285,362	36,043,117	34,228,083	81,856,305					
Minority CD Program	2,282,000	2,381,000	2,381,000	2,381,000	2,881,000	2,881,000	2,980,000					
Managed Investments	436,690,389	472,749,375	439,729,346	462,230,519	441,999,484	451,208,779	432,370,853					
Total Book Value	546,007,914	533,467,574	500,588,661	547,614,830	559,311,305	588,122,101	595,645,070					
Total Market Value	543,134,356	530,694,549	496,869,991	543,087,418	555,480,365	583,160,601	592,277,548					
Total Par Value	529,724,239	517,077,776	484,337,433	531,800,492	544,570,464	572,553,900	581,223,567					
Interest - Earned	\$ 2,199,489	\$ 2,309,848	\$ 2,451,771	\$ 2,609,042	\$ 2,904,921	\$ 2,352,190	\$ 3,052,484					
Interest - Received	\$ 1,988,055	\$ 2,454,605	\$ 2,798,895	\$ 2,310,300	\$ 3,251,256	\$ 2,273,312	\$ 2,929,523					

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
DECEMBER 31, 1995

<u>Description</u>	<u>Balance</u> (at cost)	<u>Wtd. Avg. YTM</u> (at mkt)	<u>Wtd. Avg. Maturity</u> (days)	<u>Percentage</u>
Bank Deposits	1,789,182	3.65%	1	0.3%
LA County Investment Pool	105,246,342	5.88%	14	19.3%
Minority Bank CD Program	2,282,000	5.28%	90	0.4%
Managed Investments				
Money Market Funds	38,246,241	5.45%	1	7.0%
Mutual Fund (Adj. Rate Mortg)	15,000,000	5.63%	913	2.7%
Commercial Paper	49,960,848	5.62%	1	9.2%
Treasuries	167,221,097	5.27%	628	30.6%
Federal Agencies	47,599,618	5.41%	640	8.7%
Municipal Obligations	3,773,102	6.86%	977	0.7%
Corporate Notes	106,757,304	5.87%	485	19.6%
Mortgages	3,805,257	6.34%	2,555	0.7%
Asset Backed Securities	4,326,922	5.84%	524	0.8%
<i>SUBTOTAL - Managed</i>	436,690,390	5.53%	496	80.0%
Total Cash & Investments	546,007,914	5.65%	400	100.0%

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

Los Angeles County Metropolitan Transportation Authority

LIQUIDITY SCHEDULE
DISCRETIONARY/OPERATING FUNDS
DECEMBER 31, 1995

	Availability	Balance	YTM ¹ at mkt	Cumulative Availability
Bank Deposits	Immediate	1,789,182	3.65%	1,789,182
Money Market Funds	Immediate	38,246,241	5.45%	40,035,424
Mutual Fund (Adj Rate Bond)	Immediate	15,000,000	5.63%	55,035,424
LA County Invest. Pool	< 14 days	105,246,342	5.84%	160,281,766
Minority CD Program	See attached schedule	2,282,000	5.28%	162,563,766
Investments Maturing:				
	< 30 days	65,838,312	5.80%	228,402,078
	30 -60 days	27,593,597	5.74%	255,995,675
	60-90 days	16,431,872	4.52%	272,427,547
	90- 1 year	101,285,626	5.41%	373,713,173
	1 to 2 years	48,705,805	5.43%	422,418,978
	2 to 3 years	51,509,082	5.51%	473,928,060
	3 to 4 years	47,331,621	5.60%	521,259,681
	4 to 5 years	21,713,316	5.76%	542,972,997
	> 5 years	3,034,917	6.38%	546,007,914
Total Cash & Investments		546,007,914	5.58%	

¹ 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

INVESTMENT MANAGER PERFORMANCE
DISCRETIONARY/OPERATING FUNDS
DECEMBER 31, 1995

<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>Month</u> 12/31/95	<u>PERFORMANCE</u>			
						<u>Quarters Ending</u> 12/31/95	<u>9/30/95</u>	<u>Fiscal YTD</u> 6/30/95	
<u>Short Duration</u>									
Internal (Sanwa)	79,188,104	79,705,990	5.55%	224	0.45	1.28	1.48	2.66	2.77
Sanwa	113,415,372	114,455,038	5.52%	160	0.48	1.51	1.53	1.76	3.06
Benchmark - 6 month Treasury plus 20 basis points									
<u>Intermediate Duration</u>									
Amervest	37,646,487	37,773,459	5.40%	965	0.60	2.68	1.67	3.90	4.39
Bear Stearns	37,392,286	38,105,213	5.74%	624	0.66	2.39	1.55	3.53	3.97
Danson & Neuhar	16,528,224	16,398,797	5.61%	858	0.82	2.71	1.64	3.58	4.39
LM Capital	39,553,006	39,253,862	5.66%	838	0.86	2.8	1.56	3.91	4.40
VA Reid	36,775,431	37,069,284	5.36%	781	0.82	2.58	1.54	3.85	4.16
Schroder Wertheim	54,071,090	54,411,915	5.53%	802	0.84	2.78	1.62	3.64	4.45
Benchmark - Merrill Lynch 1 - 3 year Government/Corporate Index									
(Previous Benchmark - Merrill Lynch 1 - 5 year Gov/Corp Index)									
					0.77	2.53	1.51	3.23	4.08
					0.90	2.97	1.53	4.01	4.54

Los Angeles County Metropolitan Transportation Authority

CERTIFICATE OF DEPOSIT PROGRAM
DECEMBER 31, 1995

<u>Institution</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Days to Maturity</u>
American International Bank	99,000.00	5.38%	2/26/96	57
Broadway Federal Bank	99,000.00	4.90%	5/28/96	149
Cathay Bank	500,000.00	5.20%	3/12/96	72
Cathay Bank	99,000.00	5.45%	2/6/96	37
East - West Federal Bank	99,000.00	5.12%	4/19/96	110
Family Savings Bank	99,000.00	5.10%	4/19/96	110
Far East Bank	99,000.00	5.25%	1/13/96	13
Far East Bank	99,000.00	5.00%	7/8/96	190
First Continental Bank	99,000.00	5.12%	3/17/96	77
First Public Savings Bank	99,000.00	5.00%	5/14/96	135
Founders National Bank	99,000.00	5.10%	3/20/96	80
Grand National Bank	99,000.00	5.25%	4/29/96	120
Hammi Bank	99,000.00	5.40%	2/5/96	36
Omni Bank	99,000.00	5.50%	2/5/96	36
Preferred Bank	99,000.00	6.50%	4/17/96	108
Standard Savings Bank	99,000.00	5.25%	5/10/96	131
Transit District FCU	99,000.00	5.25%	4/29/96	120
Western State Bank	99,000.00	5.75%	4/29/96	120
Wishire Bank	99,000.00	5.12%	3/25/96	85
TOTAL PROGRAM	2,282,000.00	5.28%		90

Los Angeles County Metropolitan Transportation Authority

LA County Treasurer's Investment Pool

DECEMBER 31, 1995

The MTA has \$105.2 million invested and available for expenditure with the Los Angeles County Treasurer's Investment Pool as of December 31, 1995. The earnings rate for December 1995 is 5.84%.

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	553.8
State Transit Assistance Bus Funds	4,842.3
State Transit Assistant Rail Funds	14,219.4
TDA Local Transportation Account	<u>152,835.3</u>
Total Administered Funds	\$ 172,450.8

Additionally, approximately \$84.5 million of trustee bond proceeds and debt service reserve funds are invested with the LA County Treasurer.