




March 28, 1996

TO: MTA BOARD OF DIRECTORS  
FROM: RONNY GOLDSMITH   
SUBJECT: INVESTMENT REPORT FOR MONTH ENDED  
JANUARY 31, 1996

Los Angeles County  
Metropolitan  
Transportation  
Authority

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### **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 adopted by the Board on October 27, 1993, as revised August 24, 1995.

### **INVESTMENT POLICY COMPLIANCE**

All managers with the exception of V.A. Reid were out of compliance with the revised Investment Policy as of January 31, 1996. Managers continue to adjust their portfolios to comply with the policy changes. All managers must be in compliance by March 31, 1996, with the exception of Schroder Wertheim. Schroeder Wertheim requested and was granted a new target date of October 31, 1996 to come into compliance.

Exceptions to the policy as of January 31, 1996 were:

1. The investment policy prohibits holdings in derivatives. Amervest, Bear Stearns and Danson & Neuhar held derivative securities on January 31, 1996.
2. The investment policy limits the maximum maturity of an individual investment to five years. Amervest, and Danson & Neuhar held investments with maturities greater than five years. In addition, Amervest's total portfolio had a weighted average maturity of 3.42 years which exceeded the 3 year maximum established by the investment policy.
3. The investment policy limits corporate investments to 15% of the portfolio. Bear Stearns, Schroder Wertheim, and Sanwa exceeded this limit.
4. The investment policy limits investments in agencies to 25%. Amervest, LM Capital, and the Sanwa Internal portfolio exceeded this limit.

5. Effective January 31, 1996, Senate bills 564 and 866 changed the minimum collateral requirements on repurchase agreements from 100% to 102%. These requirements extended to the repurchase agreements held by money market funds. Subsequently, all MTA investment managers with the exceptions of the Sanwa Parent Portfolio, Danson & Neuhar, and LM Capital, were out of compliance with this requirement. The portfolio's that were out of compliance had holdings in money market funds that only collateralized repurchase agreements at 100%. However, as of March 22, 1996, all funds were removed from those money market funds.

### INVESTMENT RETURNS

Attachment I displays the returns for the investment manager's portfolios.

Sanwa Trust manages a short duration portfolio, and a portfolio used to meet daily operating cash needs specified as the Internal Manager Account. As indicated in Attachment I, the Internal Manager portfolio slightly underperformed the benchmark for the month and outperformed for the fiscal year-to-date period. The short duration portfolio outperformed the benchmark for the month and the fiscal year-to-date period, benefiting from Sanwa's ability to extend maturities beyond the average ten day life of the Internal Manager portfolio.

As shown in Attachment I, all Intermediate Duration Managers, except for V. A. Reid, underperformed the benchmark for the month ended January 31, 1996. For the fiscal year-to-date period, all managers, except Bear Stearns, outperformed the benchmark.

### RELEVANT STAFF ACTIVITIES

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

1. The Investment Policy approved on February 28, 1996 has been submitted to the Municipal Treasurers Association for certification.
2. Through March 27, 1996, \$137 million in bond proceeds have been reinvested reducing negative arbitrage by approximately \$53,000.
3. Staff is receiving verbal strategy updates monthly from the external managers in order to monitor performance more closely.
4. Investment maturities have been extended from 1.2 years as of July 1, 1995 to 1.5 years as of January 31, 1996.

5. An Investment Manager RFP was submitted to the Procurement Department for processing, and will be issued no later than June 30, 1996. Current investment managers have been informed that 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 completed an evaluation of the L. A. County Pool (Pool) Investment Policy and Portfolio. The Pool's Investment Policy is in compliance with the California Government Code, but permits securities that are prohibited by MTA's Investment Policy including: reverse repurchase agreements, asset backed, and floating rate securities. The Pool portfolio presently does not include any reverse repurchase agreements. The asset backed and floating rate securities held as of January 31, 1996, comprised less than 5.0% of the \$6.9 billion portfolio.
7. An RFP for Banking Services will be issued by April 30, 1996.

Attachment I: Investment Manager Returns

Attachment II: January 1996 Report on Cash & Investments

Prepared by: Donna Robinson Mills & Debbie Shapiro

Attachment I  
Investment Manager Returns  
Periods Ending January 31, 1996

**Short Duration Managers**

	Month	Fiscal YTD
Internal Manager Portfolio (Sanwa Trust)	0.44%	3.23%
Short Duration Portfolio (Sanwa Trust)	0.55%	3.63%
<b>Current Benchmark</b> Six month T bill + 20 bps	0.48%	3.16%

**Intermediate Duration Managers**

	Month	Fiscal YTD
Amervest	0.74%	5.16%
Bear Stearns	0.74%	4.74%
Danson & Neuhar	0.83%	5.26%
LM Capital	0.73%	5.16%
V.A. Reid	0.84%	5.03%
Schroder Wertheim	0.79%	5.27%
<b>Current Benchmark</b> Merrill Lynch 1-3 year Government/Corporate Index	0.84%	4.95%

**ATTACHMENT II**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

**REPORT ON CASH & INVESTMENTS**

**JANUARY 31, 1996**

# Los Angeles County Metropolitan Transportation Authority

## CASH AND INVESTMENT REPORT OVERVIEW JANUARY 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 January 31, 1996</u>	<u>Previous Month December 31, 1995</u>	<u>Change</u>
Discretionary/Operating Funds	529,461,362 <sup>1</sup>	546,007,914 <sup>1</sup>	(16,546,552)
Bond proceeds, debt service reserves, and other debt related funds	1,735,588,999	1,867,898,502	(132,309,503)
Pension & Deferred Compensation Reserves	784,088,756 <sup>2</sup>	773,605,061 <sup>2</sup>	10,483,695
Other (Transit Guarantee Bond Program, escrows)	<u>15,336,240</u>	<u>15,417,649</u>	<u>(81,409)</u>
TOTAL	3,064,475,357	3,202,929,126	(138,453,769)

Additionally, the LACMTA Treasury Department administers funds (approximately \$155 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  
JANUARY 31, 1996

Description	CURRENT MONTH		PRIOR MONTH		November 30, 1995	October 31, 1995	September 30, 1995	August 31, 1995	July 31, 1995	June 30, 1995
	January 31, 1996		December 31, 1995							
<b>Yield to Maturity (at market)</b>										
Bank Deposits	4.71%	448 days	3.65%	400 days	4.15%	3.69%	3.46%	3.35%	2.69%	3.61%
LA County Investment Pool	5.74%		5.84%		5.88%	5.84%	5.84%	5.76%	5.89%	5.91%
Minority CD Program	5.28%		5.28%		5.64%	5.26%	5.32%	5.36%	5.41%	5.37%
Managed Investments	<u>5.26%</u>		<u>5.53%</u>		<u>5.53%</u>	<u>5.80%</u>	<u>6.02%</u>	<u>5.98%</u>	<u>5.98%</u>	<u>5.99%</u>
<b>Total Wtd Avg YTM (at mkt)</b>	<b>5.33%</b>		<b>5.58%</b>		<b>5.65%</b>	<b>5.70%</b>	<b>5.89%</b>	<b>5.59%</b>	<b>5.41%</b>	<b>5.66%</b>
<b>Wtd. Avg. Maturity</b>	<b>448 days</b>		<b>400 days</b>		<b>425 days</b>	<b>447 days</b>	<b>399 days</b>	<b>449 days</b>	<b>441 days</b>	<b>437 days</b>
<b>Balances</b>										
Bank Deposits	9,948,862		1,789,182		4,214,190	20,641,394	23,717,949	78,387,704	89,804,239	78,437,902
LA County Investment Pool	93,468,013		105,246,342		54,123,010	38,286,921	59,285,362	36,043,117	34,228,083	81,856,305
Minority CD Program	2,183,000		2,282,000		2,381,000	2,381,000	2,381,000	2,881,000	2,881,000	2,980,000
Managed Investments	<u>423,851,487</u>		<u>436,690,389</u>		<u>472,749,375</u>	<u>439,729,346</u>	<u>462,230,519</u>	<u>441,999,484</u>	<u>451,208,779</u>	<u>432,370,863</u>
<b>Total Book Value</b>	<b>529,461,362</b>		<b>546,007,913</b>		<b>533,467,574</b>	<b>500,588,661</b>	<b>547,614,830</b>	<b>559,311,305</b>	<b>588,122,101</b>	<b>595,645,070</b>
<b>Total Market Value</b>	<b>527,103,190</b>		<b>543,134,356</b>		<b>530,694,549</b>	<b>496,869,991</b>	<b>543,087,418</b>	<b>555,480,365</b>	<b>583,160,601</b>	<b>592,277,548</b>
<b>Total Par Value</b>	<b>513,394,447</b>		<b>529,724,239</b>		<b>517,077,776</b>	<b>484,337,433</b>	<b>531,800,492</b>	<b>544,570,464</b>	<b>572,553,900</b>	<b>581,223,567</b>
<b>Interest - Earned</b>	<b>\$ 1,990,437.34</b>		<b>\$ 2,199,489</b>		<b>\$ 2,309,848</b>	<b>\$ 2,451,771</b>	<b>\$ 2,609,042</b>	<b>\$ 2,904,921</b>	<b>\$ 2,352,190</b>	<b>\$ 3,052,484</b>
<b>Interest - Received</b>	<b>\$ 2,113,134.25</b>		<b>\$ 1,988,055</b>		<b>\$ 2,454,605</b>	<b>\$ 2,798,895</b>	<b>\$ 2,310,300</b>	<b>\$ 3,251,256</b>	<b>\$ 2,273,312</b>	<b>\$ 2,929,523</b>

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  
JANUARY 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	9,948,862 <sup>1</sup>	4.71%	1	1.9%
LA County Investment Pool	93,468,013	5.74%	14	17.7%
Minority Bank CD Program	2,183,000	5.28%	63	0.4%
Managed Investments				
Money Market Funds	32,916,997	5.21%	1	6.2%
Mutual Fund (Adj. Rate Mortg)	15,000,000	5.62%	1,095	2.8%
Commercial Paper	27,192,208	4.74%	1	5.1%
Treasuries	160,015,183	5.05%	680	30.2%
Federal Agencies	98,158,517	5.42%	397	18.5%
Municipal Obligations	3,792,289	7.06%	949	0.7%
Corporate Notes	78,884,002	5.45%	709	14.9%
Mortgages	3,619,020	6.43%	2,711	0.7%
Asset Backed Securities	4,283,271	5.71%	503	0.8%
<b>SUBTOTAL - Managed</b>	<b>423,861,488</b>	<b>5.26%</b>	<b>556</b>	<b>80.1%</b>
<b>Total Cash &amp; Investments</b>	<b>529,461,362</b>	<b>5.33%</b>	<b>448</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

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

	Availability	Balance	YTM <sup>1</sup> at mkt	Cumulativ Availability
Bank Deposits	Immediate	9,948,862	4.71%	9,948,862
Money Market Funds	Immediate	32,916,997	5.21%	42,865,859
Mutual Fund (Adj Rate Bond)	Immediate	15,000,000	5.62%	57,865,859
LA County Invest. Pool	< 14 days	93,468,013	5.74%	151,333,872
Minority CD Program	See attached schedule	2,183,000	5.28%	153,516,872
Investments Maturing:	< 30 days	86,539,958	5.03%	240,056,830
	30 -60 days	3,794,288	5.40%	243,851,118
	60-90 days	6,708,395	6.15%	250,559,513
	90- 1 year	83,089,335	5.20%	333,648,848
	1 to 2 years	55,535,134	5.00%	389,183,982
	2 to 3 years	56,548,664	5.30%	445,732,646
	3 to 4 years	51,847,423	5.47%	497,580,069
	4 to 5 years	22,639,023	5.57%	520,219,092
	> 5 years	9,242,272	6.06%	529,461,364
<b>Total Cash &amp; Investments</b>		<b>529,461,362</b>	<b>5.33%</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

## INVESTMENT MANAGER PERFORMANCE DISCRETIONARY/OPERATING FUNDS

JANUARY 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>Month</u> 1/31/96	<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)	69,924,864	70,193,761	5.19%	10	0.44	1.28	1.48	2.66	3.23
Sanwa	108,890,030	109,982,143	5.25%	190	0.55	1.51	1.53	1.76	3.63
Benchmark - 6 month Treasury plus 20 basis points									
<u>Intermediate Duration</u>									
Amervest	37,882,688	37,948,772	5.69%	1,248	0.74	2.68	1.67	3.90	5.16
Bear Stearns	37,659,206	38,292,845	5.35%	674	0.74	2.39	1.55	3.53	4.74
Danson & Neuhar	16,652,860	16,477,525	5.42%	927	0.83	2.71	1.64	3.58	5.26
LM Capital	39,784,442	39,709,810	5.49%	931	0.73	2.80	1.56	3.91	5.16
VA Reid	36,899,173	37,255,308	5.13%	750	0.84	2.58	1.54	3.85	5.03
Schroder Wertheim	54,482,364	54,673,637	5.31%	808	0.79	2.78	1.62	3.64	5.27
Benchmark - Merrill Lynch 1 - 3 year Government/Corporate Index									
( Previous Benchmark - Merrill Lynch 1 - 5 year Gov/Corp Index)									
					0.84	2.53	1.51	3.23	4.95
					0.89	2.97	1.53	4.01	5.47

Los Angeles County Metropolitan Transportation Authority

CERTIFICATE OF DEPOSIT PROGRAM  
 JANUARY 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	5.38%	2/26/96	26
Broadway Federal Bank	99,000.00	4.90%	5/28/96	118
Cathay Bank	500,000.00	5.20%	3/12/96	41
Cathay Bank	99,000.00	5.45%	2/6/96	6
East - West Federal Bank	99,000.00	5.12%	4/19/96	79
Family Savings Bank	99,000.00	5.10%	4/19/96	79
Far East Bank	99,000.00	5.00%	7/8/96	159
First Continental Bank	99,000.00	5.12%	3/17/96	46
First Public Savings Bank	99,000.00	5.00%	5/14/96	104
Founders National Bank	99,000.00	5.10%	3/20/96	49
Grand National Bank	99,000.00	5.25%	4/29/96	89
Hamni Bank	99,000.00	5.40%	2/5/96	5
Omni Bank	99,000.00	5.50%	2/5/96	5
Preferred Bank	99,000.00	6.50%	4/17/96	77
Standard Savings Bank	99,000.00	5.25%	5/10/96	100
Transit District FCU	99,000.00	5.25%	4/29/96	89
Western State Bank	99,000.00	5.75%	4/29/96	89
Wilshire Bank	99,000.00	5.12%	3/25/96	54
<b>TOTAL PROGRAM</b>	<b>2,183,000.00</b>	<b>5.28%</b>		<b>63</b>

# Los Angeles County Metropolitan Transportation Authority

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

The MTA has \$93.5 million invested and available for expenditure with the Los Angeles County Treasurer's Investment Pool as of January 31, 1996. The earnings rate for January 1996 is 5.74%.

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	569.4
State Transit Assistance Bus Funds (CLOSED JAN. 96)	-
State Transit Assistant Rail Funds (CLOSED JAN. 96)	-
TDA Local Transportation Account	<u>154,568.0</u>
Total Administered Funds	\$ <u>155,137.4</u>

Additionally, approximately \$72.9 million of trustee bond proceeds and debt service reserve funds are invested with the LA County Treasurer.