

CENTRAL BASIN MUNICIPAL WATER DISTRICT

APRIL 24, 2007 - Board Meeting

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INFORMATION CALENDAR

INVESTMENT UPDATE

SUMMARY:

The Federal Agency Notes held in the District's investment portfolio are from Government Sponsored Enterprises (GSEs) which were created by Congress to fund mortgage loans to certain groups of borrowers. Fundamentally, all the GSEs are strong companies. Even news of the weakening housing market from the latest sub-prime lending problems of delinquencies and foreclosure rates on the rise has very minimal impact to the GSEs because sub-prime loans are a very small part of their business.

As of March 31, 2007, the District's investment portfolio has a market value of approximately \$13.9 million in Federal Agency Notes and \$6.5 million in the Local Agency Investment Fund (LAIF). The maturity period for the Notes ranges from two to fourteen months. As the Notes mature, the funds will be reinvested back into short-term notes of less than a year or LAIF, as they have continued to out-perform the two to three year notes. This strategy will shift once the two to three year notes or other securities are found to be more favorable.

Staff will continue to work with PFM Asset Management LLC, the District's investment advisor, to monitor the market for investment opportunities. Investment decisions will be made to optimize yield after first considering safety of principal and liquidity.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was not reviewed by the Finance/Administration Committee on April 12, 2007 due to information not being available.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

None.