

FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
August 14, 2013
9:00 AM

Approximate Meeting Time: 2 Hours

THIS BOARD MEETING WILL INCLUDE TELECONFERENCING AT THE FOLLOWING LOCATION: 12025 CEDAR SHORE ROAD, ELLISON BAY WISCONSIN

1. Call Meeting to Order
2. Approve the Minutes of the July 17, 2013 Finance & Information Technology Board of Directors' Meeting
3. Public Comments
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

4. Investment Report for the 2nd Quarter Ending June 30, 2013 - Chandler Asset Management

DISCUSSION ITEMS

5. Adopt Resolution No. 13-____ entitled "Resolution of the Board of Directors of the Moulton Niguel Water District Appointing Treasurer of the District
6. Ratification of Joint Power Authorities Budgets for FY 2013/2014
7. Professional Services Agreement Amendment for Finance Department Support

INFORMATION ITEMS

8. Quarterly Budget Comparison Report
9. Summary of Disbursements for Period July 31, 2013

10. Late Items (Appropriate Findings to be Made)

- A. Need to take immediate action; and
- B. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

Adjournment

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 643-2006 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than 24 hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room.

**MINUTES OF THE REGULAR MEETING
OF THE FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS
OF THE
MOULTON NIGUEL WATER DISTRICT**

July 17, 2013

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on July 17, 2013. There were present and participating:

DIRECTORS

Brian Probolsky	Vice President/Chair
Scott Colton	Director
Richard Fiore	Director
Donald Froelich	Vice President
Gary Kurtz	Director
Larry Lizotte	Director
Larry McKenney	President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Karren Maddox	MNWD
Kelly Winsor	MNWD
Nolan King	MNWD
Megan Geer	MNWD
Pat Giannone	Bowie, Arneson, Wiles & Giannone
Leslie Gray	Board Secretary

1. Call Meeting to Order
2. Approve the Minutes of the June 19, 2013 Finance & Information Technology Board of Directors' Meeting

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY SCOTT COLTON, THE MINUTES OF THE JUNE 19, 2013 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS MEETING WERE APPROVED AS PRESENTED.

3. Public Comments

None

DISCUSSION ITEMS

4. Review Resolution Setting Tax Rates for General Obligation Bond Assessment with the County of Orange

Larry McKenney arrived at 9:05 a.m.

Joone Lopez reported that the District collects funds necessary to pay for outstanding General Obligation bond debt for Improvement District Nos. 6 and 7 through Ad Valorem assessments on tax bills. The scheduled principal and interest payment needed for Fiscal Year 2013/14 is \$6,466,700. The Board will be requested to adopt a resolution setting tax rates for Fiscal Year 2013/14 for Improvement District Nos. 6 and 7.

5. California Special Districts Association (CSDA) 2013 Board Elections

Joone Lopez stated that there are two candidates interested in running for Seat B in Region 6 of the California Special Districts Association: Bill Nelson, incumbent from the Orange County Cemetery District and George McManigle, from Rainbow Municipal Water District. The Board of Directors will decide on supporting either of the candidates at the Thursday Board meeting.

6. Financial Reporting Overview

Joone Lopez made a presentation on financial reporting, which is a review and preview of how staff will be reporting to the Board going forward. A Workshop will be scheduled in October to discuss further expectations of the Board, as well as the Ten-Year Cash Flow.

INFORMATION ITEMS

7. Summary of Disbursements for the Period Ended June 30, 2013

No questions.

8. Board Meeting Software Application Demonstration

Staff asked for direction on the Board's desire to utilize this application going forward. It was determined that this will remain in test mode for future meetings until there is a clear recommendation.

9. IT Van Demonstration

Joone Lopez stated that the new IT Van was in the parking lot and available for the Board inspection with a demonstration by Brad Daley. The Board of Directors stepped outside for a demonstration.

10. Late Items (Appropriate Findings to be Made)

None

Adjournment

There was no further business to come before the Finance & IT Board, and the meeting was adjourned at 11:19 a.m.

Respectfully submitted,

Leslie C. Gray
Board Secretary

DRAFT



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** August 14, 2013
FROM: Michael Gomez, Director of Finance
SUBJECT: Moulton Niguel Water District Investment Portfolio Activity for
the Period Ending June 30, 2013

SUMMARY:

Issue: Presentation by Chandler Asset Management on the Investment Portfolio activity for the period ending March 31, 2013

Recommendation: Receive and File.

Fiscal Impact: None

DISCUSSION:

During the second quarter of 2013, our portfolio reinvestment and re-balancing activity continued our modest barbell strategy in the portfolio structure. Recent purchases included Treasury, Agency, Asset Backed, Commercial Paper and Corporate securities with maturities ranging from December 2013 through August 2022. Recent portfolio transactions continued to position the portfolio duration to remain slightly shorter than that of the benchmark duration given the Federal Reserve's very accommodative monetary policy. The District's portfolio had a negative total return of -2.00%, which was less than the benchmark index return of -1.61% in Q2 2013. The negative return reflects the impact of rising interest rates and the relative underperformance of our Corporate holdings.

During the 2nd quarter, the Treasury yield curve steepened with longer-term yields rising more than shorter-term yields. This move has been driven by modest improvement in economic data as well as anticipation that the Fed will potentially begin tapering its bond purchases later this year. Corporate credit spreads, or the additional compensation investors receive for purchasing non-US Treasury securities, also widened in the quarter.

#4.

BOARD MEETING DATE: August 14, 2013

SUBJECT: MOULTON NIGUEL WATER DISTRICT INVESTMENT PORTFOLIO
ACTIVITY FOR THE PERIOD ENDING JUNE 30, 2013

Page 2

The economy continues to grow slowly. Average nonfarm payroll growth during the second quarter of 2013 was about 196,000 per month. The unemployment rate remained unchanged in June at 7.6%, due to an increase in the labor force. Overall, the labor market continues to improve. Manufacturing trends are beginning to show modest improvement as well, while housing trends remain favorable in spite of the recent jump in interest rates.

The Federal Open Market Committee left policy rates unchanged at its June 18-19 meeting and assured investors that policy changes continue to be data dependent. The Fed noted that the economy continues to grow at a moderate pace. The labor market has continued to improve, but unemployment remains elevated. Inflation is running below target. The Fed will continue to purchase mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month. During his press conference, Chairman Bernanke indicated that the Fed could begin tapering bond purchases later this year and that asset purchases could end in 2014. However, he emphasized that Fed policy will depend on the state of the economy.

Moulton Niguel Water District

Period Ending
June 30, 2013



SECTION 1

Account Profile

SECTION 2

Portfolio Holdings

SECTION 3

Economic Update





SECTION 1

ACCOUNT PROFILE

Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into two categories, the Liquid Fund and the Operating Reserve Fund. The investment goals of the Liquid Fund are: to provide liquidity for operating expenses and current capital requirements, to preserve principal, and to earn a total rate of return commensurate with the first two goals.

The investment goals of the Operating Reserve Fund are to preserve real capital and provide growth over the long term by earning the rate of return which is available from longer term investments permitted under the California Government Code.

Chandler Asset Management Performance Objectives

The performance objective for the Liquid Fund is to earn a return in excess of the return on 90-day Treasury bills.

The investment performance objectives of the Operating Reserve Fund are (1) to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (the Bank of America Merrill Lynch 1-10 Year Government Index).

Strategy

In order to meet its goals, the Liquid Fund is invested in short term securities and LAIF. The average maturity of the Liquid Fund may not exceed 90 days, and the maximum maturity of individual securities in the fund shall be one year. In order to meet its goals, the Operating Reserve Fund is invested in a diversified portfolio of high quality fixed income securities with a maximum maturity of ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years.



Moulton Niguel Water District Operating Reserve

June 30, 2013

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the District's investment policy.

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 4.2%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 26.2%
Mutual Funds	≤20%	Complies - 0.0%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies - \$23.1MM
Mortgage Pass Thrus, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 3.0%
Money Market Funds	"AAA"-rated; 20% Maximum	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 3.65
% invested less than 2 years	≥10%	Complies - 27.9%
% invested beyond 5 years	≤40%	Complies - 31.0%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies



PORTFOLIO CHARACTERISTICS

Liquid Fund

	3-month T-Bills Benchmark* G001	Liquid Fund	
	6/30/2013	6/30/2013	3/31/2013
Portfolio book value	--	\$22,507,985	\$14,297,711
Market value	--	\$22,520,310	\$14,308,287
Average book yield	--	0.24%	0.27%
Average maturity (yrs)	0.16	0.00	0.00
Modified duration	0.16	0.00	0.00
\$ change in value for 1% change in rates	--	\$0	\$0
% maturing within one year	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated

Operating Reserve Fund

	1-10 year Govt. Benchmark* G5A0	Operating Reserve Fund	
	6/30/2013	6/30/2013	3/31/2013
Portfolio book value	--	\$111,865,117	\$110,831,499
Market value	--	\$113,364,361	\$115,678,421
Average book yield	--	2.30%	2.36%
Average maturity (yrs)	4.06	4.03	4.02
Modified duration	3.78	3.65	3.64
\$ change in value for 1% change in rates	--	\$4,137,799	\$4,210,695
% maturing within two years	23.6%	28.0%	30.7%
Average credit quality	AAA	AA	AA

During the last quarter, our portfolio reinvestment and re-balancing activity continued our modest barbell strategy in the portfolio structure.



Operating Reserve Fund #40 Trading Activity 3/31/2013 – 6/30/2013

40- Trading Activity -3/31/2013 -6/30/2013

Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
06/27/2013	FHLMC	Agency	08/01/2019	\$400,000.00	\$380,884.80	\$380,884.80	\$0.00	5.789	2.089
06/11/2013	US Treasury	US Treasury	08/15/2022	\$2,150,000.00	\$2,065,520.33	\$2,065,520.33	\$0.00	8.415	2.098
04/11/2013	Wal-Mart Stores	US Corporate	04/11/2018	\$840,000.00	\$839,227.20	\$839,227.20	\$0.00	4.848	1.144
04/15/2013	FNMA	Agency	05/21/2018	\$490,000.00	\$488,951.40	\$488,951.40	\$0.00	4.976	0.918
04/24/2013	FNMA	Agency	02/27/2017	\$1,150,000.00	\$1,160,925.00	\$1,160,925.00	\$0.00	1.822	0.481
04/02/2013	Toyota Motor Credit	Commercial Paper	12/18/2013	\$2,375,000.00	\$2,370,368.75	\$2,370,368.75	\$0.00	0.711	0.274
05/17/2013	Apple Inc	US Corporate	05/03/2018	\$1,450,000.00	\$1,435,659.50	\$1,435,659.50	\$0.00	4.821	1.206
05/23/2013	FFCB	Agency	05/13/2020	\$1,165,000.00	\$1,148,561.85	\$1,148,561.85	\$0.00	6.603	1.635
				\$10,020,000.00	\$9,890,098.83	\$9,890,098.83	\$0.00		
Sale									
06/11/2013	US Treasury	US Treasury	11/15/2016	\$1,750,000.00	\$1,939,430.83	\$1,983,783.20	\$44,352.37	3.204	0.674
04/24/2013	FNMA	Agency	12/18/2013	\$100,000.00	\$98,478.60	\$100,401.00	\$1,922.40	0.648	0.133
05/16/2013	FHLMC	Agency	01/15/2014	\$1,200,000.00	\$1,151,736.00	\$1,234,764.00	\$83,028.00	0.653	0.133
05/16/2013	FHLMC	Agency	11/17/2017	\$100,000.00	\$112,086.00	\$118,804.00	\$6,718.00	4.016	0.859
05/23/2013	FNMA	Agency	04/11/2016	\$850,000.00	\$846,069.60	\$896,478.00	\$50,408.40	2.793	0.464
				\$4,000,000.00	\$4,147,801.03	\$4,334,230.20	\$186,429.17		

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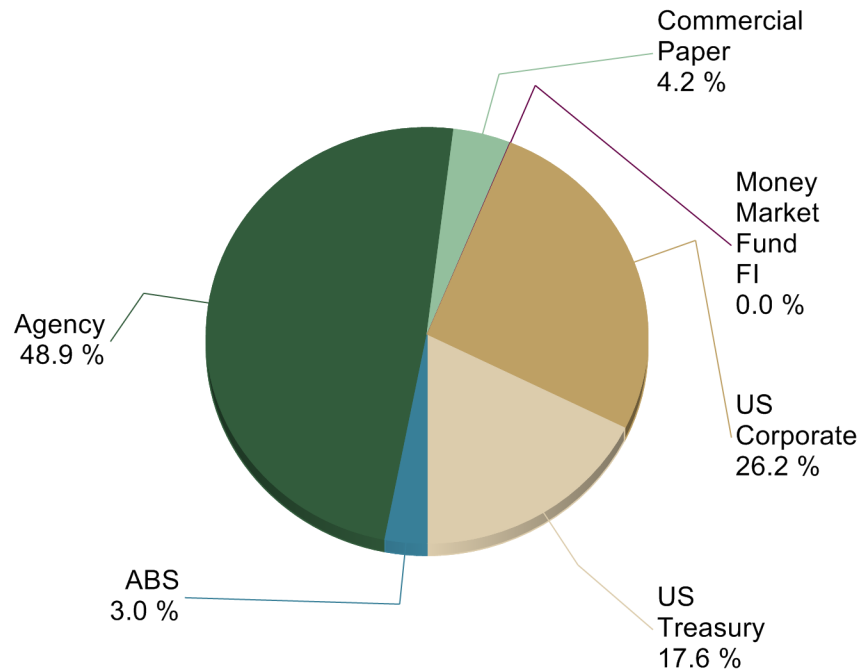
During the second quarter of 2013, our portfolio reinvestment and re-balancing activity continued our modest barbell strategy in the portfolio structure. Recent purchases included Treasury, Agency, Asset Backed, Commercial Paper and Corporate securities with maturities ranging from December 2013 through August 2022. Our transactions adjusted the portfolio duration to maintain our slightly-shorter-than-the-benchmark index duration. The cumulative sale transactions realized a net gain of \$186,429.



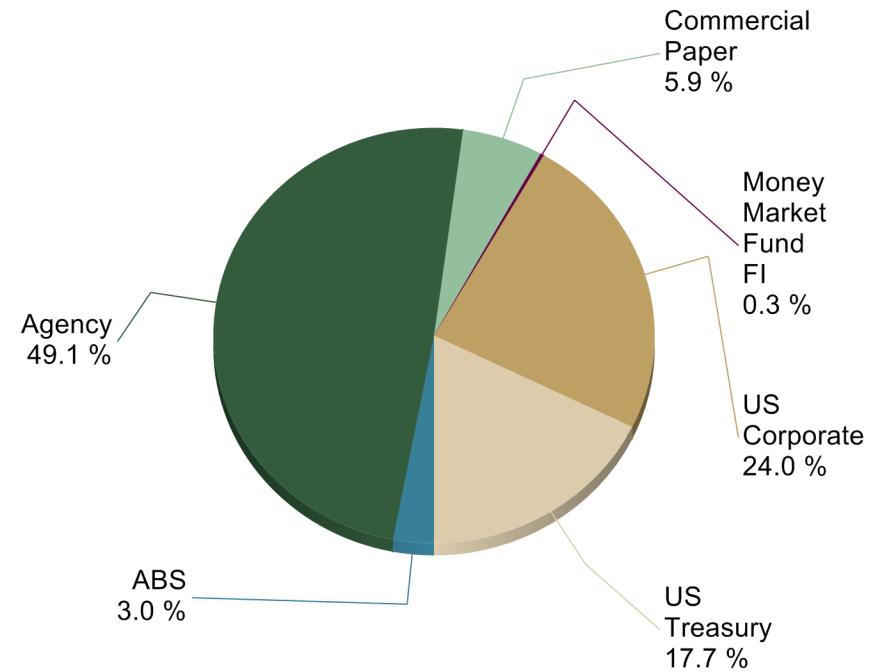
SECTOR DISTRIBUTION

Moulton Niguel Water District Operating Reserve

June 30, 2013



March 31, 2013



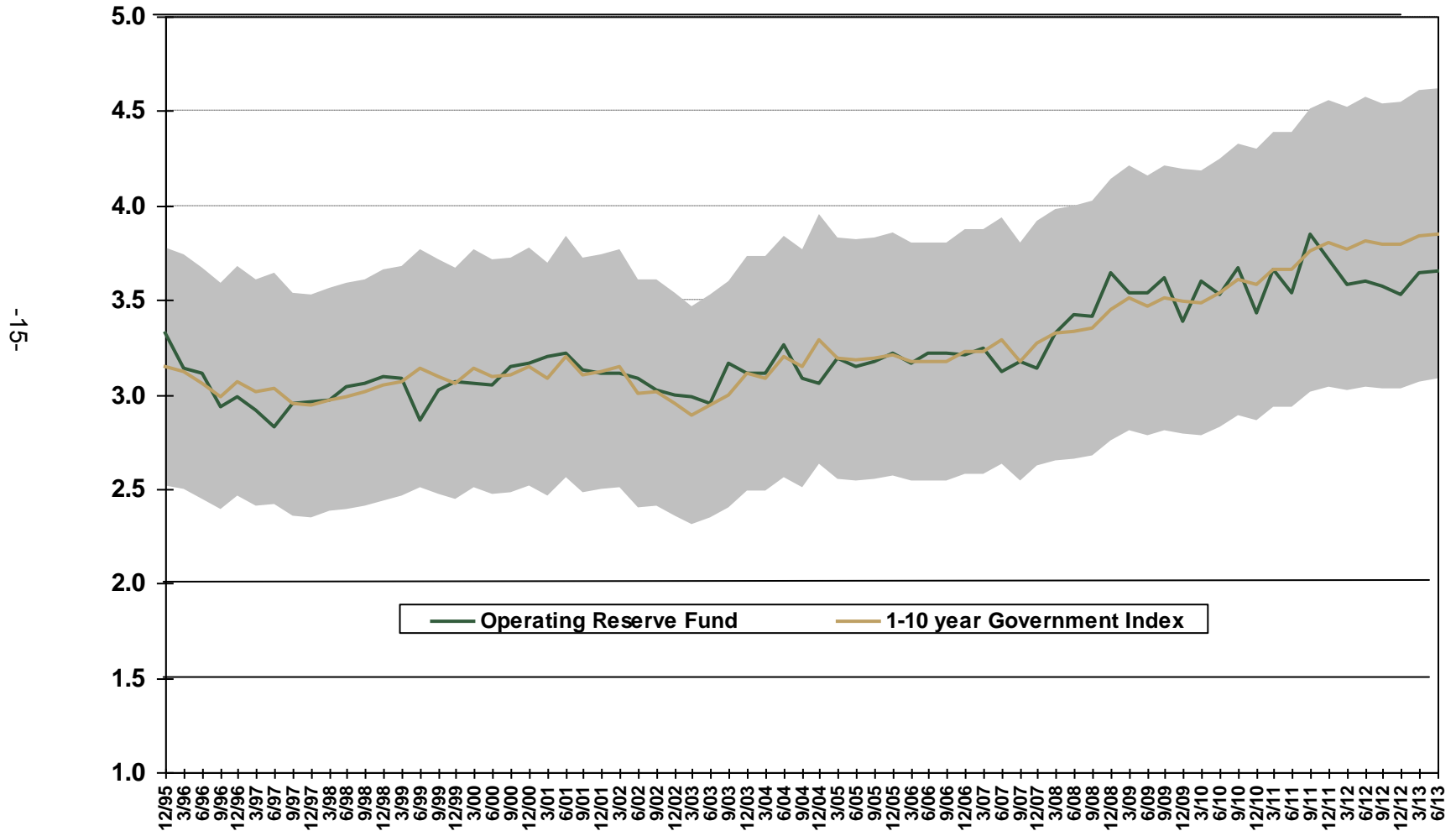
The portfolio sector allocation was slightly changed as we increased the holdings in Corporates by 2.2% and decreased the holdings in Commercial Paper 1.7%.

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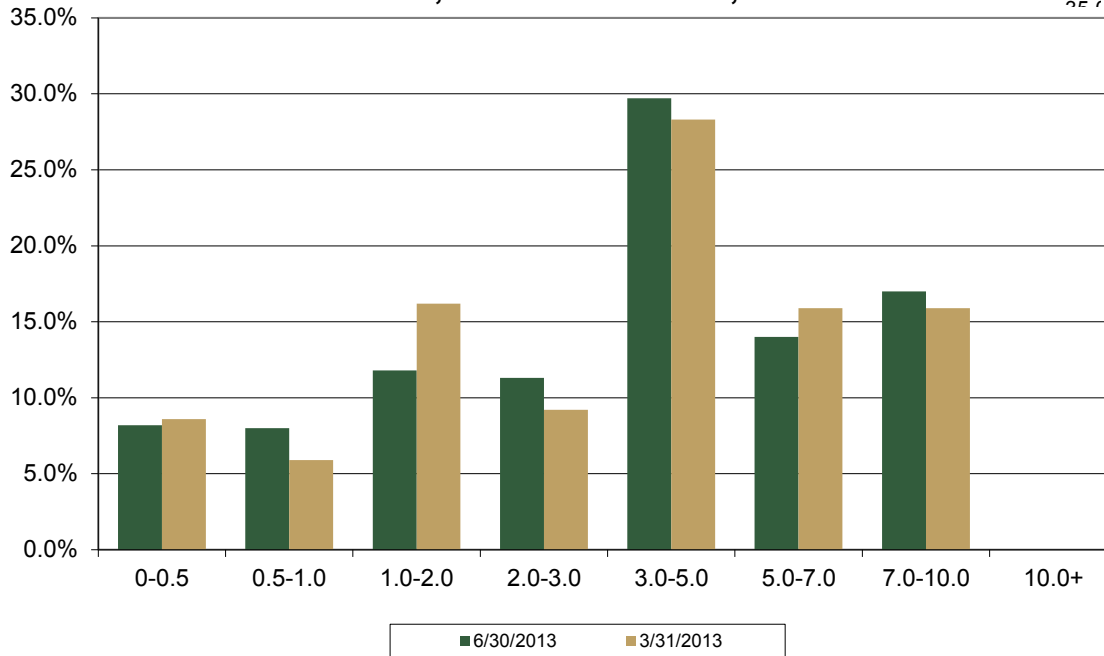
EXPOSURE TO MARKET RISK

Operating Reserve Fund Duration Compared to 1 - 10 Year Government Index Duration





MATURITY DISTRIBUTION Operating Reserve Fund June 30, 2013 vs. March 31, 2013



	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
6/30/2013	8.2%	8.0%	11.8%	11.3%	29.7%	14.0%	17.0%	0.0%
3/31/2013	8.6%	5.9%	16.2%	9.2%	28.3%	15.9%	15.9%	0.0%

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25.7

The average duration of the portfolio remained slightly shorter than that of the benchmark's duration. The market has recently been more volatile as the Federal Reserve has indicated they will reduce the amount of bond purchases, later this year, as part of the Quantitative Easing program. Nevertheless, the Federal Reserve is expected to maintain a highly stimulative monetary policy for the foreseeable future. We anticipate that the portfolio duration will remain close to the 1-10 Year Government benchmark in the coming quarter.



INVESTMENT PERFORMANCE

Moulton Niguel Water District Operating Reserve

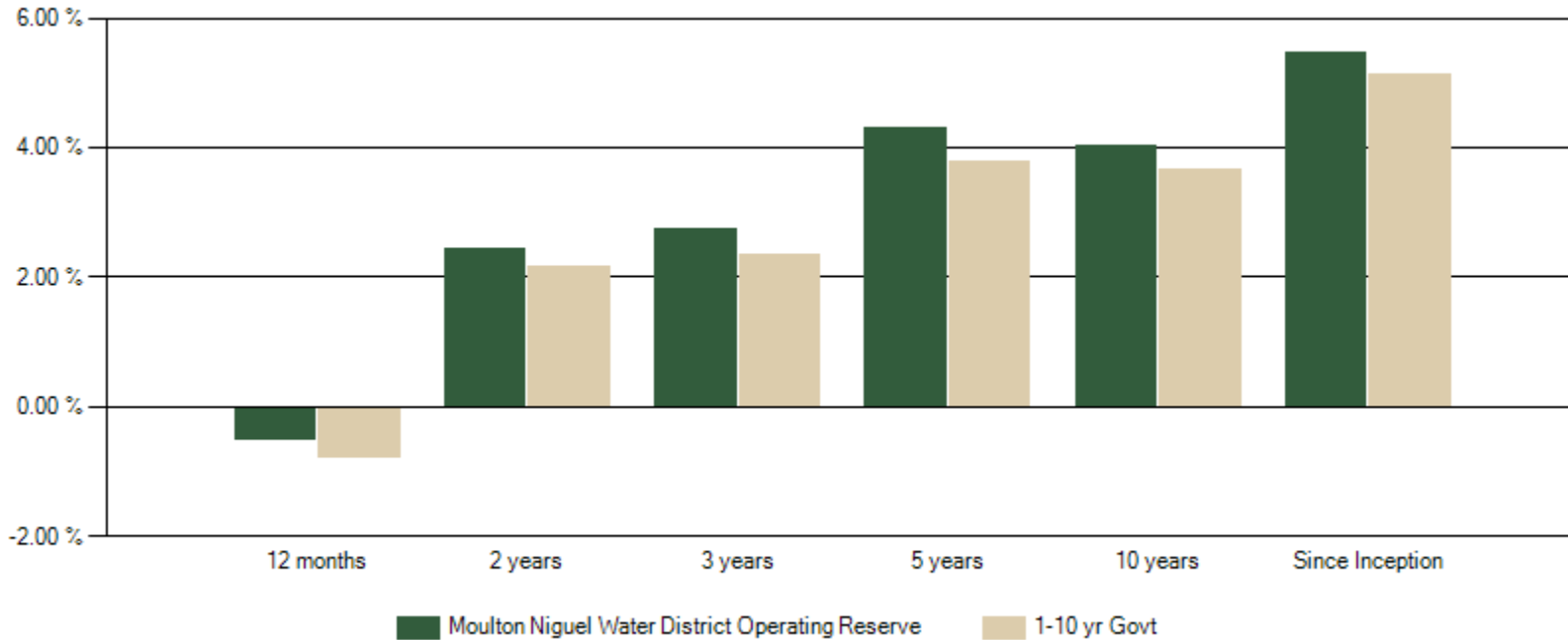
Period Ending

June 30, 2013

Total Rate of Return

Annualized Since Inception

September 30, 1995



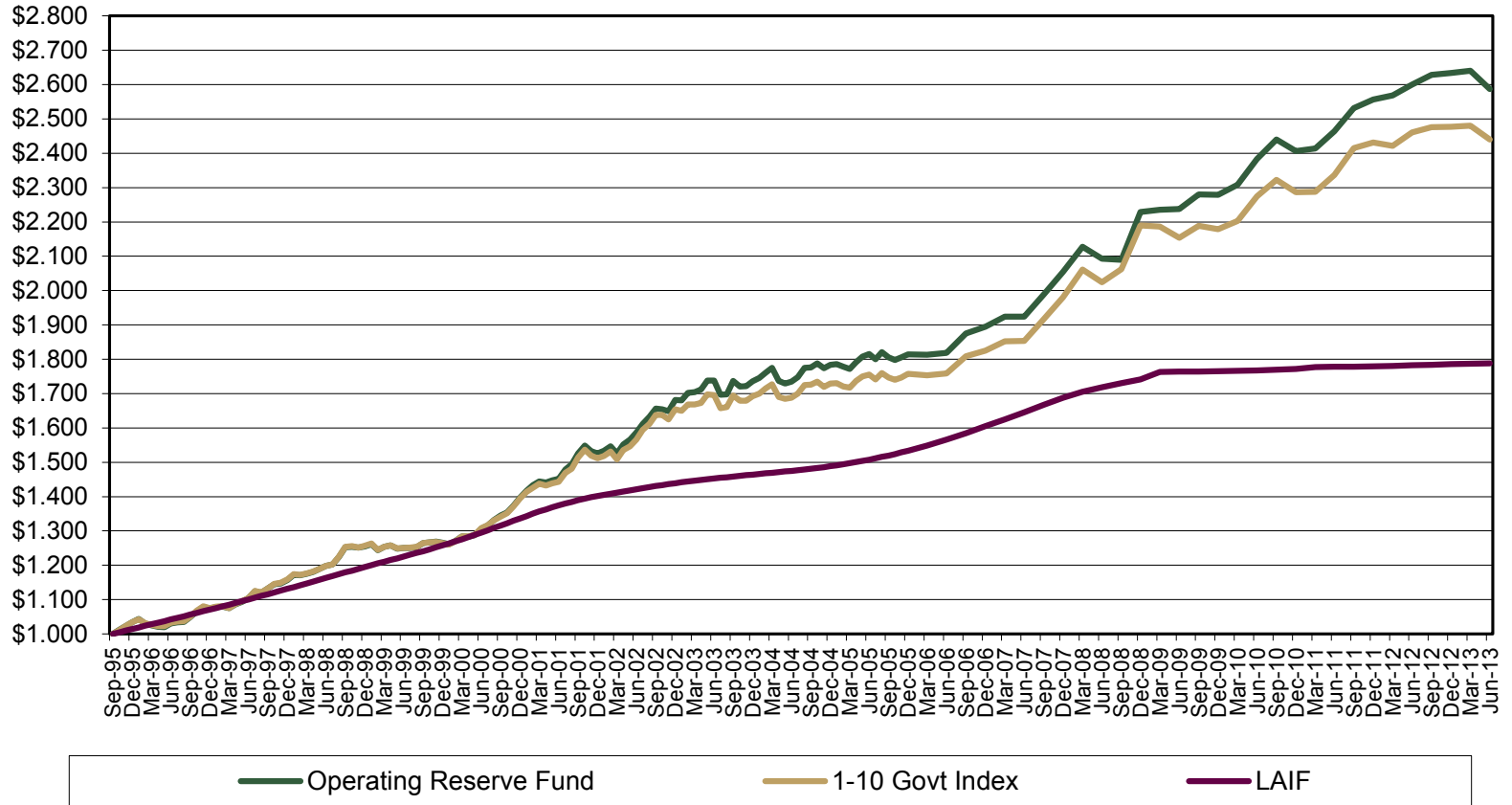
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	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Moulton Niguel Water District Operating Reserve	-2.00 %	-0.51 %	2.48 %	2.77 %	4.33 %	4.06 %	5.50 %
1-10 yr Govt	-1.61 %	-0.80 %	2.21 %	2.38 %	3.81 %	3.71 %	5.16 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Operating Reserve Fund Growth of \$1 Million



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Operating Reserve Fund
1-10 Govt Index
LAIF

	6/30/2013	Return
Operating Reserve Fund	\$2,587,150	5.50%
1-10 Govt Index	\$2,440,517	5.16%
LAIF	\$1,788,099	3.33%



SECTION 2

PORTFOLIO HOLDINGS



**Moulton Niguel Water District Operating Reserve
Account #40**

Issuer Report

As of 6/30/2013

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	17.63 %
Federal Home Loan Mortgage Corp	Agency	10.56 %
Federal Home Loan Bank	Agency	10.33 %
Federal National Mortgage Association	Agency	10.05 %
Federal Farm Credit Bank	Agency	9.10 %
Tennessee Valley Authority	Agency	8.87 %
Wal-Mart Stores	US Corporate	2.29 %
Bank of Nova Scotia	Commercial Paper	2.09 %
Toyota Motor Corp	Commercial Paper	2.09 %
IBM Corp	US Corporate	1.78 %
JP Morgan Chase & Co	US Corporate	1.77 %
Wells Fargo Corp	US Corporate	1.73 %
Berkshire Hathaway	US Corporate	1.55 %
General Electric Co	US Corporate	1.54 %
Ebay	US Corporate	1.47 %
US Bancorp	US Corporate	1.45 %
Pepsico Inc	US Corporate	1.44 %
Bank of New York	US Corporate	1.38 %
Deere & Company	US Corporate	1.26 %
Intel Corp	US Corporate	1.25 %
Apple Inc	US Corporate	1.23 %
JP Morgan Chase & Co	ABS	1.10 %
Northern Trust Corp	US Corporate	1.05 %
BlackRock Inc/New York	US Corporate	1.00 %
Toyota Auto Receivables	ABS	0.97 %
Honda Motor Corporation	ABS	0.97 %
Praxair	US Corporate	0.95 %
Walt Disney Company	US Corporate	0.94 %
Google Inc	US Corporate	0.89 %
Pfizer Inc.	US Corporate	0.77 %
ChevronTexaco Corp	US Corporate	0.35 %
United Technology Corp	US Corporate	0.10 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.05 %
Total		100.00 %



Holdings Report

As of 6/30/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
ABS									
89231NAC7	Toyota Auto Receivable 2012-B A3 0.46% Due 7/15/2016	1,105,000.00	09/18/2012 0.46 %	1,104,894.91 1,104,894.91	99.70 0.65 %	1,101,696.05 225.91	0.97 % (3,198.86)	Aaa AAA	3.04 1.60
43813CAC4	Honda Auto Receivables 2012-4 A3 0.52% Due 8/18/2016	1,100,000.00	10/11/2012 0.52 %	1,099,893.52 1,099,893.52	99.66 0.71 %	1,096,293.00 206.56	0.97 % (3,600.52)	Aaa AAA	3.14 1.76
161571FL3	Chase CHAIT Pool #2012-A5 0.59% Due 8/15/2017	1,255,000.00	03/19/2013 0.59 %	1,255,000.00 1,255,000.00	99.54 0.81 %	1,249,264.65 329.09	1.10 % (5,735.35)	NR AAA	4.13 2.09
Total ABS		3,460,000.00	0.53 %	3,459,788.43 3,459,788.43	0.73 %	3,447,253.70 761.56	3.04 % (12,534.73)	Aaa AAA	3.47 1.83
AGENCY									
31331KET3	FFCB Note 0.98% Due 9/23/2013	1,190,000.00	03/28/2011 1.10 %	1,186,513.30 1,186,513.30	100.19 0.15 %	1,192,275.28 3,174.66	1.05 % 5,761.98	Aaa AA+	0.23 0.23
31398A5W8	FNMA Note 0.75% Due 12/18/2013	575,000.00	01/06/2011 1.28 %	566,251.95 566,251.95	100.29 0.12 %	576,687.63 155.73	0.51 % 10,435.68	Aaa AA+	0.47 0.47
3133X7FK5	FHLB Note 5.25% Due 6/18/2014	1,400,000.00	12/02/2004 4.72 %	1,456,022.40 1,456,022.40	104.87 0.20 %	1,468,233.20 2,654.17	1.30 % 12,210.80	Aaa AA+	0.97 0.95
3135G0DW0	FNMA Note 0.625% Due 10/30/2014	2,180,000.00	09/29/2011 0.67 %	2,176,812.84 2,176,812.84	100.43 0.31 %	2,189,269.36 2,308.68	1.93 % 12,456.52	Aaa AA+	1.33 1.33
31331VGU4	FFCB Note 4.875% Due 12/16/2015	3,425,000.00	Various 4.26 %	3,561,575.25 3,561,575.25	110.31 0.64 %	3,778,271.63 6,957.03	3.34 % 216,696.38	Aaa AA+	2.46 2.34
31331J6C2	FFCB Note 2.35% Due 12/22/2015	1,200,000.00	03/28/2011 2.27 %	1,204,344.00 1,204,344.00	104.18 0.65 %	1,250,166.00 705.00	1.10 % 45,822.00	Aaa AA+	2.48 2.41
3135G0BA0	FNMA Note 2.375% Due 4/11/2016	1,245,000.00	03/08/2011 2.49 %	1,238,438.85 1,238,438.85	104.55 0.72 %	1,301,694.81 6,570.83	1.15 % 63,255.96	Aaa AA+	2.78 2.69
31331V2U9	FFCB Note 5.125% Due 8/25/2016	1,950,000.00	08/30/2011 1.14 %	2,324,887.50 2,324,887.50	113.32 0.84 %	2,209,656.15 34,978.13	1.98 % (115,231.35)	Aaa AA+	3.16 2.91
31359M4D2	FNMA Note 5% Due 2/13/2017	1,200,000.00	02/03/2011 2.93 %	1,336,435.20 1,336,435.20	113.99 1.05 %	1,367,870.40 23,000.00	1.23 % 31,435.20	Aaa AA+	3.63 3.30
3135G0UY7	FNMA Callable Note 1X 02/27/15 1% Due 2/27/2017	1,150,000.00	04/23/2013 0.75 %	1,160,925.00 1,160,925.00	99.53 1.13 %	1,144,619.15 3,961.11	1.01 % (16,305.85)	Aaa AA+	3.67 3.57
31359M7X5	FNMA Note 5% Due 5/11/2017	1,550,000.00	12/31/2009 3.68 %	1,680,508.45 1,680,508.45	114.13 1.24 %	1,768,965.40 10,763.89	1.57 % 88,456.95	Aaa AA+	3.87 3.54
31398ADM1	FNMA Note 5.375% Due 6/12/2017	1,200,000.00	Various 3.58 %	1,341,020.65 1,341,020.65	115.74 1.28 %	1,388,865.60 3,404.16	1.23 % 47,844.95	Aaa AA+	3.95 3.61
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	2,460,000.00	Various 4.32 %	2,660,209.76 2,660,209.76	115.96 1.43 %	2,852,581.56 61,260.84	2.57 % 192,371.80	Aaa AA+	4.05 3.61
3137EABA6	FHLMC Note 5.125% Due 11/17/2017	1,750,000.00	02/03/2011 3.13 %	1,961,505.00 1,961,505.00	115.62 1.43 %	2,023,381.50 10,961.81	1.79 % 61,876.50	Aaa AA+	4.39 3.96
313372C36	FHLB Note 3.125% Due 12/8/2017	1,150,000.00	03/18/2011 2.87 %	1,167,848.00 1,167,848.00	107.22 1.44 %	1,233,005.85 2,296.01	1.09 % 65,157.85	Aaa AA+	4.44 4.15



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
AGENCY									
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	1,890,000.00	Various 4.27 %	2,157,081.80 2,157,081.80	119.93 1.60 %	2,266,680.78 5,249.99	2.00 % 109,598.98	NR AA+	4.46 3.97
3135G0TG8	FNMA Note 0.875% Due 2/8/2018	1,160,000.00	01/28/2013 1.04 %	1,150,395.20 1,150,395.20	97.09 1.53 %	1,126,226.60 4,031.81	1.00 % (24,168.60)	Aaa AA+	4.61 4.47
880591EC2	Tennessee Valley Authority Note 4.5% Due 4/1/2018	285,000.00	02/03/2010 3.90 %	296,826.36 296,826.36	112.79 1.69 %	321,460.33 3,206.25	0.29 % 24,633.97	Aaa AA+	4.76 4.28
31331YF21	FFCB Note 4.25% Due 4/16/2018	650,000.00	07/15/2010 2.98 %	706,634.50 706,634.50	111.51 1.74 %	724,812.40 5,755.21	0.64 % 18,177.90	Aaa AA+	4.80 4.34
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	490,000.00	04/11/2013 0.92 %	488,951.40 488,951.40	96.65 1.59 %	473,566.38 476.39	0.42 % (15,385.02)	Aaa AA+	4.89 4.75
3137EABP3	FHLMC Note 4.875% Due 6/13/2018	1,950,000.00	Various 2.67 %	2,224,649.10 2,224,649.10	115.33 1.64 %	2,249,022.75 4,753.13	1.99 % 24,373.65	Aaa AA+	4.96 4.46
3137EADG1	FHLMC Note 1.75% Due 5/30/2019	2,345,000.00	04/27/2012 1.66 %	2,358,760.46 2,358,760.46	98.45 2.03 %	2,308,554.01 3,533.78	2.04 % (50,206.45)	Aaa AA+	5.92 5.58
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,250,000.00	Various 1.48 %	2,219,414.80 2,219,414.80	95.36 2.07 %	2,145,579.75 11,718.75	1.90 % (73,835.05)	Aaa AA+	6.09 5.78
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	2,000,000.00	06/07/2011 3.02 %	2,303,860.00 2,303,860.00	116.41 2.24 %	2,328,124.00 38,722.22	2.09 % 24,264.00	Aaa AA+	6.13 5.26
22- EADM8	FHLMC Note 1.25% Due 10/2/2019	1,025,000.00	10/22/2012 1.42 %	1,013,304.75 1,013,304.75	94.74 2.15 %	971,102.43 3,167.53	0.86 % (42,202.32)	Aaa AA+	6.26 5.95
3133ECPD0	FFCB Note 1.42% Due 5/13/2020	1,165,000.00	05/22/2013 1.63 %	1,148,561.85 1,148,561.85	95.02 2.21 %	1,106,927.08 2,205.73	0.98 % (41,634.77)	Aaa AA+	6.87 6.48
3133XDVS7	FHLB Note 5.25% Due 12/11/2020	2,600,000.00	07/07/2011 3.54 %	2,953,808.00 2,953,808.00	118.94 2.45 %	3,092,403.60 7,583.33	2.73 % 138,595.60	Aaa AA+	7.45 6.28
880591EL2	Tennessee Valley Authority Note 3.875% Due 2/15/2021	2,120,000.00	04/06/2011 3.87 %	2,121,611.20 2,121,611.20	108.13 2.69 %	2,292,453.52 31,034.44	2.05 % 170,842.32	Aaa AA+	7.64 6.54
3133752P1	FHLB Note 3.5% Due 7/29/2021	3,300,000.00	08/03/2011 3.19 %	3,388,209.00 3,388,209.00	105.84 2.69 %	3,492,769.50 48,766.67	3.12 % 104,560.50	Aaa AA+	8.08 6.95
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	2,275,000.00	Various 2.28 %	2,291,259.33 2,291,259.33	97.18 2.75 %	2,210,792.68 25,214.58	1.97 % (80,466.65)	Aaa AA+	8.55 7.57
880591EN8	Tennessee Valley Authority Note 1.875% Due 8/15/2022	2,400,000.00	08/29/2012 1.94 %	2,385,504.00 2,385,504.00	91.63 2.93 %	2,199,000.00 17,000.00	1.95 % (186,504.00)	Aaa AA+	9.13 8.21
Total Agency		51,530,000.00	2.72 %	54,232,129.90	1.61 %	55,055,019.33 385,571.86	48.90 % 822,889.43	Aaa AA+	4.94 4.45
COMMERCIAL PAPER									
06416JV18	Bank of Nova Scotia Discount CP 0.225% Due 8/1/2013	2,375,000.00	01/29/2013 0.23 %	2,372,283.59 2,374,539.84	99.98 0.23 %	2,374,539.84 0.00	2.09 % 0.00	P-1 A-1	0.09 0.09



Holdings Report

As of 6/30/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
COMMERCIAL PAPER									
89233GZJ8	Toyota Motor Credit Discount CP 0.27% Due 12/18/2013	2,375,000.00	04/02/2013 0.27 %	2,370,368.75 2,371,971.88	99.87 0.27 %	2,371,971.88 0.00	2.09 % 0.00	P-1 A-1+	0.47 0.47
Total Commercial Paper		4,750,000.00	0.25 %	4,742,652.34 4,746,511.72	0.25 %	4,746,511.72 0.00	4.19 % 0.00	P1 A-1	0.28 0.28
MONEY MARKET FUND FI									
94975J466	Wells Fargo Advantage Government MMF	54,496.27	Various 0.01 %	54,496.27 54,496.27	1.00 0.01 %	54,496.27 0.00	0.05 % 0.00	NR NR	0.00 0.00
Total Money Market Fund FI		54,496.27	0.01 %	54,496.27	0.01 %	54,496.27 0.00	0.05 % 0.00	NR NR	0.00 0.00
US CORPORATE									
91159HGY0	US Bancorp Callable Note Cont 8/13/13 1.375% Due 9/13/2013	1,635,000.00	Various 1.32 %	1,637,475.35 1,637,475.35	100.12 0.37 %	1,636,965.27 6,744.38	1.45 % (510.08)	A1 A+	0.21 0.12
254687AW6	Walt Disney Corp Note 4.5% Due 12/15/2013	1,040,000.00	Various 1.23 %	1,133,072.20 1,133,072.20	101.81 0.54 %	1,058,805.28 2,080.00	0.94 % (74,266.92)	A2 A	0.46 0.46
11081AR4	Pfizer Inc. Note 4.5% Due 2/15/2014	840,000.00	Various 3.36 %	881,653.50 881,653.50	102.43 0.60 %	860,382.61 14,280.00	0.77 % (21,270.89)	A1 AA	0.63 0.61
44422ERA9	John Deere Capital Corp Note 1.6% Due 3/3/2014	940,000.00	Various 1.69 %	937,487.65 937,487.65	100.81 0.39 %	947,639.39 4,929.78	0.84 % 10,151.74	A2 A	0.67 0.67
665859AK0	Northern Trust Company Note 4.625% Due 5/1/2014	1,140,000.00	Various 2.47 %	1,235,765.65 1,235,765.65	103.44 0.50 %	1,179,210.31 8,787.50	1.05 % (56,555.34)	A1 A+	0.84 0.82
931142CQ4	Wal-Mart Stores Note 3.2% Due 5/15/2014	1,725,000.00	Various 1.60 %	1,823,201.61 1,823,201.61	102.39 0.46 %	1,766,251.65 7,053.33	1.56 % (56,949.96)	Aa2 AA	0.87 0.87
74005PAQ7	Praxair Note 5.25% Due 11/15/2014	515,000.00	09/24/2010 1.60 %	589,808.90 589,808.90	106.32 0.63 %	547,526.37 3,454.79	0.49 % (42,282.53)	A2 A	1.38 1.33
09247XAD3	Blackrock Inc Note 3.5% Due 12/10/2014	1,090,000.00	Various 2.84 %	1,120,065.90 1,120,065.90	104.03 0.69 %	1,133,976.05 2,225.42	1.00 % 13,910.15	A1 A+	1.45 1.41
713448BM9	Pepsico Inc. Note 3.1% Due 1/15/2015	1,550,000.00	Various 2.10 %	1,614,584.35 1,614,584.35	103.74 0.66 %	1,608,033.56 22,156.38	1.44 % (6,550.79)	A1 A-	1.55 1.49
46625HHP8	JP Morgan Chase Note 3.7% Due 1/20/2015	1,900,000.00	Various 3.16 %	1,939,327.10 1,939,327.10	103.86 1.19 %	1,973,419.80 31,439.72	1.77 % 34,092.70	A2 A	1.56 1.49
94980VAA6	Wells Fargo Bank Note 4.75% Due 2/9/2015	1,825,000.00	Various 3.52 %	1,914,016.00 1,914,016.00	105.54 1.26 %	1,926,086.75 34,193.41	1.73 % 12,070.75	A1 A+	1.61 1.53
084670AV0	Berkshire Hathaway Note 3.2% Due 2/11/2015	1,665,000.00	Various 3.12 %	1,670,612.45 1,670,612.45	104.01 0.69 %	1,731,819.78 20,720.00	1.55 % 61,207.33	Aa2 AA	1.62 1.56
06406JHB4	Bank of New York Mellon Note 4.95% Due 3/15/2015	1,445,000.00	Various 2.11 %	1,620,058.00 1,620,058.00	106.85 0.90 %	1,543,946.38 21,060.88	1.38 % (76,111.62)	A1 A	1.71 1.63
74005PAR5	Praxair Note 4.625% Due 3/30/2015	490,000.00	Various 2.58 %	534,803.30 534,803.30	106.78 0.72 %	523,211.71 5,728.58	0.47 % (11,591.59)	A2 A	1.75 1.63



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
US CORPORATE									
278642AB9	Ebay Inc Note 1.625% Due 10/15/2015	1,625,000.00	10/22/2010 1.66 %	1,622,156.25 1,622,156.25	102.13 0.69 %	1,659,648.25 5,574.65	1.47 % 37,492.00	A2 A	2.29 2.24
459200GU9	IBM Corp Note 2% Due 1/5/2016	1,950,000.00	Various 2.77 %	1,882,374.00 1,882,374.00	102.58 0.96 %	2,000,366.55 19,066.66	1.78 % 117,992.55	Aa3 AA-	2.52 2.43
24422ERZ4	John Deere Capital Corp Note 0.75% Due 1/22/2016	475,000.00	01/17/2013 0.79 %	474,496.50 474,496.50	99.41 0.98 %	472,200.83 1,563.54	0.42 % (2,295.67)	A2 A	2.56 2.52
38259PAC6	Google Inc Note 2.125% Due 5/19/2016	975,000.00	11/15/2012 0.75 %	1,021,108.20 1,021,108.20	103.34 0.95 %	1,007,602.05 2,417.19	0.89 % (13,506.15)	Aa2 AA	2.89 2.80
36962G5W0	General Electric Capital Corp Note 2.3% Due 4/27/2017	1,720,000.00	03/07/2013 1.44 %	1,778,875.60 1,778,875.60	101.38 1.92 %	1,743,753.20 7,032.89	1.54 % (35,122.40)	A1 AA+	3.83 3.64
913017BU2	United Tech Corp Note 1.8% Due 6/1/2017	115,000.00	05/24/2012 1.82 %	114,901.10 114,901.10	100.37 1.70 %	115,421.25 172.50	0.10 % 520.15	A2 A	3.92 3.76
166764AA8	Chevron Corp. Callable Note Cont 11/5/17 1.104% Due 12/5/2017	410,000.00	11/28/2012 1.10 %	410,000.00 410,000.00	97.71 1.64 %	400,615.92 326.91	0.35 % (9,384.08)	Aa1 AA	4.44 4.30
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	1,445,000.00	12/12/2012 1.29 %	1,449,314.55 1,449,314.55	97.86 1.85 %	1,414,107.35 867.00	1.25 % (35,207.20)	A1 A+	4.46 4.30
-24- 42DF7	Wal-Mart Stores Note 1.125% Due 4/11/2018	840,000.00	04/04/2013 1.14 %	839,227.20 839,227.20	97.05 1.77 %	815,205.72 2,100.00	0.72 % (24,021.48)	Aa2 AA	4.78 4.61
037833AJ9	Apple Inc Note 1% Due 5/3/2018	1,450,000.00	05/14/2013 1.21 %	1,435,659.50 1,435,659.50	96.03 1.86 %	1,392,432.10 2,336.11	1.23 % (43,227.40)	Aa1 AA+	4.84 4.68
Total US Corporate		28,805,000.00	2.07 %	29,680,044.86 29,680,044.86	0.97 %	29,458,628.13 226,311.62	26.19 % (221,416.73)	A1 A+	2.06 1.98
US TREASURY									
912828CA6	US Treasury Note 4% Due 2/15/2014	1,900,000.00	05/07/2008 3.28 %	1,971,621.09 1,971,621.09	102.40 0.17 %	1,945,569.60 28,552.49	1.74 % (26,051.49)	Aaa AA+	0.63 0.62
912828CJ7	US Treasury Note 4.75% Due 5/15/2014	800,000.00	03/23/2011 1.08 %	890,596.43 890,596.43	103.96 0.21 %	831,718.40 4,853.26	0.74 % (58,878.03)	Aaa AA+	0.87 0.86
912828EW6	US Treasury Note 4.5% Due 2/15/2016	1,200,000.00	10/04/2007 4.45 %	1,203,984.38 1,203,984.38	110.27 0.56 %	1,323,280.80 20,287.29	1.19 % 119,296.42	Aaa AA+	2.63 2.47
912828GH7	US Treasury Note 4.625% Due 2/15/2017	800,000.00	07/12/2007 5.14 %	769,187.50 769,187.50	113.22 0.91 %	905,750.40 13,900.55	0.81 % 136,562.90	Aaa AA+	3.63 3.33
912828HH6	US Treasury Note 4.25% Due 11/15/2017	1,850,000.00	12/05/2007 3.94 %	1,896,755.86 1,896,755.86	113.13 1.16 %	2,092,812.50 10,041.78	1.85 % 196,056.64	Aaa AA+	4.38 4.02
912828SD3	US Treasury Note 1.25% Due 1/31/2019	2,335,000.00	05/29/2012 1.09 %	2,359,362.67 2,359,362.67	98.40 1.55 %	2,297,602.64 12,174.90	2.04 % (61,760.03)	Aaa AA+	5.59 5.34
912828SX9	US Treasury Note 1.125% Due 5/31/2019	2,475,000.00	01/30/2013 1.23 %	2,459,444.48 2,459,444.48	97.05 1.65 %	2,402,103.82 2,358.35	2.12 % (57,340.66)	Aaa AA+	5.92 5.69
912828TH3	US Treasury Note 0.875% Due 7/31/2019	2,300,000.00	10/25/2012 1.21 %	2,249,696.70 2,249,696.70	95.25 1.70 %	2,190,750.00 8,394.68	1.94 % (58,946.70)	Aaa AA+	6.09 5.86



Holdings Report

As of 6/30/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
US TREASURY									
912828PX2	US Treasury Note 3.625% Due 2/15/2021	1,425,000.00	06/02/2011 2.95 %	1,505,662.92 1,505,662.92	111.15 2.04 %	1,583,864.70 19,406.77	1.41 % 78,201.78	Aaa AA+	7.64 6.64
912828RR3	US Treasury Note 2% Due 11/15/2021	2,300,000.00	01/18/2012 1.90 %	2,320,313.90 2,320,313.90	98.27 2.23 %	2,260,288.20 5,875.00	2.00 % (60,025.70)	Aaa AA+	8.38 7.64
912828TJ9	US Treasury Note 1.625% Due 8/15/2022	2,150,000.00	06/10/2013 2.10 %	2,065,520.33 2,065,520.33	93.82 2.38 %	2,017,136.45 13,125.69	1.79 % (48,383.88)	Aaa AA+	9.13 8.34
Total US Treasury		19,535,000.00	2.32 %	19,692,146.26 19,692,146.26	1.45 %	19,850,877.51 138,970.76	17.63 % 158,731.25	Aaa AA+	5.42 5.03
TOTAL PORTFOLIO		108,134,496.27	2.30 %	111,861,258.06 111,865,117.44	1.33 %	112,612,786.66 751,615.80	100.00 % 747,669.22	Aa1 AA	4.03 3.65
TOTAL MARKET VALUE PLUS ACCRUED						113,364,402.46			



Holdings Report

As of 6/30/13

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	22,507,984.71	Various 0.24 %	22,507,984.71 22,507,984.71	1.00 0.24 %	22,507,984.71 12,325.59	100.00 % 0.00	NR NR	0.00 0.00
Total LAIF		22,507,984.71	0.24 %	22,507,984.71	0.24 %	22,507,984.71 12,325.59	100.00 % 0.00	NR NR	0.00 0.00
TOTAL PORTFOLIO		22,507,984.71	0.24 %	22,507,984.71	0.24 %	22,507,984.71 12,325.59	100.00 % 0.00	NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						22,520,310.30			



SECTION 3

ECONOMIC UPDATE

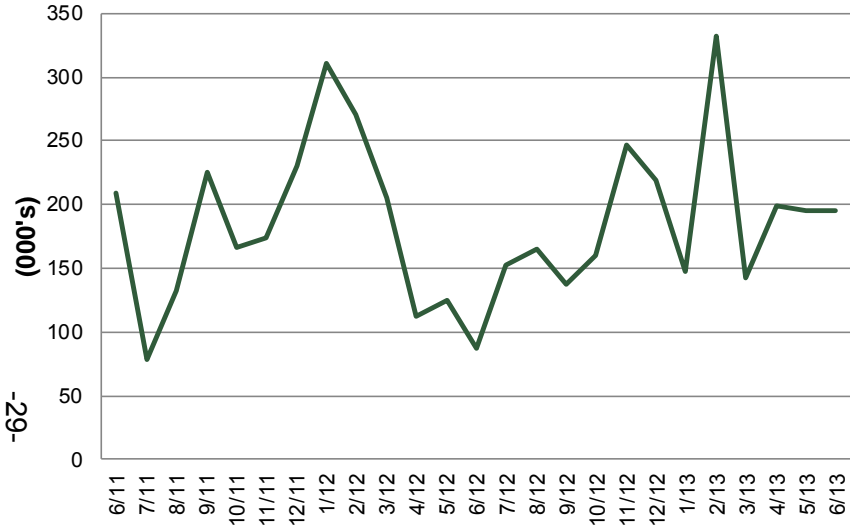


- The economy continues to grow slowly. Nonfarm payrolls rose 195,000 in June, better than the consensus forecast of 161,000. Average nonfarm payroll growth during the second quarter of 2013 was about 196,000 per month. The unemployment rate remained unchanged in June at 7.6%, due to an increase in the labor force. Overall, the labor market continues to improve. Manufacturing trends are beginning to show modest improvement as well, while housing trends remain favorable in spite of the recent jump in interest rates. Consumer spending also remains healthy.
- The Federal Open Market Committee left policy rates unchanged at its June 18-19 meeting and assured investors that policy changes continue to be data dependent. The Fed noted that the economy continues to grow at a moderate pace. The labor market has continued to improve, but unemployment remains elevated. Inflation is running below target. The Fed will continue to purchase mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month. During his press conference, Chairman Bernanke indicated that the Fed could begin tapering bond purchases later this year and that asset purchases could end in 2014. However, he emphasized that Fed policy will depend on the state of the economy.
- During the past three months, the yield curve has steepened. This move has been driven by improving economic data as well as anticipation that the Fed will potentially begin tapering its bond purchases later this year. There isn't a clear consensus among Fed officials about when to begin unwinding quantitative easing, and they have emphasized that the timing will depend on the state of the economy.



EMPLOYMENT

Non-farm Payroll (000's)

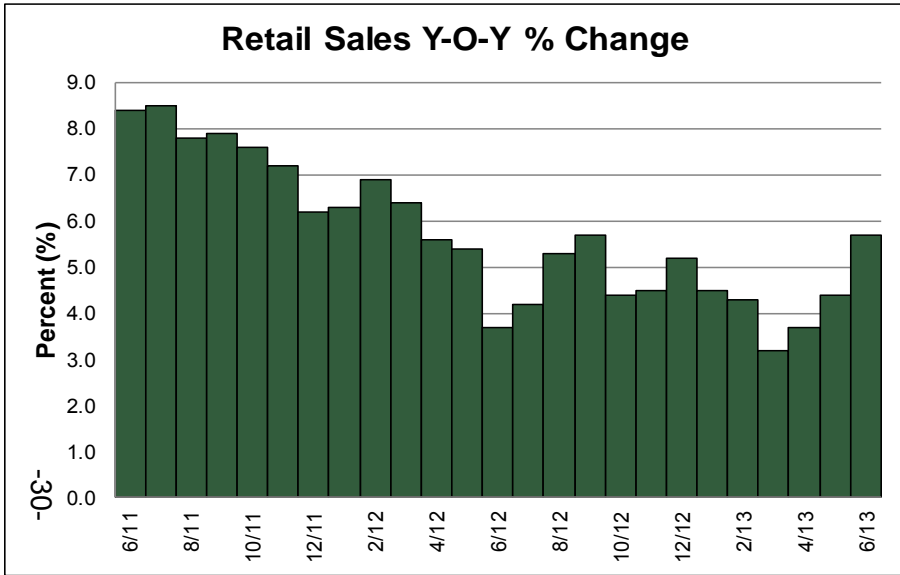


Unemployment Rate

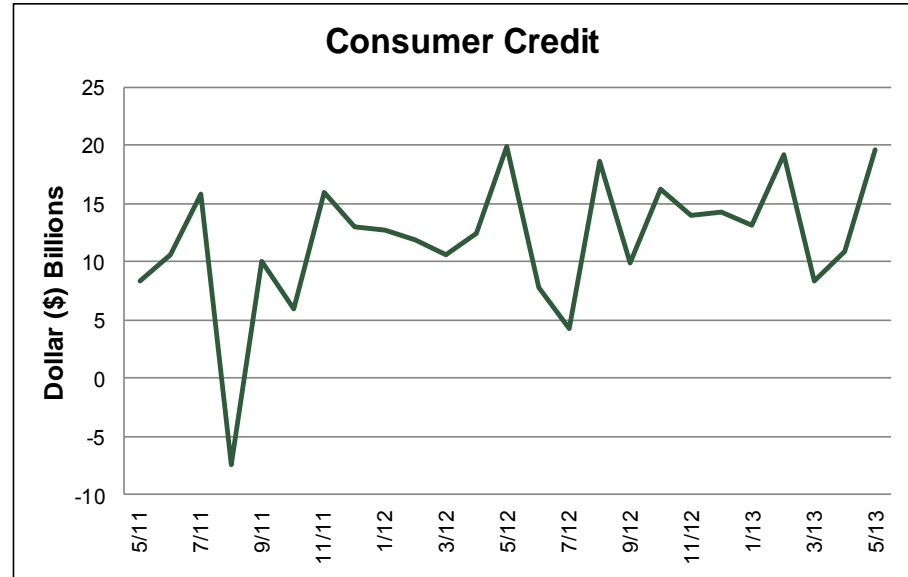


Source: U.S. Department of Labor

The June employment report showed that payrolls increased by 195,000 (better than the 161,000 consensus estimate). The net revisions for job growth in April and May were +70,000. Average nonfarm payroll growth over the past 3 months has been about 196,000. Private payrolls increased 202,000 in June while government jobs fell 7,000. The unemployment rate remained unchanged at 7.6%, due to an increase in the labor force. Overall, the jobs report was better than expected and job growth is showing positive momentum.



Source: U.S. Department of Commerce

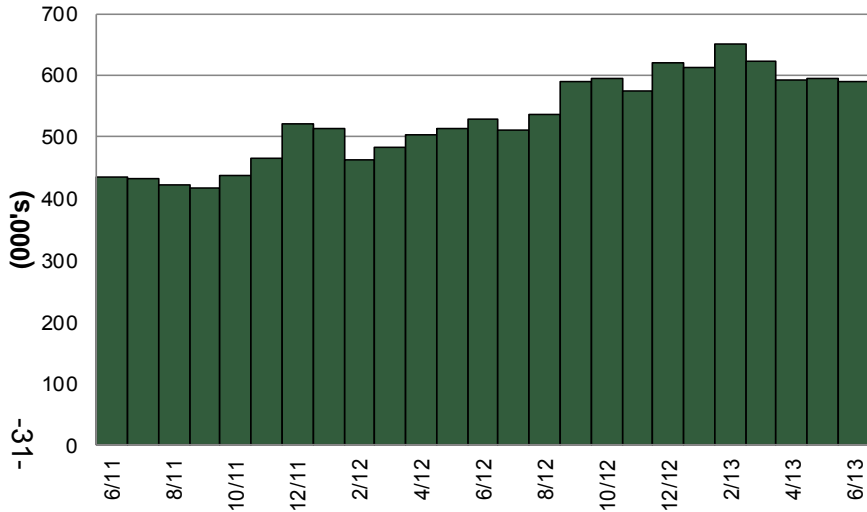


Source: Federal Reserve

In June, Retail Sales rose 5.7% on a year-over-year basis. On a month-over-month basis, Retail Sales increased 0.4% in June which was below the +0.8% consensus forecast. Overall, recent consumer spending trends have been healthy. Consumer credit rose by \$19.6 billion in May, driven by strong increases in both revolving and non-revolving credit. The latest consumer credit report indicates consumers' willingness to take on additional debt and suggests that consumer spending may be accelerating.

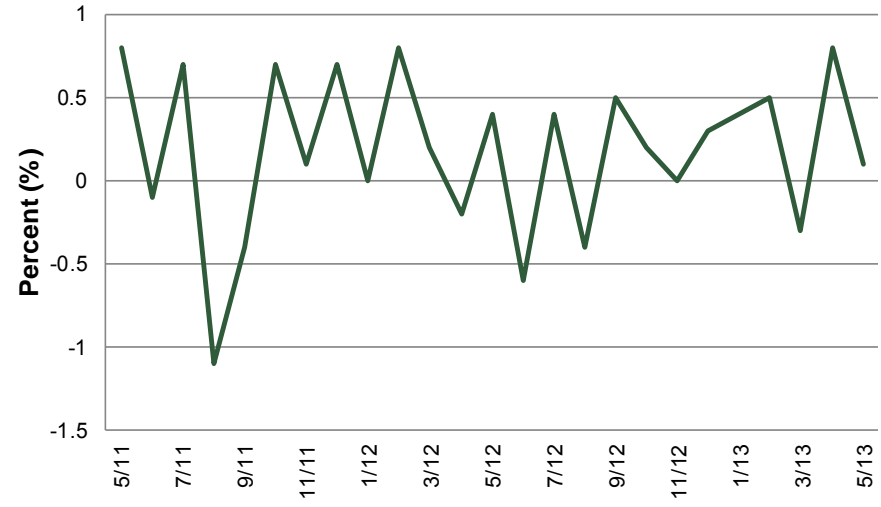


Starts - Single Family Housing



Source: US Department of Commerce

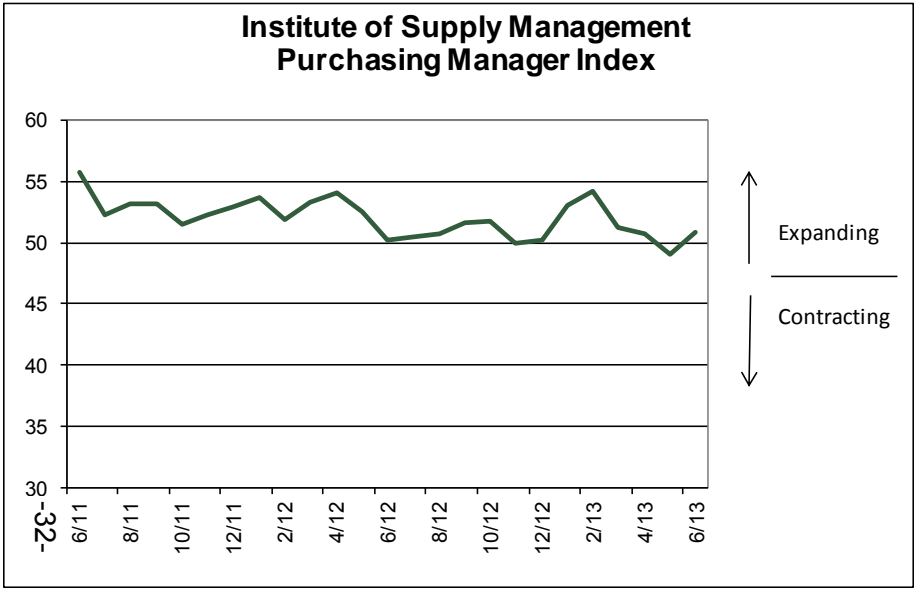
Leading Economic Indicators



Source: The Conference Board

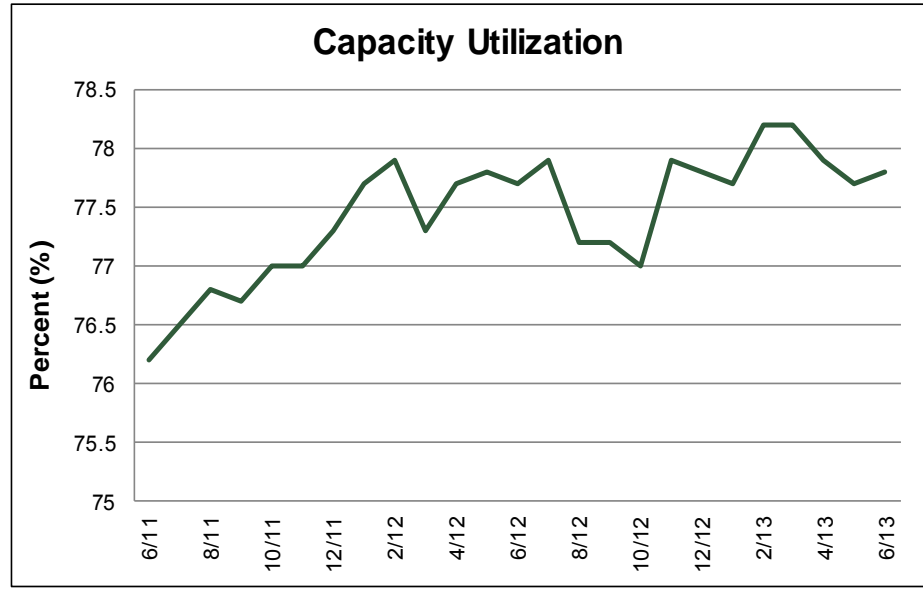
Single-family housing starts fell slightly in June to 591,000 from 596,000 in May. Meanwhile multifamily starts dropped 26.2% in the month. Housing permits also declined in June by 7.5% after falling 2.0% in May. Recent housing data has been generally favorable, but the most recent housing starts report was disappointing. The index of Leading Economic Indicators (LEI) rose just 0.1% in May following an 0.8% jump in April. The most recent LEI reading was slightly weaker than expected and points to slow economic growth.

Institute of Supply Management Purchasing Manager Index



Source: Institute for Supply Management

Capacity Utilization



Source: Federal Reserve

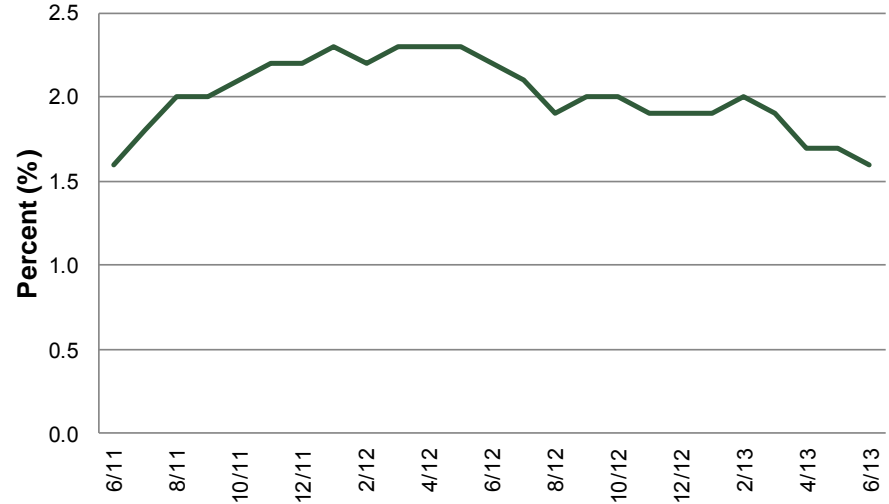
During June, the ISM Manufacturing Index rose to 50.9, from 49.0 in May. A reading above 50.0 is viewed as expansionary in the manufacturing sector, while a reading below 50.0 suggests contraction in the manufacturing sector. Capacity Utilization, which is production divided by capacity, edged up slightly in June to 77.8% from 77.7% in May. The Capacity Utilization reading remains below the long-run average of 80.2% (1972-2012) and is one factor cited by economists who believe inflation will not significantly increase in the near future.



CPI Y-O-Y % Change

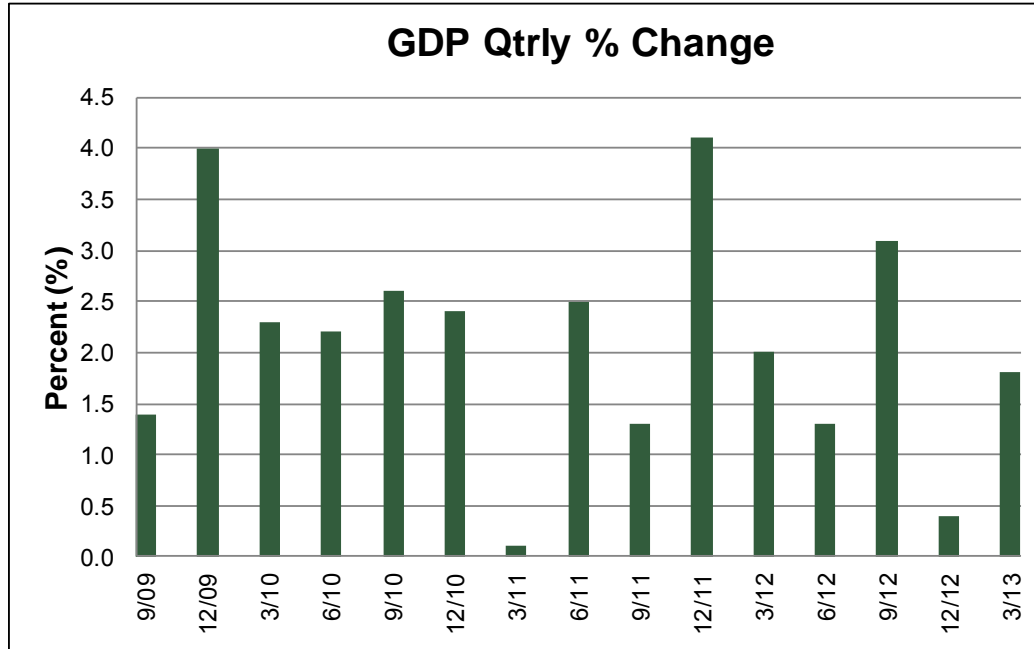


Core CPI Y-O-Y % Change



Source: US Department of Labor

In June, overall CPI inflation rose to 1.8% on a year-over-year basis from 1.4% in May. The year-over-year Core CPI (CPI less food and energy) declined slightly to 1.6% from 1.7%. The core inflation rate is trending below the Fed's long-term goal of 2.0% and remains below the trigger rate for policy action of 2.5%.

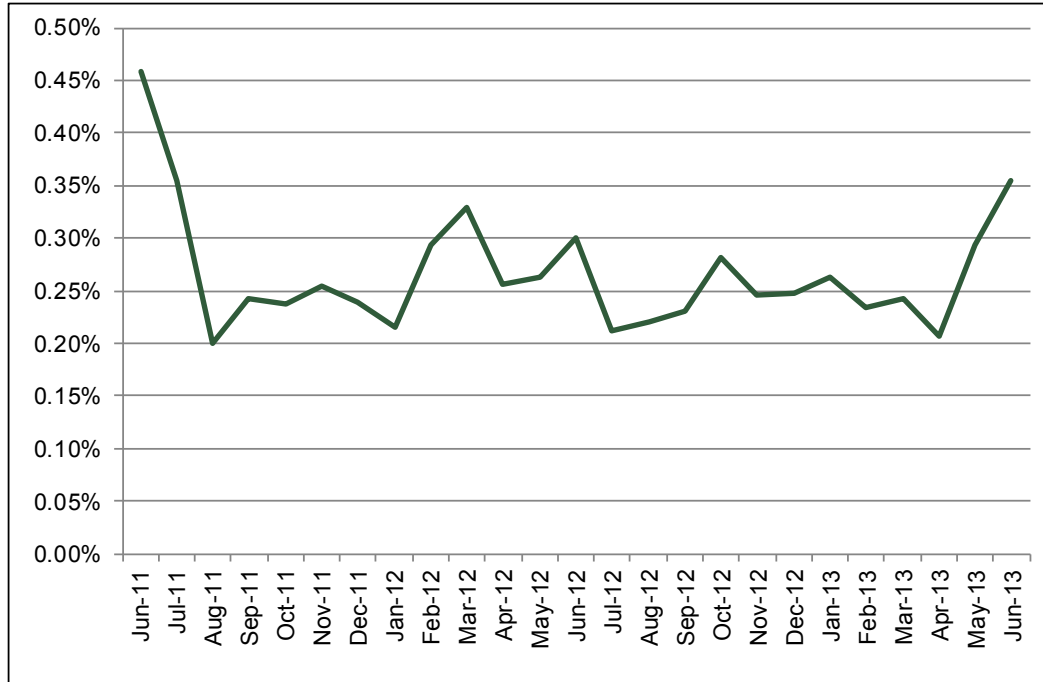


Source: U.S. Department of Commerce

Real annualized GDP for the first quarter of 2013 was revised down again to 1.8% from the second estimate of 2.4% and the advance estimate of 2.5%. This follows growth of just 0.4% in the fourth quarter of last year. The 1Q GDP figure was weaker than the 2.4% growth that market participants were expecting.



Yield on the Two-Year Note June 2011 through June 2013

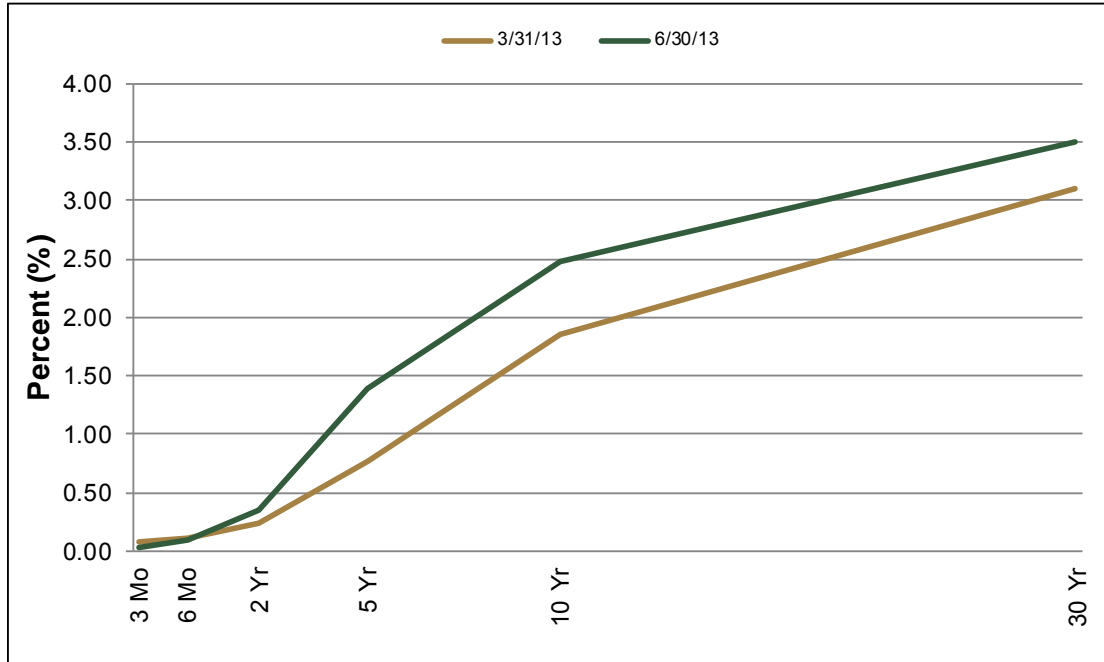


Source: Bloomberg

The yield on the two-year Treasury note rose again in June as policymakers at the Fed continued to discuss winding down quantitative easing.



March 31, 2013 and June 30, 2013



Source: Bloomberg

During the past three months, the yield curve has steepened. This move has been driven by improving economic data as well as anticipation that the Fed will potentially begin tapering its bond purchases later this year. There isn't a clear consensus among Fed officials about when to begin unwinding quantitative easing, and they have emphasized that the timing will depend on the state of the economy.

RESOLUTION NO. 13-____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT APPOINTING TREASURER
OF THE DISTRICT**

WHEREAS, Mr. Michael Gomez is the Director of Finance of the Moulton Niguel Water District (“District”), and staff recommends that Mr. Gomez’s appointment to serve as Treasurer of the District be confirmed by the Board of Directors of the District (“Board”), to be deemed effective as of August 15, 2013, and to serve in such capacity until the Board otherwise determines.

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

Section 1. The Board hereby confirms Mr. Michael Gomez’s appointment to serve as Treasurer of the District with all the authority and power to carry out the duties of the office of Treasurer pursuant to direction of the Board, as may be convenient or necessary, such appointment to be deemed effective as of August 15, 2013.

ADOPTED, SIGNED and **APPROVED** this 15th day of August, 2013.

MOULTON NIGUEL WATER DISTRICT

President
MOULTON NIGUEL WATER DISTRICT and
of the Board of Directors thereof

Secretary
MOULTON NIGUEL WATER DISTRICT and
of the Board of Directors thereof



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** August 14, 2013

FROM: Matt Collings, Director of Engineering and Operations

SUBJECT: Ratification of Operations & Maintenance and Capital Projects Budgets for SOCWA, SJBA, & SCWD-JRWSS for Fiscal Year 2013-2014

SUMMARY:

Issue: Ratification of SOCWA, SJBA, & SCWD-JRWSS Operations & Maintenance and Capital Projects Adopted Budgets for Fiscal Year 2012-2013 as required by each Member Agency.

Recommendation: The Board of Directors ratifies the adopted budgets for SOCWA, SJBA, & SCWD-JRWSS for Fiscal Year 2013-2014.

Fiscal Impact: None. Funds were budgeted in both the District’s General and Replacement & Refurbishment Funds for the amounts required for each of these obligations.

DISCUSSION:

Below is a summary of MNWD’s portion of the Operations and Maintenance and Capital Improvements costs, related to the three agencies that the District is a participating member:

Member Agency	General Fund – O&M	CIP - Replacement & Refurbishment Fund
SOCWA	\$8,702,195	\$4,453,682
SJBA	\$163,375	-
SCWD-JRWSS	\$467,315	\$2,605,331
Total MNWD District Funds	\$9,332,885	\$7,059,013

#6.

SOCWA

The South Orange County Wastewater Authority (SOCWA) Board of Directors reviewed and adopted the Fiscal Year 2013-2014 Project Committee Budget on June 6, 2013. The District's adopted Operating Budget includes the District's obligation to SOCWA for its portion of SOCWA Operations & Maintenance costs in the amount of \$8,702,195. This amount is lower than last year's adopted Operations & Maintenance Budget by about \$200,000. A reduction in the contingency line items throughout the budget is the primary reason for the lower budget.

For Fiscal Year 2012-2013, the District adopted a Budget of \$4,453,682 for SOCWA CIP. The focus on capital projects for the upcoming year will be design and construction of the export sludge system elements at the Coastal Treatment Plant, design of a sodium hypochlorite disinfection system at the Regional Treatment Plant, and design of the facility plan elements at the J.B. Latham Treatment Plant.

SJBA

The Board of Directors of the San Juan Basin Authority (SJBA) approved the Fiscal Year 2013-2014 Operations & Maintenance Budget at their June 11, 2013 Board Meeting. The District's adopted Operating Budget includes the District's obligation to SJBA for its portion of Operations & Maintenance costs. The most significant item in the budget is \$400,000 for the review and development of the recommended management strategy identified in the Groundwater Management and Facilities Plan. The SJBA submitted a \$200,000 grant application with Metropolitan Water District as part of the Foundational Action Program to offset 50% of those expenses. Other costs include financial services, auditor, legal, and secretarial services.

JRWSS

The South Coast Water District (SCWD) Board of Directors approved the Joint Regional Water Supply System (JRWSS) Fiscal Year 2013-2014 Operations & Maintenance Budget and the Capital Projects Budget at their Board Meeting on June 13, 2013. The District's adopted Operating and Capital Improvements Budget includes the District's obligation to SCWD-JRWSS for its portion of the Operations & Maintenance and Capital Improvements costs.

The overall budget decreased slightly from 2012-2013. Operating costs experienced minimal increases reflected in the addition of one staff, and increased costs of material, supplies and repair and maintenance work. Capital project funding for 2013-2014 went down slightly from last year. The amount in this year's budget represents the total of what is expected to be spent if all projects listed are completed. The two significant projects being implemented this year are the second phase of the 60-inch Lake Forest Relocation and the replacement of the floating cover at the Bradt Reservoir.



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** August 15, 2013

FROM: Michael Gomez, Director of Finance

SUBJECT: Professional Services Agreement Amendment for Finance Department Support

SUMMARY:

Issue: Recent personnel changes and the current work load require additional temporary staffing to supplement current resources in the Finance Department.

Recommendation: The Board of Directors approve a second amendment to the Professional Services Agreement with CFO-Onsite, LLC; and authorize the General Manager to execute all necessary documents on behalf of the District.

Fiscal Impact: The District has savings from vacant positions that will offset the cost of the amendment to the Professional Services Agreement.

DISCUSSION:

CFO-Onsite, LLC was hired by the District under signature of the General Manager on December 7, 2012 for an amount not to exceed \$43,000 at an hourly rate of \$90.00 to supplement staffing resources in the Finance Department. It was originally believed that CFO-Onsite, LLC services would be needed for a 6 month period while several vacant positions within the Department were in the process of being filled.

On May 16, 2013, the Board of Director’s approved a contract extension with CFO-Onsite, LLC for an additional 6 months and increased the contract amount to a total not to exceed of \$73,000 and at the same hourly rate. This contract extension was to continue support from CFO-Onsite, LLC with the following duties and responsibilities:

- Fixed Assets
- Investment Allocation
- Budget

#7.

- Year End Balance
- Routine accounting transaction posting

Preparation of the FY 13-14 budget, end of year financial preparation and the FY 12-13 audit have accelerated the use of CFO-Onsite, LLC services. At the current rate of use for CFO-Onsite, LLC the contract balance will be near zero in early September. Additionally, the Senior Accountant position will become vacant in mid-August requiring assistance from the consultant during the audit, which will start in mid-August. Recruitments are ongoing with status as follows:

- Director of Finance: Filled internally June 2013
- Controller: Vacant - Offer of employment made August 2013
- Sr. Financial Analyst: Vacant – Recruitment posted August 2013
- Sr. Accountant: Vacant in mid-August - Recruitment to start mid-August
- Accountant: Vacant

Staff has a continuing need for CFO-Onsite, LLC services and recommends to amend the contract for an additional \$25,000 and at the current hourly rate.

To date, CFO-Onsite, LLC has billed the District \$62,244. This expense is less than the total budget savings from the vacant positions CFO-Onsite, LLC has been asked to supplement while the positions are being recruited.



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** August 15, 2013
FROM: Michael Gomez, Director of Finance
SUBJECT: Budget Comparison Report for Quarter Ending June 2013

SUMMARY:

Issue: Review April through June of District's General and Water Efficiency Fund Operations

Fiscal Impact: No fiscal impact to the District.

DISCUSSION:

The fourth quarter budget comparison report shows the District did well balancing revenue with expenses for FY 2012-2013. However, the numbers presented in this report are accurate through the date the report was created. Accounting staff has been working with staff and vendors to ensure all revenue and expenses related to FY 2012-2013 have been received. It's expected that the numbers in this report will change after the FY 2012-2013 financial audit is completed.

The current operating expense budgets are at 95% of the budgeted amount.

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF JULY 2013**

<u>GENERAL FUND TOTAL</u>		\$ 7,411,112
<u>RESTRICTED FUNDS</u>		
WBBRS EFFICIENCY FUND	\$106,958	
REPLACEMENT & REFURBISHMENT FUND	159,724	
WATER SUPPLY RELIABILITY FUND	770,524	
PLANNING & CONSTRUCTION FUND	6,085	
2003 GOB CONSOLIDATED REFUNDING	2,000	
TOTAL RESTRICTED FUNDS		1,045,292
TOTAL DISBURSEMENTS ALL FUNDS		<u><u>\$ 8,456,404</u></u>

The major expenditures for July 2013 include the following:

1. Municipal Water District of Orange County (MWDOC)		
May Water Purchases AF 2735.2		\$ 2,326,971
May Capacity Charge		22,913
May RTS Charges		123,183
May SCP Operation Surcharge		12,821
		<u><u>\$ 2,485,887</u></u>
2. SOCWA		\$ 2,175,549
O&M 1st Quarter Expenses 2013/2014		
3. Irvine Ranch Water District		\$ 763,685
C#2006.071 Baker Pipeline		
4. Haaker		\$ 410,418
Vactor Truck		
5. CalPers		\$ 399,641
OPEB Liability		
6. SouthCoast Water District		\$ 153,983
LAFCO Agreement RO#96-05 2nd Installment FY 2012-13		
7. Denovo		\$ 115,114
C#2010.033 New District Enterprise Software		

