



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: September 13, 2010
To: Business and Finance Committee
From: Brian G. Thomas, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report August 2010

This letter transmits a summary report of investments, cash balances and performance report with total return, and duration comparisons for the end of the current month. A detailed report of investments is filed each month with the Executive Secretary. These reports are required by Section 5114 of the MWD Administrative Code. All of the investments comply with Chapter 5101 of the MWD Administrative Code and the Investment Policy dated June 8, 2010 with the exception of the Lehman corporate notes previously reported to the Board at the September 23, 2008 meeting of the Executive Committee. The Board approved holding these notes, in recognition of market conditions and Lehman's bankruptcy filing, in order to sell these securities in an orderly fashion. Attachment 2a shows the market value of the Lehman corporate notes. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of August 31, 2010, Metropolitan posted \$18.65 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Brian G. Thomas

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
August 31, 2010

		Market Value (\$ in Thousands)	Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
			MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$ 439,721	0.34	0.24	0.21%	0.01%	2.56%	0.14%	2.88%	2.26%
Long-Term	(2)	308,457	2.71	2.57	0.88%	0.51%	11.11%	6.35%	5.02%	4.43%
Total Core Funds		\$ 748,178								
Other Funds	(3)	140,614	6.24		2.53%		35.01%		10.09%	
Total		<u>\$ 888,792</u>								

(1) The Short-Term Portfolio Benchmark is the Merrill Lynch, Three Month Treasury Bill Index.

(2) The Long-Term Portfolio Benchmark is the Merrill Lynch, Corporate and Government, 1 to 5 years, A Rated and Higher Index.

(3) Debt Service Reserve Funds and Lake Mathews Trust.

* Inception Date 5/01/2002

Attachment 2
Portfolio Summary Report
August 31, 2010

(\$ in Thousands)

<u>Securities</u>		<u>Credit Quality</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Percent of Portfolio Market Value</u>	<u>Investment Policy Limits</u>
United States Treasuries	(1)	"AAA"	\$ 223,586	\$ 214,885	25.15%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	353	347	0.04%	100%
Federal Agencies	(2)	"AAA"	238,009	234,241	26.78%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	6,987	6,987	0.79%	40%
Commercial Paper		"A1/P1 or higher"	86,592	86,593	9.74%	25%
Negotiable Certificates of Deposit		"F1 or higher"	-	-	0.00%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	405	405	0.04%	20%
Local Agency Investment Fund			50,000	50,000	5.63%	N/A
Medium Term Notes	(4)	"A or higher"	83,159	84,335	9.36%	30%
Asset & Mortgage-Backed Securities		"AAA"	31,982	31,141	3.60%	20%
Municipals	(5)	"AA or higher"	167,719	164,816	18.87%	30%
Total Portfolio			\$ 888,792	\$ 873,750	100.00%	

(1) Securities have an explicit United States Government guarantee.

(2) As of August 31, 2010, Metropolitan posted \$18.65 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

(3) Repurchase agreements can only be executed with primary dealers and collateral consists of Treasuries and/or Federal Agencies with maturities under 5 years.

(4) Please see attachment 2a for medium term notes that are rated less than A.

(5) \$101 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
August 31, 2010
(\$ in Thousands)

	Credit Ratings		Description	Maturity Date	Market Value	Book Value
	Moody's	S&P				
(1)	*	*	Lehman Corporate Floating Rate Note	10/22/2008	\$ 60	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,050	\$ 4,982
					\$ 1,110	\$ 5,269

* Note: Securities are in default and credit ratings are no longer provided by the various rating agencies.

(1) Medium Term Notes.

Attachment 3
Summary Report of Investment & Cash Activity
August 31, 2010

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 205,319	\$ 68,723	\$ 20,392	\$ 38,765	\$ 214,885
Gov't National Mtge Assoc.	374	-	-	27	347
Federal Agencies	(1) 235,230	199,212	200,076	125	234,241
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	24,731	1,659	-	19,403	6,987
Commercial Paper	107,244	630,089	-	650,740	86,593
Negotiable Certificates of Deposit	32,500	30,050	-	62,550	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	563	2,710	2,868	-	405
Local Agency Investment Fund - California	50,000	-	-	-	50,000
Medium Term Notes	89,611	11,420	1,660	15,036	84,335
Asset & Mortgage-Backed Securities	32,195	908	50	1,912	31,141
Municipal Bonds	176,012	3,095	14,291	-	164,816
Subtotals	\$ 953,779	\$ 947,866	\$ 239,337	\$ 788,558	\$ 873,750
	Ending Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 1,035	-		942	93
Petty Cash	5				5
Overnight Investment	-				-
Overnight Investment	(2) (2,000)	-		499	(2,499)
Subtotals	\$ (960)	\$ -	\$ -	\$ 1,441	\$ (2,401)
Total	\$ 952,819	\$ 947,866	\$ 239,337	\$ 789,999	\$ 871,349

(1) As of August 31, 2010, Metropolitan posted \$18.65 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

(2) Includes investment of outstanding checks.

Attachment 4
Duration Report
August 31, 2010

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 84,084	0.175
US Treasury Notes	82,535	2.689
US Treasury Strips	22,989	11.508
Federal Agency Discounts	10,555	3.993
Federal Agency Coupons (2)	219,311	1.085
Money Market Fund	405	0.000
California Local Agency Investment Fund	50,000	0.000
Commercial Paper	86,399	0.004
Bankers' Acceptances	6,987	0.038
Negotiable Certificates of Deposit	-	-
Corporates	81,094	2.024
California Municipal VRDOs - 7 day put	69,899	0.065
GNMA	353	6.061
Asset Backed	3,620	1.261
Mortgage Backed	28,362	0.865
Total	\$ 746,593	1.317

(1) Duration is a measure of the sensitivity in the price of a bond to changes in interest rates, so it is a measure of risk in a fixed income portfolio. As a rule of thumb, a fixed income portfolio with a duration of 5 (years) will decline 5% in value for every 1% upward movement in comparable interest rates.

(2) As of August 31, 2010, Metropolitan posted \$18.65 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.