



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: October 11, 2010
To: Business and Finance Committee
From: Brian G. Thomas, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report September 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 September 30, 2010, Metropolitan posted \$23 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
September 30, 2010

		Market Value		Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
		(\$ in Thousands)		MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$	455,272	0.34	0.25	0.05%	0.01%	0.64%	0.06%	2.86%	2.24%
Long-Term	(2)		309,072	2.80	2.56	0.22%	0.34%	2.66%	4.14%	5.00%	4.43%
Total Core Funds		\$	764,344								
Other Funds	(3)		140,249	6.19		(0.176%)		(2.09%)		9.90%	
Total		\$	904,593								

(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
September 30, 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"	\$ 215,823	\$ 207,557	23.86%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	329	323	0.04%	100%
Federal Agencies	(2)	"AAA"	243,269	239,490	26.89%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	96,349	96,352	10.65%	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"	205	205	0.02%	20%
Local Agency Investment Fund			50,000	50,000	5.53%	N/A
Medium Term Notes	(4)	"A or higher"	95,963	97,152	10.61%	30%
Asset & Mortgage-Backed Securities		"AAA"	35,227	34,475	3.89%	20%
Municipals	(5)	"AA or higher"	167,428	164,945	18.51%	30%
Total Portfolio			\$ 904,593	\$ 890,499	100.00%	

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

(2) As of September 30, 2010, Metropolitan posted \$23 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
September 30, 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	\$ 62	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,106	\$ 4,982
					\$ 1,168	\$ 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
September 30, 2010

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 214,885	\$ 39,437	\$ 14,052	\$ 32,713	\$ 207,557
Gov't National Mtge Assoc.	347	-	-	24	323
Federal Agencies (1)	234,241	195,540	177,220	13,071	239,490
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	6,987	1	-	6,988	-
Commercial Paper	86,593	787,444	-	777,685	96,352
Negotiable Certificates of Deposit	-	-	-	-	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	405	2,885	3,085	-	205
Local Agency Investment Fund - California	50,000	-	-	-	50,000
Medium Term Notes	84,335	15,107	1,540	750	97,152
Asset & Mortgage-Backed Securities	31,141	5,905	141	2,430	34,475
Municipal Bonds	164,816	129	-	-	164,945
Subtotals	\$ 873,750	\$ 1,046,448	\$ 196,038	\$ 833,661	\$ 890,499
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 93	-		63	30
Petty Cash	5				5
Overnight Investment (2)	(2,499)	2,499		-	-
Subtotals	\$ (2,401)	\$ 2,499	\$ -	\$ 63	\$ 35
Total	\$ 871,349	\$ 1,048,947	\$ 196,038	\$ 833,724	\$ 890,534

(1) As of September 30, 2010, Metropolitan posted \$23 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
September 30, 2010

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 79,976	0.264
US Treasury Notes	77,486	2.615
US Treasury Strips	24,439	11.762
Federal Agency Discounts	7,774	5.439
Federal Agency Coupons (2)	227,175	1.075
Money Market Fund	205	0.000
California Local Agency Investment Fund	50,000	0.000
Commercial Paper	96,349	0.000
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	-	-
Corporates	93,853	1.939
California Municipal VRDOs - 7 day put	69,900	0.042
GNMA	329	6.051
Asset Backed	4,202	1.319
Mortgage Backed	31,026	0.866
Total	\$ 762,714	1.335

(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 September 30, 2010, Metropolitan posted \$23 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.