



## ● ***Treasurer's Monthly Report for October 2010***

### **Summary**

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The attached Treasurer's monthly report, as required by Section 5114 of the Metropolitan Administrative Code, provides Metropolitan's investments, as well as portfolio compliance with Metropolitan's Statement of Investment Policy and investment programs.

### **Attachments**

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Attachment 1: Portfolio Performance Report – October 2010

Attachment 2: Portfolio Summary Report – October 2010

Attachment 3: Summary Report of Investment & Cash Activity –October 2010

Attachment 4: Duration Report – October 2010



**MWD**  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** November 8, 2010  
**To:** Business and Finance Committee  
**From:** Brian G. Thomas, Assistant General Manager/Chief Financial Officer  
**Subject:** Treasurer's Monthly Report October 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 October 31, 2010, Metropolitan posted \$17.3 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**  
**October 31, 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)	\$	428,271	0.34	0.24	0.06%	0.02%	0.66%	0.20%	2.84%	2.22%
Long-Term	(2)		309,445	2.47	2.55	0.21%	0.42%	2.56%	5.21%	4.97%	4.44%
Total Core Funds		\$	737,716								
Other Funds	(3)		138,991	6.04		(0.80%)		(9.23%)		9.59%	
Total		\$	876,707								

(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**  
**October 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"	\$ 207,310	\$ 200,556	23.65%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	298	293	0.03%	100%
Federal Agencies	(2)	"AAA"	239,894	236,072	27.36%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	2,651	2,651	0.30%	40%
Commercial Paper		"A1/P1 or higher"	86,390	86,394	9.86%	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"	448	448	0.05%	20%
Local Agency Investment Fund			50,000	50,000	5.70%	N/A
Medium Term Notes	(4)	"A or higher"	98,709	99,791	11.26%	30%
Asset & Mortgage-Backed Securities		"AAA"	40,572	39,892	4.63%	20%
Municipals	(5)	"AA or higher"	150,435	149,060	17.16%	30%
Total Portfolio			<u>\$ 876,707</u>	<u>\$ 865,157</u>	<u>100.00%</u>	

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

(2) As of October 31, 2010, Metropolitan posted \$17.3 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) \$88.9 million (market value) of the municipal bond portfolio was rated AAA.

**Portfolio Summary Report**  
**Attachment 2a**  
**October 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	\$ 61	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,088	\$ 4,983
					<b>\$ 1,149</b>	<b>\$ 5,270</b>

\* 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**  
**October 31, 2010**

(Shown at Book Value and \$ in Thousands)

	<b>Beginning Balance</b>	<b>Purchases</b>	<b>Sales</b>	<b>Maturities</b>	<b>Ending Balance</b>
United States Treasuries	\$ 207,557	\$ 10,838	\$ 17,839	\$ -	\$ 200,556
Gov't National Mtge Assoc.	323	-	-	30	293
Federal Agencies	(1) 239,490	89,283	92,701	-	236,072
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	9,442	-	6,791	2,651
Commercial Paper	96,352	324,109	-	334,067	86,394
Negotiable Certificates of Deposit	-	6,800	-	6,800	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	205	3,926	3,683	-	448
Local Agency Investment Fund - California	50,000	6,200	6,200	-	50,000
Medium Term Notes	97,152	5,257	865	1,753	99,791
Asset & Mortgage-Backed Securities	34,475	9,842	660	3,765	39,892
Municipal Bonds	164,945	1,135	17,020	-	149,060
<b>Subtotals</b>	<b>\$ 890,499</b>	<b>\$ 466,832</b>	<b>\$ 138,968</b>	<b>\$ 353,206</b>	<b>\$ 865,157</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 30	-		22	8
Petty Cash	5				5
Overnight Investment	-	-		1,999	(1,999)
<b>Subtotals</b>	<b>\$ 35</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,021</b>	<b>\$ (1,986)</b>
<b>Total</b>	<b>\$ 890,534</b>	<b>\$ 466,832</b>	<b>\$ 138,968</b>	<b>\$ 355,227</b>	<b>\$ 863,171</b>

(1) As of October 31, 2010, Metropolitan posted \$17.3 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**  
**October 31, 2010**

(\$ in Thousands)

<b>Securities Available for Metropolitan's Self-Liquidity Program</b>	<b>Market Value</b>	<b>Duration (1)</b>
US Treasury Bills	\$ 88,124	0.190
US Treasury Notes	68,665	2.821
US Treasury Strips	16,850	10.890
Federal Agency Discounts	22,805	1.833
Federal Agency Coupons (2)	208,808	1.150
Money Market Fund	448	0.000
California Local Agency Investment Fund	50,000	0.000
Commercial Paper	86,390	0.000
Bankers' Acceptances	2,651	0.005
Negotiable Certificates of Deposit	-	-
Corporates	96,624	1.974
California Municipal VRDOs - 7 day put	53,880	0.034
GNMA	298	6.020
Asset Backed	1,091	3.682
Mortgage Backed	39,481	0.807
<b>Total</b>	<b>\$ 736,115</b>	<b>1.233</b>

(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 October 31, 2010, Metropolitan posted \$17.3 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.