



• Treasurer's Monthly Report for December 2010

Summary

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

Attachment 1: Portfolio Performance Report – December 2010

Attachment 2: Portfolio Summary Report – December 2010

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

Attachment 4: Duration Report – December 2010



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: January 10, 2011
To: Finance and Insurance Committee
From: Brian G. Thomas, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report December 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 December 31, 2010, Metropolitan posted \$4.3 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
December 31, 2010

	Market Value (\$ in Thousands)	Duration		Monthly Return		Annualized Monthly Return		Annualized Return	
		MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	*Inception-to-Date MWD	Benchmark
Short-Term	(1) \$ 720,335	0.23	0.24	(0.03%)	0.02%	(0.41%)	0.23%	2.78%	2.18%
Long-Term	(2) 306,595	2.51	2.54	(0.72%)	(0.59%)	(8.34%)	(6.83%)	4.75%	4.23%
Total Core Funds	\$ 1,026,930								
Other Funds	(3) 133,654	5.61		(1.97%)		(21.19%)		8.57%	
Total	<u>\$ 1,160,584</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
December 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"	\$ 207,127	\$ 204,824	17.85%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	240	235	0.02%	100%
Federal Agencies	(2)	"AAA"	340,525	339,611	29.34%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	30,076	30,076	2.59%	40%
Commercial Paper		"A1/P1 or higher"	199,231	199,236	17.17%	25%
Negotiable Certificates of Deposit		"F1 or higher"	66,001	66,000	5.69%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	1,203	1,203	0.10%	20%
Local Agency Investment Fund			46,305	46,305	3.99%	N/A
Medium Term Notes	(4)	"A or higher"	99,287	100,865	8.56%	30%
Asset & Mortgage-Backed Securities		"AAA"	34,520	34,082	2.97%	20%
Municipals	(5)	"AA or higher"	136,069	138,438	11.72%	30%
Total Portfolio			<u>\$ 1,160,584</u>	<u>\$ 1,160,875</u>	<u>100.00%</u>	

- (1) Securities have an explicit United States Government guarantee.
- (2) As of December 31, 2010, Metropolitan posted \$4.3 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) \$98.1 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
December 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	\$ 66	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,156	\$ 4,984
					\$ 1,222	\$ 5,271

* 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
December 31, 2010

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 205,539	\$ 5,360	\$ 6,075	\$ -	\$ 204,824
Gov't National Mtge Assoc.	263	-	-	28	235
Federal Agencies	(1) 311,928	168,521	140,708	130	339,611
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	3,757	33,081	-	6,762	30,076
Commercial Paper	59,534	691,605	-	551,903	199,236
Negotiable Certificates of Deposit	-	69,920	-	3,920	66,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	318	1,886	1,001	-	1,203
Local Agency Investment Fund - California	50,000	20,000	23,695	-	46,305
Medium Term Notes	102,991	11,804	1,032	12,898	100,865
Asset & Mortgage-Backed Securities	34,567	(11)	474	-	34,082
Municipal Bonds	117,906	20,532	-	-	138,438
Subtotals	\$ 886,803	\$ 1,022,698	\$ 172,985	\$ 575,641	\$ 1,160,875
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 751			45	706
Petty Cash	5				5
Overnight Investment	-	6,086			-
(2)	(6,086)				-
Subtotals	\$ (5,330)	\$ 6,086	\$ -	\$ 45	\$ 711
Total	\$ 881,473	\$ 1,028,784	\$ 172,985	\$ 575,686	\$ 1,161,586

(1) As of December 31, 2010, Metropolitan posted \$4.3 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
December 31, 2010

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 87,375	0.179
US Treasury Notes	65,944	2.666
US Treasury Strips	21,804	11.451
Federal Agency Coupons (2)	324,850	0.708
Federal Agency Strips	7,557	5.136
Money Market Fund	1,203	0.000
California Local Agency Investment Fund	46,305	0.000
Commercial Paper	199,231	0.019
Bankers' Acceptances	30,076	0.013
Negotiable Certificates of Deposit	66,001	0.027
Corporates	97,580	1.777
California Municipal VRDOs - 7 day put	43,020	0.047
GNMA	240	5.986
Asset Backed	1,088	3.531
Mortgage Backed	33,433	0.968
Total	\$ 1,025,707	0.907

(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 December 31, 2010, Metropolitan posted \$4.3 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.