THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Report

Office of the CFO

- **Treasurer's Monthly Report, January 2011**

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 – January 2011

Attachment 2: Portfolio Summary Report – January 2011

Attachment 3: Summary Report of Investment & Cash Activity – January 2011

Attachment 4: Duration Report – January 2011

Date of Report: 2/8/2011

MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: February 7, 2011

To: Finance and Insurance Committee

From: Thomas E. DeBacker, Interim Chief Financial Officer

Subject: Treasurer's Monthly Report January 2011

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 January 31, 2011, Metropolitan posted $3.7 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Thomas E. DeBacker

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Attachments

Attachment 1

The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
January 31, 2011

		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)	$ 622,717	0.29	0.24	0.09%	0.01%	1.07%	0.08%	2.76%	2.15%
Long-Term	(2)	306,707	2.43	2.54	0.14%	0.35%	1.64%	4.28%	4.72%	4.23%
Total Core Funds		$ 929,424								
Other Funds	(3)	132,931	5.51		(0.44%)		(5.11%)		8.37%	
Total		$ 1,062,355								

(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
January 31, 2011

($ in Thousands)

Securities		Credit Quality	Market Value	Book Value	Percent of Portfolio Market Value	Investment Policy Limits
United States Treasuries	(1)	"AAA"	$ 208,519	$ 206,959	19.63%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	208	204	0.02%	100%
Federal Agencies	(2)	"AAA"	421,241	420,572	39.64%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	6,018	6,019	0.57%	40%
Commercial Paper		"A1/P1 or higher"	20,387	20,388	1.92%	25%
Negotiable Certificates of Deposit		"F1 or higher"	59,760	59,760	5.63%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	1,510	1,510	0.14%	20%
Local Agency Investment Fund			50,000	50,000	4.71%	N/A
Medium Term Notes	(4)	"A or higher"	110,362	111,759	10.39%	30%
Asset & Mortgage-Backed Securities		"AAA"	33,978	33,612	3.20%	20%
Municipals	(5)	"AA or higher"	150,372	153,470	14.15%	30%
Total Portfolio			$ 1,062,355	$ 1,064,253	100.00%	

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

(2) As of January 31, 2011, Metropolitan posted $3.7 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) $102.2 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
January 31, 2011
($ in Thousands)

	Credit Ratings Moody's	S&P	Description	Maturity Date	Market Value	Book Value
(1)	*	*	Lehman Corporate Floating Rate Note	10/22/2008	$ 69	$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	$ 1,206	$ 4,984
					$ 1,275	**$ 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

January 31, 2011

(Shown at Book Value and $ in Thousands)

		Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries		$ 204,824	$ 16,511	$ 12,876	$ 1,500	$ 206,959
Gov't National Mtge Assoc.		235	-	-	31	204
Federal Agencies	(1)	339,611	243,661	162,700	-	420,572
Repurchase Agreements		-	-	-	-	-
Bankers' Acceptances		30,076	13,127	-	37,184	6,019
Commercial Paper		199,236	689,046	-	867,894	20,388
Negotiable Certificates of Deposit		66,000	45,760	-	52,000	59,760
Time Deposits		-	-	-	-	-
Shares of Beneficial Interest		1,203	2,441	2,134	-	1,510
Local Agency Investment Fund - California		46,305	3,695	-	-	50,000
Medium Term Notes		100,865	33,424	3,009	19,521	111,759
Asset & Mortgage-Backed Securities		34,082	-	470	-	33,612
Municipal Bonds		138,438	27,032	12,000	-	153,470
Subtotals		**$ 1,160,875**	**$ 1,074,697**	**$ 193,189**	**$ 978,130**	**$ 1,064,253**

Cash		Beginning Balance	Deposits		Withdrawals	Ending Balance
Demand Accounts		$ 706	4,705		-	5,411
Petty Cash		5				5
		-				-
Overnight Investment	(2)	-	-		999	(999)
Subtotals		**$ 711**	**$ 4,705**	**$ -**	**$ 999**	**$ 4,417**
Total		**$ 1,161,586**	**$ 1,079,402**	**$ 193,189**	**$ 979,129**	**$ 1,068,670**

(1) As of January 31, 2011, Metropolitan posted $3.7 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

January 31, 2011

($ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	$ 84,482	0.098
US Treasury Notes	80,773	3.767
US Treasury Strips	11,323	12.459
Federal Agency Coupons	401,955	0.053
Federal Agency Strips	7,585	5.056
Money Market Fund	1,510	0.000
California Local Agency Investment Fund	50,000	0.000
Commercial Paper	20,387	0.023
Bankers' Acceptances	6,018	0.011
Negotiable Certificates of Deposit	59,760	0.010
Corporates	108,604	1.640
California Municipal VRDOs - 7 day put	57,912	0.033
GNMA	208	5.964
Asset Backed	1,087	3.455
Mortgage Backed	32,891	0.934
Total	$ 924,495	0.996

(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.