



## ● **Treasurer's Monthly Report**

### **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 – February 2011

Attachment 2: Portfolio Summary Report -- February 2011

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

Attachment 4: Duration Report – February 2011



**MWD**  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** March 7, 2011  
**To:** Finance and Insurance Committee  
**From:** Thomas E. DeBacker, Interim Chief Financial Officer  
**Subject:** Treasurer's Monthly Report February 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 February 28, 2011, Metropolitan posted \$2.347 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  
 February 28, 2011

	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) \$ 647,914	0.24	0.24	0.08%	0.02%	0.95%	0.19%	2.74%	2.14%
Long-Term	(2) 307,377	2.47	2.55	0.13%	(0.12%)	1.51%	(1.42%)	4.69%	4.17%
Total Core Funds	\$ 955,291								
Other Funds	(3) 131,645	5.63		0.94%		11.92%		8.40%	
Total	\$ 1,086,936								

(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**  
**February 28, 2011**

(\$ 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"	\$ 201,567	\$ 199,938	18.54%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	181	178	0.02%	100%
Federal Agencies	(2)	"AAA"	475,445	475,043	43.74%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	1,375	1,375	0.13%	40%
Commercial Paper		"A1/P1 or higher"	42,494	42,496	3.91%	25%
Negotiable Certificates of Deposit		"F1 or higher"	20,694	20,694	1.90%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	1,136	1,136	0.10%	20%
Local Agency Investment Fund			50,000	50,000	4.60%	N/A
Medium Term Notes	(4)	"A or higher"	110,522	112,125	10.17%	30%
Asset & Mortgage-Backed Securities		"AAA"	34,617	34,335	3.19%	20%
Municipals	(5)	"AA or higher"	148,905	151,157	13.70%	30%
<b>Total Portfolio</b>			<b>\$ 1,086,936</b>	<b>\$ 1,088,477</b>	<b>100.00%</b>	

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

(2) As of February 28, 2011, Metropolitan posted \$2.347 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) \$99.8 million (market value) of the municipal bond portfolio was rated AAA.

**Portfolio Summary Report**  
**Attachment 2a**  
**February 28, 2011**  
 (\$ in Thousands)

	Credit Ratings		Description	Maturity Date	Market Value	Book Value
	Moody's	S&P				
(1)	*	*	Lehman Corporate Floating Rate Note	10/22/2008	\$ 72	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,269	\$ 4,985
					<b>\$ 1,341</b>	<b>\$ 5,272</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**  
**February 28, 2011**

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 206,959	\$ 59,174	\$ 13,741	\$ 52,454	\$ 199,938
Gov't National Mtge Assoc.	204	-	-	26	178
Federal Agencies	(1) 420,572	181,069	126,498	100	475,043
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	6,019	2,638	-	7,282	1,375
Commercial Paper	20,388	328,922	-	306,814	42,496
Negotiable Certificates of Deposit	59,760	49,073	-	88,139	20,694
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	1,510	2,100	2,474	-	1,136
Local Agency Investment Fund - California	50,000	-	-	-	50,000
Medium Term Notes	111,759	16,310	1,528	14,416	112,125
Asset & Mortgage-Backed Securities	33,612	1,114	391	-	34,335
Municipal Bonds	153,470	122	2,435	-	151,157
<b>Subtotals</b>	<b>\$ 1,064,253</b>	<b>\$ 640,522</b>	<b>\$ 147,067</b>	<b>\$ 469,231</b>	<b>\$ 1,088,477</b>
	Beginning Balance	Deposits		Withdrawals	Ending Balance
<b>Cash</b>					
Demand Accounts	\$ 5,411	-		2,315	3,096
Petty Cash	5				5
Overnight Investment	-			508	-
(2)	(999)	-			(1,507)
<b>Subtotals</b>	<b>\$ 4,417</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,823</b>	<b>\$ 1,594</b>
<b>Total</b>	<b>\$ 1,068,670</b>	<b>\$ 640,522</b>	<b>\$ 147,067</b>	<b>\$ 472,054</b>	<b>\$ 1,090,071</b>

(1) As of February 28, 2011, Metropolitan posted \$2.347 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**  
**February 28, 2011**

(\$ in Thousands)

<b>Securities Available for Metropolitan's Self-Liquidity Program</b>	<b>Market Value</b>	<b>Duration (1)</b>
US Treasury Bills	\$ 76,217	0.257
US Treasury Notes	81,861	3.735
US Treasury Strips	11,461	12.411
Federal Agency Coupons	452,390	0.429
Federal Agency Strips	12,563	3.077
Money Market Fund	1,136	0.000
California Local Agency Investment Fund	50,000	0.000
Commercial Paper	42,494	0.000
Bankers' Acceptances	1,375	0.000
Negotiable Certificates of Deposit	20,694	0.001
Corporates	108,700	1.605
California Municipal VRDOs - 7 day put	57,914	0.033
GNMA	181	5.938
Asset Backed	1,086	3.379
Mortgage Backed	33,531	0.877
Total	<u>\$ 951,603</u>	<u>0.958</u>

- (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.