



• Treasurer's Monthly Report

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 – May 2011
- Attachment 2: Portfolio Summary Report – May 2011
- Attachment 3: Summary Report of Investment & Cash Activity – May 2011
- Attachment 4: Duration Report – May 2011



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: June 13, 2011
To: Finance and Insurance Committee
From: Thomas E. DeBacker, Interim Chief Financial Officer
Subject: Treasurer's Monthly Report May 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 May 31, 2011, Metropolitan posted \$10.303 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
May 31, 2011

	Market Value (\$ in Thousands)		Duration		Monthly Return		Annualized Monthly Return		Annualized Return	
	(1)	(2)	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	\$ 579,296		0.23	0.23	0.18%	0.01%	2.14%	0.08%	2.73%	2.08%
Long-Term	\$ 311,559		2.76	2.59	0.71%	0.68%	8.82%	8.51%	4.72%	4.22%
Total Core Funds	\$ 890,855									
Other Funds		\$ 134,918		5.66			1.66%	21.83%		8.37%
Total	\$ 1,025,773									

- (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
May 31, 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"	\$ 208,895	\$ 204,340	20.36%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	114	111	0.01%	100%
Federal Agencies	(2)	"AAA"	376,617	374,076	36.72%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	1,814	1,814	0.18%	40%
Commercial Paper		"A1/P1 or higher"	82,123	82,126	8.01%	25%
Negotiable Certificates of Deposit		"F1 or higher"	9,999	10,000	0.97%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	725	725	0.07%	20%
Local Agency Investment Fund			50,000	50,000	4.87%	N/A
Medium Term Notes	(4)	"A or higher"	99,764	101,194	9.73%	30%
Asset & Mortgage-Backed Securities		"AAA"	39,541	39,465	3.85%	20%
Municipals	(5)	"A or higher"	156,181	157,092	15.23%	30%
Total Portfolio			<u>\$ 1,025,773</u>	<u>\$ 1,020,943</u>	<u>100.00%</u>	

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

(2) As of May 31, 2011, Metropolitan posted \$10.303 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) \$101.4 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
May 31, 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	\$ 74	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,300	\$ 4,986
					\$ 1,374	\$ 5,273

* 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
May 31, 2011

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 193,191	\$ 30,686	\$ 19,538	\$ -	\$ 204,339
Gov't National Mtge Assoc.	132	-	-	21	111
Federal Agencies	(1) 343,384	163,814	126,357	6,765	374,076
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	6,232	3,833	-	8,251	1,814
Commercial Paper	115,247	663,032	-	696,153	82,126
Negotiable Certificates of Deposit	7,000	23,610	-	20,610	10,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	644	3,831	3,750	-	725
Local Agency Investment Fund - California	50,000	-	-	-	50,000
Medium Term Notes	112,438	11,291	2,961	19,574	101,194
Asset & Mortgage-Backed Securities	40,955	5	1,494	-	39,466
Municipal Bonds	156,955	137	-	-	157,092
Subtotals	\$ 1,026,178	\$ 900,239	\$ 154,100	\$ 751,374	\$ 1,020,943
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 872	-		539	333
Petty Cash	5				5
Overnight Investment	-			1,999	-
(2)	-				(1,999)
Subtotals	\$ 877	\$ -	\$ -	\$ 2,538	\$ (1,661)
Total	\$ 1,027,055	\$ 900,239	\$ 154,100	\$ 753,912	\$ 1,019,282

(1) As of May 31, 2011, Metropolitan posted \$10.303 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
May 31, 2011

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 63,158	0.125
US Treasury Notes	82,799	3.578
US Treasury Strips	14,949	14.382
Federal Agency Coupons	320,962	0.549
Federal Agency Strips	7,157	4.773
Federal Agency Discount Notes	-	-
Money Market Fund	665	0.000
California Local Agency Investment Fund	45,830	0.000
Commercial Paper	75,274	0.052
Bankers' Acceptances	1,662	0.035
Negotiable Certificates of Deposit	9,165	0.082
Corporates	89,741	1.569
California Municipal VRDOs - 7 day put	58,140	0.020
GNMA	104	5.838
Asset Backed	991	3.149
Mortgage Backed	35,251	0.866
Total	<u>\$ 805,848</u>	
Weighted Average Duration		1.130

- (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.