



## ● **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 – June 2011

Attachment 2: Portfolio Summary Report – June 2011

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

Attachment 4: Duration Report – June 2011



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** July 11, 2011  
**To:** Finance and Insurance Committee  
**From:** Thomas E. DeBacker, Interim Chief Financial Officer  
**Subject:** Treasurer's Monthly Report June 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 14, 2011 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 June 30, 2011, Metropolitan posted \$10.391 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**  
**June 30, 2011**

		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)	\$	683,175	0.18	0.25	0.04%	0.01%	0.48%	0.11%	2.71%	2.06%
Long-Term	(2)		311,013	2.76	2.60	(0.16%)	(0.02%)	(1.84%)	(0.18%)	4.65%	4.18%
Total Core Funds		\$	994,188								
Other Funds	(3)		125,219	6.07		(0.17%)		(2.03%)		8.60%	
Total		\$	<u>1,119,407</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**  
**June 30, 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"	\$ 210,457	\$ 207,049	18.80%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	87	84	0.01%	100%
Federal Agencies	(2)	"AAA"	331,449	329,112	29.61%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	17,461	17,461	1.56%	40%
Commercial Paper		"A1/P1 or higher"	185,318	185,323	16.55%	25%
Negotiable Certificates of Deposit		"F1 or higher"	44,151	44,151	3.94%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	208	208	0.02%	20%
Local Agency Investment Fund			50,000	50,000	4.47%	N/A
Medium Term Notes	(4)	"A or higher"	91,802	93,446	8.20%	30%
Asset & Mortgage-Backed Securities		"AAA"	37,960	37,917	3.39%	20%
Municipals	(5)	"A or higher"	150,514	151,578	13.45%	30%
Total Portfolio			<u>\$ 1,119,407</u>	<u>\$ 1,116,329</u>	<u>100.00%</u>	

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

(2) As of June 30, 2011, Metropolitan posted \$10.391 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) \$60.8 million (market value) of the municipal bond portfolio was rated AAA.

**Portfolio Summary Report**  
**Attachment 2a**  
**June 30, 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	\$ 1,306	\$ 4,986
					<b>\$ 1,380</b>	<b>\$ 5,273</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**  
**June 30, 2011**

(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	\$ 204,339	\$ 47,917	\$ 3,703	\$ 41,504	\$ 207,049
Gov't National Mtge Assoc.	111	-	-	27	84
Federal Agencies	(1) 374,076	126,621	171,585	-	329,112
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	1,814	26,210	-	10,563	17,461
Commercial Paper	82,126	332,846	-	229,649	185,323
Negotiable Certificates of Deposit	10,000	47,882	-	13,731	44,151
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	725	4,658	5,175	-	208
Local Agency Investment Fund - California	50,000	3,154	3,154	-	50,000
Medium Term Notes	101,194	1,623	1,327	8,044	93,446
Asset & Mortgage-Backed Securities	39,466	2,275	3,824	-	37,917
Municipal Bonds	157,092	4,768	10,282	-	151,578
<b>Subtotals</b>	<b>\$ 1,020,943</b>	<b>\$ 597,954</b>	<b>\$ 199,050</b>	<b>\$ 303,518</b>	<b>\$ 1,116,329</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 333	9,387		-	9,720
Petty Cash	5				5
Overnight Investment	-	1,999		-	-
(2)	(1,999)				-
<b>Subtotals</b>	<b>\$ (1,661)</b>	<b>\$ 11,386</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,725</b>
<b>Total</b>	<b>\$ 1,019,282</b>	<b>\$ 609,340</b>	<b>\$ 199,050</b>	<b>\$ 303,518</b>	<b>\$ 1,126,054</b>

(1) As of June 30, 2011, Metropolitan posted \$10.391 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**  
**June 30, 2011**

(\$ in Thousands)

<b>Securities Available for Metropolitan's Self-Liquidity Program</b>	<b>Market Value</b>	<b>Duration (1)</b>
US Treasury Bills	\$ 55,258	0.196
US Treasury Notes	94,352	3.244
US Treasury Strips	14,776	14.238
Federal Agency Coupons	281,967	0.631
Federal Agency Strips	7,226	4.689
Federal Agency Discount Notes	-	-
Money Market Fund	193	0.000
California Local Agency Investment Fund	46,330	0.000
Commercial Paper	171,718	0.005
Bankers' Acceptances	16,059	0.006
Negotiable Certificates of Deposit	40,911	0.014
Corporates	83,338	1.589
California Municipal VRDOs - 7 day put	62,171	0.016
GNMA	80	5.789
Asset Backed	1,000	3.072
Mortgage Backed	34,174	0.929
Total	<u>\$ 909,553</u>	
Weighted Average Duration		1.000

- (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.