



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



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: August 15, 2011
To: Finance and Insurance Committee
From: Thomas E. DeBacker, Interim Chief Financial Officer
Subject: Treasurer's Monthly Report July 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 July 31, 2011, Metropolitan posted \$10.954 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

A handwritten signature in black ink, appearing to read 'Thomas E. DeBacker', with a long, sweeping underline.

Thomas E. DeBacker

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Attachments

Attachment I

The Metropolitan Water District of Southern California (MWD)
 Portfolio Performance Report
 July 31, 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) \$ 568,789	0.22	0.24	0.12%	(0.01%)	1.45%	(0.08%)	2.70%	2.05%
Long-Term	(2) 312,633	2.83	2.60	0.85%	0.73%	10.72%	9.15%	4.71%	4.23%
Total Core Funds	\$ 881,422								
Other Funds	(3) 120,905	6.38		1.69%		22.28%		9.01%	
Total	\$ 1,002,327								

- (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
July 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"	\$ 216,272	\$ 210,227	21.57%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	63	61	0.01%	100%
Federal Agencies	(2)	"AAA"	348,279	345,357	34.75%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	10,555	10,555	1.05%	40%
Commercial Paper		"A1/P1 or higher"	99,950	99,953	9.97%	25%
Negotiable Certificates of Deposit		"F1 or higher"	8,150	8,150	0.81%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	791	791	0.08%	20%
Local Agency Investment Fund			50,000	50,000	4.99%	N/A
Medium Term Notes	(4)	"A or higher"	94,988	96,517	9.48%	30%
Asset & Mortgage-Backed Securities		"AAA"	32,366	32,689	3.23%	20%
Municipals	(5)	"A or higher"	140,913	141,390	14.06%	30%
Total Portfolio			<u>\$ 1,002,327</u>	<u>\$ 995,690</u>	<u>100.00%</u>	

- (1) Securities have an explicit United States Government guarantee.
- (2) As of July 31, 2011, Metropolitan posted \$10.954 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) \$60.4 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
July 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	\$ 76	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,331	\$ 4,987
					\$ 1,407	\$ 5,274

* 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
July 31, 2011

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 207,049	\$ 65,559	\$ 62,381	\$ -	\$ 210,227
Gov't National Mtge Assoc.	84	-	-	23	61
Federal Agencies	(1) 329,112	283,715	235,530	31,940	345,357
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	17,461	10,830	-	17,736	10,555
Commercial Paper	185,323	535,850	-	621,220	99,953
Negotiable Certificates of Deposit	44,151	8,149	-	44,150	8,150
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	208	2,539	1,956	-	791
Local Agency Investment Fund - California	50,000	-	-	-	50,000
Medium Term Notes	93,446	6,266	895	2,300	96,517
Asset & Mortgage-Backed Securities	37,917	193	5,421	-	32,689
Municipal Bonds	151,578	5,852	6,195	9,845	141,390
Subtotals	\$ 1,116,329	\$ 918,953	\$ 312,378	\$ 727,214	\$ 995,690
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 9,720			9,704	16
Petty Cash	5				5
Overnight Investment	-			2,746	-
Overnight Investment	(2) -				(2,746)
Subtotals	\$ 9,725	\$ -	\$ -	\$ 12,450	\$ (2,725)
Total	\$ 1,126,054	\$ 918,953	\$ 312,378	\$ 739,664	\$ 992,965

(1) As of July 31, 2011, Metropolitan posted \$10.954 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
July 31, 2011

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 3,493	0.116
US Treasury Notes	149,888	2.510
US Treasury Strips	12,991	13.899
Federal Agency Coupons	257,261	0.661
Federal Agency Strips	7,272	4.641
Federal Agency Discount Notes	35,402	0.046
Money Market Fund	722	0.000
California Local Agency Investment Fund	45,671	0.000
Commercial Paper	91,296	0.000
Bankers' Acceptances	9,511	0.024
Negotiable Certificates of Deposit	7,445	0.021
Corporates	85,042	1.621
California Municipal VRDOs - 7 day put	57,258	0.014
GNMA	58	5.724
Asset Backed	984	2.995
Mortgage Backed	28,579	0.889
Total	<u>\$ 792,873</u>	
 Weighted Average Duration		 1.173

- (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.