



● ***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 – August 2011

Attachment 2: Portfolio Summary Report – August 2011

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

Attachment 4: Duration Report – August 2011



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: September 12, 2011
To: Finance and Insurance Committee
From: Thomas E. DeBacker, Interim Chief Financial Officer
Subject: Treasurer's Monthly Report August 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 August 31, 2011, Metropolitan posted \$21.898 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
August 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)	\$ 495,475	0.26	0.23	0.15%	0.02%	1.86%	0.26%	2.69%	2.03%
Long-Term	(2)	316,299	2.66	2.61	0.89%	0.51%	11.23%	6.27%	4.76%	4.24%
Total Core Funds		\$ 811,774								
Other Funds	(3)	123,186	6.37		2.00%		26.82%		9.22%	
Total		<u>\$ 934,960</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
August 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	(1,2)	"AAA"	\$ 220,598	\$ 210,511	23.59%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	47	45	0.01%	100%
Federal Agencies	(2,3)	"AAA"	352,879	349,524	37.74%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	33,359	33,360	3.57%	40%
Commercial Paper		"A1/P1 or higher"	34,999	35,000	3.74%	25%
Negotiable Certificates of Deposit		"F1 or higher"	-	-	0.00%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	816	816	0.09%	20%
Local Agency Investment Fund			50,000	50,000	5.35%	N/A
Medium Term Notes	(5)	"A or higher"	67,623	69,863	7.23%	30%
Asset & Mortgage-Backed Securities		"AAA"	36,213	36,428	3.87%	20%
Municipals	(6)	"A or higher"	138,426	138,575	14.81%	30%
Total Portfolio			\$ 934,960	\$ 924,122	100.00%	

- (1) Securities have an explicit United States Government guarantee.
- (2) United States Treasuries and Federal Agencies are rated 'AAA' by two nationally recognized rating agencies and 'AA+' by one nationally recognized rating agency.
- (3) As of August 31, 2011, Metropolitan posted \$21.898 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.
- (4) Repurchase agreements can only be executed with primary dealers and collateral consists of Treasuries and/or Federal Agencies with maturities under 5 years.
- (5) Please see attachment 2a for medium term notes that are rated less than A.
- (6) \$57.5 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
August 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	\$ 71	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 1,244	\$ 4,987
					\$ 1,315	\$ 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
August 31, 2011

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 210,227	\$ 13,024	\$ 7,740	\$ 5,000	\$ 210,511
Gov't National Mtge Assoc.	61	-	-	16	45
Federal Agencies	(1) 345,357	266,227	231,246	30,814	349,524
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	10,555	38,621	-	15,816	33,360
Commercial Paper	99,953	327,876	-	392,829	35,000
Negotiable Certificates of Deposit	8,150	11,835	-	19,985	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	791	1,691	1,666	-	816
Local Agency Investment Fund - California	50,000	13,834	13,834	-	50,000
Medium Term Notes	96,517	6,336	6	32,984	69,863
Asset & Mortgage-Backed Securities	32,689	4,920	1,181	-	36,428
Municipal Bonds	141,390	1,925	4,740	-	138,575
Subtotals	\$ 995,690	\$ 686,289	\$ 260,413	\$ 497,444	\$ 924,122
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 16			7	9
Petty Cash	5				5
Overnight Investment	-	2,746			-
(2)	(2,746)				-
Subtotals	\$ (2,725)	\$ 2,746	\$ -	\$ 7	\$ 14
Total	\$ 992,965	\$ 689,035	\$ 260,413	\$ 497,451	\$ 924,136

(1) As of August 31, 2011, Metropolitan posted \$21.898 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
August 31, 2011

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	155,388	2.387
US Treasury Strips	10,728	13.539
Federal Agency Coupons	271,753	0.555
Federal Agency Strips	7,349	4.602
Federal Agency Discount Notes	9,092	0.058
Money Market Fund	735	0.000
California Local Agency Investment Fund	44,988	0.000
Commercial Paper	31,491	0.000
Bankers' Acceptances	30,015	0.018
Negotiable Certificates of Deposit	-	-
Corporates	59,413	2.232
California Municipal VRDOs - 7 day put	53,748	0.030
GNMA	42	5.644
Asset Backed	966	2.918
Mortgage Backed	31,617	0.925
Total	<u>\$ 707,325</u>	
 Weighted Average Duration		 1.228

(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.