



## ● **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 – September 2011

Attachment 2: Portfolio Summary Report – September 2011

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

Attachment 4: Duration Report – September 2011



**MWD**  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** October 10, 2011  
**To:** Finance and Insurance Committee  
**From:** Gary M. Breaux, Assistant General Manager/Chief Financial Officer  
**Subject:** Treasurer's Monthly Report September 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 September 30, 2011, Metropolitan posted \$25.742 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements. During September, Metropolitan also posted collateral with JP Morgan, pursuant to various swap agreements. However, as of September 30, 2011 no collateral was posted with JP Morgan.

Gary M. Breaux

GMB-mt

s:\treasure\2011 mo end reports\09-2011 mo end reports\monthlyletter Sep 2011.docx

Attachments

Attachment 1  
**The Metropolitan Water District of Southern California (MWD)**  
**Portfolio Performance Report**  
**September 30, 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)	\$ 566,593	0.25	0.24	0.13%	0.00%	1.62%	0.02%	2.68%	2.01%
Long-Term	(2)	316,840	2.57	2.62	0.30%	(0.29%)	3.71%	(3.39%)	4.75%	4.17%
Total Core Funds		\$ 883,433								
Other Funds	(3)	124,634	6.46		1.62%		21.28%		9.41%	
Total		<u>\$ 1,008,067</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**  
**September 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	(1,2)	"AAA"	\$ 209,653	\$ 199,792	20.80%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	24	22	0.00%	100%
Federal Agencies	(2,3)	"AAA"	386,010	382,675	38.29%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	1,807	1,807	0.18%	40%
Commercial Paper		"A1/P1 or higher"	125,191	125,198	12.42%	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"	779	779	0.08%	20%
Local Agency Investment Fund			50,000	50,000	4.96%	N/A
Medium Term Notes	(5)	"A or higher"	79,049	82,073	7.84%	30%
Asset & Mortgage-Backed Securities		"AAA"	46,846	46,724	4.65%	20%
Municipals	(6)	"A or higher"	108,708	108,137	10.78%	30%
<b>Total Portfolio</b>			<b>\$ 1,008,067</b>	<b>\$ 997,207</b>	<b>100.00%</b>	

- (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 September 30, 2011, Metropolitan posted \$25.742 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) \$61.670 million (market value) of the municipal bond portfolio was rated AAA.

**Portfolio Summary Report**  
**Attachment 2a**  
**September 30, 2011**  
(\$ in Thousands)

	Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
	Moody's	S&P				
	*	*	Lehman Corporate Floating Rate Note	10/22/2008	\$ 67	\$ 287
	*	*	Lehman 3.60%	3/13/2009	\$ 1,181	\$ 4,987
					\$ 1,248	\$ 5,274
	Baa1	A	Bank of America 6.50%	8/1/2016	\$ 993	\$ 1,065
	Baa1	A	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 1,934	\$ 2,035
					\$ 2,927	\$ 3,100

\* Note: Securities are in default and credit ratings are no longer provided by the various rating agencies.

Attachment 3  
**Summary Report of Investment & Cash Activity**  
**September 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	\$ 210,511	\$ 14,083	\$ 24,802	\$ -	\$ 199,792
Gov't National Mtge Assoc.	45	-	-	23	22
Federal Agencies	(1) 349,524	226,463	179,123	14,189	382,675
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	33,360	1,809	-	33,362	1,807
Commercial Paper	35,000	788,867	-	698,669	125,198
Negotiable Certificates of Deposit	-	10,000	-	10,000	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	816	11,465	11,502	-	779
Local Agency Investment Fund - California	50,000	3,425	3,425	-	50,000
Medium Term Notes	69,863	12,812	7	595	82,073
Asset & Mortgage-Backed Securities	36,428	19,676	9,380	-	46,724
Municipal Bonds	138,575	4,597	35,035	-	108,137
<b>Subtotals</b>	<b>\$ 924,122</b>	<b>\$ 1,093,197</b>	<b>\$ 263,274</b>	<b>\$ 756,838</b>	<b>\$ 997,207</b>
	<b>Beginning Balance</b>	<b>Deposits</b>		<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Cash</b>					
Demand Accounts	\$ 9	3,489			3,498
Petty Cash	5				5
Overnight Investment	-				-
<b>Subtotals</b>	<b>\$ 14</b>	<b>\$ 3,489</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,503</b>
<b>Total</b>	<b>\$ 924,136</b>	<b>\$ 1,096,686</b>	<b>\$ 263,274</b>	<b>\$ 756,838</b>	<b>\$ 1,000,710</b>

(1) As of September 30, 2011, Metropolitan posted \$25.742 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Attachment 4  
**Duration Report**  
**September 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	\$ -	-
US Treasury Notes	147,903	1.835
US Treasury Strips	8,494	10.022
Federal Agency Coupons	308,916	0.551
Federal Agency Strips	7,433	4.529
Federal Agency Discount Notes	95	0.202
Money Market Fund	706	0.000
California Local Agency Investment Fund	45,296	0.000
Commercial Paper	113,413	0.008
Bankers' Acceptances	1,637	0.030
Negotiable Certificates of Deposit	-	-
Corporates	70,231	2.070
California Municipal VRDOs - 7 day put	26,860	0.057
GNMA	22	5.376
Asset Backed	-	-
Mortgage Backed	42,439	3.585
<b>Total</b>	<b><u>\$ 773,445</u></b>	
 Weighted Average Duration		 1.113

- (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.