



● ***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 – October 2011

Attachment 2: Portfolio Summary Report – October 2011

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

Attachment 4: Duration Report – October 2011



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: November 7, 2011
To: Finance and Insurance Committee
From: Gary M. Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report October 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 October 31, 2011, Metropolitan posted \$20.019 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

A handwritten signature in black ink, appearing to read 'Gary M. Breaux'.

Gary M. Breaux

GMB-mt

s:\treasure\2011 mo end reports\10-2011 mo end reports\monthlyletter Oct 2011.docx

Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
October 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)	\$ 592,085	0.24	0.24	(0.04%)	0.00%	(0.50%)	0.02%	2.65%	1.99%
Long-Term	(2)	316,973	2.71	2.63	0.08%	0.27%	0.90%	3.24%	4.72%	4.16%
Total Core Funds		\$ 909,058								
Other Funds	(3)	123,868	6.57		(0.72%)		(8.35%)		9.13%	
Total		<u>\$ 1,032,926</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
October 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"	\$ 211,985	\$ 203,589	20.52%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	16	13	0.01%	100%
Federal Agencies	(2,3)	"AAA"	411,466	408,559	39.83%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	1,074	1,074	0.10%	40%
Commercial Paper		"A1/P1 or higher"	113,276	113,288	10.97%	25%
Negotiable Certificates of Deposit		"F1 or higher"	1,000	1,000	0.10%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	556	556	0.05%	20%
Local Agency Investment Fund			50,000	50,000	4.84%	N/A
Medium Term Notes	(5)	"A or higher"	91,511	94,025	8.86%	30%
Asset & Mortgage-Backed Securities		"AAA"	43,633	43,690	4.22%	20%
Municipals	(6)	"A or higher"	108,409	108,279	10.50%	30%
Total Portfolio			\$ 1,032,926	\$ 1,024,073	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 October 31, 2011, Metropolitan posted \$20.019 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) \$45.233 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
October 31, 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	\$ 71	\$ 287
*	*	Lehman 3.60%	3/13/2009	\$ 1,238	\$ 4,988
				\$ 1,309	\$ 5,275
Baa1	A	Bank of America 6.50%	8/1/2016	\$ 1,041	\$ 1,064
Baa1	A	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 2,020	\$ 2,034
				\$ 3,061	\$ 3,098

* 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
October 31, 2011

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 199,792	\$ 6,606	\$ 2,809	\$ -	\$ 203,589
Gov't National Mtge Assoc.	22	-	-	9	13
Federal Agencies	(1) 382,675	231,871	205,987	-	408,559
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	1,807	2,030	-	2,763	1,074
Commercial Paper	125,198	407,302	-	419,212	113,288
Negotiable Certificates of Deposit	-	1,000	-	-	1,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	779	3,438	3,661	-	556
Local Agency Investment Fund - California	50,000	3,129	3,129	-	50,000
Medium Term Notes	82,073	14,776	6	2,818	94,025
Asset & Mortgage-Backed Securities	46,724	22	3,056	-	43,690
Municipal Bonds	108,137	142	-	-	108,279
Subtotals	\$ 997,207	\$ 670,316	\$ 218,648	\$ 424,802	\$ 1,024,073
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 3,498			3,149	349
Petty Cash	5				5
Overnight Investment	-				-
Subtotals	\$ 3,503	\$ -	\$ -	\$ 3,149	\$ 354
Total	\$ 1,000,710	\$ 670,316	\$ 218,648	\$ 427,951	\$ 1,024,427

(1) As of October 31, 2011, Metropolitan posted \$20.019 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Attachment 4
Duration Report
October 31, 2011

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	147,687	1.750
US Treasury Strips	10,706	13.430
Federal Agency Coupons	328,323	0.511
Federal Agency Strips	7,375	4.434
Federal Agency Discount Notes	7,631	0.171
Money Market Fund	501	0.000
California Local Agency Investment Fund	45,085	0.000
Commercial Paper	102,141	0.044
Bankers' Acceptances	968	0.002
Negotiable Certificates of Deposit	902	0.008
Corporates	81,088	1.745
California Municipal VRDOs - 7 day put	26,736	0.048
GNMA	14	5.108
Asset Backed	-	-
Mortgage Backed	39,344	3.723
Total	\$ 798,501	
 Weighted Average Duration		 1.124

- (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.