



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: July 12, 2010
To: Business and Finance Committee
From: Brian G. Thomas, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report June 2010

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 8, 2010 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, 2010, Metropolitan posted \$12.04 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Brian G. Thomas

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
June 30, 2010

		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)	\$ 656,686	0.28	0.25	0.18%	0.01%	2.21%	0.14%	2.90%	2.30%
Long-Term	(2)	303,581	2.79	2.57	0.99%	0.76%	12.60%	9.54%	4.93%	4.37%
Total Core Funds		\$ 960,267								
Other Funds	(3)	134,524	8.56		0.28%		3.39%		9.57%	
Total		<u>\$ 1,094,791</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, 2010

(\$ 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"	\$ 209,007	\$ 203,199	19.09%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	404	406	0.04%	100%
Federal Agencies	(2)	"AAA"	251,506	248,512	22.97%	100%
Repurchase Agreements	(3)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	33,332	33,335	3.04%	40%
Commercial Paper		"A1/P1 or higher"	180,986	180,992	16.53%	25%
Negotiable Certificates of Deposit		"F1 or higher"	69,499	69,501	6.35%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	329	329	0.03%	20%
Local Agency Investment Fund			50,000	50,000	4.57%	N/A
Medium Term Notes	(4)	"A or higher"	78,039	79,727	7.13%	30%
Asset & Mortgage-Backed Securities		"AAA"	35,021	34,143	3.20%	20%
Municipals	(5)	"AA or higher"	186,668	189,240	17.05%	30%
Total Portfolio			<u>\$ 1,094,791</u>	<u>\$ 1,089,384</u>	<u>100.0%</u>	

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

(2) As of June 30, 2010, Metropolitan posted \$12.04 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) \$118 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
June 30, 2010
(\$ in Thousands)

	Credit Ratings		Description	Maturity Date	Market Value	Book Value
	Moody's	S&P				
(1)	*	*	Lehman Corporate Floating Rate Note	10/22/2008	\$ 56	\$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	\$ 988	\$ 4,981
					\$ 1,044	\$ 5,268

* 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, 2010

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 198,530	\$ 51,496	\$ 2,500	\$ 44,327	\$ 203,199
Gov't National Mtge Assoc.	431	-	-	25	406
Federal Agencies	(1) 428,872	51,737	231,352	745	248,512
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	41,199	-	7,864	33,335
Commercial Paper	53,948	944,108	-	817,064	180,992
Negotiable Certificates of Deposit	-	73,501	-	4,000	69,501
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	942	5,581	6,194	-	329
Local Agency Investment Fund - California	50,000	267	267	-	50,000
Medium Term Notes	103,669	9,368	1,043	32,267	79,727
Asset & Mortgage-Backed Securities	39,229	2	197	4,891	34,143
Municipal Bonds	195,005	3,528	9,293	-	189,240
Subtotals	\$ 1,070,626	\$ 1,180,787	\$ 250,846	\$ 911,183	\$ 1,089,384
	Ending Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 654	16			\$ 670
Petty Cash	5				5
Less Overnight Investment	-	-			-
Subtotals	\$ 659	\$ 16	\$ -	\$ -	\$ 675
Total	\$ 1,071,285	\$ 1,180,803	\$ 250,846	\$ 911,183	\$ 1,090,059

(1) As of June 30, 2010, Metropolitan posted \$12.04 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Attachment 4
Duration Report
June 30, 2010

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 80,856	0.175
US Treasury Notes	84,638	2.519
US Treasury Strips	21,327	11.628
Federal Agency Discounts	10,300	4.087
Federal Agency Coupons (2)	238,407	1.337
Money Market Fund	329	0.000
California Local Agency Investment Fund	50,000	0.000
Commercial Paper	180,466	0.003
Bankers' Acceptances	33,332	0.052
Negotiable Certificates of Deposit	69,499	0.002
Corporates	74,883	1.988
California Municipal VRDOs - 7 day put	78,130	0.027
GNMA	404	6.007
Asset Backed	4,556	1.455
Mortgage Backed	30,464	0.917
Total	\$ 957,591	1.075

- (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.
- (2) As of June 30, 2010, Metropolitan posted \$12.04 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.