THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Report

Chief Financial Officer

- **Treasurer's Monthly Report for July 2010**

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 2010

Attachment 2: Portfolio Summary Report – July 2010

Attachment 3: Summary Report of Investment & Cash Activity – July 2010

Attachment 4: Duration Report – July 2010

Date of Report: 8/16/2010

MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: August 16, 2010

To: Business and Finance Committee

From: Brian G. Thomas, Assistant General Manager/Chief Financial Officer

Subject: Treasurer's Monthly Report July 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 July 31, 2010, Metropolitan posted $11.99 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
July 31, 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)	$ 525,846	0.33	0.24	0.11%	0.02%	1.27%	0.22%	2.89%	2.28%
Long-Term	(2)	305,438	2.73	2.56	0.67%	0.73%	8.28%	9.13%	4.96%	4.41%
Total Core Funds		$ 831,284								
Other Funds	(3)	133,641	7.84		1.13%		14.49%		9.67%	
Total		$ 964,925								

(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, 2010

($ in Thousands)

Securities		**Credit Quality**	**Market Value**	**Book Value**	**Percent of Portfolio Market Value**	**Investment Policy Limits**
United States Treasuries	**(1)**	"AAA"	$ 211,838	$ 205,429	21.95%	100%
Gov't National Mtge Assoc.	**(1)**	"AAA"	378	374	0.04%	100%
Federal Agencies	**(2)**	"AAA"	238,927	235,230	24.76%	100%
Repurchase Agreements	**(3)**	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	24,733	24,731	2.56%	40%
Commercial Paper		"A1/P1 or higher"	107,240	107,244	11.11%	25%
Negotiable Certificates of Deposit		"F1 or higher"	32,500	32,500	3.37%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	563	563	0.06%	20%
Local Agency Investment Fund			50,000	50,000	5.18%	N/A
Medium Term Notes	**(4)**	"A or higher"	88,389	89,611	9.16%	30%
Asset & Mortgage-Backed Securities		"AAA"	33,054	32,195	3.43%	20%
Municipals	**(5)**	"AA or higher"	177,303	178,942	18.38%	30%
Total Portfolio			$ 964,925	$ 956,819	100.00%	

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

(2) As of July 31, 2010, Metropolitan posted $11.99 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) $114 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
July 31, 2010
($ in Thousands)

	Credit Ratings Moody's	S&P	Description	Maturity Date	Market Value	Book Value
(1)	*	*	Lehman Corporate Floating Rate Note	10/22/2008	$ 60	$ 287
(1)	*	*	Lehman 3.60%	3/13/2009	$ 1,063	$ 4,981
					$ 1,123	**$ 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

July 31, 2010

(Shown at Book Value and $ in Thousands)

		Beginning Balance	**Purchases**	**Sales**	**Maturities**	**Ending Balance**
United States Treasuries		$ 203,199	$ 9,730	$ -	$ 7,500	$ 205,429
Gov't National Mtge Assoc.		406	-	-	32	374
Federal Agencies	(1)	248,512	98,429	108,025	3,686	235,230
Repurchase Agreements		-	-	-	-	-
Bankers' Acceptances		33,335	13,910	-	22,514	24,731
Commercial Paper		180,992	566,232	-	639,980	107,244
Negotiable Certificates of Deposit		69,501	47,499	-	84,500	32,500
Time Deposits		-	-	-	-	-
Shares of Beneficial Interest		329	2,316	2,082	-	563
Local Agency Investment Fund - California		50,000	-	-	-	50,000
Medium Term Notes		79,727	10,143	9	250	89,611
Asset & Mortgage-Backed Securities		34,143	-	824	1,124	32,195
Municipal Bonds		189,240	10,573	20,871	-	178,942
Subtotals		**$ 1,089,384**	**$ 758,832**	**$ 131,811**	**$ 759,586**	**$ 956,819**
Cash		Ending Balance	Deposits		Withdrawals	Ending Balance
Demand Accounts		$ 670	365			1,035
Petty Cash		5				5
Less Overnight Investment	(2)	-	-		2,000	- (2,000)
Subtotals		**$ 675**	**$ 365**	**$ -**	**$ 2,000**	**$ (960)**
Total		**$ 1,090,059**	**$ 759,197**	**$ 131,811**	**$ 761,586**	**$ 955,859**

(1) As of July 31, 2010, Metropolitan posted $11.99 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, 2010

($ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program		Market Value	Duration (1)
US Treasury Bills		$ 82,910	0.145
US Treasury Notes		84,943	2.451
US Treasury Strips		21,549	11.546
Federal Agency Discounts		10,372	4.021
Federal Agency Coupons	(2)	225,235	1.373
Money Market Fund		563	0.000
California Local Agency Investment Fund		50,000	0.000
Commercial Paper		107,240	0.004
Bankers' Acceptances		24,733	0.044
Negotiable Certificates of Deposit		32,500	0.005
Corporates		85,224	1.695
California Municipal VRDOs - 7 day put		69,900	0.045
GNMA		378	6.046
Asset Backed		3,675	1.326
Mortgage Backed		29,379	0.884
Total		$ 828,601	1.211

(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 July 31, 2010, Metropolitan posted $11.99 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.