



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Financial Summary for the Twelve Months Ended June 30, 2005

Executive Financial Summary
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For the Twelve Months Ended June 30, 2005

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Executive Financial Summary for the Twelve Months Ended June 30, 2005 and 2004

A summary of the accrual basis operations activity for current compared to prior year as well as the changes in the balance sheet from year to year are discussed below.

Statements of Operations (page 2)

Net Income of \$127.8 million was \$99.1 million less than prior year's net income. Included in this variance were \$106.1 million lower operating revenues and \$34.3 million higher operating expenses partially offset by \$41.3 million of higher other income-net. These items are further described below.

Operating revenues for the twelve months ended June 30, 2005 totaled \$911.1 million, which was \$106.1 million less than prior year operating revenues of \$1,017.2 million. The decrease was due primarily to \$113.6 million less in water sales partially offset by \$8.0 million more in capacity charges. The lower water sales are due to near record rainfall this fiscal year compared to last year. The higher capacity charge revenues reflect an increase in the annual charge.

Operating expenses of \$827.7 million were \$34.3 million higher than last year. The increase included \$37.6 million of higher cost of water, \$27.2 million of higher O&M costs, and the \$13.5 million grant to The Center for Water Education. These increases were partially offset by a prior year member agency distribution/refund of \$47.5 million. The higher cost of water was due primarily to a smaller credit in the current year for prior year adjustments. The higher O&M costs were due to a \$17.0 million claims settlement, \$4.4 million more in personnel costs due to negotiated labor contracts and \$3.2 million higher chemical costs due to increased supplier prices and increased dosages due to changes in water quality.

Other income-net of \$44.4 million was \$41.3 million more than last year. This increase was due primarily to \$36.6 million more in investment income due primarily to \$27.1 million more in fair value adjustments and \$9.5 million of higher interest earnings resulting from a larger portfolio and higher interest rates.

Balance Sheets (page 3)

At June 30, 2005, assets totaled \$9.8 billion, which were \$423.2 million higher than June 30, 2004. Cash and investments was \$109.2 million higher due primarily to \$300.0 million in revenue bonds issued November 2004. Property, plant and equipment-net was \$276.0 million higher due to construction progress on Inland Feeder, the Oxidation Retrofit programs, Skinner Filtration Plant Expansion 4, CRA Conveyance and Power System Reliability programs, Diamond Valley Lake Recreation Plan, San Diego Pipeline No. 6, and Weymouth Filtration Plant improvement. Participation Rights were \$62.1 million higher due primarily to the capitalization of PVID land-following sign-up costs as participation rights. Partially offsetting these increases, were \$71.4 million less in accounts receivable due to \$40.5 million lower water sales and a FY03-04 \$28.0 million credit due from DWR for State Water Project costs.

Liabilities totaled \$4.3 billion at June 30, 2005, which were \$292.1 million more than the prior year. This increase was due primarily to a \$199.8 million net increase in long-term debt resulting from \$300.0 million of revenue bonds issued November 2004 offset by principal paydowns, refundings and cash defeasances of debt. Additionally, accounts payable and accrued bond interest increased by \$101.9 million, of which \$57.0 million related to PVID land following contracts, signed and received by June 30, 2005; \$35.0 million for a claims settlement outstanding as of June 30; \$3.4 million for CRA power purchased; and \$3.0 million for water delivered into Semitropic storage.

The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Dollars in millions)

	For the Twelve Months Ended June 30,		<i>Favorable/ (Unfavorable) Variance</i>
	2005	2004	
Operating Revenues:			
Water Sales	\$ 773.2	\$ 886.8	\$ (113.6)
Wheeling / Exchange	6.9	5.3	1.6
RTS	80.0	80.0	(0.0)
Capacity Charge	30.0	22.1	8.0
Power Sales	20.9	23.0	(2.1)
Total Operating Revenues	911.1	1,017.2	(106.1)
Operating Expenses:			
Cost of Water	280.1	242.5	(37.6)
Operations & Maintenance	290.7	263.5	(27.2)
Grant Expense	13.5	-	(13.5)
Water Management Programs, Net	32.9	38.3	5.4
Member Agency Distributions/Refund	-	47.5	47.5
Depreciation & Amortization	210.5	201.7	(8.9)
Total Operating Expenses	827.7	793.4	(34.3)
Net Operating Income	83.4	223.8	(140.4)
Other Income (Expense):			
Net Taxes/Annexations	91.8	96.7	(4.9)
Investment Income	46.8	10.2	36.6 ⁽¹⁾
Bond Interest Expense	(100.3)	(100.9)	0.6
Other	6.1	(2.8)	8.9
Total Other Income - Net	44.4	3.2	41.3
Net Income	\$ 127.8	\$ 227.0	\$ (99.1)
Sales Statistics:			
Water Sales (TAF)	2,051.1	2,417.7	(366.6)
Wheeling/Exchange (TAF)	26.6	20.7	5.9
Power Sales (mWh)	426.3	482.2	(55.9)
Average Sales Price			
Water Sales	\$ 376.96	\$ 366.80	\$ 10.16
Wheeling/Exchange	\$ 259.75	\$ 255.97	\$ 3.78
Power Sales	\$ 0.05	\$ 0.05	\$ 0.00

Ratios:

Operating (Operating Expense* divided by Operating Revenue) 66.3 % 53.5 %

* Excludes depreciation/amortization, member agency distribution/refund and grant expense.

Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis

(Net receipts divided by annual revenue bond principal and interest requirements) 2.53 x 2.50 x

⁽¹⁾ Investment income includes fair value adjustments of \$9.0 million and (\$18.1) million for fiscal 2005 and 2004, respectively.

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Balance Sheets - Accrual Basis (Dollars in millions)

	2005	June 30, 2004	<i>Increase/ (Decrease)</i>
Assets:			
Cash and investments at book value ⁽¹⁾	\$ 1,205.5	\$ 1,096.3	\$ 109.2
Fair Value Adjustment	4.5	(4.6)	9.0
Accounts Receivable	170.7	242.1	(71.4)
Property, Plant and Equipment, net	6,241.3	5,965.3	276.0
Participation Rights, net	1,798.4	1,736.3	62.1
Deferred Charges and Water Rights	209.9	196.9	13.0
Other	122.7	97.4	25.2
Total Assets	\$ 9,752.9	\$ 9,329.8	\$ 423.2
Liabilities and Equity:			
Long-Term Debt	\$ 3,723.1	\$ 3,523.3	\$ 199.8
Off-Aqueduct Power Facilities	88.3	93.6	(5.4)
Accounts Payable and Accrued Bond Interest	221.3	119.4	101.9
Deferred Income	18.5	17.4	1.1
State Water Project Obligations	206.0	220.4	(14.4)
Trust Funds and Other	84.3	75.2	9.1
Total Liabilities	4,341.5	4,049.3	292.1
Equity	5,411.5	5,280.4	131.0
Total Liabilities and Equity	\$ 9,752.9	\$ 9,329.8	\$ 423.2

Debt as a percent of equity (Long-Term Debt divided by Equity) 68.8 % 66.7 %

(1) Fair value of cash and investments was \$1,210.0 million and \$1,091.8 million at June 30, 2005 and 2004 respectively.

Certain reclassifications of prior year amounts have been made to conform to current year's presentation.

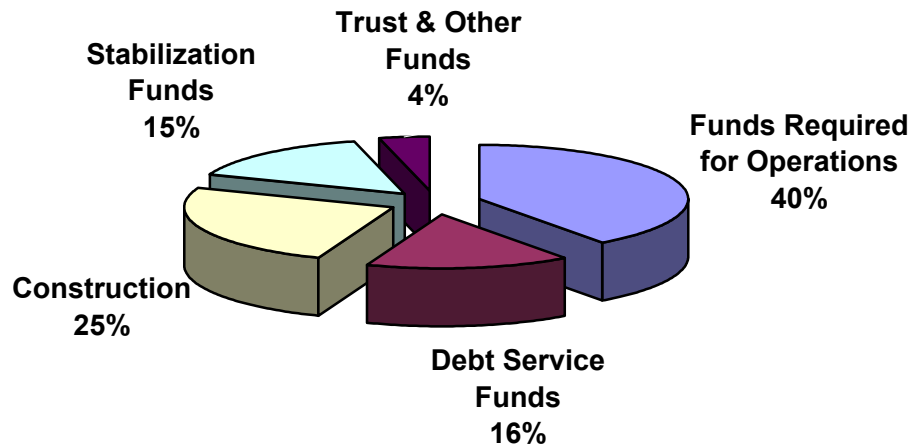
Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of June 30, 2005 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$124.4	\$203.0	\$155.1	\$482.5
Debt Service Funds	191.3	0.0	0.0	191.3
Construction	206.1	0.0	95.0	301.1
Stabilization Funds	0.0	0.0	184.1	184.1
Trust & Other Funds	30.0	16.5	0.0	46.5
Total	\$551.9	\$219.5	\$434.2	\$1,205.5

Totals may not foot / cross foot due to rounding.



Executive Financial Summary for the Twelve Months Ended June 30, 2005 Actual to Estimate

A summary of accrual basis operations and construction activity compared to estimate for the same period are discussed below.

Actual vs. Estimate (page 6)

Operating revenues of \$911.1 million were \$95.9 million less than estimate, due primarily to \$101.0 million of lower cost than estimated water sales. Water sales volumes totaled 2,051.1 thousand acre-feet (TAF), compared to an estimate of 2,303.7 TAF. The lower than planned water sales is due to near record rainfall this year. Partially offsetting the lower than estimated water sales was \$6.0 more of power sales due to higher than expected sales prices.

Operating expenses of \$827.7 million were \$8.1 million less than the estimate due primarily to \$24.2 million of lower cost of water and \$13.3 million less in water management programs; partially offset by the \$13.5 million grant to The Center for Water Education for the construction of a facility in the Diamond Valley Lake vicinity and \$7.9 million more in O&M expenses. The favorable variance for cost of water was due primarily to lower than expected State Water Contract costs. Water management costs were \$13.3 million less than estimate due to delays in starting projects, less than anticipated activity on certain projects and reductions in or cessation of certain programs. O&M expenses were \$7.9 million more than the estimate due to an unplanned claims settlement of \$17.0 million, and higher materials and professional services costs; partially offset by lower than estimated costs for salaries and benefits.

Other income-net totaling \$44.4 million was \$27.1 million greater than estimate due primarily to \$30.0 million higher than anticipated investment income. The investment income variance includes \$21.1 million more in interest income due to higher than projected cash balances and higher than anticipated interest rates and \$9.0 million in fair value adjustment, which was not part of the estimated amount.

Construction Activity (page 9)

Construction costs for the twelve months ended June 30, 2005 totaled \$292.4 million, which was \$108.4 million, or 27 percent, under estimate. The Treatment Plant Improvement projects were \$33.1 million less than estimate due to delays in contractor billings, acceleration of work in the prior fiscal year, re-scoping of projects resulting in delays and/or reductions of project costs and Board authorized transfer of costs for Skinner Improvements program to the Skinner Oxidation Retrofit program. The Oxidation Retrofit and Diemer Solids Handling/Water Reclamation projects were \$36.7 million less than estimate from delays due to local agency regulations and delays in consultant/contractor billings.

Changes in the oxidation retrofit programs, treatment plant improvement projects, Skinner expansion No. 4, CRA – reliability/containment programs and Diamond Valley Lake recreation program costs are attributed to scope changes and increased material costs. These changes are also reflected in the current Capital Program Appendix presented to the Board during the May and June Budget deliberations.

The Metropolitan Water District of Southern California

Statement of Operations - Accrual Basis
 Estimate vs. Actual
 For the Twelve Months Ended June 30, 2005
 (Dollars in millions)

	Twelve Months Ended June 30, 2005						
	June 30, 2004 Actual	Estimate	Actual	Favorable/ (Unfavorable) Variance			
				from Estimate		from Prior Year Actual	
				\$	%	\$	%
Operating Revenues							
Water Sales	\$ 886.8	\$ 874.2	\$ 773.2	\$ (101.0)	(12%)	\$ (113.6)	(13%)
Wheeling/Exchange	5.3	7.1	6.9	(0.2)	(0.0)	1.6	0.3
RTS	80.0	80.0	80.0	0.0	0%	(0.0)	(0%)
Capacity Charge	22.1	30.7	30.0	(0.6)	(2%)	8.0	36%
Power Sales (1)	23.0	15.0	20.9	6.0	40%	(2.1)	(9%)
Total Operating Revenues	1,017.2	1,007.0	911.1	(95.9)	(10%)	(106.1)	(10%)
Operating Expenses							
Operations & Maintenance	263.5	282.8	290.7	(7.9)	(3%)	(27.2)	(10%)
Grant Expense	-	-	13.5	(13.5)	n/a	(13.5)	n/a
Cost of Water	242.5	304.3	280.1	24.2	8%	(37.6)	(15%)
Water Mgt. Programs	38.3	46.2	32.9	13.3	29%	5.4	14%
Member Agency Distributions (2)	47.5	-	-	-	n/a	47.5	100%
Depreciation & Amortization	201.7	202.6	210.5	(7.9)	(4%)	(8.9)	(4%)
Total Operating Expenses	793.4	835.8	827.7	8.1	1%	(34.3)	(4%)
Operating Income	223.8	171.1	83.4	(87.7)	(51%)	(140.4)	(63%)
Other Income/(Expense)							
Net Taxes/Annexations	96.7	97.4	91.8	(5.6)	(6%)	(4.9)	(5%)
Investment Income	10.2	16.8	46.8	30.0	179%	36.6	357%
Bond Interest Expense (3)	(100.9)	(96.8)	(100.3)	(3.5)	(4%)	0.6	1%
Other	(2.8)	-	6.1	6.1	n/a	8.9	(317%)
	3.2	17.4	44.4	27.1	156%	41.3	1299%
Net Income	\$ 227.0	\$ 188.5	\$ 127.8	\$ (60.7)	(32%)	\$ (99.1)	(44%)
Sales Statistics							
Water Sales (TAF)	2,417.7	2,303.7	2,051.1	(252.6)	(11%)	(366.6)	(15%)
Wheeling Sales (TAF)	20.7	24.9	26.6	1.7	7%	5.9	29%

(1) Power Sales in the approved budget includes CRA sales. The above Estimate excludes CRA sales.

(2) FY 04 includes \$36.3 million for member agency distribution and \$11.2 million refund to LADWP relating to a meter error.

(3) Bond interest expense in the approved budget includes capitalized interest. The above Estimate excludes capitalized interest.

Totals may not foot / cross foot due to rounding.

Certain reclassifications have been made to conform to current year's presentation.

The Metropolitan Water District of Southern California

Estimate vs. Actual - Accrual Basis (Dollars in millions)

For the Twelve Months Ended June 30, 2005

	June 30, 2004 Actual	Estimate		Actual		Favorable/ (Unfavorable) Variance			
						from Estimate		Prior Year Actual	
						\$	%	\$	%
Operations & Maintenance									
Fixed									
Personnel	\$ 169.4	\$ 179.1	\$ 173.8	\$ 5.3	3%	\$ (4.4)	(3%)		
Materials & Supplies	15.4	13.4	15.4	(2.1)	(15%)	(0.1)	(1%)		
Professional Services	19.5	17.3	20.7	(3.4)	(20%)	(1.2)	(6%)		
Outside Non-Professional Services	16.8	19.8	15.7	4.1	21%	1.0	6%		
Other	4.6	13.9	22.5	(8.6)	(62%)	(17.9)	(386%)		
Total Fixed	225.7	243.6	248.2	(4.6)	(2%)	(22.5)	(10%)		
Variable									
Water Treatment Chemicals	21.0	20.9	24.3	(3.3)	(16%)	(3.2)	(15%)		
Utility Costs	16.7	18.3	18.2	0.1	0%	(1.5)	(9%)		
Total Variable	37.8	39.2	42.5	(3.3)	(8%)	(4.7)	(13%)		
Total Operations & Maintenance	\$ 263.5	\$ 282.8	\$ 290.7	\$ (7.9)	(3%)	\$ (27.2)	(10%)		
Cost of Water									
Cost of Water	\$ 295.6	\$ 304.3	\$ 285.3	19.0	6%	10.3	3%		
SWP Prior Year Adjustments	(53.1)	-	(5.2)	5.2	n/a	(47.9)	90%		
Total	\$ 242.5	\$ 304.3	\$ 280.1	\$ 24.2	8%	\$ (37.6)	(15%)		
Capital Investment Plan	\$ 264.2	\$ 400.8	\$ 292.4	\$ 108.4	27%	\$ (28.1)	(11%)		

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Operations and Maintenance Fixed and Variable Components - Accrual Basis Estimate vs. Actual (Dollars in millions)

Component	June 30, 2004	Twelve Months Ended June 30, 2005		<i>Favorable/ (Unfavorable) Variance from</i>	
	Actual	Estimate	Actual	Estimate	Prior Year
Fixed					
Personnel	\$169.4	\$179.1	\$173.8	\$5.3	(\$4.4)
Professional Services	19.5	17.3	20.7	(3.4)	(1.2)
Outside Non-Professional Services	16.8	19.8	15.7	4.1	1.0
Materials & Supplies	15.4	13.4	15.4	(2.1)	(0.1)
Communications Expense	3.6	4.3	3.1	1.2	0.5
Travel Expense	2.1	2.2	2.1	0.2	0.0
Training	0.7	0.9	0.6	0.2	0.0
Memberships & Subscriptions	2.6	2.1	1.8	0.3	0.8
Equipment Expensed	1.1	1.7	1.7	(0.0)	(0.6)
Equipment Rents/Leases	1.0	1.1	1.0	0.1	(0.1)
Insurance	5.1	8.2	25.1	(16.9)	(20.0)
Agency Dues	1.6	1.6	1.5	0.1	0.1
Rents/Leases	0.4	0.4	0.4	0.0	0.0
Contingency	-	-	-	-	-
Overhead Credit from Construction	(18.5)	(14.9)	(16.6)	1.7	(2.0)
Other	5.1	6.2	1.7	4.4	3.3
Total Fixed Costs	225.7	243.6	248.2	(4.6)	(22.5)
Variable					
Water Treatment Chemicals	21.0	20.9	24.3	(3.3)	(3.2)
Utility Costs:					
Utilities	9.8	11.3	11.7	(0.4)	(1.9)
Sludge Removal	5.5	5.5	5.1	0.4	0.4
Permits	1.4	1.4	1.4	0.0	(0.0)
Total Variable Costs	37.8	39.2	42.5	(3.3)	(4.7)
Total O&M	\$263.5	\$282.8	\$290.7	(\$7.9)	(\$27.2)
Water Sales - Thousand Acre-Foot	2,417.7	2,303.7	2,051.1	(252.6)	(366.6)

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Estimate vs. Actual: Construction Activities - Accrual Basis
For the Twelve Months Ended June 30, 2005
(Dollars in millions)

	Estimate	Actual	Variance from Estimate	
			\$	%
Sources of Funds				
Bond Construction Funds	\$ 300.7	\$ 215.7	\$ 85.0	28%
R & R Funds	100.1	76.7	23.4	23%
Total	\$ 400.8	\$ 292.4	\$ 108.4	27%
Program Expenditures				
Inland Feeder	\$ 75.1	\$ 72.4	\$ 2.7	4%
Oxidation Retrofit Programs	74.1	52.9	21.2	29%
Treatment Plant Improvement	43.1	10.1	33.1	77%
Skinner Filtration Plant Expansion No. 4	31.0	33.2	(2.3)	(7%)
CRA - Reliability/Containment Programs	27.1	27.4	(0.3)	(1%)
Diamond Valley Lake Recreation	21.0	15.7	5.3	25%
Diemer - Solids Handling/Water Reclamation	16.6	1.1	15.5	93%
San Diego Pipeline No. 6	15.0	12.0	3.0	20%
Distribution System - Rehabilitation Program	14.2	5.6	8.6	61%
Local Groundwater Storage Agreements	10.7	7.7	3.0	28%
Other	72.9	54.3	18.6	26%
Total	\$ 400.8	\$ 292.4	\$ 108.4	27%

Major Program Statistics

	Current Program Estimate	Project-to-Date Jun. 05	% Spent	% Complete	Former Program Total	Projected Program Variance (2)
Inland Feeder	\$ 1,188.0	\$ 807.4	68%	82%	\$ 1,188.0	\$ -
Oxidation Retrofit Programs	856.4	257.2	34%	33%	753.7	102.7
Local Groundwater Projects	210.0	45.6	22%	21%	210.0	-
Treatment Plant Improvement Projects	458.1	36.5	19%	9%	189.7	268.4
Skinner Expansion No. 4	143.2	35.1	27%	23%	132.0	11.2
Lake Mathews Outlet Facilities	92.2	70.8	77%	99%	92.2	-
CRA - Reliability/Containment Programs	143.7	57.1	47%	45%	121.2	22.5
Diamond Valley Lake Recreation	92.8	43.3	40%	33%	107.9	(15.1)

(1) Per Board authorization approximately \$6 million was transferred from the Skinner Improvement Program to the Skinner Expansion Program.

(2) Refer to Estimate vs. Actual Summary for explanations of program variances.



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: July 15, 2005
To: Board of Directors
From: Jeffrey Kightlinger, General Counsel
Subject: Review as to Eligibility of Securities Invested in by the Treasurer for the Month of June 2005

Pursuant to Sections 2741 (a) and 5101(b)(5) of the Administrative Code, this office has examined the Treasurer's Monthly Report to the Board for the month of June 2005 covering the investment of securities for that period. The reported forms of investment are within the eligible group of securities authorized by Section 5101(b)(2) of the Administrative Code, and as of the end of the month are within the percentage constraints specified in that section. For purposes of this letter, we have not undertaken to independently verify the accuracy of the information submitted by the Treasurer to this office.

Jeffrey Kightlinger

cc: T. E. DeBacker
R. N. Marumoto
B. G. Thomas
D. B. Underwood