



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report For the Five Months Ended November 30, 2010**

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# The Metropolitan Water District of Southern California

## Statements of Operations - Accrual Basis (Dollars in millions)

	For the Five Months Ended November 30,		<i>Favorable/ (Unfavorable) Variance</i>
	2010	2009 Restated <sup>(1)</sup>	
<b>Operating Revenues:</b>			
Water Sales	\$ 453.5	\$ 486.0	\$ (32.5)
Wheeling / Exchange	19.3	18.7	0.6
Readiness-to-Serve	49.8	42.9	6.9
Capacity Charge	14.4	13.5	0.9
Power Sales	12.3	11.6	0.7
Total Operating Revenues	549.3	572.7	(23.4)
<b>Operating Expenses:</b>			
Cost of Water	143.4	205.5	62.1
Operations & Maintenance	150.8	146.8	(4.1)
Demand Management Programs	20.1	24.6	4.5
Depreciation & Amortization	110.5	97.2	(13.2)
Total Operating Expenses	424.8	474.1	49.3
<b>Net Operating Income</b>	<b>124.5</b>	<b>98.6</b>	<b>25.9</b>
<b>Other Income (Expense):</b>			
Net Taxes/Annexations	36.8	44.0	(7.2)
Investment Income	7.9	20.3	(12.4)
Bond Interest Expense	(54.4)	(51.9)	(2.6)
Other	2.5	2.2	0.3
Total Other Income/(Expense) - Net	(7.2)	14.7	(21.9)
<b>Net Income</b>	<b>\$ 117.3</b>	<b>\$ 113.3</b>	<b>\$ 4.0</b>

**Notes:**

- (1) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.
- (2) Certain reclassifications of prior year amounts have been made to conform to current year presentation.
- (3) Totals may not foot / cross foot due to rounding.

# The Metropolitan Water District of Southern California

## Balance Sheets - Accrual Basis (Dollars in millions)

	November 30,		
	2010	2009 Restated (2)	<i>Increase/ (Decrease)</i>
<b>Assets:</b>			
Cash and investments at book value (1)	\$ 881.5	\$ 1,196.3	\$ (314.8)
Fair Value Adjustment	6.1	2.9	3.2
Accounts Receivable	366.1	400.0	(33.9)
Property, Plant and Equipment, net	8,092.1	7,883.6	208.5
Prepaid State Water Project Costs, net	1,649.3	1,632.6	16.7
Participation Rights, net	380.6	357.0	23.6
Deferred Charges and Water Rights	417.1	429.7	(12.6)
Deferred Outflow of Effective Swaps	62.7	60.0	2.7
Other	214.3	196.3	18.0
<b>Total Assets</b>	<b>\$ 12,069.6</b>	<b>\$ 12,158.2</b>	<b>\$ (88.7)</b>
<b>Liabilities and Equity:</b>			
Long-Term Debt	\$ 4,673.0	\$ 4,826.5	\$ (153.4)
Fair Value of Interest Rate Swaps	150.6	130.0	20.6
Off-Aqueduct Power Facilities	51.3	57.8	(6.5)
Accounts Payable and Accrued Bond Interest	232.3	216.7	15.6
Deferred Income	130.6	131.3	(0.7)
State Water Project Obligations	472.3	544.8	(72.4)
Trust Funds and Other	95.1	90.8	4.4
<b>Total Liabilities</b>	<b>5,805.3</b>	<b>5,997.8</b>	<b>(192.5)</b>
<b>Equity</b>	<b>6,264.2</b>	<b>6,160.4</b>	<b>103.8</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,069.6</b>	<b>\$ 12,158.2</b>	<b>\$ (88.7)</b>

**Notes:**

- (1) Fair value of cash and investments was \$887.6 million and \$1,199.2 million at November 30, 2010 and 2009, respectively.
- (2) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.  
This pronouncement requires derivative instruments to be reported at their fair value on the balance sheet along with a related deferred outflow to be recorded for effective hedges.
- (3) Totals may not foot / cross foot due to rounding.

# The Metropolitan Water District of Southern California

## Statistics and Ratios - Cash and Accrual Basis For the Five Months Ended

	November 30,		
	2010	2009 Restated <sup>(4)</sup>	<i>Increase/ (Decrease)</i>
<b>Sales Statistics:</b>			
Water Sales (TAF)	<b>726.9</b>	856.2	(129.3)
Wheeling/Exchange (TAF)	<b>61.5</b>	58.4 <sup>(5)</sup>	3.2
Power Sales (mWh)	<b>153.6</b>	152.0	1.6

### Average Sales Price <sup>(1)</sup>

Water Sales	<b>\$</b>	<b>623.88</b>	\$	567.61	\$	56.27
Wheeling/Exchange	<b>\$</b>	<b>314.00</b>	\$	320.10 <sup>(5)</sup>	\$	(6.11)
Power Sales	<b>\$</b>	<b>0.08</b>	\$	0.08	\$	0.00

### Ratios:

#### Fixed Charge Coverage (rolling 12 months) - Cash Basis:

Actual	<b>0.98 x</b>	1.23 x
Target <sup>(2)</sup>	<b>≥ 1.20 x</b>	≥ 1.20 x

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

Actual	<b>1.41 x</b>	1.74 x
Target <sup>(2)</sup>	<b>&gt; 2.00 x</b>	> 2.00 x

#### Revenue Bond Debt as a Percent of Equity

Actual	73.0 %	76.2 %
Target <sup>(3)</sup>	<b>&lt; 100.0 %</b>	< 100.0 %

### Notes:

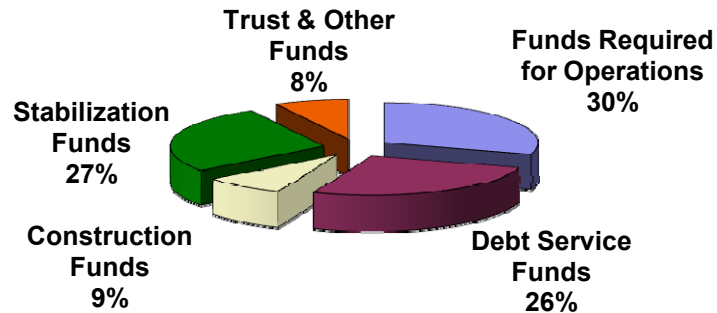
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.
- (4) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.
- (5) Includes 15.5 TAF delivered from Placer County to SDCWA at a rate of \$376, and 1.0 TAF of emergency deliveries to Mexico at a rate of \$412. Other wheeling/exchange transactions were billed at an average sales price of \$300.

# The Metropolitan Water District of Southern California

## Cash and Investments at Book Value As of November 30, 2010 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 196.1	\$ 63.1	\$ 1.9	\$ 261.1
Debt Service Funds	233.9	-	-	233.9
Construction Funds	50.9	-	24.4	75.3
Stabilization Funds	13.2	-	229.1	242.3 <sup>(1)</sup>
Trust & Other Funds	49.2	19.7	-	68.9
<b>Total</b>	<b>\$ 543.3</b>	<b>\$ 82.8</b>	<b>\$ 255.4</b>	<b>\$ 881.5</b>

(1) Restricted investments of \$13.2 million are posted as collateral with Morgan Stanley.



The Metropolitan Water District of Southern California

Actual vs. Budget: Construction Activity - Accrual Basis  
(Dollars in millions)

	For the Five Months Ended November 30, 2010				Fiscal Year Ending June 30, 2011				
	Budget	Actual	Variance from Budget		Budget	Projected <sup>(2)</sup>	Variance from Budget		
			\$	%			\$	%	
<b>Sources of Funds</b>									
Bond Construction Funds	\$ 96.1	\$ 83.3	\$ 12.7	13%	\$ 164.9	\$ 164.9	\$ -	0%	
R & R/General Funds	15.8	11.5	4.3	27%	95.0	95.0	-	0%	
<b>Total</b>	<b>\$ 111.8</b>	<b>\$ 94.9</b>	<b>\$ 17.0</b>	<b>15%</b>	<b>\$ 259.9</b>	<b>\$ 259.9</b>	<b>\$ -</b>	<b>0%</b>	
<b>Program Expenditures</b>									
Treatment Plant Improvement	\$ 37.0	\$ 28.4	\$ 8.6	23%	\$ 84.7	\$ 84.7	\$ -	0%	
Oxidation Retrofit Programs	35.2	36.6	(1.5)	(4%)	79.8	79.8	-	0%	
Distribution System - Rehabilitation Program	14.9	6.0	9.0	60%	33.8	29.8	4.0	12%	
CRA - Reliability/Containment Programs	8.2	4.9	3.3	41%	22.3	22.3	-	0%	
Information Technology System	3.4	1.1	2.3	68%	6.3	6.3	-	0%	
Hydroelectric Power Plant Improvement Program	1.3	0.1	1.2	96%	4.7	4.7	-	0%	
Chlorine Containment and Handling Facilities	1.6	0.7	0.8	53%	4.2	4.2	-	0%	
Perris Valley Pipeline	0.1	7.3	(7.2)	(7533%) <sup>(1)</sup>	3.6	7.6	(4.0)	(110%)	
Inland Feeder	1.7	1.5	0.2	14%	3.5	3.5	-	0%	
Other	8.4	8.2	0.1	2%	17.0	17.0	-	0%	
<b>Total</b>	<b>\$ 111.8</b>	<b>\$ 94.9</b>	<b>\$ 17.0</b>	<b>15%</b>	<b>\$ 259.9</b>	<b>\$ 259.9</b>	<b>\$ -</b>	<b>0%</b>	

Notes:

(1) Includes a \$4 million settlement to contractor.

(2) Projected numbers are updated at quarter-end.

(3) Totals may not foot / cross foot due to rounding.



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** December 20, 2010  
**To:** Board of Directors  
**From:** General Counsel  
**Subject:** Review as to Eligibility of Securities Invested in by the  
Treasurer for the Month of November 2010

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 November 2010 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. We note that the Investment Policy authorizes continued holding of the investments listed on Attachment 2a for orderly and systematic liquidation. For purposes of this letter, we have not undertaken to independently verify the accuracy of the information submitted by the Treasurer to this office.

  
Karen L. Tachiki

cc: T. E. DeBacker  
J. Kightlinger  
R. N. Marumoto  
B. G. Thomas