



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

**Executive Financial Report  
For the Nine Months Ended March 31, 2012**

**Executive Financial Report  
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For the Nine Months Ended March 31, 2012**

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## The Metropolitan Water District of Southern California

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

	For the Nine Months Ended		<i>Favorable/(Unfavorable)</i>		<i>Explanation</i>
	March 31, 2012	2011	<i>Variance</i>	<i>Variance</i>	
			\$	%	
<b>Operating Revenues</b>					
Water Sales	\$ 735.3	\$ 679.9	\$ 55.4	8%	Increase included \$102.5 million from the sale of replenishment water offset by \$45.7 million of lower other water sales primarily due to 175 thousand acre-feet (TAF) lower volumes sold.
Wheeling / Exchange	74.3	39.2	35.2	90%	Favorable variance primarily due to sale of \$27.5 million, or 105 TAF, of exchange water to the Coachella Valley Water District.
Readiness-to-Serve	99.0	89.6	9.4	10%	
Capacity Charge	25.1	25.8	(0.7)	(3%)	
Power Sales	24.9	18.0	6.9	38%	Increase due to higher State Water Project allocation.
<b>Total Operating Revenues</b>	<b>958.6</b>	<b>852.4</b>	<b>106.2</b>	<b>12%</b>	
<b>Operating Expenses</b>					
Cost of Water	288.7	253.7	(35.1)	(14%)	Change primarily due to \$35.4 million lower credits from the Department of Water Resources (DWR) for adjustments to prior year costs.
Operations & Maintenance	280.8	259.5	(21.3)	(8%)	Increase due to \$6,000 MOU payout including related fringe benefit costs.
Demand Management Programs	31.0	32.6	1.6	5%	
Depreciation & Amortization	208.0	196.6	(11.4)	(6%)	
<b>Total Operating Expenses</b>	<b>808.5</b>	<b>742.2</b>	<b>(66.2)</b>	<b>(9%)</b>	
<b>Net Operating Income</b>	<b>150.1</b>	<b>110.2</b>	<b>39.9</b>	<b>36%</b>	
<b>Other Income (Expense)</b>					
Net Taxes/Annexations	60.9	66.3	(5.4)	(8%)	
Investment Income	22.6	5.1	17.5	344%	Year over year interest income is the same. Variance primarily due to a favorable change in the fair value of investments.
Bond Interest Expense	(97.4)	(99.8)	2.4	(2%)	
Other	4.3	9.7	(5.4)	(55%)	
<b>Total Other Income/(Expense) - Net</b>	<b>(9.6)</b>	<b>(18.8)</b>	<b>9.2</b>	<b>(49%)</b>	
<b>Net Income</b>	<b>\$ 140.5</b>	<b>\$ 91.4</b>	<b>\$ 49.1</b>	<b>54%</b>	

**Note:**

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

## The Metropolitan Water District of Southern California

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

	March 31, 2012	2011	<i>Increase/(Decrease)</i>		<i>Explanation</i>
			\$	%	
<b>Assets</b>					
Cash and investments at book value <sup>(1)</sup>	\$ 1,017.5	\$ 1,031.9	\$ (14.4)	(1%)	
Fair Value Adjustment <sup>(1)</sup>	14.7	(3.0)	17.6	598%	
Accounts Receivable	221.2	224.9	(3.7)	(2%)	
Property, Plant and Equipment, net	8,235.5	8,152.2	83.3	1%	Increase primarily due to construction progress on the Oxidation Retrofit, Treatment Plant Improvement, Distribution System – Rehabilitation, and the CRA Reliability/Containment programs.
Prepaid State Water Project Costs, net	1,626.4	1,601.2	25.2	2%	Increase due to capital charges offset by amortization expense.
Participation Rights, net	338.0	375.7	(37.7)	(10%)	Decrease included \$28.4 million related to the termination of the Calleguas program in June 2011.
Deferred Charges and Water Rights	405.1	374.8	30.3	8%	Increase due to \$30.3 million, or 263.7 TAF, of intangible water rights related to Semitropic, Kern Delta, and Arvin-Edison storage programs.
Deferred Outflow of Effective Swaps	82.4	21.1	61.2	290%	Variance due to an unfavorable change in the fair value of the swaps.
Other	216.7	228.5	(11.9)	(5%)	
<b>Total Assets</b>	<b>\$ 12,157.5</b>	<b>\$ 12,007.6</b>	<b>\$ 149.9</b>	<b>1%</b>	
<b>Liabilities and Equity</b>					
Long-Term Debt	\$ 4,761.6	\$ 4,895.4	\$ (133.9)	(3%)	Decrease due to principal pay downs and refundings.
Fair Value of Interest Rate Swaps	184.8	108.9	75.9	70%	Variance primarily due to a decrease in interest rates.
Off-Aqueduct Power Facilities	42.4	49.3	(6.9)	(14%)	
Accounts Payable and Accrued Bond Interest	245.1	219.8	25.2	11%	Increase included \$22.4 million more of OPEB obligation.
Deferred Income	68.0	70.0	(2.0)	(3%)	
State Water Project Obligations	341.6	319.6	22.1	7%	Increase due to \$35.4 million less credits from DWR for adjustments to prior year costs offset by \$21 million lower variable costs.
Trust Funds and Other	99.9	91.6	8.3	9%	
<b>Total Liabilities</b>	<b>5,743.4</b>	<b>5,754.7</b>	<b>(11.3)</b>	<b>(0%)</b>	
<b>Equity</b>	<b>6,414.1</b>	<b>6,252.9</b>	<b>161.2</b>	<b>3%</b>	
<b>Total Liabilities and Equity</b>	<b>\$ 12,157.5</b>	<b>\$ 12,007.6</b>	<b>\$ 149.9</b>	<b>1%</b>	

**Notes:**

(1) Fair value of cash and investments was \$1,032.2 million and \$1,028.9 million at March 31, 2012 and 2011, respectively.

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

# The Metropolitan Water District of Southern California

## Statistics and Ratios

	For the Nine Months Ended		Increase/(Decrease)	
	March 31, 2012	2011	TAF/\$	%
<b>Sales Statistics - Accrual Basis</b>				
Water Sales (TAF)	892.3	1,070.5	(178.2)	(17%)
Wheeling/Exchange (TAF)	123.0	117.3	5.7	5%
Replenishment Sales (TAF)	224.9	-	224.9	n/a
CVWD Exchange (TAF)	105.0	-	105.0	n/a
Power Sales (MWh)	321.2	240.1	81.1	34%
Average Sales Price <sup>(1)</sup>				
Water Sales	\$ 709.23	\$ 635.08	\$ 74.15	12%
Wheeling/Exchange	\$ 380.18	\$ 333.81	\$ 46.37	14%
Replenishment Sales	\$ 455.70	\$ -	\$ 455.70	n/a
CVWD Exchange	\$ 262.32	\$ -	\$ 262.32	n/a
Power Sales	\$ 0.08	\$ 0.07	\$ -	0%
	March 31, 2012	FY 2012 Year End Projected	Target	
<b>Ratios</b>				
Revenue Bond Debt Service Coverage - Cash Basis <sup>(2)</sup>	1.86 x	1.71 x	> 2.00 x	
Fixed Charge Coverage - Cash Basis <sup>(2)</sup>	1.32 x	1.23 x	≥ 1.20 x	
Revenue Bond Debt as a Percent of Equity <sup>(3)</sup>	73.6 %	73.6 %	< 100.0 %	

### Notes:

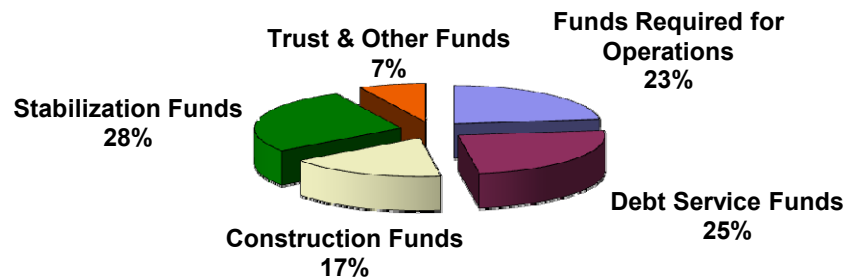
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.

## The Metropolitan Water District of Southern California

### Cash and Investments at Book Value As of March 31, 2012 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 156.7	\$ 76.8	\$ 1.0	\$ 234.5
Debt Service Funds	250.9	-	-	250.9
Construction Funds	166.7	-	9.8	176.5
Stabilization Funds	23.6 <sup>(1)</sup>	-	258.0	281.6
Trust & Other Funds	54.1	19.9	-	74.0
<b>Total</b>	<b>\$ 652.0</b>	<b>\$ 96.7</b>	<b>\$ 268.8</b>	<b>\$ 1,017.5</b>

(1) Restricted investments of \$23.6 million were posted as collateral with Morgan Stanley pursuant to Metropolitan's interest rate swap agreements.



The Metropolitan Water District of Southern California

Construction Activity - Accrual Basis  
For the Nine Months Ended March 31, 2012  
(Dollars in millions)

	1.8 MAF		Variance		Explanation
	Projection	Actual	\$	%	
<b>Sources of Funds</b>					
Bond Construction Funds	\$ 168.0	\$ 64.4	\$ 103.6	62%	
R & R/General Funds	31.9	49.3	(17.4)	(55%)	
<b>Total</b>	<b>\$ 199.9</b>	<b>\$ 113.7</b>	<b>\$ 86.2</b>	<b>43%</b>	
<b>Program Expenditures</b>					
Oxidation Retrofit Programs	\$ 57.1	\$ 40.0	\$ 17.1	30%	Variance due to delays in construction and/or changes in the scope of work.
Treatment Plant Improvement	59.1	28.9	30.2	51%	Program costs under budget due to changes in the scope of work for the Diemer plant, deferral of construction in the Jensen plant to FY 2012/13, and delays in construction for the Weymouth Plant projects related to design changes.
Distribution System - Rehabilitation Program	27.6	13.3	14.3	52%	Expenditures lower than budget as follows: progress payments for final three contracts in the Cross Connection program were lower than expected; final design and construction of the Lake Skinner West Bypass Screening Structure was rescheduled; start of the Rialto Pipeline PCCP Repairs project was delayed; and the contract for the Eagle Rock Tower was awarded later than anticipated.
CRA - Reliability/Containment Programs	13.9	10.3	3.6	26%	
La Verne Shop Facilities Upgrades	8.1	4.7	3.4	42%	
Information Technology System	7.4	1.3	6.1	82%	
Chlorine Containment and Handling Facilities	4.6	3.0	1.6	34%	
Inland Feeder	1.7	3.5	(1.8)	(101%)	
Other	20.3	8.6	11.7	58%	
<b>Total</b>	<b>\$ 199.9</b>	<b>\$ 113.7</b>	<b>\$ 86.2</b>	<b>43%</b>	

**Note:**

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

The Metropolitan Water District of Southern California

Construction Activity - Accrual Basis  
 Projected through Year End - June 30, 2012  
 (Dollars in millions)

	1.8 MAF Projection	Year End Estimate	Variance	
			\$	%
<b>Sources of Funds</b>				
Bond Construction Funds	\$ 236.9	\$ 113.0	\$ 123.9	42%
R & R/General Funds	45.0	45.0	-	0%
<b>Total</b>	<b>\$ 281.9</b>	<b>\$ 158.0</b>	<b>\$ 123.9</b>	<b>44%</b>

**Program Expenditures**

Oxidation Retrofit Programs	\$ 84.6	\$ 53.0	31.6	40%
Treatment Plant Improvement	78.9	40.0	38.9	58%
Distribution System - Rehabilitation Program	36.0	20.0	16.0	35%
CRA - Reliability/Containment Programs	23.1	15.0	8.1	23%
La Verne Shop Facilities Upgrades	12.5	8.2	4.3	36%
Information Technology System	10.2	2.0	8.2	34%
Chlorine Containment and Handling Facilities	6.2	4.0	2.2	93%
Inland Feeder	2.1	3.5	(1.4)	(72%)
Other	28.3	12.3	16.0	22%
<b>Total</b>	<b>\$ 281.9</b>	<b>\$ 158.0</b>	<b>\$ 123.9</b>	<b>44%</b>

**Major Program Statistics - March 31, 2012**

	Current Budget	Project- to-Date	% Spent	% Complete
Inland Feeder	\$ 1,186.5	\$ 1,149.2	97%	99%
Oxidation Retrofit Program	1,197.6	820.4	69%	68%
Treatment Plant Improvement Projects	1,200.5	455.5	38%	38%
Chlorine Containment Handling Facilities	167.4	116.8	70%	70%
CRA - Reliability/Containment Programs	246.0	129.2	53%	52%
Diamond Valley Lake Recreation	92.8	67.1	72%	72%

**Note:**

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





THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** April 11, 2012  
**To:** Board of Directors  
**From:** General Counsel Marcia Scully  
**Subject:** Review as to Eligibility of Securities Invested in by the  
Treasurer for the Month of March 2012

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 March 2012 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.

A handwritten signature in cursive script, appearing to read "M. Scully".

Marcia Scully

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

**Portfolio Summary Report**  
**Attachment 2a**  
**March 31, 2012**  
(\$ in Thousands)

Credit Ratings Moody's      S&P		Medium Term Notes	Maturity Date	Market Value	Book Value
Baa1	A-	Bank of America 6.5%	8/1/2016	\$ 1,099	\$ 1,058
Baa1	A-	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 2,086	\$ 2,029
				\$ 3,185	\$ 3,087