



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report**

## **For the Six Months Ended December 31, 2012**

**Executive Financial Report  
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## The Metropolitan Water District of Southern California

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

	For the Six Months Ended		Change from Prior Year		<i>Explanation for Changes +/- \$5 million and 5%</i>
	2012	December 31, 2011	\$	%	
<b>Operating Revenues</b>					
Water Sales <sup>(2)</sup>	\$ 633.3	\$ 544.0	\$ 89.4	16%	Increase includes \$56.9 million higher prices due to increased rates and \$32.5 million due to 51.1 thousand acre-feet (TAF) higher volumes sold.
Wheeling / Exchange <sup>(2)</sup>	28.0	57.7	(29.7)	(51%)	Decrease due primarily to sale of \$27.5 million, or 105 TAF, of exchange water to Coachella Valley Water District in prior year that is not in fiscal year 2013.
Readiness-to-Serve	73.0	62.5	10.5	17%	Due to Board approved rate increase.
Capacity Charge	15.9	17.1	(1.2)	(7%)	
Power Sales	17.2	20.1	(2.9)	(14%)	
<b>Total Operating Revenues</b>	<b>767.5</b>	<b>701.4</b>	<b>66.1</b>	<b>9%</b>	
<b>Operating Expenses</b>					
Cost of Water	210.8	190.3	(20.6)	(11%)	Increase due primarily to \$14.1 million of SWP credits in prior year that were not received in fiscal year 2013.
Operations & Maintenance (O&M)	185.6	175.8	(9.8)	(6%)	Increase due primarily to higher other post employment benefits (medical costs).
Demand Management Programs	21.4	21.6	0.2	1%	
Depreciation & Amortization	141.3	138.2	(3.1)	(2%)	
<b>Total Operating Expenses</b>	<b>559.1</b>	<b>525.9</b>	<b>(33.2)</b>	<b>(6%)</b>	
<b>Net Operating Income</b>	<b>208.4</b>	<b>175.5</b>	<b>32.9</b>	<b>19%</b>	
<b>Other Income (Expense)</b>					
Net Taxes/Annexations	42.6	38.8	3.8	10%	
Investment Income	7.5	19.5	(12.1)	(62%)	Decrease due to \$12.2 million of unfavorable change in the fair value of investments.
Bond Interest Expense	(50.2)	(66.0)	15.7	(24%)	Decrease due to refundings of variable interest rate bonds with lower fixed interest rate bonds.
Other	2.8	2.9	(0.1)	(4%)	
<b>Total Other Income/(Expense) - Net</b>	<b>2.6</b>	<b>(4.7)</b>	<b>7.4</b>	<b>(156%)</b>	
<b>Net Income</b>	<b>\$ 211.0</b>	<b>\$ 170.7</b>	<b>\$ 40.3</b>	<b>24%</b>	

**Notes:**

- (1) Totals may not foot / cross foot due to rounding.  
(2) 2012 includes adjustment for San Diego County Water Authority that reduced wheeling/exchange sales by \$6,221,000 and 16,722 acre feet and increased water sales by \$8,812,000 and 16,722 acre feet.

## The Metropolitan Water District of Southern California

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

	December 31, 2012	2011	Change from Prior Year \$	%	Explanation for Changes +/- \$10 million and 5%
<b>Assets</b>					
Cash and investments at book value <sup>(1)</sup>	\$ 1,242.2	\$ 1,173.1	\$ 69.1	6%	Increase includes \$82.7 million of higher water sales due to increased rates and higher volumes sold and \$23.2 million lower water supply program expenses partially offset by \$30 million of lower wheeling sales primarily due to exchange water sold to Coachella Valley Water District in prior year that is not in fiscal year 2013.
Fair Value Adjustment <sup>(1)</sup>	20.5	15.9	4.6	(29%)	
Accounts Receivable	256.5	230.7	25.8	11%	Increase due to \$38.7 million higher November and December water sales in fiscal 2013 compared to fiscal 2012. Partially offsetting this increase was \$11.9 million of lower property tax receivable due to lower tax levy in the current year.
Property, Plant and Equipment, net	8,263.9	8,211.1	52.7	1%	
Prepaid State Water Project Costs, net	1,443.6	1,448.5	(4.9)	(0%)	
Participation Rights, net	327.8	341.5	(13.7)	(4%)	
Deferred Charges and Water Rights	278.3	249.0	29.3	12%	Due primarily to additional water stored in the central valley storage programs.
Deferred Outflow of Effective Swaps	102.3	101.6	0.7	1%	
Other	207.3	233.7	(26.5)	(11%)	Decrease includes \$14 million, or 132.7 TAF, of lower water inventory and \$7 million of gas hedging deposit that was refunded subsequent to December 31, 2011.
<b>Total Assets</b>	<b>\$ 12,142.4</b>	<b>\$ 12,005.2</b>	<b>\$ 137.2</b>	<b>1%</b>	
<b>Liabilities and Equity</b>					
Long-Term Debt	\$ 4,713.4	\$ 4,793.9	\$ (80.6)	(2%)	
Fair Value of Interest Rate Swaps	158.4	204.1	(45.7)	(22%)	Change due to an increase in interest rates.
Off-Aqueduct Power Facilities	35.6	44.0	(8.4)	(19%)	
Accounts Payable and Accrued Bond Interest	323.6	266.5	57.1	21%	Increase due primarily to \$34.5 million more of postemployment benefits other than pensions.
Deferred Income	115.4	118.7	(3.3)	(3%)	
State Water Project Obligations	36.0	37.8	(1.8)	(5%)	
Trust Funds and Other	107.2	96.5	10.7	11%	Increase due to monies received and deposited to various trust funds.
<b>Total Liabilities</b>	<b>5,489.5</b>	<b>5,561.5</b>	<b>(72.1)</b>	<b>(1%)</b>	
<b>Equity</b>	<b>6,652.9</b>	<b>6,443.7</b>	<b>209.2</b>	<b>3%</b>	
<b>Total Liabilities and Equity</b>	<b>\$ 12,142.4</b>	<b>\$ 12,005.2</b>	<b>\$ 137.2</b>	<b>1%</b>	

**Notes:**

(1) Fair value of cash and investments was \$1,262.7 million and \$1,189.0 million at December 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 Six Months Ended		Increase/(Decrease)	
	2012	2011	TAF/\$	%
<b>Sales Statistics - Accrual Basis</b>				
Water Sales (TAF) <sup>(1)</sup>	889.4	672.1	217.3	32%
Wheeling/Exchange (TAF) <sup>(1)</sup>	86.5	81.1	5.4	7%
Replenishment Sales (TAF)	-	183.0	(183.0)	(100%)
CVWD Exchange (TAF)	-	105.0	(105.0)	(100%)
Power Sales (MWh)	205.6	248.2	(42.6)	(17%)
Average Sales Price <sup>(2)</sup>				
Water Sales	\$ 702.16	\$ 684.24	\$ 17.92	3%
Wheeling/Exchange	\$ 396.12	\$ 372.00	\$ 24.12	6%
Replenishment Sales	\$ -	\$ 459.58	\$ (459.58)	(100%)
CVWD Exchange	\$ -	\$ 262.32	\$ (262.32)	(100%)
Power Sales	\$ 0.08	\$ 0.08	\$ -	0%

	December 31, 2012	Target
<b>Ratios</b>		
Revenue Bond Debt Service Coverage - Cash Basis <sup>(3)</sup>	1.95 x	> 2.00 x
Fixed Charge Coverage - Cash Basis <sup>(3)</sup>	1.47 x	≥ 1.20 x
Revenue Bond Debt as a Percent of Equity <sup>(4)</sup>	69.1 %	< 100.0 %

### Notes:

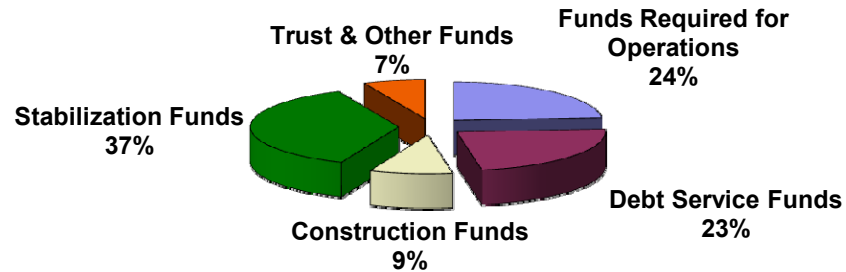
- (1) 2012 excludes adjustment for San Diego County Water Authority that reduced wheeling sales by \$6,221,000 and 16,722 acre feet and increased water sales by \$8,812,000 and 16,722 acre feet.
- (2) Average prices calculated using exact rather than rounded dollar amounts.
- (3) Board adopted guideline.
- (4) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.

## The Metropolitan Water District of Southern California

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

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 139.0	\$ 160.9	\$ 0.8	\$ 300.7
Debt Service Funds	297.0	-	-	297.0
Construction Funds	84.4	-	28.6	113.0
Stabilization Funds	22.9 <sup>(1)</sup>	-	444.9	467.8
Trust & Other Funds	64.2	20.0	-	84.2
<b>Total</b>	<b>\$ 607.5</b>	<b>\$ 180.9</b>	<b>\$ 474.3</b>	<b>\$ 1,262.7</b>

(1) Restricted investments of \$21.0 million and \$1.9 million were posted as collateral with Morgan Stanley and JP Morgan Chase, respectively, pursuant to Metropolitan's interest rate swap agreements.



The Metropolitan Water District of Southern California

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

	Budget	Actual	Variance		Explanation for Variances +/- \$5 million and 5%
			\$	%	
<b>Sources of Funds</b>					
Bond Construction Funds	\$ 80.8	\$ 62.8	\$ 18.0	22%	
R & R/General Funds	22.0	(0.2)	22.1	101%	
<b>Total</b>	<b>\$ 102.8</b>	<b>\$ 62.7</b>	<b>\$ 40.1</b>	<b>39%</b>	
<b>Program Expenses</b>					
Oxidation Retrofit Programs	\$ 23.0	\$ 19.1	\$ 3.9	17%	
Treatment Plant Improvement	24.4	13.0	11.4	47%	Lower expenses were due to the rescheduling of the Diemer Chemical Feed System projects to coordinate with Phase II of the the electrical improvements project and the Diemer Basin Rehabilitation project to accommodate recommendations of a value engineering study; scope revision for the Jensen Surface Wash Upgrade to include additional service water pumps; change in project strategy for the Jensen Module 1 to purchase new rather than refurbish existing filter valves and the Jensen Solids Dewatering as directed by the Board.
CRA - Reliability/Containment Programs	16.2	8.4	7.8	48%	Expenses lower than budget as follows: rescheduling of the Canal Improvements projects for the next shutdown to initiate investigation and the CRA Pumping Plant Auxiliary Power System Rehabilitation to accommodate preparation of a CRA Electrical Master Plan; extension of the design schedule for the Desert Sewer System Rehabilitation pending coordination with the paving and domestic water system improvements; and the CRA Siphon Rehabilitation project was substantially ahead of schedule in FY2011/12 lowering current year costs.
Distribution System - Rehabilitation Program	14.5	5.4	9.1	63%	Favorable variance due to the deferral of design and construction for the Foothill and Sepulveda Feeder, and Allen McColloch and Rialto Pipelines PCCP Rehabilitation and Replacement program pending hydraulic analysis; the Wadsworth Pumping Plant Yard work needs further study and investigation for the coating failure in pipes manifolds; the Etiwanda Pipeline project started slower than planned.
La Verne Shop Facilities Upgrades	7.1	4.3	2.8	39%	
Information Technology System	4.0	0.8	3.2	79%	
Chlorine Containment and Handling Facilitie:	2.0	3.3	(1.3)	(63%)	
Other	11.5	8.3	3.2	28%	
<b>Total</b>	<b>\$ 102.8</b>	<b>\$ 62.7</b>	<b>\$ 40.1</b>	<b>39%</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, 2013  
 (Dollars in millions)

	Budget	Projected	Variance	
			\$	%
<b>Sources of Funds</b>				
Bond Construction Funds	\$ 202.3	\$ 97.0	\$ 105.3	52%
R & R/General Funds	55.0	55.0	-	0%
<b>Total</b>	<b>\$ 257.3</b>	<b>\$ 152.0</b>	<b>\$ 105.3</b>	<b>41%</b>

**Program Expenditures**

Oxidation Retrofit Programs	\$ 74.3	\$ 53.0	21.3	17%
Treatment Plant Improvement	55.3	40.0	15.3	12%
CRA - Reliability/Containment Programs	41.2	15.0	26.2	21%
Distribution System - Rehabilitation Program	33.4	20.0	13.4	11%
La Verne Shop Facilities Upgrades	13.7	8.2	5.5	4%
Information Technology System	8.4	2.0	6.4	5%
Chlorine Containment and Handling Facilities	5.1	4.0	1.1	1%
Other	25.9	9.8	16.1	13%
<b>Total</b>	<b>\$ 257.3</b>	<b>\$ 152.0</b>	<b>\$ 105.3</b>	<b>41%</b>

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

	Current Budget	Project-to-Date	% Spent	% Complete
Inland Feeder	\$ 1,186.5	\$ 1,151.0	97%	99%
Oxidation Retrofit Program	1,193.1	847.5	70%	69%
Treatment Plant Improvement Projects	1,351.4	470.7	47%	46%
Chlorine Containment Handling Facilities	162.4	121.1	69%	75%
CRA - Reliability/Containment Programs	269.1	141.1	69%	68%
Diamond Valley Lake Recreation	92.8	67.4	73%	72%

**Note:**

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





THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** January 9, 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 December 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 December 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. 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