



### ***Finance, Affordability, Asset Management, and Efficiency Committee***

5/12/2026 Committee Meeting

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#### **Subject**

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Quarterly Financial Report

#### **Executive Summary**

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The quarterly financial report presents Metropolitan’s unaudited, cash-basis financial performance for the third quarter of fiscal year 2025/26 (July through March) and provides a projection of the year-end position, comparing key metrics against budgeted values.

#### **Fiscal Impact**

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There are no fiscal impacts associated with this item.

#### **Applicable Policy**

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Metropolitan Water District Administrative Code Section 5107: Biennial Budget Process

#### **Related Board Action(s)/Future Action(s)**

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The Financial Review for the fiscal year ended June 30, 2026, will be provided to the Finance, Affordability, Asset Management, and Efficiency (FAAME) Committee on August 18, 2026 (July through June).

#### **Details and Background**

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##### **Background**

The quarterly financial report presents Metropolitan’s unaudited, cash-basis financial performance for the third quarter of fiscal year 2025/26 (July through March) and provides a projection of the year-end position, comparing key metrics against budgeted values. The report covers the following key areas:

- **Water Transactions:** Reports Metropolitan’s water sales, exchanges, and wheeling activities with member agencies (in thousand-acre feet) that are invoiced through March 2026 and projected quantities for the remainder of the fiscal year. Water transactions fluctuate based on demand, weather conditions, and local supply availability. Revenues from water transactions represent the primary source of Metropolitan’s operating revenues.
- **Third Quarter Financial Results:** The financial results summarize year-end projections compared with the budget across major revenues and expenditure categories in the current fiscal year. The financial projections combine cash-basis actuals for billings collected and expenditures paid from July through March with forecasted revenues and expenditures for the balance of the fiscal year. Major revenue categories include revenues from water sales and exchanges, Readiness-to-Serve and Capacity Charges, property tax revenues, investment income and other revenues. Major expenditure categories encompass State Water Contract and Delta Conveyance costs, departmental operations and maintenance, the

Colorado River Aqueduct power costs, supply and demand management programs costs, debt service, and PAYGO funding. In addition, the FY 2024/25 and FY 2025/26 Biennial Budget was adopted with an unidentified \$60 million per year in new revenues (\$120 million over the biennium). The quarter updates summarize those revenue-generating sources for the biennium, with actuals for FY 2024/25 and estimated amounts for FY 2025/26.

- **Unrestricted Reserves:** Reserves provide flexibility to manage cash flows, support operations, and maintain compliance with Board financial policy requirements. The fiscal year began with an unrestricted reserves balance of approximately \$577 million (including \$126 million from Reverse Cyclic Program sales). The Quarterly Financial Report presents updated projections of year-end balances for fiscal year 2025/26, informed by third-quarter financial performance. Since the second quarter report, the Board approved the FY 2026/27 and FY 2027/28 Biennial Budget, including the use of unrestricted reserves to partially fund year 2 of the 45-MGD Pure Water Southern California Stage 1. In light of that action, staff is closely monitoring unrestricted reserves as part of the year-end financial outlook.

The Annual Comprehensive Financial Report for Fiscal Year 2024/25 is available on Metropolitan's website at <https://www.mwdh2o.com/budget-finance/financial-reports-documents/>

The Financial Review for the fiscal year ended June 30, 2026, will be provided to the FAAME Committee in August 2026 and will cover July 2025 through June 2026.

  
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Katano Kasaine  
Assistant General Manager/  
Chief Financial Office

4/23/2026

Date

  
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Shivaji Deshmukh  
General Manager

4/23/2026

Date