



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

3/10/2026 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 second quarter of fiscal year 2025/26 (July through December) 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 Quarterly Financial Report will be provided in May 2026 for the third quarter of fiscal year 2025/26 (July through March).

#### **Details and Background**

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##### **Background**

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

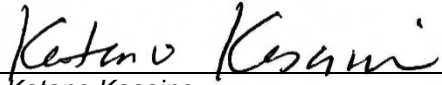
- **Water Transactions:** Reports Metropolitan's water sales, exchanges, and wheeling activities with member agencies (in thousand-acre feet) that are invoiced through December 2025 and the projected quantity for the remaining of the fiscal year. Water transactions fluctuate based on demand, weather conditions, and local supply availability. Revenues from water transactions represent the primary source of Metropolitan's operating revenues.
- **Second Quarter Financial Results:** The financial results summarize year-end projections 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 December 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 (RTS) and Capacity Charges, property tax revenues, investment income and other revenues. Major expenditure categories encompass State Water Contract (SWC) and Delta Conveyance costs, departmental operations and maintenance, the Colorado River Aqueduct (CRA) 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 what have been identified as possible revenue-generating items for the biennium, with actual for FY 2024/25 and estimated for FY 2025/26. The potential that these items may not materialize further underscores the importance of preserving Metropolitan's financial flexibility and unrestricted reserves.

- **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 the current fiscal year 2025/26, informed by second-quarter financial performance.

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 Third Quarter Financial Review and Forecast for FY 2025/26 will be provided to the FAAME Committee in May 2026 (covering July 2025 through March 2026).

  
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Katano Kasaine 2/19/2026  
Assistant General Manager/ Date  
Chief Financial Officer

  
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Shivaji Deshmukh 2/19/2026  
General Manager Date