THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Committee Item
INFORMATION

Finance, Affordability, Asset Management, and Efficiency (FAAME)

8/18/2026 Committee Meeting

6a

Subject

Quarterly Financial Report

Executive Summary

The Quarterly Financial Report presents Metropolitan's preliminary, unaudited, cash-basis financial performance for the fiscal year 2025/26 (covering July through June) and compares key financial and operational results with budgeted values.

Fiscal Impact

There are no fiscal impacts associated with this item.

Applicable Policy

Metropolitan Water District Administrative Code Section 5107: Biennial Budget Process

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

The Quarterly Financial Report will be provided in November 2026 for the first quarter of fiscal year 2026/27 (covering July through September).

Details and Background

Background

The Quarterly Financial Report presents Metropolitan's preliminary, unaudited, cash-basis financial results for fiscal year 2025/26, covering July 2025 through June 2026. The report compares year-end results with the adopted budget and summarizes the primary factors contributing to significant revenue and expenditure variances. The report covers the following key areas:

- **<u>Water Transactions</u>**: The report summarizes Metropolitan's water sales, exchanges, and wheeling activities with member agencies (in thousand-acre feet) for the fiscal year ended June 30, 2026. 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.

  <u>Year-End Financial Results</u>: The report summarizes preliminary fiscal year-end revenues and expenditures compared with the adopted budget. The financial results reflect cash-basis revenue collected and expenditures paid through June 30, 2026.

  Major revenue categories include water sales and exchanges, Readiness-to-Serve and Capacity Charges, property tax revenues, investment income and other revenues. Major expenditure categories include 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 included $60 million per year in unidentified new revenues (totaling $120 million over the biennium). The year-end financial report summarizes the revenue-generating and cash-management measures implemented during the biennium and the amounts generated through June 30, 2026.

- **Unrestricted Reserves**: Reserves provide flexibility to manage cash flows, support operations, and maintain compliance with Board financial policy requirements. The fiscal year began with approximately $577 million in unrestricted reserves, including $126 million from Reverse Cyclic Program sales. The Quarterly Financial Report presents the preliminary year-end unrestricted reserve balance for fiscal year 2025/26. The approved FY 2026/27 and FY 2027/28 Biennial Budget includes the use of unrestricted reserves to partially fund the 45-MGD Pure Water Southern California Stage 1, which is intended to be used in the second year of the budget, and if the unrestricted reserves fall below the minimum, then the item will return to the Board. In light of this action, staff continues to closely monitor unrestricted reserves.

The Annual Comprehensive Financial Report for Fiscal Year 2024/25 and the Quarterly Financial Statements – Unaudited for the prior quarter, third quarter of fiscal year 2025/26 (March 2026) are available on Metropolitan's website at https://www.mwdh2o.com/budget-finance/financial-reports-documents/

The First Quarter Financial Review and Forecast for FY 2026/27 will be provided to the FAAME Committee in November 2026 (covering July through September).

7/24/2026

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7/24/2026

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