

Finance

The Office of the Chief Financial Officer (CFO) is responsible for providing innovative, proactive and strategic financial direction to support the financial policies of Metropolitan's board, management, and employees; helping achieve low, stable water rates and charges by maintaining Metropolitan's strong financial position; efficiently managing Metropolitan's financial resources; and ensuring that adequate financial controls are in place to accurately communicate financial results and protect Metropolitan's assets. Financial information is presented throughout this chapter, as noted, on either the accrual basis or the cash basis of accounting.

Chief Financial Officer

The Office of the CFO's roles and responsibilities include:

- Collecting, investing, safekeeping, and disbursing Metropolitan's funds;
- Issuing debt to efficiently fund Metropolitan's CIP at the lowest possible cost, and managing the debt program by prudently utilizing interest rate swaps and asset liability management techniques;
- Developing the annual budget and refining, managing and supporting Metropolitan's business planning and performance measurement programs;
- Maintaining effective financial controls to safeguard assets;
- Developing and maintaining accounting policies and guidelines for timely and accurate financial reporting and control;

- Maintaining Metropolitan's official accounting records, cash control, and accounting services related to vendor, payroll, and other payments;
- Accounting for cash receipts and receivables, and determining the availability of funds for investment;
- Providing innovative and proactive financial analyses, planning, and management services including developing the annual revenue requirement, cost-of-service study and recommended water rates and charges;
- Providing monitoring and reporting services, preparing the annual tax levy and annexation fee calculations, and administering rates and charges; and
- Managing Metropolitan's Business Continuity Program to ensure critical business processes can be restored in the event of a disaster.

FY 2007/08 Major Financial Activities and Accomplishments

Security Sales/Debt Administration

- Maintained S&P long-term water revenue bond ratings of AAA, Fitch rating of AA+ and Moody's rating of Aa2.
- Terminated \$125 million of interest rate swaps (constant maturity swaps) and amended a \$125 million interest rate swap in December 2007 by unwinding the constant maturity interest rate swap portion of the swap. As a result, Metropolitan received payments from the various swap counterparties of \$2.1 million. After fees and expenses, Metropolitan netted \$2.05 million and reduced the amount of swaps outstanding by \$125 million. After taking into account negative cash flows from the swaps since May 2006, when the swaps were initially executed, Metropolitan realized a net benefit of \$594,000.
- In March 2008, priced the \$501.6 million Water Revenue Refunding Bonds, 2008 Series A-1 and Series A-2 issue. The refunding bonds were issued to refund \$500.3 million of water revenue bonds (auction rate securities). The refunding is anticipated to save Metropolitan approximately \$4.4 million per year to July 2037.

- Priced the \$133.4 million Water Revenue Refunding Bonds, 2008 Series B issue in May 2008 to refund \$10.2 million of the Water Revenue Refunding Bonds, 1996 Series B issue; and \$128.4 million of the Water Revenue Refunding Bonds, 1998 Series A issue. The refunding transaction is estimated to produce net present value savings of \$6.8 million or 4.92 percent of refunded bond principal.
- Renewed liquidity requirements for the 2006 Series A-1 and A-2 Water Revenue Bond issue in May 2008.

Treasury Operations

- Continued to meet all liquidity requirements and managed Metropolitan's investment portfolio in compliance with the California Government Code and Metropolitan's investment policy. Total returns exceeded the board-approved benchmarks by 1.13 percent, generating \$9.04 million in additional interest income.
- Managed net interest exposure within board-approved parameters.

Accounting Operations

- Initiated the documentation and testing of internal controls over financial reporting using specialized software that provides a structured process to efficiently and effectively document and assess internal controls.
- Recorded and reported Metropolitan's financial activities in a timely manner, ensuring sufficient financial controls to protect Metropolitan's assets.
- Adhered to accounting cycle time requirements including the processing of bi-weekly payroll, matching and approving invoices for payment, calculating the tax levy, and completing the monthly closing of cash and the accrual general ledger.
- Provided accurate, timely, and transparent standard financial reports to the board and member agencies.

- Received the Award of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the 2006/07 Comprehensive Annual Financial Report.
- Completed the FY 2006/07 audit with a clean opinion.
- Achieved internal financial audit reviews with ratings of generally satisfactory or higher and no major findings.
- Maintained non-DWR accounts receivable 90-day past due accounts to below \$600,000.
- Funded \$74 million for asset replacement and refurbishment from the Repair and Replacement Fund.

Budget and Financial Planning

- Received the GFOA Award of Excellence for the FY 2007/08 budget.
- Initiated development of a new Integrated Budget Management System and a new water information system.
- Completed Metropolitan's cost-of-service report and prepared the five-year rate plan for the board and member agencies.
- Completed the revenue requirements and board-approved 2009 rates and charges.

Business Continuity

- Conducted a system recovery exercise of Metropolitan's disaster recovery capabilities and restructured the Business Incident Command Center into separate Incident Command Posts for Business Continuity and the Union Station headquarters to better coordinate response and recovery within Metropolitan's Emergency Response Organization.

Financial Information

Metropolitan operates as a utility enterprise within the state of California. Metropolitan has established separate funds in accordance with regulations, bond covenants, trust arrangements, and board policies. These funds are classified as either "restricted" or "unrestricted." Most restricted funds have minimum cash and investment balance requirements and all are non-discretionary in terms of the use of assets. The board has discretion in establishing the minimum cash and investment balance requirements for the various unrestricted funds and in the use of such assets. The fund groupings maintained are as follows:

- Operating Funds
- Debt Service Funds
- State Contract Funds
- Construction Funds
- Rate Stabilization Funds
- Trust and Other Funds

Revenues

Metropolitan's principal source of revenues is from water sales, which include all revenues received by Metropolitan from charges for the sale and availability of water, including Metropolitan's water rates, readiness-to-serve charges, a capacity charge, and wheeling/exchange transactions. Other sources of revenue include property taxes, interest income and hydroelectric power sales. Water revenues and water rates are established by the board of directors on an annual basis and are not subject to regulation by the California Public Utilities Commission or any other governing body.

The rate structure implemented on January 1, 2003 unbundles Metropolitan's previous water rate into separate rates and charges (a power rate, a treatment surcharge, a system access rate, a water stewardship rate, and a capacity charge) to reflect the different services provided by Metropolitan. This rate structure includes a two-tiered

block pricing structure for water supply. Effective January 1, 2008, the Tier 1 Supply Rate, which is based on recovering the cost of maintaining a reliable amount of supply, was at \$351 per acre-foot for untreated water. The Tier 2 supply rate, which is set at Metropolitan's cost of developing additional supply to encourage efficient use of local resources, was \$449 per acre-foot. The surcharge for water treatment was set at \$157 per acre-foot. A complete list of current water rates and charges is available in Table 6-1.

In accordance with revenue bond covenants, operating revenues are allocated to the Water Revenue Fund upon receipt and are transferred to various funds for payments or deposits in the following order of priority:

- Operations and Maintenance Fund to pay operations and maintenance expenditures;
- Revenue Bond Interest and Principal Funds, as required;
- Revenue Bond Reserve Fund, if required;
- Excess Earnings Funds, as needed, in accordance with tax and non-arbitrage certificates;
- Payments required for any obligation of Metropolitan that is junior to the lien on the Revenue Bonds; and
- Revenue Remainder Fund, if any funds remain in the Water Revenue Fund after the above transfers.

Metropolitan is empowered under the Metropolitan Water District Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying obligations. Property taxes are levied annually by the board to pay Metropolitan's general obligation bond debt service and a portion of Metropolitan's obligations under its State Water Project contract.

Metropolitan's total cash receipts in fiscal year 2007/08 totaled \$1.277 billion. Sources of cash receipts include collections from water sales, ad valorem property taxes, interest earnings, hydroelectric power sales, readiness-to-serve (RTS) charge, capacity charge, wheeling transactions, and miscellaneous collections, such as rents. Total receipts were \$87 million more than the prior fiscal year due primarily

to \$70 million of higher water sales and \$14 million more in interest income. Water sales vary with the amount of rainfall; during dry periods water sales are typically higher than during wet periods. Southern California is currently facing a severe multi-year drought; fiscal year 2006/07 was the driest year in recorded history.

Table 6-2 lists receipts by source and the change in receipts from the prior year.

TABLE 6-2
RECEIPTS BY SOURCE
Cash Basis
(Dollars in millions)

	Year Ended June 30,		
	2008	Change	2007 (Restated) ⁽³⁾
Water sales	\$ 948	\$ 70	\$ 878
Property Taxes and Annexation Receipts	100	(1)	101
Readiness-To-Serve, Connection Maintenance and other charges ⁽¹⁾	141	7	134
Interest on Investments ⁽²⁾	47	14	33
Hydroelectric Power Sales	41	(3)	44
Total	\$ 1,277	\$ 87	\$ 1,190

⁽¹⁾ Includes receipts from readiness-to-serve, connection maintenance charge, capacity charge, wheeling/exchange transactions, and miscellaneous receipts

⁽²⁾ Excludes construction and trust funds.

For more details please see the Annual Financial Report 2007-2008 p. XVI - XVIII.

⁽³⁾ Expanded and reclassified.

Expenses

Metropolitan continued its efforts to manage finances, contain costs, increase productivity, and maintain conservation programs during the fiscal year. Major components of Metropolitan operations and maintenance costs include labor, chemicals, utilities, outside services, materials, and operating equipment.

Metropolitan is one of 29 contractors to the State Water Project. Under the contract, Metropolitan is obligated to pay the state Department of Water Resources its portion of the costs for construction of the system as well as the minimum operations, maintenance, power and replacement costs of the project regardless of the amount of water actually delivered. Variable power charges are based on actual deliveries of state project water.

In addition, Metropolitan has an obligation to pay its share of the capital and operating costs of certain off-aqueduct power facilities regardless of the amount of water delivered; adjustments to such charges are made in subsequent periods based on actual water deliveries.

Metropolitan also purchases power to pump Colorado River water into its service area. The power is secured by Metropolitan under federal energy contracts and from purchases of supplemental energy from a variety of sources as available. In addition, Metropolitan has entered into and is negotiating a number of agreements with entities along the Colorado River that have higher priority rights to water on the Colorado River. These agreements give Metropolitan firm rights to water that it otherwise would not have.

Future construction requirements to expand facilities, construct new facilities, and provide enhanced water treatment capability are being financed by a variety of financing mechanisms. The Capital Investment Plan (CIP) is being financed through a combination of long- and short-term debt along with Replacement and Refurbishment (R&R) funding from operating revenues. General obligation bond debt service is funded from ad valorem property taxes. Revenue bond and commercial paper debt service is funded from water sales revenues.

Fiscal year 2007/08 cash expenditures totaled \$1.303 billion. Cash is expended for ongoing operations, debt service, state water contract (SWC) capital costs, water supply programs, and R&R construction. Total expenditures were \$145 million higher than the prior year. About \$75 million in lower R&R construction costs partially offset increases that included \$144 million related to operating expenditures, \$19 million of debt service costs, \$35 million for water supply programs, and \$29 million for State Water Project contract capital costs.

Table 6-3 lists expenditures by function and the changes from the prior year.

TABLE 6-3
CASH EXPENDITURES
(Dollars in millions)

	Year Ended June 30,		
	2008	Change	2007
			(Restated) ⁽³⁾
O&M/Operating Expenses ⁽¹⁾	\$ 792	\$ 144	\$ 648
Debt service	268	19	249
SWC capital costs ⁽²⁾	142	29	113
Water supply programs	48	35	13
R&R construction	34	(75)	109
Other, net	19	(7)	26
Total	\$ 1,303	\$ 145	\$ 1,158

⁽¹⁾ Includes operating equipment.

⁽²⁾ Net of credits.

For more details please see the Annual Financial Report 2007-2008 p. XVI-XIX; Monthly Financial Report, June 2008.

⁽³⁾ Expanded and reclassified.

Debt Financing

During fiscal year 2007/08, Metropolitan issued \$583 million of refunding bonds. No new money bonds were issued during the fiscal year. The refunding bonds were used to refund \$579 million of higher cost long-term debt.

Budget Process

Metropolitan combines elements of program budgeting and performance reporting in its budget system. These elements provide for funding, analysis, review, and control. The process begins one year in advance, starting in July when each group identifies major maintenance projects and capital projects. These requests are submitted to the Engineering Section in July, giving staff adequate time to plan project design and construction schedules, and to allow the Water System Operations Group to plan for system shutdowns. Groups and sections prepare operating budgets in August-November based on

established directives from top management. Each program is analyzed and reviewed as to resources required and the extent to which the program is consistent with the priorities and strategies of the General Manager's Business Plan for the fiscal year. All recommended programs are then incorporated into the overall budget, which is reviewed at a special board budget workshop in late February. The budget is submitted for approval to the full board of directors in March concurrent with proposed rates.

Budgetary control is handled through monthly variance reports, which compare budget estimates with actual receipts and expenditures for board and management information purposes, and form the basis for corrective actions. This is one of several control measures used to ensure operational efficiency and the attainment of Metropolitan's goals and objectives within the limits of allocated resources. All major expenditure categories are controlled via board-approved annual budget and authorized appropriations during the year. Receipts and expenditures are summarized monthly by account type for cash basis reporting purposes.

Treasury Operations and Cash Management

Metropolitan has adopted an investment policy which specifies the types and amounts of investments that may be made. In accordance with Section 53600 et seq. of the Government Code of the State of California, the authority to invest public funds is expressly delegated to the board of directors for subsequent re-delegation to the Treasurer.

Investments by the Treasurer are limited to those instruments specified in Metropolitan's board-approved Statement of Investment Policy. The policy sets out, in order of importance, that investments will be made based on safety, liquidity and return.

As an investment standard, any investment shall be made as if it is one which would be purchased by a prudent person, not for speculation. The Treasurer may invest in any security authorized for investment under state law as follows:

- Time Deposits
- Repurchase Agreements
- Reverse Repurchase Agreements

- Local Agency Investment Fund Deposits
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- U.S. Government and Agencies
- Securities Related to the State Water Project
- Medium-Term Notes
- Mortgage Obligations and Asset-Backed Securities

The overall treasury activities during the year, including bond construction and trust funds, involved an average investment portfolio of \$1.162 billion with cash basis investment earnings of \$64.9 million. The fair value of the investment portfolio at June 30, 2008 was \$1.082 billion.

The Metropolitan Water District has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its 2006/07 Comprehensive Annual Financial Report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by Metropolitan and its management. Metropolitan has received the award from the GFOA for each of the past 14 fiscal years. A Certificate of Achievement is valid for a period of one year only.

In addition, the GFOA presented an award for Distinguished Budget Presentation to Metropolitan for its annual budget for the fiscal year 2007/08. In order to qualify for the Distinguished Budget Presentation Award, Metropolitan's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. Metropolitan has received the award from the GFOA for five consecutive years and 15 times over the last 19 years.

TABLE 6-4
Summary of Changes in Net Assets - Accrual Basis
(Dollars in millions)

	Fiscal Year Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
Water sales	\$ 991.3	\$ 963.2	\$ 864.2	\$ 810.2	\$ 914.2	\$ 844.3	\$ 871.4	\$ 806.7	\$ 776.4
Readiness-to-serve charges	82.1	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.1
Power recoveries	23.1	26.1	26.8	20.9	23.0	20.6	15.3	21.2	17.1
Operating revenues	1,096.5	1,069.3	971.0	911.1	1,017.2	944.9	966.7	907.9	873.6
Taxes, net	98.7	96.4	102.7	91.8	96.7	94.0	101.8	105.1	98.8
Investment income	65.9	55.3	32.5	47.2	10.3	42.3	45.8	61.7	48.0
Other, net	2.9	10.1	4.6	7.2	4.4	3.0	6.0	7.6	5.6
Nonoperating revenues	167.5	161.8	139.8	146.2	111.4	139.3	153.6	174.4	152.4
Total revenues	1,264.0	1,231.1	1,110.8	1,057.3	1,128.6	1,084.2	1,120.3	1,082.3	1,026.0
Power and water costs	(350.3)	(335.4)	(366.2)	(278.5)	(244.9)	(304.6)	(377.9)	(221.6)	(186.7)
Operations and maintenance	(405.0)	(368.4)	(370.4)	(321.2)	(310.6)	(288.0)	(262.5)	(236.4)	(229.6)
Member agency distribution	-	-	-	-	(36.3)	-	(33.4)	-	-
Depreciation and amortization	(229.0)	(214.4)	(205.3)	(210.5)	(201.7)	(203.6)	(177.4)	(199.4)	(159.5)
Operating expenses	(984.3)	(918.2)	(941.9)	(810.2)	(793.5)	(796.2)	(851.2)	(657.4)	(575.8)
Bond interest	(120.0)	(118.9)	(110.0)	(100.3)	(100.9)	(107.1)	(117.7)	(136.8)	(81.2)
Interest and adjustments on OAPF (1)	(4.1)	(4.5)	(4.9)	(5.4)	(6.9)	(5.9)	(12.2)	(5.8)	1.1
Nonoperating expenses	(124.1)	(123.4)	(114.9)	(105.7)	(107.8)	(113.0)	(129.9)	(142.6)	(80.1)
Total expenses	(1,108.4)	(1,041.6)	(1,056.8)	(915.9)	(901.3)	(909.2)	(981.1)	(800.0)	(655.9)
Contributed capital	15.6	14.5	15.2	7.7	0.1	4.5	-	-	-
Change in net assets	\$ 171.2	\$ 204.0	\$ 69.2	\$ 149.1	\$ 227.4	\$ 179.5	\$ 139.2	\$ 282.3	\$ 370.1

(1) Off-Aqueduct Power Facilities.

TABLE 6-5
TEN MEMBER AGENCIES WITH
LARGEST ASSESSED VALUATIONS
YEAR ENDED JUNE 30, 2008
(Dollars in Billions)

Member Agency	Assessed Valuation	Percent of Total
Los Angeles	\$378.0	18.76
San Diego County Water Authority	369.6	18.34
MWD of Orange County	338.6	16.80
West Basin MWD	128.5	6.37
Central Basin MWD	107.1	5.31
Western MWD	84.5	4.19
Inland Empire Utilities Agency	80.5	3.99
Calleguas MWD	80.2	3.98
Upper San Gabriel Valley MWD	69.2	3.43
Eastern MWD	68.6	3.40
	\$1,704.8	84.59
Total Gross Assessed Valuation (All 26 Member Agencies)	\$2,015.4	

TABLE 6-6
TEN-YEAR SUMMARY OF ASSESSED VALUATIONS
AND PROPERTY TAX RATES
(Dollars in Billions)

Fiscal Year Ended June 30,	Gross Assessed Valuation ⁽¹⁾	Homeowner's Exemption	Net Assessed Valuation	Secured Property Percentage Tax Rate
2008	\$ 2,015.4	\$ 17.1	\$ 1,998.3	0.0045
2007	1,839.5	16.9	1,822.6	0.0047
2006	1,642.2	17.0	1,625.2	0.0052
2005	1,478.0	16.8	1,461.2	0.0058
2004	1,359.5	16.6	1,342.9	0.0061
2003	1,257.3	16.3	1,241.0	0.0067
2002	1,169.3	16.2	1,153.1	0.0077
2001	1,081.5	16.0	1,065.5	0.0088
2000	999.7	16.0	983.7	0.0089
1999	932.6	15.9	916.7	0.0089

⁽¹⁾ Gross assessed valuations (before deduction of Homeowner's and Business Inventory Exemptions), as of August each year, of all secured and unsecured property within Metropolitan's service area, as certified by the County Auditor-Controllers for the respective counties.

Table 6-7
Ten-Year Summary of Property Tax Levies and Collections - Cash Basis
(Dollars in Thousands)

Fiscal Year Ended June 30,	Total Tax Levy	Tax Collections			Outstanding Delinquent Taxes ⁽¹⁾	Percent of Current Taxes Collected to Total Tax Levy		Percent of Total Tax Collections to Total Tax Levy		Percent of Delinquent Taxes to Total Tax Levy	
		Current	Delinquent	Total							
2008	\$ 107,059	\$ 87,670	\$ 11,224	\$ 98,894	\$ 12,951	81.9	%	92.4	%	12.1	%
2007	103,913	81,315	13,647	94,962	11,224	78.3		91.4		10.8	
2006	104,531	91,042	4,988	96,030	13,647	87.1		91.9		13.1	
2005	100,114	88,201	8,761	96,962	4,988	88.1		96.9		5.0	
2004	99,307	89,178	3,838	93,016	8,761	89.8		93.7		8.8	
2003	100,239	91,420	7,906	99,326	3,838	91.2		99.1		3.8	
2002	106,497	96,566	7,114	103,680	7,906	90.7		97.4		7.4	
2001	111,265	102,516	6,102	108,618	7,114	92.1		97.6		6.4	
2000	103,401	97,266	1,325	98,591	6,102	94.1		95.3		5.9	
1999	96,332	91,361	2,314	93,675	1,325	94.8		97.2		1.4	

(1) Delinquent taxes shown are net of the "Allowance for Uncollectibles" - determined by historical trends of collections and payments.

Table 6-8
Ten-Year Summary of Net Operating Income and Revenue Bond Debt Service Coverage⁽¹⁾
 Cash Basis - (Dollars in Millions)

	Fiscal Year Ended June 30,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
					(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Receipts from Water Sales	\$ 948.0	\$ 878.0	\$ 814.1	\$ 813.0	\$ 839.0	\$ 870.0	\$ 844.0	\$ 809.0	\$ 740.0	\$ 592.0
Additional Receipt Sources	134.0	126.0	123.9	119.0	104.0	89.0	83.0	84.0	83.0	83.0
Total Receipts	<u>1,082.0</u>	<u>1,004.0</u>	<u>938.0</u>	<u>932.0</u>	<u>943.0</u>	<u>959.0</u>	<u>927.0</u>	<u>893.0</u>	<u>823.0</u>	<u>675.0</u>
Operating Expenditures ⁽²⁾	<u>(792.0)</u>	<u>(648.0)</u>	<u>(693.0)</u>	<u>(603.0)</u>	<u>(604.0)</u>	<u>(530.0)</u>	<u>(609.0)</u>	<u>(522.0)</u>	<u>(402.0)</u>	<u>(379.0)</u>
Net Operating Receipts	290.0	356.0	245.0	329.0	339.0	429.0	318.0	371.0	422.0	296.0
Hydroelectric Power Receipts & Other ⁽²⁾	48.0	52.0	54.0	40.0	36.0	26.0	20.0	28.0	23.0	15.0
Interest on Investments ⁽³⁾	47.0	33.0	26.0	27.0	23.0	42.0	39.0	41.0	38.0	38.0
Adjusted Net Operating Receipts	<u>385.0</u>	<u>441.0</u>	<u>325.0</u>	<u>396.0</u>	<u>398.0</u>	<u>497.0</u>	<u>377.0</u>	<u>440.0</u>	<u>483.0</u>	<u>349.0</u>
Prior Lien Bonds Debt Service	-	-	-	-	-	-	-	-	-	0.0
Adjusted Net Operating Receipts after Prior Liens	<u>385.0</u>	<u>441.0</u>	<u>325.0</u>	<u>396.0</u>	<u>398.0</u>	<u>497.0</u>	<u>377.0</u>	<u>440.0</u>	<u>483.0</u>	<u>349.0</u>
Junior Lien Bonds and Additional Bonds Debt Service	-	-	-	-	-	-	-	-	-	-
Bonds and Additional Bonds Debt Service	(219.0)	(200.0)	(176.0)	(157.0)	(159.0)	(151.0)	(154.0)	(178.0)	(168.0)	(167.0)
Subordinate Revenue Obligations	(1.0)	(1.0)	(1.0)	(1.00)	-	-	0.0	(3.0)	(11.0)	(10.0)
Funds Available from Operations	<u>\$ 165.0</u>	<u>\$ 240.0</u>	<u>\$ 148.0</u>	<u>\$ 238.0</u>	<u>\$ 239.0</u>	<u>\$ 346.0</u>	<u>\$ 223.0</u>	<u>\$ 259.0</u>	<u>\$ 304.0</u>	<u>\$ 172.0</u>
Ratios										
Bonds and Additional Bonds Debt Service Coverage	1.76	2.21	1.85	2.52	2.50	3.29	2.45	2.47	2.88	2.09
Debt Service Coverage on all Obligations	1.75	2.19	1.84	2.51	2.50	3.29	2.45	2.43	2.70	1.97

⁽¹⁾ Cash basis financial information is presented using the flow of funds criteria as described in Metropolitan's revenue bond covenants. The flow of funds criteria is used, among other things, to determine the debt service coverage ratios.

⁽²⁾ Fiscal Years 1998 - 2001 restated to include O&M water transfer costs. Fiscal Years 1996 - 2004 restated to include other receipts.

⁽³⁾ Excludes interest applicable to Bond Construction accounts, Excess Earning account(s), Other Trust accounts, and the Deferred Compensation Trust account.

Minor differences are due to rounding.

Table 6-9
TEN LARGEST WATER CUSTOMERS
Year Ended June 30, 2008
 Accrual Basis (Dollars In Millions)

<u>Agency</u>	<u>Water Sales</u>	<u>Percent of Total</u>	<u>Water Sales in Acre-Feet</u>	<u>Percent of Total</u>
San Diego CWA	\$232.8	24.29	553,481	25.43
City of Los Angeles	172.4	17.99	420,266	19.31
MWD of Orange County	109.3	11.41	229,763	10.56
West Basin MWD	66.6	6.95	135,456	6.22
Calleguas MWD	64.6	6.74	131,364	6.04
Eastern MWD	52.5	5.48	108,166	4.97
Western MWD of Riverside County	48.8	5.09	106,398	4.89
Three Valleys MWD	31.8	3.32	72,829	3.35
Central Basin MWD	28.8	3.00	59,054	2.71
Inland Empire Utilities Agency	<u>24.0</u>	<u>2.50</u>	<u>68,391</u>	<u>3.14</u>
Total	\$831.7	86.79	1,885,166	86.62
Total Revenue	\$958.3	Total Acre-Feet	2,176,372	

Minor differences are due to rounding.