

## SUSTAINABLE AND RELIABLE GROWTH

*Letter from the Chairman*

On behalf of the Metropolitan Water District Board of Directors, I am pleased to present the Annual Financial Report for 2006-2007.

This has been an unprecedented year in the water world with water emerging as a high profile issue for Metropolitan, for California and for our nation. We face unique challenges that affect our water supply and delivery systems. These challenges include record-low snow pack levels in the Sierras, the driest year in more than 100 years in some regions of Southern California and severe drought conditions in the Colorado River Basin, throughout the Southwest and other parts of the nation.

Additionally, Metropolitan and water agencies throughout California face significant challenges related to a federal court ruling in 2007 that reduces the amount of water that flows through the Sacramento-San Joaquin Delta. This court ruling was in response to a lawsuit filed to protect the Delta smelt, an endangered species. The ruling mandates a temporary reduction in the amount of water that passes through the Delta this year and possibly next with estimates ranging from a 25 to 30 percent reduction, affecting water supplies for nearly 25 million people throughout the state.

The Sacramento-San Joaquin Delta has been at center stage in this extraordinary year and Metropolitan has assumed a leadership role in addressing these critical issues. We have identified the needs and the solutions. Metropolitan's Board of Directors adopted the Bay-Delta Action Plan, a comprehensive plan that addresses short-, mid- and long-term solutions, including restoration of the Delta's fragile ecosystem, stabilizing the levee system and addressing storage and conveyance needs.

The Delta's water quality and reliability are intertwined with long-term concerns linked to climate change. A higher sea level would bring increased salinity levels



**TIMOTHY F. BRICK**  
Chairman

intruding on the freshwater system that is already vulnerable to saltwater intrusion, and could further jeopardize levee stability, possibly leading to larger and more frequent failures.

Created in 1928, Metropolitan is a cooperative of 26 cities and water agencies covering six counties and approximately 5,200 square miles in Southern California. For nearly 80 years, Metropolitan's mission has been to

provide our service area—today, nearly 18 million people—with adequate and reliable supplies of high-quality water in an environmentally and economically responsible way.

Metropolitan has met its mission, in part, through the development and implementation of an Integrated Resources Plan. Metropolitan's board originally adopted this plan, the first of its kind, in 1996. The IRP has allowed us to develop a diverse water supply portfolio and strong partnerships with our member agencies, businesses and the community.

Even in challenging times, Metropolitan has continued to provide a solid financial foundation to support sustainable and reliable growth through smart planning and implementation of successful investment strategies. This financial strength earned Metropolitan an "AAA" bond rating from Standard and Poor's, the highest rating Metropolitan has received for revenue-bond debt.

Standard & Poor's based its ratings on Metropolitan's financial reserves, its ability to find and develop affordable water supplies, and the district's capacity to cover debt service through wholesale water rates.

Metropolitan will continue its leadership role in protecting water quality and the environment while addressing climate change and other challenges through continued and sustainable programs and projects. Through these efforts, we will continue to provide reliable water supplies now and in the future.

A handwritten signature in green ink that reads "Timothy F. Brick". The signature is fluid and cursive.

Timothy F. Brick  
Chairman