



Finance and Asset Management Committee

CFO Report

Item 7a

May 14, 2024

Metropolitan's Bond Ratings Affirmed

- Metropolitan regularly seeks ratings from the major rating agencies
- The Finance Group most recently met with S&P and Moody's as part of our Series 2024A (Senior Lien) Water Revenue Refunding Bonds, which successfully priced in April 2024
- Later this month and in early June, we will complete the two-phased ratings process with S&P and Fitch related to our Series 2024B transaction (Subordinate Lien)

Rating Agency	Metropolitan Lien and Mode	Rating Assigned	Rating Outlook
S&P Global Ratings	General Obligation Bonds	AAA (highest)	Stable
	Senior Lien – Long-Term Bonds	AAA (highest)	Stable
Moody's Ratings	General Obligation Bonds	Aaa (highest)	Stable
	Senior Lien	Aa1	Stable

Key Credit Rating Highlights: S&P

Rating Agency	Rating Rationale	Rating Upgrade Factors	Rating Downgrade Factors
S&P Global Ratings AAA (Senior Lien)	<p>District's comprehensive resource planning, well-defined risk management practices and financial policies are cornerstone to its credit quality</p> <p>Management's prudent approach to mitigating the short and long-term credit risk associated with Climate Change and related water shortages</p> <p>District's ability to maintain steady financial metrics despite variability in water sales is a key credit strength</p> <p>Strategic importance of District to both its member base and service area economy</p>	N/A	<p>Not continuing emergency measures to bolster interconnections between SWP-dependent areas to infrastructure that would provide access to other supplies</p> <p>Not adjusting rates to maintain consistently strong financial performance</p> <p>Material underperformance to forecast</p> <p>District's policies and practices no longer support strong liquidity and DSC levels</p>

Key Credit Rating Highlights: Moody's

Rating Agency	Rating Rationale	Rating Upgrade Factors	Rating Downgrade Factors
Moody's Ratings Aa1 (Senior Lien)	<p>Despite weakened Debt Service Coverage (DSC) and Liquidity, the District has adopted consistent, annual rate increases</p> <p>Moreover, a planned property tax increase will increase the share of revenues derived from fixed charges to 25%</p> <p>Assumed lower demand levels, in concert with above elements, position the District to meet its projected debt service coverage targets (closer to 2x)</p> <p>Lowest-priced alternatives for water supplies in the region</p> <p>Strong management practices, particularly with respect to efforts to increase storage, facilitate interstate agreements and develop water-reuse capabilities in the face of climate change impacts</p>	<p>Long-term alleviation of water supply pressure (storage and water reuse)</p> <p>Material and sustained increase in DSC and Liquidity (Reserves)</p>	<p>Drought conditions or pressures on Colorado River supplies that strain supplies, or stored water</p> <p>Weakened financial performance and key metrics, including DSC, Liquidity and increase of capital costs required to meet future supply or environmental requirements</p>

Series 2024A Bonds

Transaction Summary

\$772 million in total
priority orders

47 different investors

All-in TIC of 3.10%

2054 final maturity (30
years)

Summary of Offering Terms

- Metropolitan successfully navigated the sale of its Senior Lien (Series 2024A) financing with impressively low spreads to market benchmark indices
- This was accomplished in the wake of significant market volatility and a heavy calendar of competing transactions in California and nationally

Issuer:	Metropolitan Water District of Southern California
Issue:	Water Revenue Refunding Bonds, 2024 Series A
SWS Role:	Senior Manager
Purpose:	Refunding of Bonds & Revolving Credit Facility
Par Size:	\$367,005,000
Pricing Date:	April 22, 2024
Delivery Date:	May 8, 2024
Call Date:	April 1, 2034 @ 100%
Ratings (M / S / F):	Aa1 / AAA / NR

Key Upcoming Transactions

- **June 2024**
 - Water Revenue Refunding Bonds, Series 2024-B (Subordinate Lien)
- **September 2024**
 - Water Revenue Bonds, Series 2024-C
 - FY 24/25 & FY 25/26 New Money Capital Improvement Program (tax-exempt, debt financed portion only)
 - MWD conservation (taxable) for 4-year period (FY 22/23 through FY 25/26)
- **October 2024**
 - Antelope Valley-East Kern (AVEK) High Desert Water Bank (tax-exempt)



Questions

