



Finance and Insurance Committee  
CFO Management Report

# Summary of Financing Results: 2022 Series A Bonds 2022 Series B&C Bonds

Item 8a  
August 15, 2022

2022 Series A

# Transaction Summary

On June 22, 2022, Metropolitan priced its first bond transaction for the calendar year in order to achieve cashflow savings and budgetary relief.

- On June 22, 2022, the Metropolitan Water District of Southern California priced its Water Revenue Refunding Bonds, 2022 Series A
  - \$279,570,000 Par
  - All-In TIC of 2.93%
- The bonds were issued to refund all or portions of MWD's 2012 Series A, 2012 Series F and 2012 Series G Bonds, as well as redeem certain parity notes issued by MWD to refund a portion of the Subordinate 2017 Series B Bonds

2022 Series B&C

# Transaction Summary

On July 20, 2022,  
Metropolitan priced two  
separate bond transactions  
simultaneously as part of an  
integrated plan of finance.

- Water Revenue Refunding Bonds, 2022 Series B
  - \$253,365,000 Par
  - All-in TIC: 2.90%
- Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Taxable)
  - \$282,275,000 Par
  - Initial Weekly Rate: 1.60% (C-2) and 1.62% (C-1)

# Transaction Credit Ratings Summary

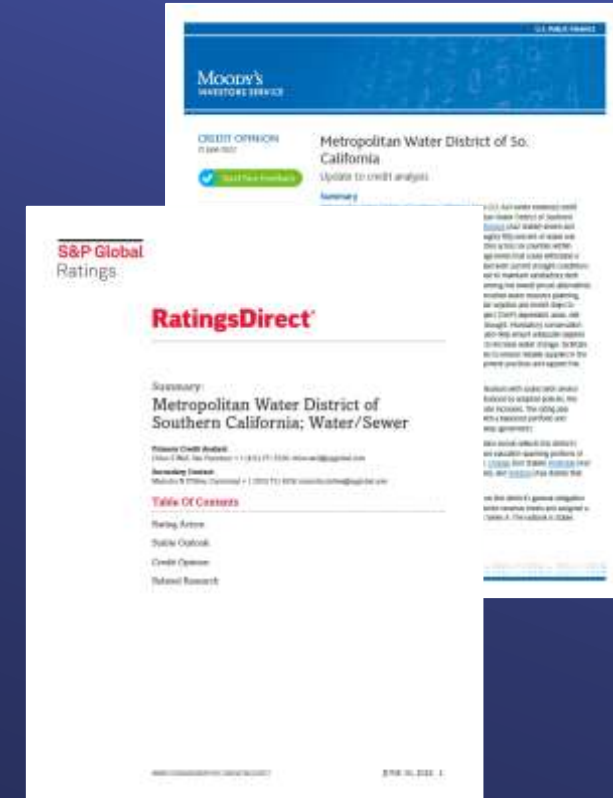
# Credit Summary

2022 Series A

For the Series 2022A bonds, MWD utilized ratings from both Moody's and S&P

## Ratings

- As part of the ratings process, MWD, PFM, and Morgan Stanley worked together to put together a presentation highlighting MWD's credit strengths
- MWD presented to Moody's on May 31, 2022
- The 2022A bonds received a "Aa1" rating from Moody's
- MWD presented to S&P on May 31, 2022
- The 2022A bonds received a "AAA" rating from S&P



# Credit Summary

2022 Series B&C

For the Series 2022B&C bonds, MWD utilized ratings from all three credit rating agencies that rate Metropolitan's outstanding bonds (Moody's, S&P & Fitch)

## Ratings

- The 2022B bonds received a “Aa1” rating from Moody’s
- The 2022B bonds received a “AAA” rating from S&P
- For the Series 2022C bonds, MWD utilized ratings from both Fitch and S&P
- The 2022C-1 bonds received “AA+/F-I+” ratings and the 2022C-2 bonds received “AA+/F1” ratings from Fitch
- The 2022C-1 bonds received “AAA/A-I+” ratings and the 2022C-2 bonds received “AAA/A-I” ratings from S&P





2022 Series A

# Credit Analysis

While Metropolitan's ratings ultimately were affirmed by all rating agencies, staff engaged in a substantive and robust discussion on past, current and future risks that could impact Metropolitan's finances.

## Credit Discussion

- MWD received ratings from Moody's and S&P for the new issuance
- Affirmed ratings of Aal (Moody's) and AAA (S&P)

Credit Strengths		Credit Considerations	
Moody's			
+	Favorable position as water wholesaler to expansive service area	–	Ongoing drought conditions and pressured water supplies vulnerable to climate change
+	Water remains among lowest cost alternatives within region, ensuring demand	–	Large capital plan to finance additional water supplies and address environmental concerns
+	Consistent financial performance supported by long-term planning and measured rate increases	–	Ongoing litigation challenging rates and regulatory requirements
+	Sufficient supplies to meet demand despite drought conditions	–	Pending decisions on large-scale, state-wide water projects
S&P			
+	Prudent approach to mitigating credit risk associated with climate variability and water shortages	–	Substantial environmental risk
		–	Affordability risks
+	Exceptionally strong financial profile		
+	Strategic importance to member base and service area economy		
+	Comprehensive resource planning		
+	Well-defined risk management practices and financial policies		

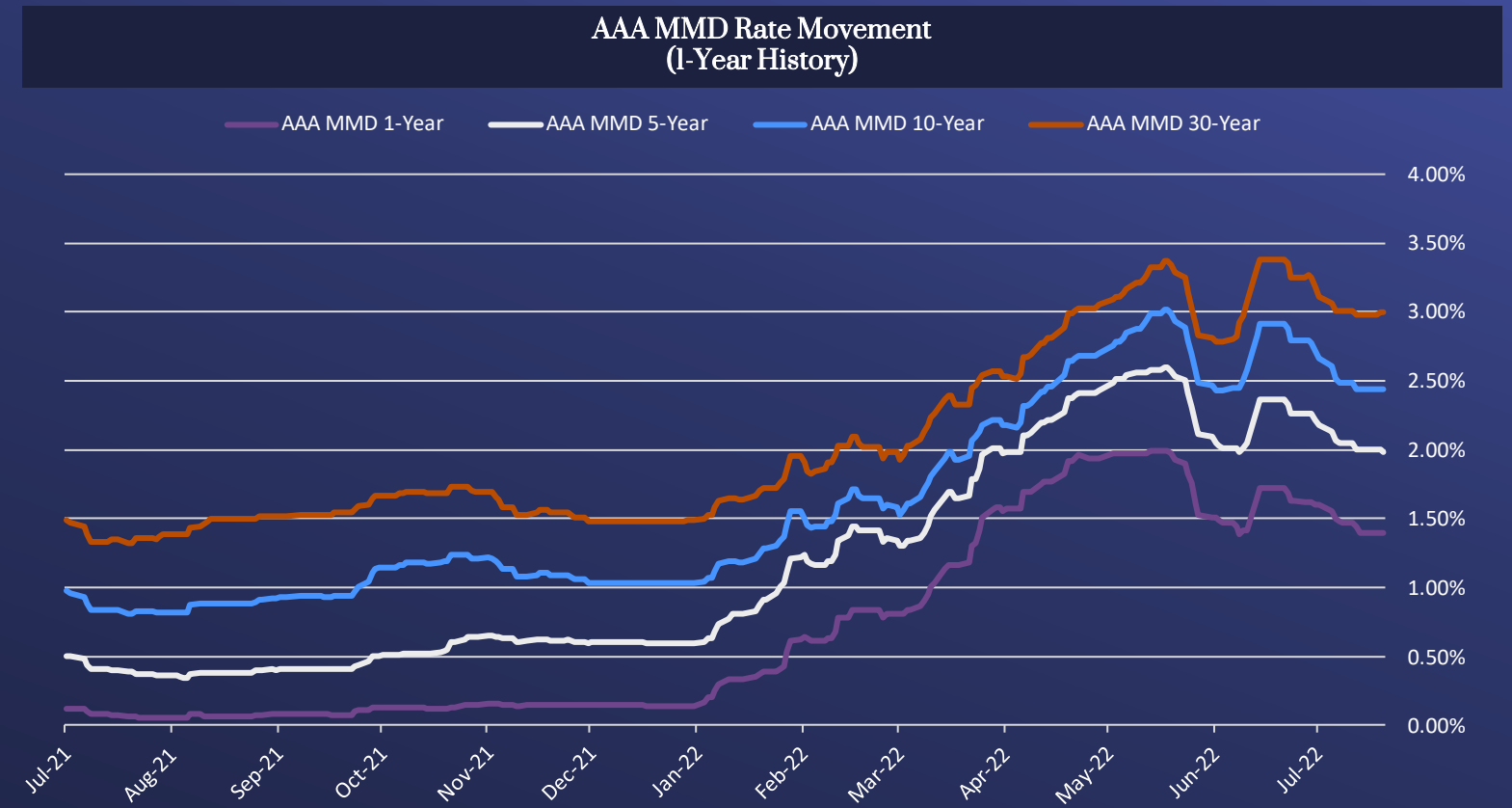
# Marketing Highlights



2022 Series A and  
2022 Series B&C

# Market Conditions

## AAA MMD Rate Movement



Source: Thomson Reuters

2022 Series A and  
2022 Series B&C

# Pricing

Metropolitan's finance team successfully navigated through a challenging environment to bring the three transactions to market at optimal times to meet our structuring demands and investor appetite.

## Rates Leading to Pricing

- Since the start of 2022, there had been significant volatility in the market
  - Rates increased almost 200 bps from Jan 1 to mid-May before dropping over 50 bps over the following few weeks and then rising again
- Since June, rates have steadily declined

2022 Series A and  
2022 Series B&C

# Investor Relations Portal

The CFO's office through the Treasury and Debt Management Section, partnered with External Affairs to establish an investor relations portal that leverages the best of our website with the proven effectiveness of a third-party platform (BondLink).

The screenshot displays the Investor Relations Portal for The Metropolitan Water District of Southern California, hosted on the BondLink platform. The header includes the district's logo and name, navigation links for ABOUT, BONDS, DOCUMENTS, and RESOURCES, and user options for My BondLink and Log Out. The main banner features a scenic image of a lake and the title "The Metropolitan Water District of Southern California". Below the banner, four document tiles are displayed, each with a "DOCUMENT" icon, title, date, and a "View Document" link. The "Our Commitment to Transparency" section includes a photo of Katano Kasaine and a text block explaining the district's commitment to transparency. The right sidebar, titled "ISSUER OVERVIEW", shows the issuer's name, type, bond ratings (S&P AAA, Fitch AA+, Moody's Aa1), and links for BONDS, DOCUMENTS, NEWS/EVENTS, and CONTACT US. A notification toggle is also present in the sidebar.

**The Metropolitan Water District of Southern California**  
Investor Relations

BONDLINK

My BondLink Log Out

[ABOUT](#) [BONDS](#) [DOCUMENTS](#) [RESOURCES](#)

## The Metropolitan Water District of Southern California

**DOCUMENT**  
Biennial Budget – Fiscal Years 2022-23 and 2023-24  
Posted: Jul 10, 2022  
[View Document →](#)

**DOCUMENT**  
Quarterly Financial Statements (Unaudited) March 2022  
Posted: Jun 03, 2022  
[View Document →](#)

**DOCUMENT**  
Treasurer's Monthly Report June 2022  
Posted: Jul 18, 2022  
[View Document →](#)

**DOCUMENT**  
Water Revenue Refunding Bonds, 2022 Series B  
Posted: Jul 27, 2022  
[View Document →](#)

### Our Commitment to Transparency



Issuing bonds helps to fund, build and maintain critical infrastructure investments that our regional economy depends on and needs. These investments include a regional recycled water program, water quality improvements, clean energy upgrades and our core distribution system, among other capital improvement projects. Metropolitan is committed to maintaining our strong bond ratings with exceptional financial metrics, strong management and integrated planning for an uncertain future. In addition, we adhere to a policy of transparency with our investor community and the general public at-large.

**Katano Kasaine**, Assistant General Manager, Finance & Administration

**ISSUER OVERVIEW** **NOTIFICATIONS** ☐ OFF

**The Metropolitan Water District of Southern California**  
Issuer Type: Water/Sewer

**BOND RATINGS** < 1 of 6 >

Senior Lien Water Revenue

S&P **AAA** FITCH **AA+** MOODY'S **Aa1**

**BONDS** **DOCUMENTS**

**NEWS/EVENTS** **CONTACT US**

2022 Series A and  
2022 Series B&C  
Pricing

Part of our strategy was to price when investors would be “flush” with cash, given redemptions anticipated during the summer months.

Average annual debt service savings of approximately **\$3.2 million per year over the 15- year term of the bonds** was achieved through this transaction.

## 2022 Series A Pricing

- Pricing for the Series 2022A Bonds occurred on June 22, 2022
- The Bonds received \$2.1 billion of orders by 72 different investors
- All maturities were fully subscribed or oversubscribed, with five maturities more than 10x oversubscribed
- MWD achieved NPV savings of \$40.1 million, or 12.66% of refunded par

2022 Series A and  
2022 Series B&C  
**Pricing**

Despite the significant headwinds with monetary policy by the Federal Reserve to raise short-term interest rates, Metropolitan was able to secure broad investor participation on the two series of bonds.

## 2022 Series B&C Pricing

- Pricing for the Series 2022B&C Bonds occurred on July 20, 2022

### Series 2022B

- The Series 2022B bonds experienced strong investor support with total orders of \$1.14 billion from 58 different investors
- All maturities were fully subscribed or oversubscribed, with eight maturities more than 5x oversubscribed

### Series 2022C

- The Series 2022C VRDBs received strong investor demand
- The initial rate for the Series 2022C-1 VRDBs was 1.62% with an order book 1x subscribed
- The initial rate for the Series 2022C-2 VRDBs was 1.60% with an order book 3x oversubscribed



2022 Series A and  
2022 Series B&C  
**Pricing**

Average annual debt service savings of approximately **\$1.8 million per year over the 18-year term of the bonds** was achieved through this transaction.

## 2022 Series B&C Refunding Results

- Overall, the combined refunding produced substantial expected NPV savings\* of **\$22.1 million** or **8.28%** of refunded par\*\*

Summary of Refunding Results	
Gross Cashflow Savings	\$31,830,160
Net PV Savings (\$)	\$22,137,011
Net PV Savings (% of Refunded Par)	8.28%
Refunded Par Amount**	\$267,420,000

- Savings are expected based on assumptions between the relationship of taxable to tax-exempt VRDBs through the escrow periods

\*\* Refunded par is based on the refunded par of the Series 2015A and 2016A Bonds

Fiscal Year	Cashflow Savings
2023	\$1,136,864
2024	\$607,366
2025	\$281,853
2026	\$1,059,126
2027	\$2,052,350
2028	\$2,050,900
2029	\$2,051,050
2030	\$2,050,900
2031	\$2,053,000
2032	\$2,055,000
2033	\$2,053,750
2034	\$2,054,250
2035	\$2,051,250
2036	\$2,054,750
2037	\$2,054,250
2038	\$2,054,750
2039	\$2,056,000
2040	\$2,052,750
<b>Total</b>	<b>\$31,830,160</b>

2022 Series A and  
2022 Series B&C

# Summary

Staff wants to assure the Board that the Office of the CFO has been effective at managing its debt portfolio, realizing several achievements with its most recent transactions.

## Achievements this Financing Season

- Total Gross Debt Service Savings of \$80 million for the 2022 Series A, B & C Bonds (over \$100 million including the 2021 B Bonds last July)
- Inclusive use of small, minority, women and veteran-owned firms on our financing teams and in leading roles
- Improved Appendix A document with a “close review” off cycle
- Established a “best in class” investor relations portal for greater transparency to the capital markets
- Laid a strong foundation for proactive and defensive communications with rating agencies of current and near-term risks



