Finance, Affordability, Asset Management, and Efficiency Committee

Bond Financing Overview (SB 450)

Item 6a

October 13, 2026

Presented by: Sam Smalls

Item #6a
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Subject

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Purpose

Provide an overview of Metropolitan's debt portfolio. Disclose information required by California Senate Bill 450 regarding the upcoming bond financing.

Fiscal Impact

The total debt service cost of the proposed bond issues is estimated to be $778.8 million, through 2056

Budgeted

The debt service costs are included in the current Biennium Budget and will be included in future budgets to be adopted by the Board

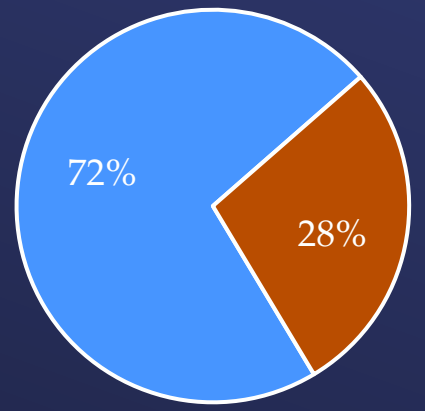
Debt Portfolio Highlights

MWD Debt Portfolio Key Statistics

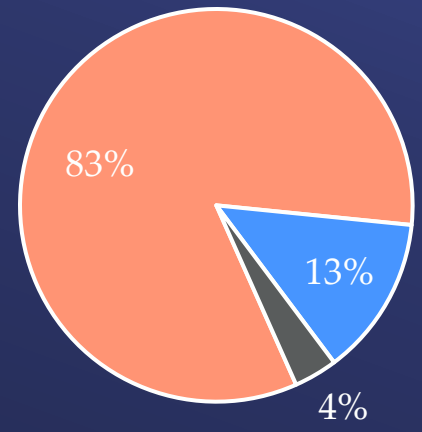
Metropolitan Debt Portfolio Overview

- As of November l, MWD is projected to have approximately $3.8 billion in revenue bonds and other obligations outstanding.
- MWD will also have approximately $135.9 million in fixed payor interest rate swaps outstanding.

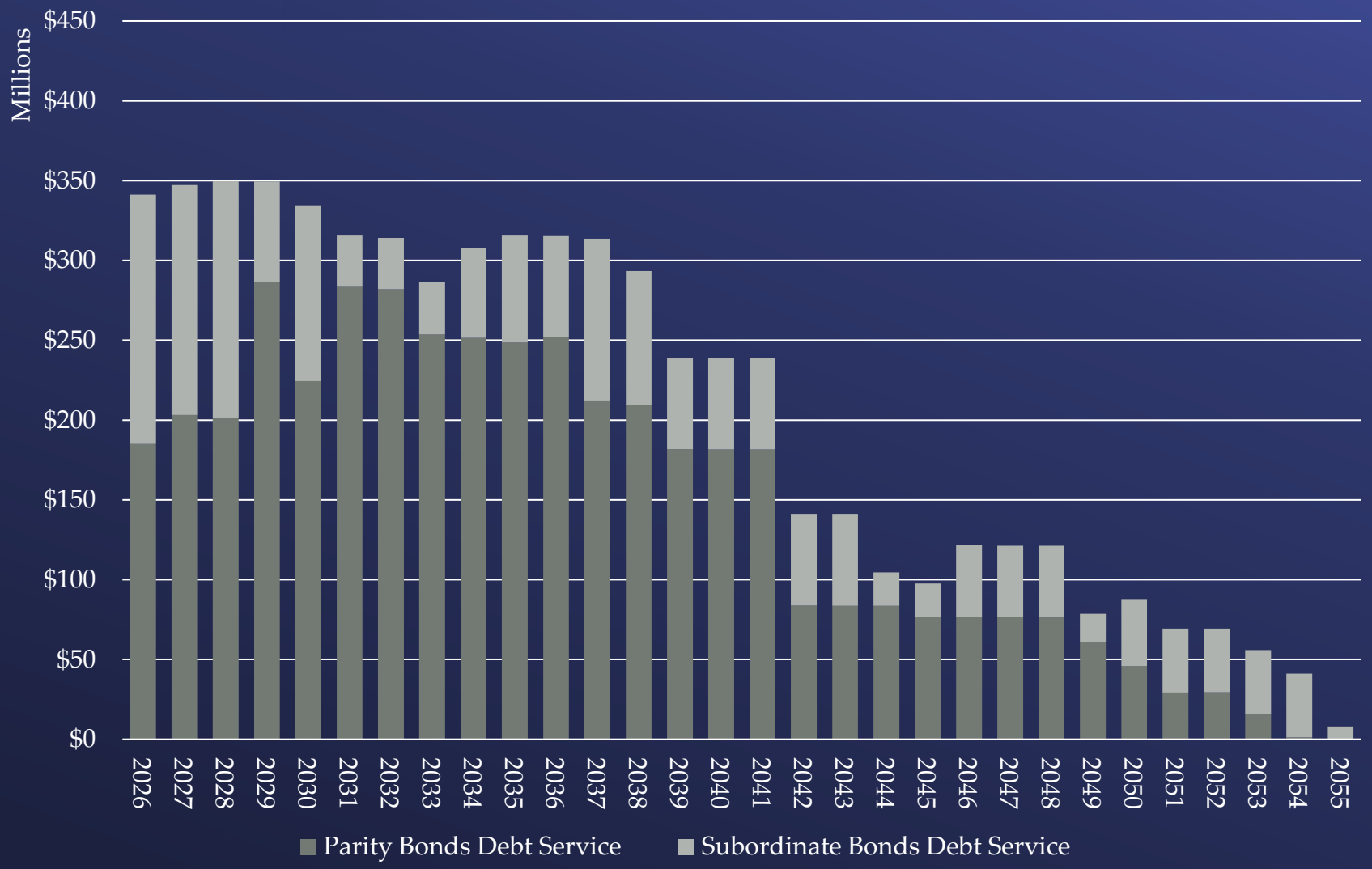
Debt Portfolio by Lien



Debt Portfolio by Type



Metropolitan Existing Debt Service Profile*



Debt KPIs

$349.6M
Maximum annual debt service (MADS), 2028

$205.4M
Average annual debt service (AADS), 2026–2055

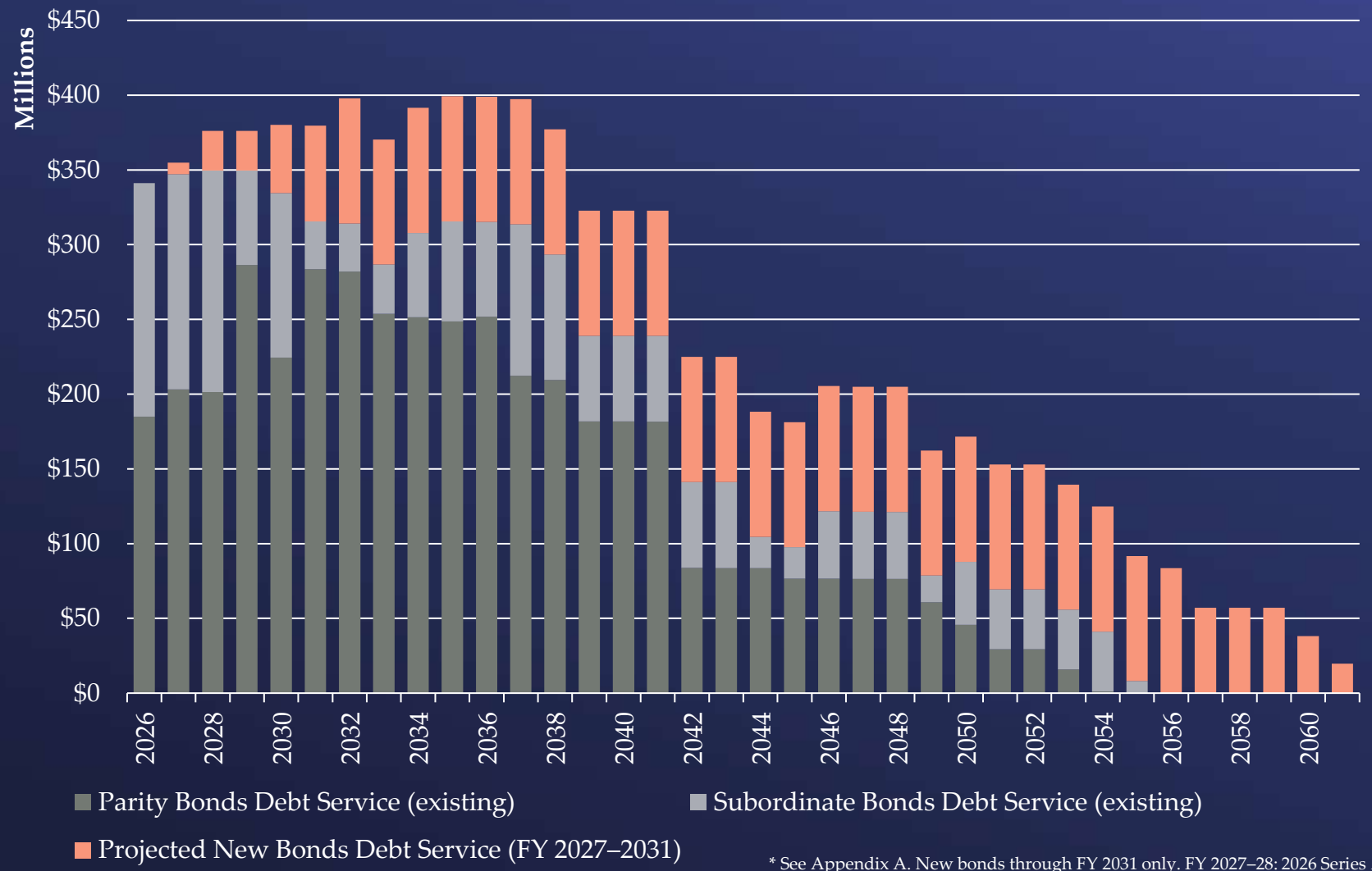
10.5 yrs
Average life of revenue bonds (par-weighted, from 11/1/26)

53%
Principal repaid within 10 years: rapid amortization

* See Appendix A for Assumptions and Footnotes. KPIs: MADS/AADS from the debt service shown; average life as of 11/1/26 (BondLink).

Metropolitan Debt Service Profile

*Including 5-Yr Projected New Bonds**



- In April 2026, the Board adopted a capital financing strategy that uses a combination of paygo and bond proceeds to fund the 2-year CIP
- Issuing the planned bonds is not an increase in the capital program or a new rate decision — it is implementing the financing strategy already adopted by the Board and reflected in the 2027 and 2028 rates and charges and the 10-year financial forecast

* See Appendix A. New bonds through FY 2031 only. FY 2027–28: 2026 Series A/B ($481.6M par) per 9/28/26 SWS cash flows (2026B at 2.25%; preliminary); budget also assumes $6.5M of FY 2025-26 bond proceeds carried over. FY 2029–31: $310M / $300M / $320M at 4.50%, 30-yr level debt service. Bond amounts are rounded

Metropolitan is Projected to Maintain Strong Coverage Metrics through the Next Five Years

Metropolitan Projects Strong Debt Service Coverage

Adopted & Projected Financial Metrics ($MM)

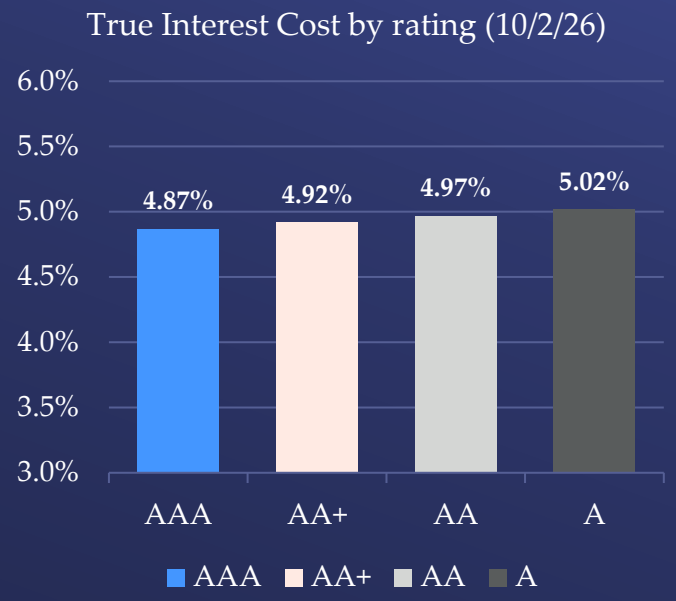
	2026	2027	2028	2029	2030	2031
Adjusted Net Operating Revenues	826	600	700	691	753	785
Senior Debt Service	(185)	(207)	(217)	(317)	(273)	(351)
Subordinate Debt Service	(160)	(145)	(151)	(66)	(115)	(38)
Debt Service Coverage on all Senior Bonds	4.48	2.90	3.23	2.18	2.76	2.24
Debt Service Coverage on all Senior and Subordinate Bonds	2.39	1.70	1.90	1.80	1.94	2.02

** See Appendix A for Assumptions and Footnotes; based on Adopted Budget and 10-Year Financial Forecast for 2026/27 and 2027/28*

Credit Downgrade Cost Estimate:

Annual difference and cumulative cost over time in basis points and $

Each rating notch has a measurable cost: estimated impact on a $300 million issue



Rating vs. AAA	Spread	Avg Added cost / yr	Avg Annual Debt Service (1)	30-Yr Cumulative Cost	$4.0B Portfolio Impact(2)
AA+	+5 bps	$0.11M	**$19.56M**	**$3.4M**	**$45.3M**
AA	+10 bps	$0.23M	**$19.68M**	**$6.8M**	**$90.7M**
A	+15 bps	$0.34M	**$19.79M**	**$10.2M**	**$136.0M**

(1) Assumes $300M, 30-year level debt service

(2) This is not an immediate cost impact. As Metropolitan plans to issue additional debt to fund R&R or other large capital projects, this estimated credit cost could reach this amount over time. Also, Metropolitan's flexibility to utilize varying debt products or execute economic refundings diminishes with a credit downgrade.

Metropolitan's ratings

Senior lien: AAA (S&P) / Aa1 (Moody's)

Subordinate lien: AA+ (S&P, Fitch)

Protecting the top tier keeps 2026A/2026B and future issues priced at the tightest spreads.

Sources: MWD press release (6/17/25) for ratings. Illustrative estimates; actual spreads vary by issue and market.

SB 450 Requirements

CA State Government Code Requirements

SB 450 Requirements

- SB 450 requires that an authorized governing body obtain a good faith estimate of and disclose at a public meeting (before authorizing issuance of bonds greater than 13 months in term), the following:
  - The TIC (true interest cost) of the bonds
  - The finance charge of the bonds (cost of issuance)
  - Net proceeds (par + premium – discount – COI)
  - Total bond payments to maturity (total debt service) + COI (not paid from bond proceeds)

Proposed Bond Issuance: 2026 Series A

$280.62 million
Water Revenue Bonds, 2026 Series A

- On November 17, Metropolitan anticipates issuing approximately $280.62 million of Water Revenue Bonds, 2026 Series A
- The 2026 Series A Bonds will be fixed rate bonds on Metropolitan's senior lien
- The 2026 Series A Bonds will finance approximately $290.0 in new money needs
- Staff contemplated the inclusion of a tender refunding of several target maturities in Metropolitan's senior lien debt portfolio; however, current market conditions have made this unlikely.

Estimated SB 450 Requirements for Proposed Bond Issuance (2026 Series A)

$280.62 million
Water Revenue Bonds, 2026 Series A

- The TIC (true interest cost) of the bonds = 4.56%
- The finance charge of the bonds (cost of issuance) = $1.4 million
- Net proceeds (par + premium – discount – COI) = $290.0 million
- Total bond payments to maturity (total debt service) + COI (not paid from bond proceeds) = $461.5 million

Proposed Bond Issuance: 2026 Series B

$201.0 million
Water Revenue Bonds, 2026 Series B

- On November 19, Metropolitan anticipates issuing approximately $201.0 million of Water Revenue Bonds, 2026 Series B
- The 2026 Series B Bonds will be variable rate demand bonds on Metropolitan's subordinate lien
- The 2026 Series B Bonds will finance approximately $200.0 million in new money needs
- The 2026 Series B Bonds will be supported by a Standby Bond Purchase Agreement from JPMorgan

Estimated SB 450 Requirements for Proposed Bond Issuance (2026 Series B)

$201 million
Variable Rate Subordinate
Water Revenue Bonds, 2026 Series B

- The TIC (true interest cost) of the bonds = 3.46%
- The finance charge of the bonds (cost of issuance) = $1.0 million
- Net proceeds (par + premium – discount – COI) = $200.0 million
- Total bond payments to maturity (total debt service) + COI (not paid from bond proceeds) = $317.3 million

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
1928