



Proposed Bond Issuance and Rating Agency Review

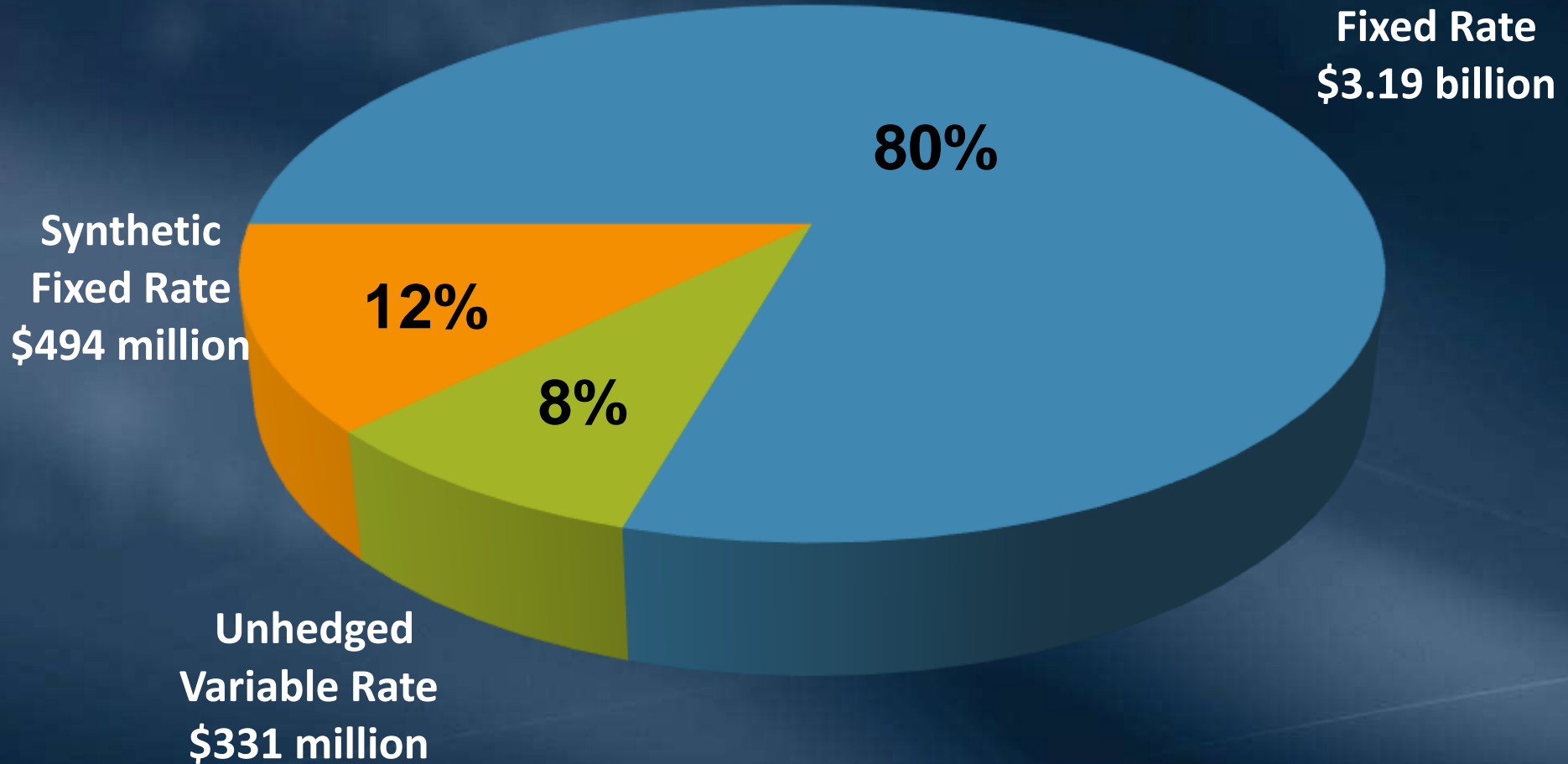
Finance and Insurance Committee

Item 7a

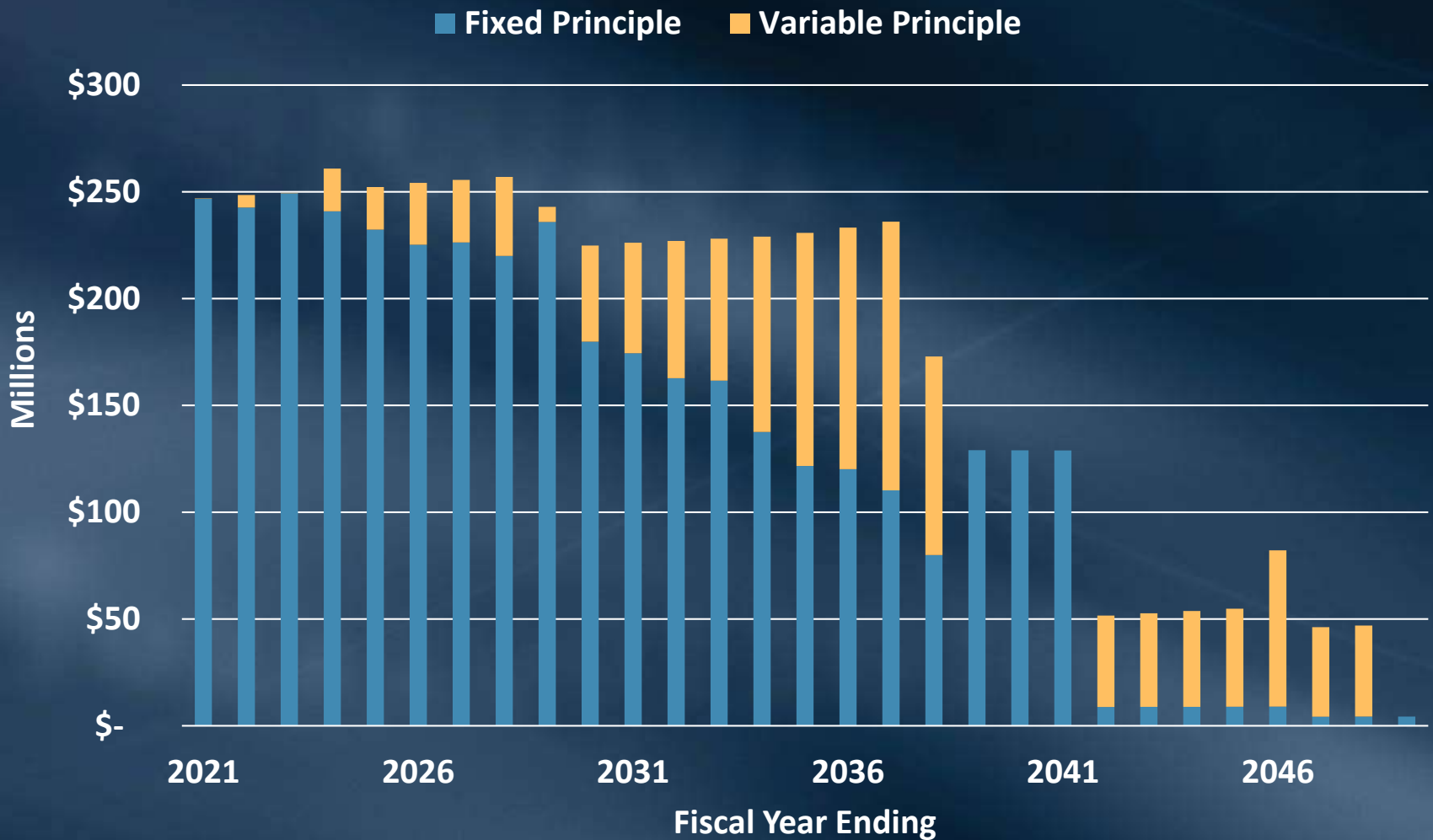
June 8, 2020

Revenue Bond Debt by Type – June 2020

\$4.0 Billion

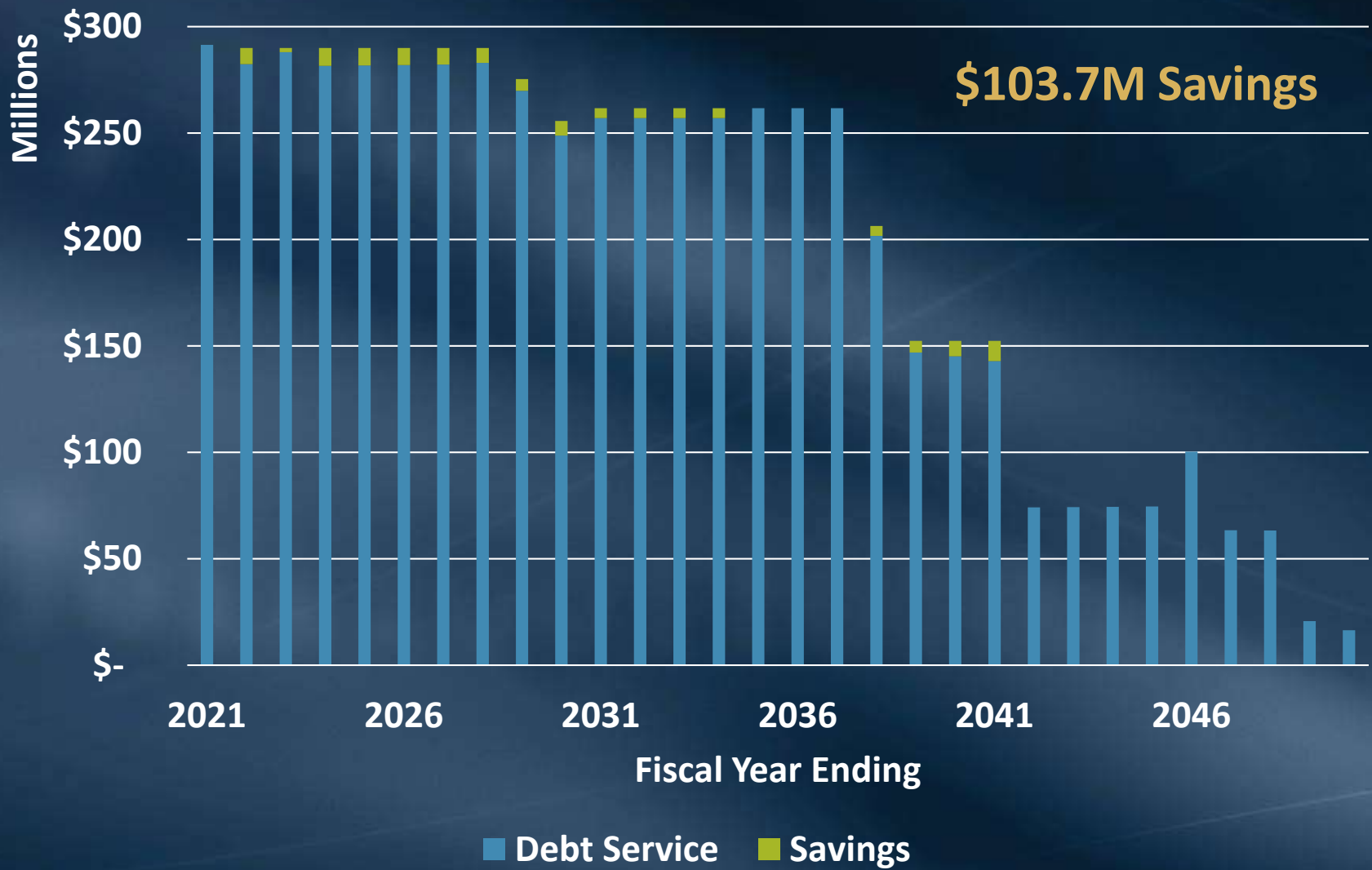


Revenue Bond Debt Amortization



Revenue Bond Debt Service

Includes Proposed 2020 Series C Refunding



Proposed Bond Issuance

- Water Revenue Refunding Bonds, 2020 Series C
- Estimated total proceeds of \$270.0 million bond par amount and estimated premium of \$81.0 million
- Proceed will refund \$350.2 million outstanding debt and fund costs of issuance
- Other estimates for the 2020 Series C refunding bonds:

The estimated all-in true interest cost of the bonds:	2.77%
The estimated average life of bonds:	16.8 Years
The estimated debt service savings of the bonds:	\$89,400,000

- The tax-exempt bond market is favorable, with strong investor demand and near historic-low interest rates
- Bonds will be marketed the week of June 8

Metropolitan's Revenue Bond Ratings

- **S&P Global Ratings -Stable outlook**
 - **AAA - Senior-lien long-term bonds**
 - **AA+ - Subordinate-lien long-term bonds**
 - **A-1+ - Highest short-term rating for both liens**
- **Moody's Ratings-Stable outlook**
 - **Aa1 - Senior-lien long-term bonds**
 - **VMIG 1 - Highest short-term rating**
- **Fitch Ratings**
 - **AA+ - Senior-lien long-term bonds**
 - **AA+ - Subordinate-lien long-term bonds**
 - **F1+ - Highest short-term rating for both liens**

S&P Global Ratings Highlights

● Positive Drivers:

- Primary wholesaler to a large and extremely robust and diverse service area
- Diverse water supply from Colorado River, SWP, water transfers and stored water reserves
- Strong financial management, conservative forecasting, ample reserves, and robust drought and resource planning
- Manageable near-term capital program, as a relatively sizable portion is funded on a pay-as-you-go basis
- De-risking debt portfolio by refunding a portion of its variable rate debt, with low-cost fixed-rate debt.
- COVID-19 impacts to volumetric sales is somewhat mitigated by the district's extremely strong liquidity position

● Negative Drivers:

- Sustained deterioration in the credit fundamentals, primarily measured by total financial capacity, could revise the outlook to negative or lower the rating.
- Material decline in water sales, due to the development of significantly lower cost supply alternatives or the loss of a major member, although neither is likely to occur over the two-year outlook
- Affordability concerns, as retail water rates, in the service area, may not be affordable for all customers served (defined as those living in census tracts below 80% of median household income, or about 50% of the population.)

Moody's Ratings Highlights

● Positive Drivers:

- Favorable position as water wholesaler to an expansive service area
- Growing service area population with income levels in line with US medians
- Do not see any material immediate credit risks related to COVID-19
- Consistent financial performance supported by long-term planning and measured rate increases
- Favorable and increasing water storage capacity
- Concrete steps to reduce variable rate exposure, including exposure to liquidity renewals and variable rate debt supported by its own liquidity.

● Negative Drivers:

- Pressured water supplies vulnerable to climate change
- Large capital plan to finance additional water supplies and address environmental concerns
- Efforts by some member agencies to reduce water purchases
- Ongoing litigation challenging rates and regulatory requirements

