



Financing Overview for Bond Issuance (SB 450)

Finance and Insurance Committee

Item 6a

January 11, 2021

Proposed Bond Issuance

- **Water Revenue Bonds, 2021 Series A**
- **Estimated total proceeds of \$189.2 million bond par amount and estimated premium of \$66.5 million**
- **Proceed will provide \$255.0 million to fund a portion of the FY 2020-21 and FY 2021-22 Capital Investment Plan and fund costs of issuance**
- **Other estimates for the 2021 Series A refunding bonds:**

The estimated all-in true interest cost of the bonds:	2.65%
The estimated average life of bonds:	19.8 Years
The estimated debt service of the bonds:	\$376,300,000
The estimated total financing cost of the bonds:	\$759,600

- **The tax-exempt bond market is favorable, with strong investor demand and near historic-low interest rates**
- **Bonds will be marketed the week of January 18**

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
- Willingness and ability to raise rates. Recently approved rate increases will support sound financial metrics
- Manageable near-term capital program, as a relatively sizable portion is funded on a pay-as-you-go basis

● 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)
- COVID-19 not currently a credit risk, cited concerns of demand for further rate reductions or deferrals as the pandemic spreads and the recession deepens

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
- As a wholesale water provider, somewhat insulated from delinquencies and other potential impacts of COVID-19
- Board took immediate steps to address potential COVID-19 challenges, such as modified rate increases and a deferral program for member agency invoices from January to June 2021
- Consistent financial performance supported by long-term planning and measured rate increases
- Favorable and increasing water storage capacity

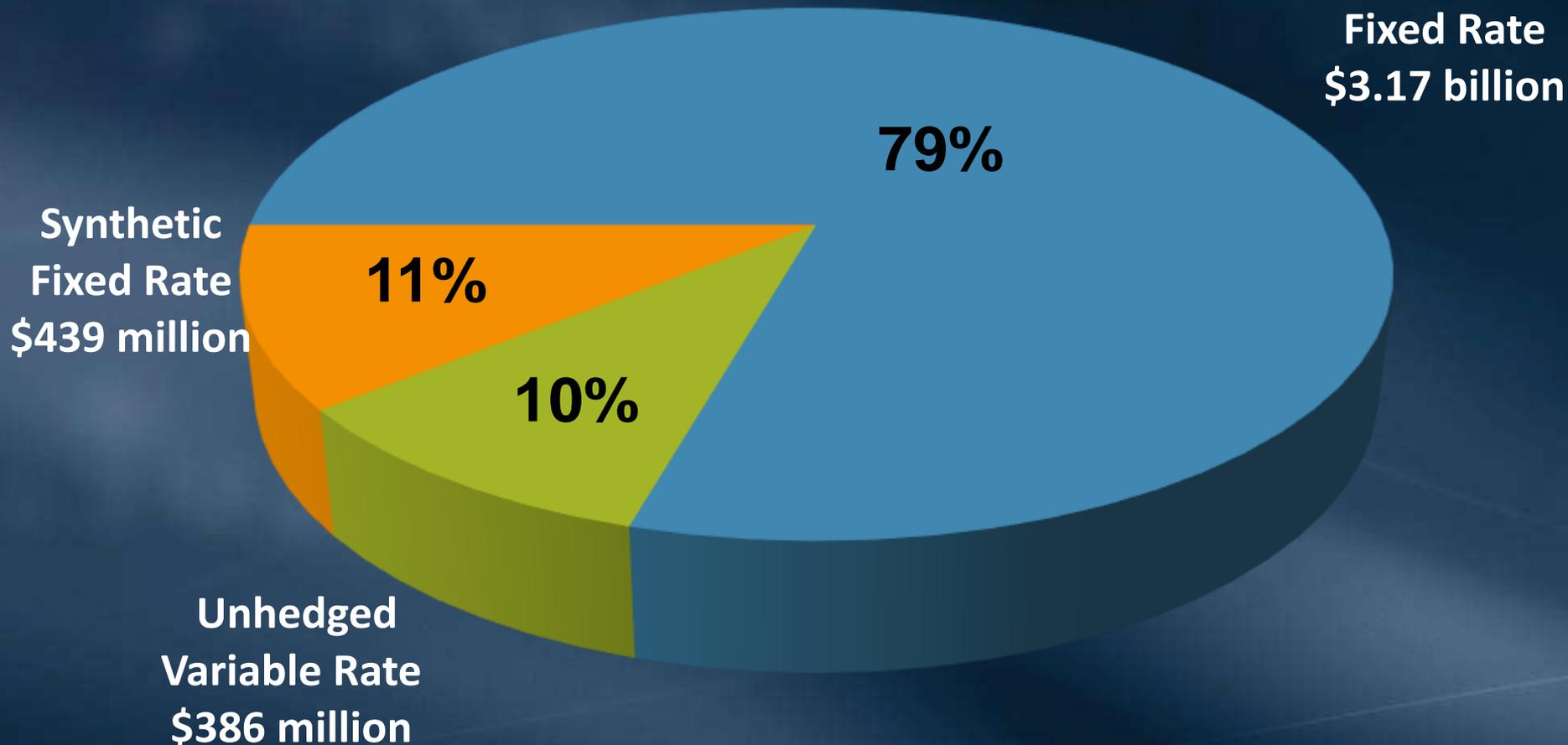
Negative Drivers:

- 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

Revenue Bond Debt by Type – January 2021

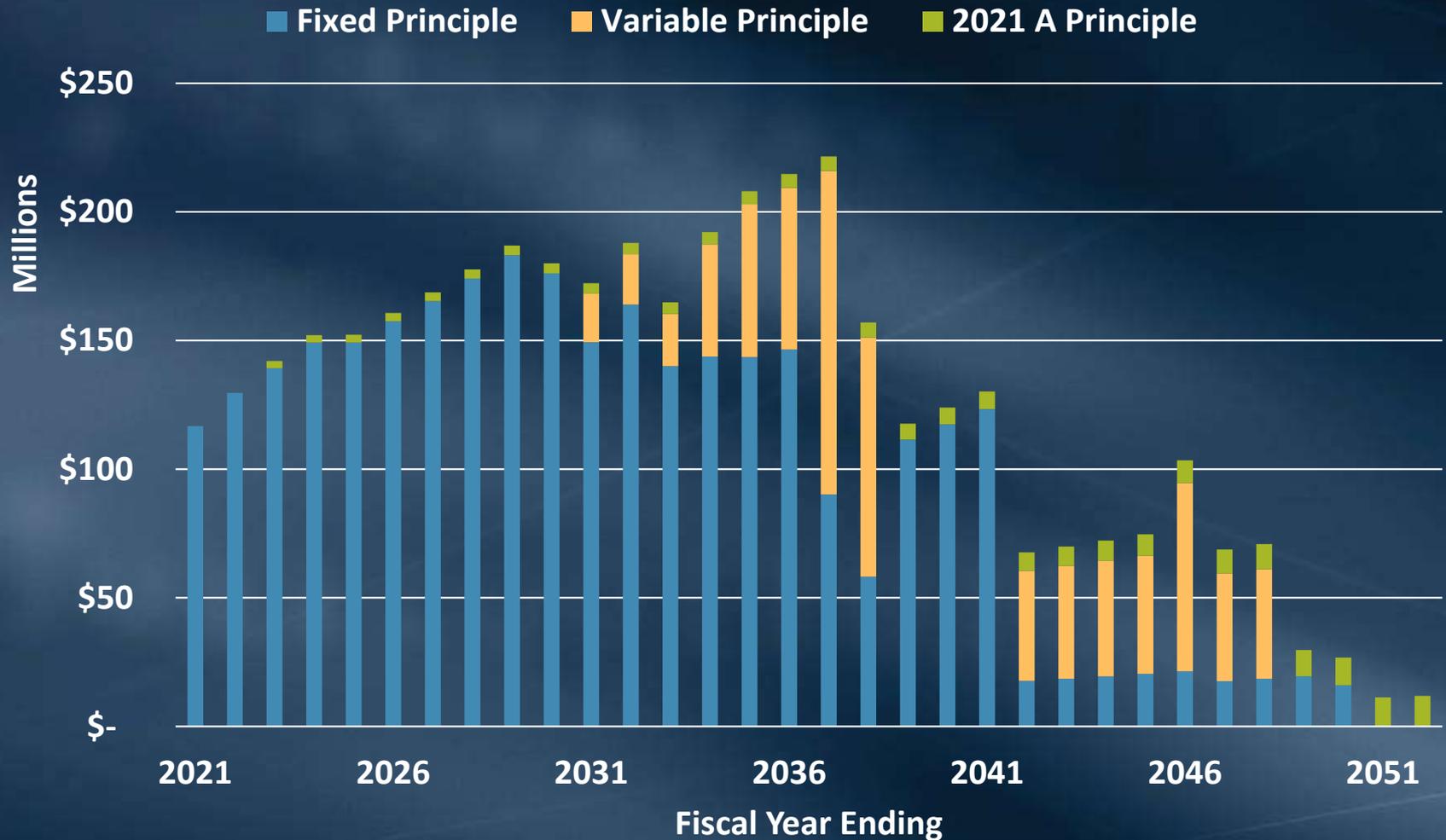
Includes Projected 2021 A Financing

\$4.0 Billion



Revenue Bond Debt Amortization

Includes Projected 2021 Series A



Revenue Bond Debt Service Includes Projected 2021 Series A

