

Rating Action: Moody's assigns Aaa to Met. Water District of Southern CA's 2019 GO Bonds

20 Dec 2018

New York, December 20, 2018 -- Moody's Investors Service has assigned a Aaa rating to the Metropolitan Water District of Southern California's (MWD) Waterworks General Obligation Refunding Bonds, 2019 Series A. The bonds have an expected par value of \$17 million. We also maintain MWD's water revenue bonds Aa1. The outlook is stable.

RATINGS RATIONALE

The rating assignment reflects MWD's immense assessed valuation spanning portions of six southern California counties. The rating is also driven by the district's solid fiscal position supported by ongoing rate increases, solid coverage and healthy liquidity. The district's credit profile is also enhanced by a solid current water position that will enable it to manage the ongoing pressure on Colorado River water supplies. The district's water system revenues support a very large debt profile that will grow as a result of major expected capital projects.

RATING OUTLOOK

The stable outlook reflects our expectation that MWD will maintain a consistent fiscal position inclusive of steady reserves and cash while managing the challenge of pressure on water supply. The outlook is also driven by our expectation that the district's assessed valuation will remain exceptionally large.

FACTORS THAT COULD LEAD TO AN UPGRADE

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Substantial deterioration of the tax base
- Material weakening of the district's cash or liquidity
- Significant reduction in water availability resulting in material effect on the fiscal profile

LEGAL SECURITY

The general obligation bonds are secured by ad valorem taxes which may be levied without limitation as to rate or amount upon all taxable real property within MWD.

USE OF PROCEEDS

Proceeds from the sale will be used to refund the outstanding Waterworks General Obligation Refunding Bonds, 2009 Series A.

PROFILE

MWD is comprised of the 26 member agencies including 14 cities, 11 municipal water districts and one county water authority. MWD provides supplemental water to its member agencies that represent a critical portion of the members' water supply mix. Metropolitan's service area comprises approximately 5,200 square miles and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this

methodology.

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