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Metropolitan Water District of Southern California: Fitch New Issue Report

The 'AA+' ratings reflect MWD's very low leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), within the context of the district's very strong revenue defensibility and operating risk profiles, both assessed at 'aa'. Between fiscal 2018 (FYE June 30) and 2022, leverage, measured as net adjusted debt to adjusted FADS, ranged between 5.4x and 6.5x. However, lower demand due to drought conservation measures weakened FADS and overall performance in fiscal 2023 and drove leverage up to 8.2x. Based on estimated actual performance in fiscal 2024, leverage could increase further, potentially approaching 12.0x, largely the result of sustained lower demand as purchasers utilized more of their respective local supplies rather than purchasing from MWD. Positively, action taken by MWD's board of directors (the board) in adopting its current biennial 2025 and 2026 budget increased both water rates and property tax rates. The increases are expected to drive improved margins and performance beginning in fiscal 2025, which should bring performance and leverage back in line with the current rating. Fitch's Analytical Stress Test (FAST) also points to declining leverage thereafter, supportive of the current rating and Outlook.

[Access Report](#)

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