

RatingsDirect®

Summary:

Southern California Metropolitan Water District; General Obligation; Water/Sewer

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile

Southern California Metro Wtr Dist wtr		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist wtr (FGIC) (SEC MKT)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' long-term rating and underlying rating (SPUR) on the Southern California Metropolitan Water District's (MWD) water revenue bonds and our 'A-1+' short-term rating on the district's variable-rate (self-liquidity) water revenue refunding bonds. The outlook, where applicable, is stable.

We understand that the district has entered into two note purchase agreements, one with RBC Capital Markets LLC, and the other with U.S. Bank National Association, each with a maximum stated principal amount of \$200,000,000 and a three-year tenor. We believe the terms of the note purchase agreements to be credit neutral to bondholders, as the funds will replenish financial reserves.

For more information regarding the district's long-term credit quality, please see our report published Dec. 1, 2015 on RatingsDirect.

Outlook

The outlook reflects our view that Southern California's continued dependence on MWD for water is likely to remain strong, and that MWD's ability to supply needed water is critical to the health of the Southern California economy, creating a large political incentive to meet future water demand. The outlook additionally reflects our anticipation that MWD will likely meet the challenges related to its capital needs during the next five years, including potentially high costs related to California WaterFix and other Bay-Delta projects. We could lower the rating and/or revise the outlook to negative in the unlikely event that the district's debt service coverage or liquidity position significantly deteriorate, or if MWD has to dip into emergency storage to meet demand for an extended period.

Related Criteria And Research

Related Criteria

- USPF Criteria: Rating Methodology And Assumptions For U.S. Municipal Waterworks And Sanitary Sewer Utility Revenue Bonds, Jan. 19, 2016
- USPF Criteria: Wholesale Utilities, May 24, 2005
- Criteria: Methodology And Assumptions: Approach To Evaluating Letter Of Credit-Supported Debt, Feb. 20, 2015
- USPF Criteria: Municipal Applications For Joint Support Criteria, June 25, 2007
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- U.S. State And Local Government Credit Conditions Forecast, Jan. 11, 2016
- U.S. Municipal Water And Sewer Utilities 2014 Sector Outlook: Learning To Do More With Less, Jan. 9, 2014

Ratings Detail (As Of April 6, 2016)

Southern California Metro Wtr Dist spl var rate wtr rev rfdg bnds		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
Southern California Metro Wtr Dist water rev rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist water rev rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist wtrwks GO rfdg bnds ser 2014A dtd 12/11/2014 due 03/01/2016-2021		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist wtr rev bnds (2008 Authorization) due 07/01/2024		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist wtr rev rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist wtr rev rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Ratings Detail (As Of April 6, 2016) (cont.)

Southern California Metro Wtr Dist WTRSWR <i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR <i>Long Term Rating</i>	AAA/Stable	Affirmed
Southern California Metro Wtr Dist WTRSWR <i>Long Term Rating</i>	AAA/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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