RATING ACTION COMMENTARY

Fitch Rates Metropolitan Water Reclamation District of Greater Chicago, IL GOs 'AAA'; Outlook Stable

Fri 14 Aug, 2026 - 3:08 PM ET

Fitch Ratings - New York - 14 Aug 2026: Fitch Ratings has assigned 'AAA' ratings to the following Metropolitan Water Reclamation District of Greater Chicago, IL (the district) obligations:

--Approximately $143.4 million general obligation limited tax capital improvement bonds, 2026 series A (Green Bonds);

--Approximately $13.5 million general obligation unlimited tax, 2026 series B (Green Bonds);

--Approximately $191.4 million general obligation unlimited tax refunding bonds, 2026 series C;

--Approximately $18.4 million general obligation limited tax refunding bonds, 2026 series D; and

--Approximately $40.3 million general obligation unlimited tax refunding bonds (alternate revenue source), 2026 series E.

The bonds are expected to price during the week of Aug. 24 through negotiated sale.

Fitch has also affirmed the outstanding Fitch-rated obligations issued by the district at 'AAA' and the Issuer Default Rating (IDR) at 'AAA'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Metropolitan Water Reclamation District of Greater Chicago (IL) [Sewer]	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
Metropolitan Water Reclamation District of Greater Chicago (IL) /General Obligation - Limited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
Metropolitan Water Reclamation District of Greater Chicago (IL) /General Obligation - Unlimited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AAA' bond rating along with the 'AAA' IDR reflect the district's 'Very Strong' financial profile within the framework of 'Very Strong' revenue defensibility and 'Very Strong' operating risk profile, both assessed at 'aa'. The district's leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), was very low at 7.4x in fiscal 2025 and is expected to peak at 7.5x in fiscal 2026, according to Fitch's Analytical Stress Test (FAST) rating case. This leaves ample headroom for the rating despite moderating personal property replacement tax (PPRT) revenue.

The district's taxing ability on the resource base of its service area, generally Cook County, also influences the rating. The district's direct long-term liabilities approximate 1.12% of total personal income, based on 2023 income data. The taxing ability, both limited and unlimited and backed by the district's full faith and credit, to pay debt service and operations allows for an expanded view of leverage, supporting the 'AAA' ratings.

SECURITY

The unlimited tax bonds are payable from ad valorem taxes levied upon all taxable property within the district without limitation as to rate or amount. The limited tax bonds are payable from ad valorem taxes levied upon taxable property within the district without limitation as to rate, but the amount of the taxes that may be extended to pay them is limited as provided by law.

KEY RATING DRIVERS

Revenue Defensibility - 'aa'

Monopolistic, Retail Provider

The district retains the legal authority to adjust ad valorem tax rates for the bulk of its debt service and retirement fund without external oversight. Fitch considers the estimated residential tax bill, based on median home value, affordable for around 93% of the service area population. The favorable service area is characterized by average income levels, a moderate unemployment rate relative to the nation and midrange customer growth.

Ad valorem taxes are the primary source of revenue, insulating the district from volatility associated with volumetric changes. While operating levies are generally limited by statute, the district retains strong revenue raising flexibility when viewed against the relative stability of this revenue source. The second installment of the 2024 tax levy payment (to be collected in fiscal 2025) was delayed by the county, but over 97% of the revenue was received by July 2026 and reflected in fiscal 2026 results.

As of December 2024, no taxpayer comprises more than 1% of the district's estimated assessed valuation (EAV) and the top 10 taxpayers total less than 2.0% of EAV.

Operating Risk - 'aa'

Costs, Investment Levels Support Assessment

In fiscal 2025, the system has a very low operating cost burden of $1,501 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was very low at 5% in fiscal 2025. Annual capital spending relative to depreciation is robust, averaging 1,585% over the last five fiscal years from 2021 to 2025. Planned capital spending for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio.

Capital expenditures for 2026 through 2030 are approximately $1.3 billion, funded by over $800 million in debt proceeds. About 20% of the plan will be pay-go funded. Regulatory requirements for phosphorus reduction remain a large focus of the plan. Plant expansion and facility replacement are also large components of overall spending. The district remains in compliance with all consent decree requirements, with the final reservoir project due to be completed in 2032.

Financial Profile - 'aa'

Generally Stable Leverage, Neutral Liquidity

The district had very low leverage of 7.4x as of fiscal 2025, falling after annual increases in the past few fiscal years, which is in line with the five-year average of 7.6x. The liquidity profile is neutral to the overall assessment with current days [illegible] despite the delay in tax receipts. Coverage of full obligations of 1.5x. Fitch-calculated total debt service coverage was 1.4x in fiscal 2025.

In the FAST stress scenario, which is considered the rating case, the leverage ratio is expected to increase to 7.5x in fiscal 2026, then decline to 7.2x through fiscal 2030. The liquidity profile is expected to remain neutral to the assessment over the five-year horizon. The district also maintains significant capital funds on hand, including unspent bond proceeds for construction, which reduce leverage modestly.

Asymmetric Additional Risk Considerations

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- Leverage sustained in excess of 10.0x in Fitch's rating case;

-- A long-term liability burden measured in the context of the resource base that no longer supports an enhancement to the rating;

-- Downward revision in the revenue defensibility assessment, reflecting sustained economic contraction in the service area.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- The ratings are at the highest level on Fitch's scale and cannot be upgraded.

PROFILE

The district is an independent government unit focused on wastewater treatment, stormwater management and flood control, providing services to the city of Chicago and 128 suburban municipalities.

The district's total treatment capacity exceeds 2.0 billion gallons per day (BGD), with average treatment of 1.2 BGD.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Metropolitan Water Reclamation District of Greater Chicago, IL (Sewer).

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

U.S. Water and Sewer Rating Criteria (pub. 17 Feb 2026) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Metropolitan Water Reclamation District of Greater Chicago (IL)	EU Endorsed, UK Endorsed

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