



Metropolitan Water Reclamation District of Greater Chicago

Press Release

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Statement from the MWRD regarding Moody's rating decision

The Metropolitan Water Reclamation District of Greater Chicago (MWRD) is the agency responsible for wastewater treatment and stormwater management for over five million people in the city of Chicago and 125 municipalities in Cook County. The MWRD was informed today by Moody's Investors Service (Moody's) that the rating on its outstanding General Obligation debt was downgraded one notch from Aaa to Aa1 with a negative outlook.

Moody's assigns its Aaa rating for obligations judged to be of the highest quality and subject to the lowest level of risk. The Aa1 rating is the highest of the Aa rating category and is assigned for obligations judged to be of high quality and are subject to very low credit risk.

Two reasons were given for the downgrade:

- Moody's changed its pension rating methodology in April 2013 and implemented different assumptions to estimate the unfunded pension liability; this new rating methodology was adopted for all U.S. state and local government ratings reviews and resulted in an approximate doubling of the MWRD's estimated unfunded pension liability from \$1.1 billion to \$2.3 billion at Dec. 31, 2012.
- The significant debt burden and pension liabilities for major governmental agencies in Cook County are now considered a relative risk, not direct risk, for the MWRD's tax base. When governments consider debt issuance, rating agencies such as Moody's monitor overlapping debt trends as an affordability indicator. Overlapping agencies include the City of Chicago, Chicago Board of Education, Chicago Park District, Cook County, and the Cook County Forest Preserve District. The City of Chicago represents half of the MWRD's tax base.

Despite the downgrade, there were significant achievements noted in the Moody's report, including the MWRD's success in working with the Illinois General Assembly to solve its pension funding challenges. Public Act 97-0894 was signed into law on August 3, 2012, and this fiscally sustainable solution was implemented with no increase to the tax levy. Moody's also noted that the MWRD has a proactive management team utilizing best practices and strong financial operations with healthy reserve and cash levels.

The MWRD entered fiscal 2013 in perhaps the best financial condition in recent history and acted responsibly and proactively to address significant costs while increasing its financial stability in the following ways:

1. The MWRD received substantial funding under the Governor's Clean Water Initiative; \$250 million of subsidized low interest rates loans were granted at a low rate of 1.93% to keep borrowing costs related to its capital improvements program at the lowest possible cost;
2. Reverse auctions were implemented for electricity purchases which resulted in a \$10 million permanent cost savings on an annual basis; and,
3. The MWRD is funding its post retirement medical benefits in advance to offset the rising cost of retiree healthcare and its future liability. To date, the MWRD has contributed \$92.4 million to reduce the unfunded status of the plan.

"We are proud of the work we have done on behalf of Cook County taxpayers to streamline our operations while adapting to recent economic conditions," said MWRD Treasurer Mary Ann Boyle. "Not only have we maintained our AAA rating with Standard and Poor's since 2006, but last February, Fitch Ratings affirmed our AAA rating with a stable outlook, something we have achieved for the past 12 consecutive years. Ratings agencies are reviewing bond issuers more frequently, so it is important that we continue to focus on maintaining sound financial operations, a manageable debt load, and prudent fiscal control of our resources."

*Established in 1889, the MWRD (www.mwrdd.org) is an award-winning, special purpose government agency responsible for wastewater treatment and stormwater management in Cook County, Illinois. **Our water environment, Take it personally.***