METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

December 2021 Bond Sale Transaction Summary

Transaction Summary

- Pricing Date: November 16, 2021
- Closing Date: December 7, 2021
- Bonds Issued: $500,000,000 General Obligation Bonds, consisting of:
  - $113.935 million Limited Tax Capital Improvement Bonds (Green Bonds)
  - $30 million Unlimited Tax Capital Improvement Bonds (Green Bonds)
  - $166.18 million Limited Tax Refunding Bonds
  - $31.555 million Unlimited Tax Refunding Bonds
  - $112.485 million Unlimited Tax Refunding Bonds (Taxable)
  - $45.845 million Unlimited Tax Refunding Bonds (Alternate Revenue Source; Taxable)
- Cash deposit to CIB Project Fund: $157,482,991.23 on December 7, 2021. Proceeds included $87,579,934.15 in original issue premium (generated from selling the bonds with higher coupons than the yields paid to investors).
- Average Life of the Bonds: 10.49 years
- Cost of Issuance: $1,042,847.69 (See Exhibit 1 – Expense Analysis)
- The Engineering Department forecasts that proceeds of the sale will fund projects through 2025.

Transaction Highlights

Overall, the District received fair pricing and achieved fair market value for its bonds at the sale date. The District is well received in the market due to the essential utility service it provides to a major metropolitan area and its long history of operating success, solid management, and financial stability, but the challenge in recent years has been to differentiate ourselves from other Illinois credits in our service area which are experiencing significant financial challenges. To keep this “Illinois penalty” as low as possible, we continued to emphasize the strength of our credit and to highlight our capital projects by selling Green Bonds.

Credit Ratings: The District’s AAA bond rating was affirmed by Fitch Ratings, and the AA+ bond rating was affirmed by S&P Global. These premier credit ratings (bolstered by consistent and conservative financial management and strong reserves) are largely responsible for the tight pricing spread and low all-in net cost of funds.

Green Bonds: The new money bonds were again labeled as “Green Bonds,” as were the previous bond sales in 2014 and 2016. These Green Bonds allow investors to invest directly in the environmentally beneficial capital projects constructed by the District. There is a growing group of investors with mandates and goals to invest in responsible green infrastructure projects; labeling the District’s bonds as Green brings us to their attention by highlighting the mission of the District and how it has always provided environmental and public benefits.

The District defines four categories of green projects: Tunnel and Reservoir Plan (TARP), Stormwater Management Program Projects, Resource Recovery Projects, and Water Reclamation Plant Expansions and System Improvements. The District will continue to provide periodic updates on the use of proceeds of any Green Bonds with unspent funds. Treasury will work with Engineering and the Office of Public Affairs to create this report, and it will be made available on the District’s website and in hard copy format.

Interest Cost: The District worked with its financial advisors and the underwriting syndicate to provide a strong execution of the sales strategy and produce very positive results for the sale.

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Financing was completed at an all-in interest cost of 2.12% to maturity in 30 years, and an arbitrage yield of 1.41% (District financing cost to the call date of the bonds). The bonds priced at yields ranging from 0.21% in 2022 to 2.08% in 2051. This is down from the District's previous low interest rate of 2.86% for a 30 year bond maturity achieved in the District's 2016 bond sale. Timing was also in our favor. Interest rates were at historic lows on the sale date. As a point of reference, the 30-year Treasury bond traded at 2.03% on the date of the District bond sale; in comparison, the 30-year Treasury rate was 2.54% on the date of the 2016 bond sale, 2.74% on the date of the 2014 bond sale, and 4.25% on the date of the 2011 District bond sale.

The bonds were negotiated for the lowest spread to the Aaa Municipal Market Data (MMD) yield curve. The Aaa MMD yield curve represents a "high grade" level of yields available to investors in the tax-exempt market and is widely held as the municipal industry's pricing benchmark. The difference between the yield on the District's bonds and the Aaa MMD yield curve can be viewed as the District's credit spread.

Savings: The District realized more than $152.21 million in savings on future principal and interest payments, which equates to $116.65 million in net present value savings, or 30.2% savings on the $386.26 million of bonds refunded. The Limited Tax Bond components (subject to the District's $175 million annual Debt Service Extension Base) were strategically restructured to support increased future capacity to utilize the interest rate-subsidized loan program offered by the State of Illinois. In addition to economic savings, the weighted average maturity of the refunded bonds was reduced by approximately 3.7 years and was considered to be credit-positive.

Issuance Cost: Details of this sale's issuance cost can be found in the attached Exhibit 1 – Expense Analysis.

Bond sale participation by Minority-, Woman-, and Veteran-Owned business enterprises (M/W/VBE's) was strong. The Co-Senior Managing Underwriter was an MBE, and the Co-Managing underwriting group consisted of four M/WBE's and one VBE. The lead financial advisor was a WBE, and three legal advisory firms were M/WBE's. The M/WBE participation goal was set at 30% for the overall bond sale's professional services; this goal was exceeded with 37% of the professional services work performed and fees paid to MBE/WBE firms. The District added VBE participation to bond sales for the first time in 2021; 5% VBE participation was achieved among Underwriters.

Investors:

The District marketed these bonds to potential investors via an online roadshow presentation, where we emphasized the District's credit worthiness and provided an overview of how our projects are environmentally beneficial to the public. Out of 38 total unique views of the roadshow, 21 investors purchased bonds.

Given the high-grade nature of the credit, large par amount offered, and the amortization pattern of the bonds, the District attracted a diverse and high-quality investor base led by orders from long-term buy-and-hold accounts. A large majority of the bonds (94%) was sold to 64 investors representing asset management firms, separately managed accounts, insurers, trust companies, bond funds, and retail investors. Following are the major purchasers of the bonds by category (amounts in millions):

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Investor Type	Par	% of Total
Asset Management	$ 257,365	51.5%
Separately Managed Account	54,280	10.9%
Insurance Company	36,570	7.3%
Trust Company	35,165	7.0%
Unsold Bonds underwritten by JPMS*	31,810	6.4%
Hedge Fund	22,940	4.6%
Sovereign Wealth Fund	20,000	4.0%
Institutional	16,865	3.4%
Bond Fund	5,845	1.2%
Exchange Traded Fund	5,000	1.0%
Bank	4,000	0.8%
Retail	610	0.1%
Other	9,550	1.9%
Total	**$ 500,000**	**100.0%**

**Bonds underwritten by JPMS to support pricing levels*

Forty-nine investors participated in the tax-exempt transactions generating over $1.546 billion orders. Robust demand for tax-exempt bonds drove investor oversubscription, and pricing spreads for the tax-exempt bonds were tightened by 0.03% to 0.07% (3 to 7 basis points) across the curve.

Twenty-two investors participated in the taxable transactions generating over $196 million orders. Due to volatility in the Taxable Bond Market and a significant surge in taxable new issue supply for the week, certain maturities of the Taxable bonds saw an increase in spreads by 5 to 10 basis points, mostly in the longer-maturity years.