

FITCH RATES METRO WATER DIST OF SALT LAKE & SANDY, UTAH'S \$63.4MM WATER REV & RFDG BONDS 'AA'

Fitch Ratings-San Francisco-14 September 2009: Fitch Ratings assigns an 'AA' rating to the Metropolitan Water District of Salt Lake and Sandy's, Utah (the district) \$63.4 million water revenue and refunding bonds series 2009A. The bonds are scheduled to price Sept. 21 via negotiated sale. The bonds are being issued to refund a portion of the district's 2008 B-3 series revenue bonds. Fitch also affirms the 'AA' rating on the district's outstanding parity water revenue bonds. The Rating Outlook on the bonds is Stable.

The 'AA' rating reflects the essentiality of the district's role as a major wholesale water supplier to 390,000 people, sound financial performance with strong liquidity position and adequate debt service coverage levels. The rating also reflects adequate water supplies to accommodate growth and a manageable five-year capital plan requiring no additional debt. Credit concerns center around the district's ability to withstand a sustained period of drought while maintaining adequate debt service coverage levels.

The bonds are secured by net system revenues and are being issued for refunding purposes. An ad valorem tax is levied by the district for operating expenses but is not pledged for repayment on the district's revenue bonds. Overall legal provisions are standard consisting of a 1.15 times (x) rate covenant and 1.15x maximum annual debt service (MADS) additional bonds test (ABT). A fully funded debt service reserve is also provided for at issuance.

Serving as a supplemental wholesale provider of water to Salt Lake and Sandy Cities, the district supplies approximately 35% to 50% of the treated water used by Salt Lake City and approximately 50% to 75% of the treated water used by Sandy City. The district's current water supply totals 121,785 acre-feet in an average year, 77,438 acre-feet in a dry year. Annual water demands have ranged from 71,000 to 75,000 acre-feet since 2006 and are expected to increase to 81,000 acre-feet by 2016. With Salt Lake City and Sandy City nearly built-out, existing water supplies are expected to meet demand through full build-out, assuming conservation goals are met. Rates are currently an affordable \$213 per acre-foot (average of peak and non-peak rate) and are projected to increase 3% annually in the near term.

The district's five year capital plan is very manageable consisting of about \$5 million-\$6 million annually for routine replacement and maintenance needs. No additional debt is anticipated until about 2018-2020. Debt levels are moderate with debt per capita of just under \$670.

Liquidity has averaged in excess of 600 days cash since 2004 and totaled over \$29 million at the end of fiscal 2008, equal to almost 700 days cash. With limited capital needs, liquidity levels are expected to remain strong. As debt service requirements from recent new money debt issuance by the district started to come due, debt service coverage has declined to about 1.4x for 2008 and 2009 (unaudited) from over 2.0x in 2004 and 2005. Projected coverage through 2016 is expected to range from 1.2x to 1.3x, somewhat weak for the rating level but within previously expected ranges. However, lower coverage levels are somewhat offset by ongoing liquidity measures which should remain in excess of one year's cash, and no planned additional debt. Furthermore, capacity under the current tax rate of 0.000404 for Sandy City and 0.000398 for Salt Lake City provides additional flexibility, if needed.

Salt Lake County's wealth levels are slightly above average with median household incomes at 102% of state and 108% of U.S. averages. Leading employers in Salt Lake County include the University of Utah, Intermountain Healthcare, State of Utah, Granite School District and Jordan School District. Unemployment levels are a moderate 5.9% (July 2009) for the county compared to 9.7% nationally. Salt Lake City is the state capital and the center of Utah's commercial, financial, and tourism activity. Sandy City is a suburb approximately 15 miles south of downtown Salt Lake City.

Contact: Robert Sakai +1-415-732-5628 or Alan Gibson +1-415-732-7577, San Francisco.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.