

Research Update:

Omaha Metropolitan Utilities District, NE Series 2026 Water System Revenue Bonds Rated 'AA+'; Outlook Stable

February 3, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Omaha Metropolitan Utilities District](#) (OMUD), Neb.'s series 2026 water system revenue and refunding bonds.
- We also affirmed our 'AA+' rating on the system's outstanding water system revenue bonds.
- The outlook is stable.

Rationale

Security

We view the legal provisions for the bonds as adequate and credit neutral. A pledge of the district's net water revenue secures the bonds. The bond resolution includes a rate covenant requiring the district to set rates that generate net revenue of at least 120% average annual debt service and 100% of current-year debt service and other fixed obligations. The resolution also requires that the district only issue bonds if net revenue from 12 consecutive months of the past 18 provides at least 1.2x coverage of average annual pro forma debt service (adjusted by approved rates or additional connections). Total debt outstanding as of fiscal 2024 was roughly \$228 million. The series 2026 bonds will add approximately \$150 million.

Credit highlights

The rating is anchored by the water system's history of proactive rate increases that support capital needs, reserves, and robust debt service coverage (DSC). It also reflects the system's generally affordable rates and comprehensive long-term planning to address lead pipe replacement and water supply infrastructure updates that support the expanding customer service territory. In January 2026, the district's board approved an 8.4% increase to the commodity charge (increasing the average residential bill about 4.5%) and it anticipates

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increasing rates approximately 5% annually through fiscal 2029, which establishes a reasonable trajectory for near-term financial performance, in our view. Management anticipates that fiscal 2025 ended with coverage and liquidity in line with historically strong results.

The five-year capital improvement plan (CIP) is significant at about \$717 million (including \$115 million reimbursed through developer fees) spanning fiscal years 2026 to 2030. To fund the CIP, officials plan to issue roughly \$150 million in additional debt within the next three-to-four years, as well as to begin drawing on a note issued in 2024 that has a maximum amount of \$40 million authorized (and is partly forgivable), which we have factored into our analysis. OMUD intends to fund a significant portion of the remaining CIP on a pay-as-you-go cash basis and incorporates a fixed charge for water infrastructure replacement to fund capital costs within its water bill. Even with projected draws on liquidity for capital improvement, officials anticipate staying in line with the minimum reserve target of 180 days' expenditures. Despite its higher leverage position, we view the district's asset management planning as contributing to the stability of financial performance by addressing regulatory compliance and efficiency needs. The CIP includes construction of two new reservoirs, pipe replacements, a leak detection program, and capital improvements at three treatment plants. OMUD has until 2034 to replace approximately 16,000 lead pipes, per the Environmental Protection Agency (EPA) 10-year timeline and is so far on track.

The rating further reflects our view of the water system's:

- Diverse and primarily residential customer base, which provides revenue stability. The system serves the city of Omaha as well as surrounding communities, with a total estimated population of 600,000. Over the past 10 years, the system's customer count has increased roughly 10%.
- Good market position, with an average monthly bill of \$40.83, which we consider affordable at 0.8% of median household effective buying income. Based on management's projected future rate increases of about 5% annually for the average residential customer through 2029, we anticipate bills will remain affordable.
- Planned liquidity drawdowns to fund its CIP, although we anticipate cash will cover at least 180 days of operating expenses, complying with the system's minimum target.
- DSC that is projected to remain at extremely strong levels through the forecast years, even in a stress scenario with no impact fee revenue.
- Strong operational management practices addressing aged infrastructure, water redundancy, cybersecurity, and assessments of climate risk.
- Good financial management policies and practices, including maintenance of long-term planning and regular budget updates, ensuring a strong financial position, but lacking a formalized debt management plan and liquidity policy.
- Debt-to-capitalization ratio of 39.6% (including the new money portion of the current issuance, which brings outstanding debt to nearly \$378 million) that we expect to increase as OMUD layers on additional debt per the CIP. However, we view the system's leverage as manageable given its financial strengths.

Environmental, social, and governance

Overall, we believe the utility has mitigated most environmental, social, and governance risk through management's proactive approach to capital and its adherence to operating policies and procedures. While the system is facing a long and costly water main replacement program,

management has identified key risks and a sustainable funding plan that we think will not unduly pressure water bill affordability.

Outlook

The stable outlook reflects our view that management will continue to make rate adjustments to support strong DSC even as it issues additional debt to fund its CIP. It also reflects that both the financial and economic factors supporting the rating should remain at levels consistent with historical trends during the two-year outlook period.

Downside scenario

We could lower the rating if DSC or liquidity metrics weaken materially due to higher-than-expected capital costs or insufficient rate increases. In addition, there could be downward pressure if larger-than-planned debt needs cause financial margins to deteriorate.

Upside scenario

Given the utility's substantial capital plan and our view that the system's economic metrics do not compare favorably to those of higher-rated peers, we do not anticipate raising the rating within the outlook period.

Omaha Metropolitan Utilities District, Nebraska--economic and financial data

	Most recent	Fiscal year-end			Median (AA+)
		2024	2023	2022	
Economic data					
MHHEBI of the service area as % of the U.S.	92.0				112.0
Unemployment rate (%)	3.2				3.4
Poverty rate (%)	11.5				10.2
Water rate (6,000 gallons or actual) (\$)	40.8				33.9
Sewer rate (6,000 gallons or actual) (\$)	0.0				38.6
Annual utility bill as % of MHHEBI	0.8				1.0
Operational management assessment	Strong				Good
Financial data					
Total operating revenues (\$000s)		170,909	162,559	152,648	41,982
Total operating expenses less depreciation (\$000s)		99,331	89,923	87,741	31,740
Net revenues available for debt service (\$000s)		79,025	78,046	65,982	--
Debt service (\$000s)		25,758	25,751	23,656	--
S&P Global Ratings-adjusted all-in DSC (x)		3.1	3.0	2.8	2.5
Unrestricted cash (\$000s)		101,494	121,569	103,137	55,536
Days' cash of operating expenses		373	493	429	650
Total on-balance-sheet debt (\$000s)		377,988	245,972	262,925	74,352
Debt-to-capitalization ratio (%)		39.6	32.0	35.9	25.0
Financial management assessment	Good	--	--	--	Good

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Ratings List

New Issue Ratings

US\$269,160,000.00 The Metropolitan Utility District of Omaha, Nebraska, Water System Revenue and Refunding Bonds, Series 2026, dated: March 10, 2026, due: December 1, 2046

Long Term Rating	AA+/Stable
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Ratings Affirmed

Water & Sewer

Omaha Metro Util Dist, NE Water System	AA+/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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