



City of Houston

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May 8, 2013

FOR IMMEDIATE RELEASE

Moody's Upgrades City's Water Bonds

Cites "solid liquidity in the system"; upgrade comes amid record number of downgrades nationally 2011-2013

Houston TX—Moody's Investors Service has upgraded the City of Houston's Combined Utility System's \$281 million lien debt from Aa2 to Aa1; at the same time, Moody's reaffirmed the City's Aa2 rating on the system's \$5.6 billion in outstanding parity debt. The report, issued on April 23, states the debt "reflects the utility's essential role as the primary water provider to the growing Houston metropolitan region, a strong balance sheet and historically adequate debt service coverage, a sizeable capital improvement plan and adequate bond covenants."

The Moody's report goes on to state: "The stable outlook reflects the large and growing service area, stable debt service coverage levels supported by annual rate increases, and solid liquidity in the system."

"The fact that we were upgraded to Aa1 from Aa2 on our Jr Lien Water & Sewer System debt despite the record number of downgrade actions taken by rating agencies in 2011 and 2012 speaks volumes about our Water System and the positive impact of the fiscal policies and operating efficiencies implemented over the past several years," says City Controller Ronald Green.

The City of Houston's Combined Utility System (CUS) has, at any one time, \$200-300 million in capital projects underway. During Green's tenure as Controller, close to \$700 million in CUS bonds have been refinanced, saving the City over \$60 million during the next decade.

"Because of the bonds ratings—AA by S&P, AA- by Fitch and Aa2 by Moody's—the bonds have attracted significant investor demand which allowed the city to achieve an extremely low interest rates," says Green.

City of Houston representatives were in Chicago May 6-7 for a Combined Utility System pricing. The System refunded \$160 million of variable rate commercial paper to long-term fixed rate debt. The average life of the CUS 2013B Bonds is approximately 19 years with a true interest cost of 3.69%.

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