



# NEWS RELEASE

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## **Stockton Water System Bond Rating Significantly Improves *S&P Upgrades Ratings and Outlook***

(Stockton, CA) – February may be a short month on the calendar, but the City of Stockton packed a lot of great financial news into just a few days. On February 27, Standard & Poor’s (S&P) bond rating agency upgraded the ratings on Stockton’s water system bonds from A- to A and from BBB+ to A- and assigned an outlook of “Stable” for the ratings of all the bonds. Higher ratings for bonds issued by the City means that those purchasing the bonds are investing in bonds that are a stronger investment. When a personal credit score increases, individual consumers can get credit more easily at lower interest rates. Better bond ratings improves the City’s “credit score” and reduces interest costs should the City need to issue bonds in the future to support water projects.

“The new ratings by Standard & Poor’s and the recognition that Stockton water bonds are a stable investment for the future proves our credit worthiness,” said City Manager Kurt Wilson. “Investors and rating agencies have recognized that the City has managed its finances responsibly, particularly with respect to its enterprise services, such as the water system. This validates the City’s cautious decision-making process with respect to finances.”

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This is the second S&P upgrade for the City's water system bonds, occurring just two days after the City officially exited bankruptcy. The first upgrade was when the City remarketed the water bonds in November, 2013; the bonds were also upgrade by Fitch Ratings in September, 2013. Both S&P and Fitch upgraded the City's wastewater bonds in November, 2014. All prior upgrades occurred while the City was in bankruptcy.

S&P issues opinions in the form of credit ratings for the debt of public and private companies and other public borrowers such as governments and governmental entities. The company publishes this financial research and analysis on stocks and bonds. Most people recognize the company name and the analysis of the top 500 stocks as the "S&P 500."

The S&P does not limit its analysis to economic and financial data. In addition, the report states that the City's sources of water are "high quality" and recognizes the limited reliance on other parties for water as a position of strength. In addition, it views the variety of customers served by the City as a mix of residential, commercial and industrial users that are stable.

The water system and debt associated with projects and improvements are funded through rates paid by those connected to the City's water system. These funds are special, restricted funds and are not part of the City's General Fund. Leading up to and throughout the City's entire bankruptcy process, the City stated that these funds were legally separate

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and would not be used to address the City’s bankruptcy. The S&P report acknowledges that fact and that water revenues have and will only be used solely for water operations. S&P’s analysis recognized that the City had acted responsibly in maintaining its finances, raising rates when necessary, yet keeping rates affordable, particularly for residential customers. In addition, S&P took into account the impact of the recent recession on the local economy and the current state of the City’s recovery in making their determination, stating that the water bonds have “good financial performance” and “very strong coverage of debt,” and noting that the City had recently remarketed wastewater bonds that were also upgraded.

For information about the City of Stockton and its Municipal Utilities Department, please visit [www.stocktongov.com/mud](http://www.stocktongov.com/mud).

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