



NEWS ADVISORY

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For immediate release

Water Bonds Receive A+ Rating from S&P Global Ratings

The City of Missoula's water system revenue bonds have earned an A+ rating from S&P Global Ratings. S&P also raised its ratings of the City's existing 2017 water system bonds from A to A+.

The rating means the City will save approximately \$1 million in interest payments over the 25-year life of the bonds, which the City is refinancing this spring with a permanent interest rate. These bonds, totaling approximately \$94.7 million, replace the short-term bonds the City used to purchase its water utility, Missoula Water. The rating reflects S&P's confidence in the City's sound operation and fiscal stewardship of Missoula Water since its acquisition of the system on June 22, 2017.

The rating includes the combination of a very strong enterprise risk profile and a strong financial risk profile, S&P analysts wrote in their ratings report. "The outlook is stable," they said.

An S&P rating is a credit rating that reflects S&P experts' opinion about credit risk, an expression of the ability and willingness of a bond issuer, in this case the City in refinancing its water system bonds, to meet its financial obligations in full and on time.

S&P Global provides financial intelligence on stocks, bonds and commodities to inform investors in their decisions. Its name derives from its division that is most familiar to the general public, Standard & Poor's Financial Services. It is also known for its stock market indices, such as the U.S.-based S&P 500.

Missoula Water serves 24,000 accounts. In 2018, the system delivered 4.2 billion gallons of water through 337 miles of water mains. When the City acquired the system, it had a leakage rate of more than 50 percent. The City's aggressive Water Master Plan calls for \$37.2 million of capital improvements through Fiscal Year 2024. The plan recommends an annual water main replacement rate between 0.7 percent and 1 percent, targeting the 30 percent of pipe contributing most to water system leakage.

The S&P report also cites Missoula Water's large, diverse service territory; very affordable rates for water service – in Fiscal Year 2018, the monthly residential water bill was less than 1 percent of the City's monthly median household income; independent rate-setting authority; abundant supply of quality groundwater from the Missoula aquifer; and its strong, experienced management team.

It also notes that the City has met or exceeded most of its operational and financial goals since it purchased the water system 20 months ago.

The City will continue to service the debt with water utility revenues, and there is no effect on taxes.

Questions?

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