

Bond Case Briefs

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Moody's Places 37 Texas Municipalities Under Review for Downgrade.

New York, September 22, 2017 — Moody's Investors Service has placed the general obligation bond ratings of 31 Municipal Utility Districts, four School Districts, and two cities under review for downgrade, affecting \$1.2 billion in outstanding debt. The review was prompted by the potential for significant economic and revenue loss associated with damage caused by Hurricane Harvey and the related rains that inundated the region for several days. The area affected by the hurricane covers 39 FEMA-designated counties in Texas that include over 450 Moody's-rated municipal issuers. The majority of issuers that have been placed under review are smaller entities with concentrated revenue sources and limited financial flexibility.

Moody's identified issuers for review on the basis of their flood exposure, location and, in the case of utility systems and schools, their operating status. Specifically, the rating agency examined the issuers' exposure to flooding based on their proximity to 100- and 500-year flood zones and the Addicks and Barker reservoirs, and their location relative to the areas identified in FEMA's initial assessment of damage as of September 2, 2017. For those issuers in the most affected areas, the rating agency then considered potentially mitigating financial resources, including cash and reserves from their most recent audited financial statements. Moody's also considered information related to the extent of damage in a given area, including utility systems that were destroyed or rendered inoperable as of September 18, 2017 as reported by the Texas Commission on Environmental Quality (TCEQ) and schools that have not yet opened.

During the review Moody's will consider the credit implications of any economic and revenue loss from the hurricane as well as operating and capital costs associated with recovery. Additionally, Moody's will assess issuers' damage estimates, access to financial resources, including potential for and timing of financial assistance from federal and state sources, private property damage insurance coverage, and business disruption insurance.

The rating agency expects to complete the reviews over the next 60 to 90 days. Moody's will continue to review additional rated entities that were impacted by this unprecedented weather event as information becomes available.

List of issuers by sector:

Municipal Utility Districts:

Issuer Name Rating/Outlook County Debt outstanding as of 8/29/2017

Corinthian Point Municipal Utility Dist 2 Baa3/STA Montgomery County \$1.39M

Cypress-Klein Utility District A1/NOO Harris County \$355,000

Fort Bend Co. MUD 25 A2/NOO Fort Bend County \$100.39M

Fort Bend County M.U.D. 117 A2/NOO Fort Bend County \$16.13M

Fort Bend County MUD No. 128 A2/NOO Fort Bend County \$67.47M

Harris County Municipal Utility District 132 A1/NOO Harris County \$385,000

Harris County Municipal Utility District 153 A1/NOO Harris County \$23.02M

Kleinwood Municipal Utility A2/NOO Harris County \$11.83M

Montgomery County MUD 94 A3/NOO Montgomery County \$33.16M

Montgomery County MUD 95 Baa2/STA Montgomery County \$20.93M

Montgomery County Municipal Utility District 46 Aa3/NOO Montgomery County \$82.91M

Montgomery County Municipal Utility District 9 A1/NOO Montgomery County \$12.11M

Montgomery County Water Control Improvement District 1 A3/NOO Montgomery County \$13.49M

Montgomery MUD 90 Baa2/STA Montgomery County \$8.09M

New Caney Municipal Utility District A3/NOO Montgomery County \$25.17M

Northampton Municipal Utility District A2/NOO Harris County \$28.90M

Northeast Harris Co. M.U.D. 1 Baa3/STA Harris County \$8.51M

Oakmont PUD A2/NOO Harris County \$30.05M

Pecan Grove Municipal Utility District A1/NOO Fort Bend County \$53.34M

Southern Montgomery County Municipal Utility District Aa3/NOO Montgomery County \$7.56M

Spring Creek Utility District A2/NOO Montgomery County \$52.12M

Timber Lane Utility District A2/NOO Harris County \$49.48M

Varner Creek Utility District Baa1/NOO Brazoria County \$7.46M

Cnp Utility District A1/NOO Harris County \$15.94M

Fort Bend Co MUD 144 Baa2/STA Fort Bend County \$15.40M

Fort Bend County M.U.D. 116 A2/NOO Fort Bend County \$26.34M

Fort Bend County Municipal Utility District 152 Baa3/STA Fort Bend County \$8.40M

Fulshear Municipal Utility District No. 1 Baa2/STA Fort Bend County \$13.29M

Galveston County MUD 14 A3/NOO Galveston County \$9.61M

Harris County MUD 109 A2/NOO Harris County \$28.39M

Harris County Water Ctrl. & Imp. Dist.132 Baa1/STA Harris County \$3.80M

Cities:

Issuer Name Rating/Outlook County Debt outstanding as of 8/29/2017

Port Arthur (City of) A1/NOO Jefferson County \$48.62M

Robstown (City of) Ba2/NEG Nueces County \$16.13M

School Districts:

Issuer Name Rating/Outlook County Debt outstanding as of 8/29/2017

Ingleside Independent School District Aa3/NOO San Patricio County \$45.03M

Orangefield Independent School District A2/NOO Orange County \$9.36M

Sheldon Independent School District Aa3/NOO Harris County \$280.15M

Taft Independent School District A2/NEG San Patricio County \$28.45M

Methodology

The principal methodology used in the ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of the methodology.

Regulatory Disclosures

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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