

Bond Case Briefs

Municipal Finance Law Since 1971

Fitch to Affirm ST 'F1+' Rating on Houston GO CP Notes Series E-2

Fitch Ratings-New York-13 February 2023: On the effective date of Feb. 15, 2023, Fitch Ratings will affirm the short-term (ST) rating assigned to the \$100,000,000 City of Houston, Texas General Obligation Commercial Paper Notes Series E-2 (notes) at 'F1+'. A maximum of \$100,000,000 aggregate principal amount of authorized notes may be outstanding at any given time.

The rating action is in connection with (i) the substitution of the current liquidity facility issued in the form of a Credit Agreement provided by Wells Fargo Bank, National Association (Wells Fargo; AA-/F1+/Stable) supporting the notes, with a substitute liquidity facility in the form of a Credit Agreement also to be provided by Wells Fargo and (ii) the reoffering of the notes.

KEY RATING DRIVERS:

On the effective date, the short-term 'F1+' rating will be affirmed based on the support of the substitute liquidity facility to be provided by Wells Fargo. The substitute liquidity facility provides coverage for the principal amount and interest on the maturity dates of the notes.

The substitute liquidity facility will expire on April 22, 2025, unless such date is extended, or upon any prior termination of the substitute liquidity facility. For information on the long-term rating on the City of Houston, TX (AA/Stable), see the press release dated July 28, 2022 "Fitch Affirms Houston, TX's IDR and LT Bond Ratings at 'AA'; Outlook Stable" available on Fitch's website at www.fitchratings.com.

U.S. Bank Trust Company, National Association acting as Issuing and Paying Agent (IPA) will continue as the Issuing and Paying Agent for the notes, and as IPA, is directed to request an advance under the substitute liquidity facility whenever proceeds of the sale of rollover notes and other funds of the City of Houston are insufficient to pay maturing notes. The substitute liquidity facility provides sufficient coverage for the principal amount of notes and 270 days of interest calculated at 10% based upon a 365 day year.

All notes will be issued at par, with interest due at maturity. Following the occurrence of an event of default under the liquidity facility, Wells Fargo may direct the IPA to immediately stop the issuance of any additional notes. In such event, the substitute liquidity facility will expire after all the notes supported by such liquidity facility mature and have been paid from funds drawn on the substitute liquidity facility. In addition, the substitute liquidity facility may be terminated by Wells Fargo upon the occurrence of specified immediate termination events.

RATING SENSITIVITIES:

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-The short-term 'F1+' rating is Fitch's highest short-term rating and cannot be upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

-The short-term rating assigned to the notes will be adjusted downward in conjunction with the short-term rating of the bank providing the substitute liquidity facility and, in some cases, the long-term rating of the issuer.

Contact:

Primary Analyst
Linda Friedman
Director
+1-212-908-0727
Fitch Ratings, Inc.
300 W. 57th Street
New York, NY 10019

Secondary Analyst
Ronald P. McGovern
Director
+1-212-908-0513

Committee Chairperson
Joseph Staffa
Senior Director
+1-212-908-0829

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email:
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com