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# **NEWS RELEASE**

*June 6, 2012 – FOR IMMEDIATE RELEASE*

## **Moody's Rates Dubuque Bonds**

DUBUQUE, Iowa – Since May 23, Moody's Investors Services twice assessed the City of Dubuque's creditworthiness. In each case, Dubuque's bonds were judged to be "of high quality and subject to very low credit risk."

Moody's provides credit ratings and research covering debt instruments and securities. The purpose of Moody's ratings is to provide investors with a simple system to gauge future relative creditworthiness of securities. The firm uses nine rating classifications to designate least credit risk to greatest credit risk: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, and C. Moody's appends numerical modifiers 1, 2, and 3 to each rating classification.

On May 23, Moody's Investors Services affirmed Dubuque's Aa1 bond rating on its outstanding general obligation debt, which is secured by the full faith and credit of the City of Dubuque. According to Moody's, "Obligations rated Aa are judged to be of high quality and are subject to very low credit risk."

On Monday, June 4, the City sold \$14.56 million in general obligation bonds, \$6.965 in taxable bonds at 3.197 percent interest and \$7.175 million in non-taxable bonds at 2.790 percent interest. These bond sales bring Dubuque's general obligation unlimited tax debt to \$88.4 million. Proceeds from the bond sales will be used for the expansion of the Dubuque Industrial Center West, Dubuque Regional Airport Terminal Project, and utility infrastructure improvements and improvements to City properties/facilities.

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In affirming this rating, Moody's cited Dubuque's role as a regional service and retail provider in the region, satisfactory reserves, and an above-average debt burden supported by alternate revenue sources. Strengths mentioned included a growing economy and revenue-raising flexibility.

The taxable portion of the June 4, 2012, issuance interest rate of 3.1972 percent is 42 percent less than the highest interest rate the City received in the last seven years, 5.5369 percent. The non-taxable portion of the June 4, 2012, bond issuance interest rate of 2.2902 percent is 44 percent less than the highest interest rate the City received in the last seven years of 4.9508 percent.

On Wednesday, June 6, Moody's downgraded to Aa3 from Aa2 the rating on the City's water revenue bonds issued in 2008 and 2010. These bonds are secured by the net revenues of the City's water utility, affecting \$6.8 million in outstanding debt secured solely by revenues from the City's water utility. This downgrade applies to less than three percent of Dubuque's total city indebtedness (\$228.9 million) and 7.15 percent of the City's rated indebtedness.

The rating downgrade does not increase the City's future interest costs for the rated bonds; the debt service on the rated bonds is fixed through maturity. Most bonds do not trade following their issuance, so the downgrade likely will have a very limited impact on existing or future holders of the rated bonds. The City of Dubuque's approved five-year capital improvement program shows the City has no plans to issue future water revenue bonds, but if the City would choose to do so, the interest cost differential between the two ratings, Aa3 and Aa2, would not be significant.

In issuing this rating, Moody's cited a stable customer base and consistent rate increases implemented by city management as strengths for the City of Dubuque. Challenges cited were declining senior lien debt service coverage and increased borrowing of state revolving funds to fund extensive capital improvements.

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