



City of Gilroy

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City of Gilroy Receives AA Bond Rating with Stable Outlook

Standard and Poor's (S&P) has issued the city a "AA rating with a stable outlook," which is an outstanding rating. S&P cited the city's strong cash position, current capital planning effort in preparation for the next expansion including the commissioning of a new rate study and strong management in general for the high rating. S&P also stated there were no negative offsetting factors.

The city received this rating today on the refinancing of bonds the City issued for its portion of the SCRWA debt. The bond refinancing is based on city finances and not SCRWA, since it is for the city's portion of debt related to the SCRWA wastewater facility that we jointly operate with Morgan Hill.

This bond refinancing is related to our sewer system which operates as a city enterprise and for which the city has set aside certain reserves that will be used in partially funding future improvement projects, as well as the sewer development (impact) fund. As Gilroy moves forward with the wastewater treatment plant expansion project we will evaluate the rate structure necessary to support the expansion costs and will likely issue bonds to fund our portion of that project.

It is significant to note, however, that this rating follows a series of positive ratings from both S&P and Fitch Ratings (Library, COP refinance) in which the city's improved financial status and strong management is identified as factors in the rating process. The city's early efforts, going back to the June 2008 development of the significantly trimmed FY 2009 budget, followed by its swift, purposeful reaction to the economic crisis in the fall of 2008, has produced an overall stabilized budgetary situation that is noticed by the rating agencies.

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