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Press Release

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For Immediate Release
November 14, 2024

City of Modesto Bond Rating Upgrades: Signals Financial Strength and Stability

Modesto, CA, November 14, 2024 – A stable outlook, and a bond rating upgrade, was assigned to the City of Modesto which reflects the City's commitment to strong financial management principles. Moody's is one of the United States big three credit rating agencies (the other two being S&P and Fitch) for municipal government finance that defines credit ratings for the government bonds.

Moody's recently conducted a bond credit rating review for the Water bonds and the Lease Revenue bonds (funded by the General Fund and Successor Redevelopment Agency) which resulted in the City receiving an upgrade to our current bond ratings. For the Lease Revenue bonds, the City received a bond rating upgrade from **A1** to **Aa3**; the first upgrade since 2018. For the Water bonds the City received a rating upgrade from an **Aa3** to **Aa2**; this bond rating has not been upgraded since 2008.

The Lease Revenue Bonds upgrade is evaluated based on the financial review of the City's General Fund which factors in the recent voter approved Measure H 1% local sales tax. The City's substantial increase in its reserves both from the General Fund Emergency Reserves and the newly received Measure H fund reserves demonstrates a strong commitment to a healthy financial foundation. The City was able to show financial stability and economic growth despite rising inflation and ongoing supply chain challenges impacting both the Water Fund and General Fund.

The Water bonds upgrade was based on the results of the strong debt coverage ratio maintained for the Water Fund and healthy fund reserves. This upgrade will further improve the City's bond credit rating score with the benefit of obtaining better interest rates for the future financing needs of the City.

This accomplishment was made possible by the dedicated actions of the Mayor and the City Council to improve our financial standing through the years despite many difficult decisions. Prior to the passing of Measure H, this Council was faced with heavy implications of lost revenue and increasing costs. Their commitment never wavered in ensuring the financial stability of the City for the future. The City of Modesto is now seeing the positive impacts of some difficult decisions that were made and that have paved the way for financial flexibility for years to come.

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