

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's upgrades Bell Co. WC&ID 1, TX's outstanding water revenue bonds to A1

21 May 2019

New York, May 21, 2019 -- Moody's Investors Service has upgraded Bell County Water Control and Improvement District 1, TX's outstanding water system revenue bonds to A1 from A2, affecting \$60.5 million in Moody's rated debt. The district has an additional \$21.5 million in water system revenue bonds outstanding that were considered in this rating.

RATINGS RATIONALE

The upgrade to A1 reflects the district's strong liquidity which has increased annually over the past five years and healthy debt service coverage. The rating also considers the district's stable service area benefitting from the presence of Fort Hood, elevated debt burden, and satisfactory legal provisions.

RATING OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustained increases in debt service coverage
- Material reduction in debt burden

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material reduction of liquidity
- Growth in debt burden

LEGAL SECURITY

The bonds are secured by an irrevocable first lien on and pledge of the net revenues of the district's water system. Net revenues consist primarily of amounts received by the district pursuant to water supply contracts with its customers.

PROFILE

The Bell County WC&ID No. 1, TX's principal function is to provide wholesale water supply and sewage treatment services. The district provides water to seven major customers, which are the Cities of Killeen, Copperas Cove, Harker Heights, Belton, Belton Lake Outdoor Recreation Area, Bell County Water Control and Improvement District 3 and Fort Hood Military Reservation. The district contains 18,589 acres which includes a portion of Killeen (84% of the district's area) and a portion of Fort Hood (16%).

METHODOLOGY

The principal methodology used in these ratings was US Municipal Utility Revenue Debt published in October 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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Catherine Nicolosi
Lead Analyst
Regional PFG Dallas
Moody's Investors Service, Inc.
Plaza Of The Americas
600 North Pearl St. Suite 2165
Dallas 75201
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Roger Brown
Additional Contact
Regional PFG Dallas
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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