

Bond refinance saves Water Works nearly \$2.5 million

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Bond refinance saves Water Works nearly \$2.5 million Standard and Poor's Upgrades Bond Ratings to AA-; Moody's Affirms (BIRMINGHAM, Ala. - March 9, 2012) - Birmingham Water Works has worked hard to prove its strong financial position and fiscal responsibility to rating agencies and other financial stakeholders. Despite high debt ratios and a challenging economy, the company has worked hard to budget conservatively and make the most sensible financial moves for the company - and its customers. Bond refinance saves company \$2.49 million This week, Birmingham Water Works' management team and Raymond James, lead underwriter, completed a \$51.7 million bond issue on Series 2012-A Water Revenue Refunding Bonds. Proceeds from refinancing the bonds will advance refund 100% of the Board's outstanding 2004-A bonds for an estimated net present value savings of 5.20%. "The 2004 bonds have 14 or 15 more years remaining before they are paid off. In issuing the 2012 bonds to refund the 2004 bonds, we could have extended the number of years to pay them off to 20 or 30 years, but we chose to issue the new bonds for 14 or 15 years," says Mac Underwood, Birmingham Water Works general manager. "Issuing them over 30 years would have been extending the maturities." The bond refinancing team and Water Works management struck the current bond deal at just the right time. In the weeks leading up to the refinancing, only \$39 million of the outstanding bonds could have been refinanced at any cost savings to the company, according to reports. The Water Works completed the bond refinance on March 6 and was able to refinance all of the \$51.7 million bond. Financial markets took a turn just days later that would have prevented them from taking advantage of a cost savings. In short, this bond refinance is a financial move that will yield a significant cost-savings for the company - \$2.49 million, to be exact. And while this amount is just a drop in the bucket of \$317.74 million in debts incurred with the reacquisition of the system from the City of Birmingham, the bond refinance is a step in the right direction of helping to pay off outstanding debts more quickly, Birmingham Water Works officials say. Standard and Poor's upgrades bond ratings to AA-; Moody's affirms Standard & Poor's Ratings Services recently upgraded Birmingham Water Works' bond ratings from 'A+' to 'AA-' with stable projected outlooks. S&P cited the Water Works' decision to refinance the Series 2012-A Bonds as an influencing factor in this upgrade. The - more - upgrade reflects S&P's assessment of the Board's five-year debt service coverage projections, which predicts the company's progress in significantly covering debt payments within a five-year timeframe, as concurrent with the Water Works' strategic financial plan. The ratings also reflect S&P's positive view of the Board's regionally competitive water rates, strong reserve fund levels and diverse regional service area. Moody's Investors Service has affirmed an Aa2 rating for the Birmingham Water Works Board's \$39.24 million Series 2012-A Water Revenue Refunding Bonds, according to a report prepared by the rating agency. Moody's has also affirmed the Aa2 rating on parity senior lien debt and Aa3 rating on subordinate lien debt. This will help the company secure lower interest rates when financing bonds, resulting in fewer and lower rate increases for customers. "Both the senior lien and subordinate lien ratings reflect the Board's prudent fiscal management and healthy financial position, marked by solid reserves and satisfactory debt service coverage," Moody's reports. "Their strengths are solid fiscal management and conservative budgeting; healthy system reserves and satisfactory debt service coverage; and a sizeable service area." Birmingham Water Works uses bonds to finance capital improvement projects. Nearly \$55 million has been budgeted for capital improvements this year, which include ventures to ensure that water quality remains in-compliance with government regulations, take on needed system improvements and complete maintenance and repair projects. "While some of our spending may often times be misconstrued as frivolous, the real money is being spent on improving our system, and we are continually making strategic moves to conserve money where we can. This one display of financial prudence alone has saved us millions of dollars," says Board Chairman Jackie Robinson. "We have been, and continue to be, a conservative and financially responsible company. Our bond ratings and financial reviews speak for themselves, and we remain committed to doing what it takes to run a first-class water utility." Founded in 1951, the Birmingham Water Works serves 600,000 people in Jefferson, Shelby, Blount, St. Clair and Walker counties. For more information about your Birmingham Water Works Board, please call us at (205) 244-4000 or visit our Web site at www.birminghamwaterworks.com. ###