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Fitch Ratings: Outlook Stable for U.S. Water and Sewer Utilities in 2020

Fitch Ratings-Austin-12 December 2019: U.S. water and sewer utilities are in solid fiscal shape headed into next year with infrastructure a likely point of interest leading into the 2020 presidential election, according to Fitch Ratings in its 2020 outlook report.

“Water and sewer utilities continue to enact steady rate adjustments to accommodate operating cost increases and capital needs,” said Managing Director Doug Scott. “Utilities are also well-positioned to absorb any temporary business variations given their robust balance sheets.”

The water and sewer the industry will be paying close attention to infrastructure proposals of the presidential candidates headed into the 2020 election. Based on EPA’s latest figures, $740 billion in capital investment will be necessary to address water and sewer needs over a 20-year horizon. The new WIFIA program has afforded EPA the ability to leverage appropriations at an accelerated rate via credit subsidies compared to traditional state revolving fund loan programs. “Dramatic escalation in water and sewer infrastructure appropriations is unlikely, though WIFIA program expansion is a distinct possibility,” said Scott.

Increased volatility in weather extremes has the potential to escalate sector capital needs as utilities seek to harden assets and enhance water supply capability to ensure service delivery. Added capital demands would likely lead to some increase in moderate sector leverage levels and further erode sector affordability levels.

‘Fitch Ratings 2020 Outlook: U.S. Water and Sewer Sector’ is available at ‘www.fitchratings.com’.

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