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Fitch: U.S. Water & Sewer Utilities Stable in 2021

Fitch Ratings-Austin-09 December 2020: U.S. water and sewer utilities remain favorably positioned heading into next year despite the challenges posed by the macro environment, according to Fitch Ratings in its 2021 outlook report.

“With expectations of lower revenue growth than recent years, utilities are working to limit cost escalation and manage through capital spending needs,” said Managing Director Doug Scott. “Some increase in sector leverage is expected, but by and large balance sheets are sufficiently robust to absorb business disruptions arising from the pandemic.”

Local government credit pressures arising from the pandemic have the potential to spill over to related utility profiles, although Fitch expects credit impact across the sector will be relatively limited. Utilities may be tapped for certain financial support for their host government, or credit deterioration of the host government may directly affect a utility’s own rating in certain circumstances.

The water and sewer industry will be paying close attention to regulatory developments in 2021. In particular, a rule related to lead and copper is expected to be finalized and has the potential to increase annual costs across the sector by over \$342 million annually. Other regulations are also being considered for additional contaminants that could add significant costs for the sector over time.

‘Fitch Ratings 2021 Outlook: U.S. Water and Sewer Sector’ is available at ‘www.fitchratings.com’.

Contact:

Douglas Scott
Managing Director
+1-512-215-3725
Fitch Ratings, Inc.
111 Congress Avenue, Suite 2010
Austin, TX 78701

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email:
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

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