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North and South Shenango Joint Municipal Authority, PA's Series 2017 Sewer Revenue Bonds Rated 'A-'; Outlook Stable

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NEW YORK (S&P Global Ratings) Feb. 17, 2017--S&P Global Ratings assigned its 'A-' rating and stable outlook to North & South Shenango Joint Municipal Authority, Pa.'s series 2017 sewer revenue bonds. The rating reflects, in our opinion, the combination of strong enterprise risk profile and a strong financial risk profile.

"The rating also reflects stable but recently declining coverage metrics and liquidity. The small system maintains a stable customer base, diverse revenue streams, and has no plans for additional leverage," said S&P Global Ratings credit analyst Scott Winrow.

The enterprise risk profile reflects our view of the system's:

Service area as adequate, consisting largely of a rural resort and recreation area around Pymatuning Lake;
Very low industry risk as a monopolistic service provider of an essential public utility;
Affordable service rates in the context of the service area's income levels; and
Standard operational management practices and policies.

The financial risk profile reflects what we consider the system's:

Adequate-to-strong historical all-in debt service coverage (DSC) metrics that we believe the utility will continue to produce in the near term;
Adequate liquidity position that we believe is sustainable in the near term, despite using cash to fund capital needs;
Low debt-to-capitalization ratio of about 30% with no additional debt plans in the future; and
Standard financial management practices and policies.

The purpose of the bonds is to refund the authority's 2011 sewer revenue bonds and the 2015 note. The authority is also planning about \$500,000 of this issue for capital projects and to pay the costs of issuance. The bonds are secured by net revenues of the system. We view the legal provisions as credit neutral.

The stable outlook reflects our expectation that management will continue to maintain adequate-to-strong DSC metrics. We also expect that unrestricted cash will remain stable in the near term. Based on these factors, we do not expect to change the rating over the next two years.

If system operations and potential rate increases lead to significantly stronger coverage levels and cash levels are maintained, we could raise the rating.

Conversely, should financial metrics erode materially from current levels, we might consider a lower rating.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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