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Wilkinsburg Penn Joint Water Authority, PA Underlying Rating Raised To 'AA' From 'AA-' On Strong Enterprise Risk Profile

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NEW YORK (S&P Global Ratings) March 15, 2017--S&P Global Ratings raised its underlying rating on Wilkinsburg Penn Joint Water Authority Pa.'s debt outstanding to 'AA' from 'AA-'. The outlook is stable.

At the same time, S&P Global Ratings assigned its 'AA' long-term rating and stable outlook to the authority's series 2017 water revenue bonds.

"We base the upgrade our opinion of the combination of a strong enterprise risk profile and an adequate financial risk profile," said S&P Global Ratings credit analyst Scott Winrow.

The rating also reflects large but manageable capital needs, a stable customer base, and strong cash reserves.

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

Stable customer base, generally supported by participation in the Pittsburgh metropolitan statistical area (MSA),
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
Strong operational management practices and policies.

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

Extremely strong historical debt service coverage (DSC) metrics;
Very strong 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 6% with modest additional debt plans in the future; and
Good financial management practices and policies.

The bonds are secured by net revenues of the system. We view the legal provisions as credit neutral. The proceeds from the series 2017 issuance will be used to refund the authority's 2011 water revenue bonds, the authority's only debt outstanding.

The stable outlook reflects our expectation that the authority will maintain its strong financial position over the two-year outlook horizon. We expect that management will preserve, through timely appropriate rate increases, its current financial profile despite the loss of two leading customers. The system's manageable capital needs, coupled with the service area's stable local economy, provide for additional rating stability.

We could raise the ratings if the authority's coverage and liquidity metrics improve to and are sustained at levels that are comparable to those of higher-rated peers.
We could consider a lower rating should the authority's financial metrics materially erode.

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Certain terms used in this report, particularly certain adjectives used to
express our view on rating relevant factors, have specific meanings ascribed
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