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Date: July 21, 2026

To: Common Council

John Weidl, City Manager

From: Rachelle Blitch, Director of Financial and Administrative Services

Re: Update on Water & Sewer Utility Credit Rating Upgrade

Overview

S&P Global Ratings has raised the City of Whitewater's Water and Sewer Utility credit rating from A- to A. This is similar to moving from an A- to an A on a school report card — it means our utility system is performing better financially and is considered more reliable by lenders and investors. S&P also assigned the same A rating to the City's upcoming $5.3 million Series 2026B Water and Sewer Revenue Bonds. The outlook is stable, meaning S&P does not expect our financial condition to worsen in the near future.

Why the Rating Improved

S&P highlighted several reasons for the upgrade:

- **Stronger financial performance:** The utility is now consistently bringing in enough revenue to comfortably cover its loan payments.
- **Rate stability:** Past rate increases have now fully taken effect, and the City has moved to a predictable schedule of smaller annual increases (3–5%) instead of large, infrequent jumps.
- **Reliable customer base:** UW-Whitewater and local residential customers provide steady usage and revenue.
- **Strong savings:** The utility has healthy cash reserves, which help protect against unexpected costs.
- **Long-term planning:** The City has a clear plan for maintaining and upgrading the water and sewer systems.

What This Means for the City

An improved credit rating benefits the community in several ways:

- **Lower borrowing costs:** A higher rating generally means lower interest rates when the City issues bonds.
- **More predictable finances:** The new rate-setting approach helps avoid sudden financial swings.
- **Stronger financial reputation:** Investors view the City as a lower-risk borrower.

What S&P Will Continue to Watch

S&P noted that the rating could be affected in the future if:

- The utility's ability to cover its debt payments weakens
- Cash reserves drop significantly
- Operating costs rise without matching revenue increases

They also noted that a higher rating is unlikely unless the local economy grows substantially and the utility builds even stronger cash reserves.

Conclusion

The upgrade to an A rating reflects the City's commitment to responsible financial management, long-term planning, and stable utility operations. This improvement positions the City well as we move forward with the 2026B bond issue and future capital needs.