

Research Update:

Tahoe-Truckee Sanitation Agency, CA Series 2026 Wastewater Revenue Bonds Rated 'AA'

December 18, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to the [Tahoe-Truckee Sanitation Agency](#) (TTSA), Calif.'s approximately \$21.1 million series 2026 wastewater revenue bonds.
- At the same time, we affirmed our 'AA' rating on the agency's debt outstanding.
- The outlook is stable.

Rationale

Security

The bonds are secured by a pledge of the agency's net revenue. Bond provisions are, in our view, adequate and credit neutral, with a rate covenant of 1.25x annual debt service and an additional bonds test of 1.25x maximum annual debt service (MADS). A debt service reserve fund will not be funded for the bonds. However, we do not currently view this to be a material credit risks given the agency's robust cash position, which it does not currently expect to spend down. As of June 30, 2025, the agency had approximately \$5.8 million in debt outstanding, which included its series 2020 bonds, which are scheduled to mature in 2028.

Credit highlights

The rating affirmation reflects our expectation that the agency's financial metrics will remain robust over the outlook period, including coverage we expect to remain above 2x and unrestricted reserves that management intends to further improve. In 2024, the TTSA board implemented a 30% rate increase, with additional annual rates approved through 2028, which will effectively double the agency's rates from 2023 to 2028. Management attributes recent rate increases to capital needs anticipated by its 25-year master plan, which was finalized in 2020 and mostly concerns aging assets. Although we view these large rate increases as somewhat reactive, we view the agency's willingness to raise rates to accommodate the implementation of its long-term capital favorably. In addition, given local incomes and the affordability of rates, we continue to view the agency as possessing long-term rate flexibility.

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We currently view potential credit risks as concerning uncertainties related to the timing and cost of the agency's potential Nutrient Removal Improvements Project. The tentative project is currently estimated to be \$100 million to \$200 million and will replace the agency's existing nutrient removal facilities, which are reaching the end of their useful lives. The project will enable the agency's wastewater treatment plant to more efficiently remove nutrients, which management expects will also address potentially more stringent regulatory requirements in the future. Currently, the agency's five-year capital improvement plan (CIP) is about \$126.5 million, which also includes an anticipated \$70 million in costs on the tentative Nutrient Removal Improvements Project, although we understand this is subject to change. We have factored uncertainties related to the cost and timing of the project into our view of the overall rating.

Other key credit considerations include our view of the agency's:

- Strong service area economic fundamentals, with above-average median household effective buying incomes (MHHEBI), a reflection of the region's role as a service center for traffic travelling between Nevada and Northern California and desirability as a tourist destination, although we view the service area's tourism industry as susceptible to volatility.
- Flat rate bill collected from ratepayers' property tax bills, which we view as supporting both revenue stability and collection rates. In addition, we view the agency's flat rate bill as offsetting potential revenue volatility due to the service area's large number of rental and second homes.
- Affordable sewage rates, when considering both treatment and local collection charges. Given approximately half of the agency's customers receive sewer collection from Truckee Sanitary District, we have considered the district's collection rates in our assessment of local rate affordability.
- Fairly low debt-to-capitalization ratio, although we expect this to increase as the agency likely increases debt financing for future capital project.

Environmental, social, and governance

We consider the agency's treatment system assets to be mostly drought-resilient; however, we view the service area as highly exposed to wildfire risk, including as designated by CalFire and California Public Utilities Commission, which we consider a credit risk. Moreover, we believe that protracted declines in tourism due to climate change (or more extreme cycles of drought) could affect the agency's overall revenue base. With that said, we understand that the utility's facilities are primarily constructed of non-combustible materials such as reinforced concrete block and cement board-sided buildings. Additionally, the agency has implemented defensible space measures consistent with all applicable local ordinances, including regular vegetation management, fuel reduction, and clearance around critical infrastructure, buildings, and agency-owned access roads leading to the treatment plant. TTSA also conducts regular wildfire preparedness assessments in coordination with Truckee Fire Protection District.

The agency historically experienced some heightened turnover in senior management, which we previously viewed as a governance risk. We understand from management that turnover has stabilized, which we view positively. In addition, new management has recently reviewed and updated financial policies, including increasing minimum required reserves, while maintaining long-term financial and capital planning, and operational policies and practices we view as offsetting credit risks.

Outlook

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The stable outlook reflects our view of management's approved rate increases, which we expect will support strong debt service coverage (DSC) and improving cash position over the outlook period.

Downside scenario

We could take a negative action should capital costs pressure financial metrics, namely coverage or liquidity, to levels that we no longer view as aligned with the current rating or that provide sufficient margin to offset the agency's exposures to external risks such as related to the utility's heightened wildfire exposure.

Upside scenario

We could raise the rating over the longer-term should we view the agency's long-term financial plan related to its Nutrient Removal Improvements Project as likely to sustainably support financial metrics we view aligned with higher rated peers, while also maintaining rate setting flexibility.

Tahoe-Truckee Sanitation Agency, California--economic and financial data

		Fiscal year-end			
		Most recent	2025	2024	2023
Economic data					
MHHEBI of the service area as % of the U.S.	138.0				110.0
Unemployment rate (%)	4.7				3.6
Poverty rate (%)	8.7				10.0
Water rate (6,000 gallons or actual) (\$)	0.0				36.5
Sewer rate (6,000 gallons or actual) (\$)	66.0				41.0
Annual utility bill as % of MHHEBI	0.8				1.1
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		25,586	21,786	17,853	24,286
Total operating expenses less depreciation (\$000s)		20,315	19,244	14,669	17,090
Net revenues available for debt service (\$000s)		9,314	6,387	5,662	--
Debt service (\$000s)		3,101	3,098	3,034	--
S&P Global Ratings-adjusted all-in DSC (x)		3.0	2.1	1.9	2.2
Unrestricted cash (\$000s)		45,787	40,315	38,084	24,667
Days' cash of operating expenses		823	765	948	631
Total on-balance-sheet debt (\$000s)		26,875	8,455	11,005	39,844
Debt-to-capitalization ratio (%)		19.6	7.4	9.7	27.0
Financial management assessment	Good	--	--	--	Good

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Ratings List

New Issue Ratings

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Ratings List

US\$21,100,000 Tahoe-Truckee Sanitation Agency Financing Authority, California, Wastewater Revenue Bonds, (Tahoe-Truckee Sanitation Agency), Series 2026, dated: Date of delivery, due: June 30, 2046	
Long Term Rating	AA/Stable
Ratings Affirmed	
Water & Sewer	
Tahoe-truckee Sanitation Agency CA Sewer	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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