

Research Update:

Tooele, UT Series 2026 Sewer Revenue Bonds Assigned 'AA-' Rating

September 29, 2026

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [Tooele](#), Utah's approximately \$11 million series 2026 sewer revenue bonds.
- The outlook is stable.

Rationale

Security

Net revenue of Tooele's sewer system secures the series 2026 bonds. Bond proceeds will finance improvements to the sewer system. The sewer system had about \$3 million in debt outstanding on June 30, 2025.

Credit highlights

The rating reflects our view that Tooele's sewer system will produce robust all-in debt service coverage (DSC) in the coming years while maintaining the system's operational health. Based on a management-provided financial forecast, we project all-in DSC exceeding 3x in each of the next five years, including when annual debt service reaches about \$1.2 million annually. The sewer system has seen increased demand in recent years as Tooele's population has grown, but it remains capable of meeting customers' needs in the near term, which we view favorably. The number of customer accounts has increased by nearly 5% annually over the past five years. With the series 2026 issuance, the sewer system will upgrade its biosolids processing infrastructure and ultraviolet disinfection system, which are important projects for the system to eventually double its capacity to 6.8 million gallons per day (mgd) from 3.4 mgd.

The rating further reflects our view of the sewer system's:

- Affordable sewer rates, with the bill for the average residential customer at less than 1% of median household effective buying income, noting that the bill for the average residential customer will approximately double from 2024 to 2029;
- Healthy liquidity, with unrestricted reserves corresponding to nearly two years of operating expenses, based on unaudited fiscal 2026 data, although we note that the nominal amount of

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reserves is relatively small and likely to range between \$5 million and \$10 million over the next few years;

- Low debt-to-capitalization ratio of 23% after including the series 2026 issuance, which we expect to modestly strengthen in the coming years because there are no plans for additional debt issuance;
- Proactive management team that has instituted multiyear rate increases, periodically produces master plans and rate studies, and undertakes capital improvement plans in a timely manner to maintain the system's operational health; Limited environmental exposures, with the utility facing no regulatory pressures and minimal inflow and infiltration problems;
- Relatively small customer base with fewer than 13,000 customer accounts at the end of fiscal 2025, which could result in more volatile financial performance, although we note that this hasn't been evident in recent years;
- Below-average income indicators on a per capita basis, which could translate into a weaker ability for customers to absorb bill increases, though delinquencies have been manageable in recent years; and
- Challenges associated with rapid customer growth, including undertaking necessary capital investments and the increased debt burden.

Outlook

The stable outlook reflects our view that all-in DSC will remain robust even as the sewer system's debt service increases with the series 2026 issuance. We believe that the sewer system's affordable rates and growing customer base will enable the management team to adjust rates as needed to maintain healthy operational and financial performance.

Downside scenario

We could lower the rating in the next two years if the sewer system's financial performance materially weakened, possibly because of unanticipated increased capital spending needs. We could also lower the rating if the sewer system faces operational challenges associated with system growth.

Upside scenario

We do not expect to raise the rating over the next two years because the sewer utility's customer base will remain relatively small and the unrestricted reserves amount will not be commensurate with those of higher-rated peers.

Tooele, Utah--economic and financial data

	Most recent	Fiscal year-end			Median (AA-)
		2025	2024	2023	
Economic data					
MHHEBI of the service area as % of the U.S.	113.0				105.6
Unemployment rate (%)	4.0				3.8
Poverty rate (%)	6.2				11.2
Water rate (6,000 gallons or actual) (\$)	0.0				
Sewer rate (6,000 gallons or actual) (\$)	45.9				

Tooele, Utah--economic and financial data

	Most recent	Fiscal year-end			Median (AA-)
		2025	2024	2023	
Annual utility bill as % of MHHEBI	0.7				1.2
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		5,554	3,949	3,693	19,150
Total operating expenses less depreciation (\$000s)		3,466	3,210	2,896	12,380
Net revenues available for debt service (\$000s)		4,421	2,941	2,012	5,084
Debt service (\$000s)		268	264	262	2,480
S&P Global Ratings-adjusted all-in DSC (x)		16.5	11.1	7.7	2.4
Unrestricted cash (\$000s)		3,654	3,419	4,883	19,152
Days' cash of operating expenses		385	389	615	561
Total on-balance-sheet debt (\$000s)		2,858	3,058	3,249	27,336
Debt-to-capitalization ratio (%)		5.8	6.8	7.6	33.4
Financial management assessment	Good	--	--	--	Standard

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

Ratings List

New Issue Ratings

US\$11155000 Tooele, Utah, Water Revenue Bonds, Series 2026, dated: October 15, 2026, due: December 1, 2046

Long Term Rating AA-/Stable

New Rating

Water & Sewer

Tooele, UT Sewer System Revenue 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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Tooele, UT Series 2026 Sewer Revenue Bonds Assigned 'AA-' Rating

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