

Research Update:

Lindon, UT Series 2026 Water Revenue Bonds Assigned 'AA-' Rating

October 15, 2026

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [Lindon](#), Utah's anticipated \$7.06 million series 2026 water revenue bonds.
- The outlook is stable.

Rationale

Security

Net revenue of the city's water system secures the bonds. Bond provisions do not include a debt service reserve fund and a 1.25x additional bonds test and rate covenant. We view the bond provisions to be credit neutral. The city had approximately \$2.2 million in water system debt outstanding as of fiscal 2025 (ended June 30).

The city plans to use series 2026 bond proceeds to fund major capital improvement projects, including completion of culinary well No. 5, a water pipeline, and water pipeline replacement projects for Geneva Road and State Street.

Credit highlights

The rating reflects our view of the city water system's extremely strong all-in coverage and healthy reserves, which are anticipated to remain so in our two-year outlook period. Although all-in debt service coverage is declining from historical levels, we project all-in DSC will be above 1.6x in the two-year outlook. Partly offsetting these strengths, in our view, are the water system's economic fundamentals, notably the smaller size of operations, particularly compared with those of higher-rated peers.

The city's water rates will be adjusted by approximately 4% annually for 2027. We understand that the city has a practice of annually updating rates to align with operating needs, capital, and a DSC target of 1.25x. We view the water system's capital improvement plan (CIP) as manageable at \$16 million from fiscal years 2027 through 2032; the series 2026 bonds will support the CIP. Lindon's asset management and capital prioritization process also supports the CIP, which we believe will continue to underpin operational and financial stability.

The rating further reflects our view of:

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- The city is a growing bedroom community located in the Provo-Orem metropolitan statistical area, with recent customer growth that supports revenues. Income indicators are above the national average, and the service area is largely residential.
- Water system rates are affordable relative to the higher incomes and modest poverty ratio in the service area, providing ample rate flexibility. The city has a modest rate increase of 4% approved for fiscal 2027, which we believe is manageable for the service area. Water rates consist of a fixed monthly service charge by user type plus a per 1,000 gallon rate for users.
- We believe the system has demonstrated good operational and financial management through its practices and policies, including long-range capital planning and quarterly budget reviews by council. The potable (culinary) system, served by various springs and wells, has ample operational capacity to meet demand over the medium term. The irrigation system is supported by contractual arrangements with local providers and a regional wholesaler, Central Utah Water Conservancy District, providing a stable source for nonpotable needs.
- Reserves and debt service coverage are robust, even considering the city's plans to draw on cash reserves for pay-as-you-go capital in the next few years.
- The debt-to-capitalization ratio is favorable even when including the series 2026 issuance, which would increase the system's debt to about \$9 million. The city has a history of cash-funding projects, which has kept leverage low. We believe forward-looking planning will continue to support a favorable debt profile, and management reports no additional parity debt plans in the next two years.
- Physical risks are relevant and elevated for Lindon. The city faces challenges from climate change and population growth. The city's water supply is susceptible to natural cycles of drought. We believe the city has well-defined emergency preparedness plans to mitigate water supply risks associated with drought, and long-term programmatic and infrastructure plans to enhance water supply reliability through local sources.

Outlook

The stable outlook reflects our anticipation that the water system's financial metrics will remain supportive of the rating given its lack of debt plans.

Downside scenario

We could take a negative rating action if management fails to align rates with the rising cost-of-service requirements and the water system's financial performance falls well below historical levels, requiring a significant spend down of reserves.

Upside scenario

We could raise the rating if the system's financial metrics, especially reserves, improve to levels more comparable with those of higher-rated peers.

Lindon, 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.	134.0				105.6

Lindon, Utah--Economic and financial data

	Most recent	Fiscal year-end			Median (AA-)
		2025	2024	2023	
Unemployment rate (%)	3.6				3.8
Poverty rate (%)	9.0				11.2
Water rate (6,000 gallons or actual) (\$)	50.6				
Sewer rate (6,000 gallons or actual) (\$)	0.0				
Annual utility bill as % of MHHEBI	0.7				1.2
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		3,865	3,552	3,644	19,150
Total operating expenses less depreciation (\$000s)		2,541	2,596	2,144	12,380
Net revenues available for debt service (\$000s)		1,701	1,150	1,666	5,084
Debt service (\$000s)		143	143	142	2,480
S&P Global Ratings-adjusted all-in DSC (x)		11.9	8.0	11.7	2.4
Unrestricted cash (\$000s)		2,994	4,044	7,672	19,152
Days' cash of operating expenses		430	569	1,306	561
Total on-balance-sheet debt (\$000s)		9,290	2,289	2,356	27,336
Debt-to-capitalization ratio (%)		18.8	5.5	5.9	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\$7,060,000 Lindon, Utah, Water Revenue Bonds, Series 2026, dated: November 5, 2026, due: November 1, 2046

Long Term Rating AA-/Stable

New Rating

Water & Sewer

Lindon City, UT Water System 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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Lindon, UT Series 2026 Water Revenue Bonds Assigned 'AA-' Rating

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