

Research Update:

Lindon, UT Series 2026 Sewer Revenue Bonds Assigned 'A+' Rating

October 15, 2026

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to [Lindon](#), Utah's anticipated \$3.095 million series 2026 sewer revenue bonds.
- The outlook is stable.

Rationale

Security

Net revenue of the city's sewer system secures the bonds. Bond provisions do not include a debt service reserve fund. Additional provisions include a 1.25x additional bonds test and rate covenant. We view the bond provisions as credit neutral. The city had approximately \$2.2 million in sewer 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 Lakeview Road sewer main replacement, sewer force main improvements, and Center Street sewer main replacement.

Credit highlights

Incorporated into the rating is our view of the city sewer system's lower all-in coverage anticipated in the two year-outlook as the city begins funding its share of the Orem Sewer Expansion Project costs. The rating reflects our view of the system's growing customer base, higher ratepayer income profile, and healthy reserves, which are anticipated to remain credit strengths during our two-year outlook period. Partly offsetting positive credit factors are the sewer system's economic fundamentals, notably the smaller size of operations, particularly compared with those of higher-rated peers.

The city's sewer system is a collection-only system, with treatment services provided by the city of Orem. In August 2026, the city approved a monthly sewer fee of about \$20 to accommodate costs associated with the city's share of the \$95.5 million Orem Expansion Treatment Facility Project. Given local incomes in the city, we do not anticipate the added fee to pressure ratepayer affordability. We understand Lindon's share of the Orem project is about 12.2% of the total costs, representing an obligation estimated at \$11.68 million.

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The city has adjusted rates for 2026 (10% usage, 7% base) and 2027 (1% usage, 3% base) as it incorporates the current issuance and the upcoming Orem project. Based on a management-provided financial forecast, we project all-in debt service coverage (DSC) may drop to about 1.1x-1.2x through fiscal 2028 as annual debt service includes approximately \$1 million annually of Orem Sewer Expansion Project costs. Our all-in DSC calculations include S&P Global Ratings' analytical adjustments, and differ from the coverage calculations in the indenture. Our all-in coverage calculation considers the Orem project costs along with our estimate of a fixed-cost component of Orem's treatment charges, though the city does not have a take or pay contract with Orem. We note that the city's senior-lien debt service is anticipated to remain about \$500,000 annually, in line with historical levels.

The sewer system has seen increased demand in recent years as Lindon's population has steadily 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% over the past four years. We view the sewer system's capital improvement plan (CIP) as manageable at \$6 million from fiscal years 2027 through 2031; 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:

- 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.
- Sewer system rates are affordable relative to the higher incomes and modest poverty ratio in the service area, providing ample rate flexibility.
- The customer base is relatively small, with about 3,700 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.
- The proactive management team considers multiyear needs in its budgeting and planning, periodically produces master plans and rate studies, and undertakes capital improvement plans in a timely manner to maintain the system's operational health. Management reports a 2023 sewer overflow event, which the city reported to the state of Utah. The utility has not faced any other regulatory or environmental issues.
- Days' cash is robust, though reserves are nominally small given the smaller utility size. We anticipate reserves will remain at historical levels, notwithstanding 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 \$5.3 million. The city has a privately placed sewer bond, series 2017, with about \$649,000 outstanding, though we do not consider this a contingent liability as there are no acceleration provisions. 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 as 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. We believe the city has well-defined emergency preparedness plans to mitigate impacts associated with severe rainfall, coupled with long-term programmatic and infrastructure plans to enhance the sewer system.

Outlook

The stable outlook reflects our view that all-in DSC will be in the 1.1x-1.2x range 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 take a negative rating action if the sewer system's financial performance materially weakens, either from unanticipated capital costs or ongoing operational expenditures, leading to unbudgeted draws on reserves and weakening of all-in DSC.

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 (A+)
		2025	2024	2023	
Economic data					
MHHEBI of the service area as % of the U.S.	134.0				93.0
Unemployment rate (%)	3.6				3.6
Poverty rate (%)	9.0				11.5
Water rate (6,000 gallons or actual) (\$)	0.0				
Sewer rate (6,000 gallons or actual) (\$)	76.4				
Annual utility bill as % of MHHEBI	1.0				1.2
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		2,375	2,690	2,013	8,912
Total operating expenses less depreciation (\$000s)		1,472	1,466	1,329	5,886
Net revenues available for debt service (\$000s)		1,267	1,328	772	2,805
Debt service (\$000s)		404	406	405	1,449
S&P Global Ratings-adjusted all-in DSC (x)		2.9	3.0	1.8	2.1
Unrestricted cash (\$000s)		3,853	4,416	2,458	8,146
Days' cash of operating expenses		955	1,099	675	581
Total on-balance-sheet debt (\$000s)		5,353	2,732	3,080	13,941
Debt-to-capitalization ratio (%)		29.1	18.0	21.4	37.7
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\$3,095,000 Lindon City, Utah, Sewer Revenue Bonds, Series 2026C, dated: Date of Delivery, due: November 1, 2046

Lindon, UT Series 2026 Sewer Revenue Bonds Assigned 'A+' Rating

Ratings List

Long Term Rating	A+/Stable
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New Rating

Water & Sewer

Lindon City, UT Sewer system	A+/Stable
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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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