



## Rating Action: Moody's assigns initial A1 to Cleveland Utilities Authority, TN Water and Sewer Enterprise Revenue Bonds, Series 2023

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New York, October 04, 2023 -- Moody's Investors Service has assigned an initial A1 revenue rating to Cleveland Utilities Authority, TN Water and Sewer Enterprise's proposed \$25.02 million Water and Wastewater System Revenue Bonds, Series 2023. Following the issuance, the enterprise will have \$76.8 million in total debt outstanding.

### RATINGS RATIONALE

The A1 rating reflects the enterprise's moderately-sized operations with a growing customer base, below average resident wealth and income levels, healthy debt service coverage and liquidity, and adequate bondholder provisions. The rating also reflects the enterprise's above average debt burden which is expected to grow given plans of increased capital spending over the near to medium term. Governance considerations are material to the enterprise's credit profile including its strong fiscal management with long-term operational and capital planning.

### RATING OUTLOOK

Outlooks are typically not assigned to local government issuers with this amount of debt outstanding.

### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Increase in liquidity and debt service coverage
- Decline in debt burden
- Improvement in resident income level
- Growth of service area and system operations

### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in debt service coverage or liquidity beyond expectations
- Increase in debt burden beyond expectations
- Contraction of service area and system operations

### LEGAL SECURITY

Debt service on the Water and Wastewater Revenue Bonds, Series 2023 is payable from a senior lien upon the net revenues of the water and wastewater system on parity with state revolving fund loans.

### USE OF PROCEEDS

The proceeds of the bonds will be used to refund water and wastewater revenue bonds that were transferred from the Board of Public Utilities of the City of Cleveland to the Cleveland Utilities Authority.

## PROFILE

Cleveland Utilities Authority, TN provides electric distribution, water and wastewater services to customers located in the City of Cleveland (Aa3) and in portions of Bradley County (Aa2). The water and wastewater systems are part of Cleveland Utilities Authority and serves approximately 34,000 and 21,000 customers, respectively.

## METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt Methodology published in April 2022 and available at <https://ratings.moodys.com/rmc-documents/386721>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1355824](https://ratings.moodys.com/documents/PBC_1355824).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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