



City of Arts & Innovation

News Release

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Fitch Affirms aa+ Rating of Riverside Public Utilities Water System Revenue Bonds, Showing Confidence in the Operation and Fiscal Management of RPU

Positive news comes despite anticipated increased federal regulation of water utilities nationwide

RIVERSIDE, Calif. – The influential bond rating firm Fitch Ratings has expressed confidence in the finances and operations of Riverside Public Utilities by affirming the ‘AA+’ rating of the utility’s \$202.8 million water revenue refunding bonds, \$24.1 million variable rate refunding water revenue bonds at ‘AA+’/‘F1+’ and classifying RPU’s rating outlook as stable.

The decision is significant because Fitch issued the ruling even in the face of nationwide uncertainty regarding the future federal regulation of PFAS, the so-called “forever chemicals” that likely will require significant investment from both public and private water utilities. The affirmation of the AA+ water revenue bond rating demonstrates that Fitch believes RPU is well-situated to weather any additional regulation.

“It is gratifying to see that Fitch recognizes the good work being done at RPU when it comes to maintaining an excellent financial outlook,” City Manager Mike Futrell said. “Ratepayers are the real winners since the Fitch decision will help RPU save money when borrowing for much-needed capital projects.”

RPU’s standalone credit profile (SCP) has been rated at ‘aa+,’ which Fitch stated “reflects the system’s ‘Very Strong’ financial profile.” Both the system’s revenue defensibility and operating risk profile are rated as ‘Very Strong,’ resulting in an overall assessment of ‘aa.’ Additionally, the short-term ‘F1+’ rating highlights the system’s exceptional credit quality, underpinned by its ‘AA+’ long-term rating. Fitch also noted that the current rating is based on the expectation that RPU’s financial condition will continue to remain robust in the future.

Other factors include RPU’s desirable customer base, with moderate unemployment compared to the rest of the nation and income levels about 11 percent above the national median. Fitch also praised RPU for a very low operating cost burden and moderate investment needs.

Fitch noted that RPU meets its water needs entirely through its own abundant groundwater supplies, but also is well situated to handle any emergency needs because of its good relationships with Western Municipal Water District and its parent Metropolitan Water District of Southern California. RPU's groundwater supplies should be considered a "competitive advantage" in the region, Fitch noted, because other local utilities rely on imported water and therefore have a higher degree of uncertainty.

Additional federal regulation of PFAS is likely, but RPU currently meets all current regulations and can meet future regulations, Fitch found.

"RPU staff members work every day to ensure our water meets all state and federal criteria, and the Fitch findings are a compliment to their hard work," General Manager David Garcia said. "The rating affirmation also shows confidence in our financial strength, which is why ratepayers can be confident in their utility."

Fitch also has upgraded the city's outstanding taxable pension obligation bonds (POBs), series 2017A and 2020A to 'AA' from 'AA-' and issued a rating outlook of Stable.

The outlook reflects Fitch's belief that the city's strong financial management policies and practices, along with sound reserve levels, are sufficient to mitigate against medium-term economic issues.